FastTrac® GrowthVenture™
FOR CURRENT BUSINESS OWNERS WHO WANT TO GROW THEIR COMPANY.
FACILITATOR MANUAL
# FastTrac® GrowthVenture™ FACILITATOR MANUAL

MAXIMIZING THE GROWTH POTENTIAL OF YOUR BUSINESS

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The Ewing Marion Kauffman Foundation admits into its programs entrepreneurs of any race, color, age, gender, religion, sexual orientation, national and ethnic origin, disability, and veteran’s status to all rights, privileges, programs, and activities generally accorded or made available to program entrepreneurs at the Kauffman Foundation. It does not discriminate on the basis of race, color, age, gender, religion, sexual orientation, national and ethnic origin, disability, and veteran’s status in administration of its educational policies, admissions policies, tuition assistance, and other Kauffman Foundation-administered programs.

Printed in the United States of America.
On a bitterly cold day in January 1993, Ewing Marion Kauffman scheduled to launch a new program for entrepreneurs called FastTrac®. Kaufman was legendary in Kansas City because his company, Marion Merrell Dow, provided more than 3,000 high-paying jobs, he was the owner of the Kansas City Royals baseball team, and through his foundation, he helped families in disadvantaged areas get an education—even paying for college for many.

On that same morning, however, nature decided to dump on Kansas City one of the worst snowstorms in its history. Kaufman’s staff debated whether to cancel the event, since people were being asked to stay off the roads, and Kaufman was extremely ill. He wanted to hold the event just in case someone did go to the trouble to get there. That day, 900 people showed up. Yes, some came because it was sponsored by “Mr. K” as he was affectionately called; but most came because they had a hunger to learn how to start and grow a business. They wanted to invest in themselves even if that meant braving the storm.

That Kansas City FastTrac® kickoff was one of the last public appearances for Kaufman, who passed away later that year at the age of 76. He was grateful for the opportunity to build a company and to share his abundance with others. He loved entrepreneurs and all they stood for—self-reliance, innovation, hard work, and providing good paying jobs and benefits. He was proud that his foundation was championing entrepreneurship.

The Ewing Marion Kauffman Foundation is proud to have played some small part in the decision-making process, skill development, and network building of hundreds of thousands of people engaged in the entrepreneurial process.
The Story of Ewing Marion Kauffman

The late entrepreneur and philanthropist Ewing Kauffman established the Ewing Marion Kauffman Foundation as the first foundation to focus on entrepreneurship as one of its primary areas of interest.

There is more to Ewing Kauffman’s beneficence than his fortune. He had an instinct for the future. He understood how to bring organizations to life to be productive and vital. Above all, he had a zest for life and a social awareness that was grounded in his belief in people. The Kauffman Foundation of Kansas City develops and advances innovative ideas that set the groundwork for institutional change, advance entrepreneurship, and improve the academic achievement of children and youth.

One of America’s most successful entrepreneurs, Kauffman was born on a farm in Garden City, Mo., in 1916. His family moved to Kansas City when he was a boy. He started his business in 1950 from modest beginnings. Working out of the basement of his Kansas City home, he built Marion Laboratories into a billion-dollar pharmaceutical giant. Kauffman set a high standard for his associates, inspiring them to work hard, and promising to share the rewards of the company’s success with those that produced.

Kauffman established the Kansas City Royals, bringing major league baseball back to Kansas City. He hired mavericks and encouraged them to bring new thinking to transform the hidebound culture of the baseball establishment. Following their owner’s unconventional path, the Royals built a model baseball franchise, developing talented young players into major league stars. Ewing Kauffman’s Royals were perennial playoff contenders, winning six division championships, two American League pennants and a world championship.

With his business succeeding beyond his wildest dreams, Kauffman turned his vigor, intellect, and wealth to a new style of philanthropy. He lost patience with charity work that never seemed to attack the core problem it sought to remedy. He wanted to dig deep and get at the roots of issues rather than talk about addressing the symptoms. Undaunted by the size of the challenge or the lack of resources, Kauffman encouraged his staff to become immersed in research, consult with the best minds, and devise bold approaches to address complex social problems. He told friends he was having more fun giving money away than he had earning it. He told associates he expected his foundation to be exemplary.

An epitome of American entrepreneurship, Kauffman saw business enterprise as one of the most effective ways to unleash human potential and stir the economy to life. He viewed entrepreneurship as the most powerful strategy to help individuals gain economic independence and serve as a catalyst for creating jobs and wealth in society.

Today the Kauffman Foundation is devoted to advancing entrepreneurship as one of the fundamental aspects of life in the United States. Focusing on research, education, technical assistance, and policy, we work to increase the number and success rate of individuals engaged in the process of starting or growing their own business or idea. We work with partners to design programs based on the proven principles, techniques, and leadership tactics that make starting and growing a business a more common choice for Americans of all walks of life.

To that end, the Kauffman Foundation’s FastTrac programs are part of a wide range of learning resources developed by and with hundreds of successful entrepreneurs who have shared their knowledge, insights, and stories so that others might learn from them. It is hoped that all entrepreneurs will find them useful as they work to write their own entrepreneurial success stories.

For more information on FastTrac, the nation’s leading, award-winning business training program for entrepreneurs, go to fasttrac.org or call (800) 689-1740. To order FastTrac materials call the FastTrac fulfillment center at (877) 450-9800. For more information about the Kauffman Foundation and entrepreneurship, go to entrepreneurship.org, kauffman.org, or call (800) 489-4900.
Program Overview

Welcome to FastTrac® GrowthVenture™, a program focused on helping entrepreneurs sharpen their strategic thinking skills as they plan for growth and build sustainable businesses. This integrated package consists of the Facilitator Manual, Entrepreneur Manual, and online toolkit designed to enable you to guide entrepreneurs as they gain the entrepreneurial knowledge and strategic planning skills required for business growth. This comprehensive, exciting program is presented in modules to give you flexibility in offering it in various formats: all ten modules for a comprehensive program or two separate programs, the first on setting direction (Modules 1 – 3) and the second on taking action (Modules 4 – 7).

Setting Direction

In the first three modules, entrepreneurs focus on analyzing their current business situation and deciding on a strategic direction for their business.

Taking Action

The last seven modules guide entrepreneurs to evaluate each major aspect of their business. They take apart the business, analyze the pieces, and put it back together to create the alignment needed to support their vision and strategic direction. Entrepreneurs complete either a formal written business plan or an internal working plan that lists their goals, strategies, and the actions to accomplish them depending on the purpose of their plan. Business plans that will be used for external purposes generally should be formal.

A Business plan may have the following uses:

<table>
<thead>
<tr>
<th>Personal Uses for a Business Plan</th>
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<th>External Uses for a Business Plan</th>
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| • Analyze the business and determine its best path for growth  
  • Deepen your understanding of the business  
  • Convince yourself and others that you know what you are doing | • Address specific business challenges  
  • Ensure alignment of all aspects of the business  
  • Clarify goals of the business  
  • Develop an effective marketing strategy  
  • Identify back-up suppliers  
  • Forecast profits accurately  
  • Determine the amount of money needed to grow the business  
  • Guide decision making  
  • Communicate with the management team | • Communicate goals to external parties  
  • Negotiate deals with suppliers  
  • Recruit employees  
  • Raise funds necessary to grow the business  
  • Solicit suggestions from mentors and advisers |
Through the FastTrac® GrowthVenture™ program, entrepreneurs will strengthen their ability to make critical decisions and equip themselves with the knowledge and skills needed to improve the performance of their business. The primary objectives of the program are to enable entrepreneurs to effectively evaluate and improve their:

- Overall business strategy and vision for the future.
- Ability to maintain a competitive advantage in the marketplace.
- Changing role in managing the business.
- Readiness for growth and profitability potential.
- Focus and alignment of all aspects of the business.

**Facilitator Manual**

The Facilitator Manual highlights the content from FastTrac® GrowthVenture™ and includes suggestions for facilitating the modules. The discussion starters, key points, participant activities, and action steps are intended to assist you in preparing and conducting the program in an interactive, dynamic way. An introduce-practice-apply methodology enables entrepreneurs to increase the knowledge and skills needed to succeed as an entrepreneur. In addition to the basic program structure and content provided in the Facilitator Manual, you will want to supplement the material with information from your own experience and your local community. The Facilitator Manual includes information on the types of guest speakers to be invited and how to schedule the program.

Each module in the Facilitator Manual includes the following information and sections:

**Introduction to Module**

- Purpose of Module
- Key Outcomes
- Entrepreneur Manual Outline
- Activities During Session
- Entrepreneur Action Steps Before Session
- Entrepreneur Action Steps After Session
- Optional and Enrichment Activities
- Session Overview

**Preparing to Lead this Module**

- Entrepreneur’s View
- Materials Needed
- Supplemental Resources
- Guest Speaker Selection
- Guest Speaker Confirmation

**Facilitator’s Notes**

- Open the Session – Time, purpose, and facilitation notes including entrepreneurs’ exchange, action steps debriefing, and session overview
- Facilitated Activities and Group Discussion – Time, purpose, and facilitation notes including slides, discussion starters, key points, tips for facilitation, variations for delivery, and activity close or connection to the next activity
- Guest Speaker – Key talking points
- Networking Break – Networking activity and/or topic of discussion
- Coaching Session – Time, purpose, and facilitation notes including slides, discussion starters, key points, action steps, tips for facilitation, variations for delivery, and activity close or connection to the next activity
- Wrap Up and Action Steps – Summary of key concepts, preview of action steps, and connection of this module to the next

**Optional and Enrichment Activities**

- Brainstorming activities, group discussions, supplemental activities, and business scenarios
Key Concepts
Throughout both the Facilitator Manual and Entrepreneur Manual, entrepreneurs are coached to consider key concepts. They learn that successful entrepreneurs:

- Think strategically and critically in all aspects of the business.
- Focus on the planning process to grow the business and increase revenue and profitability.
- Reflect on how they really want to manage the work using proven leadership strategies and utilizing insights about healthy organizational management.
- Structure and operate the business to maximize efficiency.
- Align strategic goals and the critical functions of the business.
- Outline specific action steps to achieve their business’ vision and strategy.

Entrepreneur Manual
At the heart of this comprehensive package is the Entrepreneur Manual, organized in ten modules of practical information, examples, entrepreneurial stories, additional online and text resources, activities, in-depth information of selected topics from the module, and action steps on topics ranging from determining desired growth and setting goals to implementing the plan. The Entrepreneur Manual can be used as a reference for entrepreneurial businesses and a guide to behaviors and knowledge important to entrepreneurial success.

One of the biggest challenges for entrepreneurs already in business is to think through the decisions required to clarify their vision, define their strategy, and determine the actions needed to achieve the growth and performance they are seeking. Action steps in the Entrepreneur Manual use a question-and-answer format that corresponds to the online templates at fasttrac.org/resources and guides entrepreneurs to the completion of such a plan. In-text exercises are either questions or checklists that ask specific questions about entrepreneurs’ businesses, prepare entrepreneurs to complete these action steps, and take full advantage of in-session discussions and activities.

Electronic Toolkit
At the website, fasttrac.org/resources, click on FastTrac® GrowthVenture™ to find PowerPoint slides, easily customized Speaker Confirmation forms, and other facilitator materials. The Toolkit is laid out in an easy-to-follow format organized by program module. Entrepreneurs also access the Toolkit which contains Sample Plans, Glossary, Word-based Business Plan Template, and easy-to-use Excel®-based Financial Templates. These templates save the entrepreneur time in preparing their Business Plan. Worksheets that recognize the type of business (service, retail, or manufacturing) and stage of business are included in the Financial Templates.

Many of the activities in the Entrepreneur Manual are also available online. Entrepreneurs can access a variety of entrepreneurial resources via online links from this site. Other features include video and audio of other entrepreneurs and distinguished business coaches.

Delivery Options
The complete FastTrac® GrowthVenture™ program consists of ten modules formatted in ten, three-hour sessions. There is considerable flexibility built into the program to offer it in different formats according to varying time commitments.

Based on the needs of your particular market, you may choose to offer the Setting Direction modules (1 – 3) which focus on assessment, opportunities, and strategy as a program separate from the Taking Action modules (4 – 10). You may also choose to substitute the first module with Listening to Your Business™ and offer this program as a single session to a larger group. You would then begin with Module 2. This allows sites to specifically address the needs of entrepreneurs in the assessment of their long-term vision and current business strategies. Entrepreneurs successfully completing Modules 1 – 3 and deciding to continue would then enroll in the taking action segment of the program, Modules 4 – 10.
Format options typically include:

- All ten modules offered in ten sessions of approximately three hours each.
- All ten modules offered in more than ten sessions, incorporating optional and enrichment activities to strengthen and enhance the learning experience.
- Modules 1 – 3, focusing on an assessment of the existing business. These three modules emphasize the three-year vision for the business, a SWOT analysis, exploring options for growth, and determining a strategy for moving forward. These may be covered in either three or four sessions. A four-session format provides additional time to focus on market research and growth analysis in Module 2 and determining strategy in Module 3.
- Module 1 substituted with Listening to Your Business™.
- Modules 4 – 10, focusing on taking action, offered in seven or more sessions depending on the number of optional activities and enhancements included.
- Examples of delivery options for the 10 modules:
  
  - Ten weeks – one module per week
  - Two-week period – one to three modules per session
  - Two afternoons a week for four to five weeks
  - Friday evening and all day Saturday over a period of three to four weeks

Customizing the Program

The program can be customized to fit the needs and unique aspects of any community. This flexibility allows you to focus on the types of businesses represented in the group and to familiarize entrepreneurs with the local business environment. Some suggestions for customizing follow:

- Blogs and social media sites – Develop an active presence on social networks that are relevant to your business.
- Local and regional newspapers and magazines – Develop handouts from local and regional newspapers and magazines that emphasize various entrepreneurial activities to expand on topics discussed in the program.
- Participant and community updates – Create opportunities for entrepreneurs to provide short reports and quick updates on the business plan progress. Often entrepreneurs will obtain information during the course of their research that is helpful to other members of the group. You may also highlight community entrepreneurial happenings, resources, and anecdotes.
- Local and regional resources – Develop handouts identifying local entrepreneurial resources including Small Business Development Centers, chambers of commerce, networking groups, and educational institutions. You may wish to highlight small-business-friendly banks.

Guest Speakers

Invite speakers from the community to share their expertise and advice. Former FastTrac® entrepreneurs make excellent guest speakers; entrepreneurs are particularly interested in hearing their stories. Also, local service providers (bankers, attorneys, accountants, marketing consultants, insurance brokers, business brokers) are usually very willing to share their expertise.

Each module suggests the types of speakers most appropriate for the content and provides questions for the guest speaker to address on the Guest Speaker Confirmation form.

Ordering Materials

All FastTrac® GrowthVenture™ materials are available from the FastTrac fulfillment center (877) 450-9800 or by e-mail at order@fasttrac.org.
Module 1 introduces entrepreneurs to the FastTrac® GrowthVenture™ program. During this program, entrepreneurs will conduct research, analyze opportunities, determine their business strategy, and align all aspects of their business using a business planning process. For this first session of the program, entrepreneurs examine what success means to them. They analyze their strengths, weaknesses, opportunities, and threats and they create a three-year vision. They set goals to help motivate and guide them as they grow their business. This module also introduces strategic tools they will use to help determine their path for growth. The entrepreneurs learn that creating a business plan is much more than a writing assignment; the real value is in the thinking, researching, evaluating, planning, and execution.

Key Outcomes
- Personal definition of entrepreneurial success
- SWOT analysis
- Core values, mission statement, three-year vision
- Goals for the business and specific goals for this program
- Understanding of the planning process and its value

Entrepreneur Manual Outline

Defining Success and Desired Growth
- What Does Success Mean to You?
- What Does Growth Mean to You?
- Your Core Values

Evaluating Your Business
- Mission Statement
- Internal Assessment
- Environmental Scan
- SWOT Analysis
- Core Competencies

Clarifying Your Vision
- Three-Year Vision
- Closing the Gap
- Setting Goals
- Goals for Your Business
- Goals for this Program
Activity 1a Learning Moments
Activity 1b SWOT Analysis and Goal Setting

Read Introduction and Module 1 Sizing Up Your Business
Note: If entrepreneurs do not receive their manuals in advance, assign these readings for after the session.

Action Step 1.1 Conduct a SWOT Analysis
Action Step 1.2 Define My Three-Year Vision
Action Step 1.3 Identify Goals for My Business and the FastTrac® Program
Read Module 2 Exploring Growth Opportunities
A Closer Look @ Primary Research (optional)

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<td>What Does Success Mean to You?</td>
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<td>What Does Growth Mean to You?</td>
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<td>What Keeps You Up at Night?</td>
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<td>and threats facing my business?</td>
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<td>Evaluating Your Business</td>
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<td>Coaching Session</td>
<td>What direction do I want to take my business?</td>
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<td>Your Core Values</td>
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<td>Mission Statement</td>
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<td>Three-Year Vision</td>
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<td>Action Step 1.2 Define My Three-Year Vision</td>
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<tr>
<td>10 minutes</td>
<td>Wrap Up and Action Steps</td>
<td>What are my goals for my business?</td>
<td>Index cards or Post-it® notes</td>
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<td>What are my goals for this program?</td>
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<td>Setting Goals</td>
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<td>Action Step 1.3 Identify Goals for My Business and the FastTrac® Program</td>
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<td>Summarize Key Concepts</td>
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Preparing to Lead this Session

Most entrepreneurs in the FastTrac® GrowthVenture™ program are looking for ways to grow their business—either to keep their business viable, capitalize on opportunities in the marketplace, or improve their performance. This module provides an opportunity for entrepreneurs to begin this process.

This first module sets the stage for the learning environment. Entrepreneurs come into the program with varying levels of skills and diverse expectations for the program. There are typically significant differences in their businesses even if they are at the same stage. Some entrepreneurs have come to the program to grow an already successful business and need help getting to the next stage. Others need assistance in managing the growth they are already experiencing or guidance to make changes to their business to increase their prospects of sustainability.

In this session, you will lay the framework for the rest of the program by sharing your expectations, the commitment needed to complete the program successfully, and the first steps participants will take to begin this entrepreneurial journey. Reactions will vary, but you will probably notice entrepreneurs who are excited, apprehensive, confused, and eager.

To meet the needs of the entrepreneurs, remember to:

- **Encourage participation immediately** – Opportunities to actively participate will draw entrepreneurs into the process, maintain their interest, and facilitate retention and ownership of content.

- **Present critical information** – Introduce resources, products, and multi-media tools that will appear in upcoming modules. Presenting the big picture initially gives entrepreneurs greater perspective and appreciation for the required work. Use different ways to present information such as handouts, visuals, and auditory explanations. You may want to print the More Info Resources lists located at fasttrac.org/resources as handouts for the current and upcoming module.

- **Use the introduce-practice-apply approach** – Provide an opportunity for entrepreneurs to practice new concepts and apply them to their individual businesses. Following the introduce-practice-apply process will help make this session a success. Entrepreneurs are introduced to key topics through their reading, the facilitated activities and group discussions, and guest speakers. They have many opportunities to practice their new knowledge and skills and apply this to their own business.

- **Ensure confidentiality** – Some in the group may not want to reveal information about their business—possibly because they are uncomfortable talking about their financial situation or afraid that someone might steal an idea. Be prepared to discuss confidentiality of information shared by entrepreneurs in the session.

Materials Needed

- Slides 1A – 1K
- Entrepreneur Manual, pp. 5 – 32
- More Info Resources 1 and 2
- Flip chart
- Index cards or Post-it® notes
Preparing to Lead this Session  
continued

**Creating the Uncommon Company**
This seven-minute video found at [fasttrac.org/resources](http://fasttrac.org/resources) can be used to acquaint entrepreneurs with the founder of the Ewing Marion Kauffman Foundation and his inspirational entrepreneurial journey.

**Guest Entrepreneur**
Guest speakers bridge the gap between principles and practice of entrepreneurship. Use the Guest Speaker Confirmation form on p. 10 to ensure the speaker is prepared and discusses relevant points, providing maximum value to participants. Listing the entrepreneurs’ businesses on the Speaker Confirmation form will help the speaker target the presentation to your group.

Ask one or two entrepreneurs, preferably ones who previously completed FastTrac® and have successful businesses in your community, to talk about their entrepreneurial journey and the challenges of growing their business.

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**Supplemental Resources**

**Guest Speaker Selection**

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Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to share your entrepreneurial story with FastTrac® GrowthVenture™ entrepreneurs.

Date of Presentation  Time

Location

Directions to Location

Directions to Room

Presentation Time  Question and Answer Time

Topic – My Entrepreneurial Journey and the Challenges of Growing a Business

Please include the following information in your presentation:

☐ Your business model
☐ How you define success
☐ How you define growth for your business
☐ The personal characteristics that have contributed to your entrepreneurial success
☐ How your role has changed since starting the business
☐ Your business strategy and the process used to develop it
☐ How you make major decisions for the business
☐ Advice or lessons you learned that would be helpful to someone growing a business
☐ Question and answer time

Background For this first session of the program, entrepreneurs examine what success means to them, analyze their strengths and weaknesses, opportunities and threats, and create a three-year vision. These activities set the stage for the rest of the program in which they will identify growth opportunities, conduct research, determine their business strategy, and align all aspects of their business through a business planning process.

Number of Participants in the Group

Group Profile (Types of Businesses)

Audiovisual Equipment Needed

Materials Needed

Handouts

Facilitator’s Name

Organization

Phone Numbers  E-Mail Address
Sizing Up Your Business

15 minutes

Create an open environment. In addition to staff introductions, this activity facilitates a brief exchange of information regarding the entrepreneurs, their businesses, and their expectations for the program.

- **Welcome and Introductions**
  - Introduce facilitator and business coaches and highlight their qualifications and role.
  - Introduce any community sponsors.
  - Introduce support staff and outline their role.

- **Get Acquainted and Entrepreneur Expectations**
  Entrepreneurs introduce themselves using their elevator speech—in 60 seconds or less, participants introduce their name, their business, and their product or service in a compelling way. Entrepreneurs also share one expectation they have for the program.

  - As introductions proceed, foster a networking spirit by pointing out individuals who could help each other because they have something in common such as business location or industry.
  - Be prepared to manage expectations. When an entrepreneur identifies an expectation that will not be directly met by the program, explain how the entrepreneur can still have that need met during the program (for example, using outside advisers, contacts, or research). Be sure to collectively highlight all of the expectations that will be met throughout the program.
  - Reinforce time management. Step in and redirect entrepreneurs’ introductions if they go beyond the time requested.
  - Encourage participants to practice using their elevator speech when meeting new persons. Networking breaks provide an excellent opportunity to perfect their speech. They can think of this type of introduction as their one-minute marketing speech.
Variations

**Peer Introductions** – To model networking behavior, use peer introductions instead of having individuals introduce themselves. Ask entrepreneurs to write their name and business on the front of a 3 x 5 index card. On the back, ask them to write their expectations. Have entrepreneurs exchange cards so they will be introducing each other. As one entrepreneur reads another’s card, the person being introduced should stand. Collect all the cards and prepare a list of expectations to be presented prior to the end of the session.

**Parking Lot** – Another way of addressing entrepreneurs’ expectations is to post all index cards (expectations side showing) on one flip chart or board labeled, “Course Expectations Parking Lot.” Instruct entrepreneurs to revisit the Parking Lot from time to time throughout the ten sessions and remove their card when they feel their expectations have been met. The facilitator and coaches will check the Parking Lot outside the sessions to see what expectations remain. At the end of the program, revisit the Parking Lot and address any unmet expectations.

Optional and Enrichment Activities

**Welcome Bingo** – To create a relaxed, interactive atmosphere, begin the get-acquainted process with the FastTrac® Welcome Bingo game. Entrepreneurs find individuals in the group who fit the description in the blocks on the Bingo card until one entrepreneur calls out “Bingo.” The Bingo card is found behind the Optional and Enrichment Activities tab.

Getting to know one another is the start of expanding the entrepreneurs’ personal network. Now entrepreneurs will learn about the FastTrac® GrowthVenture™ program.
**What will I learn in FastTrac® GrowthVenture™?**

**Purpose**

10 minutes

Orient entrepreneurs to FastTrac® GrowthVenture™, its features and benefits, and entrepreneur responsibilities.

**Facilitation**

- **FastTrac® GrowthVenture™ Program Introduction**
  Preview what’s ahead for entrepreneurs by highlighting the program’s key components.

- **FastTrac® Learning Model**
  Use Slide 1B to explain the FastTrac® Learning Model, emphasizing the program’s peer-to-peer and networking relationships that will benefit entrepreneurs.
  
  Remind entrepreneurs to:
  - Ask questions.
  - Share their knowledge and experience with other participants.

- **FastTrac® GrowthVenture™ Overview**
  This program was developed by the Ewing Marion Kauffman Foundation, the largest foundation dedicated to entrepreneurship in America. In this program, entrepreneurs will use a proven process that has helped thousands of successful businesses.

  **Purpose of the program** – FastTrac® GrowthVenture™ is designed to strengthen participants’ ability to make critical decisions and equip them with the knowledge and skills needed to improve the performance of their business. With FastTrac® GrowthVenture™, they’ll create a framework to determine the best way to grow their business.

**Tip**

One of the outcomes of the program can be a completed Business Plan, though the emphasis of the program is on the planning process and the strategic thinking and decision making which result in a Business Plan. It is your choice whether or not to include a formal Business Plan or an internal working business plan as an outcome of the program. You may also leave it up to the individual entrepreneur.

**Schedule for the program** – Refer to your specific schedule.

**Format for each session** – Use Slide 1D to show the format for each session, which includes the Entrepreneurs’ Exchange, Facilitated Activities and Group Discussion, Guest Speaker, Networking Break, Coaching Session, and Action Steps.

**Program sequence** – Use Slide 1E to show the flow of content throughout the manual and program. Modules 1 through 3 focus on setting direction; Modules 4 through 10 focus on taking action.
What will I learn in FastTrac® GrowthVenture™?

**Program materials** – Use Slide 1F to describe how the program materials work together.

- **The Entrepreneur Manual** includes readings, questions, and checklists for entrepreneurs to complete before coming to the next session.
- **Activities** appear in the Entrepreneur Manual after the module summary and are completed during each session. Activities should not be worked on before the session.
- **Action Steps** appear in the Entrepreneur Manual after the activities, are introduced in the coaching sessions, and will be completed between sessions. They guide entrepreneurs through the analysis and planning process.

**Business Plan Template** can be used to create a formal business plan as well as record planning information and completed action steps. The Business Plan Template is introduced in Module 3 and is used throughout the program.

**Financial Template** is an easy-to-use Excel-based template that streamlines financial projections. The Financial Template is introduced in Module 4 and is used in subsequent modules to capture researched costs and financial assumptions.

**More Info Resources** are lists of websites, books, and other sources of information to help entrepreneurs increase their entrepreneurial knowledge and skills. Lists include audio and video clips. More Info Resources lists are found online at fasttrac.org/resources.

**The FastTrac® GrowthVenture™ Toolkit** at fasttrac.org/resources features the Business Plan Template and Financial Template, sample plans, activities, action steps, and More Info Resources.

**Action steps due dates** – Entrepreneurs plan the changes to their business one area at a time by answering relevant questions and conducting the necessary research for each action step. Observing due dates for action steps provides a workable timeframe for completing the plan during the program.

**Entrepreneur roles and responsibilities** – Entrepreneurs gain the most from the FastTrac® GrowthVenture™ program when they take an active role. To be successful, they will read the Entrepreneur Manual, complete the action steps, and participate in group discussions, coaching sessions, and networking opportunities with one another, staff, and guest speakers.

Expand this segment by showing *Creating the Uncommon Company*, a seven-minute video found at fasttrac.org/resources that explores the entrepreneurial journey of Ewing Marion Kauffman. Note that this program is the creation of the Ewing Marion Kauffman Foundation, a nonprofit organization dedicated to advancing entrepreneurship in America.

Announce that it’s time to dive into the learning.
What’s my motivation?

25 minutes

Prepare participants to identify their own definition of success and growth for their business as well as concerns and symptoms they are experiencing.

In the Facilitated Activities and Group Discussion portion of each session, designated by the question mark icon in the heading, you will introduce information and provide an opportunity for entrepreneurs to discuss and practice concepts. In this module, the focus of this segment is to set the stage for a discussion of the entrepreneurs’ concerns. Begin by asking entrepreneurs about one or both of the following topics:

- **What Does Success Mean to You?**
  - Use Slide 1G to begin a discussion of success.

  **Discussion Starters**
  - How often do you take the time to really think about your business and what you want out of it?
  - What does success mean to you? *If you have not taken the time to think about this question, you may be using someone else’s definition of success.*
  - How will you know if your business is a success? *Your business is a success if it helps you reach your personal, professional, and financial goals.*

- **What Does Growth Mean to You?**
  - Use Slide 1H to begin a discussion of growth.

  **Discussion Starter**
  - What does growth mean to you? *Common definitions include profits, revenue, customers, market share, employees, or locations.*

**Activity 1a Learning Moments, EM pp. 22 – 24**

1. Ask entrepreneurs to read each scenario.
2. In groups of three, have entrepreneurs discuss the learning moment in each scenario.
3. Have entrepreneurs share their own learning moments with their small group.
4. Ask each group to share the results of their discussion.

**What Keeps You Up at Night?** EM p. 6

If the entrepreneurs read Module 1 before this first session, they may have completed the in-text exercise *What Keeps You Up at Night?* Even if they have not already answered the questions, this topic can create a good discussion of the concerns they are having for their businesses.

**Key Points**

- All entrepreneurs have concerns about their businesses.
- Sometimes the issues or concerns that bother entrepreneurs are actually a symptom of another problem.
- Fixing the symptom may not fix the root cause. For example, conflict between employees may be a symptom of poor organization where employees have overlapping responsibilities and ambiguous duties. Transferring or dismissing an employee because of such conflict may only briefly remedy the situation until the new employee experiences the same frustrations.

Entrepreneurs will want to define success and growth on their own terms as well as identify their key concerns before making decisions about the direction their businesses should take.
How do I analyze the strengths, weaknesses, opportunities, and threats of a business?

20 minutes

Analyze a business’s strengths, weaknesses, opportunities, and threats.

Entrepreneurs will want to learn how to use the SWOT analysis to better understand and make decisions about their business.

- **Planning to Grow**
  Briefly review Slide 1I emphasizing the importance of business analysis prior to making key decisions about growth and strategy.

- **Evaluating Your Business**
  Use Slide 1I to review the FastTrac® planning process and show how identifying key issues, core competencies, growth opportunities, competitive advantage, and conducting a SWOT analysis are critical to growth planning. Review Slide 1J to discuss the four areas of a SWOT analysis.

**Key Point**

✓ The same item can be considered both an opportunity and a threat. For example, if a new technology is going to create change in the market, it will be a potential threat if it is not used but an opportunity if it is adopted.

**Activity 1b SWOT Analysis and Goal Setting.** EM pp. 25 – 26

1. Ask the entrepreneurs to read the scenario and review the SWOT Analysis in Step 1.
2. Have the entrepreneurs work in pairs to complete Steps 2 – 4.
3. After 5 to 7 minutes, lead a discussion with the entire group about their responses.

- **Core Competencies**
  Each business and each entrepreneur have abilities which help them excel. Referring to the strengths in the SWOT chart in Activity 1b, point out some of the core competencies.

**Key Point**

✓ Every business needs to know their core competencies. These are the heart of the business and should be considered when making decisions about its future. Building on these core competencies is a way to gain a competitive edge in the marketplace.

Tell the entrepreneurs they will now hear from a guest speaker about his or her entrepreneurial journey and the challenges of growing a business.
Guest Speaker – My Entrepreneurial Journey and the Challenges of Growing a Business

30 minutes

Inspire entrepreneurs with a vivid example of someone in their own community who has “done it.”

Announce the guest speaker’s topic, “My Entrepreneurial Journey and the Challenges of Growing a Business.”

Introduce the entrepreneur’s name and information about the business’s location, size, number of employees, length of time in business, products, services, and any other relevant information.

Tip

Guest entrepreneurs may forget to share pertinent information, so providing a brief background on the business will help frame their comments.

Tell the guest entrepreneur how much time is allocated for the presentation and that you will assist in transitioning the presentation to the question/answer session.

Tip

Arrange in advance to give a “five-minute warning” for the guest speaker. This pre-arrangement for all guest speakers minimizes the potential discomfort of stopping a speaker who is going overtime.

Be prepared to prompt the guest entrepreneur to discuss the following points included on the Guest Speaker Confirmation form:

- Your business model
- How you define success
- How you define growth for your business
- The personal characteristics that have contributed to your entrepreneurial success
- How your role has changed since starting the business
- Your business strategy and the process used to develop it
- How you make major decisions for the business
- Advice or lessons you learned that would be helpful to someone growing a business
- Question and answer time

Tell entrepreneurs they will have the opportunity to talk with the guest entrepreneur during the Networking Break.
Networking Break

20 minutes

Purpose
Provide a framework for networking and set the stage for networking throughout the program.

Facilitation

- **Growing My Network**
  Review Slide 1K, briefly describing the various networking relationships and starting with the outermost circle—Accidents.

  - **Accidents** – You’ll probably never see them again.
  - **Acquaintances** – You met through a contact and could find them again.
  - **Associates** – You share a membership in some group.
  - **Actors** – You exchange valuable information.
  - **Advocates** – They send opportunities your way.
  - **Allies** – They are committed to helping you succeed.

  *Note: Slide and Key Points are based on the book, Make Your Contacts Count, by Anne Baber and Lynne Waymon. Information available at their website, ContactsCount.com.*

Instruct entrepreneurs that most of their peers in the group will fall into the category of Associates, as they are “members” together in the FastTrac program.

To develop a more meaningful relationship with Associates, entrepreneurs should use break time to exchange business cards and share information, find things in common, and identify future areas of mutual benefit. The networking break also provides an opportunity for entrepreneurs to meet with the guest speaker, facilitator, and coaches.

Activity Close

Remind entrepreneurs to continue networking before and after sessions, at future break times, and outside of the sessions to nurture the relationships that have been initiated.
What are the strengths, weaknesses, opportunities, and threats facing my business?

20 minutes

Analyze the entrepreneurs’ current business situation.

**Evaluating Your Business**

Refer to the Entrepreneur Manual, p. 17, for a more in-depth discussion of the SWOT Analysis. If entrepreneurs did not receive their books in advance, give them 10 minutes to complete the Internal Assessment checklist starting on p. 13 of the Entrepreneur Manual. Point out that having key employees answer the same questions would provide additional insights. Slide 1J SWOT Analysis may also be used as a quick review.

**Action Step 1.1 Conduct a SWOT Analysis, EM pp. 27 – 28**

1. Ask the entrepreneurs to start working on their own SWOT analysis on pp. 27 – 28 of the Entrepreneur Manual. They will use the responses to the Internal Assessment checklist for their strengths and weaknesses.

2. Ask entrepreneurs to complete the information on opportunities and threats based on their current knowledge. In Module 2 they will research the opportunities they list and identify additional ones.

3. Have entrepreneurs break into groups of 2 or 3 to discuss their results and gain feedback. This is helpful even if they are not finished.

*Note: This action step can be completed at home if entrepreneurs do not finish it at this time.*

Emphasize the need to combine this analysis with entrepreneurs’ own goals and vision for their business.
What direction do I want to take my business?

20 minutes

Entreprneurs articulate their vision for their business.

Set the stage for the entrepreneurs to create a vision for their business.

☐ Your Core Values
Refer to the Entrepreneur Manual, p. 10, and ask the entrepreneurs why it’s important to articulate their core values, not only for themselves, but also for their employees and customers.

☐ Mission Statement
Clarify the difference between a mission and a vision. The mission includes the purpose and activity of the business. Often, the mission also contains the core values of the business. The vision is what a business can become.

☐ Three-Year Vision
Tell the entrepreneurs to close their eyes and imagine that it’s three years into the future. What would they like their business to be? Ask them to walk into their business and think about what it looks like. Who is there? What are they doing? Who are the customers? What do they hear? How do they feel?

Action Step 1.2 Define My Three-Year Vision, EM pp. 29 – 30
1. Ask entrepreneurs to individually complete as much of the information as they can on Action Step 1.2.
2. Suggest that they set aside time during the next week for a personal retreat to think through the remaining questions on this action step.

Activity Close
Restate the importance of entrepreneurs defining their vision. This lays the foundation for the direction the business can go and helps entrepreneurs keep sight of their goals.
What are my goals for my business?  
What are my goals for this program?

10 minutes

Encourage entrepreneurs to identify specific goals.

☐ Setting Goals

Refer to the SMART goal setting acronym in the Entrepreneur Manual on pp. 19 – 20. Goals should be SMART: strategic, measurable, achievable, relevant, and time-based. Help the entrepreneur see the importance of setting timelines and identifying who is responsible for meeting these timelines, as well as involving the critical persons in setting the goals.

Action Step 1.3 Identify Goals for My Business and the FastTrac® Program, EM pp. 31 – 32

1. Ask each entrepreneur to use Action Step 1.3 to write down the goals they have for their business, listing no more than four goals. One or two is sufficient.
2. Ask entrepreneurs to write down the goals they want to accomplish through the FastTrac® GrowthVenture™ program.
3. Suggest they check the goals to see if they fit the SMART criteria.
4. Debrief the activity by having entrepreneurs discuss their goals.
Wrap Up and Action Steps

10 minutes

Reinforce key points and preview information for the next session.

- **Summarize Key Concepts**
  - It is important that entrepreneurs clarify what success means to them—considering their personal, professional, and financial success criteria.
  - Before deciding which opportunities to pursue, entrepreneurs take the time to analyze the business and clarify core values, mission, and vision.
  - Understanding the business's core competencies is critical. They are the heart of the business.
  - Entrepreneurs use the planning process as a proven way to think through every aspect of the business before committing financial resources.
  - Setting goals helps entrepreneurs focus their efforts on what they want to achieve. Goals should be SMART: strategic, measurable, achievable, relevant, and time-based.

**Tip**

A great way to recap and summarize is to ask entrepreneurs to share one thing they learned from the session. You will know if your session was on target and can clarify or reinforce key points as needed.

- **Preview Action Steps**

  To guide and assist entrepreneurs through the analysis of their business and the planning process, key activities need to be completed. Several of these activities have been partially completed during the session. Entrepreneurs will need to complete these Action Steps before the next session.

  **Read Introduction and Module 1 Sizing Up My Business**, EM pp. 1 – 21 if participants did not receive their books before this session.

  **Action Step 1.1 Conduct a SWOT Analysis**, EM pp. 27 – 28 – Prepare a SWOT analysis that captures the internal strengths and weaknesses and the external opportunities and threats.

  **Actions Step 1.2 Define My Three-Year Vision**, EM pp. 29 – 30 – Articulate what the entrepreneur wants the business to become as well as clarify the core values of the entrepreneur and the mission of the business.

  **Action Step 1.3 Identify Goals for My Business and the FastTrac® Program**, EM pp. 31 – 32 – Set specific goals the entrepreneur wants to accomplish.

  **Read Module 2 Exploring Growth Opportunities**, EM pp. 33 – 55

  **A Closer Look @ Primary Research (optional)**, EM pp. 71 – 72

  Conducting a SWOT analysis and defining vision and goals are the first steps to give entrepreneurs the information they need to make smart business decisions. In the next module they will use this information to identify growth opportunities that fit their vision for their business's future.
Purpose
This module focuses entrepreneurs on the question of growth: what type and amount is appropriate for their business at this time? To make this determination, entrepreneurs first assess their business’s financial strength and stage of growth as well as the growth potential within their industry. Entrepreneurs then consider potential market opportunities that capitalize on changes in the marketplace and respond to customers’ needs. They learn to conduct market research to evaluate these growth strategies, answer questions that arose as they conducted their SWOT analysis in Module 1, and start gathering the types of information they need to complete their Marketing Plan in Module 6.

Not all of the market research will be completed before the next session. Entrepreneurs will use researched data in later modules as a basis for business decisions such as making sales projections, determining promotional methods, and building their management team.

Note: Module 2 can be conducted in a single three-hour session; however, many entrepreneurs would benefit from additional time on these topics. We recommend that you use the material behind the Optional and Enrichment Activities tab in the Facilitator Manual to expand this module if your schedule allows you to devote two sessions to Module 2. You may want to include a trip to a library or arrange for entrepreneurs to work on their online research. Entrepreneurs typically appreciate the opportunity to conduct research with the guidance of their facilitator, business coach, and/or business reference librarian.

Key Outcomes
- Assessment of business’s readiness for growth
- Skills to identify and analyze growth opportunities
- Evaluation of opportunities to grow the business
- Skills to conduct market research

Entrepreneur Manual Outline
Growth Analysis
- Evaluate Growth Indicators
- Assess Industry Potential
- Identify and Screen Growth Opportunities
- Determine Market Potential

Conducting Market Research
- Market Research Process
Activity 2a Excell Staffing Services

Action Step 1.1 Conduct a SWOT Analysis
Action Step 1.2 Define My Three-Year Vision
Action Step 1.3 Identify Goals for My Business and FastTrac® Program
Read Module 2 Exploring Growth Opportunities
A Closer Look @ Primary Research (optional)

Action Step 2.1 Assess Industry Potential
Action Step 2.2 Develop My Customer Profile
Action Step 2.3 Analyze My Direct, Indirect, and Future Competition
Action Step 2.4 Evaluate Growth Opportunities
Read Module 3 Making Strategic Decisions
A Closer Look @ Using the Business Planning Template (optional)
A Closer Look @ Defining Your Target Market (optional)

Trends and Business Opportunities
Products/Services and Spin-Offs
Brainstorming Change
Scenario: Kimo’s Katering
Market Research Resources Contest
Brainstorm Primary Research Resources
Brainstorm Secondary Research Resources
# Setting Direction

## Exploring Growth Opportunities

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<th>Materials and Equipment</th>
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<td>- Entrepreneurs’ Exchange</td>
<td>Slide 2A</td>
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<td>- Debrief Action Steps</td>
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<td>15 minutes</td>
<td><strong>What type and level of growth is my business ready for?</strong></td>
<td>Slides 2B – 2D</td>
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<td>- Evaluate Growth Indicators</td>
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<td>25 minutes</td>
<td><strong>Is my business meeting current and future market needs?</strong></td>
<td>Slide 2E</td>
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<td>- What are the growth opportunities for my business?</td>
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<td>- Identify and Screen Growth Opportunities</td>
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<td>- Small Group Activity – Identifying Opportunities</td>
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<td>25 minutes</td>
<td><strong>How do I evaluate growth opportunities for my business?</strong></td>
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<td><strong>Networking Break</strong></td>
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<td><strong>What types of market research do I need?</strong></td>
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<td>20 minutes</td>
<td><strong>What are the growth opportunities for my business and how do I evaluate them?</strong></td>
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<td>- Identify and Screen Growth Opportunities</td>
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Preparing to Lead this Session

Entrepreneurs in the FastTrac® program are typically very interested in growing their businesses, either to capitalize on opportunities they have become aware of in the marketplace or to keep their businesses viable. This module gives entrepreneurs a chance to reflect on their goals for business growth and what level and type of growth is right for their businesses. It also provides an opportunity for entrepreneurs to sharpen their entrepreneurial skills of identifying opportunities and conducting market research—skills they may not have consciously focused on since their business start-up.

In this module, entrepreneurs will set research goals and research their industry, customers, markets, and competitors. They analyze the data they collect to evaluate the various growth strategies available to them. Keep in mind that entrepreneurs may find the sheer volume of resources overwhelming, especially those unfamiliar with doing market research. Completing module activities and action steps will guide entrepreneurs in the research process.

It is important to remind entrepreneurs of the wealth of market research information available within their own companies. Critical information can be gleaned from customer records and sales data.

Remember to:
- Assure entrepreneurs that if they can determine the appropriate questions to ask, a myriad of people (librarians, mentors, advisers, market research consultants) and resources (the Internet, reference books, journals) can guide them to the answers.
- Encourage entrepreneurs to network with their FastTrac® peers, facilitators/coaches, and guest speakers to identify sources of market research.

Materials Needed
- Slides 2A – 2F
- Entrepreneur Manual, pp. 33 – 72
- More Info Resources 2 and 3
- Flip charts
- Local newspapers, Internet

Supplemental Resources
- Copies of Entrepreneur Magazine, Inc., and/or Fast Company, which list “hot new venture opportunities”
- Blogs, Twitter feeds, local, regional and national magazines, newspapers and trade journals

Guest Speaker Selection
- Periodically throughout the program, you will invite content specialists to share their expertise with entrepreneurs. Module 2 is a good time to do so. Here are some suggestions for choosing a speaker to address the topic of market research:
  - Reference Librarian
    Librarian will share market research resources, the use of technology in research, and tips for the efficient use of resources. Use the Speaker Confirmation form on the following page to ensure the librarian is prepared and covers desired topics. Listing the entrepreneurs’ businesses on the Speaker Confirmation form will help the speaker target the presentation to the group. If a reference librarian is speaking, holding the session at the library may be an option.
  - Market Research Specialist
    Guest will share market research resources, the use of technology in research, and tips for the efficient use of resources. Use the Speaker Confirmation form on the following page to ensure the market research specialist is prepared and covers desired topics. Listing the entrepreneurs’ businesses on the Speaker Confirmation form will help the speaker target the presentation to the group.

Optional Activities
- Schedule a reference librarian or market research specialist to guide entrepreneurs in their market research.
Guest Speaker Confirmation

Reference Librarian or Market Research Specialist

Thank you for agreeing to share your expertise with FastTrac® GrowthVenture™ participants.

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Market Research

Please include the following information in your presentation:

- What opportunities and options are available to conduct market research (library, community, online)?
- What resources are considered the most up-to-date?
- How do you utilize technology to perform market research? (For example: How do you conduct research online? How do you use key words or do subject searches? How do you access journals and trade publications?)
- What tips do you have for conducting market research efficiently?
- Question and answer time

Background

Entrepreneurs have already determined their business’s mission and goals. During this second session, they will learn strategies for identifying potential market opportunities for growth and conduct market research on their industry, competition, target markets, and customers. They will also use research later in the program to make strategic decisions regarding marketing, finances, and operations.
Exploring Growth Opportunities

10 minutes

Set the stage for a lively, interactive session and introduce the Entrepreneurs’ Exchange, which will be a part of each session’s opening.

Emphasize accountability for the completion of work outside of the sessions.

- **Entrepreneurs’ Exchange**
  Explain that each session will begin with the Entrepreneurs’ Exchange. During this time, entrepreneurs can share information, resources, ideas, and challenges with the entire group. To coach entrepreneurs on the types of information to share, ask the questions listed under Discussion Starters.

**Discussion Starters**
- What news do you have about your business since our last session?
- What sources of information or contacts have you identified that may be helpful to other members of the group?

**Tip**
Entrepreneurs may be reluctant to speak up at first, so be prepared to get the discussion started by talking with entrepreneurs prior to the start of the session and encouraging them to share information with the group. Before the session begins, entrepreneurs will often tell you about something they have learned since the last session or something positive that has occurred in their business. Use this opportunity to ask the entrepreneur to share this information with the entire group during the Entrepreneurs’ Exchange.

- **Debrief Action Steps**
  Reinforce key concepts from the previous session by leading a short discussion on Action Step 1.1 Conduct a SWOT Analysis, Action Step 1.2 Define My Three-Year Vision, and Action Step 1.3 Identify Goals for My Business and the FastTrac® Program.

