



# Element of Successful Business Plans

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# Three Component Parts of a Business Plan

- ◆ Business Plan Document

- ◆ Presentation Deck(s)

- ◆ Elevator Pitch

# Objectives in Preparing the Business Plan

- ◆ Provide a Description of the Venture
  - Clear
  - Convincing
  - Vehicle to Begin Discussion
- ◆ Address How You Will Mitigate Risk
  - Technical Risk
  - Business Risk
  - Management Risk
- ◆ Demonstrate Credibility

# Every B-Plan Must Address:

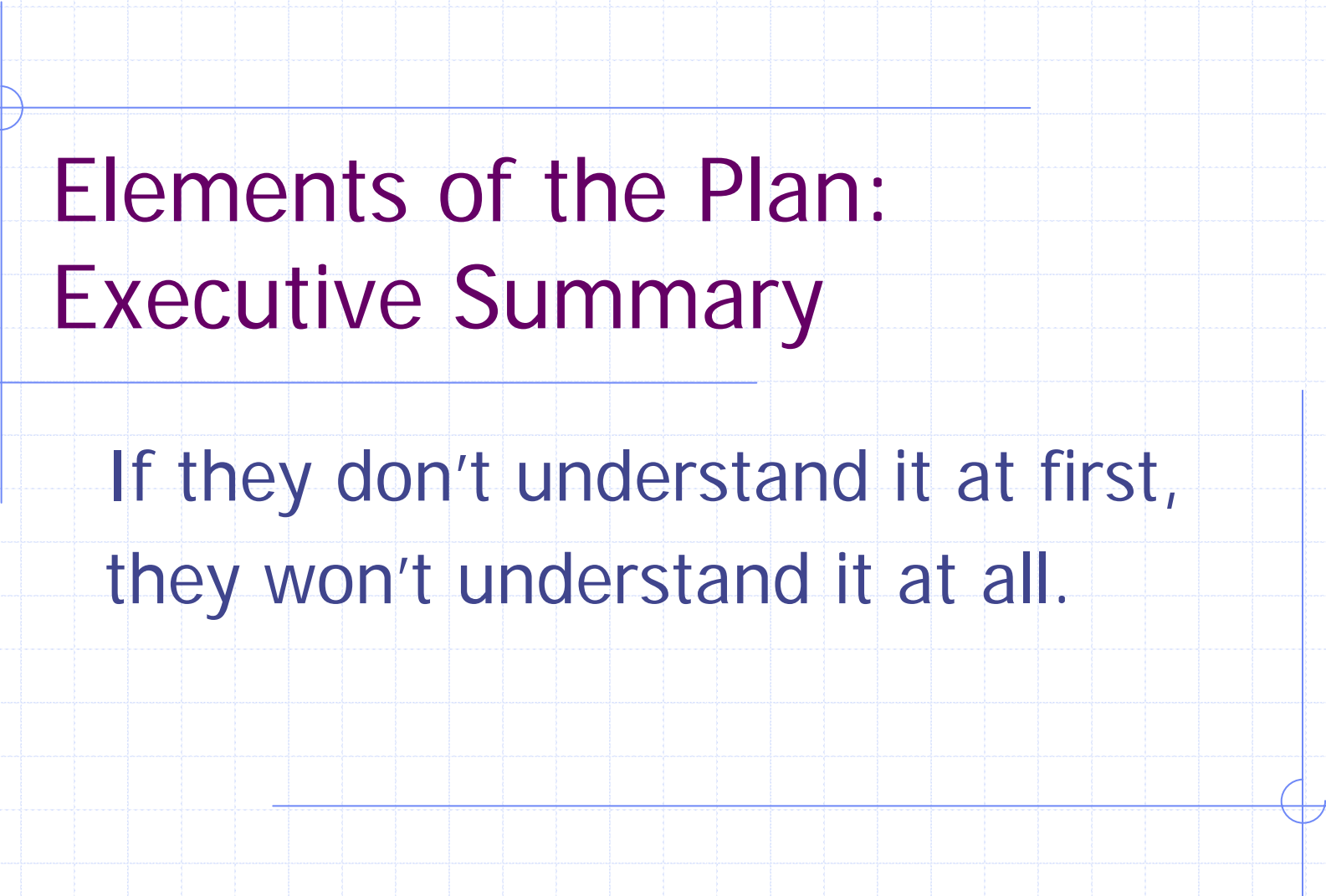

- ◆ What is the Key Customer Need?
  - Who is going to buy this?
  - How are they going to use it?
- ◆ What is the Business Model?
  - How do we make money?
  - How do we structure the value chain?
- ◆ What are the Key Technical Components?
  - What is the core design knowledge?
  - What is the IP strategy?

