FastTrac® NewVenture™ FACILITATOR MANUAL

FOR ASPIRING AND EARLY STAGE ENTREPRENEURS.

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On a bitterly cold day in January 1993, Ewing Marion Kauffman scheduled to launch a new program for entrepreneurs called FastTrac®. Kauffman 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. Kauffman’s staff debated whether to cancel the event, since people were being asked to stay off the roads, and Kauffman 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 Kauffman, 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 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. For more information about the Kauffman Foundation and entrepreneurship, go to entrepreneurship.org, kauffman.org, or call 800.489.4900.
Introduction

Program Overview

Welcome to FastTrac® NewVenture™. This integrated package consists of a Facilitator Manual, Entrepreneur Manual, and online toolkit designed to enable you to guide participants as they gain the entrepreneurial knowledge and skills required for venture creation and growth. This comprehensive, exciting program is presented in modules to give you flexibility in offering it in varying formats – as a single program using all ten modules or as two separate programs, the first on concept development, Modules 1 – 3, and the second on business planning, Modules 4 – 10.

Facilitator Manual

The Facilitator Manual highlights the content for FastTrac® NewVenture™ 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 approach enables participants to gain a working knowledge of entrepreneurial concepts. 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 also includes guidance on the types of guest speakers to be invited and how to schedule the program. Page references to the Entrepreneur Manual are preceded with an EM and page references to the Facilitator Manual are preceded with an FM.
Each module in the Facilitator Manual includes the following information and sections:

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

**Preparing to Lead this Session**
- 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, activities, 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** – Including summary of key concepts, preview of action steps, and connect this module to the next module

**Optional and Enrichment Activities**
- Brainstorming activities, group discussions, supplemental activities, and case studies

**Key Concepts**
Throughout both the Facilitator Manual and Entrepreneur Manual, participants are coached to consider key concepts:
- A competitive advantage is vital for long term sustainability.
- The entrepreneur's role must evolve as the business grows.
- Cash flow is paramount. Without it, the business cannot start or continue.
- The business is a success if it helps the entrepreneur reach his or her personal, professional, and financial goals.
- The planning process is a proven way to think through all the various aspects of starting a business before the entrepreneur commits financial resources.
They learn that successful entrepreneurs:

- Seek assistance from trusted advisers, mentors, and outside professionals.
- Communicate their business concept and plans clearly and concisely to their team, their customers, and their funders.
- Consider their exit strategy before they start the business.
- Set goals and regularly measure the business's progress against them.
- Develop products and services that meet the needs of the market.
- Look for new opportunities on a continual basis.
- Involve the right people in their business.
- Help others individually or through the community.

**Entrepreneur Manual**

At the heart of this comprehensive package is the Entrepreneur Manual, with 400+ pages of practical information, examples, entrepreneurial stories, additional online and text resources, activities, and action steps on topics ranging from opportunity recognition, concept development, and market analysis to financial statements and alternative funding sources. 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 participants is compiling a business plan when they don't know the questions or issues to address. The Entrepreneur Manual focuses participants with a question-and-answer format that corresponds with the online templates at fasttrac.org/resources.

**Electronic Toolkit**

At the website, fasttrac.org/resources, click on FastTrac® NewVenture™ to find PowerPoint slides and other facilitator materials. Participants can access their action steps and the Business Plan and Financial Templates at this site. These templates save the entrepreneur time in preparing their Business Plan. Many of the activities included in the Entrepreneur Manual are also available online. Participants can access a variety of entrepreneurial resources via online links from this site. Other features are videos and audios of successful entrepreneurs and distinguished business coaches.

**Program Scheduling**

Although FastTrac® NewVenture™ is formatted in ten, three-hour sessions, you have considerable flexibility to offer it in different formats with varying time commitments.

Based on the needs of your particular market, you may choose to offer the concept development modules (1 – 3) as a program separate from the business planning modules (4 – 10). This practice allows you to address the needs of participants in the exploration and very early planning stages. Participants successfully completing Modules 1 – 3 and deciding to continue their entrepreneurial journey could then enroll in the business planning segment of the program, Modules 4 – 10.

Format options 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 concept development. These three modules emphasize preparation of a business concept statement and screening it against personal goals and may be covered in either three or four sessions. A four-session format provides additional time to focus on the market research component of Module 2.

• Modules 4-10, focusing on business planning, offered in seven or more sessions, depending on the number of optional activities and enhancements included.

FastTrac® NewVenture™ may be scheduled at times convenient to the intended audience. It is recommended that you allow several days between sessions to provide participants the opportunity to research information and complete action steps.

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 business concepts and interests that are represented in the group and to familiarize participants with the local business environment. Some suggestions for customizing follow:

Newspapers, magazines and websites – Develop handouts from regional newspapers, magazines and websites that emphasize various entrepreneurial activities to expand on topics discussed in the program.

Participant and community updates – Create opportunities for participants to provide short reports and quick updates on the business plan progress. Often participants will obtain information during the course of their research that is helpful to other members of the group. 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 also wish to highlight small-business-friendly banks.

Guest Speakers

Invite speakers from the community to share their expertise and advice. Former FastTrac® participants make excellent guest speakers; participants are particularly interested in hearing their stories. If participants complete the optional activity, Interview with an Entrepreneur, frequently these entrepreneurs will respond positively to the last question on the interview sheet, “Would you be willing to speak to my group?” 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.

Entrepreneurship Website

Entrepreneurship.org, a website developed and supported by the Ewing Marion Kauffman Foundation, shares best practices in entrepreneurial leadership to advance economic growth around the world. Entrepreneurship.org can also be accessed from fasttrak.org.

Ordering Materials

All FastTrac® NewVenture™ materials are available from the FastTrac® fulfillment center 877.450.9800 or by e-mail at info@fasttrak.org.
Session 1 introduces participants to entrepreneurship and the FastTrac® NewVenture™ program. Participants explore entrepreneurial realities and the qualities common to successful entrepreneurs. They apply this knowledge by identifying their own entrepreneurial traits and creating a personal vision which they will use throughout the program to evaluate the compatibility of a business concept with their personal and professional goals. Participants define their product or service and prepare a written business concept statement which they will analyze and refine in Modules 2 and 3. Participants develop a one-minute marketing speech based on their business concept statement.

- Personal vision based on personal and professional goals
- Business concept statement
- Comparison of business concept with personal vision

**Entrepreneur Manual Outline**

**Defining Entrepreneurship**
- Managing Entrepreneurial Risks
- Developing Entrepreneurial Traits

**Discovering My Personal Vision**
- Making Personal Choices
- Making Professional Choices
- Establishing a Personal Vision

**Developing My Business Concept**
- Defining Products and Services
- Writing a Business Concept Statement
### Activities During Session
- Activity 1a Business Concept Statement
- Activity 1b Building My Network

### Action Steps Before Session
Read Introduction and Module 1 Exploring Entrepreneurship

*Note: If participants do not get their manuals in advance, assign these readings for after the session.*

### Action Steps After Session
- Action Step 1.1 Create My Personal Vision
- Action Step 1.2 Develop a Business Concept Statement
- Action Step 1.3 Evaluate a Business Concept Against My Personal Vision
- Read Module 2 Identifying and Meeting Market Needs

### Optional and Enrichment Activities
- Welcome Bingo
- Style Assessments
- Hiring Family Members
- Interview with an Entrepreneur

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### Business Planning

1. Exploring Entrepreneurship
2. Identifying and Meeting Market Needs
3. Setting Financial Goals
4. Planning the Product/Service
5. Researching and Analyzing the Market
6. Reaching the Market
7. Building the Organization and Team
8. Planning for a Profitable Business
9. Monitoring Cash Flow and Seeking Funds
10. Implementing Next Steps

### Concept Analysis

1. Exploring Entrepreneurship
2. Identifying and Meeting Market Needs
3. Setting Financial Goals
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>EM Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>15 minutes</td>
<td>Welcome and Introductions</td>
<td>Index cards, Flip chart, Slide 1A</td>
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<tr>
<td></td>
<td>Get Acquainted and Participant Expectations</td>
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<tr>
<td>10 minutes</td>
<td>What will I learn in the FastTrac New Venture program?</td>
<td>Entrepreneur Manual, Flip chart, Slides 1B – 1F</td>
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<tr>
<td></td>
<td>FastTrac® NewVenture™ Program Introduction</td>
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<tr>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
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<tr>
<td>13 minutes</td>
<td>What is entrepreneurship? What are the characteristics of successful entrepreneurs?</td>
<td>Flip chart, Slide 1G</td>
<td>6 – 11</td>
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<tr>
<td></td>
<td>What are my own entrepreneurial traits?</td>
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<td></td>
<td>Defining Entrepreneurship</td>
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<td></td>
<td>Developing Entrepreneurial Traits</td>
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<td></td>
<td>Reality Check Entrepreneurial Traits</td>
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<tr>
<td>12 minutes</td>
<td>What is my personal vision?</td>
<td>Slides 1H – 1I</td>
<td>12 – 15</td>
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<td></td>
<td>Personal Vision</td>
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<td>Making Personal Choices</td>
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<td></td>
<td>Making Professional Choices</td>
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<td></td>
<td>Action Step 1.1 Create My Personal Vision</td>
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<tr>
<td>20 minutes</td>
<td>How do I turn my idea into a business concept?</td>
<td>Slides 1J, Activity 1a</td>
<td>16</td>
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<td></td>
<td>Business Concept</td>
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<td></td>
<td>Activity 1a Business Concept Statement</td>
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<tr>
<td><strong>Guest Speaker</strong></td>
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<tr>
<td>30 minutes</td>
<td>Becoming an Entrepreneur</td>
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<td><strong>Networking Break</strong></td>
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<tr>
<td>20 minutes</td>
<td>Introduction to Networking</td>
<td>Activity 1b, Slides 1K</td>
<td>29</td>
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<td></td>
<td>Activity 1b Building My Network</td>
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<td><strong>Coaching Session</strong></td>
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<tr>
<td>20 minutes</td>
<td>How do I define my products or services?</td>
<td>Grab bag, Index cards</td>
<td>16 – 18</td>
</tr>
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<td></td>
<td>Defining Products and Services</td>
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<td></td>
<td>Features and Benefits Activity</td>
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<td></td>
<td>Features and Benefits Pair and Share</td>
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<tr>
<td>25 minutes</td>
<td>How do I write a business concept statement?</td>
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<td>19 – 24</td>
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<td>Writing a Business Concept Statement</td>
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<td></td>
<td>Action Step 1.2 Develop a Business Concept Statement</td>
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<tr>
<td>5 minutes</td>
<td>Does my business concept match my personal vision?</td>
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<td>24</td>
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<td></td>
<td>Action Step 1.3 Evaluate a Business Concept Against My Personal Vision</td>
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<tr>
<td><strong>Wrap Up and Action Steps</strong></td>
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<tr>
<td>10 minutes</td>
<td>Summarize Key Concepts</td>
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<td>25</td>
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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

This first module of the FastTrac® NewVenture™ program sets the stage for the learning environment. Participants come into the program with varying levels of expertise and diverse expectations. They will demonstrate significant differences in how fully their business concepts are developed.

In this session, you will lay the framework for the rest of the program by sharing your expectations, their needed commitment, and the first steps they will take to begin this entrepreneurial journey. Reactions will vary, but you will probably notice participants who are excited, apprehensive, confused, and eager. To meet the needs of all participants, remember to:

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

Provide a comfortable learning environment – Include refreshments, pre-session music, quiet table toys. Be mindful that these amenities should be used to support learning, not distract from it.

Present critical information – Introduce resources, products, and multi-media tools that will appear in upcoming modules. Presenting the big picture initially gives participants greater perspective and appreciation for the required work. Use different ways to present information such as handouts, visuals, and auditory explanations.

Use the introduce-practice-apply approach – Allow participants to practice new concepts and apply them to their individual businesses.

Following the introduce-practice-apply process will help make this program a success. Participants are introduced to key topics through their reading, the facilitated activities, group discussions, and guest speakers. They practice their new learning and then, during the coaching session, apply it to their own business.

In this session, some participants may need to be encouraged not to skip the introspective steps of clarifying their personal goals and evaluating their concept against their goals. Others may need one-on-one assistance in identifying the benefits of their product or service.

Ensure confidentiality – Some in the group might think that others may steal an idea or be concerned that an employer may find out they are taking the program. Be prepared to discuss confidentiality of information shared by participants in the session.

Materials Needed

Slides
More Info Resources
Index cards
Flip chart
Grab bag with four or five items
Preparing to Lead this Session  

**Creating the Uncommon Company**

This seven-minute video can be used to acquaint participants with the founder of the Ewing Marion Kauffman Foundation and his inspirational entrepreneurial journey.

**Guest Entrepreneur**

Guest speakers bridge the gap between the principles and practice of entrepreneurship. Use the Guest Speaker Confirmation form following to ensure that the speaker is prepared and discusses relevant points, providing maximum value to participants.

Ask one or two guest entrepreneurs, preferably previous FastTrac® participants who have started successful businesses, to talk about their entrepreneurial journey and the challenges of starting their business.

Be sure to invite them to stay for the networking break!
Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

Date of Presentation

Time

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Becoming an Entrepreneur

Please include the following information in your presentation:

- How you decided to start your business
- Your business concept in two to three sentences to model a one-minute marketing speech
- How you recognized the idea for your business
- What personal characteristics contributed to your entrepreneurial success
- How your role has changed since you started your business
- The rewards of being an entrepreneur
- The risks and downside of being an entrepreneur
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

Background For this first session of the program, participants are exploring entrepreneurship, their goals, and their business concept. During the program they will analyze their business concept and then begin the business planning process.
Exploring Entrepreneurship

15 minutes

Create an environment for learning. In addition to staff introductions, this segment facilitates a brief exchange of information regarding the participants, their business idea, and their expectations for the program.

- Welcome and Introductions
  - Introduce facilitator and business coaches. Highlight their qualifications and roles.
  - Introduce community sponsors, if any.
  - Introduce support staff and outline their role.

Tip

Greeting participants individually as they enter the room for the first session creates a welcoming environment. Have Slide 1A displayed as participants enter the room.

- Get Acquainted and Participant Expectations
  - Individuals share their name, business idea, and their expectations for the program – expectations can be captured on a flip chart for use in future sessions.
  - As introductions proceed, foster a networking spirit by pointing out individuals who could help each other because they have similar business ideas, regional location, or common industries.
  - Be prepared to manage expectations. When a participant identifies an expectation that will not be directly met by the program, explain how the participant can still have that need met during the program (for example, using outside advisers, contacts, research). Be sure to highlight, collectively, all of the expectations that will be met throughout the program as well.
  - Reinforce time management from the beginning. Step in and redirect entrepreneurs’ introductions if they go beyond the brevity requested.

Optional

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

Peer introductions – To model networking behavior, use peer introductions instead of having individuals introduce themselves. Ask participants to write their name and business idea on the front of a 3 x 5 index card. On the back, ask them to write their expectations. Have participants exchange cards so they will be introducing each other. As one participant 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 participant expectations is to post all index cards (expectation side showing) on one flip chart or board labeled “Course Expectation Parking Lot.” Instruct participants to revisit this 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 from time to time outside the sessions to see what expectations remain. At the end of the program, revisit the Parking Lot and address any unmet expectations.

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

10 minutes

Purpose
Orient participants to FastTrac® NewVenture™, its features and benefits, and participant responsibilities.

Facilitation

- FastTrac® NewVenture™ Introduction
  Preview what’s ahead for participants 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 participants.

  Remind participants to:
  - Ask questions any time they need to.
  - Share their knowledge and experience with other participants.
  - Put more into this program, so they will get more out of it.

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

  **Purpose of the program** – FastTrac® NewVenture™ is designed to build participants’ entrepreneurial skills and guide them through each step of business concept development and the business planning process. They will encounter checkpoints along the way to help analyze and test their business concept and plan. It’s not unusual to modify and, in some cases, totally change the business concept or even decide that starting the business is not the right thing to do at this time. Slide 1C will help you introduce the major outcomes to participants.

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

  **Format for each session** – Slide 1D shows 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 concept analysis; Modules 4 through 10 focus on the business planning process.
What will I learn in the FastTrac® NewVenture™ program? continued

**Program materials** – Use Slide 1F to describe how the program materials work together.
- **The Entrepreneur Manual** includes readings and **Reality Checks** for participants to complete before coming to the next session.
- **Check Your Knowledge** sections contain additional activities and resources to support learning.
- **Activities** in the Entrepreneur Manual are completed at each session and should not be worked on before the session.
- **Action Steps** appear in the Entrepreneur Manual, are introduced in the coaching sessions, and will be completed between sessions. They guide participants through concept development and the business planning process.
- **Financial Facts Worksheets** are introduced in Module 3 and used in subsequent modules to capture researched costs and financial assumptions needed to complete the Financial Plan.
- **The FastTrac® NewVenture™ Toolkit** at fasttrac.org/resources features a Business Plan Template, sample plans, activities, and resources. An easy-to-use, Excel®-based Financial Template helps generate the financial statements needed to get started.
- **More Info Resources** are lists of websites, books, and other sources of information to help you develop your entrepreneurial skills.