**Discussion Starters**
- Were there any surprises for you?
- What insights did you gain by answering the questions in the action steps?
- How will information from your SWOT analysis help you in strategic planning for your business?
Exploring Growth Opportunities continued

**Variations**

**Action Step 1.2 Define My Three-Year Vision**, EM pp. 29 – 30
It is important that entrepreneurs are able to clearly communicate their vision and mission to employees, investors, bankers, vendors, and others. This small group activity provides an opportunity for entrepreneurs to obtain feedback from peers on the clarity of this communications. Instruct entrepreneurs to:

1. Divide into triads.
2. Briefly share their vision for their business and articulate their mission (statement) in no more than two sentences.
3. Ask the others to reflect back their understanding of the business’s mission. This exchange will help the entrepreneurs know if they are clearly communicating their mission to others.

Encourage entrepreneurs to continue to practice and clarify their vision and mission as they receive feedback and additional information through the rest of the program.

**Action Step 1.3 Identify Goals for Business and the FastTrac® Program**, EM pp. 31 – 32
If entrepreneurs did not do so in Module 1, instruct them to write each program goal on a separate index card or Post-it® note and to sign each one. Have entrepreneurs post their goals to the Parking Lot on the flip chart, white board, or wall. Instruct entrepreneurs that throughout the program, they are asked to remove their goal as it is accomplished.

**Tip**

Call entrepreneurs’ attention to their goals at the end of each session or just prior to each session’s start. Have entrepreneurs remove goals which they feel they have accomplished.

Refer to Slide 2A and explain that the purpose of this session, Exploring Growth Opportunities, is to guide entrepreneurs through a process for identifying and assessing growth strategies. Entrepreneurs also learn to conduct market research that can help them evaluate opportunities and prepare their business plan.

Now entrepreneurs will focus on identifying and evaluating specific growth opportunities for their businesses.

**Slide 2A**
What type and level of growth is my business ready for?

Time
15 minutes

Purpose
Emphasize the importance of timing and business readiness in making strategic decisions on growth.

Facilitation
Explore growth strategies.

Growth Analysis
Many will say that all businesses are ready to grow—all entrepreneurs strive for growth. The discussion of growth readiness in this session alludes to an intentional strategic decision to grow rather than the gradual occurrence that often results from businesses continuing to do what they do effectively.

Discussion Starters

- When is a business NOT ready for growth?
  Businesses are not ready to grow when:
  - Cash flow and profitability are insufficient and current potential has not been realized.
  - Physical resources are limited and internal processes inefficient.

- When is a business ready for growth?
  Businesses are ready for growth when:
  - New opportunities have been identified and funding is available.
  - Current markets have been penetrated and sales need to be rejuvenated.

- What are your goals for business growth?
- What do you anticipate to be the benefits of growing your business?
  Have entrepreneurs individually write their answers in their notes.
  Ask for volunteers to share answers with the entire group.

Review Slide 2B to introduce the framework that will be used to discuss and evaluate growth opportunities. In providing an overview of the Growth Analysis Map, start by calling attention to the fact that all growth is analyzed within the general framework of the business’s Vision, Mission, and Goals. Then focus on the box labeled, “1. Evaluate Growth Indicators.”

Evaluate Growth Indicators
To determine the type and level of growth that their business is ready to pursue, entrepreneurs need to assess the business’s financial strength by looking at the types of financial indicators listed below. Review Slide 2C for key indicators.

Tip
This list of indicators is not all-inclusive. Financial analysis is limited because of its introduction early in the program. A more in-depth analysis will be conducted in the financial module.

Emphasize that an internal analysis of the business’s financial statements in conjunction with external research on industry norms and ratios is needed. Internal analysis is begun in this module; external research will be completed later in the financial modules.

Key Points

- Sales – What are the business’s sales and are they increasing, remaining the same, or decreasing? How do sales compare to similar sized businesses in the industry? (This topic will be discussed in more depth in Module 9.)
What type and level of growth is my business ready for? continued

- **Net Profit** – What is the business’s net profit and is it increasing, leveling off, or decreasing? How does net profit compare to similar sized businesses in the industry? (This topic will be discussed in more depth in Module 9.)
- **Cash Flow** – Cash flow provides an internal funding source. How sufficient is cash flow? Adequacy of cash flow, along with profits, is key in determining the level of growth the business can support from internal funding. External funding sources need also be considered. Are external funding sources available and interested in providing financial support?

The business’s stage of growth also has a significant impact on the level and type of growth the business can handle. Review Slide 2D to discuss stages of growth.

**Key Points**
- **Conception** – Entrepreneurs determine the feasibility of the new business.
- **Start-Up** – The business is launched and sales are typically inconsistent at best, seldom meeting the entrepreneur’s expectations. Entrepreneurs modify products or services and experiment with different market penetration tactics.
- **Growth: Early Stage** – Customer responses validate the business concept and marketing efforts, but the business struggles to find its competitive advantage.
- **Growth** – Sales and profits are increasing as a result of new customers and expanding markets. Cash flow is an issue because of the cost of growth.
- **Growth: Rapid** – The business outpaces the industry growth rates and establishes itself as a viable concern. Sales increase rapidly and some entrepreneurs decide to sell their business at this stage.
- **Maturity** – Sales hit their highest point or may level off as a result of saturated or very competitive markets. Customer retention is key as well as managing resources.
- **Innovation or Decline** – Sales and profits start or continue their descent. Without innovation, the business declines. New products or services and new markets are needed.

Have entrepreneurs briefly review their answers to Business Growth Indicators on pp. 38–39 in the Entrepreneur Manual to prepare to answer the following questions:

**Discussion Starters**
- What did this information tell you?
  - Assessing sales trends and sales by category can reveal potential growth or problem areas.
  - Funding sources show a business’s ability to finance from internal and/or external sources.
- What information was the most challenging to obtain?
- Did you have any difficulty identifying your business’s stage of growth?

**Tip**
If many entrepreneurs respond yes, spend time discussing each stage in some depth.

- How does the business’s stage of growth impact the level and type of growth for consideration?
  - Businesses in the start-up and early growth stages will often use a market penetration strategy to increase sales. Businesses in the later growth and maturity stages may offer a new product or service to their existing markets to take advantage of the reputation and relationships they have already established. Mature businesses often pursue new business development, typically after other options have been exhausted.

Entrepreneurs should continue to evaluate their financial records to gain a better sense of their business’s financial strength and ability to support growth.
Is my business meeting current and future market needs? What are the growth opportunities for my business?

25 minutes

Emphasize the importance of opportunity recognition to the ongoing growth of a business and provide an opportunity for entrepreneurs to practice it using resources readily available to them.

Identify and Screen Growth Opportunities

Entrepreneurs continually seek new opportunities to keep their businesses viable.

Introduce methods of identifying potential opportunities by writing the following questions on a flip chart:

- What opportunity was the basis for your current business and how did you identify it?
- What new product or service have you added to your initial business offerings, and what prompted you to offer something new?

Ask entrepreneurs to share their responses in pairs. Allow 3 minutes. After time is called, ask for several volunteers to tell the opportunity they identified. Review Slide 2E and ask the same entrepreneurs who shared their stories how they would categorize the source of their idea according to Slide 2E.

Focus on the first item on Slide 2E, “Identify problems and needs.”

Key Points

- An entrepreneurial mindset continually looks for opportunities to fulfill unmet market needs.
- Needs and gaps in the marketplace are identified through observation, reading, listening, research, and personal experience.

Give or ask for an example of how listening to a customer’s frustration or problem led to a new product or service. (Example: Customers’ continuous requests for low carbohydrate menu items led a local restaurant owner to expand the menu to include such options.)

Focus on items 2 – 4 on Slide 2E and share the following:

Key Points

- Changes result in discontinuity or disruption in an industry or market, which typically provides many entrepreneurial opportunities. (Examples: Changes in technology, government regulation, and the competitive environment.)
- Trends represent a change over time (as compared to a fad). (Examples: demographic trends—increased ethnicity; economic trends—changing interest and gas rates; and market trends—globalization and purchasing over the Internet.)
- Sources of information on changes and trends include techniques such as observation, reading newspapers and professional journals, and personal networking.
- Refer entrepreneurs to More Info Resources 2.

Discussion Starters

- How has changing demographics created an opportunity for your business?
- How has technology created an opportunity for your business?

Tip

Bring in copies of Inc., Entrepreneur Magazine, and/or Fast Company, which list “hot new venture opportunities” annually. Make copies available for entrepreneurs to peruse the types of businesses that are experiencing rapid growth.
Is my business meeting current and future market needs? What are the growth opportunities for my business? continued

For additional facilitation on growth opportunities, find these three activities behind the Optional and Enrichment Activities tab: Trends and Business Opportunities, Brainstorming Change, and Products/Services and Spin-Offs.

Focus on the fifth item on Slide 2E, “Establish a personal network.”

Discussion Starter

Who in your personal network can assist you in identifying potential market opportunities?

An entrepreneur’s personal network includes people such as friends, family, vendors, customers, employees, peers, colleagues, and infrastructure members. All can be helpful in identifying marketplace needs.

Small Group Activity – Opportunity Recognition

Remind entrepreneurs that opportunities are all around them. Often the most important market research entrepreneurs conduct does not take place in the library or over the Internet but in their day-to-day activities of reading the newspaper, perusing magazines and trade journals, and talking with friends, peers, and customers.

Tip

Use the following story to set the stage for the small group activity.

One entrepreneur and FastTrac® facilitator, Sally Smith, started her business through a process she called “reverse marketing.” Instead of developing a product or service and then determining its market, Smith scrutinized the marketplace first. “The idea was to identify what people wanted to buy and work backward from the delivery point.” She began reading voraciously. She interviewed successful CEOs of large companies and talked to members of trade associations, economic development agencies, and chambers of commerce.

As she researched, certain facts grabbed Smith’s attention. For example, the mail-order industry was experiencing significantly higher growth than traditional bricks-and-mortar retailing. Drilling deeper, Smith discovered that food was the best-selling category for catalogues. She launched Chops of Iowa in Des Moines, and the company was so successful that it opened its own packing plant during its second year; revenue approached $1 million by the third year. Years later, Smith and her partner were ready to deploy their exit strategy and sold Chops of Iowa to a regional corporation – one that Smith had identified during her initial research process.

Participants were asked to bring in articles, magazines, newspapers, or trade journals to discuss. As the facilitator, you brought in resource materials that you had available to add to those brought in from participants. Just prior to the small group work, distribute these resources by asking participants to each take a few or provide a small pile of resources to each table or group.

Remind entrepreneurs that opportunities are all around them. Note the difference between “seeing” opportunities and identifying their potential for their businesses. Sometimes it is easier to see the potential for others than for oneself.

Instruct participants to do the following:

1. Go around the table (or form small groups) and have entrepreneurs share the name of their businesses and their products or services in 1 or 2 sentences.

2. Instruct entrepreneurs to review resource materials on hand and look for one idea or opportunity for their own business and one for someone else in the group. Allow 8 minutes.

Either facilitate the results by asking entrepreneurs to identify the idea or opportunity they found for themselves and the idea they found for someone else or have entrepreneurs do so in their small groups.

Activity Close

Opportunity recognition is a mindset. Being alert to opportunities on a daily basis can result in many ideas for business growth.
25 minutes

Purpose

Apply strategies for identifying opportunities for business growth.

Identify and Screen Growth Opportunities

Refer back to Slide 2B, Growth Analysis Map, and review market penetration, market expansion, line expansion, new business development, and other opportunities.

Using one business from the group as an example, have participants apply the growth strategies by asking them to brainstorm potential opportunities in each category. Remind entrepreneurs that risks associated with the various options typically increase as you move from top to bottom (Market Penetration to Other Opportunities), the known to the unknown.

Tip

Preselect one business and ask the entrepreneur in advance about using their business in this activity. Pre-selecting the business provides you an opportunity to think through the example to prepare prompts for the group if needed.

Activity 2a Excell Staffing Services, EM pp. 56 – 57

This scenario provides an opportunity for participants to analyze growth opportunities for a temporary staffing company.

1. Have entrepreneurs individually read the scenario and complete Step 2 Apply the Growth Analysis Map.
2. Divide entrepreneurs into groups of five and have them complete Step 3 Discuss Your Findings. Entrepreneurs discuss their strategies and the rationale behind them.
3. Each group identifies a reporter to write down the group’s responses and relate them back to the entire group.

Discussion Starter

What should be considered in determining which strategy is best?

Variation

Time permitting, have entrepreneurs also complete Step 4 Review Brainstorm and Screen Growth Opportunities on pp. 49 – 50 of the Entrepreneur Manual. In it they used a similar process to identify potential growth opportunities for their own businesses. In their same small groups, have entrepreneurs report out which growth strategy(ies) offer the greatest potential for their own businesses. Other group members provide feedback and/or suggestions.

Connect this Learning to the Next Activity

The methods for identifying potential growth opportunities are numerous. Once opportunities have been identified, entrepreneurs need to determine which are best for their business. Market research will help in this process.
Guest Speaker – Market Research

30 minutes

Familiarize entrepreneurs with the many resources available for conducting market research.

Announce the guest speaker’s topic, “Market Research.”

Tell the guest speaker how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest speaker to discuss the following points included on the Guest Speaker Confirmation form.

**Reference Librarian or Market Research Specialist**

Introduce the Reference Librarian or Market Research Specialist and share relevant information about their organization and background. If a reference librarian is speaking, holding the session at the library may be an option.

Many entrepreneurs do not know how to locate and access market research resources efficiently and would benefit from knowing how to use online resources and search effectively by using key words, terms, and subject headings. Ask librarian or market research specialist to explain what resources are available to conduct market research at the library and in the community, how to perform research online, and how to be efficient with time when doing research. Recommended questions are as follows:

- What opportunities and options are available to conduct market research (library, community, online)?
- What resources are considered the most up-to-date?
- How do you utilize technology to perform market research? (For example: How do you research online, use key words, do subject searches, and access journals and trade publications?)
- What tips do you have for conducting market research efficiently?

During the networking break have entrepreneurs share sources of market research information they have found particularly helpful.

**Time**

- 30 minutes

**Purpose**

- Familiarize entrepreneurs with the many resources available for conducting market research.

**Facilitation**

- Announce the guest speaker’s topic, “Market Research.”
- Tell the guest speaker how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session.
- Be prepared to prompt the guest speaker to discuss the following points included on the Guest Speaker Confirmation form.

**Connect this Learning to the Next Activity**

- During the networking break have entrepreneurs share sources of market research information they have found particularly helpful.
Networking Break

15 minutes

**Purpose**
Provide an opportunity to continue the peer networking started in the first session and for entrepreneurs to talk with the guest speaker, facilitator, and coaches.

**Facilitation**
Growing My Network
Remind entrepreneurs that the networking break provides an opportunity for them to meet with one another, the guest speaker, facilitator, and coaches.

If meeting with fellow entrepreneurs, participants are encouraged to do the following:
- Share information about self and business.
- Share market research resources they have found particularly helpful (for example, community and professional service providers).
- Identify potential areas of mutual benefit.

Encourage entrepreneurs to continue networking before or after the sessions.

**Activity Close**
Emphasize that successful entrepreneurs are always networking. Networking is not a one-time activity but a skill that entrepreneurs should be more aware of and practice anytime possible.
Setting Direction

Exploring Growth Opportunities

What type of research do I need? How do I conduct market research?

30 minutes

Recognize the importance of market research and learn how to conduct it.

Focus research on key questions.

- **Conduct Market Research**

  **Discussion Starters**
  - What are examples of when market research conducted for your business or others resulted in a winning marketing strategy?
    - *Entrepreneurs may share their own examples. National examples would include:*
      - Harley Davidson performed research in the marketplace and began to market to women.
      - Starbucks Coffee researched changes in consumer behavior to gain a major competitive advantage in the coffee industry.
  - What examples can you offer of market research not being done—but had it been done, it would have helped you either avoid a problem or take advantage of an opportunity? (Netflix)
  - What is the potential impact of not conducting market research prior to implementing a particular growth strategy?
    - *Not conducting adequate research may result in the business having little knowledge of the competitive environment or an unclear idea of customer needs and wants. It may also result in investing time and money in pursuing a growth strategy that has little potential or will fail.*

- **Market Research Process**

  Discuss that knowing how to conduct market research and identifying what information is needed are critical to strategic planning.

  **Market Research Process,** EM pp. 51 – 53

  Ask entrepreneurs to do the following:
  1. Review the example for an engineering consulting firm on p. 52 of the Entrepreneur Manual.
  2. Review the research statement they prepared in response to the first question, “Develop research statement(s). What do you wish to prove?” (Have them prepare one if they have not already done so.) Remind entrepreneurs that a research goal/statement is something they are seeking to prove.
  3. Meet in small groups to share their research statements (goals) and obtain feedback and/or assistance in clarifying and focusing the statement. After each member of the group has reported and clarified their research statement (goal), if time allows, they should do the same with the supporting research questions from primary and secondary resources.
  4. Identify one member’s research statement (and several supporting questions, if completed) and report back to the large group.
  5. Discuss research statements (goals) and identify possible primary and secondary resources to prove the statement.

  In addition to researching growth strategies, key data that needs to be researched for any business includes the following types of information related to the industry, customer, and competition. Refer to Slide 2F.
What type of research do I need?
How do I conduct market research? continued

Based on information presented in the Entrepreneur Manual and the market research presentation by the reference librarian or market research specialist, ask entrepreneurs the following questions on market research resources:

**Discussion Starters**

- What are likely resources for information on your industry?
  - Likely resources include trade and professional organizations, journals and websites. Standard & Poor’s Industry Surveys, Dun and Bradstreet, RMA (Risk Management Association), and others.

- What are likely resources for information on your customers?

- What are likely resources for information on your competition?
  - Primary research—Visit competitors; talk to customers, vendors, and other entrepreneurs in industry. Secondary research—Internet, Department of Commerce, and trade associations.

For additional activities on market research resources, find these three activities behind the Optional and Enrichment Activities tab: Market Research Resources Contest, Brainstorm Primary Research Resources, and Brainstorm Secondary Research Resources.

**Action Step 2.1 Assess Industry Potential**, EM pp. 58 – 61

Action Step 2.1 is the first of four action steps that entrepreneurs will be introduced to during the coaching session. Emphasize that the purpose during the coaching session is to introduce the different action steps, provide a few minutes to start, and give entrepreneurs the opportunity to ask any questions they might have. Have entrepreneurs turn to p. 58 in the Entrepreneur Manual and review instructions.

**Action Step 2.2 Develop My Customer Profile**, EM pp. 62 – 66

Repeat process as stated above.

**Action Step 2.3 Analyze My Direct, Indirect, and Future Competition**, EM pp. 67 – 69

Repeat process as stated above.

**Variations**

As you plan your facilitation for the coaching session, consider mixing the way you conduct each action step. Consider these variations:

- Have individuals work on their own action step for a few minutes and then open the discussion for questions and comments.
- Ask participants to work in pairs on action steps. This allows for feedback and sharing. It is also much more interactive and tends to get people more engaged and involved.
- Form small groups and give each group a different action step. Allow a few minutes for each group to review their assigned action step, develop a brief overview, and identify the market research resources their group feels would likely be the best to complete it. After each group reports, open up the floor for questions and discussion on each action step. As time allows, have entrepreneurs begin individually completing the action steps, starting with the one they reviewed in their group.

**Activity Close**

Emphasize the importance of market research to strategic planning. Without information on the industry in which the business operates, its customers, and the competitive environment, the entrepreneur would be planning in a vacuum.
What are the growth opportunities for my business and how do I evaluate them?

20 minutes
Evaluate growth opportunities.

Identify and Screen Growth Opportunities

The market research conducted in Action Steps 2.1 – 2.3 prepares the entrepreneur to determine which of the many opportunities available holds the most promise of being a successful growth strategy for their business.

Action Step 2.4 Evaluate Growth Opportunities, EM p. 70
Preview Action Step 2.4 and relate it back to the Growth Analysis Map on p. 36 of the Entrepreneur Manual and on Slide 2B.

1. Have entrepreneurs complete the first section only of the Growth Opportunity Matrix. In it they will describe the opportunity or strategy they are most seriously considering, taking into consideration that their response could change by the time they complete the other action steps in this module.

2. Entrepreneurs discuss their responses in triads and explain the rationale for this initial choice of growth strategy. Team members ask clarifying questions to assist the entrepreneur in evaluating the strategy identified.

3. Entrepreneurs complete Action Step 2.4 after they have completed the market research in Action Steps 2.1 – 2.3. This research may cause them to change their initial answer in Action Step 2.4.

Assessing a growth opportunity for its match with the business’s vision, mission, and goals and determining its market potential are important steps prior to investing time and organizational resources into pursuing it.
## Wrap Up and Action Steps

<table>
<thead>
<tr>
<th>Time</th>
<th>10 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Reinforce key concepts and preview action steps to be completed for the next session.</td>
</tr>
</tbody>
</table>
| Facilitation | ![Checkmark] **Summarize Key Concepts**  
- Planning for growth is a critical part of strategic planning and should be consistent with the business’s vision, mission, and goals.  
- To determine how and when to grow the business, issues of business readiness must be considered.  
- Studying markets, industries, competitors, and customer demographics, lifestyles, and habits helps entrepreneurs stay abreast of the current business climate and identify opportunities for businesses growth.  
- Smart entrepreneurs put in the time needed to determine what market research is required, set research goals, and commit to gathering the relevant information that will help them make effective decisions.  
- Growth opportunities can be analyzed from the perspective of sales potential, durability of opportunity, risks, and one’s ability to compete.  

**Preview Action Steps**  
Highlight major outcomes of each action step as follows:  
**Action Step 2.1 Assess Industry Potential**, EM pp. 58 – 61 – Research information to determine industry potential prior to choosing growth strategies for the future and preparing a marketing plan later in the program.  
**Action Step 2.2 Develop My Customer Profile**, EM pp. 62 – 66 – Identify major customer groups, their distinguishing characteristics, and the market research needed to develop a customer profile.  
**Action Step 2.3 Analyze My Direct, Indirect, and Future Competition**, EM pp. 67 – 69 – Consider all the alternatives customers have to buying a product or service similar to the entrepreneur’s and conduct research to determine competitive advantage.  
**Action Step 2.4 Evaluate Growth Opportunities**, EM p. 70 – Compare chosen growth strategy(ies) with mission, vision, and goals. Assess whether or not the business can support the strategy and the market potential it affords.  
**Read Module 3 Determining Strategy**, EM pp. 73 – 102 – Use the information gathered and determine an overall business strategy. Evaluate current business model and determine how to refine it to align with business strategy.  
**A Closer Look @ Using the Business Planning Template (optional)**, EM p. 103  
**A Closer Look @ Defining Your Target Market (optional)**, EM pp. 104 – 106

### Tip

In preparation for an activity on competitive advantage in the next session, you may wish to ask entrepreneurs if you can keep the materials brought in for the opportunity recognition activity in this module. You may also ask entrepreneurs to bring in additional resources to provide a more diverse collection for the upcoming competitive advantage activity. Resources may include *Forbes*, *Inc.*, *Fortune*, *Entrepreneur*, *Fast Company*, and local business magazine and newspaper articles.

### Activity Close

To remain successful in today’s marketplace, an entrepreneur has to be acutely aware of the changing marketplace and market opportunities. Research markets, industries, and competitors to stay abreast of the current business climate and discover new businesses opportunities. Market research is the key to making informed decisions.

The consideration of growth opportunities and research completed prior to the next module will set the stage for strategic decisions that will be made in the third and final module of the Setting Direction portion of the program.
Purpose

In this module entrepreneurs determine an overall business strategy that helps them achieve their business and personal goals, sustain a competitive advantage in the market, and meet current and future market needs. They evaluate their current business model, determine how to refine it to align with their business strategy, and identify an exit strategy that supports both their business and personal goals. By learning how to monitor the changes in the market, entrepreneurs determine when to modify their strategy to support their growth plans.

Key Outcomes

- Strategy for achieving business and personal goals and techniques for monitoring changes that impact strategy
- Competitive advantage
- Potential changes to business model to support strategy
- Exit strategy that supports business and personal goals

Entrepreneur Manual Outline

Strategy Achieves the Vision

Competitive Advantage

- Competitive Advantage Using Market Differentiators
- Six Differentiators That Build a Competitive Advantage
- Analyze the Competitive Environment

Business Models

- Types of Business Models

Exit Strategies

- Benefits of an Exit Strategy
- Types of Exit Strategies
- Plan with the End in Mind

Define Your Business Strategy

- Defining a Business Strategy

Use Your Strategy

- Evaluating the Business Strategy
- Refining Your Business Strategy
- Decision Making
Activities

During Session

Action Step 2.1 Assess Industry Potential
Action Step 2.2 Develop My Customer Profile
Action Step 2.3 Analyze My Direct, Indirect, and Future Competition
Action Step 2.4 Evaluate Growth Opportunities
Read Module 3 Making Strategic Decisions
A Closer Look @ Using the Business Planning Template (optional)
A Closer Look @ Defining Your Target Market (optional)

Activity 3a Personal Best Health and Fitness

Action Step 3.1 Determine My Business Strategy
Action Step 3.2 Write My Executive Summary
Read Module 4 Using Financial Tools
A Closer Look @ Using the Financial Template (optional)
A Closer Look @ Financial Statements (optional)

Optional and Enrichment Activities

Look at Challenges, Issues, Opportunities, and Options

Setting Direction

Activities

During Session

Action Steps

Before Session

Action Steps

After Session

Optional and Enrichment Activities
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<tr>
<th>Estimated Time</th>
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<th>Materials and Equipment</th>
<th>FM Page</th>
<th>EM Page</th>
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<td><strong>Opening</strong></td>
<td>15 minutes</td>
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<td>- Entrepreneurs’ Exchange</td>
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<td>Slide 3A</td>
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<tr>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td>60 minutes</td>
<td><em>How do we sustain a competitive advantage in the marketplace?</em></td>
<td>Slides 3B – 3C</td>
<td>47 – 49</td>
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<td>- Competitive Advantage</td>
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<td>- Six Differentiators to Build a Competitive Advantage</td>
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<td>Small Group Activity – Identify the Competitive Advantage</td>
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<td>Activity 3a Personal Best Health and Fitness</td>
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<td><strong>Guest Speaker</strong></td>
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<td>Determining and Evaluating Business Strategy</td>
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<td><strong>Networking Break</strong></td>
<td>15 minutes</td>
<td>Growing My Network</td>
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<td><strong>Coaching Session</strong></td>
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<td><em>How do we define a business strategy?</em></td>
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<td>Action Step 3.2 Write My Executive Summary</td>
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<td><strong>Wrap Up and Action Steps</strong></td>
<td>10 minutes</td>
<td>- Summarize Key Concepts</td>
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<td>- Preview Action Steps</td>
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Preparing to Lead this Session

In Module 1, entrepreneurs set business and personal goals and developed a vision for their businesses. They conducted a SWOT Analysis, evaluated their strengths and weaknesses, and explored opportunities and threats that could impact their businesses. In Module 2, they explored growth opportunities, recognized the importance of monitoring trends and changes in the market, and collected market research data. Now it's time for entrepreneurs to pull this information together, analyze the results, and consider how to position their companies for growth.

In this module, entrepreneurs will capitalize on what they already know and determine an overall business strategy to grow their businesses. This strategy will help them to achieve both their business and personal goals, sustain a competitive advantage, and meet the changing needs of the market. By responding to the questions and activities throughout the module, entrepreneurs will approach their business challenges and opportunities strategically and will continue to use this approach in between planning cycles. Depending on how well entrepreneurs navigate the content, they will achieve a measure of confidence in defining the strategy that best supports their plans for growth.

Materials Needed

- Slides 3A – 3E
- Entrepreneur Manual, pp. 73 – 106
- Local and national magazines and newspapers
- More Info Resources 3 and 4
- Flip chart

Supplemental Resources

Forbes, Fortune, Inc., Fast Company, Entrepreneur Magazine, business journals, local business magazines, and articles clipped from newspapers

Guest Speaker Selection

After Module 3, entrepreneurs will begin applying their selected business strategy to develop their business plans. Entrepreneurs who can share their business and exit strategies can help other entrepreneurs to identify their own.

Entrepreneur or Panel of Entrepreneurs

Invite one or more entrepreneurs who can share how they selected an overall business strategy to support their growth plan. Guests can discuss how often the business strategy is evaluated and how to analyze its effectiveness. They can also share their exit strategy and how the strategy is incorporated as part of the growth plan. Select speakers who use an overall business strategy and are planning an exit strategy to meet business and personal goals.
Guest Speaker Confirmation

Guest Entrepreneur

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Determining and Evaluating Business Strategy

Please include the following information in your presentation:

- Describe your overall business strategy and how it guides your plans for growth.
- Share how you evaluate the effectiveness of your business strategy.
- What is your exit strategy, and how is it incorporated as part of your growth plan?
- Advice or lessons you learned that would be helpful to someone growing a business.

Background

Prior to this session, entrepreneurs have conducted market research on their industry, customers, and market. They have outlined their business and personal goals, as well as a vision for their business. They have explored growth opportunities and conducted a SWOT analysis to evaluate their strengths and weaknesses. In this session, entrepreneurs will explore market differentiators and determine how they can build a competitive advantage in the marketplace. They will determine an overall business strategy that helps them sustain a competitive advantage, achieve their business and personal goals, and continue to meet market needs. Entrepreneurs will also identify an exit strategy and refine their business models to support their plans for growth.
Making Strategic Decisions

15 minutes

Exchange information and ideas and set the stage to discuss business and exit strategies, competitive advantage, and business models.

- **Entrepreneurs’ Exchange**

  **Discussion Starters**
  - What industry or marketplace trends or changes have you identified since our last meeting?
  - What insights can entrepreneurs gain from conducting market research?

- **Tip**

  Entrepreneurs may not have completed their market research. Encourage them to consider any unanswered questions and to complete their research.

- **Debrief Action Steps**

  Explain that in this module, the information entrepreneurs have collected so far and the completed activities from Modules 1 and 2 will be analyzed to help them determine an overall business strategy to guide the company’s growth for the next few years.

  To reinforce key points from the action steps, lead a brief discussion on Action Step 2.1 Assess Industry Potential, Action Step 2.2 Develop My Customer Profile, Action Step 2.3 Analyze My Direct, Indirect, and Future Competition, and Action Step 2.4 Evaluate Growth Opportunities.

  **Discussion Starters**
  - What did your market research reveal?
  - How often should entrepreneurs conduct market research?
  - What new opportunities did you discover from your research?

- **Session Overview**

  On Slide 3A, point out that entrepreneurs have identified their business and personal goals and evaluated their strengths, weaknesses, opportunities, and threats. Refer to the market research they conducted, collecting information on their industry, competitors, and current and future trends that may impact their businesses. Now they will use this information to determine an overall business strategy to support their plans for growth.

  The market research entrepreneurs completed prior to this session—which they will continue to gather—empowers them to make smart strategic decisions.
Setting Direction

Making Strategic Decisions

How do we sustain a competitive advantage in the marketplace?

60 minutes

Help entrepreneurs explore six market differentiators and determine how to sustain a competitive advantage.

- **Competitive Advantage**
  A competitive advantage is what sets the business apart from others in the industry and is valued by customers.

**Discussion Starters**
- How can you use your core competencies to have an edge over other competitors?
- What are the ways companies generally sustain a competitive advantage over their competition?

Review Slide 3B to highlight the ways businesses establish a competitive advantage.

**Key Points**
- Companies with a price (or cost) advantage have internal strengths that are hard to replicate. For example, Costco® and other big box chains have expertise in warehousing and inventory management, can purchase in large quantities, and can maintain low operational costs to keep their pricing competitive.
- A unique or efficient distribution channel, effective strategic alliance, or innovative technology may enable a business to provide product more quickly and efficiently. For example, Amazon® revolutionized the bookselling industry by using the Internet to market and sell products and streamlined distribution by having publishers ship products directly from strategically located warehouses.
- A superior product or service and reputation for quality and innovation can be a business’s competitive advantage. Toyota® has a strong reputation for building cars with superior performance and fine detailing. It’s not, however, just larger corporations that can establish a reputation based on quality. The Tattered Cover®, a popular bookstore in Denver, has maintained its position in the market even with Borders® and Barnes & Noble® close by. The owner, Joyce Meskis, provides her customers with comfortable reading environments, a coffee shop and bar to spend time with friends, and an impressive line-up of local and national authors for presentations and book signings.

- **Six Ways That Build a Competitive Advantage**
  A business’s competitive advantage is the reason customers choose to do business with one company over another. There are many ways a business can differentiate itself.

**Discussion Starters**
- Expanding on the previous discussion, how can you build or sustain a competitive advantage in the marketplace?
- Why would a company need to enhance or change its competitive advantage?
How do we sustain a competitive advantage in the marketplace? continued

To address competitive advantage in more depth, review Slide 3C.

Key Points

- **Core competencies** – Every successful business has its core competencies—what they do better than any other competitor. Entrepreneurs should make a list of what they consider to be their company’s core competencies, asking employees, managers, customers, and suppliers what the company does best. They can then compare their responses and consider how their company’s strengths can continue to build their competitive advantage in the market, remembering that core competencies change over time. *Provide an example of a local entrepreneur who leverages core competencies to gain an edge in the market.*

- **Reputation for superior products/services** – Companies that focus on offering the best product or service available in the market enjoy higher margins and oftentimes, fewer competitors. Build a reputation for expertise in specific areas by being the best-in-class for what you offer. *Provide an example of a local entrepreneur that holds a premium position among competitors by offering the best product or exceptional service.*

- **Niche market** – Some companies establish an advantage by meeting specific demands of smaller, elite, or underserved target markets. *Provide an example of a local entrepreneur who serves the needs of a niche market and has fewer competitors because of this position.*

- **Unique distribution channels or delivery methods** – Distribution channels and delivery methods change over time, and many are borrowed from other industries. Innovative distribution methods today include wine clubs that ship directly to customers’ homes and wholesale clubs selling direct to consumers from a warehouse environment. The Internet has changed how many companies market, sell, and distribute to targeted audiences. Online airline ticket purchases and hotel reservations have allowed consumers to act as their own travel agents. Entrepreneurs should determine how distribution channels have changed in their industry and how other industries’ methods may work well in their business. *Provide an example of a local entrepreneur who uses a unique distribution channel or delivery method to gain an edge in the market.*

- **Organizational effectiveness** – Companies that have efficient operations can respond to market needs and have greater capacity for volume than other competitors. L.L. Bean® is known to be a leader in the clothing catalog industry due to its efficiency in warehousing and accuracy in fulfilling orders. Some companies choose to outsource specific functions that others can do more efficiently to allow them to focus on what they do best. *Provide an example of a local entrepreneur who has mastered organizational efficiency and is a leader in the market because of it.*

- **Unique technology or innovative products or services** – Technology has changed the way that many companies conduct business. Entrepreneurs can use technology to market, sell, distribute, and meet customers’ needs. Technology has helped companies develop innovative products and market products or services in ways unheard of 10 to 15 years ago. For example, eBay and Zaarly have transformed the auction industry by connecting buyers and sellers via the Internet. *Provide an example of a local entrepreneur that has developed or used technology in a unique way and gained a competitive advantage as a result.*
How do we sustain a competitive advantage in the marketplace? continued

Small Group Activity – Identify the Competitive Advantage
At the end of Module 2, you may have asked entrepreneurs if you could keep the materials they brought in for the market opportunity activity or asked them to bring in additional resources to provide a more diverse collection for this activity. You may wish to reuse these materials or bring in new ones that include information on how companies are positioning themselves in the marketplace. Good sources include Forbes, Fortune, Inc., Fast Company, Entrepreneur, business journals, local business magazine, articles, and internet blogs.

1. Ask entrepreneurs to work in small groups with 3 or 4 other entrepreneurs to complete the activity.
2. Entrepreneurs will review magazines, journals, and articles for examples of companies that use one of the six differentiators identified in Slide 3C to sustain a competitive advantage. Have entrepreneurs either dog-ear or tear out the appropriate articles. Allow them fifteen minutes to complete this activity.
3. Debrief activity by asking groups to share companies and competitive advantages they identified.

Successful companies build or sustain their competitive advantages, and a wealth of information is being written about them. Encourage entrepreneurs to stay informed, to explore how other companies in or out of their industries are positioned in the marketplace, and to learn to recognize how competitive advantages are being implemented.

Activity 3a Personal Best Health and Fitness, EM pp. 98 – 99
Have entrepreneurs do the following:
1. Read scenario and make brief responses to questions.
2. Meet in small groups with 2 or 3 other entrepreneurs to complete the scenario worksheet. Allow entrepreneurs twenty minutes to respond to the questions.
3. Debrief activity by having groups share their answers. Allow 5 minutes for debriefing.

Activity Close
Entrepreneurs’ work in the two previous activities, in which they considered how others identify and sustain a competitive advantage, prepares them to determine their own.
Guest Speaker –
Determining and Evaluating Business Strategy

30 minutes

Provide information and depth to the discussion on business strategy.

Announce the topic of the presentation, “Determining and Evaluating Business Strategy.”

Introduce the entrepreneur and information about the business’s location, size, number of employees, length of time in business, products, and other relevant information. If a panel of entrepreneurs is being used, do the same for all members of the panel.

Tell the guest(s) how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest speaker to discuss the following key points included on the Guest Speaker Confirmation form:

- Describe your overall business strategy and how it guides your plans for growth.
- Share how you evaluate the effectiveness of your business strategy.
- What is your exit strategy, and how is it incorporated as part of your growth plan?
- Advice or lessons you learned that would be helpful to someone growing a business.

The overall business strategy should support the entrepreneurs’ plans for growth. By defining an exit strategy before it needs to be implemented, entrepreneurs can navigate the company’s growth so it leads to the ultimate destination they have chosen. During the networking break, encourage entrepreneurs to learn how peers are defining their exit strategies.
### Networking Break

**Time**
15 minutes

**Purpose**
Explore different exit strategies planned by entrepreneurs.

**Facilitation**
**Growing My Network**
Ask entrepreneurs to share their potential or planned exit strategy with several peers. Allow entrepreneurs 10 minutes to complete the activity and 5 minutes to debrief it by asking entrepreneurs to volunteer their planned exits.

Encourage entrepreneurs to continue networking before or after the sessions.

**Activity Close**
Entrepreneurs select exit strategies that meet their business and personal goals. Whether they are protecting the investments of the company, ensuring that family members are part of the succession plan, or growing the company to the next plateau, entrepreneurs need to plan their exit and make critical decisions to implement their strategies.
How do we define a business strategy?

50 minutes

Purpose
Review and consolidate the information and insights gained in the first three modules.

Facilitation
Determine an overall business strategy that takes into account business and personal goals, sustains a competitive advantage in the marketplace, and continues to meet market needs.

Define Your Business Strategy
A business strategy creates a strategic direction for the company.

Discussion Starters
✓ What does it mean to have a strategic direction or focus?
✓ How does a clear strategic direction or focus benefit the business?

Key Points
✓ As the saying goes: “The difference between dreams and goals is that goals have a plan.” A dream and a vision are very similar, and visions are achieved by having a strategy—a defined way of getting there. The strategy serves as the means by which the entrepreneur’s vision will be achieved. It is part of a business’s architectural framework, as illustrated by the building icon in Slide 3D.
✓ Typically a business strategy is implemented for 3 to 5 years or more. Entrepreneurs need to evaluate periodically how well their strategy is helping achieve anticipated results. Many times, it is not the strategy that is flawed—the challenge lies with successful implementation.
✓ As discussed in Slide 3D, the business strategy should help accomplish the following: 1) Achieve both business and personal goals. 2) Meet current and emerging market needs. 3) Sustain a competitive advantage.

Refer to Slide 3E while discussing the following:

Key Points
✓ Strategic direction starts with the President and senior management team and works down from there.
✓ For the business strategy to be implemented effectively, entrepreneurs need to have the right people doing the right things. That’s the essence of Jim Collins’ book, Good to Great. Collins’ studies indicate that great companies leverage their core competencies, set and follow strategic direction, and recruit and retain the best people to implement the company’s strategy.
✓ The business strategy supports the company’s growth plans by enrolling everyone in a common vision, allocating adequate resource to achieve goals, and monitoring and controlling outcomes.
How do we define a business strategy?  

To provide an opportunity for entrepreneurs to reflect on their thought processes prior to defining their business strategy, see Look at Challenges, Issues, Opportunities, and Options behind the Optional and Enrichment Activities tab.


Once entrepreneurs consolidate information and insights gained in the first three modules on the action step form, they can begin to determine the business strategy that will best help them achieve their vision.

1. Have entrepreneurs work individually for 10 minutes. This action step will be completed outside of the session.
2. Tell entrepreneurs to spend 5 minutes sharing their responses with a partner and exchanging feedback.
3. Allow 5 minutes to debrief action step with the group by asking entrepreneurs to volunteer their answers to selected questions.

**Discussion Starters**

- To which questions do you need to give more thought or conduct more research?
- Are their others who will be helpful in answering these questions?
- What challenges do you face in your business or industry that make it difficult for you to compete and grow?
- What options do you have to grow your business right now?

Encourage entrepreneurs to continue working on their business strategy and to share their responses to questions in Action Step 3.1 with partners, advisers, and their management team. Ask entrepreneurs to share a draft strategy with their business counselors and collect additional feedback as needed. Explain that the business strategy will also be valuable in creating the Executive Summary for their Business Plans, Action Step 3.2 Write My Executive Summary.
Wrap Up and Action Steps

Time
10 minutes

Purpose
Reinforce key learning points and review work to be completed for the next session.

Facilitation

- **Summarize Key Concepts**
  - The competitive advantages companies have are based on price and market differentiators.
  - Entrepreneurs should define an exit strategy before they need one and make critical decisions to implement it.
  - A business strategy helps entrepreneurs achieve their vision and create strategic direction, or focus, for the business.
  - A business strategy should help entrepreneurs achieve business and personal goals, sustain a competitive advantage in the marketplace, and meet current and emerging market needs.

Tip
Recap and summarize information by asking entrepreneurs to identify key concepts that either resulted in their modifying their business strategy or supported the direction they had already determined.

Variations

Assess Progress on Program Goals
If the Course Expectations’ Parking Lot (from Modules 1 and 2) was used for keeping track of entrepreneurs’ goals and expectations for the program, have them remove any cards for goals they feel have been met, either now or after the session.

- **Preview Action Steps**
  - Prepare entrepreneurs for after session work by highlighting the key focus of each action step.
  - **Action Step 3.2 Write My Executive Summary**, EM p. 102 – Draft an Executive Summary to provide an overview of the business or growth plan.
  - The questions on the Business Plan Template at [fasttrac.org/resources](http://fasttrac.org/resources) may be used as a guide.
  - **Read Module 4 Using Financial Tools**, EM pp. 107 – 137 – Consider the role of financial planning in implementing the strategy envisioned in this module. Focus on the financial aspects of the business and build a three-year operating budget to support the identified strategy.
  - **A Closer Look @ Using the Financial Template (optional)**, EM pp. 138 – 143
  - **A Closer Look @ Financial Statements (optional)**, EM pp. 144 – 152

Tip
If computer projection capabilities are available, you may wish to preview the Business Plan Template with the group. Tell entrepreneurs they can download the Business Plan Template by clicking on FastTrac® GrowthVenture™ Toolkit at the webpage, [fasttrac.org/resources](http://fasttrac.org/resources). Sample business plans are included for entrepreneurs to review. You may also wish to provide hard copies of sample business plans.

Activity Close
In this module, entrepreneurs synthesized the information and research they gathered earlier in the program and began to focus on what they wanted their business to become. Through research and analysis, they identified a strategy to achieve it.

Connect this Module to the Next Module
The actions steps in this module are culminating activities for the first three modules on setting direction. The last seven modules guide entrepreneurs to evaluate each major area of their business, beginning with the financial aspects.
Purpose
In this module, entrepreneurs will identify the financial implications of their vision and strategy by developing a three-year budget. This budget will concentrate on the primary financial components that determine overall profitability—Sales, Cost of Goods Sold, and Operating Expenses.

Their historical financial information and business strategy help participants complete their preliminary budget forecast. If their strategy is moving the business into new areas, they will need to fill the information gaps with researched industry data. The budget created in this module is preliminary.

After each subsequent module, entrepreneurs will review and refine their preliminary budget to incorporate their most recent information. In Module 9, they will research industry financial standards, test their budget against them, and establish their final profitability goals and ensuing cash flow needs.

Entrepreneurs may use the Financial Template or their own budgeting software for the budgeting process.

*Note: For entrepreneurs needing a stronger foundation in financials, consider offering the optional two-hour session, Key Financial Concepts, located behind the Optional and Enrichment Activities tab.*

Key Outcomes
• Awareness of the impact of strategic decisions on the budget
• Recognition of the benefits of designing a preliminary forecast
• A three-year budget with projected financial statements
• Ability to question and verify the accuracy of a budget
• Ability to use financial statements to make financial decisions

Entrepreneur Manual Outline

Financial Planning

Budgeting Strategies

Steps To Budgeting

Gather and Analyze Information
Build the Budget
Monitor the Budget
### Activities During Session
- Activity 4a Preliminary Forecast
- Activity 4b Projected Income Statements

### Action Steps Before Session
- Action Step 3.1 Determine My Business Strategy
- Action Step 3.2 Write My Executive Summary
- Read Module 4 Using Financial Tools
- A Closer Look @ Using the Financial Template (optional)
- A Closer Look @ Financial Statements (optional)

### Action Steps After Session
- Action Step 4.1 Develop a Preliminary Forecast
- Action Step 4.2 Use the Financial Template
- Read Module 5 Strengthening the Product/Service
- A Closer Look @ Protecting Intellectual Property (optional)
- A Closer Look @ Complying with Governmental Regulations (optional)

### Optional and Enrichment Activities
- Key Financial Concepts
- Key Financial Concepts handout
- Sales Projection Tool
- Break-Even Analysis

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### Key Financial Concepts
- 10 Making It Happen
- 9 Charting Financial Performance
- 8 Managing Operations for Growth
- 7 Leading the Organization
- 6 Seizing the Market
- 5 Strengthening the Product/Service
- 4 Using Financial Tools
- 3 Making Strategic Decisions
- 2 Exploring Growth Opportunities
- 1 Sizing Up Your Business
### Estimated Time | Topic | Materials and Equipment | FM Page | EM Page
--- | --- | --- | --- | ---
**Opening**
10 minutes | Entrepreneurs’ Exchange  
Debrief Action Steps  
Session Overview | Slides 4A – 4B | 60 |

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### Facilitated Activities and Group Discussion

#### 25 minutes
**What is involved in the budgeting process? What are the benefits of building a budget?**
- Budgeting Strategies
- Video, *Using Financial Tools: Meet Enedina Wilbers*  
Activity 4a Preliminary Forecast

30 minutes | What components go into a budget?  
Build the Budget  
Activity 4b Projected Income Statements | Activity 4b | 65 – 66 | 131 – 133 |

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#### Guest Speaker

30 minutes | The Budget and Critical Financial Decision Making | 67 |

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### Networking Break

15 minutes | Growing My Network | 68 |

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#### Coaching Session

45 minutes | *How do I consider my vision and business strategy when designing a preliminary forecast?*  
Preparing the Preliminary Forecast  
Action Step 4.1 Develop a Preliminary Forecast | 69 | 113 – 135 |

15 minutes | *How do I use the Financial Template to build the detailed budget?*  
Build the Budget  
Action Step 4.2 Use the Financial Template | Slide 4D  
online access | 70 | 136 – 144 |

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### Wrap Up and Action Steps

10 minutes | Summarize Key Concepts  
Preview Action Steps | | 71 | 126 |

3 hours total
Preparing to Lead this Session

Even though most entrepreneurs understand the importance of financials, they may still experience anxiety, frustration, or disinterest during the financial-based modules (4 and 9). Consider the following:

• Entrepreneurs come with varying levels of understanding of financial concepts. This module is designed to help entrepreneurs improve their ability to make financial decisions. Your role is to create an environment which facilitates this learning.
• Present the information in a simple, pertinent, and interesting way, concentrating on 2 to 3 critical financial concepts rather than covering all the material.
• To accommodate individual learning styles, provide multiple learning opportunities including visuals, activities, and personal reflection. Keep the participants involved. Ask questions and encourage participation.