# The Process of Writing the Business Plan

- ◆ Lay out the Basic Business Concept
- ◆ Gather Data to Investigate Concept Feasibility
- ◆ Focus and Refine Concept
- ◆ Outline the Specifics of the Business
- ◆ Write Component Sections
- ◆ Draft the Executive Summary
- ◆ Revise

# Elements of the Business Plan

- ◆ I. The Executive Summary
- ◆ II. The Company
- ◆ III. Products and Services
- ◆ IV. Market Analysis
- ◆ V. Strategy and Implementation
- ◆ VI. Management Summary
- ◆ VII. Financial Plan



# Elements of the Plan: Executive Summary

If they don't understand it at first,  
they won't understand it at all.

# Elements of the Plan

## I. Executive Summary

- ◆ First, Last, and Only
- ◆ Clear, Concise Description of the Venture
  - 1- 2 pages
- ◆ Must Convey:
  - Business Concept is Sound and Unique
  - Management is Capable
  - A Clear-Cut Market Exists
  - Financial Projections are Realistic
  - A Strong Probability that Investors will Profit

# Elements of the Plan

## II. The Company

### ◆ Company Ownership

- Founders
- Investors

### ◆ Start-up Summary

- Investments Made
- Assets Owned

### ◆ Just the facts

- 1 – 2 pages

# Elements of the Plan:

## III. The Product

- ◆ The Concept - Your Advantage
  - The Reason Most Business Plans Fail Is Because They Don't Understand the Business They Are In.
- ◆ Comparisons to Competition
- ◆ How is this possible?
  - Sourcing
  - Technology
- ◆ Extensions
  - Future Products and Services

# Elements of the Plan

## IV. Industry & Market Analysis

- ◆ “Prove” that a Strategic Opportunity Exists
- ◆ Why is the Industry Structurally Attractive?
- ◆ How is the Market Segmented?
  - What are the Key Contextual Factors? Trends?
  - What is the Current Size of the Market?
  - Is the Market Growing?

# Elements of the Plan

## IV. Competitive Analysis

- ◆ Identify Others in the Race
  - Every Business Has Competition
  - How is Customer Need Currently Filled?
- ◆ Assess Position, Strengths, Weaknesses, and Strategies of Existing Competitors
- ◆ Evaluate Potential Entrants
- ◆ Highlight Vulnerabilities of Competitors and Detail Strategic Opportunities

# Elements of the Plan –

## V. Strategy and Implementation

### ◆ Show You Have a “Winning” Strategy

- An Easily Recognized Value-Add For Customers
- Means to Cost-Effectively Reach Customers
- Unique Competencies to Ensure Durable Competitive Advantage

# Elements of the Plan

## V. Strategy and Implementation

### ◆ Focus on Issues That

- Are Essential for Success
- Overcome Problems Areas
- Provide Competitive Advantage

# Elements of the Plan

## V. Strategy and Implementation

### ◆ Attach Problem Areas

- Identify
- Assess
- Respond

### ◆ Sources of Risk

- Competitive
- Legal/Regulatory
- Technology
- Management
- Cash-Flow
- Market

# Elements of the Plan –

## V. Strategy and Implementation

### ◆ Marketing Strategy

- Pricing
- Promotion
- Placement/Distribution

### ◆ Sales Strategy

- Sales Forecast
- Sales Plan

### ◆ Strategic Alliances

# Information Sources

- ◆ The data available about market characteristics and competitors are frequently inversely related to the real potential of an opportunity.
- ◆ Exploit Published Sources
  - Guides, Government Statistics, Trade Journals
- ◆ Tap Primary Sources
  - Prospective Users, Competitors, Suppliers

# Elements of the Plan

## VI. Management and Organization

- ◆ Management Dream Team
  - Experience and Accomplishments
  - Complementary Functional Skills
  - Industry Connections
  - History as a Team
  
- ◆ Profile Other Key Personnel
  - Board of Directors
  - Advisory Committees
  - External Experts
  
- ◆ 2 – 4 pages

# Elements of the Plan

## VII. Financials

“To be good at your business, you have to know the numbers -- cold.”

Harold Geneen  
Former Chairman, IT&T

“Numbers are merely the reflections of decisions you make.”