If participants read the Entrepreneur Manual and complete Reality Checks and Check Your Knowledge sections before the session, they will be prepared to participate in discussions and activities during the session. Then they will be introduced to action steps which they will complete between sessions using information they have accumulated in Reality Checks, through research and More Info Resources, and on the Financial Facts Worksheets. In Modules 4 through 10 they will work on their Business Plan and Financial Plan using the FastTrac® NewVenture™ Toolkit.

**Action steps due dates** – Participants build their Business Plan one section 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.

**Participant roles and responsibilities** – Participants gain the most from the FastTrac® NewVenture™ program when they take an active role in the planning process. 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 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 now time to dive into the learning.
What is entrepreneurship? What are the characteristics of successful entrepreneurs? What are my own entrepreneurial traits?

13 minutes

Lay the foundation for understanding entrepreneurship and entrepreneurial success.

In the Facilitated Activities and Group Discussion portion of each session, you will introduce information and provide an opportunity for participants to discuss and practice concepts. The focus in this segment is the entrepreneurial process and key entrepreneurial traits.

Defining Entrepreneurship
To create a common understanding of entrepreneurship, start the participants thinking about this topic with Slide 1G.

Discussion Starters

- What makes an entrepreneur different from a business owner? Entrepreneurs recognize opportunities – this ability is often referred to as the entrepreneurial mindset, marshal resources, and initiate and operate a business in the face of risk.
- What role do other people play in the success of an entrepreneur? Successful entrepreneurs involve the right people in their business. They seek assistance from trusted advisers, mentors, and outside professionals.

Key Point
In order to accomplish these activities, entrepreneurs must possess certain traits.

Tip
Use a Scribe. Here and throughout the program, ask a volunteer to list the points on a flip chart. This practice frees you to focus on leading the discussion, creates a visual that reinforces the learning of the visual learner, and contributes to a sense of participation.

Developing Entrepreneurial Traits

Discussion Starters
Ask participants to envision a very successful entrepreneur they know personally or one who is well known locally or nationally.
- What traits do these entrepreneurs possess? Use a flip chart to record responses.
- Do all of these entrepreneurs share the same characteristics and skills? No set or prescribed list of traits is mandatory for entrepreneurial success, although common traits are explored in the self-assessment, Reality Check Entrepreneurial Traits.
- Do you think entrepreneurs are born or made? While some character traits may be part of an entrepreneur’s personality, persons can develop many of the skills, knowledge, and abilities to be successful.
What is entrepreneurship?

What are the characteristics of successful entrepreneurs?

What are my own entrepreneurial traits? continued

Traits that participants identified in the previous discussion of successful entrepreneurs can be classified into two broad categories: 1) Entrepreneurial Characteristics and 2) Entrepreneurial Skills, Knowledge, and Abilities.

Reality Check Entrepreneurial Traits

If participants have not had the Entrepreneur Manual prior to the session, they will not have completed this self-assessment. Ask them to evaluate their personal suitability for entrepreneurship before the next session. The following discussion is appropriate before or after they assess themselves.

Discussion Starters

Referencing the Entrepreneur Manual, and ask:

- Which of these traits appear to come naturally to people?
- Which of these traits can be developed?
- How have you been successful by overcoming weak areas in the past?

Did they find special workshops to attend, read a particular book, network with others for assistance, or practice a specific technique?

Style Assessments

Giving a style assessment as part of this program or recommending participants take one on their own can help them make better decisions as they plan their business. Style assessment tools can be used to identify specific behavioral tendencies and interpersonal communication styles of individuals. They can also be used to analyze such areas as adaptability, risk tolerance, creativity, strategic thinking, planning, goal orientation, and personality traits. By understanding their strengths and weaknesses, participants will be better able to choose an appropriate business concept and select business partners, employees, and advisers to complement them. For sources of style assessments, see the Optional and Enrichment Activities tab at end of the Facilitator Manual.

Knowing themselves and knowing key entrepreneurial traits will help participants decide if starting a business is right for them. Defining their personal vision is the next step in this process.
What is my personal vision?

12 minutes

Prepare participants to identify their personal and professional goals and to complete Action Step 1.1 Create My Personal Vision outside the session.

Personal Vision
Participants have made one of their first entrepreneurial decisions – to learn more about starting a business. Now they need to clarify what they want for themselves from their business and the trade-offs it might require. Developing a business concept that is compatible with their personal criteria is critical to long-term satisfaction.

Discussion Starters
✓ How can having a personal vision help you and your business?
✓ How will you know if your business is meeting your needs?
✓ What might happen if your business does not meet your needs?

A personal vision includes both personal and professional goals.

Making Personal Choices
Using Slide 1H, identify the personal choices participants may need to consider in developing their personal vision.

Discussion Starter
✓ Do you want to maintain your current lifestyle or create a new one?

Key Points
✓ If a business cannot sufficiently support the entrepreneur and his or her family financially, long-term satisfaction is questionable.
✓ Personal financial resources and the ability to attract external investment have a significant impact on the type of business to start.
✓ Participants must consider not only personal needs but those of family members as well.

Making Professional Choices
Using Slide 1I describe the professional reasons many entrepreneurs start a business.

Discussion Starters
✓ What are the professional risks associated with becoming an entrepreneur?
✓ What are the professional risks associated with NOT becoming an entrepreneur?

Enrichment Activity

Hiring Family Members
For a discussion on hiring family members, see the Optional and Enrichment Activities tab at the end of the Facilitator Manual.
What is my personal vision? continued

Key Points
✓ Entrepreneurs reduce risks by writing a Business Plan in which they thoroughly research all aspects of the business. Successful entrepreneurs take calculated risks.
✓ Developing a personal vision of their business requires participants to know upfront the personal and professional choices they are making.
✓ Entrepreneurs should consider their dreams, but they also need to be reasonable. Conflicting goals that demand a compromise or resolution will become apparent.

Action Step 1.1 Create My Personal Vision
Tell participants to complete Action Step 1.1 Create My Personal Vision before coming to the next session. Discuss any questions participants may have about this action step.

Activity Close
Encourage participants to think about these two questions before the next session
• Is your business concept going to meet your personal or professional needs?
• Are the advantages of running your business worth the trade-offs?
How do I turn my idea into a business concept?

20 minutes

Demonstrate what constitutes a clearly defined business concept statement. Practice analyzing a business concept statement.

Business Concept

Discuss the importance of a clearly defined business concept for making business planning decisions and for communicating with others. Use Slide 1J to clarify the content of a business concept statement.

Discussion Starter

Why is it important to have a business concept statement?

Entrepreneurs must be able to communicate their business concept clearly and succinctly to attract investors, customers, vendors, and others. The business concept identifies the exact product or service to be offered and its purpose and unique features.

Activity 1a Business Concept Statement

To give participants practice in evaluating a concept statement before they write their own, ask them to individually review the concept statement for Donovan’s Detail in the Entrepreneur Manual and answer the questions in the activity. In groups of 3 to 5, discuss and reach a consensus. Each group will report on their assessment of the concept statement’s effectiveness along with suggestions for improvement.

Key Points

✓ The concept statement provides a brief but comprehensive overview of the business.
✓ Successful entrepreneurs can clearly and succinctly describe the precise nature of their business.
✓ The concept will likely change as a result of learning about the market and the profitability of the business.
✓ The concept will be part of the Executive Summary in the Business Plan.

Variations

Pro-Specialty Advertising – If time allows, this same process can be repeated for Activity 1a Business Concept Statement – Pro-Specialty Advertising. If you only have time to evaluate one business concept, this service business example can be substituted for Donovan’s Detail (product business) for some or all of the small groups.

Other business concepts – Bring additional business concepts for the participants to evaluate and discuss.

Tell participants they will now hear from an entrepreneur about the entrepreneurial journey.
Guest Speaker – Becoming an Entrepreneur

30 minutes

Close the gap between theory and practice by having a guest speaker tell a personal story of becoming an entrepreneur.

Announce the guest speaker’s topic, “Becoming an Entrepreneur.”

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.

Tip

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

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 and answer session.

Tip

Arrange in advance to provide 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:
- How you decided to start your business
- Your business concept in two to three sentences to model a one-minute marketing speech
- How you recognized the idea for your business
- What personal characteristics contributed to your entrepreneurial success
- How your role has changed since you started your business
- The rewards of being an entrepreneur
- The risks and downside of being an entrepreneur
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

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

20 minutes (5 minutes for explanation and 15 minutes for Networking Break)

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

**Introduction to Networking**

Networking is an often overlooked but critical skill of successful entrepreneurs. This program provides a safe environment to practice these skills.

**Discussion Starter**

- Have you ever wondered why one entrepreneur is able to succeed while another with an equal or better business concept seems to be struggling?

A number of reasons may account for this difference. Some entrepreneurs just seem lucky. Sometimes that “luck” comes because they develop a network of contacts with whom they share tips, information, and referrals.

**Key Points**

- Mark Granovetter, an economic sociology professor at Stanford University, believes in “the power of weak ties.” His research makes a compelling case that weak ties, for example, connections with colleagues and acquaintances, are more important for business success than the strong ties of family and friendship.

- One of the most important skills you can develop as an entrepreneur is networking. We are going to spend time at each session helping you develop your networking skills and build your network.

**Activity 1b Building My Network**

Have participants refer to Activity 1b Building My Network in the Entrepreneur Manual and cover the following information. Refer to the diagram in Activity 1b Building My Network.

**Key Points**

- Participants in this program have become associates because they all belong to a common group.

- Often relationships in these categories will not develop any further unless you find a reason to stay connected.

- The goal in networking is to develop these random or superficial relationships into meaningful and mutually beneficial ones.

**Tip**

Scan the room to be sure everyone is participating during this first Networking Break. If someone is seated, reading materials, or generally not engaged, encourage them to join in. The first session sets the stage for the quality of Networking Breaks to come.

Instruct participants to complete Step 1 in this session and introduce themselves to other participants during the Networking Break. The participants’ challenge is to collect contact information (phone or e-mail) from as many group members in the time allowed. Participants will have 15 minutes to complete their list and take a break.

Participants will complete Step 2 during future sessions (prior to session, at break, after session, between sessions). Participants are to engage each of the persons from the list they have created in a one-on-one conversation and share the types of information identified on the handout. They repeat the process until they have followed up with each person on the list.
How do I define my products or services?

20 minutes

Think about their product or service from the customers’ perspective by learning the differences between its features and its benefits.

- **Defining Products and Services**
  Participants begin to define their product or service on the way to developing a business concept statement. First they must learn to think about their business from the consumer's point of view.

- **Discussion Starters**
  - Why does your product/service exist?
    *Products and services exist to fulfill specific consumer needs.*
  - What is the purpose of your product/service – what does it do?
    *The product/service purpose and benefits should be described from the consumer’s viewpoint.*

**Tip**

Illustrate the difference between purpose and product. The Entrepreneur Manual uses the example of 7-Eleven® stores that exist for the "convenience" of their customers.

**Features and Benefits Activity**

1. To help participants distinguish between features and benefits, have a participant pull an item from a grab bag. Any number of items typically found in a conference room or office work well for this activity. Examples: a cell phone, a wallet, or a paper weight. Alarm clocks, curling irons, and similar products can be brought from home.
2. Ask participants to identify the features of the item. The participants may choose to describe the item as either a product or service. For example, a curling iron could be simply a product or could represent the services of a stylist who uses a curling iron.
3. Follow with a discussion of product/service benefits. Be prepared to help participants differentiate between features and benefits. Point out the importance of identifying benefits from the customers’ perspective.
4. Repeat the process several times using different items.

**Variations**

Have participants break into groups of 2 or 3. Give each group an item and have them decide whether they will call it a product or service. Then have the groups list features and benefits for their item. Circulate around the room to ensure they are distinguishing between features and benefits. Debrief the activity by asking one or two groups to present their features and benefits lists.
How do I define my products or services? continued

Discussion Starters

X What do customers buy?
   Benefits. Features describe the product; customers buy benefits.
   Features tell, benefits sell.

X How is this information important to your marketing and sales approach?
   Having a competitive advantage – uniqueness – is critical to long-term success
   in the marketplace.

Features and Benefits Pair and Share

To help participants apply this knowledge to their own business idea, ask each participant
to write one or two features and the corresponding benefits of their product or service on
an index card. Have participants share results with a partner.

Tip

When discussing the unique features of their product or service, some participants will be tempted to use
buzz words such as best, most advanced, and latest. Have participants define exactly how a product or
service is the “best” or “most advanced.”

Participants will use their understanding of the benefits of their product or service as
they work on their business concept.
How do I write a business concept statement?

25 minutes

Start the participants writing their business concept statement as a bridge between their business idea and their Business Plan.

Writing a Business Concept Statement

One way to turn a business idea into a business concept is to write the idea down into a concise business concept statement.

Action Step 1.2 Develop a Business Concept Statement

To initiate the concept development process, the participants will individually complete as much as possible of A and B during this coaching session. They will do C and D, the written concept and one-minute marketing speech, outside of this session.

Before they get started, explain how to complete this action step. Give participants about 10 minutes to start working on Action Step 1.2 during the coaching session. Be available to answer questions and provide encouragement while participants work individually.

Conduct a brief discussion about where participants might find the types of information they are missing (the X marked in the third column Item Needs Research). Tell them they will learn more about researching their business concept in Module 2.

Key Points

- Participants will be able to fill in missing information as they conduct market research (Module 2) and progress through the program.
- Column C will serve as a guide to research conducted in later modules.

Before the next session, participants review and add missing information to A and B and complete C and D, written concept statement and a one-minute marketing speech to be given during the next session.

Tip

This discussion is not meant to teach market research, but rather to prepare participants to gather information and to expose them to the wide range of resources they may need.

Tip

Some participants will experience frustration at not being able to answer questions. Encourage them to answer as many as possible; the next session on market research will better equip them to respond to unanswered questions.

Once participants have clearly defined their product/service and prepared their business concept statement, the next step is to evaluate their business concept against their personal vision.
Does my business concept match my personal vision?

5 minutes

Demonstrate the importance of evaluating how well a business concept matches their personal and professional goals.

Evaluating a Business Concept

Prepare participants for completing this action step outside of the session by looking briefly at the instructions and answering their questions.

Action Step 1.3 Evaluate a Business Concept Against My Personal Vision

Show participants how this action step guides them through the assessment process of discerning whether or not their business concept matches their personal and professional goals.

Discussion Starters

To clarify the importance of completing this analysis prior to developing the business concept, ask participants:

- What is the value of comparing your business concept to your personal vision?
  - Compatibility of the business with personal goals is critical to long-term satisfaction.
- Why is it necessary to identify non-negotiable items as a part of the evaluation process?
  - To keep from giving up something you value more than starting this business.
- What are some of the items you consider non-negotiable?

Show participants how this action step guides them through the assessment process of discerning whether or not their business concept matches their personal and professional goals.

Encourage participants to be objective in evaluating their concept and not to hang onto a business concept that does not meet their personal vision. This is the time to make such determinations and, if necessary, search for another concept that is a better match.
Wrap Up and Action Steps

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

- **Summarize Key Concepts**
  - Successful entrepreneurs share many traits, and it is helpful to assess yourself for these traits early in the planning process.
  - Developing a personal vision of what you want the business to provide is a powerful tool to assist you in determining if a business concept is right for you.
  - A clearly defined business concept statement is critical to the planning process and to communicating effectively with bankers, investors, vendors, and others interested in your business.

**Tip**
A great way to recap and summarize is to ask participants to identify one concept they learned during 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 participants through the concept development and planning process to the eventual writing of a Business Plan, they need to complete key action steps. Several of these steps have been partially completed during the session. Participants will complete these action steps before the next session:

  - **Action Step 1.1 Create My Personal Vision** – Prepare a personal vision statement that includes personal and professional goals for the business.
  - **Action Step 1.2 Develop a Business Concept Statement** – Identify key components of the business concept and convert it into a clear, succinct concept statement. Participants should be prepared to turn in a written concept statement and orally present the concept in the form of a one-minute marketing speech at the next session.
  - **Action Step 1.3 Evaluate a Business Concept Against My Personal Vision** – Evaluate the match between personal vision and initial business concept.

- **Read Module 2 Identifying and Meeting Market Needs**
  In Module 2 participants will think more extensively about their product or service and its relationship to the larger marketplace. They will be introduced to market research and resources for gathering data essential to their developing a Business Plan. Encourage them to read Module 2 and complete the Reality Checks in it.

- **Interview with an Entrepreneur**
  You may also wish to ask participants to complete an interview with an entrepreneur. A handout appears behind the Optional and Enrichment Activities tab in this Facilitator Manual.
**Identifying and Meeting Market Needs**  
**Concept Analysis**

---

**Purpose**
Most participants already have an initial business concept in mind. This module, however, can help them sharpen a critical entrepreneurial skill: the ability to recognize opportunities and identify which are worth pursuing. The second part of the module is devoted to market research—appreciating the need for research, determining what research is relevant to their business concept, and knowing where to find it.