Facilitators also have varying comfort levels for facilitating a financial module. Take this opportunity to walk the talk and do what we ask our entrepreneurs to do—take one step at a time, building knowledge with each step.

Consider the following idea to enhance the environment:

• Have a CPA or financially savvy entrepreneur available to answer some of the more complex questions at the networking session. The guest speaker may be able to fill this role.

Remember to follow the introduce–practice–apply process. Assume that participants did their reading—their introduction to the material. This assumption provides more time during the module to practice and apply the financial concepts.

Materials Needed

Slides 4A – 4D
Entrepreneur Manual, pp. 107 – 152
Computer, screen, projector
Video, Using Financial Tools: Meet Enedina Wilbers
More Info Resources 4 and 5

Guest Speaker Selection

Guest Entrepreneur
Invite an entrepreneur, preferably a FastTrac® graduate, to discuss financial issues he or she has experienced. The best guest speaker is one who has experienced the negative affects of making business decisions without financial information as well as the positive aspects of making decisions with accurate, timely information. In this way, the guest speaker can answer the question participants may have, “What’s in it for me…to understand/project financials?” It is important that this information is presented in a pertinent, interesting, and non-threatening way.
Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to discuss budgeting with FastTrac® GrowthVenture™ participants.

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Topic – The Budget and Critical Financial Decision Making

Please include the following information in your presentation:

- What you have experienced by making financial decisions without having accurate, timely, or useful financial information (Avoid difficult financial issues and concentrate on financial concepts related to budgeting—profitability and/or cash flow.)
- What you did to improve your own ability to make financial decisions and to read and understand financial statements/information—for example, found a CPA who explains financial information, found a financial mentor, read a great book, attended a seminar or training session
- The process you use to develop budgets and other forecasted information, including the people who get involved in the process and how your business strategies are reflected in the budgeted information
- Specific advantages to your business of having accurate, timely financial information
- Advice or lessons you learned that would be helpful to other entrepreneurs
- Question and answer time

Background Prior to this session, participants have evaluated their business, examined the market for additional opportunities, and defined strategies for future success. Now they will develop a specific plan that supports this strategy. In this fourth session entrepreneurs develop a preliminary financial forecast and detailed budget that will be adjusted throughout the program to establish profitability and cash flow.
Using Financial Tools

10 minutes

Set the stage for a lively, interactive session.
Reconnect by sharing progress, insights, and resources.

- **Entrepreneurs’ Exchange**
  Use this time to encourage participants to discuss their planning process so far.

- **Discussion Starters**
  - What have you learned about your business since our previous meeting?
  - What sources of information or contacts have you identified that may be helpful to other members of the group?
  - What financial planning challenges have you experienced in running your business?

- **Debrief Action Steps**
  Reinforce key concepts from Action Step 3.1 Determine My Business Strategy and Action Step 3.2 Write My Executive Summary.

- **Session Overview**
  Refer to Slide 4A and explain that this module, Using Financial Tools, is the first step in the business planning process. Entrepreneurs will identify the specific financial plans necessary to support each newly formed business strategy.

  Use Slide 4B to show entrepreneurs how the business planning process integrates all aspects of the business—products and services, marketing, management, financials, and operations. Emphasize the business alignment aspect of planning—how all the parts must work together.

- **Key Points**
  - The financial aspect of the business is the best place to start the planning process because financial measurements gauge the success of the entrepreneur’s plan.
  - The budget is built to support the vision and business strategy and guide financial decisions.
  - Building a budget is more than a mathematical exercise; it is also an extension of the visioning process.

  Entrepreneurs begin the budgeting process in Module 4 and revisit it in each subsequent module. In Module 9, participants will compare their budget with industry norms and establish their final profitability goals and ensuing cash flow needs.

  Entrepreneurs will now look at their own budgeting practices and develop a preliminary budget forecast.

**Slide 4A**

**Slide 4B**

**Connect this Learning to the Next Activity**
What is involved in the budgeting process? What are the benefits of building a budget?

**25 minutes**

Look at the big picture—budgeting—and prepare a preliminary forecast that concentrates on overall profitability.

**Budgeting Strategies**

At the beginning of the year or other forecasting period, the budget is used to chart a certain course as defined by the business strategy. At regular intervals during the year, successful entrepreneurs look back on the actual journey to determine where the real course deviates from the planned course.

**Discussion Starters**

Referring to the Signs of Inadequate Budget and Controls on p. 109 in the Entrepreneur Manual, ask the following questions:

- How many of you checked at least one or more of the symptoms in Signs of Inadequate Budget and Controls? (Ask for examples of ones checked, if appropriate for your group.)
- What steps can you take to remedy the items checked?

As the second discussion question may require entrepreneurs to reflect for a few minutes on their particular situation, ask entrepreneurs to first respond to it in writing. Have them identify one particular item they checked and then briefly address how they will remedy that item. After 2 or 3 minutes, ask for volunteers to share items checked and corresponding responses.

**Using Financial Tools: Meet Enedina Wilbers** (Approximately 4 minutes)

Introduce the value of understanding financial concepts by describing how entrepreneurs, such as Enedina Wilbers, must be able to balance all aspects of their business—products and services, marketing, management, and finances.

Encourage participants to look for answers to one or more of the following questions as they watch the video:

- What financial background did Enedina have when she started her business? *Enedina had no experience with financial concepts. She immediately began tracking financial information, which soon gave her the experience she needed to make successful financial decisions.*
- How does Enedina use her financial information? *Enedina primarily tracks financial information to measure the business’s performance. She looks at the revenue coming in and the expenses going out. She also compares current quarters against past quarters to improve her future financial performance.*
- How does a budget help entrepreneurs, such as Enedina, make financial decisions? *A budget that forecasts future sales and expenses helps entrepreneurs plan where their money will be best spent rather than simply viewing the financial statements to find out where the money went.*
- Based on what you have seen, what vision or goals might be part of Enedina’s budgeting process? *Enedina may have certain sales growth goals, customer relationship goals, and service expansion plans that will be incorporated into the budgeting process.*

**Tip**

Use this video as a springboard to a discussion of budgeting as it relates to this entrepreneur’s story and the entrepreneurs in your program.
What is involved in the budgeting process? What are the benefits of building a budget? continued

Instead of the video, you may choose to discuss the story of W. Michael Scott as presented on pages 110 and 120 of the Entrepreneur Manual. Ask these questions to generate a discussion about the relationship between the budgeting process and financial goals:

- What did you learn from Michael's experience with budgeting?
- What vision or goals does Michael have that are incorporated into his budget?
- How do you think your recently reconstructed vision and business strategy will affect your budget?

Using Slide 4C, briefly point out that the business's vision and strategy are the basis for setting financial goals. These goals become the foundation to the budget. This analysis is the first step in the budgeting process, which includes the preliminary forecast.

Activity 4a Preliminary Forecast, EM pp. 127 – 130
The primary purpose of this activity is to show the extension of an entrepreneur's business strategy into the tangible planning process, starting with the budget. In this activity, entrepreneurs review the SWOT analysis, vision, business strategy, and historical financial statements for Clean Corp and identify the implications of these elements to the budget and overall profitability based on the strategies.

Activity 4a provides entrepreneurs critical practice of the first step of the budgeting process, gathering and analyzing data, which results in the preliminary forecast. They will apply this same process to their own business in Action Step 4.1.

Tip
This is a time-crunched activity. Don't let participants get bogged down in the details. It is most important for them to see the process as shown in the activity, not to complete every aspect of it.

Step 1 Gather information. Time allotted: 3 minutes
Remind entrepreneurs that budgets stem from a company's business strategy. After groups briefly review the information provided to build a base knowledge of Clean Corp's business direction, ask the following questions:

Discussion Starters

- What aspects of the SWOT analysis on p. 127 are reflected in the Business Strategy on p. 127?
  Responses may include: The goal to continue “dedication to customer service” is based on the strength of being “best known for customer service”; the strategy to reduce inventory is based on the weakness of having a “large inventory” that “lowers efficiency and profitability.”

- Based on the Historical Income Statements, are sales increasing, decreasing, or stable?
  Net Income:
  Sales are increasing at approximately 3% annual growth; Net Income has declined significantly each year.

Key Point
- All budgeting (in this activity and in business) stems from business strategy.
What is involved in the budgeting process? What are the benefits of building a budget?

**Step 2 Estimate profitability.**

**A. Identify the impact on the budget.** Time allotted: 4 minutes

Remind entrepreneurs that all strategies have financial implications, such as the example given regarding staff training. When management agrees to continue the training program, the expense of that training should be budgeted. To figure out how much should be budgeted, the entrepreneur could look at the historical data.

**B. Develop a preliminary forecast.** Time allotted: 4 minutes

Prepare entrepreneurs to complete this step by pointing out that sales and expenses will be forecasted as dollar amounts that take several categories into consideration. For example, they will look at all sales, not individual sale categories when forecasting sales. They will also forecast a few operating expense categories, such as depreciation, payroll, and rent. The others are lumped together.

**Discussion Starter**

Where will you get the information you need to build a preliminary forecast?

- Historical Income Statements and budget impacts as completed in Step 2A.

**Key Point**

The preliminary forecast allows entrepreneurs to integrate multiple components of the business—the SWOT analysis, vision, business strategy, and historical financial statements.

**C. Review the preliminary forecast for reasonableness.** Time allotted: 4 minutes

Remind entrepreneurs of the questions that tested the reasonableness (p. 115) of the preliminary forecast of Home+Medical Supply on p. 113 in the Entrepreneur Manual.

If it would help the entrepreneurs, be prepared to pass out the handout, Completed Activity 4a Preliminary Forecast, on p. 72 of the Facilitator Manual, that shows Clean Corp's management team's first attempt at a preliminary budget.

**Key Points**

- Entrepreneurs should not assume that Clean Corp's management team's actual figures will exactly match the projected numbers of this preliminary budget attempt.
- Help entrepreneurs understand that budgeting is not an exact science but rather an attempt to project into the future using some intuition and a lot of research.

**Discussion Starters**

After entrepreneurs have completed Activity 4a, ask the following questions:

- As the management of Clean Corp, what areas of concern do you have about the preliminary forecast that you would want to address during the rest of the budgeting process? Is sales growth too aggressive? Investments in equipment are part of the strategy but there is no increase in depreciation budget.
- What have you learned from this activity that can help you as you create your own preliminary forecast in Action Step 4.1?

**Variation**

**Option 1** – For entrepreneurs who have a basic knowledge of budgeting, conduct the activity as it is presented in the materials, separating entrepreneurs into small groups. Be prepared to briefly discuss each step as groups complete them. If time allows, groups can review the differences between the Clean Corp preliminary forecast they have prepared and the management's attempt as shown on the handout. This comparison could provide information for an interesting discussion about forecasting, since the act of forecasting is about making educated, well-informed predictions.
What is involved in the budgeting process? What are the benefits of building a budget?

Option 2 – For entrepreneurs who have a minimal knowledge of budgeting, conduct the activity as a large group or allocate portions of the activity to small groups. Step through the activity along with the participants so they can see the process of developing a preliminary forecast. It may be a better use of time to hand out the Completed Activity 4a Preliminary Forecast for Step 2B on p. 72 of the Facilitator Manual rather than to have entrepreneurs calculate it.

If a sufficient number of entrepreneurs would benefit from and be interested in a review of basic financial concepts and statements, consider offering the optional two-hour session, Key Financial Concepts, behind the Optional and Enrichment Activities tab.

All business strategy has financial implications. Developing a preliminary forecast can help entrepreneurs determine which strategies are feasible and lead to accomplishing their business’s financial and strategic goals.
What components go into a budget?

30 minutes

Analyze an Income Statement based on the Clean Corp scenario introduced in an earlier activity.

- **Build the Budget**

  Entrepreneurs have already reviewed the SWOT analysis, business strategy, and preliminary forecast for Clean Corp, so they should have some comfort level about the financial information. This knowledge will help them pick out familiar information and explore unfamiliar information as well.

  *Note: If entrepreneurs did not complete the preliminary forecast in Activity 4a, it will now be necessary to pass out the handout, Completed Activity 4a Preliminary Forecast on p. 72 of the Facilitator Manual.*

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**Tip**

Prepare entrepreneurs for this activity by suggesting that it resembles an investigation. The evidence is in the financial statements. Just like investigators, they should study the evidence to uncover clues about what really happened.

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**Activity 4b Projected Income Statements**, EM pp. 131 – 133

Participants can assume that the management of Clean Corp reviewed the preliminary forecast, as seen on the handout Completed Activity 4a Preliminary Forecast, and made appropriate changes before developing their detailed line-by-line projected Income Statement.

Based on entrepreneurs’ knowledge of the financial aspects of a business, choose one of the options detailed in Variations for conducting this activity. In preparing entrepreneurs to complete Steps 1 – 4, remind them that these projected Income Statements were based on the company’s SWOT analysis, business strategy, and preliminary forecast. They shouldn’t try to understand each line item as it relates to the business strategy but concentrate on the components of profitability—Sales, Cost of Goods Sold, and Operating Expenses.

**Discussion Starters**

After groups complete Steps 1 – 4, ask the following questions:

- **Step 1 Review the bottom line.** What do the Net Income and Net Income Margin tell you about Clean Corp’s goals and strategies? Are Clean Corp’s profit projections reasonable compared to public corporations in this industry that report a Net Income Margin of 4.2 percent?

  *Answer to Step 1 – Clean Corp achieves its Net Income margin in 2013, but slips a little in 2014. Achieving these margins require that costs be managed carefully as sales are growing rapidly.*

- **Step 2 Review the components of profitability—Sales.** What do the forecasted sales tell you about the company’s goals and strategies? Why might the projections have changed from the preliminary budget to the more detailed one on p. 133?

  *Answer to Step 2 – The company has aggressive sales growth and is serious about being the largest retail provider. Final budget is more moderate and probably more realistic than preliminary forecast.*
What components go into a budget? continued

\(\times\) Step 3 Review the components of profitability—Cost of Goods Sold. Clean Corp’s historical COGS were higher than the industry average of 71%, what might be some reasons for that? Why does the preliminary budget differ from the more detailed budget on p. 133.

**Answer to Step 3** – Old, inefficient equipment, poor inventory management, unfavorable vendor pricing. The final budget seems to incorporate efficiencies from upgrades to machinery.

\(\times\) Step 4 Review the components of profitability—Operating Expenses.
Review the budgeted Operating Expenses to identify support for the new business strategy. What changes can you see from the preliminary forecast to the detailed budget? Why do you think these changes were made?

**Answer to Step 4** – Depreciation increased to reflect the addition of equipment; payroll was further reduced to achieve desired margins.

**Variations**

**Option 1** – For entrepreneurs who have a basic knowledge of budgeting, conduct the activity as it is presented, dividing entrepreneurs into small groups. Entrepreneurs should be able to work through Steps 1 – 4 in small groups, with a debrief at the end.

**Option 2** – For entrepreneurs who have a minimal knowledge of budgeting, consider these alternatives:
1. Conduct the activity as a large group. Go through the activity step-by-step so they can read the Income Statement along with you.
2. Separate the larger group into smaller groups. Explain and assign each step separately, being prepared to debrief each step as groups complete them.
3. Allocate each step to a different small group. Have each group “teach-back” the information to the rest of the group. Validate the information that will be presented by each group prior to each presentation.

**Optional and Enrichment Activities**

To assist entrepreneurs in projecting sales and examining various sales scenarios, see Sales Projection Tool behind the Optional and Enrichment Activities tab.

**Activity Close**

The Income Statement of a business tells a story about the goals and strategies of the business and how these strategies relate to profitability.
### Guest Speaker – The Budget and Critical Financial Decision Making

**Time**

30 minutes

**Purpose**

Provide depth and practical insights to the discussion of budgeting.

Announce the topic, “The Budget and Critical Financial Decision Making.”

**Facilitation**

Introduce the entrepreneur’s name and information about the business’s location, size, number of employees, length of time in business, products and services, and any other relevant information.

Tell the guest entrepreneur how much time is allocated and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest entrepreneur to discuss the following points included on the Guest Speaker Confirmation form:

- What you have experienced by making financial decisions without having accurate, timely, or useful financial information (Avoid difficult financial issues and concentrate on financial concepts related to budgeting—profitability and/or cash flow.)
- What you did to improve your own ability to make financial decisions and to read and understand financial statements/information—for example, found a CPA who explains financial information, found a financial mentor, read a great book, attended a seminar or training session
- The process you use to develop budgets and other forecasted information, including the people who get involved in the process and how your business strategies are reflected in the budgeted information—for example, if sales are projected to increase, what effect does that have on your budgeted expenses?
- Specific advantages to your business of having accurate, timely financial information
- Advice or lessons you learned that would be helpful to other entrepreneurs
- Question and answer time

**Activity Close**

As entrepreneurs become more comfortable and knowledgeable of the budgeting process and its importance to strategic planning, the more they will rely on it to help them make sound business decisions.
Networking Break

Time
15 minutes

Purpose
Provide an opportunity for entrepreneurs to network with one another, facilitators, coaches, and the guest speaker.

Facilitation
Encourage entrepreneurs to share budgeting tips related to what has worked for them in the past. Tips may include software or books they found helpful or internal systems they developed for ensuring that budgets were developed and monitored regularly.

Activity Close
Emphasize that other entrepreneurs are a tremendous resource for information on the practical aspects of budgeting.
How do I consider my vision and business strategy when designing a preliminary forecast?

45 minutes

Start Action Step 4.1 Develop a Preliminary Forecast.

Preparing the Preliminary Forecast

Entrepreneurs may use either of the following options for completing their preliminary forecast. They should focus on annual figures:

- Manually complete the Year-End Preliminary Forecast form included in Action Step 4.1.
- Create an Excel® worksheet to complete their preliminary forecast, replicating the format of the form, Year-End Preliminary Forecast.

Action Step 4.1 Develop a Preliminary Forecast

Start this critical action step during the session to increase the likelihood of participants’ completing it. Provide an opportunity for entrepreneurs to ask questions.

To help entrepreneurs with Step 2 Estimate profitability, have entrepreneurs refer to their notes on Expected Major Changes to Profits, p. 119 of the Entrepreneur Manual. On this page, they identified expected changes to the primary profitability components of their own businesses—Sales, Cost of Goods Sold, and Operating Expenses.

Be prepared to handle these common difficulties:

- Participants don’t have all the information they need to complete preliminary forecast. Encourage them to plug in the information they have and estimate the missing numbers for now. They can prove the estimates later.
- The math calculations, worksheet, or Excel gets them hung up. Encourage participants to come up with their own way of estimating preliminary profits that includes the same components of profitability—Sales, Cost of Goods Sold, and Operating Expenses.
- Participants have taken in as much financial information as they can take and seem to shut out additional information. Ask them to begin writing an action list of the things they want to do after this module. These steps might include call the facilitator/coach to get some tips on where to go from here, set up a meeting with an accountant, reread the financial modules, or finalize research.

For a discussion and activity on break-even, see Break-Even Analysis behind the Optional and Enrichment Activities tab.

Once their preliminary forecast is made, entrepreneurs are ready to use the Financial Template to develop a detailed three-year budget.
Using Financial Tools

How do I use the Financial Template to build the detailed budget?

15 minutes

Purpose

Explain the Financial Template and encourage entrepreneurs to use it to prepare a budget.

Facilitation

✓ Build the Budget

By the end of this module, entrepreneurs will have the information they need to project a three-year budget using the Financial Template—historical data from their business, the business strategy that they developed in Module 3, and the preliminary forecast for their business which they prepared in Action Step 4.1. Use Slide 4D to show participants an outline of the worksheets on the Financial Template.

Discussion Starters

✓ How many of you regularly project financial statements?
✓ How many of you use an Excel spreadsheet? Other software?

Key Points

✓ The important thing is not which accounting software entrepreneurs use but that they use it to develop budgets and projected financial statements that will help them lead and manage their company’s growth.
✓ The preliminary forecast practiced in this module looks at annual budget figures. When entrepreneurs start using the Financial Template, they will be entering monthly figures. This change tracks financial information to the monthly Income Statement and Cash Flow Report.
✓ The most difficult part of projecting financial statements is gathering the information. Once this step is complete, the rest is much easier.
✓ In using the Financial Template for the program, entrepreneurs build the projected financial statements by proceeding sequentially through the steps on each worksheet. Reading the instructions on each worksheet will make the template easier to use and will assure its proper use.

Tip

Ask for a show of hands to gain a level of understanding about participants’ knowledge base.

Action Step 4.2 Use the Financial Template

For Action Step 4.2, participants will enter their financial information to create a budget. This action step provides assistance in using the electronic template from fasttrac.org/resources.

Variations

A smart classroom, where the computer screen can be projected, can be very effective in presenting the Financial Template.

Option 1 – If your facility has a computer and projection system, use it to experiment with the Financial Template in front of the whole group or allow individual participants to come up and explore the template for the group.

Option 2 – If your facility provides computers for each participant, use them to demonstrate the Financial Template, which can be found at fasttrac.org/resources. Be sure to allow time for individual exploration.

Activity Close

Remind entrepreneurs that they can read more about using the Financial Template in A Closer Look @ Using the Financial Template on pp. 138 – 143 of the Entrepreneur Manual.
Wrap Up and Action Steps

10 minutes

Reinforce key concepts and preview work to be completed for the next session.

Summarize Key Concepts

- Understanding key budgeting concepts will help entrepreneurs plan and maintain a financially successful business.
- Being able to accurately estimate the sources of revenues and expected costs of a business is the only way to determine profitability.
- Ways to affect profitability include increasing or decreasing the components of profits—Sales, Cost of Goods Sold, and Operating Expenses.
- Forecasting budgets allows the entrepreneur to make effective strategic decisions on growth and resource management.

Preview Action Steps

These action steps clearly demonstrate the impact of business strategy on financial performance.

Action Step 4.1 Develop a Preliminary Forecast, EM pp. 134 – 135 – Develop and analyze the preliminary forecast as a first step toward a detailed budget.

Action Step 4.2 Use the Financial Template, EM pp. 137 – 139 – Get acquainted with the electronic Financial Template included in this program. Set up financials and create a detailed budget that will be updated throughout the planning process.

Read Module 5 Strengthening the Product/Service, EM pp. 153 – 192
A Closer Look @ Protecting Intellectual Property (optional), EM pp. 186 – 189
A Closer Look @ Complying with Governmental Regulations (optional), EM pp. 190 – 192

Assess Progress on Program Goals

Remind participants to consider if they have made progress on the accomplishment of their goals for the program, which they identified in Modules 1 and 2. If so, have them remove cards for any goals that have been met, either now or after the session.

Budgeting is an ongoing activity and a key to a business’s success. Encourage entrepreneurs to be a key player in the budget development process and to maintain a watchful eye on how well projections match reality. The beauty of budgeting with the software available today is that changes to reflect a new reality can be easily made and new forecasts generated.

In the next module, entrepreneurs will focus on strengthening their product or service and consider if they are adequately protecting it. They will evaluate their prices for alignment with other aspects of their business to ensure it supports the accomplishment of their financial goals.
Answer Keys: Completed Activity 4a Preliminary Forecast

CLEAN CORP
Year-End
Preliminary Forecast

<table>
<thead>
<tr>
<th></th>
<th>2012 Budget</th>
<th>2013 Budget</th>
<th>2014 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$2,112,936</td>
<td>$2,535,523</td>
<td>$3,042,628</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>1,500,185</td>
<td>1,800,221</td>
<td>2,160,266</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>612,751</td>
<td>735,302</td>
<td>882,362</td>
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<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Payroll Expenses</td>
<td>359,199</td>
<td>431,039</td>
<td>517,247</td>
</tr>
<tr>
<td>Rent</td>
<td>26,780</td>
<td>26,780</td>
<td>26,780</td>
</tr>
<tr>
<td>Other – Operating</td>
<td>105,647</td>
<td>126,776</td>
<td>152,131</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>499,626</td>
<td>592,595</td>
<td>704,158</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$113,126</td>
<td>$142,707</td>
<td>$178,204</td>
</tr>
</tbody>
</table>

Notes: In this preliminary budget, the following assumptions were made:
- Sales will increase at 20% per year over the next three years.
- COGS will be held at 71% (includes delivery, inventory, direct selling costs etc.)
- Straight line depreciation amount will remain steady over next 3 years.
- Payroll including taxes and benefits will be reduced to 17% of net sales.
- In Year 1 – there is a 3% rent increase for the next 3 yr period.
- All other expenses will hold at 5% of net sales.
Strengthening the Product/Service  Taking Action

Purpose
In this module, entrepreneurs begin carefully considering what impact the strategies they adopted in Module 3 will have on their products and services and identify any changes that need to be made. They continue to define the benefits of their products or services from their customers’ perspective. To strengthen their competitive advantage, entrepreneurs work on differentiating their products or services from those of their competitors, and they examine intellectual property as a means to protect business assets and contribute to the business’s competitive advantage. They evaluate their pricing strategy and decide if they need to adjust prices to remain competitive, incorporating this information into their Product/Service Plan.

Key Outcomes
• Product/Service features and benefits linked
• List of potential intellectual property and how to protect it
• Strategies for pricing products/services
• Product/Service Plan
• Marketing Plan – Pricing
• Financial projections for the Product/Service Plan

Entrepreneur  Adapting to the Market
Manual Outline  Improving Your Offerings Based on Market Needs
• The Importance of Features and Benefits
  What Do Your Customers See As Your Competitive Advantage?
  Product Service Life Cycle
  Brainstorming Product/Service Enhancements

Protecting Your Product or Service
• Identify and Protect Intellectual Property
• Address Your Limitations and Reduce Your Liabilities
• Provide Adequate Production Facilities
• Identify Excellent Suppliers
• Comply with Governmental Regulations

Pricing Your Product/Service
• The Pricing Process
### Activities During Session
- Activity 5a Link Features and Benefits
- Activity 5b Strategy, Products/Services, and Prices

### Action Steps Before Session
- Action Step 4.1 Develop a Preliminary Forecast
- Action Step 4.2 Use the Financial Template
- Read Module 5 Strengthening the Product/Service
- A Closer Look @ Protecting Intellectual Property (optional)
- A Closer Look @ Complying with Governmental Regulations (optional)

### Action Steps After Session
- Action Step 5.1 Prepare My Product/Service Plan
- Action Step 5.2 Prepare My Marketing Plan – Pricing
- Action Step 5.3 Finalize My Product/Service Financial Projections
- Read Module 6 Seizing the Market
- A Closer Look @ Marketing Activities (optional)
- A Closer Look @ Your Sales Process (optional)
- A Closer Look @ Effective Websites (optional)

### Optional and Enrichment Activities
- What’s in Your Competitor’s Hand?
- Identify and Protect Intellectual Property
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>FM Page</th>
<th>EM Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening</strong></td>
<td>10 minutes</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>q entrepreneurs’ exchange</td>
<td></td>
<td>Slide 5A</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>q debrief action steps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>q session overview</td>
<td></td>
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<tr>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td>30 minutes How will I improve my products or services based on changing customer needs?</td>
<td></td>
<td>Slide 5B  Activity 5a</td>
<td>80 – 81</td>
</tr>
<tr>
<td></td>
<td>q improving your offerings based on market needs</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>q the importance of features and benefits</td>
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</tr>
<tr>
<td></td>
<td>q activity 5a link features and benefits</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 minutes How will I improve my products or services based on changing customer needs?</td>
<td></td>
<td>Activity 5a</td>
<td>82 – 83</td>
</tr>
<tr>
<td></td>
<td>q what do your customers see as your competitive advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>q small group activity – product differentiation</td>
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<tr>
<td></td>
<td>q activity 5a link features and benefits (continued)</td>
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<tr>
<td><strong>Guest Speaker</strong></td>
<td>30 minutes intellectual property/pricing</td>
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<tr>
<td><strong>Networking Break</strong></td>
<td>20 minutes Growing My Network</td>
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<tr>
<td><strong>Coaching Session</strong></td>
<td>30 minutes How will I modify my prices to support my business strategy and fend off the competition?</td>
<td>Slide 5C Activity 5b</td>
<td>86 – 87</td>
<td>170 – 183</td>
</tr>
<tr>
<td></td>
<td>q the pricing process</td>
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<tr>
<td></td>
<td>q activity 5b strategy, products/services, and prices</td>
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<tr>
<td></td>
<td>q action step 5.2 prepare my marketing plan – pricing</td>
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<td></td>
<td>20 minutes How do I use the Business Plan Template?</td>
<td>Online access</td>
<td>88</td>
<td>181 – 185</td>
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<tr>
<td></td>
<td>q business plan template</td>
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<td>q action step 5.1 prepare my product/service plan</td>
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<td>q action step 5.2 prepare my marketing plan – pricing</td>
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<td></td>
<td>q action step 5.3 finalize my product/service</td>
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<td></td>
<td>q financial projections</td>
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<tr>
<td><strong>Wrap Up and Action Steps</strong></td>
<td>10 minutes Summarize key concepts</td>
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<tr>
<td></td>
<td>q preview action steps</td>
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Preparing to Lead this Session

Entrepreneurs are entering this session after preparing a preliminary budget forecast for their businesses. As such, they are probably tuned-in to the costs of their products or services. They have also just developed revenue projections and will likely be very receptive to examining their pricing strategy and numbers. For many, this module provides an opportunity to reflect upon decisions made early in the life of their business in light of the knowledge and experience they have gained in the marketplace.

This module also provides entrepreneurs the opportunity to take the strategic decisions they made in Module 3 to a more tactical level, carefully considering what changes, if any, need to be made to their products or services or what types of new products or services need to be added. Entrepreneurs then reexamine how to protect the intellectual property of the business, which may have increased considerably since start-up.

Materials Needed
- Slides 5A – 5C
- More Info Resources 5 and 6
- Flip chart
- Deck of cards (optional)

Supplemental Resources
- Sample Business Plans from fasttrac.org/resources
- Business Plan Template (online or downloaded version)
- Laptop computer and LCD for demonstrating the template

Guest Speaker Selection

Intellectual Property Attorney
Although basic issues of intellectual property protection should have been addressed in the early stages of the business, new issues may emerge as the business develops new products and services or considers various growth strategies. Invite an intellectual property attorney to discuss protecting the business’s intellectual property as a means of building value in the business and gaining a competitive edge. It may be helpful to list entrepreneurs’ businesses on the Speaker Confirmation form so the attorney can better target his or her presentation to the group. This form, on the following page, identifies key topics to be addressed. Prompt the attorney to focus on how intellectual property can help create a competitive advantage in the marketplace.

Guest Entrepreneur
Invite an entrepreneur to discuss how his or her business determines pricing of products and services. Quarry the entrepreneur in advance about how he or she approaches pricing and what lessons have been learned and adjustments made to the business’s pricing strategy. The Speaker Confirmation form on p. 78.
## Guest Speaker Confirmation

### Intellectual Property Attorney

<table>
<thead>
<tr>
<th>Speaker</th>
<th>Today's Date</th>
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**Thank you for agreeing to discuss intellectual property with FastTrac® GrowthVenture™ entrepreneurs.**

<table>
<thead>
<tr>
<th>Date of Presentation</th>
<th>Time</th>
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**Directions to Location**

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<th>Directions to Room</th>
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<table>
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<tr>
<th>Presentation Time</th>
<th>Question and Answer Time</th>
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### Topic – Intellectual Property as a Means of Building Value in the Business

Please include the following information in your presentation:

- Intellectual property issues that emerge as the business grows and how to address them
- Building the value of the intellectual property of the business
- Using an intellectual property attorney
- Tips for entrepreneurs to protect proprietary interests
- Question and answer time

### Background

This is the fifth session in the FastTrac® GrowthVenture™ program. Entrepreneurs have determined strategic goals and begun the planning process, starting with a preliminary budget forecast. During this session they will consider how to strengthen their products or services as well as identify potential new ones. Specifically, they will be looking at protecting their intellectual property as a way to build value in the business and create a competitive advantage in the marketplace.
Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to discuss pricing with FastTrac® GrowthVenture™ entrepreneurs.

Date of Presentation

Time

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Pricing

Please include the following information in your presentation:

☐ What factors influenced how you priced your products or services (costs, demand, competition, customer perception, margin standards)?

☐ What pricing strategy did you choose (low, high, parity), and how did you determine it?

☐ What pricing constraints, if any, are common to your industry?

☐ What changes have you made to your pricing strategy as a result of your experience in the marketplace?

☐ Advice or lessons you have learned

☐ Question and answer time

Background This is the fifth session in the FastTrac® GrowthVenture™ program. Entrepreneurs have determined strategic goals and begun the planning process, beginning with a preliminary budget forecast. During this session they will consider how to strengthen their products or services as well as identify potential new ones. They will look at pricing their products or services and consider how effectively their current pricing strategy is working.

Number of Participants in the Group

Group Profile (Types of Businesses)

Audiovisual Equipment Needed

Materials Needed

Handouts

Facilitator’s Name

Organization

Phone Numbers

E-Mail Address
Strengthening the Product/Service

Time
10 minutes

Purpose
Provide an opportunity for entrepreneurs to reconnect with one another by sharing their progress, insights, and resources.

Open the Session

Discussion Starters
✓ What new or exciting news do you have to share about your business?
✓ What sources of information or contacts have you identified that may be helpful to other members of the group?

Debrief Action Steps
Reinforce key concepts from out-of-session Action Steps 4.1 Develop a Preliminary Forecast and Action Step 4.2 Use the Financial Template.

Discussion Starters
✓ What did your preliminary forecast tell you?
✓ What financial information was most challenging for you to obtain or forecast?

Key Points
✓ It takes time and effort to gather information and forecast accurately.
✓ Forecasting is more of an art than a science. Although it starts with facts and hard data, the entrepreneur must incorporate sound judgment based on experience in the marketplace and managing the business.
✓ The Financial Template, or similar software, is a handy tool that allows the entrepreneur to easily create multiple versions of a forecast to test different variables.

Session Overview
Use Slide 5A to explain that this module, Strengthening the Product/Service, provides an opportunity for entrepreneurs to consider how well their product or service meets current and future market needs and to make any changes that are required. Entrepreneurs will also look at how their products or services and their pricing help them achieve their strategic goals.

Entrepreneurs will first consider their products’ or services’ features and benefits to determine how well they are meeting the needs of their customers.
How will I improve my products or services based on changing customer needs?

**Time**
30 minutes

**Purpose**
Understand the purpose of the Product/Service Plan, clarifying the differences between product/service features and benefits.

**Facilitation**

- **Improving Your Offerings Based on Market Needs**
  Briefly review the purpose of the Product/Service Plan on Slide 5B.

- **The Importance of Features and Benefits**
  Focus on the second point of Slide 5B – “Describes features and corresponding benefits.” Hold up a product, such as an Ipad®

**Discussion Starters**
- Why do you or other consumers spend hundreds of dollars on this product?
- What are you really buying when you make this purchase?

**Tip**
Choose a product with lots of “features” that are typically ignored by a consumer seeking the product’s benefits—convenience, ease of use, improved efficiency, etc.

**Key Points**
- Customers buy benefits, not features.
- Entrepreneurs should look at their products or services from their customer’s perspective.
- Some entrepreneurs become enthralled with the features of a product or service and lose sight of the fact that customers buy benefits.

**Activity 5a Link Features and Benefits**, EM pp. 178 – 179
Follow the steps below to give entrepreneurs the opportunity to examine the features and benefits of their own products or services. Instruct entrepreneurs to “stack” the benefits, providing more than one for each feature:

1. Entrepreneurs individually complete Step 1 of Activity 5a Link Features and Benefits.
2. In small groups of 3 to 5, one member shares their responses to Step 1.
3. Group members offer insights and suggestions related to benefits that customers may value.
4. The process is repeated for the remaining group members as time allows.

**Tip**
When discussing the unique features of the product or service, some will be tempted to use buzz words such as “best,” “most advanced,” “highest quality,” “unique,” and “latest.” Have entrepreneurs define exactly how a product or service is the “best” or “most advanced.”
How will I improve my products or services based on changing customer needs? continued

Activity 5a Link Features and Benefits, EM pp. 178 – 179
If time is a constraint, conduct this activity with the entire group rather than in small groups, following the steps below:

1. Ask for one entrepreneur to volunteer a product or service of their business.
2. On a flip chart write the product or service at the top then make two columns and label them “Features” and “Benefits.”
3. On a second flip chart again write the product or service name at the top of the page.
4. Ask the entrepreneur who volunteered the product or service to give the group a brief “bio” on the product or service. On the second flip chart under the product’s name, write down the adjectives and adverbs the entrepreneur uses to describe the product or service.
5. Using the list of adjectives and adverbs, ask the group to identify if each is a feature or benefit. Transfer the word to the appropriate column.
6. When the list is completed, ask the group to identify other features or benefits that are not on the list.

Discussion Starters
✔ What did this activity reveal or clarify?
✔ When marketing products or services, on what should you focus?

Knowing the key benefits of the product or service from the customer’s viewpoint helps entrepreneurs determine their competitive advantage.
How will I improve my products or services based on changing customer needs?

30 minutes

Demonstrate the importance of knowing the competition and using this information to build a competitive advantage.

What Do Your Customers See As Your Competitive Advantage?

Define a competitive advantage as one that a business has over the competition due to the price, quality, or superiority of the products or services they offer.

See What’s in Your Competitor’s Hand? behind the Optional and Enrichment Activity tab in the Facilitator Manual. This activity demonstrates the importance of knowing your competition and emphasizes the need for market research.

Discussion Starters

To clarify what is meant by a competitive advantage, ask the following questions:

- What is FedEx® competitive advantage?
  - FedEx® has multiple locations and an efficient delivery system.

- What is the competitive advantage of Panera®?
  - Panera® has a strong brand and moderate prices.

- Reference examples from your own community and ask about their competitive advantage.

Key Points

- Market research, including a thorough analysis of competitors’ strengths and weaknesses, is necessary to clearly identify one’s competitive advantage.
- Businesses often use quality, location (convenience), customer service, reputation, and price (which needs to be backed by lower costs or productivity efficiencies to be sustainable) to gain a competitive advantage.
- Competitive advantages are directly related to a business’s core competencies or unique assets. These may include efficiency of production or distribution (allowing a company to offer lower prices), specialized expertise, or location.

Small Group Activity – Product Differentiation

To illustrate how a product can be differentiated in almost any market, bring in three cans of corn in different brands. Divide the entire group into three smaller ones. After showing the cans to the group as a whole, assign a particular brand to each group. Instruct groups to do the following:

1. Look at the cans carefully, specifically focusing on the brand their team was assigned.
2. For approximately 5 minutes, the team will brainstorm how their brand differs from their competitors and prepare a short sales pitch identifying these differences.
3. Meet as a large group and hear sales pitches for each brand.
How will I improve my products or services based on changing customer needs?

Tip

Tell entrepreneurs not to focus on price as a differentiator. Entrepreneurs typically do not want to use price to differentiate their product or service.

Discussion Starters

[X] What did this activity illustrate?
[X] How important is branding in differentiating a product or service in the marketplace?

Key Points

✔ To accurately differentiate a product or service, entrepreneurs must know their competition.
✔ Entrepreneurs need to create an awareness of their products’ or services’ differences in the marketplace.

After the general discussion of this activity, you may want to address the issue of pricing by asking entrepreneurs the following questions:

Discussion Starters

[X] What role does pricing play in the selection of corn? In the selection of other products?
[X] What are the risks of selling based on price?

Activity 5a Link Features with Benefits (continued), EM pp. 178 – 179

Have entrepreneurs do the following:

1. Individually review their list of features and benefits and identify the one that they feel sets them apart from their competition. This “uniqueness” is a key to their market differentiation.
2. As they prepare their benefit statement in Step 2, make sure they highlight what makes their product or service unique.
3. Meet again in the same small groups and share their benefit statement with peers.
4. Obtain feedback from the group concerning how strong an asset the item they identified is and how it could be marketed to differentiate the product or service.

Activity Close

Knowing the benefits of the product or service from the customer’s viewpoint can help entrepreneurs identify their competitive advantage.
30 minutes

Purpose
Identify ways to build value and strengthen a business’s competitive advantage by protecting its intellectual property or creating a sustainable pricing plan.

Announce the topic of the presentation, “Intellectual Property” or “Pricing.”

Introduce the attorney or guest entrepreneur and information about their business’s location, size, number of employees, length of time in business, products or services, and any other relevant information.

Tell the guest speaker how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest speaker to discuss key points included on the Guest Speaker Confirmation form.

Intellectual Property Attorney
Many entrepreneurs have only taken basic steps to protect their intellectual property. In this discussion, the attorney can educate entrepreneurs on how protecting intellectual property can build value in the business. An attorney specializing in intellectual property can share scenarios from their personal experience and the following types of information:

- Intellectual property issues that emerge as the business grows and how to address them
- Building the value of the intellectual property of the business
- Using an intellectual property attorney
- Tips for entrepreneurs to protect proprietary interests
- Questions and answer time

Guest Entrepreneur
Reevaluating a business’s pricing policies can be an overwhelming project. A guest entrepreneur experienced in creating a pricing strategy can share scenarios from personal experience concerning how a fine-tuned pricing plan can build value in the business. Be prepared to prompt the entrepreneur to include the following types of information:

- What factors influenced how you priced your products or services (costs, demand, competition, customer perception, margin standards)?
- What pricing strategy did you choose (low, high, parity), and how did you determine it?
- What pricing constraints, if any, are common to your industry?
- What changes have you made to your pricing strategy as a result of your experience in the marketplace?
- Advice or lessons you have learned
- Question and answer time

Optional and Enrichment Activity
To have entrepreneurs brainstorm intellectual property possibilities for a business and identify their own, see Identify and Protect Intellectual Property located behind the Optional and Enrichment Activities tab in the Facilitator Manual. Refer entrepreneurs to A Closer Look @ Protecting Intellectual Property.

Connect this Learning to the Next Activity
Intellectual property and pricing are major considerations of a business. During the networking break, entrepreneurs will have the opportunity to talk with the attorney or entrepreneur about intellectual property or pricing strategies as well as peers, the facilitator, and coaches.
## Networking Break

<table>
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<tr>
<th>Time</th>
<th>20 minutes</th>
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<tbody>
<tr>
<td>Purpose</td>
<td>Provide an opportunity to continue peer networking and to talk with guest speaker, facilitator, and coaches.</td>
</tr>
<tr>
<td>Facilitation</td>
<td><strong>Growing My Network</strong></td>
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<td></td>
<td>Encourage entrepreneurs to continue the discussion of intellectual property or pricing strategies with peers, facilitator, coaches, and guest speaker.</td>
</tr>
<tr>
<td>Activity Close</td>
<td>Entrepreneurs benefit from seeking input from other entrepreneurs for contacts regarding service providers such as attorneys, accountants, consultants, and other infrastructure members.</td>
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How will I modify my prices to support my business strategy and fend off the competition?

Time
30 minutes

Purpose
Illustrate that pricing positions, strategies, and prices should align; and set or refine prices

Facilitation
- **The Pricing Process**
  - Review the pricing process on Slide 5C, focusing on each point separately.

Focus on the first point on Slide 5C, “Determine Your Pricing Boundaries.”

The ceiling price is usually set by customers. The price floor is determined by costs. Within these boundaries, entrepreneurs consider their pricing position in relationship to their competition—low, high, or parity.

Discussion Starters

- When might a business price below the price floor or above the price ceiling?
  
  *Companies sometimes go below the price floor to aggressively compete or temporarily attract customers. Some companies may decide to price at a super-premium level; but this only works when they have a clear competitive advantage, serve a niche market, or have relatively few competitors.*

- What key considerations determine the pricing position to take—low, high, parity?
  
  *Responses will include costs, image, and strength of competition.*

- What are the typical objectives or strategies associated with each pricing position—low, high, parity?
  
  **Lower pricing position** — High volume of sales with low profit margins, expand or steal market share, keep competition from entering market.
  
  **Higher pricing position** — Create or maintain a quality position, appease high demand and low supply, attract early adopters.
  
  **Parity pricing position** — Maintain the “going rate,” stay in the middle of lower and higher-priced competitors (as there is sufficient demand and a desire to “stay in the game”), lack of or little differentiation.

Tip

Share examples of businesses using each pricing strategy. For example: Wal-mart®—low, Mercedes-Benz® and Rolex®—high, most grocery items or gas—parity.
How will I modify my prices to support my business strategy and fend off the competition?

Focus on the second point on Slide 5C, “Fine Tune to Meet Market Opportunities.”

Consideration of target markets helps entrepreneurs select their pricing strategies. Have entrepreneurs review their answers to pp. 174 – 175 in the Entrepreneur Manual, Competitors’ Pricing Strategies, with a partner.

Discussion Starters

X What are your main considerations when setting price?
   Considerations are market pricing, pricing position, costs of doing business, ROI, sales projections, profitability, other constraints, and business goals.
X Why would you select a different pricing position and strategy for your primary and secondary products or services?
X What pricing policies have you found to be effective in your business?

Focus on the third point on Slide 5C, “Set Prices.” Key considerations include costs, market price, price positioning, and return-on-investment. A price list is an important communication and marketing tool.

Activity 5b Strategy, Products/Services, and Prices, EM p. 180

Prices should align with the pricing position and strategy selected. Have entrepreneurs determine this alignment for their own businesses by doing the following:

1. Ask entrepreneurs to choose one of their products or services and work through the alignment of their strategy and pricing. Allow up to 8 minutes for entrepreneurs to individually complete this activity.
2. Have entrepreneurs share their answers and obtain feedback in pairs, allowing 7 minutes to do so.
3. Debrief the activity with the whole group by asking the following questions:

Discussion Starters

X Who in the group is using a low pricing position and why?
X Who in the group is using a parity pricing position and why?
X Who in the group is using a high pricing position and why?
X What issues of alignment occurred as you completed this activity?
X What, if any, changes will need to be made?

Action Step 5.2 Prepare My Marketing Plan – Pricing, EM p. 183

Briefly reference this action step and explain that the mechanics of how to access and enter information will be addressed in the upcoming discussion of the Business Plan Template.

Tell entrepreneurs that pricing is one of the sections of the Marketing Plan. In this section, they describe their pricing strategy, include a price list, and provide a break-even analysis. This information is used later as they forecast anticipated sales revenue and cost of goods. Encourage them to revisit this section after completing the financial sections of their plan.

If you would like to include a discussion of break-even and did not do so in the previous module, see Break-Even Analysis referenced behind the Optional and Enrichment Activities tab in Module 4 in the Facilitator Manual.

Optional and Enrichment Activity

Using the pricing position and strategies they have developed in this module, entrepreneurs will next focus on developing their marketing plan to promote, sell, and distribute their products or services to their intended markets. This activity will also help entrepreneurs forecast their sales and build their financial projections in Module 9.
How do I use the Business Plan Template?

20 minutes

Begin writing the Product/Service Plan and pricing section of the Marketing Plan.

- **Business Plan Template**

  Now that entrepreneurs have identified their goals and business strategy and prepared a preliminary financial forecast, they are ready to address how these changes impact their business plan and to begin making those changes.

  You may wish to remind entrepreneurs of the Business Plan Template they started using in Module 3. By simply saving their work, they won’t need to start over each time they return to the template. Invite them to e-mail their plans to you for editing and comments.


  Provide an overview of the content of this section of the plan—the first in the actual business plan preparation. For this assignment, entrepreneurs will complete the Product/Service Plan section of the Business Plan Template.

  **Discussion Starters**

  - What is the value of preparing a written plan?
  - What are the key differences in the product/service plan for a service business and a product business?

