

Chapter 8: It's Perfect; If Only Someone Would Listen

Introduction

Ideas are a dime a dozen. How often have you had a great idea that you didn't pursue only to find out a couple years later someone else was making money off of the same idea? It is the implementation of an idea that counts. Even a great idea can fail if it is not implemented correctly. Furthermore, poor implementation of a good idea can render it practically impossible that the idea will ever be seriously attempted again.

This is why it is so important to have a plan not only before launching your idea, but even before sharing your idea with certain audiences. In this chapter we will discuss how to put an implementation plan together and how to discuss that plan with each audience. In short how to speak other's languages.

Business Plan Basics

A business plan is a three to five year road map for an organization and/or project¹. A good business plan explains the who, what, where, when, why and how of an organization and/or a specific project within that organization. Although business plans can vary depending upon the audience for which it was written, in general the goal of a business plan is to tell a compelling story, usually with the aim of convincing the audience to get involved in the project (by providing funding, joining the team, contracting with the company, promoting it, etc.).

Business plans are usually divided up into topical sections. Every section of a business plan should be necessary, concise and specific. Although some sections may vary depending upon the intended audience and goal, a basic business plan should include¹:

- Executive Summary
- Company Description
- Market Analysis
- Organization and Management
- Service or Product Line
- Marketing and Sales
- Specific Request

- Financial Projections
- Appendix

Each of these sections is briefly discussed below.

Executive Summary

Although the executive summary will appear first in the business plan, it should be written last. Since it is a summary of the business plan, writing it last will eliminate the need to re-write it if certain sections end up being different than anticipated. It is perhaps the most important section in the business plan in that it should be able to stand alone. If the reader read no other section in the report, they should still have all the take away points of the plan. As such the executive summary needs to have highlights and take away points from all of the other sections in the report. The executive summary is in essence the written version of an elevator pitch.

Company Description

The company description should give all the background information on the company putting out the report or when appropriate about the project or specific division in the company that is the focus of the report. Important historical markers should be included such as the founding of the company/division/project, the impetus for founding it, any successes today or other goals that have been met.

The Company descriptions section is a little bit like the “about the author” or “introduction of speaker” sections in other settings. It gives the background of who is speaking and why the audience should trust the authority of the speaker on this topic.

For new projects, one might not have a lot of background for the company. In some instances, giving background about the founder or project leads is appropriate.

Market Analysis

A market analysis describes not only the landscape in which the company or project operates, but it explains the niche that is being filled. The market analysis includes the company or projects competitors, the target audience for the product or service, the need that this product or service is filling, how prevalent that need is and how much of that need the company/project intends to fill.

This is the portion of the business analysis that explains a compelling problem that the company/project is attempting to address and how the company plans to address it, including why the company or project will be successful and to what extent. This section

should show off the company/project's expertise and research. It is the section in which the company shows how it is distinguished from its competitors.

Preparing this section often requires demographic and market research. Who is my customer/target audience for this product or service? What appeals to them? How many of them are there? Where are they located? To put this in the context of a solution to a problem: who has the problem, who else might be helped, etc.

Organization and Management

In this section you explain how your project is organized. What type of entity was the project formed under. For a company this would be a partnership, limited liability company, corporation, non-profit corporation, an association, a cooperative, a limited cooperative association, or a public benefit corporation. Furthermore how is the project managed internally. Who are the major players on the team and who makes what kinds of decisions. This information is important to audiences because it explains how the organization gets its funding and how decision are made.

Each entity type entails a different ownership and funding structure.

Entity Type	Sub-Type	Ownership	Management	Legal Formation	Tax Status	Liability
Partnerships	General	All Partners	All partners	Partnership Agreement	Flow Through	All Partners Liable
	Limited	All Partners	Managing Partners	Partnership Agreement	Flow Through	All Partners Liable
	Limited Liability	All Partners	Managing Partners	Partnership Agreement	Flow Through	General and active partners liable
Limited Liability Company		All Members	Either manager/ member	Operating Agreement filed with Secretary of State	Either Flow Through or double taxing election with IRS	Only Managers and those involved
Corporations	Non-Profit	The public	Board of Directors	Certificate of Incorporation with Secretary of State	Can be tax-exempt when apply to IRS	Board and Executives

Entity Type	Sub-Type	Ownership	Management	Legal Formation	Tax Status	Liability
	For-Profit	Stockholders	Board of Directors	Certificate of Incorporation with Secretary of State	Double taxing of entity and ownership profits	Board and Executives
	Public Benefit	Stockholder and the Public	Board of Directors	Certificate of Incorporation with Secretary of State	Can be tax-exempt for certain things when apply with IRA	Board and Executives
Cooperative	General	Customers	Customers	File with Secretary of State	Can elect different types	limited
	Limited Cooperative	Customers and members	Members	File with Secretary of State	Can elect different types	limited
Associations	Varies	Members	Board of Directors or Members	Don't need to file anything	can be different types	limited to activities

Even within a certain entity type, decision making and management can vary. The founding documents lay out who is ultimately responsible for decision making, but the managers and/or board can often delegate tasks to executives and employees of the entity. Typically, the way that decisions are made is often by way of contract and company culture. For example, Microsoft has different project teams who work independently on their product. This can go so far as stealing the branding from one team by another, such as the team that worked on what was originally called the Surface².

