

## Commerce 4SE3 - Entrepreneurship Fall 2019 Course Outline

### Strategic Management Area DeGroote School of Business, McMaster University

#### COURSE OBJECTIVE

The purpose of this course is to explore practical applications of entrepreneurship to small business management. Case studies are used to give practice in analyzing opportunities and implementing entrepreneurial actions. In the first few weeks, the course tries:

- 1) To establish the business plan as a key success factor in starting a small business; and
- 2) To provide some basic marketing and financial tools to assess the business environment and help develop a business plan.

Later in the term, different forms of small business ownership will be explored. We will also discuss the differences between start-up for a franchise and an individually generated idea.

#### INSTRUCTOR AND CONTACT INFORMATION

**Core 01: Tuesday 2:30 to 4:20 p.m.**

**Wednesday 3:30 to 4:20 p.m.**

**Marvin Ryder**

Associate Professor of Marketing and Entrepreneurship

TA: To be announced

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Class Location: UH/112

**Course Website:** <http://profs.degroote.mcmaster.ca/ads/ryderm/courses/com4se3/ryder.html>

#### COURSE DESCRIPTION

With three-quarters of the new jobs created in the Canadian economy coming from small business, the particular problems and experiences encountered in starting and developing new enterprises are clearly worth studying. Using case studies, lectures and visits from local entrepreneurs, students will develop an appreciation of the challenges and rewards that come from starting a small business. A cornerstone of the course is the development, by a group, of a

#### COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	No
AVENUE:	No	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group Work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	Yes	Final Exam:	No	Guest speaker(s):	Yes

detailed business plan examining the finance, marketing, production, logistic and strategic implications of starting a potential new business. Ideally, this course is designed for the individual who has a business idea but has not yet had the time or direction to see if there is a true business opportunity behind the idea.

## LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Write, critique, and refine a business plan;
- Better weigh the risks and rewards of starting a new business venture;
- Personally assess their potential for becoming entrepreneurs;
- Understand the entrepreneurial mindset and how best to work with entrepreneurs; and
- Understand the risks in growing a business from an entrepreneur-run business to one with the entrepreneur as a manager.

## REQUIRED COURSE MATERIALS AND READINGS

Commerce 4SE3 - Custom Courseware.

## EVALUATION

Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects. All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation. Your final grade will be calculated as follows:

## COMPONENTS AND WEIGHTS

Business Plan	<b>35%</b>
Participation in Class Discussions	<b>15%</b>
Interim Business Plan Submission	<b>10%</b>
In-Class Group Oral Presentation of Business Plan	<b>10%</b>
Two Hand-in Case Analyses Completed by the Group (Each Case Analysis Worth 15%)	<b>30%</b>
<b>Total</b>	<b>100%</b>

## CONVERSION

In this course, your cases may be graded using different marking and reporting techniques. For example, cases may be graded on an index of 10. This does not mean that 5/10 represents 50%. Similarly, when percentages are reported, they should not be interpreted as letter grades. Please note, then, that when your work is returned after grading, you will be informed regarding how your performance should be interpreted for that particular item.

## PARTICIPATION

Name cards are used to help give credit for your participation. **You must have a name card with your full first and last name clearly written and displayed in front of you for every class.** It is imperative that you prepare for every case. Class participation marks are based on the quality and the quantity of participation. However, no class participation results in **0** marks. Marks are **not** awarded for attendance only. In general, contributions are evaluated on a three point scale: 1) physically but not mentally engaged; 2) good contribution; and 3) quite substantial contribution. Debate and challenge are important activities that help in the learning process and the willingness of individuals to engage in such activities with their classmates is critical.

During the term students should consult the professor about their level and quality of participation. Interim contribution marks will be posted about half way through the course. Come to see me **then** if your mark is low, or well before if you are concerned that it **will** be low. There are ways I can help you to participate more effectively.

## COMMUNICATION AND FEEDBACK

Students who are uncomfortable directly approaching an instructor regarding a course concern may choose to send a confidential e-mail to the Acting Area Chair Dr. Brent McKnight ([mcknigba@mcmaster.ca](mailto:mcknigba@mcmaster.ca)) or the Associate Dean, Dr. Susan McCracken ([adbusac@mcmaster.ca](mailto:adbusac@mcmaster.ca)).