Participants will build their skills and confidence to research an industry and its market characteristics, potential competitors, and customers. They will analyze initial data to help confirm or refine their business concept. Not all of the market research will be completed before the next session. Participants will use their research in later modules as a basis for many business decisions—from defining customer profiles and selecting target markets to determining promotional methods and making sales projections.

**Key Outcomes**
- Strategies for recognizing and evaluating potential market opportunities
- Basic market research on their business concept
- Evaluation of whether business concept meets market needs

**Entrepreneur Manual Outline**

**Recognizing Opportunities**
- Identifying Problems and Needs
- Studying Industries, Markets, and Competition
- Researching Demographics, Lifestyles, and Habits
- Watching Trends
- Establishing a Personal Network

**Evaluating Opportunities**

**Understanding Market Research**
- Primary Research
- Secondary Research

**Collecting the Right Data**
- Industry Profile
- Customer Profile
- Competitive Profile

**Gathering and Analyzing Data**
- Industry Research
- Customer Research
- Competition Research
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 Optional and Enrichment material to expand this module if your schedule allows you to devote two sessions to Module 2. You may want to include a field trip to a library or arrange for participants to work on their online research as a group. Entrepreneurs typically appreciate the opportunity to conduct research with the guidance of their facilitator, business coach, and/or a business reference librarian.

Activity 2a Customer Profile Worksheet
Activity 2b Competitors – Direct and Indirect

Action Step 1.1 Create My Personal Vision
Action Step 1.2 Develop a Business Concept Statement
Action Step 1.3 Evaluate a Business Concept Against My Personal Vision
Read Module 2 Identifying and Meeting Market Needs

Action Step 2.1 Conduct Market Research
Action Step 2.2 Evaluate and Refine My Business Concept
Read Module 3 Setting Financial Goals

Optional and Enrichment Activities
Brainstorming Change
Trends and Business Opportunities
Products/Services and Spin-Offs
The Case of Kimo’s Katering
The Case of Custom Goods
## Concept Analysis
### Identifying and Meeting Market Needs

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<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
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<tbody>
<tr>
<td><strong>Opening</strong></td>
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| 15 minutes     | - Entrepreneurs’ Exchange  
- Debrief Action Steps  
  Action Step 1.2 Develop a Business Concept Statement  
- Session Overview | Slide 2A Entrepreneur Manual |         |
| **Facilitated Activities and Group Discussion** |       |                         |         |
| 20 minutes     | How do I identify potential business opportunities?  
- Recognizing Opportunities  
  Identifying Problems and Needs  
  Small Group Activity – Marketplace Needs and Wants  
  Watching Trends  
- Establishing a Personal Network | Slide 2B Flip chart | 42 – 46 |
| 10 minutes     | Does my business concept represent an opportunity in the marketplace?  
- Evaluating Opportunities  
  Reality Check Business Idea Evaluation | Slide 2C | 47 – 49 |
| 10 minutes     | What is my business entry strategy? Why should I consider an exit strategy before I start my business?  
- Entry and Exit Strategies  
- Pair and Share Activity – Entry and Exit Strategies | | |
| 15 minutes     | What is market research and why is it important for my business concept?  
- Understanding Market Research  
  Primary Research  
  Secondary Research | Slides 2D – 2E | 49 – 54 |
| **Guest Speaker** |       |                         |         |
| 30 minutes     | Market Research | | |
| **Networking Break** |       |                         |         |
| 20 minutes     | Activity 1b Building My Network (continued) | Activity 1b | 29 |
| **Coaching Session** |       |                         |         |
| 50 minutes     | What information do I collect for my market research?  
- Collecting the Right Data  
- Customer Profile  
  Activity 2a Customer Profile Worksheet  
- Competitive Profile  
  Activity 2b Competitors – Direct and Indirect  
  Gathering and Analyzing Data | Slides 2F – 2G Activity 2a Activity 2b local newspaper, Internet, if available | 54 – 68 |
| **Wrap Up and Action Steps** |       |                         |         |
| 10 minutes     | - Summarize Key Concepts  
- Preview Action Steps | | 69 |
| 3 hours total  | | | |

3 hours total
Preparing to Lead this Session

Participants typically enjoy learning the process of opportunity recognition and evaluation discussed in Module 2. This process gives them a framework they can apply as they start and grow their business. Although most participants enter the program with an idea in mind, an entrepreneurial mindset (continually scanning the marketplace for needs and gaps) and strategies to identify and evaluate opportunities will enable participants to tweak or alter their own concepts, and capitalize on opportunities presented by trends and changes in the marketplace.

Once an opportunity has been identified, the next question is how to enter the market. Many participants will already have an entry strategy in mind; for those who are still investigating or assessing theirs, a detailed examination of entry strategies can be accessed on the web at fasttrac.org/resources. A discussion of exit strategies will alert participants to the importance of building their business to enable them to have the exit they choose.

In Module 2, participants also face the challenge of market research. This element represents a change in how they complete their action steps. In action steps in Module 1, they mainly relied on themselves for answers. In this module, they begin to see the importance of tuning in to the world around them and accessing hard data to validate decisions that thus far may have been made by instinct. Keep in mind that participants may find the volume of resources overwhelming, especially those unfamiliar with doing market research. Using the worksheets in Action Step 2.1 Conduct Market Research helps them organize their research tasks.

Remember to:
- Assure participants 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) can guide them to the answers.
- Encourage participants to continue the networking they began in Session 1 and start accessing their FastTrac® network of peers, facilitators/coaches, and guest speakers as they begin their market research.

Materials Needed

Slides
More Info Resources
Flip chart
Internet, newspapers
Preparing to Lead this Session  continued

Copies of Entrepreneur Magazine, Inc., and/or Fast Company, which list “hot new venture opportunities” annually.

Reference Librarian or Market Research Specialist
Invite a reference librarian or market research specialist to share market research resources, the use of technology in research, and tips for the efficient use of resources. Use the Guest Speaker Confirmation form on the following page to ensure the speaker is prepared and covers desired topics. Listing the participants’ business concepts on the Guest Speaker Confirmation form following will help this speaker target the presentation to the group. Consider scheduling an optional session at the library for participants to begin researching their concept.

Guest Entrepreneur
Invite a guest entrepreneur to discuss the market need identified and the type of research conducted prior to opening the business and after. Use this option only if you have an additional session scheduled with a librarian or market research specialist. A guest entrepreneur can address the topic of market research from a practitioner’s viewpoint. Use the Guest Speaker Confirmation form following to ensure the speaker is prepared and covers desired topics. Confirm with the speaker the extent to which he or she performed market research before you issue an invitation. This information will allow you to use a speaker who can relay valuable lessons about market research to the participants.
Guest Speaker Confirmation

Reference Librarian or Market Research Specialist

Speaker ___________________________ Today's Date ___________________________

Thank you for agreeing to share your research skills with FastTrac® NewVenture™ participants.

Date of Presentation ___________________________ Time ___________________________

Location __________________________________________

Directions to Location __________________________________________

Directions to Room __________________________________________

Presentation Time ___________________________ Question and Answer Time ___________________________

**Topic – Market Research**

Please include answers to these questions:

- 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 to research online, how to use key words, do subject searches, access journals and trade publications)?
- What tips do you have for conducting market research efficiently?
- Question and answer time

**Background** Participants have already determined their personal and professional goals and developed their business concept. During this session, they will learn strategies for identifying potential market opportunities and conducting market research on their business concept. After this session, they will conduct research on their industry, competition, potential target markets, and customers. They will also redefine their business concept if necessary.

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 Entrepreneur**

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Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

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### Topic – Market Research

Please include answers to these questions:

- What market need did you identify?
- What entry strategy did you use (for example, start business from scratch, join a franchise, buy an existing business)?
- How did you determine your idea was a good one?
- What types of research did you conduct when starting your business?
- What types of research do you conduct when starting and still conduct regularly?
- Advice or lessons you learned about research to share with someone starting a business
- Question and answer time

### Background

Participants have already determined their personal and professional goals and developed their business concept. During this session, they will learn strategies for identifying potential market opportunities and conducting market research on their business concept. After this session, they will conduct research on their industry, competition, potential target markets, and customers. They will also redefine their business concept if necessary.
Identifying and Meeting Market Needs

15 minutes

Set the stage for a lively, interactive session.

Introduce the Entrepreneurs’ Exchange, which will be a part of each session opening.

Emphasize accountability for the completion of work outside the sessions.

- **Entrepreneurs’ Exchange**
  
  Explain that each session will begin with the Entrepreneurs’ Exchange. During this time, participants can share information, resources, ideas, and challenges with the entire group.

  To coach participants on the types of information to share, ask the following questions:

  **Discussion Starters**
  
  - What have you learned about your business start-up (or concept) since our previous meeting?
  - What sources of information or contacts have you identified that may be helpful to other members of the class?

- **Tip**

  Participants may be reluctant to speak up at first, so be prepared to model open discussion.

  Many times before the session begins the participants will tell you about something they have learned since the last session. For example, if participants tell you they have identified a competitor they did not know about earlier, ask them to share this information with the whole group. Follow up by asking how they will use this information in planning.

- **Facilitation**

  - **Debrief Action Steps**
    
    Reinforce what they learned in their out-of-session work by asking several volunteers to briefly share some of their results on Action Step 1.1 Create My Personal Vision and Action Step 1.3 Evaluate a Business Concept Against My Personal Vision.

  **Discussion Starters**
  
  - Were there any surprises for you?
  - What insights did you gain by answering the questions in the action steps?
  - Did you find yourself having to compromise on conflicting values?
  - How well does your business concept match your vision?
Identifying and Meeting Market Needs

Action Step 1.2 Develop a Business Concept Statement

This small group activity provides an opportunity for participants to practice their one-minute marketing speech (elevator pitch) prior to presenting it to the larger group in Session 3. Instruct participants to:

1. Divide into pairs (or triads).
2. State their business concept in the form of their one-minute marketing speech.
3. Ask the other person(s) to reflect aloud their understanding of the concept. This exchange will help participants know if they are clearly communicating their business concept.
4. Collect written concept statements if you asked for them in Session 1.

Encourage participants to continue to practice and clarify their business concept as they receive feedback and additional information through the rest of the program.

Session Overview

Refer to Slide 2A to show participants where they are still in the concept analysis phase of the program.

The purpose of this session, Identifying and Meeting Market Needs, is to help participants develop a marketing perspective. This session discusses identifying and evaluating opportunities and conducting market research to help confirm or refine their business concept.

Now participants will discover how to recognize an opportunity that is right for them.
How do I identify potential business opportunities?

20 minutes

Purpose
Emphasize the importance of opportunity recognition to the success of both start-up and ongoing ventures.

Facilitation
Develop a framework for identifying potential opportunities.

Recognizing Opportunities
An entrepreneurial mindset (continually seeking new opportunities) and strategies to identify and evaluate opportunities will help participants improve their business concepts and capitalize on opportunities presented by the marketplace.

Introduce methods of identifying opportunities by asking participants how they came up with an idea for their business. After 3 to 6 participants, ask how they would categorize their idea according to Slide 2B.

Identifying Problems and Needs
Give an example of how a personal frustration led to a business idea: As a result of Ted Turner’s working long hours, arriving home too late for the early evening news, and being too tired to stay up for the late news, he founded the all-news station, CNN®, which grew into a billion-dollar company.

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.
For example, frustration in finding products, lack of availability or variety

Small Group Activity – Marketplace Needs and Wants
To raise participant awareness of potential opportunities around marketplace needs and wants, ask participants to identify products or services lacking in the marketplace:

1. Divide participants into small groups of 5 to 7 participants.
2. On a flip chart, have the following statements listed:
   I wish there were . . .
   If only I had a . . .
   These things really bug (annoy, bother) me . . .
   It would be much better if . . .
   There should be more of . . .
3. Assign groups to one of the 4 statements listed and give them 7 minutes to brainstorm responses. Briefly explain that in brainstorming, they should accept all ideas, withholding evaluation. The goal is to generate as many ideas as possible.
4. Have each group identify a Recorder to list ideas by using a method that will necessitate interaction among group members. Example: The person whose alarm went off the earliest? Who lives the furthest?
5. After time is up, have the group report the three ideas from their list they think have the greatest market potential.
How do I identify potential business opportunities? continued

Watching Trends
Get participants to discuss opportunities created by trends in industries, markets, lifestyles, habits, and other changing demographics.

Discussion Starters
× What opportunities has the Internet created? Cell phones?
× What opportunities are being created by aging baby boomers?

Key Points
✓ Changes result in discontinuity or disruption in an industry or market, which typically provides many entrepreneurial opportunities.
  Examples may include changes in technology or governmental regulation.
✓ Trends represent changes over time (as compared to fads).
  Examples: Demographic (increased ethnicity), economic (interest rates, gas prices), and market (purchasing over Internet).
✓ Sources of information on changes and trends include techniques such as observation, newspapers, professional journals, personal network.

Tip
Bring in copies of Inc., Entrepreneur Magazine, and/or Fast Company, which list “hot new venture opportunities” annually.

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

Establishing a Personal Network
Lead a brief discussion to get participants thinking about their personal network.
This topic will be amplified in Module 7.

Discussion Starters
× Who might be included in your personal network?
  Banker, attorney, bookkeeper, vendors, customers, other entrepreneurs, friends, family
× In what way can your personal network assist you in identifying potential market opportunities?
  Network members may be tuned into marketplace needs, wants, trends, changes, and emerging regulation and economic conditions.

Participants can find numerous ways to identify ideas for business start-up and growth. Once potential opportunities have been identified, they can evaluate the competitive environment and market demand for each to determine if a market opportunity truly exists.
Does my business concept represent an opportunity in the marketplace?

10 minutes

Discuss how to screen whether a business idea is the right match for the participant and the marketplace.

Evaluating Opportunities
Lead a brief discussion around what makes a business idea a business opportunity.

Discussion Starters
✓ What factors are important to you when determining whether or not to pursue an idea as a business?
✓ What personal and marketplace variables might you consider?

Key Points
✓ Not all ideas represent business opportunities.
✓ The list on Slide 2C includes key considerations for determining personal match and market potential.

Match with current business concept – Does the idea match or complement the current concept?
Fit with personal vision – Does the idea match the participant’s personal vision, Action Step 1.1?
Match with skills and talents – Does the entrepreneur have the requisite skills and talents?
Risks vs. rewards – How much risk is inherent in the business idea and is the entrepreneur comfortable with it?
Competitive advantage – Can the entrepreneur differentiate the product/service in the marketplace?
Durability – Will the opportunity last long enough for the entrepreneur to reap sufficient rewards?
Growth potential – Does the idea have growth potential? Even though many entrepreneurs start out with a small business in mind, this vision often grows with the business.

Participants may be able to learn more about a business opportunity while working for someone else (on someone else’s checkbook).

The Case of Kimo’s Katering and the Case of Custom Goods
To illustrate different methods of identifying opportunities, see the Case of Kimo’s Katering and the Case of Custom Goods behind the Optional and Enrichment Activities tab of this Facilitator Manual.

Reality Check Business Idea Evaluation
Participants evaluated each idea they were considering (their short list) on the Reality Check Business Idea Evaluation checklist. By doing so, they were able to compare ideas to determine which had the greatest potential.

Discussion Starters
✓ How did your idea compare on the evaluation?
✓ How many participants changed or altered their initial business concept following this evaluation? If so, what factor(s) influenced this change?

Tip
Have participants revisit the Reality Check Business Idea Evaluation in the Entrepreneur Manual if they feel some of their responses may have changed following the class discussion of each criterion.

Activity Close
Evaluating a business concept and assessing if an opportunity exists for that business in the marketplace is one of the most important steps participants can take prior to investing time and money into a new venture.
What is my business entry strategy?
Why should I consider an exit strategy before I start my business?

Time: 10 minutes

Purpose: Inform participants of entry and exit strategies from the start of the business.

Facilitation:

- **Entry and Exit Strategies**

  Before entrepreneurs start a business from scratch, they may want to consider other alternatives for pursuing the same market opportunity.

  Some entry strategies build on an activity participants are already engaged in, and starting a business is a natural outgrowth of it. Other times participants are involved in identifying and pursuing activities that are totally new. Refer participants who are unsure of which entry strategy to use to fasttrac.org/resources.

  Most entrepreneurs think about how they are going to enter the market; however, they give little thought to how they will get out. Not only is their exit often not addressed at start-up, but also planning for it may be delayed for years.

**Discussion Starters**

To introduce the concept of exit strategies, ask the following questions:

- What are the benefits of planning your exit strategy from the start?
  - It forces entrepreneurs to focus on what they really want from the business and guides their business planning.

- What are some of the more typical exit strategies available to entrepreneurs?
  - Planned exits may include selling the business to employees, family members, competitors, or interested parties, merging, or closing the business.
  - Unplanned exits may be bankruptcy or death.

**Key Points**

- The successful business builds wealth for its owners by accumulating assets and building future profit potential.
- Entrepreneurs should plan a gainful way to harvest this value at a time of their choosing.

