



# Entrepreneur in the Classroom

## Module 3: Turning an Idea into a Business

# Module 3 Objectives

- Learn the Basics of Business Planning
- Understand Funding Landscape and Options
- Map out Government Agencies and their Relationship with Business Owners

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# **“Begin with the End in Mind.”**

Stephen Covey, author of  
The 7 Habits of Highly Effective People

# Matching Creativity with a Plan

## Exercise 3-1



Rosabeth Moss Kanter, Professor, Harvard Business School speaks to Big Think

<http://bit.ly/GEka13>

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# Matching Creativity with a Plan

## Exercise 3-1

- What does Kanter's Law "Everything looks like a failure in the middle" mean?
- Can you provide an example of Kanter's Law in your own life?
- Is it easy to turn your own creative idea into something meaningful and powerful? Why or why not? What is required?

# The Business Plan

- Entrepreneurs who finish a business plan are twice as likely to:
  - Grow their business
  - Obtain an investment or a loan

Source:

# Purpose of a Business Plan

- A Business Plan has three Primary Purposes:
  - Charts the course for a business owner
  - Provides an introduction document for fundraising
  - Drives action for team

Source: DECA exercise by George T. Solomon, The George Washington University's Center for Entrepreneurial Excellence



# Thinking about “How”

## Exercise 3-2

- Write down your business idea
  - How would I describe it in one sentence?
  - How would I market it to my customers?
  - How could I have an advantage over competitors?

# Business Plan Basics

- Typical Sections of a Typical Business Plan:
  - Executive Summary
  - Product or Service Description
  - Market Landscape
  - Operational Plan
  - Sales and Marketing Plan
  - Financial Plan
  - Appendices

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# Business Plan Basics: Case Study

## Exercise 3-3

Watch film with sections from previous slide in mind



<http://bit.ly/GE8ZN9>

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# Business Plan Basics: Case Study

## Exercise 3-3

- Fill in notes on the strategies mentioned by the Didgiridoo Dojo team in each of the areas below that you can.
- Where you do not understand an area, notate that. By the end of this section, you'll understand all aspects of a business plan.
  - Executive Summary
  - Product or Service Description
  - Market Landscape
  - Operational Plan
  - Sales and Marketing Plan
  - Financial Plan
  - Appendices

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# Business Plan Basics

- **Executive Summary**
  - One page highlight of each plan section
- **Product or Service Description**
  - Detail about your products and services
- **Market Landscape**
  - Demonstrates knowledge of your market & customers

# Market Landscape: Tip Sheet

## Primary and Secondary Data

- The Industry: Size, Growth, Consumer Behavior, etc.
- Target Markets: People, Place, Preferences, Competition



<http://bit.ly/GBAFpF>

# Sites for Entrepreneurs

## Exercise 3-4

- Entrepreneurs *all* have their favorite sites. Watch this video, then develop a list of your *own* favorite entrepreneur sites. Be prepared to share your top 3 favorites with the class.



<http://bit.ly/GDXyqE>

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# Business Plan Basics

- **Operational Plan**
  - Management team, form of incorporation, major milestones (timeline)
- **Sales & Marketing Strategy**
  - Plan for reaching customers, driving sales
- **Financial plan**
  - Financial statements, projections, funding sources



# Operational Plan: Tip Sheet

- **Team and Structure**

- Team bios, Staff needs in Future, Definition of all roles

- **Business Location**

- List advantages or rationale

- **Form of Ownership**

- Sole Proprietorship
- Limited Liability Company
- Partnership (General, Limited)
- Corporation (C Corp, S Corp)

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# Operational Plan: Tip Sheet

- **Product and Service Plan**
  - Description of product or Service
  - Supplier/Manufacturing/Inventory Details
- **Major First Year Tasks and Future Goals**
  - Year One Tasks with Dates and Status

# Sales and Marketing: Tip Sheet

- Rule of Thumb: Product, Place, Price, Promotion
- Promotion = Advertising, Publicity, Personal Selling



<http://bit.ly/GEacDU>

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# Financials: Tip Sheet

**Revenue**

**-Expenses**

**Net Income**

**Revenue:**

- How many did you sell?
- This should be examined monthly, quarterly, & yearly

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# Financials: Tip Sheet

## Case Study

Discuss the innovative way of managing expenses.  
What impact did this have on how much money the company made?