Students who wish to correspond with instructors or TA's directly via e-mail must send messages that **originate from their official McMaster University e-mail account.** This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. **E-mails regarding course issues should NOT be sent to the Area Administrative Assistant.**

## ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results in or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g., the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty, please refer to the *Academic Integrity Policy* located at: <http://www.mcmaster.ca/academicintegrity>

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g., the submission of work that is not one's own or for which other credit has been obtained;
2. Improper collaboration in group work; and
3. Copying or using unauthorized aids in tests and examinations.

### **REQUESTS FOR RELIEF FOR MISSED ACADEMIC TERM WORK**

A student may request relief from a regularly scheduled class discussion, presentation, or other course component for: medical reasons; representing the University at an academic or varsity event; conflicts between overlapping exams or course requirements; work commitments (part-time students only); or other extenuating circumstances. Please refer to the policy and procedure on the DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

### **ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS, OR SPIRITUAL OBSERVANCES (RISO)**

A student requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be affected, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

### **POTENTIAL MODIFICATIONS TO THE COURSE**

The instructor and University reserve the right to modify elements of the course during the term. The University may change the dates and deadlines for any or all courses in **extreme** circumstances (e.g., severe weather, labour interruptions, etc.). If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, and/or McMaster email. It is the responsibility of the student to check their McMaster e-mail and course websites weekly during the term and to note any changes.

## RESEARCH USING HUMAN SUBJECTS

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before a) they can recruit participants and b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

Organizations with which you are working are likely to prefer that some information be treated as confidential. Ensure that you clarify the status of all information that you receive from your client. You **MUST** respect this request and cannot present this information in class or communicate it in any form, nor can you discuss it outside your group. Furthermore, you must continue to respect this confidentiality even after the course is over.

## GROUP WORK

You will form groups of **three** people. Each group has three assignments to complete - due approximately every three weeks. The group is also responsible for completing both an interim and a final written Business Plan and for making an in-class oral presentation of that plan.

For the in-class presentation, all group members will take a turn at speaking to the class. Use of PowerPoint is required. Photocopies of results or tables too small to read when projected should be distributed to the class.

Throughout the course, cases will be assigned and it will be assumed that all students are familiar with each case and are prepared to discuss relevant issues. Choose your fellow group members wisely. **All group members will be assigned identical grades for group work.**

## COURSE EVALUATIONS

About the tenth week of the course, a formal evaluation of the instructor and the course will be conducted by the Michael G. DeGroot School of Business. All students are expected to participate in this evaluation as your answers will be used to help change the course structure and your evaluation of the instructor will be used in tenure, promotion and merit pay decisions.

## STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged at the outset for each term of study. SAS can be contacted by phone at 905-525-9140 ext. 28652 or via e-mail at [sas@mcmaster.ca](mailto:sas@mcmaster.ca).

For further information, consult McMaster University's *Policy for Academic Accommodation of Students with Disabilities*:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

<b>COURSE SCHEDULE</b>
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<b>WEEK</b>	<b>DATE</b>	<b>MATERIAL COVERED</b>
1	Tues. Sept. 3	Course Outline Review
	Wed. Sept. 4	Defining Entrepreneurship
2	Tues. Sept. 10	Entrepreneurial Traits
	Wed. Sept. 11	Case: <i>Jane Smith (A)</i>
3	Tues. Sept. 17	The Business Plan
	Wed. Sept. 18	Case: <i>Dorothy's Little Women</i> <b>DUE: Project Description Sheet</b>
4	Tues. Sept. 24	Case: <i>Song Maestro</i>
	Wed. Sept. 25	Case: <i>Wing and a Prayer</i>
5	Tues. Oct. 1	Marketing for Small Business Case: <i>Kolapore Inc.</i>
	Wed. Oct. 2	Case: <i>Strategic Adventure Park</i> – <b>Hand-in Case</b> – <b>DUE: In-class</b>
6	Tues. Oct. 8	Finance for Small Business Case: <i>The Fit Stop</i>
	Wed. Oct. 9	Case: <i>Black Water Rafting</i>
		<b><i>STUDY BREAK – OCTOBER 14 TO 18, 2019</i></b>
7	Tues. Oct. 22	<b><i>Support for Small Business Forum</i></b> <i>Guest Lecture: Government, Banking, Intellectual Property</i>
	Wed. Oct. 23	Case: <i>Grilla Monster</i>