    *Services typically will not have inventory and suppliers.*


  Provide a brief overview of the questions in this section. If conducting a demonstration using the template, show entrepreneurs how to navigate the Business Plan Template and locate the pricing section of the Marketing Plan.


  In this action step, entrepreneurs use the Financial Worksheets to begin accumulating financial data that will be entered into the Financial Template (introduced in Module 4). By documenting information in each module, they will have complete and accurate information when they begin entering expense information into the Financial Plan Template.

  Remind entrepreneurs to document assumptions clearly so they can be reviewed later as financial projections are completed.

**Tip**

Encourage entrepreneurs to allow enough time to do their research—gather historical information and talk with people in their industry such as other entrepreneurs, suppliers, and professionals, to determine appropriate costs.

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**Activity Close**

A well-prepared Product/Service Plan lays a solid foundation for the development of the rest of the Business Plan.
Wrap Up and Action Steps

10 minutes

Reinforce key concepts and preview actions steps to be completed before the next session.

- **Summarize Key Concepts**
  - Features describe the product or service and benefits describe the value of the product or service from the customer’s perspective.
  - Successful businesses must continually monitor how well their products or services meet costumers’ needs and adapt offerings to meet changes in the marketplace.
  - Knowing the competition allows entrepreneurs to determine their competitive advantage.
  - A business’s intellectual property may be one of its most valuable assets, and steps need to be taken to protect it.
  - The Product/Service Plan has significant implications for the finances of the business.
  - Prices should align with the pricing position and strategies selected and lead to the accomplishment of a business’s financial goals.

- **Tip**
  - Recap and summarize information by asking entrepreneurs to share one thing they learned from the session. By doing so, you will know if your session was on target and can clarify or reinforce key points as needed.

- **Preview Action Steps**
  - To prepare entrepreneurs to complete their Product/Service Plan and the pricing section of the Marketing Plan, briefly review the following:
    - **Action Step 5.3 Finalize My Product/Service Financial Projections**, EM pp. 184 – 185 – Research the financial costs of the product or service. Document assumptions clearly so they can be reviewed in light of later information. As entrepreneurs acquire additional information, they should revise this section of their plan.
    - **Read Module 6 Seizing the Market**, EM pp. 193 – 248 – Focus on marketing effectiveness and determine if they are targeting the right markets and customers and using the right marketing tools.
    - **A Closer Look @ Marketing Activities (optional)**, EM pp. 235 – 240
    - **A Closer Look @ Your Sales Process (optional)**, EM pp. 241 – 246
    - **A Closer Look @ Effective Websites (optional)**, EM pp. 247 – 248
Variations

Assess Progress on Program Goals
If the Course Expectations’ Parking Lot was used for keeping track of entrepreneurs’ goals and expectations for the program, have entrepreneurs remove any notes for goals they feel have been met.

Note: Tell entrepreneurs to begin work on the Leadership Scorecard in Module 7 on pp. 268 – 270 of the Entrepreneur Manual. This exercise involves 360-degree feedback, requiring entrepreneurs to hand out short questionnaires to employees, vendors, and customers. Stress that they will need to start early to have time to hand out forms, receive the completed ones back, and calculate their results. This feedback will be used in Module 7 when they discuss leading their organization.

To achieve the strategic objectives of the business, its products or services must meet customers’ needs and be priced effectively. The next step is to ensure that products and services are marketed to reach their intended target markets, which will be addressed in Module 6.
Seizing the Market  Taking Action

Entrepreneurs build on the work they completed in the first five modules and determine what they want to accomplish through their marketing. In this module they develop a Marketing Plan, identifying how they sell, promote, and distribute their products or services. By analyzing the marketing cycle, entrepreneurs determine their marketing objectives and align the strategies and activities needed to reach their target market. They create a Marketing Activities Schedule for twelve months, determine their anticipated return-on-investment of marketing resources, and identify ways they can monitor and control their marketing efforts. Entrepreneurs use this information to project sales and marketing costs and prepare their financial projections for their Marketing Plan.

Key Outcomes
- Understanding of the marketing cycle
- Strategies and tactics to reach target markets
- Marketing Activities Schedule
- Marketing Plan
- Marketing financial implications

Entrepreneur Manual Outline
- The Importance of Marketing Tactics
- Using Branding to Increase Sales
  - Benefits of a Strong Brand
  - Branding is Double-Edged
  - Building Your Brand
- Creating and Maintaining Visibility
  - Visibility Tactics Must be Tailored
  - Visibility through Traditional Marketing Activities
  - Marketing on the Internet
- Sales and Distribution Channels
  - Sales
  - Distribution
  - New Distribution Opportunities
  - Distribution Models
  - The Retail Distribution Channel
  - Internet Distribution Models
  - Evaluating your Distribution Channels

Creating Exceptional Customer Experiences
- Marketing Implementation
  - Marketing Objectives
  - Marketing Strategies
  - Marketing Implementation Plan
  - Calculating Marketing Costs
- Marketing Evaluation
  - The ROI of Marketing
  - Monitoring and Controlling Marketing
- Marketing Plan
Activity 6a Growth Cycle Strategies: Market Analysis
Activity 6b Growth Cycle Strategies: Marketing Strategies
Activity 6c Marketing Activities Brainstorming

Action Step 5.1 Prepare My Product/Service Plan
Action Step 5.2 Prepare My Marketing Plan – Pricing
Action Step 5.3 Finalize My Product/Service Financial Projections
Read Module 6 Seizing the Market
A Closer Look @ Marketing Activities (optional)
A Closer Look @ Your Sales Process (optional)
A Closer Look @ Effective Websites (optional)

Action Step 6.1 Prepare My Marketing Plan – Industry Profile
Action Step 6.2 Prepare My Marketing Plan – Competitive Analysis
Action Step 6.3 Prepare My Marketing Plan – Market Analysis
Action Step 6.4 Prepare My Marketing Plan – Market Penetration
Action Step 6.5 Finalize My Marketing Financial Projections
Read Module 7 Leading the Organization
A Closer Look @ Using Consultants and Contractors (optional)
A Closer Look @ Brainstorming Change (optional)
A Closer Look @ Protecting Business Interests (optional)

Create a Marketing Map
### Estimated Time | Topic | Materials and Equipment | FM Page | EM Page
--- | --- | --- | --- | ---
### Opening
15 minutes | Entrepreneurs’ Exchange
Debrief Action Steps
Session Overview | Slide 6A | 96 |  
### Facilitated Activities and Group Discussion
35 minutes | How do I analyze the market?
- Marketing Implementation
  Activity 6a Growth Cycle Strategies:
  Market Analysis | Slides 6B – 6F Activity 6a Flip chart | 97 – 100 | 215 – 221
25 minutes | How do I select marketing strategies?
- Marketing Objectives
- Marketing Strategies
  Activity 6b Growth Cycle Strategies:
### Guest Speaker
30 minutes | Marketing Strategies and the Marketing Plan | 105 |  
### Networking Break
15 minutes | Growing My Network | 106 |  
### Coaching Session
30 minutes | What combination of marketing activities should I use?
How do I create alignment with my marketing objectives, strategies, and activities?
- Marketing Implementation
  Activity 6c Marketing Activities Brainstorming | Slides 6J – 6K Activity 6c | 107 – 108 | 226
20 minutes | How do I create a schedule of marketing activities to implement?
- Marketing Implementation Plan
### Wrap Up and Action Steps
10 minutes | Summarize Key Concepts
Preview Action Steps | 110 | 222

3 hours total
Preparing to Lead this Session

Although entrepreneurs could implement literally thousands of activities to promote and sell their products or services, they must make marketing decisions within the context of their marketing goals and budget. Rather than viewing marketing as a series of activities they do every month or quarter, they should understand how these activities help them grow their businesses and reach their goals.

In this module entrepreneurs build on the market research they conducted in Module 2, the business strategies they developed in Module 3, and the competitive advantages of their products or services identified in Module 5 to develop a solid marketing plan to promote, sell, and distribute to their target markets. Even if entrepreneurs do not complete a formal business plan, developing a marketing plan will help them focus their marketing efforts. Creating the marketing activities schedule in the plan helps guide their marketing efforts and budget.

Materials Needed

- Slides 6A – 6L
- More Info Resources 6 and 7
- Flip chart

Guest Speaker Selection

Periodically throughout the program, you will invite content specialists to share their expertise with entrepreneurs. Module 6 is a good time to do so.

Marketing Consultant or Media Buyer

To talk about the marketing plan (setting objectives and scheduling, implementing, and evaluating marketing strategies), invite a marketing consultant or media buyer. Have the speaker share creative and cost-effective marketing activities and emphasize the importance of building and using a customer database and measuring the effectiveness of marketing initiatives. It may be helpful to list entrepreneurs businesses on the Guest Speaker Confirmation form so the guest can better target the presentation to the group.

Guest Entrepreneur

Invite a knowledgeable entrepreneur to share a successful marketing strategy and how the Marketing Plan is scheduled, implemented, and evaluated in their growing business. Ask the guest to identify creative and cost-effective marketing activities that have worked. It is important to confirm with the entrepreneur in advance how extensively the business markets and how successful the marketing plan has been in growing the business.

Use the Guest Speaker Confirmation form on the following page to ensure the speaker is prepared and covers desired topics.
Guest Speaker Confirmation
Marketing Consultant, Media Buyer, or Guest Entrepreneur

Speaker ___________________________  Today’s Date ___________________________

Thank you for agreeing to talk with FastTrac® GrowthVenture™ entrepreneurs about marketing strategies and the marketing plan.

Date of Presentation ___________________________  Time ___________________________

Location

Directions to Location

Directions to Room

Presentation Time ___________________________  Question and Answer Time ___________________________

**Topic – Marketing Strategies and the Marketing Plan**
Please include the following information in your presentation:

- How does a marketing plan help identify, schedule, implement, and evaluate marketing efforts?
- What are common challenges or issues in developing and implementing marketing strategies?
- What are creative and cost-effective marketing activities?
- How do you evaluate if a marketing plan is effective?
- What have you found to be most successful in expanding a market or gaining more business from existing customers?
- Advice or lessons you have learned that would be helpful to someone growing a business
- Question and answer time

**Background** Prior to this session, entrepreneurs have conducted market research on their industry, customers, and market. They have outlined their business and personal goals as well as their overall business strategy for growth. They have considered how to strengthen their products or services and identified their competitive advantage in the market. In this session, entrepreneurs explore the marketing cycle, define marketing goals and strategies, and develop an implementation plan.

Number of Participants in the Group ___________________________

Group Profile (Types of Businesses)

Audiovisual Equipment Needed

Materials Needed

Handouts

Facilitator’s Name

Organization

Phone Numbers ___________________________  E-Mail Address ___________________________
Seizing the Market

15 minutes

Purpose
Provide important reconnection time and set the stage to discuss the marketing cycle and the marketing plan.

Open the Session

Discussion Starters
- How has your competitive advantage changed over the last two modules?
- What, if any, changes will you make to protect your business or intellectual property?

Facilitation

Debrief Action Steps

Discussion Starters
- What changes did you incorporate in your product or service to reposition it for the market?
- What changes will you make to your pricing strategies?

Session Overview
Refer to Slide 6A to show entrepreneurs that they have strengthened their product or service to position their business for growth. Now they will focus on developing a marketing plan or refining how they will sell, promote, and distribute their products or services. Specifically they will:

1. Analyze the market and identify strategies to reach targeted markets.
2. Align strategies and activities with marketing objectives.
3. Prepare the Marketing Plan.

Activity Close
Entrepreneurs will use their work from previous modules to develop or refine their marketing plan. They will begin by reviewing the marketing cycle.
How do I analyze the market?

35 minutes

Analyze changes in the marketplace and their impact on the business.

Marketing Implementation

Just as the bull’s eye is hung prior to a marksman shooting their gun or bow and arrow, entrepreneurs will greatly increase their chances of reaching strategic goals and marketing objectives by identifying them in advance and using them to guide all marketing activities. The first step to setting marketing objectives is a market analysis.

Review Slide 6B, also shown on p. 218 of the Entrepreneur Manual, and remind entrepreneurs that they began their market analysis with the action steps they completed in Module 2: Action Step 2.1 Assess Industry Potential, Action Step 2.2 Develop My Customer Profile, and Action Step 2.3 Analyze My Direct, Indirect, and Future Competition. Additional market analysis information was provided in A Closer Look @ Defining Your Target Market in Module 3.

Discussion Starters

What do you hope to gain in the market analysis step of the planning process?

Why is time spent in market analysis a good investment?

Key Points

The market analysis describes the current situation—the industry, competition, target market, customer profile, and potential future markets.

The market environment changes over time; and to stay competitive, entrepreneurs need to re-analyze what’s going on around them and determine how they can continue to meet market needs.

Savvy entrepreneurs not only keep an eye on the obvious—the new competitor that has broken into the market—but also watch the horizon to note changes that are coming.

Tip

Entrepreneurs may not have the information they need to conduct a thorough market analysis. Encourage them to obtain any information needed to do so. Explain that this information will be used in the module to make decisions about promoting, selling, and distributing their products or services to specific target markets.
How do I analyze the market? continued

Review Slide 6C Market Analysis to highlight the key components of this section of the Business Plan. Each of these major categories will be reviewed in greater detail on subsequent slides.

Focus on the first point on Slide 6C, “Industry Profile.”

Changes in the industry create challenges, threats and opportunities. Review briefly Slide 6D, which identifies the types of information needed for the Industry Profile.

Discussion Starters

✓ You’ve heard that “Hindsight is 20/20.” What do wish you knew five years ago about the nature, characteristics, and trends in your industry?
✓ What would you have done differently if you knew then what you know now?
✓ How does the current state of your industry affect your marketing efforts for the next 2 or 3 years?

Key Points

✓ Industries continue to evolve, merge, and adapt to market changes.
✓ It’s important to know whether the overall industry is anticipating high, moderate, or low growth.
✓ Watching industry trends is an integral part of remaining competitive.

Share examples of industry changes and how companies have either adapted or been severely impacted. Examples may include:

- How the banking industry is offering services 24/7 and tapping into non-banking traffic centers (e.g., grocery stores, bars, hotels, airports).
- Consumers booking travel over the Internet instead of using travel agents or calling airlines directly.
- More retail purchases being made using the Internet (e.g., online catalogs, downloadable books and videos, gift certificates).

Tip

Bring in examples of how industry changes have impacted companies and how some companies have responded. Articles from Entrepreneur Magazine, Inc., Fast Company, Business Week, Forbes, and Fortune are good sources. Consider bringing in articles about local entrepreneurs in the area.
How do I analyze the market? continued

Focus on the second point on Slide 6C, “Competitive Analysis.”
Review the different types of competition and competitive advantage on Slide 6E.

Discussion Starters
× Why is it important to stay on top of what your competitors are doing?
× What information do you want to know about the competition?
× Why are indirect and future competitors important to consider in your market analysis?

Key Points
✓ Most marketing initiatives are focused on differentiating from direct and indirect competitors. Future competitors should be monitored periodically to evaluate their impact on the entrepreneur’s market and customers.
✓ Every competitor has strengths and weaknesses. An entrepreneur’s task is to determine how to respond to other competitors’ strengths, capitalize on weaknesses, and use their business’s strengths to an advantage.

Focus on the third point on Slide 6C, “Target Market Analysis.”
Review what goes into a Target Market Analysis on Slide 6F.

Discussion Starters
× How can your market analysis change your target market?
× Why should entrepreneurs consider serving a new, special, or underserved target market?

Key Points
✓ The customer profile is a description of the ideal customer for the entrepreneur’s product or service. A target market is a defined group of customers to which the entrepreneur can promote, sell, and distribute their products or services.
✓ Entrepreneurs can increase sales by focusing on selling more to their current market, expanding territory or target markets, or attracting a unique, niche, or specialty market.
✓ Niche and specialty markets usually have fewer competitors.

Share examples of companies that have been successful by focusing on unique, niche, or specialty markets. Examples may include those listed below or ones from your local area:
• Tom’s of Maine® created a new category in the toothpaste market by positioning its toothpaste as a natural product.
• Fort Howard Paper focuses on a narrow range of industrial-grade papers and stays away from consumer products.
**How do I analyze the market?**

**Activity 6a Growth Cycle Strategies: Market Analysis,** EM pp. 223 – 224

Ask entrepreneurs to work in small groups of 3 to 5 and complete the activity in approximately 15 minutes. Allow 3 minutes to debrief activity using the following questions:

**Discussion Starters**

- Who is the current target market for Growth Cycle Strategies and what additional research may Elliott and Brooks need to collect regarding this target market?
- How can Elliott and Brooks maximize their current client base?
- What staffing changes, if any, are needed?

**Key Points**

- An analysis of the market place is needed to determine if an adequate number of firms fit the target market profile, industrial and high-tech firms with annual sales of $25 million or more in the industrial products area.
- Marketing activities need to be expanded and should be part of a comprehensive marketing plan. Activities may include utilizing client base for referrals, follow-up on direct mail pieces, and increased sales efforts.
- Additional sales personnel are likely needed to reach sales goals.

Growth Cycle Strategies provided by:
Dianne H. B. Welsh, PhD
John H. Sykes College of Business
University of Tampa

Dr. Welsh would like to thank Kelli Newman, Michelle Laramee, and John McMullen for their assistance in preparation of this scenario.

**Variation**

In small groups of 3 or 4, have entrepreneurs choose one member’s business for a market analysis. The entrepreneur whose business is being considered will provide the basic information, and the rest of the group will provide feedback and suggestions on the following questions (similar to those for Activity 6a). You will want to list questions either on a flip chart or handout:

- Who is the current target market, and what research needs to be undertaken regarding this target market?
- Is the business reaching its targeted volume of sales now?
- What is the current marketing strategy? Is this strategy sufficient to increase sales? If not, how should it be altered?
- What are ways of maximizing the current client base?
- What sales techniques are needed to increase sales?

**Activity Close**

State that the market analysis, the first component of the marketing cycle, helps entrepreneurs to understand the current market situation—changes in their industry, the competition, and which target market offers the best opportunities.
How do I select marketing strategies?

25 minutes

Develop marketing strategies that will help achieve marketing objectives.

Marketing Objectives

Review Slide 6G and point out how marketing objectives and strategies fit into the Marketing Cycle.

Review Slide 6H, telling entrepreneurs that marketing objectives typically fit into these five broad categories. Entrepreneurs carefully analyzed their own objectives within these categories by completing Marketing Objectives in the Entrepreneur Manual on p. 216. As such, they have identified the bull’s eye for their marketing efforts. Coach entrepreneurs that marketing objectives need to be specific, quantifiable, and measurable.

Tip

If entrepreneurs have not completed their marketing objectives, briefly identify the types of marketing objectives that are typically related to product or service: market share, increasing sales, pricing changes, or distribution.

Give entrepreneurs 2 to 3 minutes to share their primary marketing objectives in pairs.

Marketing Strategies

While marketing objectives are very specific, marketing strategies are broad statements that describe how marketing goals will be accomplished. Entrepreneurs are now ready to identify strategies that will provide the framework for all marketing activities they undertake.

Discussion Starters

How do marketing strategies help entrepreneurs accomplish their marketing objectives?

Why would entrepreneurs invest in marketing activities that don’t move them toward their goals?

Key Points

Marketing strategies provide direction and help to determine which marketing activities should be selected.

If marketing strategies are not developed or refined first, marketing activities may cost entrepreneurs resources—time, money, and people—and may not yield expected results.
How do I select marketing strategies? continued

Review Slide 6I, Types of Marketing Strategies, and use this slide as a guide to the discussion that follows, referring back to each point as it is addressed.

Key Points
✓ The marketing strategy will help entrepreneurs accomplish their marketing objectives and should be explained in their Marketing Plan.
✓ By reviewing their marketing plan each year, entrepreneurs can evaluate and refine their marketing strategies.

Focus on the first point on Slide 6I, “Branding.”

Share examples of local businesses that have created a strong brand locally, regionally, or nationally. Reinforce that building a strong brand requires consistency—visual images and messages with the same look and feel. Suggest that entrepreneurs test any visual images (logos, web design) with members of their target market.

Discussion Starter
✗ What are the benefits of a strong brand in the market?

Benefits include:

a. Differentiation from competitors’ products or services. (For example, Toyota® has a reputation for building high quality cars, and customers recognize the brand’s emblem over Hyundai® or other competitive manufacturers.)

b. A higher perceived value of products or services that often results in higher profit margins.

c. Loyal customers who don’t switch to competitors easily.

d. Better resilience during negative press or slow economic times.

e. Cross-sell opportunities.

Tip

Show entrepreneurs examples of print materials including business cards, letterhead, marketing materials, product packages, and websites used by several small businesses that utilize branding strategies successfully.

Key Point
✓ Every business creates a brand and image, either intentionally or unintentionally. Entrepreneurs need to take time to determine what their brand will be and how to communicate it to customers, employees, and the marketplace.

In small groups, have entrepreneurs do the following:
1. Individually make brief notes regarding what they have done to build their brand.
2. In triads, have entrepreneurs share their branding activities and solicit input to build brand recognition and value.
3. If time permits, ask for 1 or 2 volunteers to share their branding activities in the larger group.
How do I select marketing strategies? continued

Focus on the second point on Slide 6I, “Visibility.”

Tell entrepreneurs that using a variety of activities—advertising, publicity, and promotions—is typically most effective. Refer entrepreneurs to A Closer Look @ Effective Websites in the back of this module.

Discussion Starters
✓ What marketing activities have you found to be the most effective for your business and why?
✓ How did you determine that these efforts were effective?

Focus on the third point on Slide 6I, “Sales and Distribution Channels.”

Give examples of companies such as Amazon.com® and Zappos® who have used the Internet to successfully market their goods. Direct entrepreneurs to A Closer Look @ Your Sales Process in the back of this module.

Discussion Starters
✓ Why would a company change its distribution channel strategy?
✓ How have distribution channel strategies changed over the last ten years?

Key Points
✓ Sales methods vary significantly, depending on the product or service being sold.
✓ Technology is changing the way goods and services are sold.
✓ Using intermediaries and franchise systems helps entrepreneurs grow their businesses. Both strategies allow entrepreneurs to access a larger market, share the risks, and promote, sell, and distribute more efficiently.
✓ If entrepreneurs are going to change their distribution channel strategy, it’s important to consider the barriers or challenges they may face.

In pairs, have entrepreneurs briefly describe their current distribution channel strategy and how well it helps them to accomplish their marketing objectives. Have pairs examine whether or not a different strategy would help them to reach their intended audience more effectively.

Focus on the fourth point on Slide 6I, “Exceptional Customer Experiences.”

Customer service can enhance a business’s competitive advantage in the market. Give the example of Marshall Field’s® philosophy on customer service—“Customers remember those who remember them”—or similar customer service mottos of successful companies. In this realm, smaller businesses can excel over their larger counterparts.

Discussion Starters
✓ What are some exceptional customer experiences you have had?
✓ After an exceptional customer experience, what were your feelings about the business?
✓ How does a customer service strategy build a reputation for the business or its product or service?
✓ How important are your employees in reinforcing your customer service strategy?
How do I select marketing strategies? continued

Key Points

✔ Customer service strategies deliver on the promise of the business’s brand.
✔ Customers’ experiences serve as “moments of truth.” Every transaction (e.g., call, e-mail, purchase, complaint) is an opportunity for customers to determine whether the business is meeting their expectations.
✔ Existing customers are key to success—repeat sales or referrals for new customers.

In their Marketing Plan, entrepreneurs will identify their marketing strategies and how they will lead to the accomplishment of their marketing objectives.

Activity 6b Growth Cycle Strategies: Marketing Strategies, EM p. 225
Consider changing the groups from the ones entrepreneurs met in previously by using some type of random but quick process (such as counting off or rotating every third person to a new seat).

1. Allow 10 minutes for entrepreneurs to work in small groups of 3 to 5 to complete the activity.
2. Follow the discussion with a group debriefing for approximately 5 minutes. Have entrepreneurs give examples of the following strategies: Branding, Visibility, Sales and Distribution, and Exceptional Customer Experiences.

Variation

Have entrepreneurs meet in groups of 3 to 5 to share their responses to Marketing Strategies on p. 217 of the Entrepreneur Manual. In this activity, entrepreneurs identify up to five strategies in the categories of Branding, Visibility, Sales and Distribution, and Exceptional Customer Service to implement over the next 2 to 6 months.

Debrief activity by asking for volunteers to give examples of strategies in each area.

Activity Close

By developing market strategies, entrepreneurs gain a framework and direction for the marketing activities they will implement.
Guest Speaker –
Marketing Strategies and the Marketing Plan

30 minutes

Help entrepreneurs refine their Marketing Plan and clarify how to evaluate their outcomes.

Announce the topic of the presentation, “Marketing Strategies and the Marketing Plan.”

Introduce the marketing consultant, media buyer, or guest entrepreneur and share information about the business’s location, size, number of employees, length of time in business, products, and other relevant information.

Tell the guest speaker how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest speaker to discuss key points included on the Guest Speaker Confirmation form:

• How does a marketing plan help identify, schedule, implement, and evaluate your marketing efforts?
• What are common challenges or issues in developing and implementing marketing strategies?
• What are creative and cost-effective marketing activities?
• How do you evaluate if a marketing plan is effective?
• What have you found to be most successful in expanding a market or gaining more business from existing customers?
• Advice or lessons you have learned that would be helpful to someone growing a business

Entrepreneurs heard the guest speaker identify a variety of activities that can be used to implement their strategies and to accomplish their marketing objectives. They now have an opportunity at the networking break to exchange information regarding marketing resources and methods they have found effective.
## Networking Break

<table>
<thead>
<tr>
<th>Time</th>
<th>15 minutes</th>
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<tbody>
<tr>
<td>Purpose</td>
<td>Provide an opportunity to continue peer networking and to talk with the guest speaker, facilitator, and coaches.</td>
</tr>
<tr>
<td>Facilitation</td>
<td><strong>Growing My Network</strong></td>
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<tr>
<td></td>
<td>Have entrepreneurs exchange information regarding what marketing activities they have found to be the most effective and resources they have utilized in implementing their marketing activities. Entrepreneurs will also have an opportunity to talk with the guest speaker, facilitator, and coaches.</td>
</tr>
<tr>
<td>Activity Close</td>
<td>Encourage entrepreneurs to continue networking outside of the session.</td>
</tr>
</tbody>
</table>
What combination of marketing activities should I use? How do I create alignment with my marketing objectives, strategies, and activities?

30 minutes

Identify potential marketing activities and align marketing activities with marketing strategies.

**Marketing Implementation**

On Slide 6J point out where “Marketing Implementation” fits into the “Marketing Cycle.” Key decisions at this stage include what combination of advertising, publicity, and promotion are needed to implement marketing strategies. Use the analogy of the three-legged stool to illustrate the importance of using a variety of marketing activities to reach a target audience. For more information on marketing, direct entrepreneurs to A Closer Look @ Marketing Activities at the back of this module.

**Activity 6c Marketing Activities Brainstorming**, EM p. 226

Remind entrepreneurs of the rules of brainstorming—accept all ideas and withhold evaluation until a later time—then allow entrepreneurs 10 minutes to do the following:

1. Divide into small group of 3 to 5 to complete the activity.
2. Choose one group member’s business and then brainstorm as many activities as possible in the categories of Advertising, Publicity, and Promotion that could potentially relate to the business.
3. Repeat the process for additional members’ businesses as time allows.
4. For those who did not have an opportunity to brainstorm marketing activities for their business in the small group, instruct them to complete this activity on their own.

Allow 5 minutes to debrief the results. Consider asking for 1 or 2 volunteers to share a listing of potential marketing activities. Then ask the following questions:

**Discussion Starters**

- What should be considered in selecting which activities to pursue?
- What are the benefits of using multiple types of marketing to reach target markets?

Remind entrepreneurs that in the brainstorming debriefing, they started considering what marketing activities would be most effective. The criteria identified on Slide 6K will help them in making this determination.
What combination of marketing activities should I use? How do I create alignment with my marketing objectives, strategies, and activities? continued

Discussion Starter
X What examples can you give of either a local or national company that has developed a very effective marketing program?
   Many automobile companies and restaurants very successfully combine national advertising and publicity with local promotional activities.

Key Points
✓ The target market will determine which activities will be the most effective.
✓ An effective marketing program incorporates advertising, publicity, and promotional strategies and must be feasible given resources and budget.
✓ Not all marketing activities have a large cost. Many activities are free or relatively inexpensive. For example, sending out a quarterly press release is not costly.
✓ Marketing activities that don’t align with marketing strategies and objectives can cost entrepreneurs time and money.
✓ Many marketing initiatives fail due to a lack of planning, poor execution, or inconsistent occurrence.

To demonstrate how marketing objectives, strategies, and tactics align have entrepreneurs complete the activity Create a Marketing Map behind the Optional and Enrichment Activities tab in the Facilitator Manual.

Once entrepreneurs have identified how they will market their products or services, they will create a marketing activities schedule. Indicate that the schedule will be the foundation of the marketing implementation component of their marketing cycle.
How do I create a schedule of marketing activities to implement?

20 minutes

Illustrate how entrepreneurs can create a schedule of marketing activities with anticipated marketing costs.

Marketing Implementation Plan

The marketing activity schedule provides a road map for the implementation component of the marketing cycle. See p. 219 of the Entrepreneur Manual for a sample schedule.

Discussion Starter

Why is it important for entrepreneurs to create a detailed marketing activities schedule?

Review Slide 6L focusing on the following:

Key Points

Once the marketing activities schedule is created, entrepreneurs can determine how much in resources to allocate for implementation. If the amount needed exceeds the amount available, they can prioritize the activities.

Entrepreneurs may choose to implement activities using in-house resources or outsource specific activities to marketing or public relations consultants.


Entrepreneurs will begin the marketing activity schedule portion of this action step by doing the following:

1. Ask entrepreneurs to use the marketing activities schedule template to determine how they will implement advertising, publicity, and promotional activities for the next twelve months. Entrepreneurs can start by developing a schedule for ninety days and then finish it outside of the session. Those that want to plan long term can use the template for additional years.

2. Tell entrepreneurs to share their marketing activities schedule with a partner and provide feedback to each other. Allow 15 minutes to complete these activities and 5 minutes to debrief the results, asking the following questions:

Discussion Starters

Who else might be involved in completing the marketing activities schedule?

What additional information is needed to determine the feasibility of implementing the schedule?

Information about the costs of the various marketing activities will help entrepreneurs determine the financial implications and feasibility for implementing the schedule.

The marketing activity schedule helps entrepreneurs develop their marketing budget. This information will be needed as entrepreneurs complete their financial projections. No worksheet addresses marketing costs separately.
Wrap Up and Action Steps

10 minutes

Reinforce key concepts and review work to be completed for the next session.

- **Summarize Key Concepts**
  - Entrepreneurs can monitor the changing marketplace by conducting an analysis of the industry, competition, and target market.
  - A good Marketing Plan states its objectives—what the company will accomplish through its Marketing Plan.
  - Marketing strategies help entrepreneurs accomplish their objectives and sustain a competitive advantage in the marketplace.
  - Marketing activities should align with entrepreneurs’ strategies and tactics.
  - The marketing activities schedule will have a direct impact on the budget and should be tracked to ensure activities effectiveness.

- **Preview Action Steps**
    Write the Industry Profile section of the Marketing Plan using the Business Plan template.
  - **Action Step 6.2 Prepare My Marketing Plan – Competitive Analysis**, EM p. 228
    Write the Competitive Analysis section of the Marketing Plan using the Business Plan template.
  - **Action Step 6.3 Prepare My Marketing Plan – Market Analysis**, EM p. 229
    Write the Marketing Analysis section of the Marketing Plan using the Business Plan template.
    Write the Marketing Penetration section of the Marketing Plan using the Business Plan template.
    Write the financial projections for the entire Marketing Plan.
  - **Read Module 7 Leading the Organization**, EM pp. 249 – 302
  - **A Closer Look @ Using Consultants and Contractors (optional)**, EM pp. 284 – 287
  - **A Closer Look @ Brainstorming Change (optional)**, EM p. 288
  - **A Closer Look @ Protecting Business Interests (optional)**, EM pp. 289 – 302

**Variation**

Assess Progress on Program Goals
If the Course Expectations’ Parking Lot is being used for keeping track of entrepreneurs’ goals and expectations for the program, have entrepreneurs remove any goals they feel have been met.

*Note: Remind entrepreneurs to complete the Leadership Scorecard in Module 7 of the Entrepreneur Manual, pp. 268 – 269. This activity involves 360-degree feedback, requiring entrepreneurs to hand out short questionnaires to their employees, vendors, and customers. Stress that they will need to start early to have time to hand out forms, receive the completed ones, and calculate results. This feedback will be used in the next session when they discuss leading their organization.*

**Activity Close**

The marketing cycle is ongoing. By reviewing the Marketing Plan each year, entrepreneurs can refine their strategies, determine how best to accomplish their marketing objectives, and learn how to monitor and evaluate their Marketing Plan outcomes.

*The entrepreneur’s effectiveness in setting marketing objectives, determining strategy, and selecting marketing activities will largely determine the growth of their business. In the next module, entrepreneurs will focus on leading their growing enterprises.*
Leading the Organization  Taking Action

Purpose
This module will help entrepreneurs think about their changing role in managing the business as well as their management team’s role in developing and implementing strategy to guide the business’s growth. Topics will include leadership, motivation, utilizing the team, hiring, compensation, and the legal form of doing business.

The goal is to give entrepreneurs an opportunity to reflect on how they want to manage the work, highlighting proven leadership strategies and providing insights into healthy organizational management. It is also to illuminate the vital role of the team in the business’s success. In previous modules entrepreneurs outlined their overall strategies and goals. This module focuses on nurturing the right organizational culture and empowering leaders to carry out those strategies and reach their business goal.

Key Outcomes
- Strong leadership skills
- Revision of management competencies
- Evaluation of appropriateness of current legal structure
- Job Descriptions for entrepreneur and management team
- Management and Organization Plan
- Management and Organization Plan financial projections

Entrepreneur Manual Outline
Primed for Growth
Entrepreneurial Leadership
Growing Pains
Your Role Changes As Your Business Grows
Strengthening Your Management Team
Getting Support
Recruiting and Hiring Capable, Self-Motivated People
Helping Others Be Successful
Creating a Healthy Organizational Culture
Communicating Values Intentionally
Creating Clarity of Purpose, Structure, and Measurement
Compensations and Rewards
Leading Change
Being an Inspiring Leader
Evaluating Your Business’s Legal Structure
Factors Affecting the Choice of Legal Structure
Leadership Scorecard
Need for Management Changes
Activity 7a Approaching Change (optional)

Action Step 6.1 Prepare My Marketing Plan – Industry Profile
Action Step 6.2 Prepare My Marketing Plan – Competitive Analysis
Action Step 6.3 Prepare My Marketing Plan – Market Analysis
Action Step 6.4 Prepare My Marketing Plan – Market Penetration
Action Step 6.5 Finalize My Marketing Financial Projections
Read Module 7 Leading the Organization
A Closer Look @ Using Consultants and Contractors (optional)
A Closer Look @ Brainstorming Change (optional)
A Closer Look @ Protecting Business Interests (optional)

Action Step 7.1 Create Job Descriptions
Action Step 7.2 Prepare My Management and Organization Plan
Action Step 7.3 Finalize My Management and Organization Financial Projections
Read Module 8 Managing Operations for Growth

Optional and Enrichment Activities
Leading Change
Networking – Meeting and Greeting
<table>
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<tr>
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<th>Topic</th>
<th>Materials and Equipment</th>
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<td><strong>Opening</strong></td>
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<td>- Entrepreneurs’ Exchange</td>
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<td>- Debrief Action Steps</td>
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<td>- Session Overview</td>
<td>Slide 7A</td>
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<tr>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td>Do I have the right people on my management team?</td>
<td>Slide 7B, Flip chart (optional)</td>
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<td>252–255</td>
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<td>- Strengthening Your Management Team</td>
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<td>- Need for Management Changes</td>
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<td>- Using Consultants, Contractors, or Advisers</td>
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<td>20 minutes</td>
<td>How can I improve the way I lead people?</td>
<td>Slides 7C – 7E</td>
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<td>- Being an Inspiring Leader</td>
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<td>- Leadership Scorecard</td>
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<td><strong>Guest Speaker</strong></td>
<td>How My Approach to Leading Has Evolved</td>
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<td>30 minutes</td>
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<td><strong>Networking Break</strong></td>
<td>Growing My Network</td>
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<td>15 minutes</td>
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<td><strong>Coaching Session</strong></td>
<td>How can I improve the way I manage work? Am I using the appropriate legal form for my business?</td>
<td>Slides 7F, Flip chart, Index cards, Colored index cards, Pencils (optional)</td>
<td>123 – 124</td>
<td>277–279</td>
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<td>50 minutes</td>
<td>- Your Role Changes As Your Business Grows</td>
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<td>- Evaluating Your Business’s Legal Structure</td>
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<td>- Action Step 7.1 Create Job Descriptions</td>
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<td>15 minutes</td>
<td>How do I prepare my Management and Organization Plan?</td>
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<td>280 – 283</td>
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<td>- Management and Organization Plan</td>
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<td>- Action Step 7.2 Prepare My Management and Organization Plan</td>
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<td>- Action Step 7.3 Finalize My Management and Organization Financial Projections</td>
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<td><strong>Wrap Up and Action Steps</strong></td>
<td>Summarize Key Concepts</td>
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Preparing to Lead this Session

Entrepreneurs in the program are likely wrestling with the effects of transitioning from a start-up venture to a growing entity and experiencing all the growing pains that accompany it. They are ready to understand how their leadership role changes as the business grows.

They are also likely to be overloaded with responsibilities—forced by circumstances to be reactive rather than strategic. This may be especially true in relationship to their leadership behaviors. One of the goals of this module is to highlight people-management issues that entrepreneurs may not have considered (or may not have considered recently) and to emphasize the importance of the management team to the business’s success.

Entrepreneurs will also come into this session with new information regarding their leadership effectiveness after having vendors, customers, and employees complete the Leadership Scorecard. Some will be pleased with the feedback they received while others may be discouraged or frustrated. Regardless, the facilitator has an opportunity to use this feedback as a springboard for a discussion of leadership effectiveness.

Materials Needed

Slides 7A – 7F
Entrepreneur Manual, pp. 249 – 302
More Info Resources 7 and 8
Flip chart
Index cards
Colored index cards or pencils (optional)

Guest Speaker Selection

Guest Entrepreneur

Invite an entrepreneur to discuss how his or her approach to leading people has evolved with time and the growth of the organization. Choose an entrepreneur who is introspective enough to have reflected on leadership skills and methods and is willing to talk about both successes and failures.
Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to talk with FastTrac® GrowthVenture™ entrepreneurs about how your approach to leading/managing your organization has evolved with time and the growth of your business.

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – How My Approach to Leading Has Evolved

Please include the following information in your presentation:

- In what ways have you changed your leadership approach over the years?
- Who became your supporters, role models, advisers, or mentors?
- How have you learned from your mistakes? Describe a couple of mistakes you made in managing your employees and tell us why you wouldn’t do those things today.
- Describe several of your proudest moments as a leader/manager?
- Do you have an overall leadership/management philosophy? Can you describe how you approach your job as a leader?
- Please offer specific advice on (pick only a few):
  - Creating and communicating a vision
  - Creating a healthy and productive organizational culture
  - Setting performance goals
  - Hiring great people
  - Creating work-life balance for yourself and your employees
  - Pushing for change and innovation
  - Motivating employees
- Question and answer time

Background

This is the seventh session in the FastTrac® GrowthVenture™ program. Entrepreneurs have set strategic goals, determined a growth strategy, strengthened their product or service offerings, and developed a marketing strategy to reach their intended target markets. In this session, entrepreneurs will be examining their leadership styles and effectiveness and considering how their role has evolved as their business has grown.
Leading the Organization

10 minutes

Purpose
Share progress and information with one another and set the stage for the discussion of management roles and changes.

Open the Session

- Entrepreneurs’ Exchange

Discussion Starters
- What has happened in your business since our last meeting that is exciting or new?
- What sources of information or contacts have you identified that may be helpful to other members of the group?

Variation
Have entrepreneurs meet in triads and discuss the following:
- Share your biggest success story in leading your team. Tell why you are most proud of this moment.
- Share your biggest mistake leading your team. Tell what you learned from the experience.

Facilitation

- Debrief Action Steps

Discussion Starter
- How did you refine or change your marketing strategy as a result of completing these action steps?

Session Overview
On Slide 7A point out where the group is and indicate that in this session they will examine how their leadership and management team need to change as the organization grows.

Activity Close
Once the growth strategy is in place and a marketing strategy developed to accomplish that growth, it is time to look within the organization and examine how leadership and management fit with future demands.
Do I have the right people on my management team?

30 minutes

Consider changes related to the management team and additional technical expertise and advice that may be needed from outside resources.

- **Strengthening Your Management Team**
  - Like the conductor of a symphony orchestra assembling the talent needed for a successful performance, the entrepreneur carefully identifies the skills and expertise needed to grow the business and puts together a team to make it happen. Begin the discussion of the management team by asking the following questions:

  - **Discussion Starters**
    - How are management team characteristics needed in an entrepreneurial business different from those needed in a larger company?
    - How are they the same?
    - How critical is the management team to the business’s sustainability and growth?

  - **Need for Management Changes**, EM p. 253
    2. In groups of 5, entrepreneurs discuss their answer to the question on Slide 7B.
    3. Following the small group discussion, allow approximately 3 minutes for entrepreneurs to answer additional questions selected from the list below. You may want to write the questions on a flip chart:
      - What are the strengths of your current team?
      - What are the limitations of your current team?
      - Is your team ready for growth?
      - Is your team ready for a new strategic direction?
      - What changes might you be prepared to make?

  - **Discussion Starters**
    - What management team changes may be needed and why?
    - What do you need to do to make optimal use of your management team?
      - Ways to make optimal use of the management team can include keeping the team current on business and market developments, seeking input on key decisions, and updating members on progress toward goals.

  - **Key Point**
    - Entrepreneurs may be so accustomed to making decisions in isolation that even when the management team is in place and the right skills sets are present, they fail to share pertinent information and involve their team in decision making.

  For decision-making scenarios and a discussion of how to effectively manage change in growing organizations, see Leading Change behind the Optional and Enrichment Activities tab in the Facilitator Manual.
Do I have the right people on my management team? continued

Using Consultants, Contractors, or Advisers

Regardless of the talent within the management team, most entrepreneurs realize that they will need additional technical expertise and advice on a regular basis. They may also determine that certain activities their business currently performs can best be done by outside contractors, allowing them to focus on their core business.

Meeting in small groups of 3 to 5, have entrepreneurs do the following:
1. One member volunteers their business, briefly describing it and identifying the company’s core business. Instruct volunteer to withhold information about consultants and contractors already in use.
2. Allow 5 minutes for the group to brainstorm the types of outside expertise or contractors the business may find helpful and why.
3. Encourage entrepreneurs to conduct this activity with management teams in their own businesses.

Discussion Starters
× How do you identify potential consultants, contractors, or advisers?
× What type of screening or evaluation process do you use?

Key Points
✓ In addition to the resources already discussed, outside expertise may also be accessed through mentors and members of advisory boards or a board of directors.
✓ Entrepreneurs need be careful not to outsource the core competencies of the business. They will want to make sure they control that which gives the business its competitive advantage.

The management team, working in conjunction with advisers, contractors, and consultants, provides the expertise to grow the business. As this extended team grows and evolves with the growth of the organization, the entrepreneur’s leadership role will change.
How can I improve the way I lead people?

20 minutes

Process the feedback received from direct reports, customers, and vendors on the Leadership Scorecard.

- **Being an Inspiring Leader**

  Trust and mutual respect are necessary to provide the type of strong leadership needed to guide an organization through the challenging times associated with growth and change and to maintain a healthy organizational culture. The Leadership Scorecard can be used as the starting point in determining the extent to which these characteristics are present in the leader and organization.

**Leadership Scorecard**, EM pp. 268 – 269

The Leadership Scorecard involves 360-degree feedback, requiring entrepreneurs to hand out short questionnaires to their employees, vendors, and customers. In previous sessions, it was suggested that entrepreneurs start early on this scorecard as it takes them time to make copies of the questionnaire, hand it out, explain it, ask for the completed forms, and calculate their results. Read the detailed instructions for the scorecard in the Entrepreneur Manual.

**Tip**

Normally the Facilitator Manual does not script your dialogue with participants. As the debriefing of the Leadership Scorecard requires a high degree of sensitivity to individuals’ feelings, the following information is more detailed and scripted than usual. Detailed slides also help guide the debriefing.

Tell entrepreneurs that the Leadership Scorecard provides a way to get feedback from direct reports, contractors, clients, and others. This type of activity is used throughout the business world to help leaders and managers get honest feedback. Often, one of the biggest problems of management feedback is that direct reports and others are afraid to say what they really think. This fact of organizational life makes it difficult for entrepreneurs to get good feedback on their leadership/management behavior. Without feedback there is little or no improvement.

Share with entrepreneurs that when people get this type of feedback they may feel uncomfortable, angry, or somewhat disinterested. These are all normal responses. The following table will help entrepreneurs make sense of what their feedback means:

Review Slide 7C by telling entrepreneurs the following:

- The comparison of how others rate you with how you rate yourself can provide you valuable information and insight. If others rate you high on a question and you rate yourself high, you’re probably in pretty good shape. Similarly, if both ratings are low on a question, it’s obvious you have an area to work on.

- Even more interesting are the situations when your rating is different from others. If others rate you high but you rate yourself low, your expectations for yourself may be too high. The most difficult result is when you rate yourself high and others rate you low. We call this a “blind spot.” Many people have blind spots in managing others. Blind spots occur because managers, supervisors, and entrepreneurs are often buffered from feedback.
How can I improve the way I lead people? continued

- Having a blind spot or getting negative feedback you don’t expect may cause you some emotional turmoil. Review Slide 7D, which describes a common set of reactions. You may go through some or all of these stages, and many people find that they only begin to learn to improve their leadership performance after they have moved through the earlier, more difficult stages.

Point out that the Leadership Scorecard’s value lies in opening one’s self up to feedback, going back to the workplace and making changes in leadership behavior, and opening up a dialogue to learn more.

Caution entrepreneurs about wanting to “get even.” If people take a risk to tell them something they didn’t know, consider it an act of respect and thoughtfulness.

Review Slide 7E to assist entrepreneurs in processing their results.

Tip
Tell entrepreneurs to consider if ratings are based on recent events or their long-standing behavior.

The Leadership Scorecard will be more informative if entrepreneurs have received feedback from several others. Coach entrepreneurs to look for large discrepancies between their ratings and others’ ratings of them (.75 and above). Tell entrepreneurs that others will not be able to fully understand or appreciate their work. Although feedback may be biased in some way, others’ perceptions are their reality!

Summarize by stating the following:

Key Points
The value of the Leadership Scorecard lies in:
- Getting feedback that is normally difficult to obtain.
- Making good-faith efforts to improve.
- Opening up a dialog to continue receiving valuable feedback.

Discussion Starter
What do you see as the value of this exercise?

Variation
Depending on the needs and make-up of your group, instead of having entrepreneurs complete the Leadership Scorecard and conducting the related discussion, you may wish to incorporate a segment on leading change in the organization. See the facilitator notes behind the Optional and Enrichment Activities tab in the Facilitator Manual. Entrepreneurs will complete Activity 7a Approaching Change on pp. 275 – 276 in the Entrepreneur Manual.