<http://bit.ly/GBnReK>

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# Financials: Tip Sheet

Revenue

-Expenses

Net Income

## Expenses:

- Salaries
- Rent
- Utilities
- Machinery
- Equipment
- Office
- Inventory
- Marketing
- Dues

# Financials: Tip Sheet

Revenue

-Expenses

**Net Income**

**Net Income:**

- After Taxes
- Profit Remains

# Projecting Profit

## Exercise 3-5

### 1. Estimate one unit of your revenue

(one product or one service).

### 2. Estimate the expense of this unit

(the cost to manufacture, supplies, time, etc.).

### 3. Subtract #2 from #1

(Example:  $100 - 75 = 25$ ).

### 4. Divide your answer by #1

(Example:  $25/100 = 25$ ).

### Example

1. \$100

2. -\$75

3. \$25

4.  $\$25 / \$100 =$

**25%**

**Your Profit**





# What Entrepreneurs do with Profit

## Exercise 3-6

- Reinvest back in the Business
- Pay back Investors
- Keep it for Themselves/Family
- Dedicate to Something Charitable
- A Combination of the Above

What would you do with the profits from your business? Make a pie chart with specific segments.

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# Appendices: Tip Sheet

- Detailed Spreadsheets
- Market Research
- Other Items that do not fit directly in the specific sections of a business plan

# Optional Advanced Exercise

## Your Business Plan

- Students will complete their own business plan by following a step by step exercise and a downloadable template.

# YOUR Business Plan

## Exercise 3-6a

- Part I: Fill out business plan outline as provided, using YOUR business idea.
- Part II: For Financial section, use financial worksheet provided.
- Getting started:
  - Your Passion/Area of Interest

# YOUR Business Plan

## Exercise 3-6a

- Executive Summary
  - One Page Description of the Business
- Product or Service Description
- Market Landscapes
  - Industry and Characteristics
  - Target Markets
  - Competition

# YOUR Business Plan

## Exercise 3-6a

- Operational Plan
  - Team Roles and Organizational Structure
  - Form of Ownership (Sole Proprietorship, etc.)
  - Business Location
  - Material Sources for Products/Services
  - Major Year One Tasks and Future Goals

# YOUR Business Plan

## Exercise 3-6a

- Sales and Marketing Strategy
  - Product
  - Place
  - Price
  - Promotion

# YOUR Business Plan

## Exercise 3-6a

- Financial Plan (refer to template)
  - Projected Income:
    - Revenue - Expenses = Income
    - Starting year
    - Year One
    - Year Two
  - Proposed Plan to meet Capital (monetary) needs

Source: 3-4 PDF PART II derived from DECA curriculum by Dr. Susan G. Duffy

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# YOUR Business Plan

## Exercise 3-6a

- Appendices
  - Detailed Financials
  - Extended Market Research Charts
  - Detailed Operational Charts
  - Other Misc. and Necessary Documents

# YOUR Business Plan

## Exercise 3-6a: Wrap Up Video



<http://bit.ly/GBjqIU>

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# Funding Landscape

**Call it funding, financing, raising capital, or borrowing... Here's why you need it:**

- Pay Start Up Costs
- Fund Growth
- Short Term Cyclical Needs

# Funding options

## What Funding Options do you have?

- Profit—generated through your business
- Debt— borrow money
- Equity—give up percentage of company in exchange for money
- Special – Unique grants to for-profits. Examples include Small Business Innovation Research (SBIR) Grants and Crowd Funders like Kickstarter.

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# Funding Debate Club

## Exercise 3-7

**Verbally duke it out with you classmates. Which form of funding is best? Will yours win?**

- Divide into teams and receive your funding assignment.
- Research your Funding Type.
- Each team makes a mini-presentation about their form of funding to the class, persuading your peers that your form of funding is best.
- Class votes on the favorite form of funding (not allowed to vote for own group).