Rhonda Abrams, President  
Abrams Business Strategies

# Elements of the Plan

## VII. Financials

### ◆ Purpose of Financials

- Present Financial Position
- Highlight Capital Requirements
- Indicate Venture's Potential
- Provide Evidence of Recent Exit Options

### ◆ Forms Included in Appendices (3-5 Years)

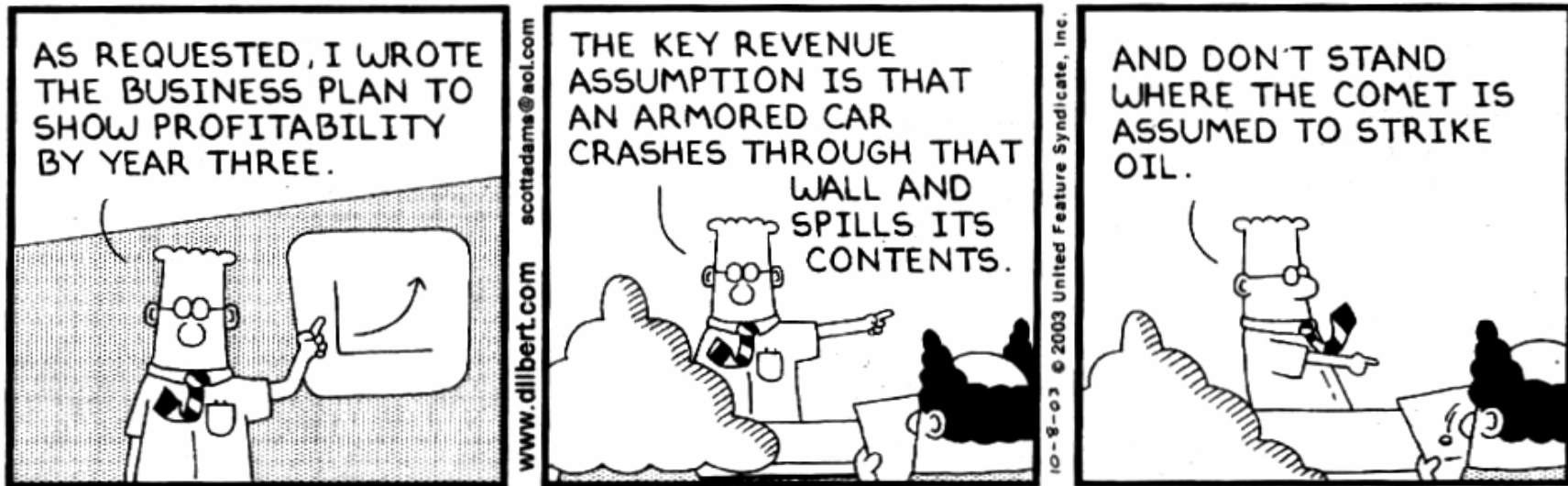
- Income Statement
- Cash-Flow Projection
- Balance Sheet

# Elements of the Plan

## VII. Financial Imperatives

- ◆ Include an Assumption Sheet
- ◆ Be Realistic
  - In-line with Industry Averages
  - Be Prepared to Explain Deviations
- ◆ Incorporate Financial Information in Text
  - Details in Appendices
- ◆ Match Capital Needs with Milestones

# Business Plans as Portrayed by Dilbert



# Strategy for Preparing the Business Plan:

- ◆ Provide a vision of what the business will look like when it really hums
- ◆ Use a Straightforward Tone
  - Document, document, document
  - Understate
- ◆ Practice, Practice, Practice
  - Talk to people
  - Iterate

# Preparation of the Components:

- ◆ Don't Overwhelm the Audience
- ◆ Don't Make Ambiguous or Unsupported Statements
- ◆ Don't Waste Money on "Sizzle"
- ◆ Don't Adopt "Creative" Financial Formats
- ◆ Don't Rigidly Define Terms of Investment

# What's Wrong With this Statement?

◆ “The health care market is \$1.1 trillion!  
If we get just 1/10% of it. . . .”

- TRANSLATION: We are unable to differentiate between Band-Aids, nursing home care, EKG machines, and Q-tips. Moreover, our guess is that there are only 1000 companies providing health care products and services.

# What's Wrong With this Statement?

◆ "We're going to have the best product at the lowest price."

- TRANSLATION: From a realization of value standpoint, we're going to give our product away because we don't think we're smart enough to explain to people why they should pay a premium for it, even though its worth the price.

# What's Wrong With this Statement?

◆ "Projected pre-tax margins double or better than industry average. . ."

- TRANSLATION: We believe that Murphy's Law has been suspended for us and us only.

# What's Wrong With this Statement?

◆ "We have no competition."

- TRANSLATION: We are about to get our butt kicked in the marketplace.

# The 10 -20 – 30 Rule

◆ When preparing the presentation

◆ 10 Slides

◆ 20 Minutes of prepared comments

◆ 30 point Font

# Additional Resources

- ◆ Guy Kawasaki
  - *The Art of the Start*
- ◆ John Mullins,
  - *The New Business Road Test*
- ◆ Geoffrey Moore
  - *Crossing the Chasm*
- ◆ Don't waste \$\$ on software



Thank you

And Good Luck