Activity Close
Encourage entrepreneurs to use the Leadership Scorecard to have their management team provide feedback if they were not included in the original group of respondents. Using this or a similar process, entrepreneurs may also have members of their management team solicit feedback within their own departments.
Guest Speaker –
How My Approach to Leading Has Evolved

30 minutes

Provide depth to the leadership discussion by hearing from an entrepreneur whose leadership style has evolved as the organization grew and who is willing to share lessons learned along the way.

Announce the topic of the presentation, “How My Approach to Leading Has Evolved.”

Introduce the guest entrepreneur and information about the business’s location, size, number of employees, length of time in business, products, and other relevant information.

Tell the guest how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest speaker to discuss the following:

- In what ways have you changed your leadership approach over the years?
- Who became your supporters, role models, advisers, or mentors?
- How have you learned from your mistakes? Describe a couple of mistakes you made in managing your employees and tell us why you wouldn’t do those things today.
- Describe several of your proudest moments as a leader/manager?
- Do you have an overall leadership/management philosophy? Can you describe how you approach your job as a leader?
- Please offer specific advice on (pick only a few):
  - Creating and communicating a vision
  - Creating a healthy and productive organizational culture
  - Setting performance goals
  - Hiring great people
  - Creating work-life balance for yourself and your employees
  - Pushing for change and innovation
  - Motivating employees
- Questions and answer time

Participants can learn a great deal from entrepreneurs who have successfully grown and perhaps harvested a business. During the break they will have the opportunity to identify ways to meet such entrepreneurs as well as talk with peers, facilitator, coaches, and the guest entrepreneur.
Networking Break

15 minutes

Purpose
Provide an opportunity to continue peer networking and a chance to talk with the guest speaker, facilitator, and coaches.

Facilitation
Growing My Network
Encourage entrepreneurs to discuss how they can expand their network to include seasoned entrepreneurs who may be able to provide information, advice, and contacts.

If meeting with peers, entrepreneurs are encouraged to do the following:
- Share information about self and business.
- Share the name of a book or article on entrepreneurial leadership, such as The E-Myth Revisited, that they have found particularly helpful.
- Share how they can help their management team members be leaders within their own departments.

Optional and Enrichment Activities
To help entrepreneurs focus on strategically choosing groups and activities that are helpful in developing relationships with individuals that can act as mentors, peers, and potential funders, have them complete Networking – Meeting and Greeting behind the Optional and Enrichment Activities tab in the Facilitator Manual.

Activity Close
Emphasize that successful entrepreneurs are always networking and that networking is not a one-time activity but a skill that entrepreneurs should practice as often as possible.
How can I improve the way I manage work? Am I using the appropriate legal form for my business?

50 minutes

Integrate what entrepreneurs have learned in this module—the bulk of which is focused on leadership—and have them prepare their own job description.

FAQ Your Role Changes As Your Business Grows
As an introduction to a discussion of how the entrepreneurs’ leadership role has changed as the business has grown, take about 5 minutes to review Slide 7F and do the following:

1. Have everybody stand up and form a semi-circle in the front of the room.
2. The left wall represents very little change. The right wall represents a complete metamorphosis in how one manages employees. Have entrepreneurs position themselves according to how much their leadership style has changed.
3. Entrepreneurs will see where others are positioned.

Discussion Starters
While entrepreneurs are still standing, ask the following questions:

✓ Why are you standing where you are?
✓ Do you want to be where you are?
✓ What do you think you might need to do if you want to change your position along the curve?

Have entrepreneurs sit down. Continue by making the final point:

Key Point
✓ An entrepreneur’s leadership approach must change for the entrepreneur and the business to remain effective.

Tell entrepreneurs to consider conducting this same activity within their own businesses at a staff meeting with management team members.

FAQ Evaluating Your Business’s Legal Structure
One of the many roles entrepreneurs play in their businesses is security guard. They need to make sure the company remains safe. The business’s legal structure and legal agreements can contribute a great deal toward keeping the business secure.

Inform entrepreneurs that the next activity is designed to help them think through security issues that arise as their businesses grow.

Discussion Starters
✓ What types of external threats are of most concern to businesses?
   Threats include lawsuits, liability for debts or actions of the business, loss of intellectual property.
✓ What types of internal threats might an entrepreneur face?
   Threats include possible squeeze outs of founders and loss of key accounts or key employees.
How can I improve the way I manage work? Am I using the appropriate legal form for my business?

Key Points

✓ The appropriate legal structure can provide protection from many external threats. A review of My Business’s Legal Form and the related content on pp. 272 – 273 of the Entrepreneur Manual will help entrepreneurs determine if their business’s current structure continues to meet their needs. Other information related to protecting businesses includes A Closer Look @ Protecting Intellectual Property in Module 5 and Contracts and Leases at fasttrac.org/resources.

✓ Many entrepreneurs are slow to recognize the threat that emerges to founding members as the business prospers and greed raises its ugly head. Squeeze outs take many forms such as termination, withholding dividends, removal from the board, mergers, and so on. For a more in-depth discussion of threats and defensive tactics, see A Closer Look @ Protecting Business Interests at the end of the module. The business’s legal structure and by-laws can provide some protection.

Tip

Tell entrepreneurs to consider speaking with their lawyer and/or accountant about whether their business structure is still right for them.

Action Step 7.1 Create Job Descriptions, EM pp. 277 – 279

Entrepreneurs will write a job description for themselves for the upcoming year. Emphasize that this is NOT an exercise to focus on “what is” but rather “what should be.”

1. Have entrepreneurs individually respond to A. Brainstorm Goals and Objectives of CEO Position. Then lead a brief discussion regarding the goals for entrepreneurs’ CEO positions by writing the entrepreneurs’ responses to A on a flip chart entitled, “CEO Goals.” Allocate approximately 10 minutes for entrepreneurs to identify and discuss goals.

2. Divide entrepreneurs into small groups of 3 to 5 and have them complete B individually and C as a group, using the index cards provided. After 18 minutes have entrepreneurs individually begin D and E, providing either colored index cards or colored pencils.

3. Conduct a brief discussion (approximately 7 minutes) of the following questions, or add your own:
   - What are your top priorities?
   - Why are these priorities?
   - What will you have to do differently moving forward?
   - How can you prepare yourself to remember to do the things you might otherwise neglect?

Clarifying the goals of the CEO’s position and carefully analyzing the CEO’s role and responsibilities is the starting point for identifying the skills and talents needed in the management team and defining their responsibilities. Working from the goals and objectives of the entrepreneur, the same process can be used by the entrepreneur and the management team to develop their job descriptions.
How do I prepare my Management and Organization Plan?

15 minutes

Prepare entrepreneurs to complete their Management and Organizational Plan.

Management and Organization Plan

In this section of the Business Plan, entrepreneurs detail important characteristics of their management team and organizational structure.

This section also provides an opportunity to build credibility by highlighting expertise, the management team, and other support persons from the infrastructure. For examples of Management and Organization Plans, go to fasttrac.org/resources and review the Management and Organization Plans of the sample business plans included.

Action Step 7.2 Prepare My Management and Organization Plan, EM pp. 280 – 281

Familiarize entrepreneurs with the questions in the Management and Organization Plan and ask the following questions:

Discussion Starters

Which questions will be most difficult to answer?

How might you obtain this information?


Remind entrepreneurs to document their sources for specific amounts in their assumptions.

Activity Close

Remind entrepreneurs to read the Management and Organization Plan as a potential investor might, assessing the strengths or weaknesses of the management team and infrastructure. Entrepreneurs should then address any weaknesses.
Wrap Up and Action Steps

Time
10 minutes

Purpose
Reinforce key points and recap action steps to be completed by the next session.

Facilitation

- **Summarize Key Concepts**
  - The entrepreneur’s role will change with the different stages of the business life cycle.
  - The management team determines the success of a growing venture.
  - Key to the business’s success is having the right skills and expertise on the management team and effectively utilizing the team.
  - Change is the entrepreneurial constant. The ability of small businesses to respond quickly to change is also a competitive advantage that can be nurtured and parlayed into business results.
  - One of the most critical jobs of an entrepreneurial leader is to keep the organization healthy and strong.
  - Business growth will cause a need for an evaluation of the business’s legal structure and other forms of legal protection.

Tip
Recap and summarize information by asking entrepreneurs to communicate one concept they learned from the session. You will know if the session was on target and can clarify or reinforce key points as needed.

- **Preview Action Steps**
  A careful analysis of the leader’s and management team’s roles is a prerequisite to preparing the Management and Organization Plan—the Business Plan component that can establish credibility and instill confidence in a business’s ability to succeed and grow.

  **Action Step 7.1 Create Job Descriptions**, EM pp. 277 – 279
  Focus on CEO job description and “what should be.”

  Begin early to consider management team needs and changes.
  Update this section as additional information is acquired.


  **Read Module 8 Managing Operations for Growth**, EM pp. 303 – 330

Variation

- **Assess Progress on Program Goals**
  If the Course Expectations’ Parking Lot was used for keeping track of entrepreneurs’ goals and expectations for the program, have entrepreneurs remove any cards for goals they feel have been met.

  The information entrepreneurs develop in this module will be expanded in the next module—Managing Operations for Growth.
Managing Operations and Growth  Taking Action

Purpose
As entrepreneurs consider the impact of potential growth on their business, they will determine if their operations systems will allow them to fulfill the vision and goals they have for the business. This module concentrates on implementing the processes needed to monitor and manage the business according to expected outcomes. The operational section of the Business Plan drives the business, and the Operations Plan should align with strategic business planning decisions. In this module, entrepreneurs will design the flow of work to be accomplished and identify key success measurements. A well-defined operations plan helps entrepreneurs manage the business’s growth.

Key Outcomes
- Operational systems workflow
- Key success measurements
- Performance standards for entrepreneur
- Operations Plan

Entrepreneur Manual Outline
Supporting Operations and Growth
Defining the Operational Goal
Benefits of Structure
  Operational Systems
  Aligning Systems with the Business Vision
Creating an Operational Systems Workflow
  Processes
  Procedures
  Policies
  The Value of Documenting Processes
  Align Workflow
Measuring Performance
  Financial Performance
  Human Performance
The Operations Plan
Activity 8a Using Procedures and Policies to Succeed
Activity 8b My Success Measurements and Goals
Activity 8c Create My Performance Standards

Action Step 7.1 Create Job Descriptions
Action Step 7.2 Prepare My Management and Organization Plan
Action Step 7.3 Finalize My Management and Organization Financial Projections
Read Module 8 Managing Operations for Growth

Action Step 8.1 Design the Workflow
Action Step 8.2 Prepare My Operations Plan
Action Step 8.3 Finalize My Operations Financial Projections
Read Module 9 Charting Financial Performance
A Closer Look @ Profits vs. Cash (optional)
A Closer Look @ Internal and External Cash Flow Sources (optional)
### Estimated Time | Topic | Materials and Equipment | FM Page | EM Page
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**Opening**<br>10 minutes | Entrepreneurs’ Exchange<br>Debrief Action Steps<br>Session Overview | Slide 8A | 132 |  |

#### Facilitated Activities and Group Discussion

**20 minutes**<br>*What are the operational systems of my business that will support my business strategy?*<br>- Defining the Operational Goal<br>Activity 8a Using Procedures and Policies to Succeed | Activity 8a<br>Flip chart paper (optional) | 133 – 134 | 322 – 323 |

**25 minutes**<br>*What performance standards and controls will I use to measure success?*<br>- Measuring Performance<br>Activity 8b My Success Measurements and Goals | Slides 8B<br>Activity 8b | 135 – 136 | 316 – 325 |

**20 minutes**<br>*What performance standards and controls will I use to insure success?*<br>- Measuring Performance<br>Activity 8c Create My Performance Standards | Activity 8c | 137 – 138 | 326 |

#### Guest Speaker

**30 minutes**<br>Systems, Processes, and Controls for Growing the Organization | 139 |

#### Networking Break

**15 minutes**<br>Growing My Network | 140 |

#### Coaching Session

**35 minutes**<br>*How should workflow be designed and documented to support business operations?*<br>- Creating an Operational Systems Workflow<br>Action Step 8.1 Design the Workflow | Slides 8C – 8G<br>Flip chart paper | 141 – 142 | 327 – 328 |


#### Wrap Up and Action Steps

**10 minutes**<br>- Summarize Key Concepts<br>- Preview Action Steps | 144 | 321 |

3 hours total
Preparing to Lead this Session

In this module entrepreneurs are reminded that the best of plans can fail if they are not properly implemented and managed. The Operations Plan is the most tactical section of the Business Plan; it’s where the plan comes to life. Detailing the operational workflow, using controls, procedures, and processes, and orchestrating the work of the team is essential to growing a healthy business.

Keep in mind:

• Many of the entrepreneurs will have no idea what an operations plan is and how to use it.
• Detail will not come easy for the typical entrepreneur. If it did, they would have already had an operations plan.
• This may be the first time entrepreneurs have been asked how success will be measured and monitored.
• Although used extensively in large businesses, performance standards may be a new concept to entrepreneurs and should be presented in a positive manner.
• Workflow in an entrepreneurial business is rarely documented so the facilitators and/or coaches need to be available to walk entrepreneurs through this process.

Materials Needed

Slides 8A – 8H
Entrepreneur Manual, pp. 303 – 330
More Info Resources 8 and 9
Flip chart
Post-it® notes

Supplemental Resources

Community Resource List – Provides entrepreneurs with a list of local peer learning groups for business owners. Examples include: CEO roundtables, Networking groups, Industry groups, and Chambers of commerce.

Guest Entrepreneur

Choose an entrepreneur, preferably a FastTrac® graduate, who has grown a larger, successful business. The entrepreneur will share their entrepreneurial story specifically as it relates to managing growth and operations and the lessons learned along the way. It is important to confirm with the entrepreneur in advance the type and extent of growth the organization has experienced and what systems and processes were implemented to handle the growth.

Tip

If possible, select a high profile entrepreneur to speak.
**Guest Speaker Confirmation**

**Guest Entrepreneur**

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Thank you for agreeing to share your entrepreneurial story with FastTrac® GrowthVenture™ entrepreneurs.

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**Topic – Systems, Processes, and Controls for Growing the Organization**

Please include the following information in your presentation:

- What are the key things that you focused on to grow your business?
- Did you ever consider hiring a CEO to run the business?
- Did you have to hire new team members to make the growth happen or did your current staff continue to be a part of the growth?
- Have you used outside individuals or organizations to enhance growth?
- What systems and processes did you implement to facilitate growth?
- What technology choices did you have to make to grow?
- What was the biggest operational mistake you made running your business?
- What steps have you taken to enhance personal leadership and management skills needed to grow the organization?
- What is your best advice to entrepreneurs about operating and growing their businesses?
- Question and answer time

**Background** This is the eighth session in the FastTrac® GrowthVenture™ program. Entrepreneurs are completing the operations section of their Business Plan. Many detailed subjects will be discussed in this session, such as workflow, processes, controls, standards of performance, and success measurements.

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Managing Operations and Growth

10 minutes

Exchange information and ideas gleaned since the last session and connect leadership to the topic of monitoring the organization and setting control measurements.

- Entrepreneurs’ Exchange

Discussion Starters

- Who has good news to share about their business?
- Since the previous discussion of leading the organization, what leadership insights or tips did you identify by reading articles, listening to speakers, or leading your own organization?
- What is leadership’s role in setting goals and developing measurements to track progress in the business?

Tip

This last question may be used to show the connection between leadership, as discussed in the last module, and leadership’s role in setting goals and developing control systems in this module.

- Debrief Action Steps

To reinforce key concepts from the previous module, lead a short discussion on Action Steps 7.1 Create Job Descriptions, Action Step 7.2 Prepare My Management and Organization Plan, and Action Step 7.3 Finalize My Management and Organization Financial Projections.

Discussion Starters

Debrief action steps as a group by asking the following questions:

- What insights did you gain by completing these action steps?
- What challenges did you identify in putting together your management team and infrastructure?
- What recommendations do you have for infrastructure members?

- Session Overview

Refer to Slide 8A to show how far entrepreneurs have come and where they are now. It is important to impart the importance of the Operations Plan—where the Business Plan comes to life. If operations are not thought out and processes implemented to make the work happen, it would be like building a car and leaving out the engine. Monitoring the performance of the business is like watching the gauges of the car—it insures that performance is maintained.

Now it’s time for the entrepreneurs to put into action all the strategies and details of their Business Plan.
What are the operational systems of my business that will support my business strategy?

20 minutes

Illustrate the importance of a sound operational plan to the growth and success of a business.

- Defining the Operational Goal
  Entrepreneurs can manage the growth of their organization by evaluating and comparing actual results with the Business Plan and targets (objectives, goals, and key results).
  An operations plan provides the structure to enable the business to meet its goals.
  Introduce the topic by discussing the need and benefits of an operations plan.

Discussion Starters
- What are the benefits of a sound operational plan?
  A carefully defined operations plan guides activities and decisions. With it, the entrepreneurs can spend very little time on daily issues and work more strategically on the business. It also guides employee performance.
- What are the reasons that operations plans are often neglected?
  Entrepreneurs are unaware of an operation plan’s importance, lack the knowledge to prepare it, or place a low priority on developing it.
- What steps can be taken to ensure that adequate attention is given to the preparation and implementation of an operational plan?
  Entrepreneurs can assign responsibility and measure progress on the preparation and implementation of an operations plan.

Key Points
- A well-prepared and documented operational plan will enhance the business’s performance and guide decisions.
- An operations plan builds value in the business and contributes greatly to the entrepreneur’s ability to sell the business should that be their exit strategy.
- Although documenting processes and procedures is essential to smooth business operations, entrepreneurs shouldn’t get so involved with details as to sacrifice the business’s growth and development. Developing an operations plan is a balance between making sure the business has the right processes in place and the entrepreneur has the necessary time to move the business forward.

Activity 8a Using Procedures and Policies to Succeed, EM pp. 322 – 323
To demonstrate the need for processes, procedures, and policies for a business’s growth and success, entrepreneurs will read a scenario which illustrates what can happen without them.
Have entrepreneurs do the following:
1. Read the scenario Spectrum Training Associates.
2. Meet in groups of 3 to 5 to discuss how policies, processes, and procedures could have created a different outcome for Spectrum Training Associates.
3. Within the small groups, create a workflow for the billing and collection process.
What are the operational systems of my business that will support my business strategy? continued

Discussion Starters

✓ What policies, processes, and procedures would have created a different outcome for Spectrum Training Associates?
  Entrepreneurs should specifically address the issues in the story: accounts receivable—billings and collections system and policies; accounts payable—system and policies; subcontractor contractual agreements, including payment terms.

✓ What are the steps in a workflow for the billing and collection process?

Tip

On a flip chart, facilitator may diagram the workflow for a billing and collection process as described by entrepreneurs.

Variation

Give a sheet of flip chart paper to each group and have them diagram the workflow for the billing and collection process and post it on the walls. Compare similarities and differences in the workflow charts from the groups.

Activity Close

Now that entrepreneurs have examined how processes and procedures would have enabled Spectrum Training Associates to operate more effectively, they will examine how to implement them within their own businesses.
What performance standards and controls will I use to measure success?

25 minutes

Develop performance standards for one key performance indicator.

Measuring Performance
As stated in the Entrepreneur Manual, “What gets measured, gets managed.” After identifying major systems and corresponding processes, procedures, and policies, the final step is to measure outcomes against goals. Entrepreneurs will assess financial and human performance through the development of performance standards.

Discussion Starters
✓ What performance measurements are in place within your business?
✓ What has been the value of these performance measurements?

Key Point
✓ Assuming that a worker will know what to do and when to do it in accordance with the entrepreneur’s expectations is very risky and can cost time, money, and even the business. Performance standards can eliminate this kind of guesswork.

Review Slide 8B to identify what goes into the development of a performance standard.

Discussion Starters
✓ What types of performance have you been able to measure? What would you find useful to measure, if you could?
✓ What types of performance might be difficult to measure? Areas such as professional development, interpersonal relationships, and market share may be difficult to measure. Business or management consultants may be needed to assist the entrepreneur in developing metrics for measuring performances in some of the more challenging areas.

Key Point
✓ Some performance measurements are more difficult to measure than others.

Review My Performance Indicators in the Entrepreneur Manual on p. 317. Entrepreneurs will have placed a check beside the performance indicators relevant to their businesses. If many have not done so, allow entrepreneurs 2 minutes to complete this activity.

Activity 8b My Success Measurements and Goals, EM pp. 324 – 325
This activity prepares entrepreneurs to set success measurements in Action Step 8.2 Prepare My Operations Plan. First, review the example of Sales per Employee.
What performance standards and controls will I use to measure success?

Discussion Starter

Walk entrepreneurs through the process for one of the performance indicators they selected in My Performance Indicators on p. 317 of the Entrepreneur Manual and give them a chance to think about what criteria they might use to measure success.

1. Ask entrepreneurs to select one of the performance indicators they checked on My Performance Indicators.
2. Instruct them to assign a numeric or qualitative value for success to the performance indicator they chose.
3. Have entrepreneurs work in teams to identify what performance criteria to use to measure the performance standard identified. (Refer participants to the example of performance criteria on p. 316 of the Entrepreneur Manual.)
4. Bring the teams back together to share the performance criteria that were created.
5. Suggest that entrepreneurs continue their work on Activity 8b My Success Measurements and Goals to write performance standards for other key indicators.

Note: For those that would like more information on measuring performance, see the Balanced Scorecard in the online toolkit at fasttrac.org/resources. Many businesses use this additional tool for measuring the overall success of the organization in addition to their Standard Operating Procedures (SOPs). The Balanced Scorecard does not replace SOPs but is used in addition to them to provide effective tools for measuring outcomes and making sure the strategic direction of the business is on track.

Measurement of the business’s performance eventually results in measuring individual performances. Entrepreneurs will next look at their own performance.
What performance standards and controls will I use to measure success?

20 minutes

Prepare performance measurements and goals for entrepreneur’s CEO job description.

Measuring Performance
Both financial and human performance must be monitored to ensure that management goals are met.

Discussion Starters
-X What systems are in place to ensure that departments and employees know management expectations for productivity and quality?
-X What additional systems or measurements would be beneficial?

Key Points
✓ Job descriptions are commonly used to identify and communicate employee responsibilities and management expectations.
✓ Both the entrepreneur and management team will benefit by clearly defining the goals of the CEO position and establishing key measurements.

Variation
The job description on p. 138 of the Facilitator Manual provides examples of standards and measurements to share with entrepreneurs. Consider making copies and handing them out for review and discussion.

Activity 8c Create My Performance Standards, EM p. 326
In Action Step 7.1 Create Job Descriptions, entrepreneurs developed a job description for themselves. Have entrepreneurs do the following as they consider this question:

Discussion Starter
-X What makes performance easy to measure?
   Work is quantifiable and visible.

1. Review the performance standards in the example.
2. Referring back to their own job descriptions, have entrepreneurs complete Step 1 to determine criteria to assess their job performance.
3. Ask for 2 or 3 volunteers to share performance criteria with the group.
4. In Step 2, have entrepreneurs write down three performance standards for their jobs, assigning a numeric value or level of achievement and a timeframe to each.
5. Allow 5 minutes for entrepreneurs to share their list of responsibilities in pairs, noting similarities and differences.

Variation
Instead of meeting in pairs, have entrepreneurs meet in small groups and share performance standards. Provide each group with a flip chart to write 1 or 2 performance standards from the group. Review all flip charts to define and clarify the entrepreneur’s role and responsibilities in the business.

Connect this Learning to the Next Activity
Entrepreneurs will learn more about developing operations and controls for a business through the experience of the guest entrepreneur.
What performance standards and controls will I use to measure success? continued

Quality Control Specialist, Acme Enterprises
Job Description: Develops, applies and maintains quality standards for processing raw materials into final products; designs and implements methods and procedures for inspecting, testing, and evaluating the quality of products.

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<thead>
<tr>
<th>Performance Standards</th>
<th>Measurement Tool: Value or Level of Achievement</th>
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<tbody>
<tr>
<td>Develops quality standards for each new product before product is placed into production.</td>
<td>Standards for new products are developed and disseminated in a timely fashion.</td>
</tr>
<tr>
<td>Standards are integrated into the production process.</td>
<td>Inspection by Operations Manager indicates standards are in place and understood by production team.</td>
</tr>
<tr>
<td>Inspection and testing procedures are in place.</td>
<td>Procedures for inspection are clear and integral to the production process.</td>
</tr>
</tbody>
</table>

Example: Performance Evaluation for Quality Control Specialist, Mary Smith

<table>
<thead>
<tr>
<th>Performance Standards</th>
<th>Evaluation Criteria: 3 = Always, 2 = Usually, 1 = Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develops quality standards for each new product before product is placed into production.</td>
<td>2</td>
</tr>
<tr>
<td>Standards are integrated into the production process.</td>
<td>3</td>
</tr>
<tr>
<td>Inspection and testing procedures are in place.</td>
<td>2</td>
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</tbody>
</table>
Guest Speaker – Systems, Processes, and Controls for Growing the Organization

30 minutes

Purpose

Provide information and depth to the discussion of operations and controls and their importance in supporting business growth.

Announce the topic of the presentation, “Systems, Processes, and Controls for Growing the Organization.”

Introduce the entrepreneur and information about the business’s location, size, number of employees, length of time in business, products, and other relevant information.

Tell the guest entrepreneur how much time is allocated for the presentation and that you will monitor the time and assist in transitioning the presentation to the question/answer session. Be prepared to prompt the guest entrepreneur to discuss these points from the Guest Speaker Confirmation form:

- What are the key things that you focused on to grow your business?
- Did you ever consider hiring a CEO to run the business?
- Did you have to hire new team members to make the growth happen or did your current staff continue to be a part of the growth?
- Have you used outside individuals or organizations to enhance growth?
- What systems and processes did you implement to facilitate growth?
- What technology choices did you have to make to grow?
- What was the biggest operational mistake you made running your business?
- What steps have you taken to enhance personal leadership and management skills needed to grow the organization?
- What is your best advice to entrepreneurs about operating and growing their businesses?
- Question and answer time

Facilitation

During the networking break, entrepreneurs will continue their discussion of managing the operations of the business by sharing “control” tips with one another—procedural do’s and don’ts they have learned through experience in their businesses.

Connect this Learning to the Next Activity

Time

30 minutes

Purpose

Provide information and depth to the discussion of operations and controls and their importance in supporting business growth.

Facilitation

Announce the topic of the presentation, “Systems, Processes, and Controls for Growing the Organization.”

Introduce the entrepreneur and information about the business’s location, size, number of employees, length of time in business, products, and other relevant information.

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- What technology choices did you have to make to grow?
- What was the biggest operational mistake you made running your business?
- What steps have you taken to enhance personal leadership and management skills needed to grow the organization?
- What is your best advice to entrepreneurs about operating and growing their businesses?
- Question and answer time

Connect this Learning to the Next Activity

During the networking break, entrepreneurs will continue their discussion of managing the operations of the business by sharing “control” tips with one another—procedural do’s and don’ts they have learned through experience in their businesses.
Networking Break

15 minutes

Purpose
Provide an opportunity to continue peer networking with fellow entrepreneurs, facilitator, coaches, and guest entrepreneur.

Facilitation
Growing My Network
In addition to sharing control tips with one another, remind entrepreneurs that they can use networking opportunities to do the following:
• Share their elevator pitches
• Discuss resources they have found helpful
• Identify areas of mutual benefit
• Look for potential infrastructure, advisory board, or board of director members

Tell entrepreneurs that networking is an excellent way to continue “life-long learning” as a leader of their business. It is also an important way to model how to build good relationships.
How should workflow be designed and documented to support business operations?

35 minutes

Design operational systems that align with the business's vision, goals, and strategy.

Creating an Operational Systems Workflow

Each operational system will include policies, processes, and procedures for making that system work well. These aspects of systems design create a natural workflow of information through the organization and assist in the management of knowledge. Review Slide 8C to introduce the mechanics of creating the operations systems workflow.

Key Points

✓ Entrepreneurs consider their vision, goals, and business strategy as they design their operational systems. For example, if one of the business's goals is exceptional customer experiences, a system should be in place to ensure the goal is met.

✓ Systems are typically developed for functional responsibilities/duties that are performed on a regular (daily or repetitive) basis.

Begin at the system level, reviewing potential operational systems on Slide 8D. The Accounting Function is one of many systems a business may have. Accounting Functions will be highlighted for discussion purposes.

Continue the discussion of operational systems by briefly reviewing Slide 8E to analyze the accounting function in more depth, 8F to focus on the accounts payable aspect of the Accounting Function, and Slide 8G to illustrate a process map for Accounts Payable. On 8G, point out that the squares indicate an activity and the diamond, a decision point. Tell entrepreneurs they will be developing similar process maps for systems within their own businesses.

Key Points

✓ Each operational system will include policies, processes, and procedures which will ensure that the work will be done in a consistent manner—similar to putting business operations on automatic pilot.

✓ Franchise systems have flourished as a way of providing many business owners with established and clearly defined processes and procedures.

✓ Preparing a process map for key functions will assist the entrepreneur in thinking through each step that needs to be accomplished.
How should workflow be designed and documented to support business operations? continued

Action Step 8.1 Design the Workflow, EM pp. 327 – 328
This is an opportunity for entrepreneurs to create an operational workflow during the class. Entrepreneurs will benefit from completing this action step prior to writing their Operations Plan.

1. Refer entrepreneurs to the template boxes included in Action Step 8.1 at the back of the module.

2. Using large flip chart paper, allow entrepreneurs to work together in small groups or individually to sketch out a general operational workflow for their businesses.

3. Tell entrepreneurs that in Step 2 they will want to choose a system that is required to ensure the accomplishment of a high priority goal. For example, they may want to develop an operational workflow related to handling customer orders to support their goal of 98% customer satisfaction.

Entrepreneurs will continue their work identifying workflows and preparing operational systems in their Operations Plan.
What is my Operations Plan?

15 minutes

Prepare entrepreneurs to complete their Operations Plan.

The Operations Plan

Preparing an operations plan provides an opportunity for entrepreneurs to examine the effectiveness of the processes and controls within the business. Since an operations plan is often relegated as a low priority in a growing business, many entrepreneurs may determine that additional work is needed to complete it. Familiarize entrepreneurs with the Operations Plan section of the Business Plan by reviewing Slide 8H point by point.

Discussion Starters

- Which sections do you anticipate needing additional work prior to completion?
- What type of work needs to be done, and who can help you with it?

Action Step 8.2 Prepare My Operations Plan, EM p. 329

Show entrepreneurs samples of operations plans from fasttrac.org/resources and explain the level of detail needed.

Action Step 8.3 Finalize My Operations Financial Projections, EM p. 330

Remind entrepreneurs to document their sources for specific amounts in their projections.

A well-documented and written operations plan is not only an important tool to grow the business, but it also provides evidence to those outside of the business that the organization is being managed effectively.
Wrap Up and Action Steps

10 minutes

Reinforce key concepts and recap action steps to be completed prior to the next session.

- **Summarize Key Concepts**
  - It is important to evaluate and compare actual results in the business against the Business Plan and targets (objectives, goals, and key results).
  - Monitoring success measurements provides the opportunity to adjust facets of the business and Business Plan to keep the business on track.
  - Processes, procedures, and policies enable the business to run effectively and efficiently.
  - Preparing the Operations Plan provides an opportunity for entrepreneurs to examine the processes and controls in place and to develop additional ones as needed.

- **Preview Action Steps**
  - **Action Step 8.1 Design the Workflow**, EM pp. 327 – 328
    Identify operational workflows for major systems.
  - **Action Step 8.2 Prepare My Operations Plan**, EM p. 329
    Begin early to perform the work needed to support this section of the Business Plan. Preparing goals and standards of measurement can be time consuming.
    Finalize the financial projections associated with the company’s Operations Plan.
  - **A Closer Look @ Profits vs. Cash (optional)**, EM pp. 372 – 374
  - **A Closer Look @ Internal and External Cash Flow Sources (optional)**, EM pp. 375 – 380

- **Assess Progress on Program Goals**
  - If the Course Expectations’ Parking Lot was used for keeping track of entrepreneurs’ goals and expectations for the program, have entrepreneurs remove any cards for goals they feel have been met.

- **Activity Close**
  - The Operations Plan is critical to the growth and efficient management of the organization. Work begun in this session will likely continue over the next weeks and months.

- **Connect this Module to the Next Module**
  - In this module entrepreneurs developed the final section of the Business Plan prior to completing their financial projections for the business in Module 9.
Charting Financial Performance  Taking Action

Purpose
In this module, the projected financial statements built throughout the program and generated by the Financial Template will be used to analyze the business’s performance. Entrepreneurs will use the information they glean from this financial analysis to make strategic decisions to maximize cash flow, future profitability, and the wealth of the company. After determining specific cash needs, entrepreneurs investigate potential sources of cash and prepare to seek the necessary funds.

Key Outcomes
- Specific changes to improve profitability based on the Three-Year Projected Income Statement
- Specific changes to strengthen financial performance based on the Three-Year Projected Balance Sheet
- Specific changes to increase the business’s overall wealth based on the company’s financial ratios
- List of short-term and long-term cash flow needs based on the Three-Year Projected Cash Flow Report
- Skills to maximize the internal sources of cash available to support the business
- List of external sources of cash to support operations and growth and a plan to request funding

Entrepreneur Manual Outline
Mining for Profits
Read Your Financial Story
Using Financial Ratios
Comparing Financial Numbers
Identifying Financial Strategies
Get Started
Gathering Company Information
Collecting Industry Information
Analyze Profits on the Income Statement
Recognizing the Components of Profitability
Evaluate Financial Performance on the Balance Sheet
Assets
Liabilities
Equity
Select Your Key Financial Indicators
Consider Cash Flow Needs on the Cash Flow Report
The Leading Role of Cash
Projecting Your Cash Needs
Maximizing Your Internal Cash Flow
Finding External Cash Sources
Funding Goals
Preparing for Potential Funders
Activity 9a Profitability Analysis
Activity 9b Cash Flow Analysis
Activity 9c Funding Goals

Action Step 8.1 Design the Workflow
Action Step 8.2 Prepare My Operations Plan
Action Step 8.3 Finalize My Operations Financial Projections
Read Module 9 Charting Financial Performance
A Closer Look @ Profits vs. Cash (optional)
A Closer Look @ Internal and External Cash Flow Sources (optional)

Action Step 9.1 Complete My Financial Projections
Action Step 9.2 Finalize My Financial Plan
Read Module 10 Making It Happen
Action Step 10.1 Finish and Assemble My Plan
Action Step 10.2 Evaluate My Plan for Completeness
Action Step 10.3 Prepare a Venture Presentation
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>FM Page</th>
<th>EM Page</th>
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<td><strong>Opening</strong></td>
<td>10 minutes</td>
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<td></td>
<td>- Entrepreneurs' Exchange</td>
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<td></td>
<td>- Review Action Steps</td>
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<td></td>
<td>- Session Overview</td>
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<tr>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td>35 minutes</td>
<td><strong>How can I improve my business’s profitability and financial performance?</strong></td>
<td>Slides 9A – 9B</td>
<td>154</td>
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<td></td>
<td>- Read Your Financial Story</td>
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<td>- Mining for Profits</td>
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<td>- Activity 9a Profitability Analysis</td>
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<td>20 minutes</td>
<td><strong>How can I know the short-term and long-term cash flow needs of my business?</strong></td>
<td>Activity 9b</td>
<td>160 – 162</td>
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<td></td>
<td>- Projecting Your Cash Needs</td>
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<td>- Activity 9b Cash Flow Analysis</td>
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<tr>
<td><strong>Guest Speaker</strong></td>
<td>35 minutes</td>
<td>Funding Sources</td>
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<tr>
<td><strong>Networking Break</strong></td>
<td>20 minutes</td>
<td>Growing My Network</td>
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<td>164</td>
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<tr>
<td><strong>Coaching Session</strong></td>
<td>35 minutes</td>
<td><strong>What external sources of cash are available to support the operations and growth of my business and how should I approach them?</strong></td>
<td>Activity 9c Flip chart</td>
<td>165 – 166</td>
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<td>- Funding Goals</td>
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<td>- Activity 9c Funding Goals</td>
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<td>15 minutes</td>
<td><strong>What is my financial plan?</strong></td>
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<td>- Finalize My Financial Plan</td>
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<td>- Action Step 9.1 Complete My Financial Projections</td>
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<td>- Action Step 9.2 Finalize My Financial Plan</td>
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<tr>
<td><strong>Wrap Up and Action Steps</strong></td>
<td>10 minutes</td>
<td><strong>Summarize Key Concepts</strong></td>
<td></td>
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</tr>
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<td></td>
<td>- Preview Action Steps</td>
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<td><strong>3 hours total</strong></td>
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Preparing to Lead this Session

Entrepreneurs are eager to understand what the numbers on their financial statements are telling them. The financial statements, themselves, can be rather intimidating. Rather than concentrating on understanding and reading the overall financial statements, this module concentrates on understanding certain financial numbers and how those numbers affect the financial performance of a company. Entrepreneurs will explore the relationship between financial numbers within the company and compare them to those within their industry.

While most entrepreneurs in the group will have a much stronger understanding of financial concepts than they had at the beginning of the program, some will continue to struggle. To maximize the value of this final financial module, consider the following:

- Highlight the knowledge that has grown throughout this program. Show entrepreneurs how much they have learned in the short time they have been concentrating on the financial aspects of growing their business.
- Focus on financial ratios that are most relevant to your group and make the most sense to you. You should not attempt to “cover” all of the ratios included in this module. You may select a few ratios for this program and alter the list of ratios you discuss later as your own capacity for financial analysis builds. Instruct entrepreneurs to do the same for their businesses. They will gain more by faithfully monitoring and thoroughly understanding a few key ratios than infrequently monitoring or not truly understanding many. This module should generate interest in what financial information can tell the entrepreneurs about their businesses. With an increased interest in financial information, entrepreneurs will seek to understand even more after the program’s completion.
- Keep the entrepreneurs actively involved during this session. Ask questions, encourage participation, and have entrepreneurs meet in small groups. Ask those entrepreneurs who are comfortable with the financial concepts to assist others.

Most entrepreneurs do not want to be CPAs (Certified Public Accountants). Still, they want to understand their financial statements, interpret financial numbers, and use them to make wise business decisions. No outside consultant will take a greater role than the entrepreneur in ensuring that the business meets its financial goals and the entrepreneur’s personal financial goals. For entrepreneurs who need additional information about financial concepts, encourage them to read A Closer Look @ Financial Statements in Module 4.

Don’t turn over the facilitation of this financial module to a guest speaker or CPA (unless you are one). If you feel that backup is necessary, have a financial expert close by to answer the tough questions. Many times answers to these questions don’t affect most of the entrepreneurs in the program and should be directed to a break time.

Remember to follow the “introduce, practice, and apply” process. As with Module 4, introductions to financial concepts should be brief, assuming that entrepreneurs have read the material—their first introduction to the key concepts. This provides more time during the module to practice and apply the financial concepts.
Preparing to Lead this Session continued

Materials Needed

- Slides 9A – 9E
- Entrepreneur Manual, pp. 331 – 480
- More Info Resources 9 and 10
- Flip chart
- Jars, rocks, pebbles, sand

Guest Speaker Selection

Funding Panel

To discuss requirements and preferences of funders, invite funding prospects for your entrepreneurs, such as:

- Bank loan officer, preferably from a department/bank that specializes in small business loans and/or SBA loan guarantees, to discuss types of business lending, including SBA-backed loans.
- Angel investor.
- Venture capital provider.
- Representative of an agency, such as an Economic Development Council, that assists businesses in acquiring funding.

The purpose of this panel is to help entrepreneurs realize the funders’ goals as they approach potential funding opportunities. This information will also help entrepreneurs as they evaluate “real” potential funders in Activity 9c Funding Goals.

Bank Loan Officer

If a panel discussion is not utilized, invite a banker to speak on the lender-borrower relationship and the bank’s guidelines for lending.

Be sure to communicate to the guest speaker(s) that their presentation should not appear to be a commercial for their particular organization. The information should apply to their type of institution in general, except for specific, appropriate information.
## Guest Speaker Confirmation

### Funding Panel

<table>
<thead>
<tr>
<th>Speaker</th>
<th>Today’s Date</th>
</tr>
</thead>
</table>

Thank you for agreeing to share information on funding with FastTrac® GrowthVenture™ entrepreneurs.

### Date of Presentation | Time
--- | ---

### Location

### Directions to Location

### Directions to Room

### Presentation Time | Question and Answer Time
--- | ---

## Topic – Funding Sources

As a member of a panel on potential funding sources for businesses, please include the following information in your presentation as time allows:

- **How your type of funding should be considered from the following perspectives:**
  - **Time** – The length of time from first meeting to securing money, the time it takes to develop the relationship
    - (Bank – The time it takes to complete and process paperwork)
  - **Amount** – Typical ranges of funding
  - **Types of businesses funded** (if certain types or industries are favored)
  - **Stage of business** – Stage(s) typically financed
  - **Use of Funds** – The uses typical for type of funding
  - **Cost/Return on Investment** – Typical ranges, and what determines them
    - (Bank – How much a traditional business loan costs vs. an SBA-backed loan)
  - **Control** – The amount and type of control funders may want
  - **Consequences** – The possible consequences of the entrepreneur not being able to repay loan or provide adequate return on equity investment

- **What the entrepreneurs should know or have before approaching funders,** including the following:
  - How to find an appropriate funder and how to evaluate/interview funder
  - What reports or documentation to prepare for funder
    - (i.e. financial reports, marketing information, tax returns)
  - How the funder evaluates the funding request
    - (Bank – Five C’s of credit or bank’s own strengths)

- **Advice that would be helpful to someone seeking funding**
- **Question and answer time**
Guest Speaker Confirmation  continued

Funding Panel

Background This is the ninth of ten sessions for entrepreneurs who are planning for business growth. They have already completed the phase of the program where they define strategy and evaluate and research growth opportunities. They have now nearly completed the development of their Business Plans, which they will present in the next session. In this module entrepreneurs evaluate their projected financial statements using ratios to maximize profitability and financial performance. They also review a cash flow report to determine cash needs to support growth. Your presentation will help them consider funding opportunities for the business. After this module, entrepreneurs will complete their financial projections and seek funding from either internal or external sources.

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<th>Number of Participants in the Group</th>
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<th>Phone Numbers</th>
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Guest Speaker Confirmation

Bank Loan Officer

Thank you for agreeing to share information on funding with FastTrac® GrowthVenture™ entrepreneurs.

Date of Presentation
Time

Location

Directions to Location

Directions to Room

Presentation Time
Question and Answer Time

Topic – Seeking Bank Financing

Please include the following information in your presentation as time allows:

- How bank funding should be considered from the following perspectives:
  - Time – The time it takes to complete and process paperwork
  - Amount – Typical ranges of funding
  - Types of businesses funded (if certain types or industries are favored)
  - Stage of business – Stage(s) typically financed
  - Use of Funds – The uses typical for type of funding
  - Cost/Return on Investment – Typical ranges, and what determines them
    (Bank – How much a traditional business loan costs vs. an SBA-backed loan)
  - Control – The amount and type of control a bank may want
  - Consequences – The possible consequences of the entrepreneur not being able to repay loan

- What the entrepreneurs should know or have before approaching the bank, including the following:
  - How to evaluate/interview bankers
  - What reports or documentation to prepare for bank
    (i.e. financial reports, tax returns, other)
  - How the bank evaluates the funding request

- An experience the banker has had that helps describe a positive lender-borrower relationship and the elements that contributed to this positive experience

- A brief look at a typical bank’s philosophy and guidelines of lending, in layman’s terms
  (Entrepreneurs need to understand the general reasons behind the bank’s strict lending policies that seem to support the old adage: Banks only lend money to those who don’t need it.)

- Advice that would be helpful to someone seeking funding

- Question and answer time
Guest Speaker Confirmation continued

Bank Loan Officer

**Background** This is the ninth of ten sessions for entrepreneurs who are planning for business growth. They have already completed the setting direction phase of the program to define strategy and evaluate and research growth opportunities. They have now nearly completed the development of their Business Plan, which they will present in the next session. In this module entrepreneurs evaluate their projected financial statements using ratios to maximize profitability and financial performance. They also review a cash flow report to determine cash needs to support growth. Your presentation will help them as they consider funding opportunities for the business. After this module, entrepreneurs will complete their financial projections and seek funding from either internal or external sources.

---

Number of Participants in the Group

Group Profile (Types of Businesses)

Audiovisual Equipment Needed

Materials Needed

Handouts

Facilitator’s Name

Organization

Phone Numbers  E-Mail Address
Charting Financial Performance

10 minutes
Provide important reconnection time in which entrepreneurs can share information learned since the last session, exchange ideas, and get excited about learning more about using their financials as a way of obtaining important information about their business.

- Entrepreneur’s Exchange

**Discussion Starters**
- What interesting or exciting news do you have to share about your business?
- What information or resources can you share that may be helpful to other members of the group?

- Debrief Action Steps


**Discussion Starters**
- What did you learn by designing the workflow for an operational system in Action Step 8.1?
- What challenges did you have completing Action Step 8.2 Prepare My Operations Plan?
- What were the benefits of completing the Operations Plan?

- Session Overview

Refer to Slide 9A and explain that this module, Charting Financial Performance, continues the financial planning that was begun in Module 4 and built on in the subsequent modules. In Module 9 entrepreneurs compare their budget with industry norms and interpret financial statements as a way to monitor the financial health of their organization and make strategic decisions to improve financial performance.

Refer to the Slide 9B to illustrate how the business planning process integrates all aspects of the business and how all the parts must mesh. The financial statements and ratios analyzed in this module help entrepreneurs determine how successful they have been with this integration from a financial perspective.

In this module entrepreneurs finalize their financial plan, which includes establishing profitability goals and determining ensuing cash flow needs. They also develop a plan to seek the necessary funds to support growth.

Financial measurements are one of the major comparisons used to gage the success of the entrepreneur’s business and plan. In the next discussion, entrepreneurs will begin evaluating financial performance.
How can I improve a business’s profitability and financial performance?

35 minutes

Practice analyzing the Income Statement and Balance Sheet for profitability and overall financial performance.

- **Read Your Financial Story**
  Your own business has value because of its profitability, cash flow, and potential for future wealth. This value is communicated through the financial statements of the company.

- **Discussion Starters**
  - How much time do you spend working on financial matters each week?
  - What are some of the financial goals you have for your business?
    - Answers will probably fall into three categories—profitability, cash flow, and future business wealth.
  - When you think of “business finances” what comes to mind?
    - Answers will probably include tasks like payroll, accounting, creating financial statements, and paying bills, rather than financial strategies.

- **Mining for Profits**
  Continuing the analogy of the gold nuggets begun in the Entrepreneur Manual, emphasize the importance of focusing on the key aspects of financial management with the following demonstration. To perform the demonstration, you will need:
  - One canning jar
  - Three rocks (small enough for all three to fit in the jar) that are sprayed gold to represent gold nuggets.
  - A number of smaller pebbles sprayed gold.
  - A cup of sand.

  Test that you have just the right amount of material ahead of time by placing the three large rocks at the bottom of the jar, adding the smaller rocks, and filling with sand. Separate sand, pebbles, and rocks again for use in the demonstration.

  - **Discussion Starters**
    - What would have the most value—the gold dust, the small gold nuggets, or the large gold nuggets?
      - The group should agree the large nuggets have the most value, simply for their rarity if nothing else.
    - If you had the opportunity to take home as much gold as you could possibly fit into a simple canning jar, what would you put in first?
      - The group will agree that the large nuggets would go in first as they have the most value.

  While talking, sort through each nugget, judging them by size, each time putting the largest nugget in the jar. When the jar is full, you will still have room to add the smallest of the nuggets and then use gold dust to fill in all the cracks. By concentrating on the big nuggets first, you have significantly increased the value of gold in the jar.