**Pair and Share Activity – Entry and Exit Strategies**

Have participants partner and share what they envision as their entry as well as exit from their business. The partner will ask questions and/or suggest additional entry and exit options.

Just as entry strategies are numerous, many exit strategies are available to entrepreneurs, some better than others. Their choice of exit depends on what they want from their business. Participants should carefully consider their entry and exit strategies before starting their business and reconsider and refine the exit throughout the life of the business.
What is market research and why is it important for my business concept?

15 minutes

Help entrepreneurs to understand the importance of marketing research for their business and where to find the resources they need.

- **Understanding Market Research**
  - Review the definition of market research: The process of gathering information on goods and services to identify whether the product or service will satisfy a customer need.

- **Discussion Starters**
  - Discuss examples of companies that used market research to expand and grow.
    - Harley Davidson® – Began marketing to women based on marketplace research.
    - Starbucks Coffee® – Researched changes in consumer behavior to gain a major competitive advantage in the coffee industry.
    - Zappos® – Used market research to build one of the most successful online retail businesses by understanding how to best serve their customers.
  - Why is it important for you to conduct market research on your business concept?

- **Key Points**
  - For market research to be useful, the information must be timely and relevant to the business.
  - By gathering data through primary and secondary research sources, new entrepreneurs can uncover or verify unmet customer needs and discover new products or services.
  - Entrepreneurs use market research to identify market trends, demographics, economic shifts, consumer buying habits, and other important information on the competition. They utilize this information to identify target markets and establish a competitive advantage in the marketplace.
  - Market research is integral information needed to minimize financial risks by helping to determine if a product will succeed or fail in the marketplace.

- **Primary Research**
  - Primary research is market information participants collect specifically for their business. Refer to Slide 2D to explain how this type of marketing research data is collected directly from the source.
  - **Observation** – Observation is the simplest and often the most useful research method: participants can see how potential customers act and behave regarding similar products or services.
  - **Interviews** – When conducting primary research, participants could interview similar businesses in their industry (but not competing in their trade area) to discuss topics such as opportunities, obstacles, consumer trends, pricing.
  - **Surveys** – Participants might also send out surveys to potential customers to determine their needs.
  - **Focus groups** – Focus groups can provide the entrepreneur with timely and relevant data on consumer thoughts and beliefs about a certain product or service.
What is market research and why is it important for my business concept?

Discussion Starters
- Have you been involved in primary research as a customer?
  
  Examples might include phone interviews (radio stations), online surveys, questionnaires.
- What primary research techniques are you considering?

Key Points
- Primary research can be more difficult, time-consuming and costly to collect.
- Customers may be hard to reach or it may take too long to collect information from as many customers as needed. Competitors may not want to share information.
- Conducting surveys and interviews with more than twenty people is usually expensive and time-consuming.

Secondary Research
Refer to Slide 2E to explain that secondary research is information that has been compiled previously for another business or purpose.

Discussion Starter
- What are potential results of not conducting primary or secondary market research on your concept?
  
  No knowledge of the number of competitors in the marketplace, unclear idea of customer needs and market gaps, no competitive advantage, and therefore, no reason to exist as a viable business, investing time and money into a business concept that will fail.

Key Points
- Secondary research is information that entrepreneurs will find in places such as the library, online, in publications, journals, and census bureau statistics.
- It includes information on demographics, industry trends, economic indicators, consumer buying habits, and other relevant information.
- Secondary research is easily accessible and usually inexpensive to collect.
- A majority of the market research data they gather will come from secondary research sources.

Activity Close
Summarize by restating the importance of conducting market research, the types of research available, and the importance of taking the time to research a business concept to determine if customers will buy the products or services in the marketplace.
### Guest Speaker – Market Research

**Time**

30 minutes

**Purpose**

Familiarize participants with the many resources available for conducting market research from either a content specialist’s perspective (reference librarian) or an entrepreneur’s experience.

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 and answer session. Be prepared to prompt the guest speaker to discuss the points included on the Guest Speaker Confirmation form.

**Reference Librarian or Market Research Specialist**

Many participants do not know how to locate and access market research resources efficiently and would benefit from knowing how to search online resources using key words, terms, and subject headings. Recommended questions for a librarian 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 to research online, how to use key words, do subject searches, access journals and trade publications)?
- What tips do you have for conducting market research efficiently?
- Question and answer time

**Guest Entrepreneur**

If a reference librarian is scheduled for another time, invite an entrepreneur who has recently started a new venture. Introduce the guest speaker by sharing key items about the entrepreneur and business, for example, name, business’s location, size, number of employees, length of time in business, products and services. Ask participants to hold questions until the end of the speaker’s presentation:

- What market need did you identify?
- What entry strategy did you use (for example, start business from scratch, join a franchise, buy an existing business)?
- How did you determine your idea was a good one?
- What types of research did you conduct when starting and still conduct regularly?
- Advice or lessons you learned to share with someone starting a business
- Question and answer time

For the networking break, ask participants to share ideas and possible sources of market research information for identifying customers.
### Networking Break

**Time**

20 minutes

**Purpose**

Provide an opportunity to continue the peer networking started in the first session with fellow participants, the guest speaker, facilitator, and coaches.

**Facilitation**

**Activity 1b Building My Network (continued)**

Remind participants that the networking break provides an opportunity for them to meet and talk with another participant.

These meetings can include:

- Trying out their one-minute marketing speech.
- Discussing information about themselves, their business concept, work experiences, or skills.
- Sharing resources they have found helpful (for example, accountants, attorneys, or research sources).
- Identifying potential areas of mutual benefit.

In addition to exchanging the information identified in the networking activity, ask participants to suggest sources of market information for identifying.

Encourage participants who prefer to meet before or after the session to do so.

### Tip

Since this is only the second module, some participants may still need encouragement to meet other participants.

### Activity Close

Emphasize that successful entrepreneurs are always networking. Networking is not a one-time activity but a skill that participants should be more aware of and practice any time possible.
What information do I collect for my market research?

50 minutes

Provide participants with the steps needed to gather market research data to help analyze their business concept and begin developing their Business Plan.

Collecting the Right Data
Discuss that knowing how to conduct market research and identifying what information will be valuable to their business is integral to building a successful Business Plan. Refer to Slide 2F to emphasize that they will gather data on potential customers to write their customer profile.

Customer Profile
Emphasize the importance of identifying and knowing their customer. The real customer may be different from those they originally thought of serving. Refer to Slide 2F to help participants distinguish between B2B and B2C customers.

Discussion Starter
Think of an example in which the real customer is not the intended user of a product/service. What examples come to mind?

Key Points
✓ Market research is how entrepreneurs identify and assess customer needs and determine if their business concept will meet those needs.
✓ Creating a customer profile is one method that can help entrepreneurs determine and describe their target market. A customer profile can provide a clear picture of the type of person or business they are planning to serve.
✓ By clearly defining a customer profile, they will be able to make decisions about products and services and focus their marketing and advertising efforts more effectively.

Activity 2a Customer Profile Worksheet
1. Ask participants to individually complete as much of the information as they can on Activity 2a Customer Profile Worksheet.
2. In groups of three, have participants tell each customer group they listed and the corresponding characteristics in the group profile.
3. Have participants evaluate these characteristics and brainstorm the type of research data needed to verify profile information.
4. Explain how participants have now identified the market research they will need to conduct in order to determine if a market for their business concept exists and to help them define their target market in Module 5.
What information do I collect for my market research? continued

- **Competitive Profile**
  Explain how understanding their competition is essential for success in the marketplace. Refer to Slide 2G and explain the difference between direct vs. indirect competition.

**Discussion Starter**
- What are the benefits of identifying and knowing your competition?

**Key Points**
- **Direct Competition** – Businesses that sell similar products or services in the same target market. There are two types of direct competition: Businesses that appear to be quite similar and those that are different but sell similar products such as a specialty card shop and a grocery store that sells greeting cards.
- **Indirect Competition** – Companies selling products or services that fill the same need. A consulting company that provides on-site training to large corporations competes indirectly with online programs and training that could be developed by the corporation’s own staff.

**Activity 2b Competitors – Direct and Indirect**
1. Ask participants to individually complete as much of the information as they can on Activity 2b Competitors – Direct and Indirect
2. In groups of three, have participants share competitors they listed.
3. Have participants brainstorm additional direct or indirect competitors and what research will be conducted on competitors listed.
4. Explain how participants have now identified their competition and what research they will need to conduct in order to determine if their business concept can compete in the marketplace.

**Gathering and Analyzing Data**
After this session participants will begin gathering market research information. They will analyze preliminary data to refine their business concept if necessary. A detailed analysis will be completed in Module 5 and additional research may be required.

**Discussion Starter**
- How will the information you gather in your market research be used?
  Market research enables entrepreneurs to clearly identify and understand their customers and competition. This information will help them determine if their product/service has a high likelihood of selling.

Restate the importance of identifying their target market and competition prior to entering the marketplace. Encourage participants to continue the activities started in the session and recommend that they set time aside before Module 3 to conduct their market research. Restate that market research should help them determine whether they are going to have a good chance at a successful new venture in today’s marketplace.
Wrap Up and Action Steps

10 minutes

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

- Summarize Key Concepts
  - The entrepreneurial mindset is alert to market needs and gaps as potential opportunities for business start-up and growth.
  - Wise entrepreneurs plan their exit from the start.
  - Smart entrepreneurs establish what market research their business concept requires and commit to gathering information to develop a successful business and write a Business Plan.

Tip

A great way to recap and summarize is to ask participants to identify one concept they learned in the session. You will know if your facilitation was on target and can clarify or reinforce key points as needed.

- Preview Action Steps
  Researching markets, industries, competitors, demographics, lifestyles, and habits helps them stay abreast of the current business climate and discover new business opportunities.

  **Action Step 2.1 Conduct Market Research** –
  Identify key information needs in the categories of industry, market, and competition and then conduct the research.

  **Action Step 2.2 Evaluate and Refine My Business Concept** –
  After reviewing market research findings, evaluate how well their business concept meets market needs and determine if it needs to be refined.

  **Read Module 3 Setting Financial Goals**

To have a successful business in today’s marketplace, entrepreneurs have to be acutely aware of marketplace trends, competitors, and customer needs. They listen well, ask questions, and observe customers’ habits to help identify new business opportunities.

In Module 3 participants will begin to determine financial feasibility, identify start-up costs, and consider potential funding sources. Having evaluated their fit as an entrepreneur in Module 1 and assessed the market in Module 2, this final financial step in Module 3 provides participants with the information they need to finalize their business concept.

Remind participants to come to Session 3 prepared to give an updated version of their business concept statement or one-minute marketing speech.
Module 3 concludes the business concept analysis portion of this program. After completing this module, participants will have identified personal financial goals they will test throughout the program to determine financial feasibility. In addition, they will have considered start-up costs and potential funding sources. Having evaluated their fit as an entrepreneur in Module 1 and assessed the market in Module 2, this financial step in Module 3 provides participants with the information they need to finalize their business concept and begin the business planning process in Module 4.

- Personal financial goals
- Estimated start-up costs
- Schedule of potential funding sources
- Understanding of key financial concepts and terminology
- Evaluation of business concept statement

**Using Financial Information as a Roadmap for Success**

- Matching a Business Concept with Your Income Goals
- Why Financial Feasibility?
- Setting Personal Financial Goals

**Introduction to Financial Concepts**

- Balance Sheet
- Income Statement
- Cash Flow Statements

**Screening for Financial Feasibility**

- Start-Up Costs
- Profitability
- Cash Flow

**Business Concept Analysis**
Activity 3a Start-Up Costs

Action Step 2.1 Conduct Market Research
Action Step 2.2 Evaluate and Refine My Business Concept
Read Module 3 Setting Financial Goals

Action Step 3.1 Estimate Start-Up Costs
Action Step 3.2 Evaluate My Business Concept Against My Financial Goals
Action Step 3.3 Consider Potential Funding Sources
Action Step 3.4 Complete My Business Concept Analysis
Read Module 4 Planning the Product/Service
## Concept Analysis

### Setting Financial Goals

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<td>Where do I find accurate, relevant financial information for my business?</td>
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<td>Action Step 3.3 Consider Potential Funding Sources</td>
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Preparing to Lead this Session

The financial modules (3, 8, and 9) can cause anxiety for some participants.

Consider the following responses to that anxiety:

- Each participant begins this portion of the program with some understanding of financial concepts – some more than others. It is up to you to build on each person’s existing knowledge and provide information to deepen each participant’s understanding even though some will still know more than others after the program.
- Understanding financial information is a key skill for entrepreneurs. Presenting financial information in a simple, pertinent, and interesting way can greatly improve participants’ ability to gain new understanding.
- Because individuals learn differently, provide multiple learning opportunities including visuals, activities, and personal reflection. Most importantly, keep the participants involved. Ask questions and encourage participation.

Ideas to improve the learning environment include:

- Create learning stations with additional information from local resources providing assistance to entrepreneurs such as financial resources, books, and software.
- Re-emphasize FastTrac® as a learning environment and the willingness of the facilitator and coach(es) to assist, either in or out of sessions, as a way of encouraging participants to ask questions and get the assistance they may need on the financial modules.

Remember to follow the introduce-practice-apply process. Assume that participants have read the material – their first introduction to the key financial concepts. This assumption provides more time during the module to practice and apply the concepts.

Materials Needed
- Slides
- Index cards
- Flip charts
- More Info Resources

Supplemental Resources

- sba.gov/smallbusinessplanner/index.html – Small Business Administration, including Startup Basics
- experian.com and exuifax.com – Personal credit reports

Handouts from various local sources – See Entrepreneur’s View

A list of local resources that can provide helpful financial information to the participants

Printed resources to assist financial research (some are listed on Slide 3F)

Guest Speaker Selection

Guest Entrepreneur

Ask 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 effects 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 of each participant, “What’s in it for me…to understand and prepare financials?”
Guest Speaker Confirmation

Guest Entrepreneur

---

Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Topic – Financial Information and Business Success

Please include the following information:

- The financial goals and issues critical to your business during start-up
- Specific things you did to prepare financially to start the business, for example, save up six months of personal income, research and lower start-up costs, project sales, prepare financial projections to know how much you needed to get through year one
- The difference accurate, timely financial information has made in your business
- How you prepared yourself to read and understand financial statements/information
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

Please avoid difficult financial issues and concentrate on financial concepts related to start-up costs, profitability, and/or cash flow during start-up.

Background

This is the third session. Participants have evaluated their fit as an entrepreneur, defined their initial business concept, and assessed the market. After this session they will identify financial goals (profitability and cash flow) for the business that will be tested throughout the program to determine financial feasibility. In addition, participants will consider their own business concept’s start-up costs and potential funding sources. They will also finalize their business concept and test it for feasibility to begin the business planning process during the next module.

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

KAUFFMAN | FASTTRAC.

Startup your idea.

KAUFFMAN | FASTTRAC.

Startup your idea.

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CHAPTER 3 51
Setting Financial Goals

20 minutes

Purpose
Exchange information and ideas gleaned since the last session and prepare to learn the financial implications of starting a business.

Entrepreneurs’ Exchange

Discussion Starters
- What have you learned about your business concept since our previous meeting?
- As you began work on your market research, what sources of information or contacts have you identified that may be helpful to other members of the group?

Variations
To encourage entrepreneurs to participate more freely, consider the following alternative ways to conduct this Entrepreneurs’ Exchange:

- Small groups – Instead of asking general questions of all participants, have participants exchange information in small groups first.
- Index cards – Give participants one index card each and ask them to write one resource, insight, or accomplishment on it. In small groups, ask them to present the information on the card. Then, ask each group to select one item to report to the larger group.

Facilitation

One-Minute Marketing Speech
At the end of Session 2, participants were told they would each present a one-minute marketing speech during Session 3. Choose one of the following options for this presentation:

- Total group – Have participants each give a one-minute marketing speech to the entire group.
- Small groups – Break into smaller groups during the coaching session and do the one-minute marketing speech at the beginning of the coaching session. For each participant, give brief feedback orally or in writing.

Tip
Start with a participant you expect to be brief and to the point. The first presenter frequently sets the length of time for the other presentations. Be prepared to prompt presenters to wrap up if they go too long.

Session Overview
Referring to Slide 3A, review what participants have accomplished, highlighting the action steps:
- Tested their written business concept against their personal vision.
- Screened their business concept against the results of their market research.

Show on Slide 3A how in this module, participants clarify financial goals and begin to identify start-up costs and sources of funds for their business.

Slide 3A
Setting Financial Goals

Discussion Starters
- When you hear that a business is “financially successful” what comes to mind?
  *Financial success encompasses several key concepts – profits, cash, personal income.*
- What elements will you assess to determine what potential your business has for financial success?
- How important is financial success to you? What does it mean to you? What are you willing to risk?

Key Points
- Understanding financial concepts and assessing financial information is critical to evaluating feasibility because their business is only a success if it helps them reach their personal, professional, and financial goals.
- Some time and effort are required to understand and assess financial aspects of a business.

