

GEB 6116: Business Plan Formation

Course Objective: (1) Learn what constitutes and how to prepare a commercial grade business plan. (2) Explore who the business plan is written for and why – identifying your customers. (3) Define and examine what to include (and not to include) in a business plan and why. (4) Recognize, discuss and define ways to avoid common pitfalls in creating a business plan. (5) Examine the correct way to present a business plan to stakeholders.

Course Description: Entrepreneurs are driving a new era of global transformation and growth. Before they can turn ideas into thriving enterprises though, they have to craft a business plan that crystallizes and legitimizes those ideas as opportunities for key stakeholders, both the management team and investors. There are many very good reasons for preparing a business plan. These include: clearly demonstrating the prospects for the business to potential investors and to potential key employees the firm is trying to hire; making the case for potential strategic partners that partnering with the firm will advance the prospects of both enterprises; and, motivating and focusing the management team. This is not an exhaustive list; there are other similarly good reasons. But, there are only two key reasons for preparing a business plan: to obtain financing; and, to mitigate avoidable risk. For purposes of obtaining financing then, a business plan is a selling document designed to convince potential stakeholders that your venture can and will become a thriving enterprise. It is in essence the ante to the funding game. It is expected by potential stakeholders that the management team will have thoughtfully and analytically considered all aspects of the venture - the market, competition, the business model and the value proposition, for example. The plan, as a documentation of this process, affords the potential stakeholder an opportunity to evaluate the management team's thinking and to judge the viability of the prospects for the enterprise. As a tool for avoiding those risks that can be avoided, the plan is a thorough, rigorous and realistic process of examining and documenting your business to: identify all potential risks; to segregate those risks into that group that is systemic and for which you can do nothing and that group that can be either avoided or limited; and finally to develop strategies to overcome the avoidable ones. Certain risks are inherent in the conduct of any business, indeed any activity. These risks cannot be avoided. Investing in the stock market, for example, involves market risk. By virtue of just participating in the investment process, this risk is incurred and cannot be avoided. Therefore, while it should be acknowledged, it can be ignored. Devoting attention to this risk is a waste of time. Other risks though can be avoided or limited. In the stock market investment example, diversification risk is one of these. Focusing investment in a single stock, for example, exposes the investor fully to diversification risk. If the market were to go up, the investor's portfolio of one stock might go up, it might go down or it might do nothing relative to the market. However, if the investor were to invest in a market index rather than a single stock, diversification risk would (ignoring transactions costs) be entirely eliminated. If the market were to go up, the investor's portfolio would also go up. A case can be made, although arguable, that accepting risk that can be avoided is in any business a certain prescription for long term failure. It makes sense, therefore, to develop strategies to eliminate, or at least mitigate, such risks. There have been countless books written on business plan formation. Software of many varieties is available to guide the development of business plans. All of these embody various versions of templates for a business plan. This should suggest that there is no standard for plan templates. We will examine the key elements that facilitate the presentation of a venture idea, and we'll synthesize a template in this course that comprises a full discussion of these key elements and organizes them into a compelling presentation in the form of a plan.

Prerequisites: Graduate student

Text: Timmons, Jeffrey A; Zacharakis, Andrew; and Spinelli, Stephen, Business Plans That Work, ISBN 0-07-141287-5

Assignments: The course is organized around lectures, readings and a team project. Students will be organized into teams for the entire course. Each team will either have or will be assigned a venture idea that will be developed into a business plan during the course. Each team will be

responsible for an overall plan presentation as though it were being presented to a group of angel investors, and for writing the full business plan. Team members will be graded equally on their team presentations and business plan, unless I have reason to believe that contribution is not homogeneous. There will be a final exam covering the material presented in lectures and developed during class discussions.

Grades: Business Plan (40%), Team Plan Presentation (30%), Final Exam (30%).