  Tell entrepreneurs that this module will help them identify the gold nuggets of financial management of their business. While they will want to focus on these “gold nuggets”—those items that are of most value—they do not want to risk overlooking the smaller nuggets and gold dust that build the financial structure of the business.
How can I improve a business’s profitability and financial performance? continued

Key Points
- Each business will evaluate the ratios presented in this module as they relate to their own financial situation. Whether a ratio is seen as a key financial indicator (large gold nugget) or not depends on the specific financial goals set by the company. The company will first select the ratios (large nuggets) that best measure their primary financial goals—usually established to measure and improve profits and cash flow. Additional ratios that help fine tune operations but don’t do as much to evaluate and measure the primary financial goals are considered the smaller nuggets.
- The largest gold nuggets of financial management for some businesses may be measured using such key ratios as Net Margin, Return on Equity, and Inventory Turnover. Each business must decide for itself what financial numbers are the keys to meeting their own financial goals and concentrate on evaluating these numbers first.
- Smaller nuggets of financial management for some businesses could be the Quick Ratio, Return on Assets, and Accounts Receivable Turnover. These financial indicators usually measure aspects of operating efficiency and liquidity, which have an impact, if not immediate, on profits and cash flow.
- The gold dust of financial management could be described as the accounting and reporting aspects, including compiling financial statements, completing tax reports, and monitoring accounting procedures. These definitely have value; but as entrepreneurs, it is easy to get caught up in them and ignore the large gold nuggets.

Variation

Have the following visuals on a table at the front of the room: empty glass jar, small container with sand, small container with small pebbles, and a small container with three rocks. Ask individuals to help you fill the empty glass container. Hand them the containers in the order presented (sand first, then pebbles, then rocks).

The glass jar will not hold everything when filled in this order. After demonstrating this, empty the glass jar and separate out its contents. Refill the jar again in reverse order, putting the rocks in first, then the pebbles, and then the sand. In this order, the glass jar holds everything. (In order to save time by not having to empty the glass jar and separate out its contents, have a duplicate set of materials and second jar available to repeat the demonstration the second time.) This illustration is used to make the point that entrepreneurs should make time for the most important activities (the largest gold nuggets) first; this will reap the greatest benefits.
How can I improve a business’s profitability and financial performance? continued

- **Using Financial Ratios**
  
  Review Slide 9C to remind entrepreneurs that they will be analyzing profits, cash flow, and financial performance.

  Start with the profitability analysis as profits are a key element in producing cash flow and future business wealth. Briefly review the Income Statement in Slide 9D to reinforce the components of profitability—Sales, Cost of Goods Sold, and Operating and Non-operating Expenses.

  The Income Statement is one of the statements that will be used in Activity 9a to analyze profits and financial performance. The Balance Sheet is another. Briefly review Slide 9E Balance Sheet pointing out that the Balance Sheet uses the accounting equation (Assets \( A \) = Liabilities \( L \) + Equity \( E \)) to report the financial position of a company—what the company owns, what it owes, and the net worth that remains for the owners.

  **Activity 9a Profitability Analysis**, EM pp. 360 – 363

  The purpose of this activity is for entrepreneurs to practice analyzing the Income Statement and Balance Sheet for profitability and overall financial performance using the Clean Corp scenario. In Module 4 entrepreneurs reviewed the Clean Corp’s SWOT analysis, business strategy, Preliminary Forecast, and three-year budget; therefore, they should have some comfort level with the company and its financial information.

  1. **Plan the Activity** – In order to take into account the different needs and varying levels of financial knowledge within your group, there are multiple options for facilitating this part of the session. You must first determine whether the activity will concentrate on industry ratios, historical ratios, or both. Then, you will need to select the actual ratios that will be used in the activity.

  **Industry/Historical Ratios**

  **Option 1 Industry Ratios** – Entrepreneurs evaluate Clean Corp against the industry ratios provided to determine possible changes to improve profitability. Select this option if your entrepreneurs want or need to compare their businesses to industry standards. This option may not be as helpful for entrepreneurs of niche businesses as they are not often able to identify industry information for like comparison.

  **Option 2 Historical Ratios** – Entrepreneurs evaluate Clean Corp’s historical trends based on past ratios to determine possible changes to improve profitability. Select this option for entrepreneurs who have had considerable experience with their current business. This option is also a good choice for entrepreneurs of niche businesses who may have difficulty finding industry information.
How can I improve a business’s profitability and financial performance? continued

Option 3 Industry and Historical Ratios – Entrepreneurs do both, evaluating Clean Corp against industry ratios and historical ratio trends. Select this option only with a group of very financially savvy entrepreneurs as it could overwhelm many and could take considerably more time.

Individual Ratio Analysis
It is recommended that the individual ratio analysis in each step be assigned to different individuals or groups (or a limited number of ratios assigned) in order to eliminate frustration and information overload. Using any of the three methods of identifying ratios described below, instruct entrepreneurs to place a checkmark beside the ratios that they are assigned.

Method 1 – Choose 1 or 2 ratios in each step to evaluate together as a group. For example, you may decide to only look at Accounts Receivable Turnover in Step 2 and not discuss inventory turnover as few of your entrepreneurs hold inventory. Select this method when entrepreneurs would be more comfortable practicing financial concepts in a large group.

Tip
Don’t try to expose entrepreneurs to every ratio. They will embrace new ratios as their capacity for financial analysis builds.

Method 2 – Take each step of the activity separately, assigning individual ratios (in Step 1 Maximize Profits, Ratios 1 – 4) to separate individuals by counting off 1 through 4. All the “1’s” can get together to discuss Net Margin, “2’s” discuss Gross Margin, and so on. After groups discuss their assigned ratio as it relates to Clean Corp and consider how the ratio can be improved, have the group select one member to “teach back” to the larger group what the ratio measures and what actions the corporation can take to improve this ratio. Select this method to get entrepreneurs more involved in small group practice.

Method 3 – Combine 1 and 2, choosing only a few ratios and assigning them to different individuals. This will save time and make an interesting discussion for entrepreneurs. For example, select one ratio from each Step, such as Net Margin from Step 1, Inventory Turnover from Step 2, and Current Ratio from Step 3. Don’t be concerned that you haven’t practiced every ratio. Your job as the facilitator is to present a few ratios that will ignite an interest in entrepreneurs to know more.

2. Conduct the Activity – Based on the option and method you select to facilitate this activity, use the following information to enhance the learning. Select from the following questions, seen below and in Activity 9a, to lead a brief discussion on each major step of the activity—Profitability, Efficiency, and Liquidity.

Tip
To illustrate the need to work with both the Income Statement and Balance Sheet, as you discuss each ratio, point out (or ask entrepreneurs to identify) where the information for the ratio is coming from, the Income Statement or Balance Sheet.
How can I improve a business’s profitability and financial performance?

Discussion Starters

Ask the following questions listed in Activity 9a:

Step 1 Maximize profits.
- All historical profitability ratios are worse than industry averages suggesting that Clean Corp has tremendous opportunity to drive efficiency in the business.
- What recommendations would you make to maximize Clean Corp’s profits?
  - Seek to improve Gross Margin by selling more of the higher Gross Margin items and eliminating unused and low margin items from Inventory. Stabilize Return on Equity and Return on Assets by setting specific goals and frequently measuring them against the ratios.

Step 2 Improve efficiency.
- What does this information tell you about how efficiently Clean Corp operates?
  - Inventory Turnover is turning 9 times each year, considerably slower than industry averages. Accounts Receivable turnover also compares unfavorably to competitors.
- What recommendations would you make to improve Clean Corp’s efficiency?
  - Inventory Turnover is probably slower due to the variety of inventory held by the company that isn’t regularly rented. This inventory needs to be liquidated. Accounts Receivable processes need to be improved to increase the turnover rate to 10 to 11, which would better reflect their Net/30 credit policies.

Step 3 Review liquidity.
- What does this information tell you about how easily Clean Corp can pay their bills now and in the future?
  - The Current and Quick Ratios compare well to industry averages. The Debt to Asset ratio is also favorable. This shows the company’s decreased reliance on debt to date and reveals the company’s ability to increase debt if necessary.
- What recommendations would you make to improve Clean Corp’s ability to meet their obligations?
  - They should set specific goals and monitor these goals with financial ratios on a regular basis.

For more information on profitability and cash flow, refer entrepreneurs to A Closer Look @ Profits vs. Cash in the Entrepreneur Manual on pp. 372 – 373.

Activity Close

The entrepreneur can obtain the same key pieces of information for their own business through a similar analysis of their Income Statement and Balance Sheet.
How can I know the short-term and long-term cash flow needs of my business?

20 minutes

Practice analyzing the monthly Cash Flow Report, Income Statement, and Balance Sheet for cash flow needs.

Identify internal and external sources of cash.

- **Projecting Your Cash Needs**

Many a successful business has grown its way into financial trouble and sometimes out of business because of its inability to anticipate and plan for the cash requirements of growth. To illustrate this point, either give local examples of which there is public knowledge or tell the story of Boston Market, which was expected to be the next franchising superstar. Instead, it grew its way into bankruptcy as the company pushed overly rapid expansion while ignoring same-store sales. For additional information, see the article “Broken Wing,” from the February, 1999, *Entrepreneur* magazine included below.

**Broken Wing**

*Boston Market was supposed to be the McDonald’s of the ’90s. So why did the home-meal-replacement pioneer end up laying an egg?*

*Entrepreneur* magazine – February 1999

By Kurt Helin

From the time its rotisserie first turned, Boston Chicken had people salivating. By 1993, 10 years after the company started, franchises were hatching across the country at breakneck speed. With the restaurant chain’s name changed to Boston Market, company officials and many industry publications predicted a rosy future.

But within five years, the Chicken had been fried. On October 5, Boston Market entered bankruptcy court to file for Chapter 11 reorganization; the closing of 178 locations soon followed. Franchise purchasers were plucked, profits were down, and the company could not get out from under its debt.

Franchise and restaurant industry experts cite a number of reasons for the fall, but most lay the blame at the feet of a franchising system that pushed overly rapid expansion while ignoring same-store sales. Those same experts say most business owners—especially those involved with franchises—can learn some lessons from what happened to Boston Market.

**Solid Concept**

Boston Market’s supporters and critics generally agree on one thing: its food is good. Boston Market hung its hat on whole rotisserie chickens, with side dishes such as mashed potatoes and steamed vegetables. Marketing teams latched onto the phrase “home meal replacement,” selling it as something healthy you would be proud to serve at the family dinner table. The company sold itself as the dominant force in a category that was well on its way to being the norm for most people dining out in the ‘90s. After profits started to sag, the company added a line of sandwiches. Some critics contend that action hurt more than it helped because it diluted what Boston Market was about. So while the quality of its food was rarely an issue, the quality of Boston Market’s franchising program was.
How can I know the short-term and long-term cash flow needs of my business? continued

**Activity 9b Cash Flow Analysis**, EM pp. 364 – 365

1. Based on the financial knowledge of your entrepreneurs, choose one of the following options to tailor this activity to your group:

   **Activity 9b in small groups** – For entrepreneurs who have a basic knowledge of financial concepts and financial statements, conduct the activity as it is presented. Groups should be able to work through Steps 1 – 3 on their own with a debrief at the end.

   **Activity 9b as a large group** – For entrepreneurs who have a minimal knowledge of financial concepts and financial statements, conduct the activity as a large group.
   a. Step through the activity with the entrepreneurs so they can process the information along with you.
   b. Separate the larger group into smaller groups. Explain and assign each step separately, being prepared to debrief each step as the groups complete it.

2. Lead a brief discussion using the questions for each step in Activity 9b (and shown below).

**Discussion Starters**

**Step 1 Project cash needs.**

- In which month is cash first needed?
  - Entrepreneurs tend to say that cash is first needed when there is a negative cash balance. Successful cash management, however, involves having an adequate amount of cash surplus on hand rather than just keeping the cash balance above zero. Cash is required to support both ongoing operations of the business as well as new capital equipment purchases. Clean Corp plans to purchase laundry equipment and a new vehicle in the future.

- How much cash is needed to support Clean Corp's operations? Should the amount of cash needed to improve Clean Corp's cash flow come from internal or external sources?
  - Although a company's internal cash flow should be adequate to cover the cash needed to operate the business, it is not always enough to cover major purchases of capital equipment. In addition to the two major purchases, Clean Corp's need for cash fluctuates greatly on a monthly basis. This might indicate a need for short-term financing, or the entrepreneurs could seek long-term financing. This would help match cash sources to uses as the borrowed funds would have a pay-off schedule similar to the useful life of the large equipment that has caused the greatest need for cash. If a line of credit is used, short-term funds will be borrowed for long-term uses.

- Some entrepreneurs may note that the wide fluctuations in cash available, which are due to seasonal sales, show a need for Clean Corp to establish a plan to invest idle cash, pay dividends, or repay some short-term loans.

**Step 2 Maximize internal cash flow.**

- What does this information tell you about Clean Corp's cash flow?
  - The cash cycle shows that it is taking longer each year to collect invoices from customers.

- What recommendations would you make to maximize Clean Corp's internal cash flow?
  - Suggestion: Tighten up collections policy.

  - Inventory is being held much longer than industry standards, probably due to the extensive variety of inventory held by the company that is not rented regularly.

  - Suggestion: Clean out old inventory. This will cause a couple of years with lower Net Margins but will pay off in the long run.

  - Payments to vendors have gone from 34 days to 21 days. This may be due to an error in judgment (paying bills before they actually come due), or a substantial vendor may have changed Clean Corp's payment terms.

  - Suggestion: Review existing payment policies and make appropriate changes—hold payments for 30 days or find new vendors.
How can I know the short-term and long-term cash flow needs of my business?

Step 3 Find external cash sources.

Based on the needs for cash identified in Step 1 for capital equipment, discuss the potential sources of cash available to Clean Corp. Lead a brief discussion asking why the sources checked below may be the most likely sources for Clean Corp. What might make some of the alternative sources viable options as well?

<table>
<thead>
<tr>
<th>Internal Sources</th>
<th>Alternative Sources</th>
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<tr>
<td>Personal savings and home equity loans</td>
<td>New owner/partner</td>
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<tr>
<td>Friends and family</td>
<td>Customers</td>
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<tr>
<td>Credit cards</td>
<td>Professional advisors, business acquaintances</td>
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<tr>
<td>Current earnings (profits)</td>
<td>Leasing companies</td>
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<td></td>
<td>Factoring</td>
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<td></td>
<td>Joint ventures/Strategic alliances</td>
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<td>Sale of distribution rights</td>
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<td>Long-term notes payable</td>
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<tr>
<td>Angel investors</td>
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<tr>
<td>Venture capital investors</td>
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<tr>
<td>Private placements</td>
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<tr>
<td>Initial public offerings</td>
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</tbody>
</table>

Key Point

The business’s needs and funders’ goals must match—the size and use of the loan or investment.

3. Lead a brief discussion on the value of comparing Clean Corp ratios to industry standards. By comparing the two sets of ratios, the following can be learned about Clean Corp. The Debt to Asset ratio is considerably lower than industry standards, which seems to say that Clean Corp could safely take on more debt. The Debt to Equity ratio also shows room for additional debt based on industry averages.

4. Discuss the advantages to following the industry rather than going your own way when making financial decisions.

Industry information can provide valuable benchmarking figures that entrepreneurs can use to set reasonable goals based on businesses that operate similarly. Take note: sometimes a company may hinder their creativity and aggressiveness by setting goals based on an industry that has mediocre performance. It is best either to evaluate the potential of a business and then compare that performance to industry standards or set your goals based on the leaders in the industry rather than the average performers.

Understanding cash flow needs takes the surprises out of financial management and allows entrepreneurs to plan their fund-raising to attract the right sources at the lowest rates.
Guest Speaker – Funding Sources

35 minutes

Provide input from a number of possible lending sources.

Announce the topic of the presentation, “Funding Sources.”

Introduce the panel members’ names and relevant information about their businesses, or have panel members introduce themselves, filling in any gaps in information. Share the amount of time allocated for the presentation with panel members and how panel presentations will proceed. Plan to monitor the time and assist in transitioning from one presenter to the other and to the question/answer session.

Be prepared to prompt panel members to discuss key points included on the Guest Speaker Confirmation form.

The panel members were asked to include the following information as time allows:

- How your type of funding should be considered from the following perspectives:
  a. Time – The length of time from first meeting to securing money, the time it takes to develop the relationship (Bank – The time it takes to complete and process paperwork)
  b. Amount – Typical ranges of funding
  c. Types of businesses funded (if certain types or industries are favored)
  d. Stage of business – Stage(s) typically financed
  e. Use of Funds – The uses typical for type of funding
  f. Cost/Return on Investment – Typical ranges, and what determines them (Bank – How much a traditional business loan costs vs. an SBA-backed loan)
  g. Control – The amount and type of control funders may want
  h. Consequences – The possible consequences of not being able to repay loan or provide adequate return on equity investment

- What the entrepreneurs should know or have before approaching funders including the following:
  a. How to find an appropriate funder and how to evaluate/interview them
  b. What reports or documentation to prepare for funder (i.e. financial reports, marketing information, tax returns)
  c. How the funder evaluates the funding request (Bank – Five C’s of credit, bank’s own strengths, etc.)

- Advice that would be helpful to someone seeking funding

- Question and answer time

Variation

Invite a bank loan officer to speak to the group instead of having a panel discussion. Announce the topic of the presentation, “Seeking Bank Financing.” Prompt the bank loan officer to share additional information such as:

- An experience the bank loan officer has had that helps describe a positive lender-borrower relationship and the elements that contributed to this positive experience.

- A brief look at a typical bank’s philosophy and guidelines of lending, in layman’s terms. (Entrepreneurs need to understand the general reasons behind the bank’s strict lending policies that seem to support the old adage: Banks only lend money to those who don’t need it.)

Activity Close

The more information entrepreneurs have about potential funders and their goals and requirements, the more likely they are to have a successful fund raising experience.
Networking Break

Time

20 minutes

Purpose

Provide an opportunity for entrepreneurs to network with guest speaker(s), one another, facilitators, and coaches.

Facilitation

Growing My Network
Encourage entrepreneurs to meet with panel members or bank loan officer and continue networking with peers. Remind entrepreneurs to do the following:
- Share information about self and business.
- Share funding resources they have found particularly helpful in the past (for example, community and professional service providers) with others in the program.
- Identify potential areas of mutual benefit.

Activity Close

Emphasize that other entrepreneurs are a tremendous resource for information on the practical aspects of obtaining funds. The entrepreneur’s consideration of potential funding sources will continue as they develop a plan to secure funding during the coaching session.
What external sources of cash are available to support the operations and growth of my business and how should I approach them?

35 minutes

Clarify funding priorities and develop a plan to approach potential funders.

- **Funding Goals**
  Financing growth comes through equity or debt.

**Discussion Starters**

- How many of you have either financed growth in the past through debt or plan to do so in the future? After a show of hands, ask: What is attractive about debt financing?
- How many of you have either financed growth in the past through equity financing or plan to do so in the future? After a show of hands, ask: What is attractive about equity financing?

**Key Points**

Expand on point two above, equity financing.

- Equity financing comes with costs—loss of a share of ownership and, depending on the conditions of equity financing, possibly some loss of control. Equity investors may want a say in the management of the business.
- To determine how large a share of the ownership in the business must be given up for an equity investment, it is important to accurately value the company. There are costs associated with having a business valuation prepared by an accounting firm.

**Equity Negotiation Activity** – To demonstrate that entrepreneurs are frequently unwilling to give up a reasonable amount of equity to attract investors, do the following:

1. Ask each member of the group to write down what percentage of their total business they would be willing to give up for an equity investment of $400,000 (or some hypothetical sum of money).

2. After a minute or so, ask for up to three volunteers from the group to share the percentage they wrote down and write these percentages on a flip chart. (If entrepreneurs are slow to volunteer, substitute a hypothetical business for entrepreneurs’ responses. In the hypothetical business, the entrepreneur is willing to give up 5% equity for the $400,000 financing.)

3. Explain that entrepreneurs have inadvertently set the value of their business by identifying the percentage they were willing to give up for the $400,000. For each example on the flip chart, calculate the value the entrepreneur set by doing the following:
   
   **Step 1** – Divide 100 (percent) by the percentage given to come up with a multiplier. (Example: For an entrepreneur that says he or she would give up 5% of the business for $400,000, divide 100 by 5, which gives you a multiplier of 20.)
   
   **Step 2** – Multiply $400,000 (or amount used) by the multiplier to show the amount the entrepreneur has set for the value of the business. (Example: $400,000 x 20 = $8,000,000.)

4. Now have the rest of the entrepreneurs in the group estimate the value they put on their business by following the two previous steps. (Entrepreneurs may do a rough estimate for discussion purposes if the numbers do not divide easily.)
What external sources of cash are available to support the operations and growth of my business and how should I approach them?

Discussion Starters
- Could you justify the valuation you came up with? Based on what?
- If not, would you be willing to offer a larger percent of equity in exchange for the $400,000 (or amount used)?

Key Points
- Often entrepreneurs are reluctant or unwilling to give up an adequate share of the business to provide sufficient return on investment to induce others to take on the risks of being minority investors. Few entrepreneurs would be willing to give up majority ownership.
- For those interested in learning more about business valuation, information is available online at fasttrac.org/resources in Module 2.

In the Activity 9c Funding Goals, as you evaluate the various funding options identified, consider your willingness to give up ownership in exchange for funding.

Activity 9c Funding Goals, EM pp. 366 – 368
Introduce this activity by referencing the experience of Dixie and Robert Junk of Jünk Architects on p. 355 of the Entrepreneur Manual. The Junks successfully obtained bank financing after developing a successful strategy for approaching funders and assembling a comprehensive package to present to them. The Junks made a list of banks and approached them in reverse order of the likelihood they thought they had of receiving a loan from the particular bank. They also provided the banks with a package including financial reports, tax returns, marketing, and other materials such as articles from the newspaper and references.

1. Have entrepreneurs individually complete Step 1 Funding Requirements and Step 2 Match with Funding Sources. As entrepreneurs in the group will likely have varying degrees of experience with raising funds, have them meet in triads to discuss their individual responses and share information with one another regarding equity and debt sources.

2. Have entrepreneurs individually complete Step 3 and Step 4. After approximately 7 minutes, have them meet in the same triads and do the following:
   - Share their responses to Step 3 Potential Type of Funding and Step 4 Potential Funding Contacts. Members of the group will assist each other in expanding their list of contacts.
   - Identify and discuss entrepreneurs’ plans of approaching funders in Step 5.

3. Ask for volunteers to share their responses to Step 6 Funding Proposition as time allows.

Activity Close
Keys to successfully raising funds include networking, preparation, and the ability to create a win-win situation with the funder.
### What is my financial plan?

**Time**

15 minutes

**Purpose**

Evaluate the decisions entrepreneurs made during this program and their resulting impact on profitability and cash flow.

Prepare the Financial Plan section of the Business Plan.

#### Facilitation

- **Finalize My Financial Plan**
  
  Action Steps 9.1 and 9.2 will guide entrepreneurs in the completion of their Financial Plan.

  
  Entrepreneurs identify key financial indicators, consider cash flow needs, and complete financial worksheets. Starting this action step during the coaching session increases the likelihood that entrepreneurs will complete it and provides an opportunity for the facilitator to answer any questions entrepreneurs might have.

  Entrepreneurs may use the Financial Template or their own software to complete the Financial Plan.

  
  Entrepreneurs complete the following steps to finalize the Financial Plan:
  
  A. Print out the financial statements.
  
  B. Complete the written portion of the Financial Plan.

  Point out the following:
  
  - To complete Step A Print out the financial statements, entrepreneurs will need to have entered all financial information into the financial template.
  - Once entrepreneurs have checked for entry errors and made adjustments for profitability and cash flow, they are ready for Step B Complete the written portion of the Financial Plan.

**Activity Close**

The Financial Plan enables entrepreneurs to make sound financial and business decisions.
Wrap Up and Action Steps

10 minutes

Reinforce key concepts and review work to be completed for the next session.

- **Summarize Key Concepts**
  - Financial measurements are one of the major comparisons used to gage the success of a business.
  - Understanding cash flow needs allows the entrepreneur to plan and obtain the financing they need.
  - Keys to successfully raising funds include networking, preparation, and the ability to create a win-win situation with the funder.
  - The Financial Plan enables entrepreneurs to evaluate their strategic decisions and make decisions regarding profitability, efficiency, and cash flow.

- **Preview Action Steps**
  Clarify any questions entrepreneurs may have and encourage them to allow sufficient time to develop their Financial Plan. Emphasize that between this session and the next, they will be completing action steps for both Modules 9 and 10 that include presenting the Business Plan verbally. The Executive Summary in the Business Plan is an excellent resource for the basic content of their presentation.

    Finish entering financial data and project financial needs.

    Analyze and complete Financial Plan.

  - **Read Module 10 Making It Happen**, EM pp. 381 – 412

    Finish adding pieces such as the table of contents, cover page, and appendix.

  - **Action Step 10.2 Evaluate My Plan for Completeness**, EM pp. 405 – 408
    Review Business Plan.

  - **Action Step 10.3 Prepare a Venture Presentation**, EM pp. 409 – 412
    Prepare to verbally present a summary of Business Plan to peers. Advise entrepreneurs of the amount of time they will have to present their Business Plan to the group. Depending on the size of the group, 7 or 8 minutes for the actual presentation and additional minutes for questions and feedback may work well.

Tips:

- Depending on the number of presentations, entrepreneurs will either give their presentation to the entire group or to their smaller Coaching Session group. Tell entrepreneurs in advance which method will be used.

- Review remaining goals in preparation to tell entrepreneurs in the next session how they can accomplish these goals outside of the program.

Variation

**Assess Progress on Program Goals**
Entrepreneurs consider any of their goals still remaining on the Course Expectations Parking Lot and remove those they have accomplished.

**Activity Close**
Congratulate everyone for successfully completing the financial planning modules. Encourage those who feel they still have unanswered questions to call the coach or facilitator prior to the next module.

**Connect this Module to the Next Module**
In preparation for the next and final module, entrepreneurs will complete their Business Plan and prepare a presentation.
Purpose
In this module, entrepreneurs review the strategies they developed for their business’s success and identify priorities for immediate action. Prior to making these decisions, they focus on their company’s vision and the plans necessary to achieve their vision, as well as their ongoing role in making it happen.

In completing the Business Plan and venture presentation action steps, entrepreneurs added the final touches to their plan and venture presentation, summarizing their vision and how to achieve it. During the final session, they present their plans, discuss next steps, reflect on the value of applying the strategic planning process to their businesses, and celebrate their accomplishments.

Key Outcomes
- Strategies for immediate action in high priority areas of the business
- Focus on the ongoing role of the entrepreneur and team in identifying changes and needed support
- Completed Business Plan
- Skills to communicate the Business Plan in a venture presentation

Entrepreneur Manual Outline

Completing Your Plan
Documenting Your Plan
- The Formal Business Plan
- The Internal Working Business Plan

Presenting Your Plan
- Know Your Objective
- Understand Your Audience
- Use Visual Aids

Implementing Your Plan

Thriving in Your Entrepreneurial Role
- Begin Your Journey with the End in Mind
- Keep Your Eyes on the Prize
- Build Your Business as an Asset
- Know YOUR Customer
- Cash May Be King, but Profits Are the Keys to the Castle
- Do What You’re Good At, Not What You Can Do
- Teams with the Best Players Generally Win
- Get Your Ducks in a Row

Giving Back
Action Steps Before Session

Action Step 9.1 Complete My Financial Projections
Action Step 9.2 Finalize My Financial Plan
Read Module 10 Making It Happen
Action Step 10.1 Finish and Assemble My Plan
Action Step 10.2 Evaluate My Plan for Completeness
Action Step 10.3 Prepare a Venture Presentation

Optional and Enrichment Activities

Business Plan Presentation Feedback Form
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>FM Page</th>
<th>EM Page</th>
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<tbody>
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<td><strong>Opening</strong></td>
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<td></td>
<td>■ Entrepreneurs’ Exchange</td>
<td>Slide 10A</td>
<td>176</td>
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<td>■ Session Overview</td>
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<td><strong>Presentation</strong></td>
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<td></td>
<td>■ How should I present my plan?</td>
<td>Business Plan</td>
<td>177 – 178</td>
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<td></td>
<td>■ Oral Presentations</td>
<td>Presentation Feedback Form (optional)</td>
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<td>■ Envelopes (optional)</td>
<td>Feedback Form</td>
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<td>■ Play money (optional)</td>
<td>Envelopes</td>
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<td>■ Oral Presentations</td>
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<td>■ Networking with Entrepreneurs and Representatives of Community Resources</td>
<td>Networking Debrief</td>
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<td>■ Networking Debrief</td>
<td>Networking Debrief</td>
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<tr>
<td><strong>Optional Roundtables or Panel Discussion</strong></td>
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<td><strong>Coaching Session</strong></td>
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<tr>
<td>15 minutes</td>
<td>■ How do I get started implementing my Business Plan?</td>
<td>Slide 10B</td>
<td>181</td>
<td>402 – 412</td>
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<tr>
<td></td>
<td>■ Documenting Your Plan</td>
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<td>■ Action Step 10.1 Finish and Assemble My Plan</td>
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<td>■ Action Step 10.2 Evaluate My Plan for Completeness</td>
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<td>20 minutes</td>
<td>■ What should I do first to make my plan a reality?</td>
<td>Slides 10C – 10K</td>
<td>182 – 183</td>
<td>391 – 397</td>
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<td>■ Thriving in Your Entrepreneurial Role</td>
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<td>■ Implementing the Plan</td>
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<td><strong>Wrap Up and Action Steps</strong></td>
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<td>15 minutes</td>
<td>■ Program Summary</td>
<td>Slide 10L Postcards (optional)</td>
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<td>401</td>
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<td>■ Program Evaluation</td>
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<td>■ Closing Celebration</td>
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Preparing to Lead this Session

The FastTrac® GrowthVenture™ program gives entrepreneurs the opportunity to reflect upon the direction they wish to take their businesses and determine the strategies to accomplish their goals. For some entrepreneurs, this may have been the first time they seriously explored and evaluated strategic options and made plans to accomplish their vision for the future. By planning sequentially for each functional area of their business—management, products and services, marketing, operations, and financial—they have taken the steps to turn their vision into a reality. In this concluding module, entrepreneurs are asked to complete their plan, determine their next steps, and give oral presentations.

Entrepreneurs completed either a formal written Business Plan or an internal working Business Plan that lists their goals, strategies, and the actions to accomplish them. If entrepreneurs intend to present the plan to others outside of the business, they will develop the formal plan. The internal plan is written for either personal or internal use. Regardless of their choice, entrepreneurs are encouraged to present their plan to the group.

The facilitator and coaches play a critical role in helping entrepreneurs recognize the valuable strategic planning skills they gained through the completion of both the Business Plan and the FastTrac® GrowthVenture™ program and how these skills will benefit them and their business in the future. A celebratory atmosphere reinforces their accomplishment.

Keep in mind:
• Some entrepreneurs will not be confident in their public speaking skills. Reassure them that FastTrac® is a great place to practice their oral presentation.
• Emphasize the importance of being able to prepare and present their Business Plan.
• Many entrepreneurs will miss the regular contact with their new FastTrac® network. Encourage them to continue networking. Mentoring relationships can also provide a source of sound counsel.
• A list of local resources that provide small business counseling or consulting services and entrepreneurial programs will give entrepreneurs options to continue developing their skills.
• Awarding graduation certificates and serving special refreshments can create a celebratory atmosphere.

Materials Needed

Slides 10A – 10L
Entrepreneur Manual, pp. 381 – 412
More Info Resources 10
Post cards (optional)
Envelopes (optional)
Play money (optional)
Celebratory materials such as decorations, certificates of completion, music, special refreshments, and/or parting gifts
Preparing to Lead this Session continued

Community Resource List – Provide entrepreneurs with a list of local resources that help entrepreneurs. Either customize More Info Resources 10 or supplement it with a separate handout.

The amount of time needed for entrepreneur presentations will help determine if you have time for guest speakers. If speakers are invited, a panel or roundtable format works well for this final session. If time does not allow this, invite these individuals to come for the networking activity to meet the entrepreneurs. They could be invited to listen to the presentations and then be available for the networking break.

Community Resource Providers
Examples include representatives from local chambers of commerce, the Small Business Administration (SBA), mentoring associations such as SCORE, entrepreneurial technology support groups, Women Business Centers, and Small Business Development Centers. If they will be speaking, use the Guest Speaker Confirmation form on p. 174 for Community Resource Providers to ensure the speakers are prepared and cover desired topics.

Guest Entrepreneurs
Invite a small panel of entrepreneurs. Past FastTrac® graduates would be ideal. If entrepreneurs will be speaking, ask them to share their entrepreneurial journey, focusing on business growth, strategic planning, and lessons they learned. Use the Guest Speaker Confirmation form on p. 175 for guest entrepreneurs.

Closing Celebration
To celebrate the accomplishments of entrepreneurs completing FastTrac® GrowthVenture™ and the beginning of entrepreneurs next steps in growing their businesses, consider inviting former speakers and community leaders to share in the celebration. Decorations, music, party food, and/or parting gifts contribute to a celebratory atmosphere.
Guest Speaker Confirmation

Community Resource Providers

---

**Speaker**

**Today's Date**

Thank you for agreeing to talk about community resources with FastTrac® GrowthVenture™ entrepreneurs.

**Date of Presentation**

**Time**

**Location**

**Directions to Location**

**Directions to Room**

**Presentation Time**

**Question and Answer Time**

**Topic – The Entrepreneurial Journey**

You will be part of a panel or roundtable discussion. Please include the following information in your presentation:

- The specific services your organization provides for entrepreneurs
- How entrepreneurs can utilize and contact your organization
- Advice for entrepreneurs planning to grow their businesses
- Brief success stories or examples of the types of entrepreneurs your organization has helped
- Question and answer time

Please bring business cards and handouts for the entrepreneurs about your organization’s services.

**Background** This is the final session of the FastTrac® GrowthVenture™ program. Entrepreneurs have completed the strategic planning process, prepared their Business Plans, and will give oral presentations in this session. Some entrepreneurs may have specific questions related to how organizations such as yours support and nurture business growth.

**Number of Participants in the Group**

**Group Profile (Types of Businesses)**

**Audiovisual Equipment Needed**

**Materials Needed**

**Handouts**

**Facilitator’s Name**

**Organization**

**Phone Numbers**

**E-Mail Address**
Guest Speaker Confirmation

Guest Entrepreneurs

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<tr>
<th>Speaker</th>
<th>Today’s Date</th>
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Thank you for agreeing to share your entrepreneurial journey with FastTrac® GrowthVenture™ entrepreneurs.

<table>
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<th>Date of Presentation</th>
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<tr>
<th>Presentation Time</th>
<th>Question and Answer Time</th>
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**Topic – Your Entrepreneurial Journey**

You will be part of a panel of entrepreneurs. Please include information on the following:

- What advice would you give entrepreneurs related to strategic planning and business growth?
- What are the key things to focus on when growing the business?
- Have your goals changed professionally or personally since you started your business?
- How has your management team developed as your business has grown?
- What lessons and challenges has business growth presented?
- If you could do it again, what would you change?
- Question and answer time

**Background** This is the final session of the FastTrac® GrowthVenture™ program. Entrepreneurs have completed a strategic planning process, prepared their Business Plans, and will give oral presentations at this session. While some entrepreneurs have already begun implementing their plans, others need to do further research and work prior to doing so. This session celebrates entrepreneurs’ accomplishments of completing a strategic planning process and the FastTrac® GrowthVenture™ program.

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<th>Phone Numbers</th>
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Making it Happen

10 minutes

Establish a feeling of accomplishment and a celebratory tone for the final session.

- **Entrepreneurs’ Exchange**
  Introduce any guests that are attending this session.

**Discussion Starters**

- Who has good news to share about their business?
- What sources of information or contacts have you identified that may be helpful to other members of the class?

- **Session Overview**
  Use Slide 10A FastTrac® GrowthVenture™ Arrow Graphic to show entrepreneurs what they have accomplished during the FastTrac® GrowthVenture™ program.

The purpose of this session is to help entrepreneurs determine their next steps, learn about local resources that can help them, and practice presenting their Business Plan. Time will also be spent discussing what entrepreneurs have gained from FastTrac® GrowthVenture™. Although much work lies ahead for those implementing a new or refined Business Plan, everyone should think about this session as a celebration of how far they have come. Emphasize that entrepreneurs have learned a planning process that can be used on an ongoing basis in the future.

This final session of the FastTrac® GrowthVenture™ program marks a milestone for many of the entrepreneurs. They will leave with steps to pursue in the coming weeks and months.

Now it’s time for the entrepreneurs to discuss the results of all the work they have done during the past weeks. Each entrepreneur will give an oral presentation of his or her Business Plan.
How should I present my plan?

90 minutes

Provide an opportunity for entrepreneurs to practice the oral presentation of their Business Plan (Executive Summary).

**Oral Presentations**

Entrepreneurs will present a summary of the Business Plan to the facilitator or their coach and other members of their group. Most of the information they present will be found in the Executive Summary.

Advise entrepreneurs in advance the length of time allotted for each presentation. Seven to eight minutes is a good limit for the actual presentation followed by some additional time for questions and feedback. Be prepared to manage the time so that each participant has the same opportunity to present.

Depending on the number of entrepreneurs, they can give their presentation to the entire group or to their smaller coaching session group.

Invite guests who are coming for the networking break or as speakers to come for the oral presentations. Have them sit in a prominent position in the room.

**Tip**

The length of the first presentation sets the precedent for those that follow. Identify a participant that will most likely be able to stay within the time frame. Ask this person in advance if he or she would be willing to be the first presenter.

Give each entrepreneur feedback on the strengths and weaknesses of the oral presentation and how it could be improved using one of these options:

1. Directly after each presentation by the coach and the entrepreneurs
2. Peer feedback, either written or verbal
3. By the coach directly after the session
4. Included with the feedback for the written Business Plan

**Business Plan Presentation Feedback Form**

Have each participant complete a feedback form for each presentation on which they list the strengths of the plan, areas for possible development, and general comments. After each presentation, as the next person prepares to present, facilitator/coaches collect the sheets and give them to the presenter. A suggested feedback form appears behind the Optional and Enrichment Activities tab.

**Tip**

Forms can be prepared 2 or 3 to a sheet and cut to size as only a limited amount of space is needed for entrepreneurs’ comments. Each member of the group needs a copy for each presentation.
How should I present my plan? continued

**Role play** – Have the audience role play. Ask the presenters to describe the audience’s role—bankers, investors, strategic partners, leasing agent, potential employees, and so forth. The intended audience for the plan will have influenced whether the entrepreneur prepared a formal business plan or an internal working plan. Entrepreneurs listen to the presentation and ask follow-up questions from their assigned perspective.

**Show me the money** – Have entrepreneurs assume the role of potential investors assessing the business opportunities presented during the plan presentations.
1. Hand out $100,000 in play money, three envelopes, and writing instrument (if needed) to each participant, guest speaker, coach, and facilitator to create a room of potential “investors.”
2. Prompt the audience to invest their money in one or more businesses based on the entrepreneur’s presentation or the opportunity presented. If they wish, they can divide the $100,000 and fund up to three businesses. Each “investor” writes the entrepreneur’s name on the outside of the envelope and puts the money inside.
3. The envelopes will be collected after all presentations are made. During the Networking Break, sort these by entrepreneur and count how much money each has garnered. The top three amounts will be announced after the break or during the session’s wrap up. At that time lead a brief discussion about the elements of the presentation or opportunity that aided in raising the money.

**Challengers and cheerleaders** – Divide the entrepreneurs into two groups—those that will provide supportive comments and those that will provide challenging comments. After a presentation, select two entrepreneurs at random from the challenging side to provide constructive criticism of the presentation. Role model these challenging questions so they understand the types of comments that are appropriate. Next, select two entrepreneurs from the supportive side to provide constructive praise.

**Expert feedback** – Ask the guest panel or a single guest entrepreneur, depending on time, to comment briefly on the pluses and minuses of the Business Plan presentation. The following questions will help shape their comments:
1. How was the presentation from an overall perspective, or what specific things worked well?
2. Was the presentation convincing?
3. What did the presenter miss?
4. What changes would you suggest if the goal of the presentation is to attract funding?

The networking break will be a time to celebrate the accomplishments of the entrepreneurs and network with the guests.
Networking Break

30 minutes (25 minutes for the break and 5 minutes for debrief)

Provide an opportunity for entrepreneurs to expand their network to include local resource providers or experienced entrepreneurs.

- **Networking with Entrepreneurs and Representatives of Community Resources**
  
  Encourage the entrepreneurs to network with any guests attending the presentations or as speakers. Suggest they use their elevator pitches when introducing themselves to the guests.

**Tip**

Consider the Optional Roundtables or Panel Discussion on the following page instead of the Networking Break. If you use one of these options, adjust the time frame to 40 minutes.

- **Networking Debrief**

  After a 25-minute break, ask entrepreneurs the following:

  - How comfortable do you now feel with your ability to network?
  - On a scale of 0 to 10 with 0 being uncomfortable talking to a stranger and 10 being an all-star networker, how would you rate yourself? What rating would you have given yourself before attending FastTrac® GrowthVenture™? Remind entrepreneurs that they were coached to make an extra effort to network with one another at breaks, before and after sessions, and outside of the program. What were the benefits of making this extra effort to acquaint yourself with another entrepreneur?
  - How can you continue to develop your ability to network?
  - What benefits do you see in networking? (Networking is not “all about me.” It's about helping others as well as yourself.)

**Variation**

Award a “most valuable networker” prize for good networking skills. Award those who have been the most helpful to their peers by making referrals or suggesting helpful ideas. You may ask for nominations from the floor. Ask entrepreneurs to briefly explain how their peer was helpful.

**Optional**

Hand out the Community Resource List which includes local resources that help entrepreneurs and provide opportunities for additional networking.

**Activity Close**

Congratulate the entrepreneurs on developing their networking skills. Encourage them to continue networking whenever possible. Now it’s time to discuss the results of the entrepreneurs’ evaluation of their Business Plan and next steps.
Optional Roundtables or Panel Discussion

**Time**
40 minutes

(Since this discussion is optional, the time is not included in the session timetable on p. 171. If you decide to have roundtables or a panel discussion instead of the Networking Break, adjust the time accordingly.)

**Purpose**
Community Resource Providers – Familiarize entrepreneurs with the many services available to help them as they continue planning and growing their businesses.

Guest Entrepreneurs – Share helpful and motivating lessons they have learned—things to do and, more importantly, things not to do.

**Facilitation**
Use either a roundtable or a panel format. The roundtable format may give entrepreneurs more direct contact with the resource providers. The panel format may be preferable for guest entrepreneurs as they can piggyback on the ideas of other panelists.

- **Roundtables**
  For the roundtables of community resource providers, introduce each of the speakers and the organizations or businesses they represent. Have each of the resource providers sit at a separate table. Ask each resource provider to explain the services they offer and how they can be contacted. Allow time for questions from the entrepreneurs. Have small groups of entrepreneurs travel from table to table at preset time intervals. Depending on the number of guest speakers, allocate approximately 10 minutes for each roundtable discussion. Give a two-minute warning before each interval is over and, at the appropriate time, ask the entrepreneurs to move to another table.

- **Panel Discussion**
  With a panel the facilitator or a business coach can serve as a moderator, helping direct questions so that all guest entrepreneurs have an opportunity to share their insights. Share the amount of time allocated for the panel with the guest speakers. Be sure to transition the panel at the half-way point from prepared questions to questions from the FastTrac® participants.

  Ask guest entrepreneurs to address these topics:
  - What advice would you give entrepreneurs related to strategic planning and business growth?
  - What are the key things to focus on when growing the business?
  - Have your goals changed professionally or personally since you started your business?
  - How has your management team developed as your business has grown?
  - What lessons and challenges has business growth presented?
  - If you could do it again, what would you change?
  - Question and answer time

**Variation**
If you have more roundtable speakers than there is time for or if you have special interest speakers (such as resources for women entrepreneurs), it works well to let the participants select which roundtables they will attend. In advance, tell entrepreneurs how many roundtables they will be able to attend so they can choose accordingly.

Ask resource providers to address these topics:
- The specific services your organization provides for entrepreneurs
- How entrepreneurs can contact your organization
- Advice for entrepreneurs planning to start a business
- Brief success stories or examples of the types of entrepreneurs your organization has helped
- Question and answer time

Now it’s time to discuss tips to help entrepreneurs thrive as leaders of growing businesses.
How do I get started implementing my Business Plan?

15 minutes

Assist entrepreneurs in determining whether their Business Plan will lead to the accomplishment of the business’s vision, mission, and goals as set forth earlier in the program.

Documenting Your Plan

- Action Step 10.1 Finish and Assemble My Plan
- Action Step 10.2 Evaluate My Plan for Completeness
- Action Step 10.3 Prepare a Venture Presentation

Entrepreneurs will have completed Action Steps 10.1 – 10.3 as they prepared for this session. Now they will consider how their completed plan allows them to attain the vision, mission, and goals they identified for their business in Modules 1 – 3.

Discussion Starters

- How well does your Business Plan support the vision, mission, and goals you have for your business?
  The Business Plan must closely align with these to support their accomplishment.
- What are the strengths of your venture?
- What are the areas of risk and vulnerability?
- What questions did this evaluation raise that are still unanswered and need further research?

After entrepreneurs determine whether the Business Plan will help them achieve their business’s vision, mission, and goals, they are ready to consider next steps.
What should I do first to make my plan a reality?

Prepare entrepreneurs for implementation of their plan.

20 minutes

Facilitation

- **Thriving in Your Entrepreneurial Role**
  Business survival and growth relies on the entrepreneur’s wisdom, tenacity, ability to anticipate and plan, and hard work. Briefly review with entrepreneurs the following eight tips on Slides 10C – 10J for guiding and growing their businesses.

---

- **Begin your journey with the end in mind** – Emphasize the importance of having clear goals to guide business decisions.
- **Keep your eyes on the prize** – Entrepreneurs will keep their personal, professional, and financial goals in mind to ensure that the business evolves in harmony with those goals.
- **Build your business as an asset** – The entrepreneur’s business is typically their most valuable asset. Entrepreneurs will want to watch, research, and nurture their business to achieve the targeted returns for the risk taken.
What should I do first to make my plan a reality? continued

- **Know YOUR customers** – Knowing the specific characteristics of the customer means better results and saves time, money, and manpower.
- **Cash may be king, but profits are the keys to the castle** – Cash flow is critical to keeping the doors of the business open. Profits determine if it is worthwhile for the entrepreneur to do so. Both must be monitored carefully.
- **Do what you’re good at, not what you can do** – In today’s competitive market, it is critical that entrepreneurs develop and communicate their core competencies to maintain a competitive advantage.
- **Teams with the best players generally win** – Module 7 emphasized the need for a quality management team and healthy organizational culture. The addition of a few superstars to a well-balanced team greatly increases its odds of succeeding.
- **Get your ducks in a row** – When the entrepreneur establishes a clear direction with well-defined areas of responsibilities and authority, the whole organization can work together effectively and efficiently.

Have entrepreneurs turn to the Working on Your Business tips on pp. 391 – 399 of the Entrepreneur Manual and review their answers or complete them if they have not already done so and identify the ones they found most helpful.

**Discussion Starter**

What tips did you find the most meaningful and why?

**Implementing Your Plan**

Entrepreneurs have completed the plan, presented their findings, networked with other entrepreneurs, and considered how to succeed in their entrepreneurial role.

Review Slide 10K and ask the following:

**Discussion Starters**

- How are you planning to use your Business Plan?
- How do the steps to accomplish your Business Plan differ based on the purpose (or the reader)?