Tell participants that they will hear from an entrepreneur who will discuss some of the realities and reduce some of the anxieties of understanding financial success.
Guest Speaker –
Financial Information and Business Success

30 minutes

Close the gap between theory and practice by having an entrepreneur tell a personal story of using financial information in the start-up phase of business.

Announce the guest speaker’s topic, “Financial Information and Business Success.”

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 and answer session.

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

• The financial goals and issues critical to your business during start-up
• Specific things you did to prepare financially to start the business, for example, save up six months of personal income, research and lower start-up costs, project sales, prepare financial projections to know how much you needed to get through year one
• The difference accurate, timely financial information has made in your business
• How you prepared yourself to read and understand financial statements/information
• Advice or lessons you learned that would be helpful to someone starting a business
• Question and answer time

Tell participants they will have the opportunity to talk with the guest entrepreneur during the Networking Break, but first they will discuss financial goals and feasibility.
How do I set financial goals for my business?

25 minutes

Clarify personal financial goals as they relate to the business’s financial goals. Introduce finance as the language of business and its role in determining financial feasibility.

- **Why Financial Feasibility?**
  Reinforce the financial feasibility process using Slide 3B. Note the three-part process includes screening for start-up costs, profitability, and cash flow. Modules 8 and 9 will cover profitability and cash flow in more detail during the business planning phase of this program.

- **Setting Personal Financial Goals**
  Refer participants to their Reality Check Personal Goals Worksheet in the Entrepreneur Manual to remind them of the relationship between establishing personal financial goals and determining the business’s financial feasibility.

  **Discussion Starters**
  - Why is it important to establish personal goals prior to starting a business? Setting financial goals and evaluating your business against them is the first step to achieving these goals.
  - What was easy about setting your personal financial goals? What was difficult?
  - Now that you have established your personal financial goals, how will you know whether they will be met?

- **Introduction to Financial Concepts**
  Ask participants to consider whether they have ever:
  (A show of hands is not necessary.)
  - Estimated the costs of going on a vacation prior to walking out the door with suitcases in hand? Participants have had an experience similar to estimating start-up costs.
  - Tried to figure out the difference between the gross income on your paycheck and the net amount that puts cash in your pocket? Participants have had an experience analyzing profitability.
  - Made a decision to purchase something with a credit card rather than cash so you could have more time to pay for it? Participants have had an experience managing cash flow.

**Key Point**
- Everyone has had some level of experience analyzing financial information and planning financial strategies.
How do I set financial goals for my business? continued

Discussion Starter

How comfortable are you with reading and projecting financial statements?

The only way to test for financial feasibility is to determine the profitability and cash flow of the business. The more comfortable participants are with financial concepts, the more accurate their projections will be.

To introduce the importance of understanding and utilizing financial information, briefly review the financial statements that are presented in the Entrepreneur Manual.

Using Slide 3C, briefly point out the main components of profitability – Sales, Cost of Goods Sold, and Operating Expenses. Together, these components report the company’s Net Income, or its “bottom line,” which tells the profitability of the company.

Briefly explain that the Net Income figure ($57,705) represents one year of profits for the company, which will be added to equity in the Retained Earnings account on the Balance Sheet.

Using Slide 3D, briefly define the purpose (and components) of the Balance Sheet by simply pointing out that the Balance Sheet reports what the company owns (Assets), what it owes (Liabilities), and the net worth (Equity) that remains for the owners of the business.

Show how the Balance Sheet and Income Statement tie together by pointing out the amount of money in Retained Earnings ($57,705), which represents the amount of earnings or net income that has not been paid out to owners in dividends or owner’s draw. Because this company is only one year old, the Retained Earnings account matches the first year’s profits as shown on the Income Statement. In subsequent years, Retained Earnings will include cumulative Net Income or Loss less any payments to owners.

Finally, direct participants’ attention to the Cash account on the Balance Sheet, stating that it is the most important account – so important that another statement is used just to manage cash.

Using Slide 3E, briefly point out the elements on the Cash Flow Report, noting that only those transactions affecting cash are included.

Identify the last line of the Cash Flow Report as the most important because it reports the cash balance after all monthly cash has been received and paid out.

To summarize, encourage entrepreneurs that an understanding of these three financial statements will provide them with the financial information they need to make successful financial decisions.

Tip

Since this is only an introduction to financial concepts, provide resources and information to guide those who are eager to learn more.
How do I set financial goals for my business? continued

Tip
If you find this approach effective, use a similar process as a warm-up and reinforcement during each financial session.

Variations

Financial statements presentation – You may choose to replace the previous facilitator-led introduction to financial concepts with the Microsoft® PowerPoint® presentation available at fasttrac.org/resources.

To reinforce key financial terms and concepts, ask the group to complete the following statements out loud.

- “When we refer to financial statements we usually mean the Balance Sheet and the ........Everyone, ........Income Statement!”
- “The difference between what we have sold and what it cost to make or buy it is .....Everyone, ........Gross Margin!”
- Add your own.

While helping participants memorize terms, this technique also masks the responses of those who don’t know the answers. It ensures that participants use the same definitions and aren’t confusing an array of terms that are interchangeable but still correct.

In this session, this activity may be used as either an introduction to the financial section or as a way to reinforce concepts and vocabulary.

Activity Close

Knowing their financial goals and basic financial terminology helps participants build the financial expertise they need to start and manage a business.
Networking Break

15 minutes

Provide an opportunity to continue the peer networking started in the first session with fellow participants, the guest speaker, facilitator, and coaches.

Activity 1b Building My Network (continued)
Remind participants that the networking break provides an opportunity for them to meet and talk with another participant.

Tip
Emphasize that networking is about forming mutually beneficial alliances, not about what one person can get from a relationship. Encourage participants to identify areas of mutual benefit.

These meetings can include:
• Trying out their one-minute marketing speech.
• Discussing information about themselves, their business concept, work experiences, or skills.
• Sharing resources they have found helpful (for example, accountants, attorneys, or research sources).
• Identifying potential areas of mutual benefit.

Tip
Since this is only the third module, some participants may still need encouragement to meet other participants. Also, be sure that people are taking advantage of the additional resources, books, software, and contacts you have made available for this module.

Activity Close
Ask the participants to bring something that may be of value for one of their new contacts to the next session or send it in an e-mail. Examples are a relevant magazine or newspaper article, a referral, information about a competitor, or an idea.
How do I find accurate, relevant financial information for my business?

10 minutes

Reinforce the importance of identifying accurate start-up costs. Discuss potential sources of financial information.

Entrepreneur's Story

Danny O’Neill, *Smell the Coffee*

Assume that participants have read Danny O’Neill’s story. Ask them what they learned from the story of The Roasterie®. Allow a few moments for them to review the story.

Discussion Starters

- How did Danny O’Neill identify specific start-up costs?
  
  Start-up costs need to be researched carefully and projected accurately to be of any value. This information can be found through research and by talking to other entrepreneurs, vendors, and advisers.

- What was the benefit to O’Neill of having carefully estimated start-up costs?
  
  Start-up costs must match the pocketbook of the entrepreneur.

- How did Danny O’Neill alter his business concept to reduce start-up costs? How did the new business concept still meet his personal vision?
  
  He delayed starting a retail location and began in his own basement. He was still able to roast, package, and sell his own coffee blends to gain market share, and eventually, he was able to open a bricks and mortar location.

Research Tips

Using Slide 3F, highlight some key places to find financial information. Provide additional websites and print sources you think are applicable to your participants.

RMA - The Risk Management Association

rmahq.org/tools-publications/publications/annual-statement-studies

Accurate financial information for both starting and running a business is essential. Compare estimating start-up costs to establishing a vacation budget. The first step is to decide where to go. Similarly, in business, entrepreneurs must also have a plan. If not already completed, participants can establish their start-up plans by answering the Reality Check Start-Up Planning questions in the Entrepreneur Manual prior to the next session.
What types of costs do I need to identify and plan for?

**Time**
25 minutes

**Purpose**
Introduce start-up expenses and expenditures and provide an opportunity to identify these costs for a sample business.

Identify ways to reduce start-up costs or change the business concept to match available funds.

**Facilitation**

- **Start-Up Expenditures and Expenses**
  Using Slide 3G, identify the two types of start-up costs, expenditures and expenses.

**Discussion Starters**

- What is the difference between start-up expenditures and start-up expenses? 
  *Expenditures* are generally one-time costs for capital assets or vendor deposits. *Expenses* are generally costs for operations that will continue throughout the existence of the business. Start-up costs can be either expenditures or expenses.

- Why is it important to keep these two classifications separate? 
  Because they are recorded differently on the financial statements and can affect your business’s financial position and tax liability.

**Key Points**

- Identifying start-up costs is a critical step to analyzing the feasibility of their business concept.
- Start-up cost estimates must be based on researched facts to provide reliable estimates.
- Understanding the difference between expenditures and expenses can help participants record them correctly, because they are treated differently on the financial statements.
What types of costs do I need to identify and plan for? continued

Activity 3a Start-Up Costs
To practice identifying costs and analyzing ways to reduce them, have participants complete Activity 3a. This activity begins with a business start-up concept that answers the same questions participants have answered or will answer about their business concept in the Reality Check Start-Up Planning in of the Entrepreneur Manual.

1. Divide the large group into smaller groups of 3 to 7 people. Show Slide 3H or 3I and select one start-up business concept or use both business concepts asking different groups to concentrate on different concepts. Read the narrative(s) that will be used out loud.

   Note: The Midtown Bicycle example reinforces the reduction of start-up costs while keeping the same business concept. For example, the business could reduce costs by scaling down or the training center could be sub-leased to another business.

   Note: The Plant Care, Inc., example reinforces the reduction of start-up costs by changing the business concept. The founder’s love for plants has fueled a large-scale start-up. Any number of options could be employed to reduce start-up costs by changing the business concept to one that still reflects her personal vision, such as a simple plant care business.

2. Ask the small groups to come up with a list of potential start-up items and estimated costs based on the business narrative. Encourage participants to make assumptions when necessary to complete the activity. Explain that exact amounts cannot be determined without research, so estimates are fine.

3. Allow each group to present its estimate. Ask why different amounts are estimated for the same business narrative. Answers will help participants understand that entrepreneurs arrive at estimates through a variety of ways and that estimates rarely represent final numbers.

4. Assign some groups the task of brainstorming opportunities to reduce costs while keeping the same business concept. Examples include leasing equipment vs. buying equipment, sub-leasing a smaller space, contracting out services vs. hiring, home office vs. office space.

5. Ask other groups to strategize ways to reduce start-up costs while modifying the business concept. Make sure they understand the importance of maintaining the entrepreneur’s personal vision.

6. Ask groups to share their outcomes with the larger group.

7. Remind participants that they will begin working on their own business concept’s start-up costs during the coaching session.

8. Ask participants to share what they learned from this activity that they will apply during this process.

After this session, participants will collect information to estimate the start-up costs for their business concept. They will also consider where start-up money might come from.
What types of costs do I need to identify and plan for? How do I use the Financial Facts Worksheets to collect financial information?

20 minutes

Use the Start-Up Costs Matrix to begin identifying start-up costs and research to accurately quantify these costs.

Introduce the Financial Facts Worksheets for capturing cost estimates.

- **Start-Up Costs**
  - Use the Start-Up Costs Contest to help participants who are unaware of many of their potential costs, forget to include some costs, and/or underestimate start-up costs.

**Start-Up Costs Contest**

The purpose of this contest is to have participants create a list of all costs to consider in a fast and fun way.

1. Form two teams.
2. Ask each team to assign a Recorder, a Leader, and a Scribe. The Recorders will write their group’s answers during the six-minute brainstorming. The Leaders will facilitate the brainstorming and report answers to the larger group. The Scribes will create the final list of start-up costs on flip charts.
3. Explain that they will be given 6 minutes to list as many start-up costs as they can. Utility deposits, accounting software, bathroom supplies, interior signs are examples of items frequently forgotten.
4. After the 6 minutes, call the two Scribes to the flip charts or white board.
5. Rapidly call on each Leader, alternating teams, to say a start-up cost item for the Scribe to write. The Recorder should cross off suggestions offered by the other team from the list the Leader is reading. If a team posts a cost that duplicates one already on the board they automatically lose.
6. The team who runs out of answers first is the runner up, and the other team wins.

**Tip**

This activity may be used either before participants begin Action Step 3.1 Estimate Start-Up Costs, to stimulate their thinking about potential start-up costs, or after introducing Action Step 3.1, to summarize the types of costs they identified and alert them to possible additional ones.

**Action Step 3.1 Estimate Start-Up Costs**

Action Step 3.1 is the first of four action steps that participants will be introduced to during the coaching session.

Go over the instructions on Action Step 3.1 to help participants identify start-up costs and research needs to accurately quantify these costs.

**Tip**

Participants may express frustration that they are not able to complete the entire action step during the coaching session. Reinforce throughout the coaching session that you are only introducing the action steps. Remind participants they will have only a few minutes to start each of the four action steps.
What types of costs do I need to identify and plan for? How do I use the Financial Facts Worksheets to collect financial information?

Be prepared to handle these common difficulties:
- Participants have trouble entering information because they have yet to begin research.
  Solution – Have them think through the Sources for Research column to identify whom they will contact to obtain information they need.
- Participants have a unique business concept that makes information difficult to find.
  Solution – Have them consider businesses in another industry that operate in a similar manner.
- Participants have not yet clearly defined their business concept.
  Solution – Have them research ranges of costs that would encompass the different paths their business concept may take.

As you plan your facilitation for these coaching sessions, you may want to mix the way you conduct each activity. Consider these variations:

Work individually – Have individuals work quietly on their own action step for a few minutes and then open the discussion for questions and comments.

Work in pairs – Ask participants to work in pairs. This approach takes a bit more time, but allows for feedback. It is also much more interactive and tends to get people more engaged and involved.

Work in groups – Form small groups and give each group a different section of the action step to complete. After a few minutes, have them report to the large group how they completed that portion of the action step.

Financial Facts Worksheets

Introduce participants to the Financial Facts Worksheets located in the Entrepreneur Manual. Explain that they will use these worksheets to collect financial information to enter into the Financial Template in Modules 8 and 9. They will start using the Financial Facts Worksheets in the next module to collect financial information for each stage of the planning process.

Now that participants have an idea of the amounts they will estimate for start-up costs, lead them through the next action step, which will help them determine potential sources for those funds.
What sources of funding are realistically available for my start-up and ongoing operations?

10 minutes

Identify sources of funds, amounts needed, whether or not funds are equity or debt, and the actions necessary to pursue funding.

Funding Sources

Most businesses seek funding at some stage of operation. Participants can begin thinking now of how much money they may need and when they may need it.

Action Step 3.3 Consider Potential Funding Sources

Go over the instructions on Action Step 3.3 to help participants identify funding they need and potential sources of those funds.

Be prepared to handle these common difficulties:

- Participants don’t yet know how much money they will need.
  Solution – They should have a ballpark amount that they need. Tell them to begin working with this number and adjust it later when more information is available.

- Participants don’t plan to borrow any money and see little value to the exercise.
  Solution – Ask them to consider the future plans of the business. As with Danny O’Neill’s move from his own basement to a commercial space within six months of starting the business, they may need to borrow funds after start-up to make a change in their operations.

- Participants don’t have any money of their own and need considerable funds from outside sources.
  Solution – Ask questions that help them to consider whether an external funder will be interested when the entrepreneur has nothing at risk. Encourage them to rethink their business concept, staying true to their personal vision.

Key Points

- Identifying a list of potential sources of financing for start-up and ongoing money needs will aid the planning process.

- Once the sources are identified, participants are ready to begin exploring the amounts available, costs of funding, the control desired by different sources, and other aspects of funding.

The next two action steps will give participants the information they need to complete the business concept analysis phase of this program – considering changes to their business concepts and preparing to start the business planning phase of the program.
### Does my business concept pass the screening test and what modifications are necessary?

**15 minutes**

Introduce participants to Action Step 3.2 Evaluate My Business Concept Against My Financial Goals and Action Step 3.4 Complete My Business Concept Analysis.

- **Business Concept Analysis**
  Participants will need the results of Action Step 3.1 Estimate Start-Up Costs to fully screen the financial feasibility of their business concept.

- **Action Step 3.2 Evaluate My Business Concept Against My Financial Goals**
  Have participants work in pairs to answer the questions they can at this time. Point out that additional information is required to complete some of the questions so that the results will be meaningful.

- **Action Step 3.4 Complete My Business Concept Analysis**
  Point out that the checklist has the same criteria that they completed in each of the first three modules.

### Discussion Starters

- **Why is the same material repeated and combined into a single checklist?**
  *Developing and testing a business concept for feasibility is an iterative process. As you gather information and learn more about your business concept, you will be making changes and will need to re-evaluate your revised concept.*

- **What is the value of discovering serious concerns with your business concept?**
  *You can modify it, seek another opportunity, or prevent a doomed venture from being started.*

After participants complete this action step, they need to analyze the results and determine if they are ready to begin the business planning process or if they need to make some changes. When they continue, the planning process will help them further assess the feasibility of their proposed business.