Forms of Funding Description on next slide.

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# Funding Debate Club

## Exercise 3-7

### Sources of Funding

(Four Primary Sources in Bold)

- **Financial Institutions**
- **FFF: Founder, Family, Friends**
- **Angel Investors**
- **Private Equity** (Includes Venture Capital)
- Initial Public Offerings (IPOs)
- New Breeds (CrowdFunding/Special Grants)

Source: Dr. Susan G. Duffy

Advanced Follow-Up Exercise: 3-7a: Your Funding Options

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# Funding Wrap Up

Education about finance affects home too: 86% per cent of teens care about managing their money.



Carrie Schwab-Pomerantz, President, Charles Schwab Foundation, talks with Big Think

<http://bit.ly/GBjtLx>

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# Agency Relationships

- Establishing a Business the Right Way
- Different Rules for Different Business Sizes
  - Smart entrepreneurs: Seek Mentors & Experts

# Agency Relationships

## First Stops when Starting a Business

- A permit or license
- State corporation commission
- Zoning office
- The SBA, resources, ongoing help
- The IRS concerning your tax status

# Agency Relationships

- Business license: Do I need one?
  - Learning more: Search “business license” + your town
- State Corporation Commission
  - How to incorporate
  - Learning more: Search [www.nolo.com](http://www.nolo.com)

# Agency Relationships

- Zoning Office—Information to think about:
  - Increased vehicular traffic
  - Number of employees
  - Use of a home
  - Selling retail goods
  - Storage
  - Learning more: Search “zoning office” + your town

Source: Start Your Own Business: The Only Start-Up Book You'll Ever Need  
(Entrepreneur Press) & [www.Entrepreneur.com](http://www.Entrepreneur.com)

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# Agency Relationships

- Small Business Administration
  - Loans
  - Certifications
  - Learning more: [www.SBA.gov](http://www.SBA.gov)

Optional follow up: See this @NFIBYEF [blog post](#) to stimulate additional discussion on federal programs 46



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# Agency Relationships

- Internal Revenue Service
  - Do I need to file taxes?
  - Federal ID number
  - Payment of employees
  - Learning more: See video on next slide

# Agency Relationships



<http://anse.rs/GBBLBE>



# Agency Relationships

- As your Business Grows: Department of Labor
  - Wages
  - Health Insurance
  - Benefits
  - Work Environment
  - Hiring and Firing
  - Learn More: [www.DOL.gov](http://www.DOL.gov) and [www.NFIB.org](http://www.NFIB.org)

# Associations and Membership Organizations for ESTABLISHED Entrepreneurs

- National Federation of Independent Businesses

[www.nfib.org](http://www.nfib.org)

- Entrepreneur's Organization

[www.EONetwork.org](http://www.EONetwork.org)

- Young President's Organization

[www.YPO.org](http://www.YPO.org)

- Vistage

[www.Vistage.com](http://www.Vistage.com)

- Maverick1000

[www.maverick1000.com](http://www.maverick1000.com)

- Women Presidents Organization

[www.WomensPresidentOrg.com](http://www.WomensPresidentOrg.com)

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# Associations and Membership Organizations for EMERGING Entrepreneurs

- The Young Entrepreneur Foundation  
[www.nfib.com/yef](http://www.nfib.com/yef)
- Distributive Education Clubs of America  
[www.DECA.org](http://www.DECA.org)
- Network for Teaching Entrepreneurship  
[www.nfte.com](http://www.nfte.com)
- Junior Achievement  
[www.ja.org](http://www.ja.org)

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# Associations and Membership Organizations for EMERGING Entrepreneurs

- Future Business Leaders of America

[www.fbla.org](http://www.fbla.org)

- Students in Free Enterprise

[www.sife.org](http://www.sife.org)

- Hugh O'Brien Youth Foundation

[www.HOBY.org](http://www.HOBY.org)

- Start Up America Partnership

[www.startupamericapartnership.org](http://www.startupamericapartnership.org)

- The Founder Institute

[www.fi.co](http://www.fi.co)

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