To ensure that their plan does not collect dust on the shelf, have entrepreneurs individually write down what they perceive to be the next steps to implementing their plans and growing their business. After about 2 minutes, ask entrepreneurs to rank the steps they identified in order of priority, with 1 being the highest priority. Then ask:

**Discussion Starter**

What step did you identify as being the highest priority and why?

**Key Points**

- Setting goals, prioritizing steps, and developing an action plan will increase chances of accomplishing them and implementing the plan in a timely fashion.
- One of the next steps for many of the entrepreneurs will be to identify which of the community resources will be helpful to them as entrepreneurs.

As entrepreneurs complete this program, they have reached another milestone on their entrepreneurial journey. Their next steps will help guide them as they implement their plan and grow their businesses.
Wrap Up and Action Steps

Time
15 minutes

Purpose
Emphasize that success in this program involves not only preparing the Business Plan but also learning and implementing the strategic planning process.

Gather participant feedback on the FastTrac® GrowthVenture™ program.

Facilitation

Program Summary
Use this final wrap up to summarize participant accomplishments and prepare them for their next steps.

Discussion Starters

What has the FastTrac® GrowthVenture™ program meant to you?

How will completing this strategic planning process make a difference in growing your business?

What factors do you think will be most important to your business’s growth and success?

Tip
Use the entrepreneurs featured in the Entrepreneur Manual and the guest speakers as examples to discuss what factors contribute to entrepreneurial growth and success.

Review slide 10L to spark a discussion regarding how entrepreneurs can start giving back early in their entrepreneurial careers.

Discussion Starter

How can you start giving back immediately?

Slide 10L

Variation

Postcard to themselves – Use postcards as a follow-up reminder for entrepreneurs.

1. Give entrepreneurs a blank postcard and have them address the card to themselves.
2. Ask entrepreneurs to write between 2 and 3 things they want to be reminded of—such as the next action steps for their business, some helpful advice from a guest speaker, peer, or the manual, or any other type of reminder. Tell them you will mail them the postcards to remind them to be accountable to themselves.
3. Mail the postcards to the entrepreneurs after three weeks.

Postcard to each other – Have entrepreneurs write a postcard reminder of an important idea or a to-do for another entrepreneur and give it to the facilitator to be mailed several weeks after the end of the program.

If you had entrepreneurs write their goals on index cards or Post-It® notes for the Course Expectations Parking Lot, check the board for any cards still remaining and provide information to the entrepreneurs on how to accomplish their goals outside of the program.

Program Evaluation
Ask entrepreneurs to complete a brief written evaluation of the program.

Closing Celebration
Celebrate entrepreneurs accomplishments and the beginning of entrepreneurs’ embarking on the next phase of growing their businesses by thanking them and wishing them success in their businesses and other endeavors. If certificates or parting gifts are being given, do so at this time. Special refreshments, music, and time to mingle with each other and any guests reinforce entrepreneurs’ accomplishments.
## Optional and Enrichment Activities

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<th>Activity</th>
<th>Page Range</th>
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<td>Business Plan Presentation Feedback Form, FM pp. 255 – 256.</td>
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</tbody>
</table>
**Welcome Bingo**  Referenced on p. 12

<table>
<thead>
<tr>
<th>Time</th>
<th>15 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Create a relaxed, interactive environment and give entrepreneurs an opportunity to meet one another.</td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td>Welcome Bingo cards, Prizes</td>
</tr>
<tr>
<td><strong>Facilitation</strong></td>
<td>Arrange the room with a large open space in the center, front, or back so that participants can move about freely.</td>
</tr>
</tbody>
</table>

**Tip**

Ask multi-cultural group members to raise hands if they are familiar with the game of Bingo before giving directions. If some individuals do not understand the concept of the game, give more detailed directions to everyone.

1. Hand out the Bingo card and review printed instructions with participants prior to beginning the activity.
2. Using the Bingo card, participants mingle to identify individuals who fit the descriptions in the blocks on the card.
3. The first person to get seven blocks in a row (may include the FastTrac® block) on the card yells “Bingo!”
4. Tell participants to search for five more minutes so they can continue to learn about the others in the group. While they play, check to confirm that the winning participant has completed the card correctly.

**Tip**

Since one of the objectives of Welcome Bingo is for participants to meet others, emphasize during the instructions that participants may obtain only one Bingo square from each person.

**Debrief the Activity**

After 5 minutes, ask the winner to read the blocks and the names of the individuals on the winning card. If time permits, ask 1 or 2 other individuals who have called “Bingo!” to read their blocks and names.

You may want to have a prize for the winner(s).

**Activity Close**

Tell entrepreneurs that the all-important entrepreneurial skill of networking starts with an introduction and finding things in common.
### Instructions

Find a person who fits the description in the block and write the person’s name in that block. When you have seven in a row in any direction, raise your card and say “Bingo!” You must find the person yourself and not get the name from another person. You may not use an individual’s name in more than two blocks. The FastTrac® space is a free space.
Trends and Business Opportunities

**Referenced on p. 33**

<table>
<thead>
<tr>
<th>Time</th>
<th>30 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Identify significant trends and corresponding business opportunities.</td>
</tr>
</tbody>
</table>
| Materials| Trends and Business Opportunities handout on pp. 189 – 190  
Newspapers, magazines, trade periodicals |

**Facilitation**

Instruct participants to individually complete the handout Trends and Business Opportunities using newspapers, magazines, trade periodicals, and the Internet if it is available at your site. Encourage participants to think about their local communities as they identify trends.

**Tip**

As there is likely to be quite a bit of overlap, choose either this activity, Trends and Business Opportunities, or the shorter but similar activity, Brainstorming Change, which follows. It is unlikely you would wish to conduct both.

**Variation**

From their list of related business opportunities, have participants select the business idea they feel has the greatest potential and share it and the related trend with the entire group.

1. Have entrepreneurs form small groups after they have individually completed the handout.
2. Have each group select a recorder and instruct groups to choose one trend from the list of those identified by group members. Instruct groups to identify as many potential business ideas as possible related to that trend in the time allowed (8 minutes).
3. The recorder for each group reports the trend his or her group identified and potential business ideas related to it.

**Activity Close**

Trends may be demographic, cultural, technological, or economic in nature. Astute entrepreneurs stay abreast of trends impacting their industry and the marketplace.
Trends and Business Opportunities Handout

Trends are a rich source of opportunities for the alert entrepreneur. Trends may be demographic, cultural, technological, or economic. In this activity, you will search your environment for trends and identify related business opportunities. You will then determine which business idea presents the greatest market opportunity.

**Step 1 Collect information concerning trends in the environment.** Through a review of blogs, newspapers, periodicals, and discussions with others, identify three trends in the environment.

**Step 2 Brainstorm business ideas related to trends.** For each trend identified, brainstorm until you identify three related ideas for possible business ventures.

**Step 3 Identify which business idea presents the greatest opportunity.** From your list of business ideas based on trends, choose the business idea you feel has the most potential to become a successful business and explain why.

### Example

<table>
<thead>
<tr>
<th>STEP 1 Trend</th>
<th>STEP 2 Business Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trend</strong></td>
<td><strong>Idea 1</strong> Design and sell accessories to customize cell phones (cases, faceplates, ringtones).</td>
</tr>
<tr>
<td></td>
<td><strong>Idea 2</strong> Sell a clothing line of mix-and-match clothing and accessories.</td>
</tr>
<tr>
<td></td>
<td><strong>Idea 3</strong> Provide after-market auto accessories (example: wheels) and offer service to customize cars and trucks, possibly as a franchise.</td>
</tr>
</tbody>
</table>
## Trends and Business Opportunities Handout (continued)

<table>
<thead>
<tr>
<th>STEP 1 Trend</th>
<th>STEP 2 Business Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trend A</strong></td>
<td>Idea 1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Idea 2</td>
</tr>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>Idea 3</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td><strong>Trend B</strong></td>
<td>Idea 1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Idea 2</td>
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<tr>
<td></td>
<td>Idea 3</td>
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<tr>
<td></td>
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<tr>
<td><strong>Trend C</strong></td>
<td>Idea 1</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Idea 2</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Idea 3</td>
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</tr>
</tbody>
</table>
### Products/Services and Spin-Offs

**Referenced on p. 33**

<table>
<thead>
<tr>
<th>Time</th>
<th>15 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Provide an opportunity for participants to think creatively about their product or service in light of changes and trends in the marketplace.</td>
</tr>
<tr>
<td>Materials</td>
<td>Paper at the table</td>
</tr>
</tbody>
</table>
| Facilitation | 1. Instruct participants to form small groups of 3 or 4.  
2. For each participant's business concept, brainstorm products or services related to those they offer.  
3. Have the participant whose business is being discussed make a list of all ideas generated, withholding evaluation at this time. The list can be revisited and evaluated at a later time.  
4. Repeat the process for each member of the group. |

**Activity Close**

Entrepreneurs often modify, change, or add new products and services to their initial business offerings as new opportunities are identified as a result of listening to customers and becoming more knowledgeable of the marketplace.
**Brainstorming Change**  Referenced on p. 33

**Time**
10 minutes

**Purpose**
Raise participant awareness of the frequency, significance, and impact of change in our economy.

**Materials**
Flip charts

**Facilitation**
To facilitate brainstorming about the effect of changes on business, follow these steps:
1. Label one flip chart *Changes* and a second flip chart *Business Ideas*.
2. Ask participants: What are some of the more significant changes in the economy that have surfaced in the last five years?
3. Record participants’ answers on flip chart labeled *Changes*. (Possible responses may include types of technology, outsourcing, aging population.)
4. Choose one topic from list of changes.
5. Ask participants to brainstorm potential business opportunities presented as a result of this change. Record answers on the flip chart labeled *Business Ideas*.

If time permits, ask entrepreneurs to repeat the activity by brainstorming changes they anticipate could happen in the next five years (for example, a sharp increase in the number of cars using alternative fuels). This helps them stretch their thinking about what could happen—rather than what has happened—and helps them determine what opportunities may exist in the future.

**Activity Close**
Changes are all around. Being alert to changes and the potential opportunities they present is important to maintaining the success of a business.
Market Research Resources Contest

Referenced on p. 38

<table>
<thead>
<tr>
<th>Time</th>
<th>8 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Identify potential market research sources in a lively and fun way.</td>
</tr>
<tr>
<td>Materials</td>
<td>None</td>
</tr>
</tbody>
</table>

**Facilitation**

1. From the list of questions below, select the ones you wish to ask.
2. Instruct entrepreneurs that you will ask the question and they are to stand if they would like to contribute an answer. As the questions typically have multiple answers, several entrepreneurs may stand at the same time.
3. The first person that stands will give ONE response to the question and sit down. After hearing the first response, any individuals standing that planned to give the same response will also sit.
4. Of those entrepreneurs still standing, another person will be identified to respond. That person and any individuals that planned to give the same response will then sit.
5. Repeat process until all answers have been heard or until the question appears to be thoroughly addressed.
6. Repeat process with next question.

**Tip**

This activity may be used either before entrepreneurs begin Action Step 2.1 to stimulate their thinking about market research resources or at the end of the session to recap market research resources and prepare entrepreneurs to complete action steps outside of the session.

**List of Questions and Possible Answers**

The answers to questions below are not meant to be all-inclusive. Entrepreneurs may volunteer answers that are not listed. The facilitator will use his or her own judgment to determine if entrepreneurs’ answers will likely result in obtaining the type of information desired. Ask entrepreneurs to be as specific as possible in answering questions.

1. What are my industry trends?
   - Trade and professional organizations and journals; Standard & Poor’s Industry Surveys

2. What is my industry size?
   - Trade and professional organizations and journals; Standard & Poor’s Industry Surveys

3. What are the demographic characteristics of my target market?
   - B2C—Census Bureau; trade and professional organizations and journals
   - B2B—Dun & Bradstreet and Standard & Poor’s Company Profiles; trade and professional organizations and journals

4. What are the psychographic characteristics of my target market?
   - Trade and professional organizations and journals

5. What are my customers’ buying habits?
   - Primary research—Observation, surveys, interviews
   - Secondary research—Bureau of Labor Statistics Consumer Expenditures Survey – Information on the spending habits of consumers; trade and professional organizations and journals; Standard & Poor’s Industry Surveys
6. What primary resources will help me identify direct and indirect competitors?
   Visit competitors; talk to customers, vendors, and other entrepreneurs in industry

7. What secondary resources will help me identify direct and indirect competitors?
   Dun & Bradstreet for larger competitors and “ReferenceUSA” for smaller competitors;
   chambers of commerce, trade associations and journals

8. What products do competitors offer?
   Primary research—Visit competitors; talk to customers, vendors,
   and other entrepreneurs in industry
   Secondary research—Internet, Department of Commerce, trade associations

9. How do my sales compare to businesses of a similar size in the industry?
   Dun and Bradstreet, RMA (Risk Management Association),
   or other financial reporting services

Activity Close
The number of resources is sometimes overwhelming. Entrepreneurs should first focus on
determining what information will be meaningful and relevant. There are many people
who can assist them in locating the information they desire, including reference librarians,
marketing consultants, vendors, and other entrepreneurs.
Brainstorm Primary Research Resources  Referenced on p. 38

**Time**
5 minutes

**Purpose**
Identify potential primary market research sources.

**Materials**
None

**Facilitation**
Inform entrepreneurs that primary research is data collected specifically for the business. It is obtained by observing and communicating directly with others.

Then do the following:
1. Ask entrepreneurs to identify potential sources of primary research on their products, services, target markets, or competitors.
2. List all resources on a flip chart.
   **Responses may include:**
   - Interviewing potential customers at shopping malls, online, or over the telephone.
   - Interviewing current customers either online or over the telephone, using the company's customer database.
   - Observing customers.
   - One-on-one interviewing with employees in the business, focusing on those who have the most direct contact with customers.
   - Setting up a focus group of current and potential customers.
3. Have each participant identify the 2 or 3 resources they feel would provide them with the most helpful information. Ask several entrepreneurs to share the resources they chose.

**Discussion Starters**

✗ What are the negatives associated with primary market research?
   - Negatives might include time, costs, or lack of skill on the part of the management team in conducting primary research.

✗ What are the benefits associated with conducting primary market research?

**Activity Close**

Primary research may be especially critical when considering opportunities in new areas and may be well worth the costs and time involved. Consider accessing professionals, such as market research consultants, to assist with primary research.
Brainstorm Secondary Research Resources  Referenced on p. 38

<table>
<thead>
<tr>
<th>Time</th>
<th>5 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Identify potential secondary market research sources.</td>
</tr>
<tr>
<td>Materials</td>
<td>None</td>
</tr>
<tr>
<td>Facilitation</td>
<td>Inform entrepreneurs that secondary research is data gathered for another business or purpose. Then do the following: 1. Ask entrepreneurs to brainstorm secondary sources of market research that may provide helpful information for planning and leading their businesses. Information may relate to products, services, target markets, the competitive environment, and trends and changes in the marketplace. 2. List all resources on flip chart. Responses may include: • Trade journals in their industry. • Government sources. • SBA. • Online resources. • Library. • Census Bureau. • Local chamber of commerce. 3. Have each participant choose 4 or 5 resources they feel would provide them the most meaningful information. Ask up to three entrepreneurs to share the resources identified.</td>
</tr>
</tbody>
</table>

Discussion Starters
- What are the negatives associated with using secondary resources? Information is not tailored to company’s needs. Material may be dated or slanted based on its source.
- What are the positives associated with using secondary resources?

Activity Close
In today’s society, the challenge is typically not too little information but obtaining the right information. Entrepreneurs should start gathering information only after a careful analysis of what questions need answered and what information is required to do so.
Look at Challenges, Issues, Opportunities, and Options  Referenced on p. 53

Time  15 minutes

Purpose  Provide an opportunity for entrepreneurs to reflect on their thought process up to this point as they prepare to define their business strategy.

Materials  Look at Challenges, Issues, Opportunities, and Options handout

Facilitation  Have entrepreneurs meet in small groups to discuss questions on the handout Look at Challenges, Issues, Opportunities, and Options shown on the next page. For those questions that were specifically addressed in the Entrepreneur Manual, the corresponding checklists or questions are indicated in parenthesis at the end. Debrief activity by discussing selected questions as a group.

Activity Close  Identifying a business strategy is the culmination of much analysis and thought. Thoroughly understanding the issues and challenges helps entrepreneurs make better strategic decisions.
Look at Challenges, Issues, Opportunities, and Options Handout

Consider the challenges and issues of my business to discover opportunities and options for responding to them.

Directions
Briefly answer each of the following questions and be prepared to share your responses in small groups.

1. Which issues keep you awake at night and must be resolved for you and your company to meet personal and business goals? (What Keeps You Up at Night, EM, p. 6)

2. What challenges do you face in your business or industry that make it more difficult for you to compete and grow?

3. Which opportunities should you act on? (Brainstorm and Screen Growth Opportunities, EM, pp. 49 – 50)

4. Which opportunities do you think your competitors or industry leaders are considering?

5. What options do you have to grow your business right now?

6. What is your exit strategy and how does it meet your personal and business goals?
Key Financial Concepts

Purpose
The Key Financial Concepts session is an optional two-hour module (referenced on p. 64 of the Facilitator Manual) to provide basic accounting information to those who need it and a brief review for those who are unsure of their grasp of accounting concepts. The financial modules (4 and 9) assume a basic level of understanding about financial concepts that affect all entrepreneurs and their businesses. Consider using this session for entrepreneurs who would benefit from an introduction or review of basic financial concepts, including financial statements.

Key Outcomes
• Understand basic accounting terminology and principles
• Understand basic financial statements

Personal Assessment

Language of Accounting

Concept #1 Accounting Principles
   The Company’s Accounts
   The Accounting Equation

Concept #2 Financial Statements
   The Balance Sheet
   The Income Statement

Concept #3 Depreciation and Capitalization

Concept #4 Cash vs. Profits

Concept #5 Gross Margin

Activities During Session

Personal Assessment Activity
Accounting Terms Activity
Accounting Equation Activity
Balance Sheet Activity
Income Statement Activity
Financial Statements Activity
Depreciation Activity
Cash Flow Statement Activity
Gross Margin Activity
Summary Activity

Action Steps Before Session
None

Action Steps After Session
None
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>FM Page</th>
<th>Handout Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3 minutes</td>
<td>Session Overview</td>
<td></td>
<td>202</td>
<td></td>
</tr>
<tr>
<td>Facilitated Activities and Group Discussion</td>
<td>What are the benefits of understanding financial information?</td>
<td>Key Financial Concepts handout</td>
<td>203</td>
<td>216</td>
</tr>
<tr>
<td>10 minutes</td>
<td>Personal Assessment</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Language of Accounting</td>
<td></td>
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<tr>
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<tr>
<td></td>
<td>What accounting principles do I need to understand?</td>
<td>Key Financial Concepts handout</td>
<td>204 – 205</td>
<td>216 – 217</td>
</tr>
<tr>
<td>15 minutes</td>
<td>Concept #1 – Accounting Principles</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>The Company’s Accounts</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Accounting Terms Activity</td>
<td></td>
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<td></td>
<td>The Accounting Equation</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>27 minutes</td>
<td>Concept #2 – Financial Statement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Balance Sheet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance Sheet Activity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Income Statement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Income Statement Activity</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>What other concepts do I need to understand to be able to read the financial statements?</td>
<td>Key Financial Concepts handout</td>
<td>209 – 213</td>
<td>223 – 226</td>
</tr>
<tr>
<td>60 minutes</td>
<td>Concept #3 – Depreciation and Capitalization</td>
<td></td>
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<tr>
<td></td>
<td>Depreciation Activity</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Concept #4 – Cash vs. Profits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash Flow Statement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash Flow Statement Activity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Concept #5 – Gross Margin</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Gross Margin Activity</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Wrap Up</td>
<td>How can I continue to build my financial knowledge?</td>
<td></td>
<td>214</td>
<td>226</td>
</tr>
<tr>
<td>5 minutes</td>
<td>Summary Activity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summarize Key Concepts</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 hours total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Preparing to Lead this Session

Entrepreneurs may view the financial modules with some degree of anxiety and trepidation. By offering the optional Key Financial Concepts session, preferably prior to proceeding with Module 4, entrepreneurs who feel the need will have the opportunity to gain knowledge and confidence to prepare them to complete the work of Modules 4 and 9. Consider that:

- Each entrepreneur brings a level of understanding of financial concepts to this program—some have more than others. The Key Financial Concepts session will reinforce and build on the financial expertise entrepreneurs have acquired through either formal schooling and/or entrepreneurial experience.
- Presenting financial information in a simple, pertinent, and interesting way can greatly improve the entrepreneur’s ability to gain new understanding. This module is designed to approach what could be viewed as fairly complex accounting concepts in a very simple, easy to understand manner.
- All entrepreneurs have practical experience to draw upon, so keep them actively involved.

You may wish to provide the Key Financial Concepts handout to entrepreneurs in advance of the session to allow them time to read it.

Materials Needed

Key Financial Concepts handout, pp. 215 – 226
Answer Keys (optional), pp. 208, 210
Optional and Enrichment Activities

Key Financial Concepts

Time
3 minutes

Purpose
Emphasize the need for financial understanding and expertise in planning and managing the financial aspects of the business.

Facilitation

Discussion Starters
- What accounting or financial planning challenges have you experienced in running your business?
- What types of financial information do you feel the need to understand more clearly?

Session Overview
Tell entrepreneurs that in the Key Financial Concepts session, they will review and apply information on the following topics:

- Language of Accounting
- Accounting Principles
- Financial Statements
- Depreciation and Capitalization
- Cash vs. Profits
- Gross Margin

Entrepreneurs will now assess their own comfort level and attitude toward managing the financial aspects of the business.
What are the benefits of understanding financial information?

10 minutes

Identify personal reasons for avoiding or disliking financial information and the potential benefits to understanding financial concepts in order to provide a basis for making changes.

Personal Assessment

Before entrepreneurs begin their Personal Assessment in the handout, discuss with them what they think of when they hear the term financial information.

Discussion Starter

When I use the term financial information what comes to mind?

You will hear many different answers, most of which will revolve around the idea of reports. Talk about the different kinds of reports that entrepreneurs use in a business—those with and without numbers. Your goal is to have entrepreneurs start thinking of financial reports as a form of communication.

Personal Assessment Activity, handout p. 216

Have entrepreneurs do the following:

1. Turn to the Personal Assessment on p. 216 of the handout and individually read through it and put a mark beside any of the comments that are true. They will have 1 or 2 minutes to do so.

2. Entrepreneurs share their answers in a small group of 3 to 5 and prepare to report their findings to the entire group.

Language of Accounting

Most of the groups’ answers from the previous exercise will stem either from an inability to understand the reports that are given to them or a lack of time spent figuring them out. Reaffirm that understanding accounting records is somewhat like understanding a foreign language. No one can immediately translate information from one language into another; it takes experience, time, and practice.

Discussion Starters

How many of you can communicate in more than one language?

What benefits did you gain by learning a new language?

What could you gain by learning the language of accounting?

Key Points

Accounting is its own language. Entrepreneurs should consider a few accounting terms such as debit, credit, or journal entry.

The challenge is to become familiar with the language in order to translate it into understandable and useful terms.

The primary benefit of understanding accounting language is the ability to make financial decisions that meet the entrepreneur’s financial goals.

Just as languages are built on rules—such as pronunciation, grammar, and syntax—accounting processes are based on certain principles that entrepreneurs need to understand.

Connect this Learning to the Next Activity
**What accounting principles do I need to understand?**

15 minutes

Introduce account categories (Assets, Liabilities, Equity, Revenue and Expenses), their definitions, and the accounting equation.

- **Concept #1 – Accounting Principles**
  It should not be an entrepreneur’s goal to become a certified public accountant. Still, certain accounting principles exist that will aid the entrepreneur in reading and understanding financial statements.

- **The Company’s Accounts**
  Some people may already understand the definitions of these account categories, so don’t spend a great deal of time explaining it up front. Help entrepreneurs understand that the financial information is classified into accounts. The accounts are grouped into categories (assets, liabilities, equity, revenue, expenses). Then, the accounts are arranged into several reports.

**Accounting Terms Activity**, handout p. 217
Instruct entrepreneurs to turn to the activity called Accounting Terms on p. 217 of the handout and match the account category with the appropriate definition. Tell them not to worry if they don’t know the answers; you will give the answers in a minute!

Follow these steps:
1. After entrepreneurs have had a couple of minutes to read through and complete the exercise on their own, review each account category and discuss the appropriate definition.
2. Write each account category on a flip chart and as you do so, ask for examples and post them.

**Directions:** Match the account categories with the appropriate definition:

**Answers to p. 217**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Owners’ rights to the value in the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>Money earned from the company’s activities</td>
</tr>
<tr>
<td>Equity</td>
<td>Things with value owned by the company</td>
</tr>
<tr>
<td>Revenue</td>
<td>Others’ rights to the value in the company</td>
</tr>
<tr>
<td>Expenses</td>
<td>Money spent to support the company’s activities</td>
</tr>
</tbody>
</table>
What accounting principles do I need to understand? continued

The Accounting Equation
Tell entrepreneurs that accounting systems are built on a foundation of rules. One of the primary rules is called the accounting equation. It states that the value of the assets must always equal the value of the rights of the creditors (liabilities) plus the rights of the owners (equity).

Have entrepreneurs refer to the flip charts where you listed examples of assets, liabilities, and equity. Test these theories against their examples:
- Assets have value.
- Creditors have rights to some of this value.
- Owners have rights to some of this value.

Tip
As you go through each example, help entrepreneurs understand that assets all represent some type of value. Some one has rights to the value of those assets—sometimes it is a creditor and sometimes an owner.

Accounting Equation Activity, handout p. 217
As a group, go through the example for A-1 Company on p. 217 of the handout, posting the amounts in the correct spaces in the accounting equation.

Answers to p. 217
During the first month of business, a piece of equipment worth $6,000 is purchased by A-1 Company. The outstanding loan on the equipment is $4,000. Therefore, the company’s interest in the equipment is $2,000.

$6,000 = $4,000 + $2,000

Assets Liabilities Equity

Variation
To explain the accounting equation, have entrepreneurs consider home ownership. Many entrepreneurs would answer yes to the question, “Do you own your own home?” Yet they may still share rights to the house with the institution that loaned them money to purchase it. Ask entrepreneurs to use the accounting equation to identify the assets, liabilities, and equity associated with their house (supply an example home if they are not home owners). The value of the home is listed with the assets. Assets have value. Any amount owed to the bank or other institution is listed as a liability. Creditors have some rights to the value of the assets. The remaining amount is equity and is considered the amount of equity in the home. Equity describes the rights that owners have in the value of the assets.

Understanding these basic accounting principles can really help as entrepreneurs begin to read and understand the financial statements.
How do accountants keep score of a business’s financial performance?

27 minutes

Review and practice building two key financial reports—Balance Sheet and Income Statement.

Concept #2 – Financial Statements

Remind entrepreneurs that after each business transaction takes place, the accounting system is updated. This system is built so that information can be sorted and arranged into reports. The main reports are the Balance Sheet, Income Statement, and Cash Flow Report or Cash Flow Statement. This part of the session will focus on two of these, the Balance Sheet and Income Statement.

Balancing Sheet

Help entrepreneurs fill in the blanks under Balance Sheet on p. 218 of handout and then provide a minute to read the short introduction.

Key Points

✓ The Balance Sheet lists the total assets as of a certain date and the claims against those assets as of that date. It communicates a business’s financial position at any single point in time.

✓ A Balance Sheet is like taking a picture of a company with a financial camera. It is also a perfect reflection of the accounting equation.

✓ Many Balance Sheets even look like the accounting equation, with the assets on the left and the liabilities and equity accounts on the right. It is called a Balance Sheet because it must balance just like the accounting equation (even though some Balance Sheets will be quite a bit more complex—see example on p. 218).

Balance Sheet Activity, handout p. 218

Review the Accounting Equation Activity for the A-1 Company on p. 217 of the handout and point out that things stay in balance. Then post this equipment purchase transaction to the Balance Sheet on p. 218.

Directions: Assuming that the A-1 Company was started in April, complete the following Balance Sheet based on the Accounting Equation Activity.

Answers to p. 218

A-1 COMPANY
Balance Sheet
April 1, 2012

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities and Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>Bank Loan</td>
</tr>
<tr>
<td></td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
</tr>
<tr>
<td>TOTAL</td>
<td>TOTAL</td>
</tr>
</tbody>
</table>

Income Statement

Help entrepreneurs fill in the blanks under Income Statement on p. 219 of handout and then provide a minute to read the short introduction.
How do accountants keep score of a business’s financial performance?

Key Points
- The Income Statement is a report that deducts the expenses from the revenue for a certain period of time (usually a month, quarter, or year) to communicate a net income or loss.
- This net profit or loss affects the accounting equation by increasing or decreasing equity—the owner’s rights to the assets.

Income Statement Activity, handout p. 220
Review the Income Statement example on p. 219 and show how it compares to the A-1 Company Balance Sheet. It is important to show that the Income Statement only includes the revenue and expense accounts. The profit or loss flow back to the Balance Sheet.

Directions: For the month of April, A-1 Company’s revenue was $35,000. The expenses for this time period were $25,000. Therefore, the owner’s interest in the business is increased by the net profit of $10,000. Use the information on the Income Statement below to create a Balance Sheet for April 30, 2012. Refer back to the April 1, 2011 Balance Sheet for A-1 Company on p. 218.

Answers to p. 220

<table>
<thead>
<tr>
<th>A-1 COMPANY</th>
<th>A-1 COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Statement</strong></td>
<td><strong>Balance Sheet</strong></td>
</tr>
<tr>
<td>For the Month Ended April 30, 2012</td>
<td>April 30, 2012</td>
</tr>
<tr>
<td>Revenue</td>
<td>$35,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>25,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

* Note: This assumes that all cash was received and paid out for this month’s business activities. Some businesses would show a portion of revenue in an Accounts Receivable Account for amounts not yet received from customers for sales already made. Some businesses would also show an Accounts Payable balance for a portion of the expenses that had been incurred during the month but had not yet been paid to vendors because the vendors had given the company credit terms.

Financial Statements Activity, handout pp. 221 – 222
Have entrepreneurs practice putting these accounting rules into practice by building financial statements.
1. Explain that they will sort and arrange the financial figures given for Blue Sky Industries. Have them refer back to the flip chart lists of examples for assets, liabilities, and equity.
2. Have entrepreneurs work as teams to reinforce learning. You may choose to give them a hint that they must complete the Income Statement before the Balance Sheet as the Balance Sheet will not balance until the Current Year Earnings are filled in from the profit or loss from the Income Statement.
3. Briefly review answers and address any questions the group may have.

Tip
Be prepared to hand out the answers to this activity as entrepreneurs may want to take a closer look at it after the session.

Entrepreneurs also use the Cash Flow Report or Cash Flow Statement to gauge their business’s financial performance. The use of these reports will be discussed in a moment.
How do accountants keep score of a business’s financial performance?

Answer Key, p. 222

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash $6,300</td>
<td></td>
<td>Accounts Payable $200</td>
<td></td>
</tr>
<tr>
<td>Petty Cash 50</td>
<td></td>
<td>Notes Payable 12,300</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable 7,000</td>
<td></td>
<td>TOTAL LIABILITIES 12,500</td>
<td></td>
</tr>
<tr>
<td>Inventory 2,000</td>
<td></td>
<td>EQUITY</td>
<td></td>
</tr>
<tr>
<td>Prepaid Expenses –</td>
<td></td>
<td>Owner’s Capital 5,000</td>
<td></td>
</tr>
<tr>
<td>Total Current Assets 15,350</td>
<td></td>
<td>Less: Owner’s Draw (16,300)</td>
<td></td>
</tr>
<tr>
<td>Equipment 3,500</td>
<td></td>
<td>Retained Earnings 17,650</td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated Depreciation –</td>
<td></td>
<td>TOTAL EQUITY 6,350</td>
<td></td>
</tr>
<tr>
<td>Net Fixed Assets 3,500</td>
<td></td>
<td>TOTAL LIABILITIES &amp;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>TOTAL ASSETS $18,850</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>OWNER’S EQUITY $18,850</td>
<td></td>
</tr>
</tbody>
</table>

BLUE SKY INDUSTRIES
Balance Sheet
December 31, 2011

BLUE SKY INDUSTRIES
Income Statement
For the Month of December 2011

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES</strong></td>
<td>$58,000</td>
</tr>
<tr>
<td>Less: Purchases/Merchandise</td>
<td>20,450</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>37,550</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>1,400</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>–</td>
</tr>
<tr>
<td>Insurance Expense</td>
<td>2,000</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>2,500</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td>1,150</td>
</tr>
<tr>
<td>Office Supplies Expense</td>
<td>2,500</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>9,350</td>
</tr>
<tr>
<td>Utilities Expense</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>19,900</td>
</tr>
<tr>
<td><strong>NET PROFIT (LOSS)</strong></td>
<td>$17,650</td>
</tr>
</tbody>
</table>
What other concepts do I need to understand to be able to read the financial statements?

60 minutes

Purpose
Review and practice three key financial concepts that will help build the entrepreneur’s understanding of financial statements—depreciation and capitalization, cash vs. profits, and gross margin.

Facilitation

Concept #3 – Depreciation and Capitalization
Entrepreneurs can follow along and write the missing terms on p. 223 of their handout from the following discussion.

Discussion Starter
What is the purpose of depreciation?

- Depreciation is the process of allocating the cost of an asset over its useful life.
- Depreciation is based on the matching principle which puts expenses into the same period as the revenues they caused to be generated.

Use an example to emphasize. Name an item or piece of equipment that could have a long useful life—say 10 years. If the cost of the item was expensed in the year of purchase, profits are distorted in all 10 years. The first year looks worse and the rest of the years look better than they should. Estimate numbers on a flip chart to further illustrate. When depreciating capital equipment, each year a portion of the original cost of the equipment is allocated as an expense. This expense is a tax deduction. Depreciation does not deplete cash.

Several different depreciation methods can be used to record the costs of fixed assets, but for planning purposes, straight-line depreciation is most common. This method is easy to calculate and the value of the asset is evenly distributed over its useful life. Briefly review the sample for Betty’s Trucking on p. 223.

Depreciation Activity, handout pp. 223 – 224
Have entrepreneurs analyze the affects of depreciation on the Income Statement and Balance Sheet. There are at least two options for conducting this activity:

1. Ask entrepreneurs to identify the accounts that will be affected by depreciation. They should identify Accumulated Depreciation, Retained Earnings, and Depreciation Expense.
2. Ask entrepreneurs to complete the Balance Sheet and Income Statement. They should refer to their completed statements from the Financial Statements Activity or the Answers handout.
What other concepts do I need to understand to be able to read the financial statements? continued

BLUE SKY INDUSTRIES
Balance Sheet with Adjustments
December 31, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>.liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash $6,300</td>
<td>Accounts Payable $200</td>
</tr>
<tr>
<td>Petty Cash 50</td>
<td>Notes Payable $12,300</td>
</tr>
<tr>
<td>Accounts Receivable 7,000</td>
<td>TOTAL LIABILITIES $12,500</td>
</tr>
<tr>
<td>Inventory 2,000</td>
<td>EQUITY</td>
</tr>
<tr>
<td>Prepaid Expenses –</td>
<td>Owner’s Capital 5,000</td>
</tr>
<tr>
<td>Total Current Assets 15,350</td>
<td>Less: Owner’s Draw (16,300)</td>
</tr>
<tr>
<td>Equipment 3,500</td>
<td>Retained Earnings 16,483</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation 1,167</td>
<td>TOTAL EQUITY 5,183</td>
</tr>
<tr>
<td>Net Fixed Assets 2,333</td>
<td>TOTAL LIABILITIES &amp; OWNER’S EQUITY</td>
</tr>
<tr>
<td></td>
<td>$17,683</td>
</tr>
</tbody>
</table>

BLUE SKY INDUSTRIES
Income Statement with Adjustments
For the Month of December 2011

Year to Date

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$58,000</td>
</tr>
<tr>
<td>Less: Purchases/Merchandise</td>
<td>20,450</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>37,550</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>1,400</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>1,167</td>
</tr>
<tr>
<td>Insurance Expense</td>
<td>2,000</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>2,500</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td>1,150</td>
</tr>
<tr>
<td>Office Supplies Expense</td>
<td>2,500</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>9,350</td>
</tr>
<tr>
<td>Utilities Expense</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>21,067</td>
</tr>
<tr>
<td>NET PROFIT (LOSS)</td>
<td>$16,483</td>
</tr>
</tbody>
</table>

Note: Highlighted cells show figures that have changed with the addition of Depreciation Expense.
What other concepts do I need to understand to be able to read the financial statements? continued

Concept #4 – Cash vs. Profits

Discussion Starters
Entrepreneurs can follow along and write the missing terms on p. 263 of their handout from the following discussion.

- Which is more important—cash or profits?
- Where does the cash to operate and grow a business come from?

Key Points

- Sales do not equal cash flow, and cash does not equal profit.
- A business can exist without profits (for a time) but not without cash.
- The greatest source of cash to a business should be generated internally through profits—sales less expenses. External sources may include bank loans, savings, selling stock, and owner contributions.

Cash Flow Statement

Before beginning the discussion of cash flow and the Cash Flow Statement, briefly discuss the theory of the cash cycle, which will be covered in greater detail in Module 9.

Key Points

- Each industry has a typical cycle of time that it takes a dollar to be spent and received back again in revenue. It is important for entrepreneurs to know what it is for their industries.
- Things that affect the cash cycle are inventory, accounts receivable, accounts payable, and payroll.

Discussion Starter

- How can the cash cycle be improved?
  

There are two different reports that can be used to monitor cash in a business—the Cash Flow Report and the Cash Flow Statement. FastTrac® GrowthVenture™ relies on the Cash Flow Report for planning purposes because it follows the cash flow for a business on a monthly basis.

Tip

Show participants the Monthly Cash Flow Report that is generated from the Financial Template. If possible, this is a good time to display the Cash Flow worksheet from the Financial Template on a computer with a projection screen.

The Cash Flow Statement looks at cash flow historically. The next activity will use the Cash Flow Statement to familiarize entrepreneurs with this report.

Cash Flow Statement Activity, handout p. 225
Using Blue Sky Industries Cash Flow Statement, help the entrepreneurs analyze the company’s situation.

Discussion Starter

- If Blue Sky’s note was due, what changes could have been made in the last few months to make the necessary funds available?
  
  Management could have postponed certain accounts payable or generated additional sales. Owners could have contributed additional equity or taken less distributions.
  
  Note: Be sure to point out depreciation is added back into Net Income because it does not affect cash.
What other concepts do I need to understand to be able to read the financial statements? continued

- **Concept #5 – Gross Margin**
  
  Gross Margin (or Gross Profit) is the remainder of sales after the costs of goods sold. It represents the dollar amount that is used to support the operating costs of the company.

  Entrepreneurs can follow along and write the missing terms on p. 264 of their handout from the following discussion:

  **Discussion Starter**
  
  What changes can be made to increase Gross Margin?

  *Increasing Sales by selling more products and services, increasing Sales dollars by increasing the selling price, lowering Cost of Goods Sold by lowering the unit cost*

  A discussion may ensue about how it is not always as simple as selling more or raising prices. For example, sometimes when prices are increased, fewer products and services are sold. Lowering the cost to produce products or offering services might mean more returns or rework.

  **Gross Margin Activity**, handout p. 226

  Using the handout, have groups review the Blue Sky Industries Income Statement for next year. They should analyze the Gross Margin and Net Income percentages.

  **Directions**: Project Blue Sky Industries Income Statement. How does the Gross Margin percentage and Net Income percentage compare with previous years? What changes do you recommend for next year?
What other concepts do I need to understand to be able to read the financial statements? continued

Answers to p. 226

BLUE SKY INDUSTRIES
Comparative Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Current Year – Actual</th>
<th>%</th>
<th>Next Year – Projected</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$58,000</td>
<td>100.0%</td>
<td>$93,000</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>20,450</td>
<td>35.3%</td>
<td>40,450</td>
<td>43.5%</td>
</tr>
<tr>
<td>GROSS MARGIN</td>
<td>37,550</td>
<td>64.7%</td>
<td>52,550</td>
<td>56.5%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>21,067</td>
<td>36.3%</td>
<td>33,567</td>
<td>36.1%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$16,483</td>
<td>28.4%</td>
<td>$18,983</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

Key Points

✓ The new printer may generate additional sales, but the cost of those sales are higher than existing products/services.
✓ Operating expenses as a percentage of sales stay approximately the same from year to year. This may support the added expense in hiring an additional staff member.
✓ Cost of Goods has risen considerably due to the increased costs associated with the new color printing services.
✓ Strategies could be explored to improve the Gross Margin that could include pricing the color printing services higher or attempting to lower the costs associated with color printing.
✓ It is possible that Blue Sky Industries has already maximized the sales on existing products and services and must grow sales by adding new services, even if they have a lower Gross Margin.
Wrap Up – How can I continue to build my financial knowledge?

5 Minutes

Identify skills learned in session that need to be reinforced through practice or continued learning.

- **Summarize Key Concepts**
  - Understanding key financial terms and concepts will help entrepreneurs read their financial statements and be able to communicate effectively with others about the financial aspects of the business.
  - Accounts are categorized as assets, liabilities, equity, revenue, and expenses.
  - The accounting equation is $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$.
  - Key financial statements include the Balance Sheet, Income Statement, Cash Flow Report, and Cash Flow Statement.

- **Summary Activity**, handout p. 226
  To help entrepreneurs focus on what they know and what they still would like to learn more about, have them complete the checklist under Summary on p. 226 of the handout. If time allows, have them share information in triads.

Activity Close

Congratulate everyone for attending this optional session. Encourage entrepreneurs to continue to increase their financial knowledge every day. Remind them of available resources to help them achieve this goal.

Connect this Module to the Next Module

This module prepares entrepreneurs to better understand the accounting and financial concepts presented in Modules 4 and 9 and to proceed with the development of their own financial projections.
Key Financial Concepts Handouts

Overview
Many of the decisions you must make on a daily basis affect the financial condition of your company. The key to effective decisions is adequate information and analysis. So in order to make effective decisions that affect the financial condition of the company, you must be able to gather adequate financial information and analyze it.

Key Questions
• What are the benefits of understanding financial information?
• What accounting principles do I need to understand?
• How do accountants keep score of a business’s financial performance?
• What other concepts do I need to understand to be able to read the financial statements?
• How can I continue to build my financial knowledge?
Personal Assessment

Making effective financial decisions can be a difficult task. Knowing your personal comfort level and attitude about financial information is a helpful starting point.

Personal Assessment Activity
What is hard for you? Put a check beside the factors below that correctly complete this sentence:

I find it hard to work with financial information because…

- I can't understand the financial reports I’m given.
- I can’t see the benefits of doing it.
- I don’t know how my decisions affect my business.
- It takes time away from my other responsibilities.
- Too much paperwork gives me a headache.
- It takes too much time.
- I can’t understand accountants.
- I’m allergic to numbers.
- ____________________________
- ____________________________

Language of Accounting

Accounting records and financial information are a form of communication. These records provide a way to store and communicate the company’s financial activity in a systematic manner. Although companies follow basic accounting rules, your company’s system of keeping records is unique and specifically designed for it. Even so, the overall purpose of all accounting systems is the same—to communicate the overall value and financial performance of a company.
Concept #1 Accounting Principles

The transactions that take place in your company provide all of the information you need to make financial decisions; but the information cannot be interpreted until it is arranged in a format that you can use. The accounting system records the financial transactions in a systematic way to communicate financial information.

The Company’s Accounts

All transactions are categorized into accounts in the accounting system. The accounts are grouped into the following categories:

- Assets
- Liabilities
- Equity
- Revenue
- Expenses

These accounts are then arranged into several reports, mainly the Balance Sheet, Income Statement, and Cash Flow Report or Cash Flow Statement.

Accounting Terms Activity

Match the account categories with the appropriate definition:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners’ rights to the value in the company</td>
<td>Money earned from the company’s activities</td>
<td>Things with value owned by the company</td>
</tr>
<tr>
<td>Money spent to support the company’s activities</td>
<td>Others’ rights to the value in the company</td>
<td></td>
</tr>
</tbody>
</table>

The Accounting Equation

The accounting equation provides the basis for accounting procedures. It states that the value of the assets must always equal the value of the rights of the creditors (liabilities) plus the rights of the owners (equity).

Accounting Equation Activity

Using the following figures, fill in the appropriate information below. During the first month of business, a piece of equipment worth $6,000 is purchased by A-1 Company. There is a loan outstanding on the equipment for $4,000. Therefore, the company’s interest in the equipment is $2,000.
Concept #2 Financial Statements

The Balance Sheet
The Balance Sheet lists the total ________________ as of a certain date and the claims against those assets as of that date. A Balance Sheet communicates a business’s ____________ position at any single point in time.

Notice that the Balance Sheet lists the same account categories used in the accounting equation. Just like the accounting equation, the assets must equal the liabilities plus owner’s equity. The Balance Sheet must balance.

EXAMPLE

COMPANY X
Balance Sheet
December 31, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash $80,000</td>
<td>Accounts Payable $42,000</td>
</tr>
<tr>
<td>Accounts Receivable 30,000</td>
<td>Notes Payable 0</td>
</tr>
<tr>
<td>Petty Cash 1,000</td>
<td>Taxes Payable 0</td>
</tr>
<tr>
<td>Inventory 100,000</td>
<td>TOTAL LIABILITIES 42,000</td>
</tr>
<tr>
<td>Prepaid Expenses 3,000</td>
<td></td>
</tr>
<tr>
<td>Total Current Assets $214,000</td>
<td></td>
</tr>
<tr>
<td>Fixed Assets 140,000</td>
<td>Owner’s Equity 30,000</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation (80,000)</td>
<td>Less: Owner’s Draws -100,000</td>
</tr>
<tr>
<td>Net Fixed Assets 60,000</td>
<td>Net Income 302,000</td>
</tr>
<tr>
<td>TOTAL ASSETS $274,000</td>
<td>TOTAL EQUITY 232,000</td>
</tr>
<tr>
<td>TOTAL LIAB. &amp; EQUITY $274,000</td>
<td></td>
</tr>
</tbody>
</table>

Balance Sheet Activity
Assuming that the A-1 Company was started in April, complete the following Balance Sheet based on the Accounting Equation Activity previously completed.

A-1 COMPANY
Balance Sheet
April 1, 2011

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities and Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>Bank Loan</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>TOTAL</td>
</tr>
</tbody>
</table>
The Income Statement

The *Income Statement* is a report that deducts the ____________ from the ____________ for a certain period of time to communicate a Net Income or Loss.

The Net Income or Loss in the business also affects the accounting equation and thus the Balance Sheet. Every time sales are received, the owner's interest in the business is increased. Every expense decreases equity.

### COMPANY X

**Income Statement**

*For the Month of December 2011*

<table>
<thead>
<tr>
<th>MONTH</th>
<th>YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$120,000</td>
</tr>
</tbody>
</table>

**EXPENSES**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$17,800</td>
</tr>
<tr>
<td>Payroll Expenses</td>
<td>$1,500</td>
</tr>
<tr>
<td>Legal &amp; Accounting</td>
<td>$1,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>$1,200</td>
</tr>
<tr>
<td>Supplies</td>
<td>$600</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>$500</td>
</tr>
<tr>
<td>Rent</td>
<td>$6,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$700</td>
</tr>
<tr>
<td>Insurance</td>
<td>$1,700</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

**TOTAL OPERATING EXPENSES**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$32,000</td>
</tr>
</tbody>
</table>

**NET PROFIT or (LOSS)**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$88,000</td>
</tr>
</tbody>
</table>
**Income Statement Activity**
For the month of April, A-1 Company’s revenue was $35,000. The expenses for this time period were $25,000. Therefore, the owner’s interest in the business is increased by the net profit of $10,000. Use the information on the Income Statement below to create a Balance Sheet for April 30, 2012. Refer back to the April 1, 2011 Balance Sheet for A-1 Company on p. 218.

