Executive Summary

The executive summary in the business plan is always the first section after the table of contents and title page. It is a brief, yet comprehensive, summary of the overall business plan. Typically the executive summary will be one to two pages in length and will include such items as a summary description of the concept and business; opportunity and strategy; target market and projections; competitive advantages; team; and funding requirements (Timmons & Spinelli, 2009). As with all types of research, this initial section should set the stage for the subsequent detailed sections of the full study (business plan).

Although there are many forms and iterations for presenting business plans, the Capstone project business plan will be presented in the model format presented by Timmons & Spinelli (2009, p. 283-293). This primer is based on that model and is intended to provide an outline overview of the various sections required. Specific details for each of these sections are further defined in that text. The ability to perform the required research, analytics, and evaluation are presented throughout the master’s journey in the various core and concentration course offerings. Additionally, three seminars are conducted to assist in the development of the Capstone project proposal, as well as the project itself. Fundamental research methods are presented in a separate course offering which will also assist in the development of the proposal and ultimate project.
Industry and Proposed Company

Many business plans will provide a reasonably detailed review of the industry, proposed company, as well as the products and services in this section. It is recommended that this section for the proposed Capstone project be comprised of the industry and proposed company, while utilizing the next major section to describe and discuss the products and services. Also note that this section begins on its own page, similar to a new chapter in a research proposal, thesis, etc. Given that it is a business plan, this major section will probably be segmented into several subsections including, but not necessarily limited to, an initial discussion on the industry, followed by a discussion on the proposed company and concept that the company is based upon. Each of these new sub-sections will be secondary section titles that must be left justified and capital sensitive for major words.
Products and/or Services

This section provides an opportunity to provide a detailed description of the products, services, or both that will be offered by the company. Some things to consider that will benefit the overall business plan as it relates to this section include (but is not necessarily limited to): the application of the product and/or service; how it will be delivered to the consumer; unique features that will differentiate it in the market; potential obstacles; current state of development; and potential growth opportunities for expansion of the product and/or service. Additionally, this section should introduce such aspects as key variables in the marketing plan (i.e. innovation, timing, pricing, distribution, advertising, promotion, etc.); these will be further analyzed and described in greater detail later in the business plan.
Market Analysis

This section of the business plan provides the reader with information that explains and supports the assertions about the entrepreneurial venture related to target market, ability to capture the projected share of market, as well as ability to handle competition. Specific areas that require discussion include target customers; geographic targets; specific ability to reach and appeal to the targeted customers; potential initial sales projections; etc. Therefore, this section is typically broken up into several subsections that may include customers, market size and trends, competition and competitive strategies, forecasted market share and sales, and ongoing market evaluation.

Market Size and Trends

The market size and trend subsection typically provides a five-year forecast including estimated market share over time, market segmentation, units, dollars and profitability. A subsection on competition and competitive strategies will provide an evaluative discussion on the strengths and weaknesses of the competitors; comparative analysis of potential substitutable products or services; fundamental value proposition of the product or service; as well as analysis of the competition to combat the newly introduced product or service. Following the competitive discussion should be an analytic presentation on forecasted market share and sales that may include fundamental value add of the product or service; major potential customers who may have already (or are willing) to procure the product or service; and relationship of projected to growth to industry or market growth. Typically, the market analysis section of a business plan concludes with an examination and evaluation of how the product or service will continue to evolve in the market. Specific consideration should address product or service programs, expansion plans, etc.
Economics of the Business

This portion of the business plan speaks to the company’s ability to become profitable, to sustain that profitability, and to share the plan for long-term profitability. It must demonstrate the fixed/variable/semi-variable costs. Clarity is a major component as investors will be paying close attention to how it is presented in this section of the business plan. Thought should be given to the following questions:

1. When is break-even achieved? (Measure this in months rather than years)
2. How long will the business run at break-even status?
3. Once break-even status has been achieved identify lead-time to target profit margins?

