

UNIT II / LESSON 4

The Business Plan: Defining the Components of a Business Plan

Time Frame

2-5 days

Standards

Entrepreneurial Skills: The Processes and Traits/Behaviors associated with entrepreneurial success

A. Entrepreneurial Processes: Understands concepts and processes associated with successful entrepreneurial performance;

A.11 Assess start-up requirements; A.13 Describe external resources useful to entrepreneurs during concept development;

A14 Assess the need to use external resources for concept development

A.16 Use components of a business plan to define venture idea

Ready Skills: Fundamentals of Communications: D.15 Prepare complex written reports

Business Concepts: Computer Basics: E.01 Use basic computer terminology;

E.02 Apply basic commands of operating system software;

E.03 Employ desktop operating skills; E.04 Determine file organization;

E.09 Use control panel components;

Computer Applications: E.11. Demonstrate basic search skills on the web

Business Functions: Strategic Management 0.09. Develop business plan

Guiding Question

How does an entrepreneur create a business plan?

Objectives

Students will be able to

- Define and illustrate the components of a business plan.
- Use their computer skills to set up an appropriate template for their business plan.
- Demonstrate their knowledge of the functions of the components of a business plan in response to *Jeopardy*-style questions.
- Articulate in writing the purposes, mission, products and services and goals of their business venture.

Teacher Background

- This lesson is designed to ensure that students gain familiarity with the various components of a business plan. The main objective of the lesson is to familiarize students with the purpose and definition of each section. To that end, the core activity for the lesson is a matching activity that requires students, either as individuals or in pairs, to match the components of the business plan with the correct definition. A follow-up activity is a *Jeopardy*-type game requiring students to

identify the component based upon either a function of the component or the definition of each one. Sample questions will be provided for the *Jeopardy* activity as guidance for instructors to create additional items.

- The critical issue that must be decided by individual instructors is the degree to which time will be devoted at this point in the course to creating a detailed business plan. It is suggested that at least two class sessions be devoted to the lesson; one for familiarizing students with the components of a business plan and one for students to establish their own computer folder and the necessary files for their individual business plans. The recommendation that is made here is that the instructor work with students on the following sections of the business plan: cover page, title page, mission and vision statement (business goals and objectives), company description, description of products and services and possibly the plan for management of the business. Even though students will not be able to fully complete all of the information required for these sections, starting on these business-plan components will give students a sense of accomplishment, help to chip away at a massive project and help students to think about some of the work that they will need to do to complete their business plans.
- Students should spend at least one class session actually creating the template for their business plan. It is a good time to go over the use of type selection (no fancy italics), font size (nothing smaller than 10 or larger than 14), use of bold (for headings), need for familiarity with a spreadsheet program such as Excel, etc. Have students copy their plan onto an inexpensive flash drive that they can carry with them; this drive should be used exclusively for this project. Or have them send the folder to a portable device, web-based server, or email address, so that corruption of the school's computer system is avoided. Consult your school's computer-use guidelines.
- Please note that the business plan format used here includes a section that does not appear in standard plans: sustainability and corporate responsibility. An important theme for all Virtual Enterprise programs and activities is the issue of sustainability. Therefore, it is important that students consider how they plan to address this issue in their business. They will need to look at everything from use of natural resources to their environmental footprint as well as how their business can contribute to the improvement of the world economy. At this point in the course, students are only being asked to know that this is a new VE business plan requirement.

New Vocabulary

Refer to Worksheet II.4A.

Materials/Resources

- Course textbook
- *EntreSkills*, Chapter 11, Section 2
- Worksheet II.4A
- Worksheet II.4B

Teaching Strategies/Supporting Activities

- Have students spend ten minutes doing “free writing” about the words “business plan.” Explain that they can write a poem, diary entry, note to the teacher, essay, complaint, or visual depiction of their views of the business plan. The idea here is for students to express any concerns, reluctance, or issues they may have related to undertaking this massive project.
- Have volunteers share their writing with the class. Classify issues and concerns and provide feedback to students on their issues. They should come away from this exercise knowing that you understand their concerns and will support them through the process of developing this document, that this document is a critical component of the course, and that it will be evaluated as part of their grades for the course. Let students know now that the business plan will count for 25 percent of their grade, the equivalent of a mid-term exam, or whatever value you have determined.
- Now see if everyone, based upon the previous day’s activities, can identify and define the purposes of each component of the business plan. Distribute Worksheet II.4A and have students work either individually or in pairs to match components with their definitions. After approximately ten minutes, have volunteers share their responses with the class. Answer any questions students may have regarding clarification of how components differ from one another. For example, students may have difficulty differentiating among the company descriptions, vision and mission statements, and product and service descriptions.
- Once students are clear on the role of the different components, move to the following two activities, which should be completed in the order that is best accommodated by the availability of computer equipment in the classroom. (One activity should serve as the last of the day and the other activity can start the following day’s lesson.)
 - Conduct a Jeopardy-type quiz by dividing the class into two teams and having them compete to provide questions in response to the statements on Worksheet II.4B. (Sample items have been provided with the idea that instructors will add additional items.) The purpose of this activity is to ensure that students can not only identify the components of the business plan but can apply the definitions to actual functions.
 - Have students set up a computer folder for their business plans and establish a separate file for each business plan component. Obviously, this activity needs to be completed using a computer