8	Tues. Oct. 29	Franchising or Growing the Small Business Case: <i>Beano's Ice Cream Shoppe</i> <b>DUE: Interim Business Plan</b>
	Wed. Oct. 30	Case: <i>Diego's/Marketec Business Consultants</i>
9	Tues. Nov. 5	<b><i>Entrepreneur's Forum</i></b> <i>Guest Lecture: Three Entrepreneurs from the Community</i>
	Wed. Nov. 6	Case: <i>The Crowne Inn</i>
10	Tues. Nov. 12	Entrepreneurial Ethics Case: <i>Johannson and Associates</i>
	Wed. Nov. 13	Case: <i>Baker Hardware</i>
11	Tues. Nov. 19	Final Thoughts on Business Success Case: <i>MacDonald Flooring Co. – Hand-in Case – DUE: In-class</i>
	Wed. Nov. 20	Case: <i>Industrial Equipment Inc.</i>
12	Tues. Nov. 26	Group Presentations - Business Plans
	Wed. Nov. 27	Group Presentations - Business Plans
13	Tues. Dec. 3	Group Presentations - Business Plans
	Wed. Dec. 4	Group Presentations - Business Plans

**SUGGESTED DISCUSSION QUESTIONS FOR CASES**

Jane Smith (A)

1. Is Jane Smith an entrepreneur? Can she become an entrepreneur?
2. What more should Jane do to determine her entrepreneurial potential?
3. Try to use the same evaluation process on yourself? Are you an entrepreneur?

Dorothy's Little Women

1. Make an annual sales estimate of the women's petite clothing market for Hamilton. What might Dorothy's market share be?
2. What non-quantitative considerations should enter this analysis?
3. Prepare a quick income statement and calculate R.O.I. for the first year of operation.
4. What would you recommend to Dorothy?

Song Maestro

1. Pretend you are a "Shark" or "Dragon". What aspects of the business do you like/dislike?
2. Which of the four target markets have the best potential? Why?
3. Is 25% of the proposed company worth \$100,000?

Wing and a Prayer

1. Do you think this business should be pursued?
2. Why did the business idea develop in the minds of the entrepreneurs?
3. Are the “heroes” of the case entrepreneurs?

Kolapore Inc.

1. What are the problems facing Kolapore?
2. Does the company have any value?
3. What strategy has been followed and are there viable alternatives to this strategy?
4. Could you make a profit with this business on a part-time or a full-time basis?
5. As Adrian Demmers, what is your decision regarding Kolapore?

Strategic Adventure Park

1. What went wrong? What was unrealistic about the original plan?
2. What are the chances of a second season being sufficiently profitable to justify continuing to operate the company?
3. Outline a plan for the upcoming season should the owners decide to continue in business.

The Fit Stop

1. Assess Karim’s success as an entrepreneur.
2. What are the most pressing issues faced by the health club?
3. Should the club grow and, if so, how? Assess the options facing Karim and make a recommendation.

Black Water Rafting

1. Why has Black Water Rafting been successful?
2. What issues could impact on future operations of the business?
3. What should Ash and Chandler do?

Grilla Monsta

1. What are the strengths and weaknesses of Grilla Monsta? What are the opportunities and threats in the environment?
2. What is required to effectively compete in the catering market? Can Alex acquire or develop missing core competencies to effectively compete in the catering market?
3. Of the two options proposed, which do you recommend? Is there another direction that she has not considered?

Beano’s Ice Cream Shoppe

1. What are the operating characteristics of this business? Why is a franchise attractive?
2. Should Smith and Harris become partners in this venture?
3. Should Smith give up his secure job paying \$60,000 per year for a Beano’s franchise? Are there other opportunities available to him?

Diego’s/Marketec Business Consultants Ltd.

1. Is Dr. Albert Collins an entrepreneur?
2. Is there an unfilled market for Mexican food in Montreal?
3. Should Dr. Collins invest in Diego’s?
4. What next steps should he follow?