Any business can be mirrored, and therein lives the threat of competition. Identify any perceived difficulties competitors might have in copying this model. Demonstrate why and how it would be difficult to duplicate the unique and differentiating components of this model and why this model could fend off a spirited intrusion to the targeted niche market place.
Marketing Plan

The proposed venture’s marketing plan is critical. It speaks to the intention of achieving the sales projections included in the business plan. The plan must detail the overall marketing strategy to be used to exploit the opportunity and execute the competitive advantage. Consider including material that speaks to the sales and service policies which the plan supports. Also, consider including such items as pricing, distribution, promotion, and advertising strategies along with the sales projections. Think of the marketing plan as an opportunity to share with potential investors the WHAT/WHEN/HOW/WHO’S of the strategy. WHAT will be done HOW it will be done, WHEN it will be done, and WHO will do it?
Design and Development Plans

Every idea begins with an outline. The time and money required to prepare and ready a product or service for market must be reviewed and detailed in this section. This could include such topics as engineering work, the creation of a special tool to fabricate the product, the retention of an industry expert to lend creative credibility to the product, as well as the identification and organization of employee’s, equipment, and special techniques. Think to include such items as:

1. Development status and task assignment
2. Challenges and risks associated with the creation of this product
3. Product improvement
4. Costs
5. Proprietary issues such as patents, trademarks and the like.

It is imperative to send the message that this idea, product or service has not only met the needs of the target market but that it has included the customer’s thoughts and ideas, through focus group research, and one-on-one sessions with the customer base to ensure the product can be continually improved, enhanced and expanded which will demonstrate potential sustainability of the business.
Manufacturing and Operations Plan

Identify the location of the proposed manufacturing facility, and the type of facility required to produce the proposed product/service. What size footprint is necessary to accommodate the volume planned for production? Will the labor force work a single shift or is there a plan to work multiple shifts or schedule weekend teams, as well? Inventory controls must be established to manage minimum on-hand inventory levels. Will the work force manufacture the entire product, if not what part is manufactured outside the facility and therefore NOT under direct control? Just-in-time operations must be described with schedules to ensure the products manufactured outside the facility arrive in time to be used in the development of the product. Too much inventory and there is a risk of tying up operating capital. Too little inventory and the ability to deliver the proper number of units for a customer’s order may be delayed which translates into lost sales. Either occurrence can expose the business to undue monetary pressure.

If this is a start-up, when will these facilities be ready for prime time? Will construction lead-time be adequate to keep the order commitments on schedule? Investors will want to know, so be ready to address these issues BEFORE getting in front of the “money people”.
Management Team

The management team of any business is as critical as the product or service itself. The greatest product possible could be manufactured, however if the management team fails to execute the company plan, lost sales could occur which may prove fatal.

Describe each management position on the team, their role, responsibilities, and required compensation. Is the management team willing to accept lower compensation given the start-up nature of the business? If so, this is worthy to note when presenting the plan. Has the talent been balanced on the team? Does the team possess adequate technical skills, leadership skills, and a proven track record of success? Beyond their salary compensation what other perks will be offered? Does the business intend to offer profit sharing, stock options or a bonus plans? What is the strategy for holding on to intellectual property especially after the management team proves successful? Many companies go to exhausting lengths to ensure sustainable, successful management teams. Good management personnel are hard to come by. Finding them is an incredible challenge however it pales in comparison to retaining them once they have proven their worth.
Sustainability and Impact

All business plans must address sustainability and impact. Every business developed has had some impact on the economy, society, or the environment, and all businesses or investors will want to know up-front how the proposed business venture can/will impact all these areas.

If the business has a favorable impact on any of the above, the chance of sustainability is greatly increased. In keeping with this theme, think about the type of potential waste that may be generated by the business. Will the business adequately and compliantly recycle, or dispose of the waste it creates? Review and discuss the impact on the planet’s green initiative to include carbon reduction, and effective waste management. If there are suppliers, there is a need to include the supplier list in the plan and explain how they intend to address their impact on the environment.

Often the manner in which a company addresses these issues can create separation from their competitors. All things being equal, if the production environment of the proposed business proves to be a greener, more planet friendly alternative, it could create separation from competitors on this element alone. Forward think on this issue and try to project future impact on the company and product line growth. Is the company poised and on track to improve the environment or is there risk of falling back to the pack?
Overall Schedule

Scheduling is extremely important and can quickly become the deciding factor in the success for the pursuit of funding. Investors want to see a meticulously formulated plan with realistic goals and objectives, alternative strategies in the event certain mid-term goals are missed, as well as remediation plans should a major “show-stopper” occur. This is the time to think out of the box, demonstrate solid forward thinking and show just how creative this plan can be, given the opportunity. Leave nothing to the assumption of the reader or audience. Walk them through the elements in the order that is envisioned for the events to occur. As an example:

- Lay out a cash conversion cycle for each product or service
- Create a month-by-month schedule which shows the timing of the
  - Product development
  - Market planning
  - Sales programs
  - Production
- Display critical milestones essential in achieving success to include:
  - Incorporation of the venture
  - Completion of design and development
  - Completion of proto-types
  - Securing of sales representatives
  - Trade Show displays
  - Contracts with distributors and suppliers
  - Material orders in quantities indicative of production volumes
This is a time to demonstrate copious adherence to every detail. Leave no stone unturned and when those in attendance walk away they should be thinking “Wow, what a presentation. This idea is solid and I need to be part of this business”.
Critical Risks, Problems, and Assumptions