**A-1 COMPANY**
**Income Statement**
For the Month Ended April 30, 2011

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$35,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>25,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

**A-1 COMPANY**
**Balance Sheet**
April 30, 2011

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities and Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Bank Loan</td>
</tr>
<tr>
<td>Equipment</td>
<td>Owner’s Equity</td>
</tr>
<tr>
<td>TOTAL</td>
<td>TOTAL</td>
</tr>
</tbody>
</table>
Financial Statements Activity
Develop a Balance Sheet and Income Statement based on the following account balances.

BLUE SKY INDUSTRIES
Account Balances
December 31, 2011

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$3,500</td>
</tr>
<tr>
<td>Utilities Expense</td>
<td>1,000</td>
</tr>
<tr>
<td>Office Supplies Expense</td>
<td>2,500</td>
</tr>
<tr>
<td>Owner’s Capital</td>
<td>5,000</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>2,500</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>50</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>12,300</td>
</tr>
<tr>
<td>Cash</td>
<td>6,300</td>
</tr>
<tr>
<td>Purchases/Merchandise</td>
<td>20,450</td>
</tr>
<tr>
<td>Inventory</td>
<td>2,000</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>1,400</td>
</tr>
<tr>
<td>Owner’s Draws</td>
<td>16,300</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td>1,150</td>
</tr>
<tr>
<td>Sales</td>
<td>58,000</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>9,350</td>
</tr>
<tr>
<td>Insurance Expense</td>
<td>2,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>7,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>200</td>
</tr>
</tbody>
</table>
### BLUE SKY INDUSTRIES
**Balance Sheet**
December 31, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>Notes Payable</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>TOTAL LIABILITIES</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>EQUITY</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>Owner’s Capital</td>
</tr>
<tr>
<td>Equipment</td>
<td>Less: Owner’s Draw</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>Retained Earnings</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td>TOTAL EQUITY</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>TOTAL LIABILITIES &amp; OWNER’S EQUITY</td>
</tr>
</tbody>
</table>

### BLUE SKY INDUSTRIES
**Income Statement**
For the Month of December 2011

<table>
<thead>
<tr>
<th></th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES</strong></td>
<td></td>
</tr>
<tr>
<td>Less: Purchases/Merchandise</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td></td>
</tr>
<tr>
<td>Advertising Expense</td>
<td></td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td></td>
</tr>
<tr>
<td>Insurance Expense</td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td></td>
</tr>
<tr>
<td>Office Supplies Expense</td>
<td></td>
</tr>
<tr>
<td>Rent Expense</td>
<td></td>
</tr>
<tr>
<td>Utilities Expense</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>NET PROFIT (LOSS)</strong></td>
<td></td>
</tr>
</tbody>
</table>
Concept #3 Depreciation and Capitalization

Depreciation is the process of allocating the __________________________ of an
________________________ over its useful life. Depreciation is based on the
________________________ principle which puts ______________________ into the same period as the __________________________ they caused to be generated.

EXAMPLE

Straight-Line Depreciation Example
Betty’s Trucking purchased a tractor and trailer (which is classified as Equipment & Machinery). The total purchase price was $145,000. When the business purchased the equipment, the cost of that equipment was recorded as an asset in the Balance Sheet because the items retain value. Straight-line depreciation reduces the asset value of the equipment each year it is owned by the business. The business expected to keep the equipment for seven years, so it was depreciated evenly over those years. This calculation accomplishes two things. First, the $145,000 will be reduced every year on the Balance Sheet, which will more accurately reflect the use of the equipment to generate revenue over time. Second, as the value of the asset is reduced on the Balance Sheet, the amount of the reduction is recorded on the Income Statement as an expense against the revenue of the company that year. Therefore, the revenue generated by the hauling this equipment will be recorded in the same period as the expenses (depreciation) for the equipment. Straight-line depreciation—a simple form of depreciation—works in the following way:

<table>
<thead>
<tr>
<th>Depreciated Amount on the Income Statement</th>
<th>Value on the Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$145,000</td>
</tr>
<tr>
<td>Year 1</td>
<td>20,714</td>
</tr>
<tr>
<td>Year 2</td>
<td>20,714</td>
</tr>
<tr>
<td>Year 3</td>
<td>20,714</td>
</tr>
<tr>
<td>Year 4</td>
<td>20,714</td>
</tr>
<tr>
<td>Year 5</td>
<td>20,714</td>
</tr>
<tr>
<td>Year 6</td>
<td>20,714</td>
</tr>
<tr>
<td>Year 7</td>
<td>20,714</td>
</tr>
</tbody>
</table>

This depreciation process assumes that the tractor and trailer will retain some value for seven years. Each year, one-seventh of the purchase price is recorded as an expense against revenue on the Income Statement and the book value is reduced on the Balance Sheet. After the seventh year, the Balance Sheet will show the asset as having no value. It might in fact have market value. For example, it might still be sold to obtain some cash, but it has no value as an asset on Betty’s Trucking’s Balance Sheet.

Depreciation Activity
Blue Sky Industries has calculated their depreciation expense for the year. The equipment shown on the Balance Sheet is for an office computer, purchased in February, of the current year for $3,500. If they depreciate this equipment for three years, its estimated useful life, each year’s depreciation amount would be $1,167. Use the following forms to create an updated Balance Sheet and Income Statement.
### BLUE SKY INDUSTRIES

**Balance Sheet with Adjustments**

December 31, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>Notes Payable</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>TOTAL LIABILITIES</td>
</tr>
<tr>
<td>Inventory</td>
<td>EQUITY</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>Owner’s Capital</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>Less: Owner’s Draw</td>
</tr>
<tr>
<td>Equipment</td>
<td>Retained Earnings</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>TOTAL EQUITY</td>
</tr>
<tr>
<td><strong>Net Fixed Assets</strong></td>
<td>TOTAL LIABILITIES &amp;</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>OWNER’S EQUITY</td>
</tr>
</tbody>
</table>

### BLUE SKY INDUSTRIES

**Income Statement with Adjustments**

For the Month of December 2011

<table>
<thead>
<tr>
<th>Year to Date</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Year to Date</td>
</tr>
<tr>
<td>Less: Purchases/Merchandise</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td></td>
</tr>
<tr>
<td>Advertising Expense</td>
<td></td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td></td>
</tr>
<tr>
<td>Insurance Expense</td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td></td>
</tr>
<tr>
<td>Office Supplies Expense</td>
<td></td>
</tr>
<tr>
<td>Rent Expense</td>
<td></td>
</tr>
<tr>
<td>Utilities Expense</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>NET PROFIT (LOSS)</strong></td>
<td></td>
</tr>
</tbody>
</table>
Concept #4 Cash vs. Profits

Which is more important? Cash or profits?

Sales do not equal cash flow, and cash does not equal profit.

A business can exist without _______________ but not without _______________.

Cash can be generated by:

Cash Flow Statement Activity

Using Blue Sky Industries Cash Flow Statement, analyze their situation. If Blue Sky’s note was due, what changes could have been made in the last few months to make the necessary funds available?

BLUE SKY INDUSTRIES
Cash Flow Statement
Year to Date, December 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance, January 1, 2011</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Net Profit</td>
<td>16,483</td>
</tr>
<tr>
<td>Adjustments to reconcile:</td>
<td></td>
</tr>
<tr>
<td>Increase in Petty Cash (reduces cash)</td>
<td>(50)</td>
</tr>
<tr>
<td>Increase in Equipment (reduces cash)</td>
<td>(3,500)</td>
</tr>
<tr>
<td>Increase in Inventory (reduces cash)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Increase in Accounts Receivable (reduces cash)</td>
<td>(7,000)</td>
</tr>
<tr>
<td>Increase in Owner’s Draw (reduces cash)</td>
<td>(16,300)</td>
</tr>
<tr>
<td>Increase in Accounts Payable (increases cash)</td>
<td>200</td>
</tr>
<tr>
<td>Increase in Notes Payable (increases cash)</td>
<td>12,300</td>
</tr>
<tr>
<td>Depreciation (does not affect cash)</td>
<td>1,167</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,300</td>
</tr>
<tr>
<td>Ending Cash Balance, December 31, 2011</td>
<td>$ 6,300</td>
</tr>
</tbody>
</table>
Concept #5 Gross Margin

Gross margin (or gross profit) is the remainder of _______________ after the _______________. It represents the dollar amount that is used to support the operating _______________ of the company.

Gross Margin Activity
Blue Sky Industries is projecting an increase in sales next year of $35,000 due to a new color printer they will purchase in January. The costs directly associated with these sales is estimated at $20,000. In addition, another part-time employee must be hired at a yearly cost of $12,500. No other increases are expected.

Review Blue Sky Industries Projected Income Statement. How does the gross margin percentage and net income percentage compare with previous years? What changes do you recommend for next year?

<table>
<thead>
<tr>
<th>BLUE SKY INDUSTRIES</th>
<th>Comparative Income Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Year – Actual</td>
</tr>
<tr>
<td>Sales</td>
<td>$ 58,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>20,450</td>
</tr>
<tr>
<td>GROSS MARGIN</td>
<td>37,550</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>21,067</td>
</tr>
<tr>
<td>Net Income</td>
<td>$16,483</td>
</tr>
</tbody>
</table>

Summary Activity
After discussing financial concepts, these ideas were reinforced:
- The purpose of accounting systems is to record and sort financial information.
- The accounting equation rule keeps the “books” in balance.
- Gross profit margin supports operating expenses, not sales.

I want to learn more about:
- Financial statements and how they are used in business.
- What my financial statements are saying about my business.
- Accounting terms, procedures and policies.
Sales Projection Tool Referenced on p. 66

Time
15 minutes

Purpose
Provide a tool for entrepreneurs to examine various sales scenarios.

Materials
Sales Projection Tool located at webpage fasttrac.org/resources. Click on FastTrac® GrowthVenture™ Toolkit, GrowthVenture™ Module 4, Activities.

Facilitation
Emphasize the importance of accurately projecting sales to all other financial projections. If the sales forecast is off, the rest of the budget is likely to be also. The Projecting Sales Tool can assist entrepreneurs in their sales projections and provide them a tool for examining various sales scenarios. The “What if’s …” For reference purposes, see a hard copy of the Sales Projection Tool on the next page.

Review Sections I and II—the bottom up and top down approaches to projecting sales—with entrepreneurs. If you have computer projection capabilities, access the Sales Projection Tool in the online toolkit at fasttrac.org/resources in the activities section of GrowthVenture™ Module 4 and demonstrate how it can be used. If a computer is not available for use in the session, recommend that entrepreneurs use the Sales Projection Tool at home to build their sales forecast. In Module 5, entrepreneurs can use the same Sales Projection Tool to evaluate different pricing strategies.

Activity Close
An accurate sales projection is the foundation for effective budgeting and forecasting.
### Sales Projection Tool

**Name:**

**Projecting Sales**
Sales can be projected with either the bottom-up, average sale, or top-down methods. All approaches can be used to run best-case, worst-case, and most likely scenarios.

### Section 1: Bottom-up

<table>
<thead>
<tr>
<th>Question</th>
<th>Formula</th>
<th>Enter amount</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are your estimated monthly operating expenses (excluding owner salaries)?</td>
<td>Yearly operating expenses = Monthly operating expenses x 12</td>
<td>$</td>
<td>$0</td>
</tr>
<tr>
<td>How much salary per year do you (and any other owners) want to make? (Your salary will be increased by 10% for employer payroll taxes.)</td>
<td></td>
<td>$</td>
<td>$0</td>
</tr>
<tr>
<td>How much pre-tax profit do you want to make in dollars?</td>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>What is your sales price per unit? (If multiple products/services are sold, use a weighted average.)</td>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>What is your cost of product/service per unit? (Be sure to not include owner salaries in this cost category.)</td>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>What is your gross margin in dollars per product/service?</td>
<td></td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>This figure is your bottom-up sales projection or the amount of sales needed to cover your cost of sales, operating expenses, and profit expectations.</td>
<td>Number of units/hours sold x selling price</td>
<td>$</td>
<td>$0</td>
</tr>
<tr>
<td>This figure is the number of units/hours you must sell to cover your cost of sales, operating expenses, and profit expectations.</td>
<td>(Yearly operating expenses + salary + pre-tax profit) / gross margin per unit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Sales Projection Tool

### Average Sale Approach

Quantify the number of sales transactions that you expect will take place over a week, month, or year and then estimate the total sales dollars those transactions will generate.

**Product/Service 1:**

<table>
<thead>
<tr>
<th></th>
<th>Weekly</th>
<th>Monthly</th>
<th>Yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 1:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Product/Service 2:**

<table>
<thead>
<tr>
<th></th>
<th>Weekly</th>
<th>Monthly</th>
<th>Yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 2:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Product/Service 3:**

<table>
<thead>
<tr>
<th></th>
<th>Weekly</th>
<th>Monthly</th>
<th>Yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 3:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Product/Service 4:**

<table>
<thead>
<tr>
<th></th>
<th>Weekly</th>
<th>Monthly</th>
<th>Yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 4:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Calculate total yearly sales.

<table>
<thead>
<tr>
<th>Product/Service 1</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Service 2</td>
<td>$</td>
</tr>
<tr>
<td>Product/Service 3</td>
<td>$</td>
</tr>
<tr>
<td>Product/Service 4</td>
<td>$</td>
</tr>
<tr>
<td>Total Yearly Sales</td>
<td>$</td>
</tr>
</tbody>
</table>
### Sales Projection Tool continued

**Section 2: Top-Down**

<table>
<thead>
<tr>
<th>Question</th>
<th>Formula</th>
<th>Enter amount</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>How many units/hours will you sell in the year?</td>
<td>Use a competitor’s sales volumes if necessary.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What is the sales price per unit/hour that you will charge your customers? (If multiple products/services are sold, use a weighted average.)</td>
<td>Total sales = Estimated units/hours sold x sales price of product/service per unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What is your cost of product/service per unit? (If multiple products/services are sold, use a weighted average.)</td>
<td>Total cost of product/service = Estimated units/hours sold x cost of product/service per unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are your estimated monthly operating expenses (excluding your salary)?</td>
<td>Yearly operating expenses = Monthly operating expenses x 12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How much salary per year do you (and any other owners) want to make? (Only enter your salary here if you haven’t included it within the cost of produce/service above. Your salary will be increased by 10% for employer payroll taxes.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This figure is an estimate of how much pretax profit your business will make in the year. Is it an adequate profit level?</td>
<td>Pretax profit = Annual sales – annual cost of product/service – estimated yearly operating expenses – salary</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Break-Even Analysis

**Referenced on p. 69**

<table>
<thead>
<tr>
<th>Time</th>
<th>30 minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Understand the components of break-even analysis and how to determine break-even.</td>
</tr>
<tr>
<td>Materials</td>
<td>Break-Even Analysis handout</td>
</tr>
<tr>
<td>Facilitation</td>
<td>Break-Even Analysis Activity, handout p. 233</td>
</tr>
</tbody>
</table>

#### Key Points

- The break-even point is sometimes a term used to describe the point at which the amount of cash coming into the business is equal to the amount of cash going out of the business. This point is called a business’s *cash break-even point*.
- Break-even can also represent the point at which the number of units sold generates revenue equal to the total expenses incurred in reaching that level of sales. This activity references the second meaning.

#### Break-Even Analysis Activity, handout p. 233

Hand out the activity, and go through the questions, prompting participants to fill in the missing (underlined) words and to provide examples from their own businesses. See Answer Key – Break-Even Analysis Activity on p. 235. Follow your introductory discussion with a more in-depth look at break-even.

Since many participants will be visual learners, use the slides to show break-even in stages. The numerical approach to break-even asks participants to calculate the break-even point using the following formulas:

- Break-Even per Unit = Fixed Costs / Gross Margin per Unit
- Break-Even Total Sales = Fixed Costs / Gross Margin %
Break-Even Analysis continued

**Tip**

After discussing The Case of Midwest Lab Services, ask participants to graph the break-even point on the graph portion of their handout. This will help participants grasp the relationship of the break-even point to sales, variable expenses, and fixed expenses.

**Calculate Break-Even – Scenario: Midwest Lab Services**

Hand out the activity Calculate Break-Even – Scenario: Midwest Lab Services from p. 234 and have participants work in teams if the group is comfortable with financial information. Otherwise, lead this exercise with the entire group using Slides OEA5 and OEA6.

A brief review of Income Statement categories may be necessary. Begin the activity by having participants complete Step 1, plugging in the information already known about the case:

- **$30,000 is a fixed cost** – Write $30,000 in the Total column next to Operating Costs (Fixed).
- **$5 is variable cost** – Write $5 in the Per Unit column next to Cost of Sales (Variable).
- **20,000 is the projected sales per unit** – Write 20,000 in the Total column next to Units.
- **$7 is the projected price per unit** – Write $7 in the Per Unit column next to Sales.

From information provided, calculate the missing numbers. Have entrepreneurs complete Steps 2 and 3. See the Answer Key on p. 236.

Wrap up this discussion by asking participants questions to identify the practicality of using break-even analysis in their own business.

**Discussion Starters**

- How was break-even analysis helpful in this situation?
- What kind of information can you discover through break-even analysis?
- How can break-even analysis be used in your company?

The more quickly a business reaches the break-even point, the better. Many businesses close before they ever reach break-even because they cannot sustain operations long enough to become profitable. Entrepreneurs who know their break-even can plan accordingly.
Distinguish among the elements of break-even analysis.

**Break-Even Analysis Activity Handout**

Break-even analysis is a valuable tool. It will identify the level of sales that must be achieved to cover all expenses. Answer the following questions to clarify the various elements used in break-even calculations.

**What is break-even?** Break-even is the point at which net profit is ______________________.
In order to establish a break-even point, you must distinguish between fixed and variable expenses.

**What are fixed expenses?** Fixed expenses remain ______________________ over a period of time. The level of sales does not influence them.
Examples:

**What are variable expenses?** Variable expenses tend to ______________________ over time. They are correlated directly with sales.
Examples:

**What are semi-variable expenses?** These have a ______________________ and a ______________________ portion to them.
Examples:
## Calculate Break-Even – Scenario: Midwest Lab Services Handout

### Step 1
Read the case of Midwest Lab Services below and fill in the information you know in the Income Statement that follows it.

Midwest Lab Services does comprehensive laboratory testing. They provide 24-hour courier service as well as on-site testing and collection. MLS has developed a personal, multiple-use cholesterol testing kit that could revolutionize the industry by its ease of use and potentially low cost. Based on bids from one manufacturer, it will cost $30,000 per year for the annual manufacturing contract. In addition, it will cost $5 to produce each testing kit. MLS believes it can sell 20,000 units the first year at $7 each to distributors.

### Step 2
Calculate missing values.

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Sales (Variable Costs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Costs (Fixed Costs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Step 3
Calculate break-even using formulas. How many units does Midwest Lab Services need to sell to break-even?

**Break-Even per Unit** = \( \frac{Fixed \ Costs}{Gross \ Margin \ per \ Unit} \)

**Break-Even Total Sales** = \( \frac{Fixed \ Costs}{Gross \ Margin \ %} \)

### Step 4
Illustrate your findings by placing your calculations on the graph below.

**Break-Even Graph**
Answer Key – Break-Even Analysis Activity

What is break-even? Break-even is the point at which net profit is zero. In order to establish a break-even point, you must distinguish between fixed and variable expenses.

What are fixed expenses? Fixed expenses remain fixed over a period of time, and the level of sales does not influence them. Examples: Management salaries, utilities, rent. Fixed costs are critical to manage because they exist despite the amount of revenue that is made. Some people call this slide—the costs that are fixed and do not vary.

What are variable expenses? Variable expenses tend to vary over a period of time, and they are correlated with sales. Examples: Cost of goods, sales commissions, production labor. Variable costs change based on the level of revenue coming in. These costs are directly related to the sales function.

What are semi-variable expenses? Semi-variable expenses have a fixed portion and a variable portion to them. Examples: Utilities, telephone. Telephone costs may have a base fee, but as sales in other states increase, so do long-distance charges. To calculate the break-even point, an estimate must be made to allocate these semi-variable costs between fixed and variable.
Answer Key – Calculate Break-Even – Scenario: Midwest Lab Services

Directions

Step 1 Read the Scenario: Midwest Lab Services below and fill in the information you know in the Income Statement that follows it.

Midwest Lab Services does comprehensive laboratory testing. They provide 24-hour courier service as well as on-site testing and collection. MLS has developed a personal, multiple-use cholesterol testing kit that could revolutionize the industry by its ease of use and potentially low cost. Based on bids from one manufacturer, it will cost $30,000 per year for the annual manufacturing contract. In addition, it will cost $5 to produce each testing kit. MLS believes it can sell 20,000 units the first year at $7 each to distributors.

Step 2 Calculate missing values.

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>20,000</td>
<td>1</td>
</tr>
<tr>
<td>Sales</td>
<td>$140,000</td>
<td>$7</td>
</tr>
<tr>
<td>Cost of Sales (Variable Costs)</td>
<td>$100,000</td>
<td>$5</td>
</tr>
<tr>
<td>Gross Margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Costs (Fixed Costs)</td>
<td>$ 40,000</td>
<td>$2</td>
</tr>
<tr>
<td>Net Profit</td>
<td>$ 10,000</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

Step 3 Calculate break-even using formulas. How many units does Midwest Lab Services need to sell to break even?

Break-Even per Unit = Fixed Costs / Gross Margin per Unit

15,000 units = \$30,000 / ($7 - 5 = 2)

Break-Even Total Sales = Fixed Costs / Gross Margin %

$105,000 = \$30,000 / ($7 - 5 = 2) divided by $7

Step 4 Illustrate your findings by placing your calculations on the graph below.

Break-Even Graph
This step is to help entrepreneurs visualize break-even on a graph, as presented in Slide OEA4, not a test in plotting a graph. Although each entrepreneur's graph will be different, completed graphs should resemble the graph on the right.
What’s in Your Competitor’s Hand?  Referenced on p. 82

Time
5 minutes

Purpose
Demonstrate the importance of knowing competitors’ strengths and weaknesses to determine one’s own competitive advantage.

Materials
Deck of cards

Facilitation
Without knowing the competition, entrepreneurs do not know how their business compares or how it can compete. To illustrate this point, do the following:

1. Identify one table of approximately 4 to 6 individuals and hand each person five playing cards that they are not to reveal to others. Tell them they are going to guess who has the best poker hand. In advance, you may want to ask for volunteers who play poker, or you will want to briefly explain the types of cards that would make up a winning hand.

2. Go around the table asking each person to tell the class whether or not they are holding the winning hand. (Participants may express some frustration in having to make a declaration with no knowledge of what other players have in their hands; but they should be encouraged to go ahead and do so.)

3. Ask players to show three of their cards by holding them up in front of them so all can see. Go around the table again asking each person if he/she has the winning hand.

4. Repeat this process by having the players hold up all their cards so they can be seen.

Debrief this activity by emphasizing that in business not knowing the competition’s strengths and weaknesses is very similar to playing a round of cards. Entrepreneurs are guessing about what the competition has and how their product or service compares. Market research to gain this knowledge is critical for them to make good business decisions and determine their competitive advantage—why customers will buy from them rather than the competition.

Activity Close
Market intelligence is key to having a successful business. The more information entrepreneurs have about the competition, the more effectively they can position their business to compete.
Identify and Protect Intellectual Property

Referenced on p. 84

30 minutes

Purpose
Identify the types of intellectual property a business may have.

Materials
Intellectual Property handout

Facilitation
Briefly review the types of intellectual property most common to businesses.

Key Points
- A patent is issued to new and useful inventions, discoveries, and designs. To be entitled to a patent, a work must be completely new, useful, and nonobvious.
- A copyright is given to “original works of authorship” such as written works, musical works, visual works, or performance works.
- A trademark/service mark protects a name or symbol which is used to distinguish one person’s goods or services from those of others.
- A trade secret is some information or process that provides a commercial advantage which is protected by keeping it secret.

Activity Intellectual Property, handout pp. 239
2. As a group, ask entrepreneurs to respond to the following questions:
   - What proprietary aspects of your products or services do you wish to protect?
   - In what ways will you protect your business’s intellectual property?

Activity Close
In some cases, a business’s intellectual property may be its most important asset. In many cases, the value of the business’s intellectual property grows as the business matures. It is important to take adequate steps to protect these assets.
Intellectual Property Handout

Determine the types of intellectual property my business may have.

**Directions**
Use the steps below to determine what types of intellectual property your business may need to protect. Review pp. 164-166 in the Entrepreneur Manual for information on intellectual property.

**Step 1 Brainstorm intellectual property.** Think of a non-franchised but themed restaurant, such as Mexican or Thai, which has unique menus, décor, and recipes. Brainstorming with another entrepreneur, make a list of all the potential intellectual property that a restaurant might have and in which category each would properly be classified.

<table>
<thead>
<tr>
<th>Intellectual Property Item</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXAMPLE</strong> Recipe for certain food</td>
<td>Trade secret</td>
</tr>
<tr>
<td>a.</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td></td>
</tr>
<tr>
<td>f.</td>
<td></td>
</tr>
<tr>
<td>g.</td>
<td></td>
</tr>
<tr>
<td>h.</td>
<td></td>
</tr>
<tr>
<td>i.</td>
<td></td>
</tr>
<tr>
<td>j.</td>
<td></td>
</tr>
</tbody>
</table>

**Step 2 List three proprietary aspects** about your own products or services you may want to protect.

a. 

b. 

c. 

**Step 3 List three ways to protect** your business's intellectual property.

a. 

b. 

c. 

**Step 4 List three questions** you need to ask an attorney about protecting intellectual property.

a. 

b. 

c. 

Create a Marketing Map  Referenced on p. 108

Time  20 minutes

Purpose  Align marketing objectives with strategies, tactics, and actions.

Materials  Create a Marketing Map handout

Facilitation  The best marketing plans are designed from the top down: develop strategies, design tactics, and determine an array of activities to implement. Each marketing strategy should have tactics and activities to support it.

Activity Create a Marketing Map, handout pp. 241 – 243
1. Hand out Create a Marketing Map for entrepreneurs to work through the alignment of their marketing objectives, strategies and activities. Suggest that entrepreneurs use Activity 6b Growth Cycle Strategies: Marketing Strategies to develop their marketing map.
2. After completing their marketing map, entrepreneurs share it with a partner and provide feedback to each other. Allow entrepreneurs fifteen minutes to complete these activities.
3. Debrief the results by asking several entrepreneurs to share their marketing map with the larger group.

Key Point  ✓ Many marketing plans fail due to a lack of planning and poor execution.

Variation  Ask 1 or 2 entrepreneurs to diagram marketing map(s) on the chalkboard or flip chart and be prepared to share it with the group. For time sake, have entrepreneurs prepare their maps while others are still sharing in pairs. Choose entrepreneurs who have a plan encompassing advertising, publicity, and promotion.

Connect the Learning to the Next Activity  Once entrepreneurs have created a marketing map, they will create a Marketing Activities Schedule. Indicate that the schedule will be the foundation of the marketing implementation component of their Marketing Plan.
Create a Marketing Map Handout

Align your marketing objectives with strategies, tactics, and actions.

Directions
Develop your marketing objectives, strategies, tactics, and actions and create a marketing map to illustrate them.

Step 1 Develop your marketing objectives. Review your Marketing Objectives on p. 216 of the Entrepreneur Manual. Write your objectives below, making sure they are measurable and clear.

a. 

b. 

c. 

d. 

e. 

Step 2 Identify 1 or 2 strategies to achieve one of the above objectives. Write your strategies below, referring to the marketing strategies you identified on p. 217 of the Entrepreneur Manual.

a. 

b. 

Step 3 Create a marketing map. Select one of your marketing strategies and fill in the blank Marketing Map. See example of Marketing Map on the next page.

Tips for using the Marketing Map:
• Write your marketing objective at the top of the page.
• In the center circle, write a strategy that supports the objective. Strategies explain how you are going to accomplish the objective.
• In each triangle, write a tactic that supports the strategy. Tactics define the marketing message and the way it should be communicated.
• Write two or more activities flowing from each tactic. Activities are the specific actions and events that are implemented for the tactics to be successful.
• Check to make sure all the components of your Marketing Map align with each other and with your overall goals and strategy for your business.
Create a Marketing Map Handout continued

Marketing Map for Johnson Security Systems
Objective: Increase sales by 3% by end of new fiscal year.

**Activity**
Co-market with architects, developers, and high-end realtors.

**Activity**
Recognize clients’ and partners’ accomplishments.

**Activity**
Serve strategically on boards, committees, and task forces.

**Activity**
Participate actively in selected organizations.

**Activity**
Network at professional associations.

**Activity**
Serve strategically on boards, committees, and task forces.

**Activity**
Participate in regional and local trade shows.

**Activity**
Recognize clients’ and partners’ accomplishments.

**Activity**
Co-market with architects, developers, and high-end realtors.

**Activity**
Participate in/ Sponsor community events.

**Strategy**
Maintain high visibility and be seen as a security expert by architects, developers, and homeowners who value safety and security.

**Tactic**
Johnson Security Systems is an expert in our field.

**Tactic**
Johnson Security Systems is an integral part of the community.

**Tactic**
Johnson Security Systems is a strong strategic alliance partner.

**Activity**
Present at local and regional conferences.

**Activity**
Send out quarterly press release touting our accomplishments.

**Activity**
Develop brochures with safety tips for neighborhood associations in selected zip codes.

**Activity**
Write articles for publications our target markets read.
Create a Marketing Map Handout continued

Objective:

Activity   Activity   Activity   Activity

Tactic

Strategy

Tactic

Activity

Activity
Optional and Enrichment Activities

Module 7

Leading Change

Referenced on p. 117

25 minutes

Consider changes related to the key topics of culture, growth, and human resources.

Leading Change

Introduce the topic of change by telling entrepreneurs that the ability to change, to be innovative, and to be flexible is one of the great competitive advantages small growing companies have over larger companies. It’s also a necessity—and a lot of fun.

Tip

Allow approximately 12 minutes for the discussion of Slides OEA7 and OEA8.

Review Slide OEA7 Leading Change and Innovation telling participants that this graph represents a typical successful change initiative. Understanding the change process will help them develop more realistic expectations for employees and results. Take them through the curve of the graph emphasizing the following:

Key Points

✓ Change is ongoing in a growing organization.
✓ Enthusiasm of those involved in change is often mediocre at first.
✓ Enthusiasm often declines as things don’t work out.
✓ Enthusiasm finally gets better as things are improved and small successes are realized. For example, as staff learn a new software program they begin to see the time savings associated with it and embrace the change. In an instance of departmental reorganization, employees’ resistance to change diminishes as they learn their new responsibilities and perform them successfully.
✓ Change is a process, not an event. Entrepreneurs need to involve those who are affected by the change to the greatest extent possible and introduce the change as gradually as possible.

Discussion Starter

X Have you experienced successful change initiatives? Describe one.

Small Group Activity

1. Divide entrepreneurs into groups of 3 or 4 people each to discuss the questions listed below. You may want to write questions on a flip chart.
   • What do you, as an entrepreneur, absolutely have to remember about how to lead change?
   • What is your role in leading change?
   • What is your role in leading your people through change?

2. After entrepreneurs have discussed these points for a few minutes, ask the whole group these questions, writing their responses on a board or flip chart. End by summarizing the major themes and adding important ones that were not included.
Segue into Slide OEA8 Leading Change saying, “Here are a few more things to remember about change…”

Expand upon each point on Slide OEA8 as follows:

**Key Points**
- Growing businesses are continually changing to take advantage of new opportunities.
- Not changing is risky because the competition may gain the advantage if a business fails to adapt to customer changes.
- As the graph shows, even successful change efforts face difficulties. Planning can help reduce difficulties associated with the change process.
- Leadership is critical to the success of a change initiative. If the change champions are not at the highest levels of the organization, their efforts will benefit greatly from the support of senior management.

**Activity Approaching Change**

Four questions are provided on the Approaching Change handout on pp. 247 – 248 to spur group discussion and help entrepreneurs think through some very challenging change situations. As you only have approximately 18 minutes for this exercise, you will want to focus on only 2 or 3 of the four questions and instruct entrepreneurs which one to complete. Your goal as facilitator is to move the participants through the exercise, energize the discussion, and summarize the learning points.

Do the following for each question assigned to the group:

1. Split entrepreneurs into groups of 3 or 4 people. Try to have several groups so that different views may surface.
2. Have entrepreneurs take about one minute to read and individually respond to the first designated question.
3. In small groups, have entrepreneurs take 3 to 5 minutes to come to a consensus. After picking the best answer, if time permits, have entrepreneurs pick the second best answer. Again, they should try to reach consensus. Discourage entrepreneurs from voting because it limits discussion, but let them vote if they get stuck.
4. Have each group identify a reporter for the group. Encourage entrepreneurs to say, “My group liked choice [A] because…” instead of just, “We like [A].” This distinction is important because it makes the activity less competitive and more focused on learning.
5. In the large group discussion, do the following:
   - Ask entrepreneurs how many choose A as the best answer, B as the best answer, and so on. Ask them to raise their hands.
   - For the most popular answer ask, “What did you like about answer [C]?”
   - Ask entrepreneurs about the second best answer and what they liked about it.
   - Play the devils advocate. Ask, “Why don’t you like answer [A]? Doesn’t it have the advantage of…?” Or, “What if I told you that [B] was the best answer? What reasons might you come up with for the value of [B]?”

Note: Make sure you have good reasons for each choice. This activity is a lot of fun and really engages the learners, but it may take a bit of time to get comfortable with the process.
Leading Change continued

Scenario 1: Organizational Culture
Key Point
✓ Changing an organizational culture is not easy and will likely meet resistance.

Discussion Starters
✗ Is it okay to have dissension on your management team in regards to culture?
✗ Can organizational culture change if senior managers are not on board?

Scenario 2: Strategic Planning
Discussion Starters
✗ When is it best to make strategic decisions yourself?
✗ Is it okay to involve your management team in decisions that could potentially impact them and/or their departments?
✗ Can management team members maintain their objectivity in making key decisions?
✗ When does outside expertise provide insights and objectivity that a management team may lack?
✗ When do you involve the whole team, and when do you work with only select members of the team?

Scenario 3: Managing Change Initiatives
Discussion Starters
✗ Should you be responsible for managing a major change initiative or is it better to delegate this responsibility to someone else?
✗ If you do delegate this responsibility, should you delegate it to someone who:
  a. Is familiar with your company culture and work processes?
  b. Is an expert in the area of change (for example, sailboat manufacturing)?
✗ If you hire an outside expert, should they be hired as an employee or a contractor?

Scenario 4: Human Resource Planning
Discussion Starters
✗ Should the way you manage change depend on whether or not your change effort is global in scope? If it should change, how should it change?
✗ In defining your management and human-resource practices, what should come first—(1) legal and procedural issues, (2) organizational values, (3) global nature of your change, or (4) your own strengths and weaknesses as a leader?
✗ Are any of the above considerations unimportant?

Variation

For the scenarios used, decide which answer you think is best and award points—say three points if the groups’ first choice was your first choice and two points if their second choice was your first choice. Add up the scores to declare a winner. Be prepared for a lively discussion from those choosing different responses.

At the end of the discussion of scenarios, ask the following questions as time allows. You may wish to preprint them on a flip chart:

Discussion Starters
✗ Are management decisions this hard in real life?
✗ What are some of the themes that emerged?
✗ What does it tell us that we sometimes had different ways of handling choices?
✗ Did you gain an advantage from hearing others’ perspectives? How can you use these findings in your real role as an entrepreneur?

Activity Close

Change is ongoing. Entrepreneurs who are clear on their personal and organization goals and the principles by which they lead will be able to ensure a consistency from one situation to another. The management team is instrumental in identifying what changes are needed and how to best implement them.
Approaching Change Handout

Practice approaches to presenting change to your management team.

Directions
Read each scenario and be prepared to answer the questions in group discussion. These questions may have more than one good answer. Pick the one answer that you think is best. By comparing and contrasting the benefits of each answer, you will discover something about your own tendencies in management.

Scenario 1: Organizational Culture
You just decided—at getting input from your management team—that you’d like to change the culture of your company to encourage more accountability and higher standards of performance. Some members of your management team support this initiative because they want all the employees to be highly productive and effective. Others are worried that your company will lose its informality and family-like feel. In order to be successful in creating more accountability, what must you do?

a. Coach the management-team members who are reluctant to change.
b. Replace the management-team members who are reluctant to change.
c. Let all employees know that more accountability will be required and let them know why this initiative is critical.
d. Rewrite all job descriptions to include specific goals for each employee.

What’s the one best answer?

Why?

Scenario 2: Strategic Planning
Your business is growing wildly, and you need to assess how staffing and management team needs may have changed along with your business’s growth. Which of the following is the best way to approach this process?

a. Analyze how growth has influenced a need for different skill sets within your organization and decide what structural and staffing changes need to be made.
b. Hire a consultant to study the current organization and make recommendations for organizational and staffing changes.
c. Share information with your management team about the current and anticipated growth for your business and involve them in developing the Management and Organization Plan to accomplish this growth.
d. Meet with 1 or 2 key members of your management team to develop a Management and Organization Plan to meet anticipated growth projections.

What’s the one best answer?

Why?
Approaching Change Handout continued

Scenario 3: Managing Change Initiatives
Your business has been successful at creating roto-molded kayaks and canoes, but you’ve concluded that growth is needed. You’re pretty sure that expanding into sailboats will reap rewards in the long-term but funding has not been forthcoming. You’ve run the numbers and you think you might be able to fund prototype and manufacturing set-up yourself, but you are hesitant about taking on additional labor costs until you have at least some proof of concept. How should you proceed?

a. Assign your senior molding manager to lead the prototype development project.
   Offer funds to hire outside experts on an as-needed consulting basis.

b. Hire an outside expert in sailboat design (as a contractor) to lead the prototype development project.

c. Hire an outside expert in sailboat design (as a full-time employee) to lead the prototype development project.

d. Lead the prototype development project yourself. Hire outside experts on an as-needed consulting basis.

What’s the one best answer?

Why?

Scenario 4: Human Resources Planning
You and your management team are working on a new business plan because your original one is out-of-date and you want to expand your geographic reach to Europe and South America. You’ve decided to start over from scratch, but you’re getting stuck when you think about personnel. What’s the first high-priority thing you should do when thinking about how to define your management and human resources practices?

a. Engage the help of a lawyer or human-resources consultant to help you outline a plan.

b. Outline the values you want the organization to use as guiding principles in all decision-making.

c. Consider how your global aspirations will affect your staffing and consulting needs.

d. Get feedback from your management team on your own management strengths and weaknesses.

What’s the one best answer?

Why?
Networking – Meeting and Greeting

Time
One session: 40 – 55 minutes
Two sessions: Meeting 15 minutes
Greeting 25 – 40 minutes

Note: This activity may be facilitated as one session or as two separate sessions; the first on Networking – Meeting (15 minutes) and the second on Networking – Greeting (25 – 40 minutes depending on if you use one or both activities). If facilitating one session, consider offering it in Modules 7 or 8. If facilitating two sessions, consider offering the first about half way through the program, in Module 4 or 5, and the second in Module 7 or 8.

Purpose
Identify organizations and activities to expand their professional network.
Prepare effective networking greetings for meeting new people and reconnecting with previous acquaintances.

Materials
Networking Activity – Targeting Organizations and Groups handout on p. 252
Networking Activity – Greeting New Acquaintances handout on p. 253
Networking Activity – Connecting with Previous Acquaintances handout on p. 254

Facilitation
- Networking – Meeting
  Review the definition of networking on Slide OEA9. The first challenge is to identify how to make the initial contact with individuals who can become important members of your professional network.

Discussion Starters
× When has networking paid high dividends for you personally?
× Where are places or organizations to meet individuals that could potentially become a part of your business network?
× How do you make the most of networking opportunities in the organizations to which you belong?
  You may wish to hold an office, volunteer your time, act as a speaker, attend events, arrive early, or attend with an agenda in mind.

Key Points
✓ By increasing the pool of people in their network, entrepreneurs may obtain information that can increase their knowledge, resources, and opportunities for the future.
✓ Through networking, participants can help others achieve their goals.
✓ Identify potentially helpful organizations in a variety of ways, such as talking with others, searching the Internet or checking the Encyclopedia of Associations.

Review Slide OEA10 Selecting an Organization and tell entrepreneurs that most organizations will allow potential members to attend several meetings prior to making a decision to join. These initial experiences give the entrepreneur the opportunity to answer the questions on Slide OEA10.

Networking Activity – Targeting Organizations and Groups
1. Hand out the activity form on p. 252.
2. Instruct participants to complete the form individually.
3. Lead a discussion on participants’ responses using the questions below.

Discussion Starters
× What groups or organizations do you feel will contribute the most to your entrepreneurial success?
× Which of these groups do you plan to research further? Why?
Networking – Meeting and Greeting

Networking – Greeting

Many an opportunity to start a conversation, make an impression, or share valuable information about the entrepreneur or the business has been lost through ineffective exchanges while meeting new or previous acquaintances. In this discussion, differentiate between greeting someone participants are meeting for the first time and greeting someone they have met previously.

Greeting – Making New Acquaintances

Once participants have joined the appropriate organizations, the next challenge is making the most of networking opportunities. Use Slide OEA11 to suggest steps for greeting new acquaintances.

This is a great opportunity to refine the one-minute marketing speech. As entrepreneurs work on crafting this message into a 20-second introduction, they can focus on their Unique Selling Proposition (USP). Their USP can differentiate their business from the competition.

Key Points

✓ When preparing to attend a networking function, entrepreneurs can make the most of the opportunity by identifying a networking goal, what they want their communication to accomplish.
✓ Entrepreneurs can identify ahead of time who to meet and what resources, tips, or opportunities they have to share.
✓ Entrepreneurs should consider sharing examples of projects or problems solved for their customers, keeping in mind what they want the listener to remember about their business.
✓ Entrepreneurs can formulate their Unique Selling Proposition (USP) in preparation of the question, “What do you do?” to avoid typical responses such as “I own my own business” or “I’m a CPA.”

Networking Activity – Greeting New Acquaintances

2. Participants complete the activity individually and meet in triads to discuss it.
3. Each participant shares the USP with the other two members of their group and asks for feedback to the following questions:
   • Was the greeting clear and concise?
   • Does the greeting describe something unique, memorable, or interesting that might encourage the other person’s interest? If not, how could the greeting be tweaked?

Tip

You may wish to list these questions on a flip chart.
Networking – Meeting and Greeting

After completing the small group activity, instruct participants to walk around the room and introduce themselves to two or more individuals who were not in their triad.

Although all will benefit from the discussion on refining their one-minute marketing speech or Unique Selling Proposition, you may wish to omit the discussion below on reconnecting with previous acquaintances, depending on time and skill level of group members.

Greeting – Connecting with Previous Acquaintances

Relationships are built over time, and it will likely take multiple meetings with the same person to begin a relationship. Following is how a meeting of old or casual acquaintances often goes:

First Speaker: “What’s new with you?”

Second Speaker: “Not much.” “What’s new with you?”

First Speaker: “Nothing really.”

The other common introductory question is “How have you been?” to which the answer is usually “Fine.” These responses represent missed opportunities to share something about their business and to move toward the entrepreneur’s goal of expanding their professional network and opportunities for success.

Key Points

The following are tips for making the most of meeting previous acquaintances:

✔️ Identify the networking goal. What does the entrepreneur want the communication to accomplish?
✔️ Identify a talking point.
✔️ Share a success story—how did the business solve a problem? Save the day?
✔️ Share a story that will encourage the listener to remember something useful about the entrepreneur’s business? What does the business want to be known for?

Networking Activity – Connecting with Previous Acquaintances

1. Ask entrepreneurs to take 2 or 3 minutes to think through their goal and talking points.
2. Participants pair and share with a partner their response to the question, “How have you been?”
3. Participants give each other feedback to improve their skills and increase their confidence.

Activity Close

Networking is crucial to your business’s success. Plan to devote time to it just as you would to the other critical functions of the business.
Networking Activity – Targeting Organizations and Groups Handout

Identify current networking activity and assess its effectiveness. Identify groups or organizations that offer the potential to expand and build a business network.

Current Organizations
What are my current networking activities? (To what groups/organizations do I belong? What functions do I attend?)

Which groups, organizations, or functions identified above offer the greatest potential for me to meet and develop relationships with individuals who can be helpful to me in growing my business?

How can I increase networking opportunities in the organizations or groups to which I already belong? (Activities may include holding an office, volunteering time, acting as a speaker, attending more meetings and events, arriving early, and attending meetings with an agenda in mind.)

New Organizations
What groups or organizations can I join to expand my professional network and further my business’s interests?
Networking Activity –
Greeting New Acquaintances Handout

When meeting someone new, be prepared to respond to the question “What do you do?”
This is your opportunity to present your Unique Selling Proposition (USP). In 20 seconds or less,
clearly and quickly explain your business in terms of problems it solves for customers, what it
does best, and/or what you want the listener to remember about your business. To show rather
than tell, you may choose to give an example of a project that illustrates your capabilities by
saying something like “My last project was…” or “One of my most interesting projects was…”
Consider in advance what your networking goal is to help you focus your USP. The one-minute
marketing speech you gave earlier in the program is a good starting point in developing your
USP, which is shorter and focused to accomplish your networking objective. Prepare your
Unique Selling Proposition below.
My networking goal is:

My one-minute marketing speech is:

My Unique Selling Proposition is:
Networking Activity –
Connecting with Previous Acquaintances Handout

Prior to attending a meeting or gathering where you are apt to see people you have not seen in a while or have met only once or twice before, prepare your response to the question you will inevitably be asked, “How have you been?” or “What’s new with you?” Use this opening as a chance to share success stories of how you helped a customer, solved a problem, or achieved a milestone. Again, consider in advance your networking goal. What do you want to be known for? What do you want the listener to remember about your business? Prepare your response below.

My networking goal is:

My greeting is:
### Business Plan Presentation Feedback Form

**Purpose**
Provide peer and coaching feedback to each participant immediately following their Business Plan presentation.

**Materials**
- Business Plan Presentation Feedback Forms on p. 256
- Flip chart

**Facilitation**
Reproduce the feedback forms on p. 256. To save paper, the feedback forms are designed three to a page. After a sufficient number of pages have been printed, cut the forms apart.

Pass around stacks of feedback forms instructing each participant to count out enough to complete one for each presentation. Instruct participants to fill out the form while listening to the presenter. Immediately after each presentation, they will be given up to a minute to finalize their notes, and the feedback forms will be gathered and given to the person who completed the presentation.

To make for easy transition between Business Plan presentations, determine ahead of time the order of the presentations and have participants write the name of their business in the proper sequence on the board or flip chart.

Participants will start their presentation by referencing their business’s name written on the board or flip chart. Listeners will write the business’s name at the top of a blank form.

At the conclusion of the presentation and after time is up for completing feedback notes, either the facilitator or the presenter will collect all feedback forms. If the facilitator collects the forms, give the feedback forms to the presenter prior to the following presentation or at the end of the session.

In order to prevent the feedback process from delaying presentations, monitor the pacing of collecting the forms.

**Activity Close**
Obtaining feedback from others is a critical step in the Business Plan and presentation. Entrepreneurs will benefit from making a concerted effort to obtain feedback from sources that are knowledgeable of marketplace needs, target markets, and the competitive environment.
# Business Plan Presentation Feedback Form Handout

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