Service or Product-Line

This is the section of the business plan that nails down into the specifics. What is the product or service. How does it benefit the intended users? How does it compare to other competitors products or services? Where is the company in the lifecycle of the product.

A product's lifecycle refers to the product over time from conception to growth to initial decline. In general products have four stages to their life cycle³.

Stage	Description of stage	Tasks in this Stage
Introduction	Begins with the concept and ends with the initial launch	Idea formulation, Research and Development, Testing, initial launch
Grwoth	Begins with Launch and Ends with Peak of Sales	Sales steadily increasing
Maturation	Sales begin to plateau, competitors enter space	Consider strategies to extend life cycle such as new markets, new branding, new features
Decline	Sales fall, demand decreases	Product becomes obsolete

Be as specific as possible about the lifecycle stage that the product or service is in. If there are any prototypes to demonstrate or beta-testing that has been done, research on how people are responding to the product, etc. Give estimates for the timeframe on each stage and the basis for such estimates.

Marketing & Sales

This section should explain the pricing, branding and marketing strategies for your product or service. There is more on these topics in Chapter 9.

Specific Requests

This is where you make your appeal to your audience. The most common appeal in this section is for funding and investment. You should be able to state what can be done if the request is met. If there will be any additional requests in the future that should be stated as well.

Financial Projections

In this section it is best to give a detailed description of the financial life of your project. What assets does the project currently have? What is needed to get to the next step? How will the project sustain itself? It is recommended that you work with your company's accountant to prepare financial statements, such as a balance sheet, cash flow and projected budget.

Appealing to The Audience

As with any story it is important to understand the audience for the business plan. Depending on the audience you may want to change the terminology you use, the way you present data and how you persuade.

Investors

In general investors want to know how they are going to get a return on their investment and when. They speak the language of money, expected returns and risk. It is important to provide information tailored towards assessing the risk and expected returns. Financial information should be emphasized as well as a compelling description of why this product will be purchased.

In assessing the risk, you will need to explain the industry that your company is in, how much you are asking for, whether there are guarantees and the probability of success. Prudent investors typically diversify their investments so that a down swing in the market for a certain industry does not overly affect their total holdings. Explaining what industry you are in will help investors who are diversifying to make a determination as to whether they are too leveraged in that industry already. It is important to clearly state how much money you are asking for and what that money will allow the company/project to do. Will more money be needed before any return can be realized or is this round of funding expected to be enough until profitability. If your company or team members have a history of success in this industry it is a good idea to highlight this.

Although there may be no guaranteed, in determining expected returns, an investor will want to know what advantage he or she may have over other investors in the company by investing now. Is the investment structures as equity (an ownership stake in the business) or as debt (a loan to the business). Debt is paid first in the instance of liquidation. If there is an equity investment are there classes of equity that are referenced in a liquidation event or that have certain management advantages. What is the current financial condition of the company? Has it paid its past debts, have a history of profits, is the company publicly traded with a liquid market? Does the company have enough assets to pay back loans and capital contributions?

Even if one is seeking an investment for a non-profit (a donation), these items can be emphasized. What tax write offs can the company provide? Can the company offer free advertising to sponsors. How is their user base in terms of exposure for advertising.

Recruiting Team Members

Team members speak in the language of compensation, professional growth opportunities and impact. Time is valuable and people want to know that they are making the most from that time. In order to speak to team members one must use motivational and visionary language. Explain why they don't want to miss out on being part of this project, include any compensation offered to early workers, such as profit-sharing options, signing bonuses and leadership positions that are being filled. To

younger or new workers to the field, highlight mentorship and learning programs. Focusing too much on the numbers to this audience might turn them off unless the domain is a numbers-heavy domain.

Consumers/Trade Shows

The art of sales is in convincing the user that they desire or need your product or service. If a consumer's life will not be easier/more meaningful or enjoyable when they buy your product, then they won't buy it.

In talking to consumers you need to emphasize the benefits of the product and the advantages over any competitors. If your product isn't cheaper, is it better, does it have cache that the competitor doesn't, does the company give to the local economy, does it have a status symbol value or an identity value?

Colleagues

When addressing your colleagues you can use technical terms specific to your field or to your company and assume background knowledge on the project and the knowledge domain that you work in. This is preferable in general in that it can save time and still convey the same thing. However this can be tricky.