### Tip

Participants would benefit from one-on-one sessions with the business coach to discuss the results of the evaluation of their business concept. Post sign-up sheets with appointment times, and let participants choose a time that works best for them.

- **Encourage participants to gather the information they need to complete these action steps. Remind them to revisit the checklist whenever they modify their business concept.**
Wrap Up and Action Steps

10 minutes

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

☐ Summarize Key Concepts

- Setting financial goals includes analyzing and planning for sufficient start-up funds, profitability, and cash flow.
- Effectively estimating start-up costs by obtaining accurate, timely information is critical to a successful start-up.
- Understanding key financial concepts affects overall entrepreneurial success.
- The final business concept statement should match your personal vision, the market needs, and financial goals.
- Financial feasibility will be tested throughout the program.

☐ Preview Action Steps

The more accurately participants can estimate costs in the action steps in Module 3, the better their feasibility screening and projections of financial statements in later modules.

Action Step 3.1 Estimate Start-Up Costs – Estimate start-up costs for their business and identify sources for further research.

Action Step 3.2 Evaluate My Business Concept Against My Financial Goals – Screen their business concept for financial feasibility.

Action Step 3.3 Consider Potential Funding Sources – List potential funding needs and sources for the various stages of their business.

Action Step 3.4 Complete My Business Concept Analysis – Screen their business concept for overall feasibility to complete the concept analysis section of this program.

Read Module 4 Planning the Product/Service

Connect this Module to the Next Module

Activity Close

Congratulations everyone for successfully completing the business concept analysis modules. Encourage those who feel they still have unanswered questions. Provide a short preview of the business planning modules. Tell participants that sample Business Plans to use during Module 4 are available at fasttrac.org/resources. You may also wish to provide hard copies of Sample Business Plans for use between sessions.

Remind participants to bring something that may be of value for one of their new contacts to the next session or send it in an e-mail.

At the next session participants will start planning their product or service and use some of the market research they have been gathering. Remind them to continue their research and ask questions if they need guidance.

Tip

A great way to recap and summarize is to ask participants to identify one concept they mastered during the session. You will know if your session was on target and can clarify or reinforce key points as needed.
### Purpose
In this module participants begin the business planning process and development of their Business Plan by focusing on their product/service. This process is continued in each subsequent module. Participants learn to describe their product/service in terms of its benefits to the customer and identify their competitive advantage in the marketplace. They clarify their business model and assess ways to protect the intellectual property of their business. Participants are made aware of the types of governmental statutes and regulations that typically affect businesses and the need to investigate which are relevant to theirs.

### Key Outcomes
- Description of product/service focused on benefits to customers
- Business model
- List of intellectual property associated with their product/service
- Awareness of governmental regulations’ impact on their business
- Product/Service Plan

### Entrepreneur Manual Outline

#### Defining the Product/Service
- What Is the Purpose of My Product/Service?
- What Are the Unique Features and Benefits of My Product/Service?
- How Is My Product/Service Different from My Competitors?
- What Stage of Development Is My Product/Service In?
- What Are the Limitations of My Product/Service?
- What Are the Liabilities of My Product/Service?
- What Are My Production and Facility Needs?
- Who Are My Suppliers?
- What Are My Related Products, Services, or Spin-Offs?
- What Is My Business Model?

#### Protecting the Product/Service
- Patents
- Trademarks and Service Marks
- Copyrights
- Licenses and Royalties
- Trade Secrets
Complying with Governmental Regulations
- Federal Government
- State Governments
- Local Governments

Starting My Business Plan
- What Are the Major Parts of My Business Plan?
- Who is My Audience?
- How Do I Get Started?

Activities During Session
- Activity 4a Intellectual Property

Action Steps Before Session
- Action Step 3.1 Estimate Start-Up Costs
- Action Step 3.2 Evaluate My Business Concept Against My Financial Goals
- Action Step 3.3 Consider Potential Funding Sources
- Action Step 3.4 Complete My Business Concept Analysis
- Read Module 4 Planning the Product/Service

Action Steps After Session
- Action Step 4.1 Create My Product/Service Plan
- Action Step 4.2 Write My Product/Service Financial Assumptions
- Read Module 5 Researching and Analyzing the Market

Optional and Enrichment Activities
- What’s in Your Competitor’s Hand?
- Networking – Meeting and Greeting
- The Case of Dr. Shingle
## Estimated Time | Topic | Materials and Equipment | EM Page
--- | --- | --- | ---
### Opening
15 minutes | Entrepreneurs’ Exchange
[ ] Debrief Action Steps
[ ] Session Overview | Slide 4A
Entrepreneur Manual | 
### Facilitated Activities and Group Discussion
20 minutes | What are the unique features and benefits of my product/service?
[ ] Defining the Product/Service
Reality Check Features and Benefits | Slides 4B – 4D | 136 – 138
12 minutes | How is my business different from my competitors’?
[ ] Competitive Advantage | | 138 – 144
13 minutes | What is my business model?
[ ] Business Model
Business Model Activity | Slide 4E
Index cards | 144 – 146
### Guest Speaker
30 minutes | Intellectual Property / Governmental Regulations | 
### Networking Break
20 minutes | Activity 1b Building My Network (continued) | Activity 1b | 29
### Coaching Session
20 minutes | What intellectual property does my business have and how do I protect it?
[ ] Protecting the Product/Service
Activity 4a Intellectual Property | Activity 4a
Slide 4F | 146 – 153
10 minutes | What governmental regulations apply to my business and how do I comply with them?
[ ] Complying with Governmental Regulations | Slide 4G | 154 – 156
15 minutes | What are the major parts of a Business Plan?
How do I use the Business Plan Template?
Who is the audience for my Business Plan?
How do I get started?
[ ] Starting My Business Plan
Reality Check Benefits of Business Planning
[ ] Using the Business Plan Template
Online
Sample Business Plan(s) | 156 – 163
15 minutes | How do I write my Product/Service Plan? What are the financial implications of my Product/Service Plan?
[ ] Writing the Product/Service Plan
Action Step 4.1 Create My Product/Service Plan
### Wrap Up and Action Steps
10 minutes | Summarize Key Concepts
[ ] Preview Action Steps | | 164
### 3 hours total
Preparing to Lead this Session

Participants enter this session having determined the match between their business concept and personal, professional, and financial goals. They have also begun gathering information on initial start-up costs. You may begin to see differences in the level of enthusiasm participants have for the business concepts they came in with. Some have begun to question their concept’s fit with their personal vision and whether or not it is financially viable, while others may be more committed after having determined this.

As participants begin the preparation of the Business Plan, emphasize the importance of the plan as a tool for strategic thinking and decision making. As such, this process may be used again if a participant decides to pursue a new idea. They will continue to use this planning process after the launch of their business to manage and grow their organization. Because of its broad implications for the rest of the planning process, the first section of the Business Plan participants will develop is the Product/Service Plan.

In this module, participants also begin to explore the legal aspects of starting a business, including how to protect their intellectual property and how to comply with governmental regulations. They may experience some anxiety not knowing exactly what to do to be legal to do business in their city, county, or state. Although the goal of this course is to provide the tools for participants to acquire this information themselves, they will often seek specific answers from facilitator/coaches. A handout identifying local agencies and resources may guide participants to the answers they seek.

Materials Needed
- Slides
- Entrepreneur Manual
- More Info Resources
- Flip chart
- Index cards

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
To address the topic of intellectual property in more depth, invite an intellectual property attorney to present information on patents, trademarks, copyrights, trade secrets, and licenses. It may be helpful to list participants’ concepts on the Guest Speaker Confirmation form so the attorney can better target his or her presentation to the group.

Guest Entrepreneur
Invite an entrepreneur to discuss how he or she protected the proprietary aspects of a business through preventive and legal means, as well as how to comply with governmental regulations. In selecting guest speakers, query the entrepreneur in advance about proprietary interests and what actions they have taken to protect their business and comply with governmental regulations. The Guest Speaker Confirmation form following identifies key topics.
**Guest Speaker Confirmation**

**Intellectual Property Attorney**

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<th>Today's Date</th>
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Thank you for agreeing to discuss intellectual property with FastTrac® NewVenture™ participants.

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<th>Question and Answer Time</th>
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**Topic – Intellectual Property**

Please include the following information in your presentation:

- How to protect intellectual property (patents, trademarks, copyrights, licenses)
- Using an intellectual property attorney
- Tips for entrepreneurs to protect proprietary interests
- Question and answer time

**Background** This is the fourth session in the FastTrac® NewVenture™ program. Participants are exploring entrepreneurship, developing their business concept, and writing a Business Plan. During this session they will begin defining their product/service and discuss legal protections for their business. The impact of governmental regulations will also be addressed.

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Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to discuss intellectual property and governmental regulations with FastTrac® NewVenture™ participants.

Date of Presentation

Time

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Intellectual Property and Governmental Regulations

Please include the following information in your presentation:

- Governmental regulations affecting the business
- How you protected your intellectual property
- Using an intellectual property attorney
- Tips for entrepreneurs to protect proprietary interests
- Advice or lessons you learned to share with someone starting a business
- Question and answer time

Background

This is the fourth session in the FastTrac® NewVenture™ program. Participants are exploring entrepreneurship, developing their business concept, and writing a Business Plan. During this session they will begin defining their product/service and discuss legal protections for their business. The impact of governmental regulations will also be addressed.

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
Planning the Product/Service

15 minutes

Exchange information and ideas gleaned since the last session and begin developing a Product/Service Plan.

- **Entrepreneurs’ Exchange**
  
  Provide an opportunity for participants to reconnect with one another by reporting their progress, insights, and resources.

- **Discussion Starters**
  
  - What types of sales or financial data have you obtained since our previous meeting?
  - What sources of information or contacts were particularly helpful?

- **Debrief Action Steps**
  
  Reinforce key concepts from out-of-session Action Steps 3.1 Estimate Start-up Costs and 3.3 Consider Potential Funding Sources.

- **Discussion Starters**
  
  - In researching your start-up costs, did you encounter any surprises, either negative or positive?
  - How many contacts did you include in Action Step 3.3 Consider Potential Funding Sources, and what were some of them?

- **Key Points**
  
  - Start to research costs early because some take considerable time and effort to accurately identify.
  - Start identifying and nurturing potential funding sources early. Building relationships with potential investors and bankers takes time. If potential funders include relatives and friends, participants need to begin sharing their vision and plans prior to ever discussing funding.

- **Action Step 3.2 Evaluate My Business Concept Against My Financial Goals**

- **Discussion Starter**
  
  Did you alter or change your business concept as a result of assessing it against your personal goals? If so, what types of changes did you make?

- **Session Overview**

  Use Slide 4A to demonstrate to participants that they are moving from concept analysis to business planning with this module. Highlight that they are beginning the first step in the actual business planning process and preparation of their Business Plan.

- **Key Point**

  - Now that participants have clarified goals and refined their business concept, they are ready to start preparing their Business Plan.

Information identified through these actions steps will be helpful in the planning process. In the next segment, participants will discuss what goes into the Product/Service Plan.
What are the unique features and benefits of my product/service?

20 minutes

Understand what goes into the Product/Service Plan, clarifying the differences between product/service features and benefits.

- Defining the Product/Service
  Briefly review the elements of the Product/Service Plan on Slides 4B and 4C. Help participants describe the purpose of their product or service by reviewing Slide 4D.

Discussion Starters
Ask relevant questions as you review slide topics, such as:

- At what stage of development is your product or service? (conception, introduction, growth, maturity, or innovation/decline).
- What potential limitations or liabilities are you aware of?
- How will you identify suppliers?

Tip
Withhold discussion of intellectual property (for example, trademarks, patents) and governmental approvals until after the guest speaker (intellectual property attorney or entrepreneur).

Variations
If time is a concern, skip Slides 4B and 4C and proceed directly to Slide 4D to discuss defining the product or service.
What are the unique features and benefits of my product/service?

Reality Check Features and Benefits
Have participants review their answers to the Reality Check Features and Benefits in the Entrepreneur Manual. To build on the discussion of features and benefits in Module 1, have participants identify the features and benefits of their product or service and what uniqueness it provides by doing the following:
1. In small groups, one member shares his or her responses to the Reality Check.
2. Group members offer additional insights and suggestions.
3. Steps 1 and 2 are repeated as time allows.

Discussion Starters
× How has your description of features and benefits changed since the Pair and Share Activity in Session 1?
× What is the most unique feature and benefit of your product or service?

Key Point
✓ When discussing the unique features of the product or service, some participants will be tempted to use buzz words, such as best, most advanced, and latest. Have participants define exactly how a product/service is the “best” or “most advanced.”

Variations
If time is a constraint, conduct this Reality Check review with the entire group rather than in small groups.
1. Ask one participant to volunteer a product or service of their business.
2. On a flip chart write the product or service at the top. Then make three columns and label them Features, Benefits, and Uniqueness.
3. On a second flip chart page, again write the product or service at the top of the page.
4. Ask the participant who volunteered the product or service to give the group a brief “bio” on it. On the second flip chart write down the words the participant uses to describe the product or service.
5. Using the list of descriptive words, ask the group to identify if each word describes a feature or a benefit. Transfer the word to the appropriate column.
6. When the list is complete, ask the group for other features or benefits not on the list. Review the list and place a checkmark in the column entitled Uniqueness for any items that differentiate the product or service from others in the marketplace.

Tip
To change the pacing of this section, you may want to complete the Reality Check Features and Benefits review prior to viewing Slides 4B and 4C.

Knowing the benefits of your product or service from the customer’s viewpoint can help you determine your competitive advantage.
How is my business different from my competitors’?

12 minutes

Purpose
Establish the importance of knowing the competition and using this information to identify a competitive advantage.

What’s in Your Competitor’s Hand?
Introduce the concept of a competitive advantage using this activity behind the Optional and Enrichment Activities tab.

Facilitation

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

  To clarify what a competitive advantage is, ask participants to identify the competitive advantage of the following businesses:
  - Wal-Mart® (efficient distribution system – which results in lower prices)
  - McDonald’s® (typically location)
  - Examples from your own community

Discussion Starters
Following the examples of competitive advantage, ask participants the following questions:

- How do businesses typically differentiate themselves from the competition in your industry?
- What in particular sets your product or service apart from its competitors? What is its market differentiation?
- What features and benefits might become your business’s competitive advantage?

Key Points

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

The product or service will greatly influence their business model. Their options for business models will be discussed next.
What is my business model?

13 minutes

Clarify what a business model is, how it differs from a business concept, and how it can help determine a strategic position.

What is my business model?

Business Model

A business model is the means by which a venture conducts its business. It is an extension of the business concept. The same product or service may be brought to market with several business models. To clarify what a business model is, discuss the example of DSW and Zappos in the Entrepreneur Manual. These different business models have a profound effect upon all aspects of their businesses. Use Slide 4E to illustrate local examples of different business models.

Discussion Starters

What examples can you identify of two companies offering the same or similar services using very different business models?

Barnes and Noble® and Amazon.com®, Costco® and Wal-Mart

How have business models changed over time?

McDonald’s franchise system was an innovative business model when it was a start-up. Domino’s® revolutionized the pizza industry by offering free delivery. Zappos and Amazon broke new ground through their use of the Internet to reach consumers.

What unique aspect of your business model may give you a strategic position in the market?

Business Model Activity

To get participants thinking about their options for business models, conduct the following activity:

1. Pass out index cards to all participants.
2. Have participants write down at least 3 different competitors’ business models on the card. If they cannot think of three different models among their competition, have them brainstorm possible models from outside their industry that might work for their business concept.
3. Have participants pair and share their lists. They should give feedback about the listed business models and briefly brainstorm additional models that might apply to each other’s concept.

Key Points

Entrepreneurs use two primary ways to differentiate their business:

- Provide products/services different from the competition.
- Provide the same products/services in different ways than the competition.

The key to strategic positioning is to establish a business concept that provides products/services in a unique way that is valued by potential customers.

Focusing on the business model early in the planning process helps entrepreneurs consider all aspects of their Product/Service Plan.
Guest Speaker – Intellectual Property / Governmental Regulations

Time: 30 minutes
Purpose: Raise participants’ awareness of the need to protect the proprietary aspects of their business and ways to do so.
Facilitation: Announce the topic of the presentation, “Intellectual Property” or “Intellectual Property and Governmental Regulations.” Introduce the attorney or 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 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 and answer session. Be prepared to prompt the guest to discuss the following points included on the Guest Speaker Confirmation form.

Intellectual Property Attorney
Many participants have not yet considered the need to protect the intellectual property of their businesses nor have knowledge of ways to do so. An attorney specializing in intellectual property can present scenarios from their personal experience and the following types of information:
• How to protect intellectual property (patents, trademarks, copyrights, licenses)
• Using an intellectual property attorney
• Tips to protect proprietary interests
• Question and answer time

Entrepreneur
If an intellectual property attorney is unavailable, invite an entrepreneur who has dealt with intellectual property issues in their business. Ask participants to hold questions until the end of the speaker’s presentation. Be prepared to prompt the guest speaker to discuss the following:
• Governmental regulations affecting the business
• How you protected your intellectual property
• Using an intellectual property attorney
• Tips to protect proprietary interests
• Advice or lessons you learned to share with someone starting a business
• Question and answer time

During networking break, participants will have the opportunity to talk with the attorney/entrepreneur as well as continue the networking activity begun in the first session.
Networking Break

<table>
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<tr>
<td>Purpose</td>
<td>Provide an opportunity to continue the peer networking started in the first session with fellow participants, the guest speaker, facilitator, and coaches.</td>
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**Activity 1b Building My Network (continued)**
Remind participants that the networking break provides an opportunity for them to meet and talk with another participant.

