

ICS 691: Internet Entrepreneurship Theory and Practice

Elements of business plans

(1)

What is a business plan? (1)

The (simplistic) structural answer:

• A document with the following sections:

- Description of business
- Products and services
- Industry and market analysis
- Marketing strategy
- Competition
- Management and organization
- Personnel
- Financial data
- Appendices

Another answer focusses on the goal and audience.

(2)

What is a business plan? (2)

Goal: Provide a structure that guides the process of designing a business.

Audience: founding members.

Goal: A useful tool to individuals evaluating your business as a potential investment.

Audience: VC, bankers, etc.

Goal: A useful tool to individuals evaluating your business as an organization to join.

Audience: potential staff.

Goal: A model that indicates whether the business is operating according to plan.

⁽³⁾ **Audience:** future management.

Business plan misconceptions

I need a business plan to start a business.

Only MBAs or B-school students can write business plans.

I must complete the entire plan before showing it to anyone.

People either know instinctively how to write a business plan or they don't.

⁽⁴⁾ **There is a "winning formula" for the structure/contents of a business plan.**

VCommerce business planning

VCommerce business plans are:

- shorter than "real" business plans
- simpler than "real" business plans

This enables you to:

- write more than one plan in a single course
- improve or abandon your first bplan based upon "market" feedback
- learn from reading dozens of other VCommerce bplans
- obtain confidence in your ability to "scale up" to a real-world setting

(5)

What is a business plan? (3)

One answer is structure-driven.

Another answer is goal/audience-driven.

A third answer is functional:

- A document that addresses four issues:
 - The people
 - The opportunity
 - The context
 - Risk and reward

(6) From W. Sahlman, "How to write a great bus. plan", HBR 1997

People

The right people can fix a bad business idea,
while the wrong people can ruin a great one.

(7)

Opportunity

Is the market large? growing? large and
growing?

How expensive is it to find customers who will
buy the product?

Will the customers pay more than the cost of
the product?

How will you preserve your business when
competitors enter your market?

(8)

Context

Macro-economic environment

- inflation, interest rates, tax laws and other government regulations

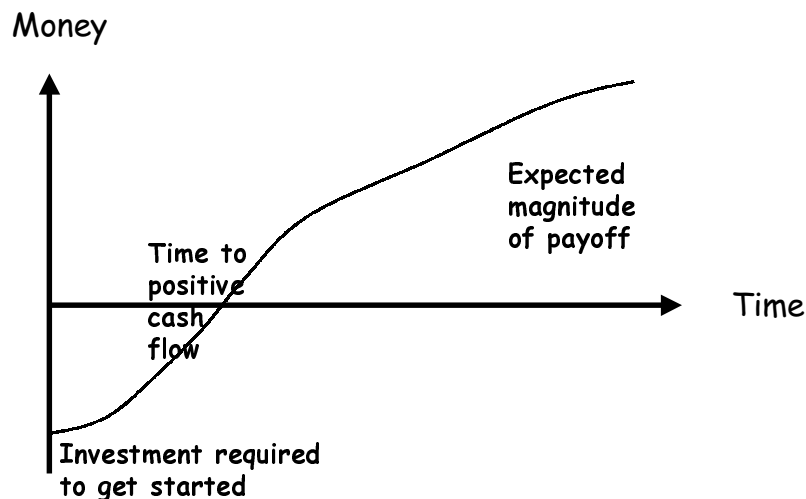
Local issues

- news events, new technologies, etc.

How is your business affected by context?
How will it adapt when the context changes?

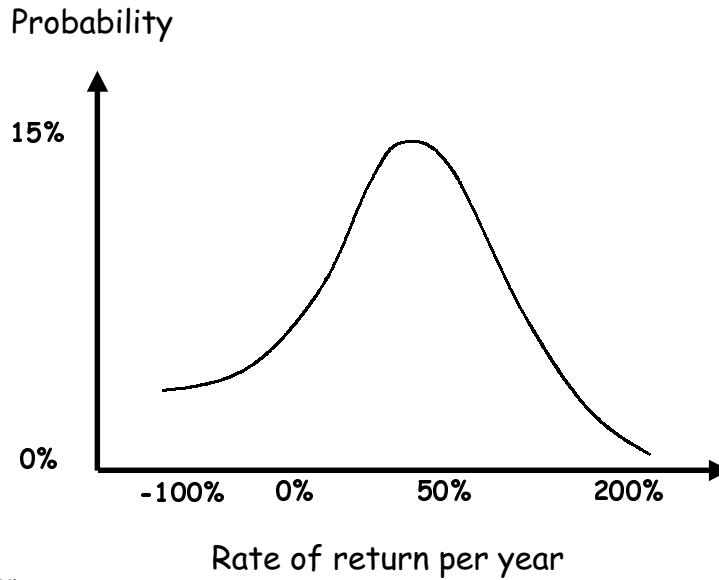
(9)

Risk and Reward



(10)

Risk and Reward



What they say... and what they mean

We seek a value-added investor...

- We seek a passive, dumb-as-rocks investor...

We took our best guess and divided by two...

- We accidently divided by 0.5.

We project a 10% margin...

- We downloaded a business plan template from the Internet and didn't modify any assumptions.

(12)

What they say... and what they mean

We only need a 10% market share...

- So do the other 50 companies getting funded

Customers are clamoring for our product...

- They are our relatives, and we give it to them for free

We are the low-cost producer...

- We have not produced anything yet, but we think we can.

Our management team has extensive experience...

- (13) •Consuming our product.

Recommended books

Engineering your startup, Michael Baird

- The classic book for techies, dated but still excellent.

Harvard Business Review on Entrepreneurship

- Collected readings, very stimulating

Business Basics in Hawaii, Dennis Kondo

- Classic reference for locals

(14)

Homework

Go to Wayne Brown site

• www.venturecapital.org

Go through all sublinks in section entitled "The Classic Venture Prototypes"

Apply this analysis to the Pizza Portal business plan

Write a one page summary of your findings.

(15)