The Crowne Inn

1. What mistakes did Harvey make during the succession process?
2. Did Bruce produce a fair contract for his mother to sign? What changes would you suggest?
3. Using whatever technique(s) you choose, place a value on this business.
4. What would you recommend to the Johnston family? Why?

Johannson and Associates

1. Imagine one could “pause” the interview half way through. Any problems with what you have heard? Would you walk out?
2. Imagine the interview is complete. Any problems with the marketing research being proposed to you? Would you do the work?
3. If you chose to not take the project, would you alert any colleagues about the project?

Baker Hardware

1. What other information should Mr. Baker obtain before he makes this decision?
2. Using the information provided, evaluate the alternatives Mr. Baker has identified. Be sure to evaluate the attractiveness of the proposed merchandise lines.
3. What other alternatives has Mr. Baker not explored?

MacDonald Flooring Company – **Assume you are acting from George London’s position**

1. Use ratio analysis to identify problems. What is your assessment of the company’s risks?
2. Assess the quality of the company’s inventory and receivables as security for the bank.
3. Assess the alternatives set out in the case.

Industrial Equipment Inc.

1. Should Jim Costello again attempt to purchase Hines Equipment from his father-in-law?
2. What should he offer for the business? Specifically, what is the maximum price he should be willing to pay?
3. What changes to the business would you make following acquisition?

<b>GUIDE TO WRITTEN CASE REPORTS</b>
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Title Page: Identify the case, the course and the team members.

Table of Contents: Provide a detailed listing of section titles, tables, exhibits and appendices.

Problem: State the main issues of the case, omitting descriptive details. Distinguish between the issues as seen by the actors in the case and additional theoretical or practical issues perceived by you.

Context: Subdivide into sections and subsections as appropriate.

*Internal Analysis*: This is a listing of the company’s (or potential company’s) key strengths and weaknesses. They are internal to the company and directly controllable by the entrepreneur. Each strength or weakness should consist of a statement and then the implication. This answers the question – “So what?” – and gives the characteristic meaning in terms of the company or the problem.

Use one sub-heading for “Strengths” and one for “Weaknesses.” You may also find that several characteristics can be grouped. For instance you might want to suggest that

a firm is innovative because: 1) it launches one new product per year; 2) it invests in new technology to streamline operations; and 3) invests heavily in research and development. These are not three separate strengths but three aspects of one strength. Be sure to conclude this section with a summary statement telling the reader if you see the company as stronger or weaker.

*External Analysis:* This is a listing of the key opportunities and threats in the environment. They are external to the company or potential company and are not completely controllable. They may be trends to be embraced or exploited but they may also be trends which could hurt the company or its products/services. Use the same format here as you used for the Internal Analysis. Remember to both identify the opportunity or threat and then the implication of this fact for the firm or problem.

Be sure to conclude this section with a summary statement telling the reader if you see the environment as more threatening or filled with opportunity. NOTE: If you find yourself writing, “The company has the opportunity to ....”, you have identified an alternative not an opportunity. If the company can control the characteristic, it is not part of the external environment.

Alternatives: Use one subsection for each alternative presented. The correct number of alternatives might be suggested by the case. Other cases are more open-ended and the group could generate a near infinite list of alternatives. As a rule of thumb consider no less than three alternative courses of action for the company or potential company and certainly no more than five.

Analysis should consist of stating a prospective strategy and an analysis of its pros and cons. The analysis should focus on the strategy’s ability to repair weaknesses, mitigate threats, build on strengths, or exploit opportunities facing the company. Be clear and concise. You are writing a business report – not an essay.

Recommendation and Implementation: Always conclude a case report with specific recommendations for the future. Conceivably, you might recommend a combination of alternatives to cover shorter and longer planning horizons. Justify your choice by saying why you rejected the other alternatives. Do not name a strategy here that was not described and evaluated in the previous section. Implementation is the action plan (when and what) that puts the recommended strategy into effect. It flows directly from the chosen strategy but should overlap it very little. This is not a restatement of your recommended strategy. It probably will help to create a timeline with defined steps/stages.

Bibliography: Necessary only if sources other than the case text or your own analysis are used.

Appendices: Place for long tables, complicated calculations, less important graphs, etc.

Length : Maximum length of ten double-spaced word-processed pages (not including the Title Page, Table of Contents, Bibliography and Appendices).