Make sure you know what is common to your audience and where you stand vis a vis expertise and your peers. If you don't use typical lingo, your colleagues may tune out for a variety of reasons—boredom while you explain beginner stuff, lack of respect because they don't believe you are as expert as they are or they just feel you are not one of them. On the other hand, if you use terms incorrectly or are speaking about something that your colleagues know more about, you may embarrass yourself and lose respect from your colleagues. If there is someone in your audience who you know is more expert than you, invite them to interject and add as they see necessary. If possible invite them to present with you if they have the time.

Too many people put on airs about what they do and do not know. It is absolutely ok to admit you don't know something. This is respectable and it will generally come with less consequences than making something up that you may have to defend later.

The Public

If your audience is the general public, your presentation may be extremely different than other settings. You cannot assume background knowledge in the same way that you can with your colleagues or sometimes even your investors. Yet, at the same time, you do not want to insult anyone's intelligence. A general rule of thumb used by the government is to explain any non-technical information in language a third grader would

understand and any technical or scientific information in language an 8th grader would understand. Be careful that changing the language or explaining terms does not remove important nuances and concepts you need to convey.

A Note on popular buzz words: Sometimes business models and technologies become popular like a childhood Fad. Remember when SEO became a term non-tech people knew? All of the sudden the business representatives are demanding a progressive web application. When you ask for more specifics regarding what the goals are with the new PWA, the conversation falters. It is clear that the company picked this term up somewhere, but has no idea what it means or why businesses are shifting to this. It would be helpful for you to be able to nicely explain a PWA and suggest the benefits of a PWA above the App and website that the company already has. It may not be worth the development time unless there is a specific need for this.

Risk Shifting Endeavors

Business is rife with creative ways to shift and share risk among stakeholders. The choice of entity is driven by the sharing or shifting of risks. Contracts are often structure with an eye towards negotiating the sharing of risks. Finally, warranties and guarantees are risk shifting mechanisms that consumers often unwittingly buy into.

Entity types

As explained above different entity types provide different advantages/disadvantages in terms of risks. The entity types with liability shields require more corporate formalities and regulations to be followed, but shift the vast majority of risks away from owners/ investors. Limited Liability Companies and Non-Profit Corporations encourage more investment by allowing tax write offs for monetary contributors.

Furthermore, a shift away from general partnership, was a shift away from the responsibilities of running a business and towards passive investment.

Contracts

Contract law allows a considerable amount of freedom between the parties. There are very few items that one cannot contract about or around. Generally entering into contracts shifts risks. If no one were concerned about loss, there would be no need for contracts or contract law. People would simply discuss projects and risk whether or not the other side to a bargain would meet their end of the deal. Entering into a contract makes sure we have legal recourse if another leaves us high and dry.

Beyond the mere fact of having a record of an agreement that can be enforced, people contract in ways that shifts risks. Fixing the price of something over a certain period of time share the risk of the market price going up or down between the parties. If it goes

up, the buyer is advantaged by having locked in at a lower price and if it goes down the seller is advantaged by selling at a higher price. Fixing the price of jet fuel is one reason that South West Airlines was able to get ahead above its competition.

Any long term arrangement is a shifting of risk. When someone signs a lease they have the security of knowing they have a place to be and the landlord has the comfort of guaranteed income. Both risk the up and down of the market in exchange for some stability.

Parties can even contract about the specific responsibilities and liabilities that they want to shift. Buying insurance is all about shipping the risk onto another entity willing to bear that risk for a fee.

Warranties and Guarantees

Although warranties and guarantees indicate a shifting risk back to the seller, the warranty section in products usually is actually a disclaiming of any warranty. Thus the burden would fall back on the customer.

Some general warranties attach even when there isn't an express statement. For example there is a general shifting of risk towards the company if the product is used for its intended purpose.

Guarantees can even include indemnification if sued by a third party.

Disclaimers

Many websites and apps that allow for reposting of other content not developed by the owners of the platform contain disclaimers regarding that content. They tend to express that the company has not reviewed such content and that it neither endorses nor expressly agrees with the content. Sometimes there are disclaimers regarding whether or not some statement should be relied upon. For example, legal blogs usually have a disclaimer regarding the information not being legal advice and suggesting that someone who needs advice consult an attorney.

Conclusion

Planning ahead is the key to success in any endeavor not only because it requires one to think ahead, but it allows discussion and buy in of others who may be interested in your project. A business plan is a great way to share your vision and next steps with others. Tailoring the business plan to your audience is key in order to tell a compelling story.

1. U.S. Small Business Administration. (n.d.) Write Your Business Plan. Retrieved from <https://www.sba.gov/starting-business/write-your-business-plan>.
2. Anonymous (n.d.) Discussion with former Microsoft employee.
3. Riley, Jim. (n.d.) Product Life Cycle Introduction. Tutor 2 U. Retrieved from <http://www.tutor2u.net/business/reference/product-life-cycle>.