and therefore may be taught as a stand-alone activity depending on the school's computer resources. It is important that students at this point know how to set up a folder and how to create files within that folder. Ideally, students should be able to save their material to an inexpensive flash drive that they can carry with them; this drive should be used exclusively for this project. Or have them send the folder to a portable device, web-based server, or email address, so that corruption of the school's computer system is avoided. Consult your school's computer-use guidelines.

Summary/Assessment

- Ask students where they can turn for help to further develop their business plan.
- Ask where they think they will need the most help in completing their business plans. Have them explain their answers.

Follow-Up/Homework

For each section of their business plans, have students identify one resource they can turn to for help in completing the section. These resources can be the course textbook, a website, a professional in the industry, and/or friends or family members who know about the topic. Tell the class that the purpose of this assignment is for them to assess their resources as they currently exist and to identify areas where they will need assistance, including the type of assistance and where to find it.

Expand Your Knowledge

Have students visit a local bank or CBO (community-based organization) that makes small business loans and ask the loan officer what the institution requires from a start-up business in its loan application. Students can ask to show the loan officer the business plan they are working on and ask for feedback and advice, including where they can go for further help.

Tell the class: *It is important to make a phone call to set up an appointment with a business loan specialist and not just walk in unannounced and expect to have an immediate appointment. You can visit in order to set up the appointment if you are unable to reach the appropriate person by phone. Even though you are not applying for a loan at this point, it is important to be professional when asking for and taking part in these meetings. Wear business attire and bring a form of identification as well as a laptop or notebook. Be prepared with at least five questions to ask. Also, be prepared to discuss the work that you are doing as part of your VE program. (Your school may also have promotional material from Virtual Enterprise that they can bring to their meetings to further establish the legitimacy of their work).*

WORKSHEET II.4A—Defining the Components of a Business Plan

Directions: Below is a list of the components you will need to complete in the process of creating a business plan, followed by descriptions of each of the components. Match up the titles of the components with the definitions.

1. cover page
2. title page
3. table of contents
4. executive summary
5. company description
6. products and services
7. mission and vision statements/goals and objectives
8. industry overview
9. market analysis
10. competitive analysis/unique competitive advantage
11. management team plan
12. marketing plan/strategy
13. operational plan/manufacturing or delivery process
14. organizational plan
15. financial data and plan
16. growth plan
17. revision or contingency plans
18. supporting documents
19. sustainability/corporate responsibility plan

WORKSHEET II.4A—Defining the Components of a Business Plan (continued)

- a. A description of the major goals of the business, as well as a broad statement about the purpose of the company and its scope. Sets out the business owner's larger view of where this company will fit into the world of business beyond the next month or year. Explains to potential investors how the owner views the impact his or her business will have in the future.
- b. Describes how the goods or services get from the company to the client. Naturally, the descriptions in this section will vary depending on whether the product is a good or service, is being manufactured by the company or the company is serving as a middle man, or is being sold via the Internet.
- c. Proof of how those who own and/or run the business will have the capabilities to succeed in creating and growing the business. Explains the talents, education, and skills of the top employees and how the company will go about bringing in other people to complete the necessary work.
- d. A brief description (no more than two pages) of the overall business plan. Opens with a paragraph or two that instantly interests the reader and entice him or her to read further. Highlights key points of the business plan.
- e. Although not included in standard business plans, this section is an important component of the VE business plan. Explains both how the business's impact on the environment will be minimized and how part of the profits will be used to improve society.
- f. Identifies the company name, address, phone number, web site, and email address; displays the company's logo.
- g. Examines trends related to companies working in an area similar to the company described in this business plan. Shows how this new business will complement or outperform existing businesses.
- h. Outlines the sections of the business plan and provides the page numbers where the components are described in detail.
- i. Shows that the business owners are realistic about the potential for problems or issues as the business gets started or tries to expand. Explains how they plan to handle any potential problems that may arise.
- j. Explains to potential investors why this business is better than other companies in the industry. Preparing this section involves the entrepreneur in the process of examining what others in the industry are doing by visiting web sites, speaking to potential customers, going to trade shows, and using other research methods to show how this new business will outperform others.
- k. Presents the company's plan to extend its product line or services and expand its production. These projections demonstrate that the business owners are thinking beyond the current year.