Timing: Case assignments will be accepted for grading only on or before the assigned due date.

## TEMPLATE FOR COURSE PROJECT: THE BUSINESS PLAN

A group of students may work with a “client” who needs a business plan completed. This would give plans a sense of reality. As an alternative, some groups will develop an internally generated idea into a business plan. Pure service-based businesses (such as a consulting firm) should not be the subject of a business plan. One other constraint is that the business must not be a “non-profit organization.” I know that these groups need plans completed but their unique character makes evaluating and developing a plan for a non-profit organization much more difficult. If you need further clarification, please see me.

By **no later than Wednesday, September 18**, you should have a contact (if applicable) and a tentative business description. By completing the last page of this outline and submitting it to me, I will approve the project and client. By **no later than Tuesday, October 29**, I want an Interim Business Plan. The completed, **bound, printed business plan** is due on **Monday, December 9, 2019** by the close of business (4:30 p.m.).

### Writing a Business Plan

The Business Plan is a written summary of the overall activities of the business enterprise. Its creation forces management to separate achievable objectives from “pie-in-the-sky” conjecture. Detail is important here. Typically, entrepreneurs create business plans in which some sections are very detailed (i.e., the entrepreneur had given the material a lot of thought) while other, equally important, sections have little detail. You must not fall into this trap. The audience for a business plan is either a banker or a venture capitalist. These people thrive on details - who specifically is the competition? where specifically will the business operate? specifically how many staff will be employed? what specifically are the products? how specifically will the cash required be used?

A well prepared business plan:

- \* Induces realism in the founders. When they are forced to sit down and really study and quantify the cost-volume-profit relationship, they frequently discover their own optimism;
- \* Exposes management to the whole planning, budgeting, forecasting and reporting process, its method and its merits;
- \* Identifies customers, competitors, marketing strategy, and conditions needed for success;
- \* Provides the budget and break-even point which will be a useful barometer for an assessment of project feasibility and attainment;
- \* Allows investigations of deviations from plan before conditions become irreparable;
- \* Provides a measure of anticipated return on investment; and
- \* Discloses timing and the amount of sources and uses of funds (especially the timing of capital expenditures and the need for working capital) and the need for short-term bank borrowing.

**General Structure** - While your actual structure will depend on type of business to be started, use this as the required outline for your business plan.

*Executive Summary* - one to two pages

*Table of Contents* - with page numbers and contents of appendices identified

*Service/Market Description (Product/Market Description)* – one and half pages

For Product or Service Description make sure it is thorough and complete. It sometimes helps to define the offering by talking about products or services not being offered. For the market, describe customers both in demographic and psychographic terms - Why do people want these products or services? For an e-business one might add why customers want to acquire these products or services in this manner rather than from another traditional delivery medium.

*Entrepreneur Profile* - one page

Begin by describing the form of ownership (sole proprietorship, partnership, or corporation), percentage ownerships, and the initial cash investment planned. The key here is to explain how the entrepreneur brings value to the venture. Build both their general business credibility and credibility specific to this venture. For example, the entrepreneur might imagine a web site selling cheese to the world but if s/he doesn't make cheese, what value is s/he bringing to the venture?

*Basis of Competitive Advantage* - half page

Answer the question - why are people buying from this business rather than a competitor? Most likely an organization only has one or two true competitive advantages which it can use to defeat the competition. A person reading the plan will try to determine whether these advantages truly are significant and sustainable.

*Business and Personal Objectives* - Quantitative

- Qualitative - half page (in total) for both

Probably no more than five major objectives. All objectives should be connected to a time frame and most should be measurable. While some can be qualitative, **specific and measurable sales and profit objectives for the first three years** allow the entrepreneur to determine if the business truly is successful. The personal objectives may tell a funder something about the commitment of the owner (for instance, a goal might be to do an IPO in five years – that is different than starting the company and keeping it small).