These meetings can include:
- Trying out their one-minute marketing speech.
- Discussing information about themselves, their business concept, work experiences, or skills.
- Sharing resources they have found helpful (for example, accountants, attorneys, or research sources).
- Identifying potential areas of mutual benefit.

**Enrichment**
**Networking – Meeting and Greeting**
To expand discussion of networking skills, see Networking – Meeting and Greeting behind the Optional and Enrichment Activities tab in this Facilitator Manual.

**Activity Close**
Encourage participants to contact one another outside of the sessions to continue to network and assist one another.
What intellectual property does my business have and how do I protect it?

20 minutes

Illustrate that all firms possess intellectual property and should identify ways to protect it.

Protecting the Product/Service

Intellectual property may be the most valuable asset a business has. Intellectual property may take three forms: legal, human, and relational. Refer to ways to protect intellectual property on Slide 4F as discussion progresses.

Discussion Starters

Using an example, such as a trucking company or an engineering consulting firm, ask participants:

- What types of intellectual property does this firm have?
- How could the business protect its intellectual property?

Key Points

- Sometimes a business's most valuable intellectual property is not readily apparent, such as a customer list, a key employee, or special recipes.
- Intellectual property can give a business a competitive edge in the marketplace.
- Solicit assistance from intellectual property attorneys to obtain proper legal protection for proprietary assets. Prevention is typically cheaper than cure.
- Entrepreneurs should explain their plan to protect the proprietary assets of their business in the Business Plan.
- A lot of information is available from websites:
  - Patent and trademark information at uspto.gov
  - Copyright information and forms at the Library of Congress website copyright.gov

Activity 4a Intellectual Property

To give participants the opportunity to practice analyzing the proprietary aspects of their business and apply it to their own business concept, do the following:

1. Divide the group into triads.
2. Have each group select a Recorder to complete the handout.
3. Ask groups to choose one of the following examples and identify the intellectual property this type of business typically possesses and how the business might protect it.
   a. A non-franchised but themed restaurant, maybe Mexican or Thai
   b. A public relations consulting firm specializing in the health care industry
4. Have participants complete Steps 3 and 4 (for their own product/services and business) individually.
5. Debrief activity by asking participants to share the types of intellectual property they identified and how it might be protected.

The Case of Dr. Shingle

See the Case of Dr. Shingle located behind the Optional and Enrichment Activity tab in this Facilitator Manual for a look at how intellectual property issues affect product/service development.

Intellectual property is one major legal consideration of a business. Governmental regulation is another.
What governmental regulations apply to my business and how do I comply with them?

10 minutes

Alert participants to governmental regulations that may be relevant to their business.

**Complying with Governmental Regulations**

Because most participants will have little experience in working with the bureaucratic side of governmental organizations, use one or more participant’s business concept and have the group identify all the governmental – federal, state, and local – regulations that must be satisfied to start and run the new venture. Review important regulatory information on Slide 4G.

**Key Points**

- Information is available through federal websites:
  - Small Business Administration – sba.gov
  - Internal Revenue Service – irs.gov
  - Helpful website for small businesses – business.gov
- Each state has different regulations, and may require licenses and sales tax collection. Many state governments also require a business to register with the secretary of state.
- Some regulatory agencies need to be contacted prior to beginning operations (for example, licensing and zoning at city hall or county office).
- Suggest participants begin contacting agencies as soon as possible to obtain the information they will need to complete their Business Plan.

**Tip**

Consider customizing a handout with a list of local governmental agencies and corresponding contact information. It may also be helpful to provide items such as tax deposit due dates (calendar), fictitious name rules in your state, professional and occupational licensing requirements, or other regulations you are aware of.

**Connect this Learning to the Next Activity**

Governmental regulations may have significant impact on the way a business conducts itself. The financial implications for complying with regulations may be significant.
What are the major parts of a Business Plan?
How do I use the Business Plan Template?
Who is the audience for my Business Plan?

15 minutes

Purpose
Provide an overview of a completed Business Plan, why they should write one, and the importance of tailoring the plan to meet the needs of specific audiences.

Familiarize participants with the Business Plan Template.

Starting My Business Plan
Now that participants have identified their goals and refined their business concepts in Modules 1 to 3, they are ready to begin their Business Plan. To emphasize the need for planning, use the analogy of a road map.

Discussion Starters
× How does a Business Plan act as a road map for business start-up and growth?
× What can you learn through the process of preparing a Business Plan?

Key Points
✔ Writing a plan is an indispensable learning experience. The true value of preparing a plan comes from the process involved.
✔ Business Plans are living documents that will change as you receive new information.

Reality Check Critique a Business Plan
In the Entrepreneur Manual Reality Check Critique a Business Plan participants reviewed completed Business Plans from fasttrac.org/resources. Debrief their experience using the following questions:

Discussion Starters
× What did you notice about the sample plans that you were not expecting?
× Who was the audience for the sample plan you critiqued?
× How well did the sample plan fare against the Business Plan Checklist?
× How did critiquing a sample plan change how you will approach writing your own plan?

Key Points
✔ The sample plans use impersonal language. For example, participants should write, “Janelle Jones has experience in....” instead of “I have experience in....”
✔ To highlight the sections of a start-up plan, review Slide 4H.
✔ Identify how the outline of a plan for an existing business differs from a start-up by reviewing Slides 4H and 4I.
What are the major parts of a Business Plan?
How do I use the Business Plan Template?
Who is the audience for my Business Plan?

✓ Using the Business Plan Template
Explain that participants can download the Business Plan Template from fasttrac.org/resources for completing future action steps. Refer participants to Starting My Business Plan in the Entrepreneur Manual.

To increase participants’ familiarity with the Business Plan Template, you may wish to preview the electronic toolkit during the session. See the Variations at the end of this section.

Remind participants that sample Business Plans are available at fasttrac.org/resources. You may also wish to provide hard copies of sample Business Plans for them.

WHO IS MY AUDIENCE?

Entrepreneurs have different reasons for writing a Business Plan (for example, starting a business, raising capital, managing or growing the organization), and they may target different audiences for each reason. The term business plan does not distinguish one type of plan from another. As a result, some participants neglect portions of their plan because the program discussions refer to generic plans.

Discussion Starters
To encourage participants to tailor their Business Plan to fit the needs and interests of a specific audience, ask the following questions:

How would a banker’s and an investor’s approach to reviewing the Business Plan differ? What parts of the plan would each scrutinize the most carefully? Bankers would be concerned with a business’s ability to repay the loan. They would pay particular attention to the Cash Flow Report and Balance Sheet. Investors would be more interested in the potential return on their investment. They would pay particular attention to the Marketing Plan and Income Statement (particularly sales growth).

How could your Business Plan be used internally in your organization?
The Business Plan can be used for strategic decision making and to guide internal operations.

Key Points
✓ Bankers are interested in return of capital plus interest.
✓ Investors are interested in the return on their investment (as a result of company’s growth).
✓ When reviewing a Business Plan, readers learn more than the details about the proposed business venture, they learn about the person or team who prepared the plan.

Variations

Computer projection – If your facility has a computer and projection system, use it to demonstrate the Business Plan Template from fasttrac.org/resources, and then experiment with it in front of the whole group or allow individual participants to come up and explore the template for the group.

Individual computers – If your facility provides computers for each participant, use them to demonstrate the Business Plan Template from fasttrac.org/resources. Be sure to allow time for individual exploration.

Participants will begin building their Business Plan section by section beginning with the Product/Service Plan. Although not the first section in a plan, Product/Service is typically the first section prepared because many subsequent decisions are influenced by the product or service offered.
How do I write my Product/Service Plan? What are the financial implications of my Product/Service Plan?

15 minutes

Prepare participants to complete the Product/Service Plan and its related financial assumptions.

Writing the Product/Service Plan
To provide an overview of the content for this section of the plan, the first in the actual Business Plan preparation, it is helpful to show participants a sample Product/Service Plan (See sample Business Plans at fasttrac.org/resources).

Action Step 4.1 Create My Product/Service Plan
Refer participants to the Product/Service Plan questions in Action Step 4.1 and briefly review key components and related questions:

- **Purpose of Product/Service** – Solve a problem or address a need?
- **Features and Benefits** – Benefits to the customer? (Time, convenience, durability)
- **Stage of Development** – Model stage, working prototype, small production runs, full manufacturing/production, or life cycle stage: conception, introduction, growth, maturity, innovation or decline?
- **Product/Service Limitations** – Perishability, limited shelf life, installation needs, legal restrictions, staff availability?
- **Product/Service Liability** – Insurance requirements and costs? How can liability be reduced or eliminated?
- **Production** – Production process? How much produced internally? Subcontracted out?
- **Facilities** – Where? What?
- **Suppliers** – Major suppliers? Backup suppliers?
- **Related Products, Services, and Spin-Offs** – New product/service in the future?
- **Trademarks, Patents, Copyrights, Licenses, Royalties** – Protections?
- **Governmental Approvals** – Governmental agencies and regulations? Governmental approvals?

Discussion Starters

- Which items will be the most difficult to answer? How might you obtain this information?
- How will the Product/Service Plan for a service business differ from a product business?

Questions related to limitations, liability, production, facilities, suppliers may not be relevant.

Key Points

- If any section does not apply to their business, participants should not include it in their plan.
- Remind participants the questions in the template will not appear in print, so they should write their answers so that they will be understood without the questions.
How do I write my Product/Service Plan?
What are the financial implications of my Product/Service Plan? continued

**Action Step 4.2 Write Product/Service Financial Assumptions**

Explain that later in the program, participants will use the Financial Plan Template to prepare their financial projections and statements. Starting with this module, they will use the Financial Facts Worksheets introduced in Module 3, Entrepreneur Manual, to accumulate notes and information as they research the types and amounts of expenses for their business. By using the Financial Facts Worksheets in each module, participants will have complete and accurate information in one place when they begin inputting expense information into the Financial Plan Template later in the program.

**Key Points**

- Participants should document their sources for each assumption.
- Encourage participants to allow enough time to do their research. They may find it helpful to talk with suppliers, and professionals who serve the industry to determine appropriate costs.

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

10 minutes

To reinforce key concepts and preview action steps to be completed for the next session.

- **Summarize Key Concepts**
  - Features describe the product/service and benefits describe the value of the product/service from the customer's perspective.
  - Your business’s intellectual property may be one of its most valuable assets and steps need to be taken to protect it.
  - Thoroughly researching governmental regulations at the local, state, and federal levels will help you avoid many future problems.
  - The Product/Service Plan has significant implications for the finances of your business.
  - Your Business Plan should be tailored to focus on the needs of your intended audience.

- **Preview Action Steps**
  - To prepare participants to complete their Product/Service Plan, briefly preview these actions steps:
    - **Action Step 4.1 Create My Product/Service Plan** – Begin early to research questions related to regulations, suppliers, limitations, liabilities, and the other aspects of the Product/Service Plan. As participants acquire information, they can revise this section of their plan.
    - **Action Step 4.2 Write Product/Service Financial Assumptions** – Start researching the financial costs of the product or service. Document assumptions clearly on the Financial Facts Worksheets so they can be reviewed in light of later information. As participants acquire additional information, they can revise their assumptions.
  - **Read Module 5 Researching and Analyzing the Market**

**Tip**

Recap and summarize information by asking participants 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.

Connect this Module to the Next Module

With a clear idea of the features and benefits of their product or service in mind, participants are ready to delve into their Marketing Plan which is the focus of Modules 5 and 6. They will learn more about competitive advantage, profile their industry, competition, and customer, and begin to plan their marketing strategies and activities for start-up.
In this module, participants analyze the results of their market research to make decisions about their competitive advantage, target market, and pricing. As a result of this market analysis, participants will create a profile of their industry, competition, and target market. They analyze their strengths and weaknesses and position their business to compete effectively. They also determine which pricing strategies will support this position and lead to profitability.

Key Outcomes

- Analysis of the industry, competition, and market
- Ideal target market for product/service
- Market position
- Pricing strategy
- Marketing Plan – Industry Profile, Competitive Analysis, Market Analysis, Pricing

Entrepreneur Manual Outline

Analyzing the Market

Industry Profile

- Product Distribution Channels
- Service Marketing Channels
- Combined Product/Service Distribution Channels

Competitive Analysis

- Competitive Advantage
- Critical Success Factors
- Competitive Analysis

Market Analysis

- Customer Profile
- Market Segments
- Niche Markets
- Target Markets
- Future Markets

Setting Prices

- The Pricing Process
- Price List

Marketing Plan
### Activities During Session
- Activity 5a Industry Profile
- Activity 5b Competitors’ Strengths and Weaknesses Worksheet
- Activity 5c Target Market
- Activity 5d Pricing Worksheet

### Action Steps Before Session
- Action Step 4.1 Create My Product/Service Plan
- Action Step 4.2 Write My Product/Service Financial Assumptions
- Read Module 5 Researching and Analyzing the Market

### Action Steps After Session
- Action Step 5.1 Create My Marketing Plan – Industry Profile
- Action Step 5.2 Create My Marketing Plan – Competitive Analysis
- Action Step 5.3 Create My Marketing Plan – Market Analysis
- Action Step 5.4 Create My Marketing Plan – Pricing
- Read Module 6 Reaching the Market

### Optional and Enrichment Activities
- What’s in Your Competitor’s Hand?
- SWOT Analysis of Competitors
- Star Cleaning Services’ Pricing Strategies

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**Business Planning**

- 10 Implementing Next Steps
- 9 Monitoring Cash Flow and Seeking Funds
- 8 Planning for a Profitable Business
- 7 Building the Organization and Team
- 6 Reaching the Market
- 5 Researching and Analyzing the Market
- 4 Planning the Product/Service
- 3 Setting Financial Goals
- 2 Identifying and Meeting Market Needs
- 1 Exploring Entrepreneurship

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Preparing to Lead this Session

Many entrepreneurs start their business without analyzing their industry, competitors, or target markets. They also don’t explore pricing strategies and the role pricing plays in positioning the business for success. As a result, many are not well prepared to compete in the market.

In this module, participants analyze their industry, consider the strengths and weaknesses of their competitors, and determine how they should position their business accordingly. They explore possible market segments and select an ideal target market that is most likely to buy from them at start-up. Participants consider an array of pricing strategies and decide which ones allow them to market effectively and compete profitably.

Participants may struggle with conducting market analysis and not feel they know enough to make decisions based on the information they collected earlier. Encourage them to share information with their peers and test their assumptions with business coaches, mentors, and prospective customers. Participants can also conduct additional research in specific areas that require more insights.

Materials Needed

- Slides
- Entrepreneur Manual
- Flip chart
- More Info Resources

Guest Speaker Selection

Choose an entrepreneur who has used market analysis to position a business or to create a marketing plan. The entrepreneur will emphasize the importance of understanding the strengths and weaknesses of competitors and focusing on a target market. It is important to confirm with the entrepreneur in advance how successful the marketing strategies have been in growing a business.
Guest Speaker Confirmation

Guest Entrepreneur

Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Market Analysis

Please include the following information in your presentation:

- How do you keep track of current industry information (for example, growth potential, markets, customers)?
- How did you position your business against competitors in the market when you started your business? Today?
- What target market did you focus on at start-up and why? Today?
- What pricing strategies do you use in your business and why?
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

Background

Prior to this session, participants have developed and refined their business concept, created a customer profile, outlined financial goals, and developed their product/service descriptions. In this session, participants will focus on their industry, competition, markets, and pricing strategies.

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
Researching and Analyzing the Market

10 minutes

Provide important reconnection time for entrepreneurs to share information they have learned since the last session, exchange ideas, and prepare to learn about reaching their market.

- **Entrepreneurs’ Exchange**
  Encourage interaction among participants by asking:
  - What sources of information or contacts were particularly helpful to you in obtaining information on vendors, costs, and limitations for your Product/Service Plan?
  - What types of information do you still need assistance locating?

- **Debrief Action Steps**
  Reinforce that a well-developed product/service with its accompanying intellectual property can create value and help the entrepreneur obtain a competitive advantage.
  Ask participants if they had any questions or comments about completing Action Step 4.1 Create My Product/Service Plan or Action Step 4.2 Write My Product/Service Financial Assumptions.

**Discussion Starters**

- What aspects of your product/service help you build a competitive advantage?
- What types of intellectual property create value for your business?

Encourage participants to continue to clarify the benefits of their products/services and to find ways to differentiate what they offer from competitors.

- **Session Overview**
  Refer to Slide 5A to show participants they are moving their focus from defining their product/service to analyzing their market.