WORKSHEET II.4A—Defining the Components of a Business Plan (continued)

- l. Shows to potential funders how the design for this business will produce a monetarily sound business. Usually presented in the form of tables and financial statements, this section shows that the claims made in other parts of the business plan can be supported.
- m. Includes the company name, as well as the names, titles, and addresses of the company owners. It should also include the name of the person who prepared the business plan for the company and the date that the business plan was issued.
- n. Contains the evidence, such as business tax returns, that back up claims of the business's profitability.
- o. Describes how the company plans to develop a company image, attract customers to the product, and use the media to make potential customers aware of the company's products or services.
- p. Uses research on potential customers and helps the entrepreneur determine the appropriate clientele to target with the company's products or services.
- q. Describes what the company will actually produce and offer to the public. It is important that this section note the unique features of what is being offered through this business and the potential for developing other items in the future.
- r. Explains the nature of the business and why it is a good venture. If a history already exists, this section describes the development of the business thus far, helping potential investors understand how the venture has evolved to this point.
- s. This straightforward section describes how the business will be structured: proprietorship, partnership, or corporation, etc., and the reason for using that structure. Explains how employees are going to be compensated, including the estimated salaries of top personnel. This section should also describe the main employment policies of the company.

WORKSHEET II.4B—Business Plan “Jeopardy”

Directions: The following sample items are meant to be used as part of a *Jeopardy*-type activity; many more can be created. The objective of this activity is to ensure that students become familiar with not only the titles and functions of the various components of the business plan, but that they can recognize examples of what might be part of those components. The class can be divided into teams for this activity; students can also be asked to respond as individuals. Players are required to “buzz” in with their answers, which must be in the form of a question. This sheet can also be used as an end-of-unit quiz to which students can respond in writing.

1. This is the part of the business plan where the entrepreneur explains how his or her business will exceed the work accomplished by other businesses operating in the area.
2. I started out with a small company making hand-painted scarves. My designs have been so successful that I now need a loan to expand my business by using my designs to mass produce my scarves. This section of the business plan explains this information.
3. To let the reader of my business plan know that the names of my company officers can be found on page 3, I need to include this component in my business plan.
4. This part of the business plan explains how I recognize that though my new pizza shop should really succeed in my neighborhood because it will be the only shop of its kind, if it is successful, another similar business could open up in the area. I am prepared to deal with that eventuality.
5. I have worked in several pizza shops over the years and my business partner previously owned a successful pizza shop. We are bringing in a third person who makes top-notch calzones, lasagna, and other Italian specialties. I also have lined up a person to help with our financials. I need to explain all of our various talents and skills in this section of the business plan.
6. I have studied recent trends in the fashion industry and know that, given a tight budget, women will splurge on a special piece of jewelry or a scarf rather than buy a whole new outfit. Based on this research, I am confident that my designer scarf business will succeed. This part of my business plan discusses my research and the conclusions I’ve drawn from it.
7. So that a potential investor or bank loan officer can see that I have a clear plan for expanding and changing my hand-made designer scarf business without having to read my entire business plan, I will include this component in my plan.
8. In this section of my business plan, I will describe not only how I will switch from hand painting each of my scarves to a method of silk screening that will enable me to produce a large number of designer scarves in a shorter period of time. I will also explain how I plan to expand my business to include items such as table placemats, napkins, and, possibly, bed linen.

WORKSHEET II.4B—Business Plan "Jeopardy"

9. My goal is to show a profit with my new designer scarves within eighteen months. I do not plan on selling my products through the large box stores but rather through small boutique shops. I will not be opening a store but will be marketing my goods through my website. I explain this information in this part of the business plan.
10. I am going to open up my pizza shop as a single proprietorship. I will be the sole owner and the three other people I am bringing in (two to cook and one to handle finances) will receive a salary. I will also hire four hourly employees to handle cleaning of tables, taking orders, and serving and keeping the establishment clean. All of these ideas are explained in this section of the business plan.
11. I plan to only use dyes for my scarves that do not harm the environment. I also plan to bring in two interns from art programs who want to learn about the textile industry. I plan to pay the high school intern minimum wage and the college intern at least \$4 an hour over minimum wage. During the first year, I plan to donate at least 03% of my profits to the local humane society. These ideas are explained in this section of the business plan.
12. I have had tables drawn up that show a comparison of what my profit is on each hand-painted scarf compared to what my profit will be when I turn to silk-screening the scarves using my designs. This information is presented in this part of my business plan.
13. I have already designed my logo for my pizza shop and this design will be used on my napkins, advertising, and boxes, as well as the sign outside my shop. I have lined up several non-competing businesses in the area that are willing to have me display my take out menus in their shops. The local college and hospital will also put me on their list of neighborhood eateries and I have at least a dozen businesses that have agreed to accept daily faxes of my menus. My plans for letting the neighborhood know about my business is presented in this section of my business plan.
14. This is the one-page section in which I let potential investors know the name of the company and how to reach me.
15. This part of the business plan includes items that prove what I have said in other parts of the plan are actually true. I have letters from three famous people who regularly order my scarves and have said that, should I figure out a way to produce more of my scarves in a shorter period of time for a lower price, they would buy large numbers of my products. These letters are included in this part of the business plan.