*Market Analysis*

*Customers* - Justify potential demand using secondary (historical) data and primary data (gathered locally from potential customers)

This is a major section of the plan and allows the writers to present their major evidence. This could include results of marketing research, general trends identified through secondary data, reports from industry insiders, etc. Usually one tries to estimate demand in two manners. Top-down suggests one starts with a target population and then reduces that number based on market statistics to show that there are X number of consumers who want this product or service (with X normally being a very large number). An implication

is that there are so many consumers this business cannot fail. For instance, start with the population of Canada and then reduce that number for adults between 21 and 65, and then reduce it for the number with access to computers, and then reduce it for people with the target income, and then reduce it for the percentage engaged in a specific activity, etc.

One might also present environmental trends in the top-down analysis. Is anything going on in the environment (technology, political/legal, social/cultural, and economic) which affects customers or, more importantly, is affecting their buying habits? If so, what impact will this have on the business?

Bottom-up analysis suggests that one starts with the individual consumer and a measurement of their needs/wants through a very specific market survey. In this course, students typically design a two-page questionnaire containing roughly ten questions. The typical sample size is 30 to 50 people. **Remember that I need to review and approve questionnaires before you execute a survey. To help you design your survey, there is a template document on the course website.** The best way to get my approval is to send me the questionnaire as a Word document via e-mail and give me a couple of days to complete a review.

Remember to always begin discussing results from a survey by giving the reader some context: how many people were surveyed, when the survey was completed, where the survey was completed, how you chose the participants. It also helps to summarize any demographic variables at the start so people can picture the people you surveyed.

The power of bottom-up analysis is talking to potential customers in the geographic target market. You could learn that out of 50 consumers surveyed, 31 said they would definitely buy the products/service of this business. Scaling that number up would lead to some more conclusions about demand. It also allows you to confirm the data gathered from secondary sources.

At the end of this section, a reader should be convinced that a big market exists for the product or service and that this venture is the logical victor in any battle for customers.

*Competition* - Primary Competitors (no more than six with a half page summary of each) and Secondary Competitors  
- In addition provide a summary table/chart  
- Identify location, number of employees, age of business, volume of business, its customers, how aggressive each is, any sense of sales/profits, types of products/services offered

Who specifically are the most likely competitors? What is happening in these companies? Are they growing or shrinking? Getting more aggressive or less? What is each primary competitor's competitive advantage? Is anything going on which affects customers or, more importantly, is affecting their buying habits? If so, what impact will this have on the business?

This is another major section. The reader will evaluate whether any key competitors were overlooked. The detail presented is also critical. One cannot simply acknowledge a competitor but one must demonstrate strategic knowledge of its action. At the end of reading this section, the reader should be convinced that the new company has a sustainable competitive advantage that will lead to success.

### *Marketing Strategy*

Distribution - hours of service, physical location, layout of space, etc.

Promotion, Advertising and Selling Tactics - **specific** details with costs

Pricing and Profit Margins

This starts to address some specific tactics to meet objectives. How will consumers become aware of the new business? How will they be convinced to try the services or products offered? What pricing strategies will be followed? How will products or services be distributed?

### *Manufacturing Analysis or Supplier Analysis (if applicable) - one to two pages*

This is an optional section if the company is selling physical goods. How will inventory be generated? If production is being sub-contracted, explain the deals in place and back-up plans in case of failure. If one is retailing goods, talk about major suppliers, their quality assurances, billing practices, the order cycle, etc. Why has a certain supplier been chosen? What is the history of the supplier? Should some of this involve international trade, here is a good place to talk about currency challenges as well as customs barriers.

### *Information Technology Analysis (if applicable) - one to two pages*

This is an optional section most applicable for an e-business. There should be a description of the technology being installed. This shouldn't be too detailed but it should assure the reader about processes for hot back-ups in case of failure, handling of peak demand (say at Christmas time), what a web site will or won't do, key technology partners, etc.

### *Organization Structure and Personnel Requirements - include a chart and brief job descriptions - one page*

What staff are needed? Who has committed to the project and what openings remain to be filled? In the entrepreneur's mind, what positions are critical for success? For each box in the organizational chart, define the responsibilities, qualifications, and pay rate for that person. If a position is to be added after start-up but within a three year time horizon, use a dotted or dashed outline for the box. The reader will look to see that appropriate skill sets are present and levels of compensation appear appropriate. The reader will also look for a match with the entrepreneur's skills/talents.