The *Entrepreneurial* spirit is based on a risk-reward mindset. Willingness to assume such risks is at the very core of every entrepreneur. Although it is assumed the business creator accepts these risks, those who consider investing in the business need a bit more assurance. Often times, investor comfort levels can be heightened simply by observing the care with which the business plan identifies and addresses these risks. Be thorough in the review of all the risks, problems, and obstacles perceived to be in the path of operating a successful business, and by extension the path of all stakeholders.

Identify each risk and its potential impact on the business. Will it affect personnel, product delivery, product development, and product market appeal? Drill down through the Sales assumptions made in the projections. Talk to how and why such projections have been offered, and provide insight as to how the numbers were determined (in many cases, appendices and exhibits should be used in support for many of these sections)... Address potential “show-stoppers”; why they may be considered such, and how they could be managed. It has long been a standing rule that most potential investors will read the “Management Team” section first, and then immediately turn to this section. Omission could prove fatal with the reader concluding a belief that they may be stupid or naïve; or that the plan is attempting to pull the “wool over their eyes”; or there is insufficient critical thinking to have thought of these exposures. Any of these conclusions results in refusal to engage, and does not achieve the goal. Be thorough in the review and consider some, if not all of the following:

- Running out of cash before orders are secured
- Potential price cutting by competitors
Unfavorable industry trends
Design or manufacturing costs exceeding original estimates
Sales projections not achieved
Raw material lead-time longer than anticipated
Challenges obtaining bank credit

Weigh these risks placing higher weights on the most critical down to the least critical to demonstrate a stronger sense of impact. Do not take this section lightly. Be certain to do demonstrate deep critical thinking in this area. It can and will separate the plan from competitors.
The Financial Plan

In this section the proverbial “rubber meets the road”. It is here where many of the potential investors and/or bankers will focus to uncover the true financial requirements of the business. Accurate presentation of the estimates results in increased validity of the business plan. The business viability and timetable will be on display in this section.

The use of financial exhibits will be expected. Use cash-based rather than accrual based accounting (use a real-time cash flow analysis of expected receipts and disbursements). Where possible, cover three years, including current and prior year income statements and balance sheets. Any profit or loss forecasts would help as well, along with pro forma income statements and balance sheets. Many of these can be discussed and described here while providing the full statements in appendices and exhibits. In most cases, start-ups will use pro forma income statements. Use sales forecasts and the accompanying production or operations costs when preparing the pro forma. Be certain to completely review/discuss the assumptions made in these reports.
Proposed Funding Requirements

Now that the business idea has been fully described and presented, it is time to identify exactly how much funding is being sought after. Identify how the plan intends to invest this money in the business, and the rate of consumption. The potential investor’s, of course will want to hear about how they are going to have their investment dollars repaid, and will require a detailed plan to achieve the desired rate-of-return on their investments. Understand that those investors who are serious about investing in your business will be the one’s most concerned with the content in this section. Be prepared for the potential investors to counter offer ideas on how to pay back the money, with a few rather creative ideas of their own. Think about the offering and potentially how the business may sell stock in the company? What percentage of the company will be surrendered to investors? Will controlling stock be retained or is there a willingness to sell more than half of the interest in the business? Consider retaining a certain amount of stock for future employee stock option plans.

All investors want to know how their money is going to be spent. Be prepared to provide a list of items planned to purchase. How much will be spent on creative design, market research, development, and the creation of production facilities? The more data provided, the greater the comfort level your investors will feel.
References


NOTE: It is expected that 20-30 resources (80-90% from scholarly sources within the past five years) will be used throughout the business plan, and listed here in proper APA format. The distillation of the sources and their relevance to this proposed venture is the most important aspect. Proper APA citations must be used at all times.
Appendix

NOTE: Appendices should be included that support the discussion within the business plan and referenced herein; this may include but not be limited to financial statements, charts, diagrams, org charts, etc.
Disclaimer

The above business plan outline was developed and created from information gathered in the textbook “The New Venture Creation: Entrepreneurship for the 21st Century”. Details on the entire content in this document can be reviewed on pages 276 through 292. This document was intended as a tool or template to be used by Nyack Graduate School of Business and Leadership students in the pursuit of the degree of MBA. Any comments, suggested modifications or questions should be directed to the MBA Director.