### *Present Situation and Start-Up Requirements - half page*

Right now, where is the business - glint in the eye or a month from launch? Clearly the closer to reality, the greater the likelihood of funding. To write this section, start by defining a target opening date. Work backward to define three to five steps to get from now to then. If a step has costs, list them and how they will be financed. Start-up

requirements address the question of what is needed to get the business from where it is now to being open in the manner envisioned by the entrepreneur.

### *Financial Projections*

- Assumptions
- Three Year Income Statements (Most Likely Scenario) Showing Return on Investment
- Quarterly Cash Flow Projections for Year 1
- Proforma Balance Sheet at end of Year 1
- Break-even Analysis
- Sensitivity Analysis on Three Year Income Statements - Pessimistic and Optimistic Scenarios - state any new/altered assumptions

Placing this last does not mean this is unimportant. Many readers won't even bother looking at financial projections if they aren't convinced that the business is likely offering quality products to a group of consumers who can't wait to buy. The reason for this is simple - projections can be made to show anything. A look at the business plan of an unsuccessful business does not show financial projections awash in red ink!

Normally this section begins with a list of key assumptions affecting the projections. This is followed by a three year income statement reflecting what the entrepreneur thinks is the most likely operating scenario for the business. This is followed by quarterly cash flow projections. A common mistake of many entrepreneurs is not being able to distinguish between cash flows and profits. Many profitable businesses are strangled by poor cash flows (especially if they are growing quickly).

Typically, this is followed by a pro forma balance sheet (usually created for the year end of the first operating year projected in the income statements). This is then followed by a break-even analysis for the first year. Finally, there is some sensitivity analysis on the income statements usually demonstrating a pessimistic and optimistic scenario. Not only do these serve to paint the best and worst case that the entrepreneur can foresee but they also show the reader the effect of key variables on the business.

### **Interim Business Plan**

By **Tuesday, October 29, 2019**, I want to receive a double-spaced summary of your business plan (approximately six or seven pages long). There is no need for a Table of Contents or an Executive Summary. The first four sections (i.e., Product (Service)/Market Description, Entrepreneur Profile, Basis of Competitive Advantage, and Business/Personal Objectives) should be complete. You should list the headings for the remaining sections and highlight the types of information you have gathered and have yet to gather. For instance, you should list the titles of the two optional sections and tell me whether you think they apply to your plan. I am expecting very little in terms of financial statements at this point. I will add input about missing information and additional sources to be contacted. If you are uncertain how to complete a section, explain what you have and I will add details. I will review your interim business plan and generate a written roadmap for project completion.

Please note that the Interim Business Plan will be graded. **Zero** will be assigned for this course component to any group who fails to complete an interim business plan in a timely manner.

### **Thoughts for the Final Business Plan Submission**

A major problem of business plans has been a lack of “specifics.” For instance, in analyzing competition, some people merely mention a company name and store location. A full discussion of the competition includes their strategies, product lines, whether they are growing or declining, and how they will have an impact upon the entrepreneur’s business. To give a second example, one entrepreneur intended to develop a new product. While she had a name for it, she did not list its features. She mentioned that its construction would be sub-contracted but never indicated what company would do the manufacturing for her and why this company was chosen.

The best business plans are not a simple academic exercise but read as if a real business would be started from this blueprint. *I will be keeping the copy of your submitted business plan for my records. You may wish to print extra copies for each group member but you should keep in mind that these copies must be kept confidential so that no harm can come to the entrepreneur.*

### **ACKNOWLEDGEMENT OF COURSE POLICIES**

Your enrollment in COM4SE3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lectures. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.** Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

**COMMERCE 4SE3 – ENTREPRENEURSHIP – PROJECT DESCRIPTION SHEET**

GROUP #: (To be assigned by Instructor)

(Please Complete by **No Later Than** Wednesday, September 18, 2019)

GROUP LEADER: \_\_\_\_\_

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<u>GROUP MEMBERS</u>	<u>STUDENT #</u>	<u>EMAIL ADDRESS</u>
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____

A) Briefly describe the product or service at the heart of the proposed business. Please note that your business cannot operate in either the “not-for-profit” sector or “pure service” sector.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

B) Briefly describe the market for the product or service (size, types of competition, etc.).

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

C) Please list the name, phone number, and e-mail address of your project client (if applies).

\_\_\_\_\_