  The purpose of this session is to help participants identify and research the information they need to make effective decisions on distribution, competitive advantage, markets, and pricing.

Now that participants have developed their Product/Service Plan, they are ready to work on one of the largest and most important sections of the Business Plan – the Marketing Plan.
What is a Marketing Plan and why is it important to my business?

8 minutes

Demonstrate that the Marketing Plan is a bridge from the participants' business to its customers. Identify the purpose and content of the Marketing Plan.

 questões de discussão

Ask participants the following questions based on the bridge analogy:

- What would happen to a bridge if the engineers did not bother to survey the site, take the proper measurements, schedule the work in a logical flow, anticipate weather conditions, and project the volume and weight of traffic for the bridge?
- How does the Marketing Plan act as a bridge for you to reach your target markets?

Review Slide 5C to provide information about the Marketing Plan. Each component of the Marketing Plan will be addressed in this session except market penetration, which is discussed in Module 6.

Key Point

A solid Marketing Plan is based on thorough research and analysis.

Tip

Keep the discussion of the Marketing Plan general at this point. Key components of the Marketing Plan will be discussed in detail later in the session.

Now that they have the big picture of the purpose and content of a Marketing Plan, they will discuss components of the plan.
What is important to know about my industry?

12 minutes

Prepare participants to complete the Industry Profile of their Marketing Plan.

**Industry Profile**

Discuss that industry knowledge can give entrepreneurs perspective on how their business fits into the larger industry picture. It puts them in touch with their competition, industry resources, new markets, and potential networks.

Use Slide 5D to summarize the parts of the Industry Profile section of the Marketing Plan.

**Discussion Starters**

- **What is important to know about your industry?**
  - Its size, growth potential, trends that affect it, distribution channels
- **Why is it important to be knowledgeable about your industry?**
  - To learn best practices, network with other entrepreneurs in the industry, keep an eye on the competition, and discover new markets

**Key Points**

- Industry research will tell you if industry sales are declining, stable, or growing.
- New distribution channels allow new businesses to leapfrog over existing competitors. *Use examples of how the Internet has changed distribution channels for music and books.*

**Activity 5a Industry Profile**

In Activity 5a Industry Profile, participants use the information they collected from conducting market research to develop their Industry Profile.

Have participants spend a few minutes answering the questions in Activity 5a. This activity will help participants know what to include in the Industry Profile of the Marketing Plan and can serve as a discussion tool. If participants cannot answer the questions on the worksheet, encourage them to continue collecting information outside of the session.

**Pair and Share Activity**

Have participants meet in pairs and do the following:

1. Have each participant describe his/her industry, sharing information collected from conducting market research or meeting other professionals in their industry.
2. Have the partner identify additional information needed to develop the Industry Profile.

**Tip**

Participants began industry research in Module 2. This activity gives them an opportunity to review the information they collected and decide what additional information they need.

**Activity Close**

The Industry Profile is the first component of the Marketing Plan and the foundation for market analysis. Encourage participants to continue to study and analyze industry trends and to anticipate how changes may affect their business.
Why is a competitive advantage important to my business?
What success factors are critical to my industry?

20 minutes

Purpose
Define their competitive advantage. Identify critical success factors in their industry. Analyze current competitors’ strengths and weaknesses and determine how to compete in the market.

Facilitation

Questions

- Why should you know and understand your current and potential competitors?
- Why do many entrepreneurs not take the time to study their competition or determine their competitive advantage?
  
  They believe that their product/service is better than what is available in the marketplace or that they don’t have competition because their product/service is unique. They believe that once prospective customers know about the product/service, they will want to buy it from them exclusively.

- What’s in Your Competitor’s Hand?

Optional

What’s in Your Competitor’s Hand?
If you did not already use this activity in Module 4, consider using it here to illustrate the need for competitive information in order to determine a competitive advantage.

To clarify what a competitive advantage is, ask participants to identify the competitive advantage of the following businesses:
- Wal-Mart® (efficient distribution systems, which results in lower prices)
- McDonald’s® (typically, location and name recognition)
- Examples from your own community

Discussion Starters

Following the examples of competitive advantage, ask participants the following questions:
- How do businesses typically differentiate themselves from the competition in your industry?
- What in particular sets your product or service apart from its competitors?
  
  What is its market differentiation? Will you focus on a niche market?
- What is your business’s competitive advantage?
Why is a competitive advantage important to my business? What success factors are critical to my industry? continued

Key Points
✓ Market research, including a thorough analysis of competitors’ strengths and weaknesses, is necessary to clearly identify your competitive advantage.
✓ Competitive advantages are directly related to your business’s features and benefits or unique assets as compared to your competition. These may include production or distribution efficiency (allowing you to offer lower prices), specialized expertise, location, or plentiful or hard-to-find resources.
✓ Businesses often use quality, location (convenience), customer service, reputation, and/or price (which needs to be backed by lower costs or productivity efficiencies to be sustainable) as their competitive advantage.

Critical Success Factors
Use Slide 5E to ask participants about the critical success factors specific to their market.

Discussion Starter
✓ What are critical success factors for your market and why is it important to meet them?
Some factors are standard across industries (for example, quality, service). Different groups of customers may have different critical success factors that businesses must meet to be competitive and keep them coming back.

Tip
Entrepreneurs who do not know what factors are critical to prospective customers may need to collect additional information through market research.

Key Points
✓ Surveying prospective customers is a good way to test assumptions about which critical success factors are most important.
✓ The critical success factors competitors choose to focus on may be emphasized in their advertising.
✓ Your competitive advantage may also be a critical success factor in your industry.
Why is a competitive advantage important to my business? What success factors are critical to my industry? continued

- **Competitive Profile**
  Direct competitors offer the same product or service in the same market. Direct competition also includes dissimilar businesses that sell similar products or services in the same market (floral shop and grocery stores that sell flowers). Indirect competitors can be more difficult to identify. The indirect competitor sells different products or services that fulfill the same need or provide the same benefits as yours (floral shops and gift shops – persons may buy a gift instead of flowers for that special occasion).

  Point out on Slide 5F that although a profile of their competition may focus primarily on direct competitors, they should also invest time to consider indirect and future competition.

- **Discussion Starter**
  - What are the benefits of knowing who your competition is and what they offer?
  
  They can position their business in response to competitors' strengths and weaknesses. Entrepreneurs can build their competitive advantage by focusing on the strengths they have over competitors in the market.

- **Key Points**
  - Entrepreneurs who can react quickly to changing needs or recent developments can gain a competitive edge in the market.
    
    Provide examples of small businesses that take advantage of new opportunities, such as t-shirts that hit the streets immediately before or after a national event, roofing companies that quickly add staff after a hail storm.
  
  - Some competitors will react to newcomers in the market while others may not.

- **Activity 5b Competitors' Strengths and Weaknesses Worksheet**
  To provide an opportunity for participants to apply the concepts of competitive advantage and critical success factors to their industry and assess their competition on these factors, have them individually complete Steps 1 and 2 and start Step 3. They will complete the activity outside the session.

- **Small Group Activity**
  Participants meet in groups of three and share who they view as their number one competitor and how that competitor meets the critical success factors for their product or service. Participants share how they will compete on critical success factors with this competitor and obtain feedback from the group.

  Debrief activity by asking participants:
  - How difficult was it to identify critical success factors for your products/services?
  - What additional information would help you clarify critical success factors?

- **Optional and Enrichment Activity**
  SWOT Analysis of Competitors
  For additional practice at analyzing the competition, use SWOT Analysis of Competitors behind the Optional and Enrichment Activity tab in this Facilitator Manual.

- **Activity Close**
  Now that participants have considered how to position their businesses among other competitors, they can focus on the prospective customers who are most likely to buy from them.
What is the ideal target market for my product/service at start-up?

30 minutes

Explore possible market segments to sell their products/services and identify a target market that is easiest to reach and the most likely to buy from them at start-up.

Markets Analysis
Remind participants that they developed a customer profile and researched their customer in Module 2. Use Slide 5G to identify the types of information participants will include in the Market Analysis section of their Marketing Plan.

Tip
Remind participants to refine the customer profile they started in Module 2 to use in the Market Analysis section of the Business Plan.

The customer profile, typically defined by common demographic and psychographic variables, provides a clear picture of the type of person or business participants are planning to serve. This information helps drive their marketing strategy, promotional design, and sales process.

Tip
If some participants have not completed their market research or realize that they do not have the right information for their Market Analysis, encourage them to make a list of questions for further research.

Target Market
The target market is a well-defined customer group that can be reached through specific marketing activities. Focus the discussion on target markets by introducing the concept of market segmentation.

Tip
You may wish to use the golf ball market example in the Entrepreneur Manual to illustrate the difference between target market and customer profile. Identify one target market (for example, skilled amateur) and brainstorm the customer profile of that market.

Discussion Starters
× How do entrepreneurs divide the entire market into smaller segments?
Entrepreneurs can group prospective customers by variables they have in common, such as their buying needs and/or interests in similar products/services.

× What are the benefits of using market segmentation?
It helps entrepreneurs identify the specific needs of their different customer groups and determine how to best reach them.
What is the ideal target market for my product/service at start-up? continued

Key Points
Expand on the benefits of using market segmentation by sharing the following:

✓ Market segmentation identifies several groups interested in your product/service.
✓ Market segmentation enables you to evaluate the size of a market segment, your ability to reach it, and its potential profitability.
✓ Segmentation helps identify market segments that are underserved, easier to reach, or most receptive.

Review Slide 5H to show the process for selecting a target market. Once market segments are identified, participants should identify possible target markets for specific marketing strategies.

Discussion Starters

✓ In selecting the “best” target market, what makes one market segment more attractive than others?
Market segmentation enables you to evaluate the size of a market segment, your ability to reach it, and its potential profitability.
Sales and profit potential, ability to reach market, likelihood target market will buy, least competition
✓ Why should you identify one or two target markets?
It enables you to focus your resources and compete more effectively.

Key Points

✓ Because of limited resources, most new ventures should consider which markets are more reachable and most likely to buy their products/services in the start-up phase.
✓ Use Slide 5I to generate a more in-depth discussion of what to evaluate in selecting a target market.
✓ Focus on the target markets that will yield the best results.
✓ When selecting a target market, consider whether a need is currently unmet or met unsatisfactorily, whether the target market can afford the product/service, and whether it can be effectively reached with marketing messages.

Activity 5c Target Market
Prepare participants for the Market Analysis section of the Business Plan by having them complete Activity 5c Target Market. Participants will first individually spend a few minutes answering the questions in the activity. Then follow these steps:

1. Have participants get together in groups of three.
2. Have each participant describe his/her ideal target market(s) to the group.
3. Have other participants recommend additional information to develop a description of the target market.

Debrief activity by asking participants:

• How will your target market description help you develop your Marketing Plan?
• What additional information do you need about your ideal target market?

Participants will now hear from a guest entrepreneur about how market analysis can help them position a business successfully.
Guest Speaker – Market Analysis

Time
30 minutes

Purpose
Close the gap between theory and practice by having an entrepreneur emphasize the importance of market analysis.

Facilitation
Announce the topic of the presentation, “Market Analysis.”

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 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 and answer session. Be prepared to prompt the guest to discuss the following points included on the Guest Speaker Confirmation form:

• How do you keep track of current industry information (for example, growth potential, markets, customers)?
• How did you position your business against competitors in the market when you started your business?
• What target market did you focus on at start-up and why?
• What pricing strategies do you use in your business and why?
• Advice or lessons you learned that would be helpful to someone starting a business
• Question and answer time

Activity Close
The more they know about their industry, customers, and markets, the more effectively participants can reach their customers and provide them the benefits they seek at a price they will pay.
Networking Break

Time
15 minutes

Purpose
Provide an opportunity to continue the peer networking started in the first session with fellow participants, the guest speaker, facilitator, and coaches.

Activity 1b Building My Network (continued)
Have participants discuss their target market(s) and provide one another with feedback.

Activity Close
Participants should use the feedback they receive to refine their target market description in the Market Analysis section of the Business Plan.
**Which pricing strategies allow me to compete and be profitable?**

45 minutes

**Purpose**
Examine various pricing strategies and explore the pricing process. Determine which pricing strategies allow them to compete effectively and be profitable.

**Facilitation**

- **Setting Prices**
  Pricing is typically considered more an art than a science.

**Discussion Starters**
Introduce pricing by asking the following questions.

- Is pricing a marketing or financial challenge?
  Pricing affects both marketing and finance because it is related to image, depends on customers’ willingness to pay, and affects the profitability of the business.

- What do you have to consider before setting prices for your product/services?

**Key Points**

- To set prices, understand the psychological aspects of pricing as well as the financial.
- Pricing can be the key to profits and can directly affect the number of units sold.
  *If prices are too high, customers may be unwilling to buy; if prices are too low, customers may assume the product/service is of low quality.*
- Price should be congruent with image.

- **Pricing Process**
  Review the pricing process on Slide 5J. This three-step pricing process is a general approach that participants can use to determine prices.

**Step 1 Evaluate market prices and constraints.** Participants determine what the range of prices is for their product/service in the marketplace. What is the floor (lowest price) and the ceiling (highest price)?

**Discuss Starters**
Discuss how price may be linked to customers’ perceptions by asking the following questions:

- How much would you pay for a pair of jeans at Goodwill® versus the Gap®?
- What quality of food would you expect to have for a $2.99 dinner versus a $50 dinner? What kind of restaurant would you expect to be in when paying $2.99 versus $50 for a meal?

**Key Points**

- The market sets the price ceiling or highest price that can be charged.
- Pricing constraints may include governmental controls or competitors’ prices in industries where businesses are unable to differentiate their product or services.

**Step 2 Consider pricing strategies and policies.** Refer to Slide 5K and ask do your competitors use lower, higher, or parity positions to price products/services? Refer participants to Reality Check Exploring Pricing Strategies in the Entrepreneur Manual.

**Pair and Share Activity**
With a neighbor, participants share which of the three strategies they plan to use as a basis for pricing and why.

**Discussion Starter**

- Why would a business use a pricing strategy that isn’t profitable?
  *To penetrate the market. For long-term viability, pricing must ultimately allow for profitability.*
Which pricing strategies allow me to compete and be profitable? continued

Key Points

✓ Use different pricing strategies for specific products/services.
  For example, a training consultant may charge a parity price for the assessments that several other competitors have and a predatory price for unique or unusual assessments.

✓ Every business should evaluate its pricing strategies periodically and change them as needed to compete effectively in the market.

Step 3 Set Prices. To set prices, entrepreneurs examine both external and internal data and consider their goals for the business.

Discussion Starters

✓ In addition to market prices, competitive pricing positions, and pricing strategies, what else do you need to know before you can price your products or services?
  What it costs to run your business and make and sell your products or services.

✓ How do your prices affect your Marketing Plan?

Briefly summarize the key considerations in setting prices by reviewing Slide 5L.

Key Points

✓ Know what competitors are charging for similar products/services and the range that customers will pay for them.

✓ As owners, participants have to set prices that allow their business to cover its operating costs, provide them with a salary, and generate a profit to reinvest in the business’s growth.

✓ Prices may be set differently for primary and secondary products/services.

✓ Participants should set pricing objectives before they determine prices.

Star Cleaning Services’ Pricing Strategies

Use the Star Cleaning Services’ Pricing Strategies activity behind the Optional and Enrichment Activities tab in the Facilitator Manual for another way to look at pricing.

Tip

Remind participants that they will revisit their pricing in Module 8 and learn how to develop sales projections.

Activity 5d Pricing Worksheet

Have participants pair off. Working in twos, they should follow these steps:
1. Identify whether they are pricing a product or service.
2. Answer the questions on the worksheet for one participant’s product or service.
3. Answer the questions on the worksheet for the other participant’s product or service.
4. Discuss together what additional information they may need before setting prices.

Debrief activity by asking participants:
- What additional information do you need to set a price for your product/service?
- What insights did you gain from doing this activity?

Activity Close

Participants sometimes fail to consider the impact of pricing on the rest of the Marketing Plan. They also tend not to associate their pricing strategy with their marketing message. Suggest that participants make sure their pricing aligns with the rest of their Marketing Plan.
Wrap Up and Action Steps

10 minutes

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

- **Summarize Key Concepts**
  - The five parts of a Marketing Plan include an Industry Profile, Competitive Analysis, Market Analysis, Pricing, and Market Penetration. All but Market Penetration were addressed in this session.
  - Industry information is crucial to determining market potential.
  - Every business has competition, and entrepreneurs will be one step ahead of the competition if they collect and analyze information about their competition.
  - Market planning begins by segmenting the market into identifiable, smaller groups and clearly defining an ideal target market.
  - Each pricing strategy must be aligned with the overall Marketing Plan.

- **Preview Action Steps**
  - **Action Step 5.1 Create My Marketing Plan – Industry Profile**
    Describe the industry by identifying growth potential, trends, opportunities, and distribution channels.
  - **Action Step 5.2 Create My Marketing Plan – Competitive Analysis**
    Identify direct, indirect, and future competition, competitors’ strengths and weaknesses, and their response to customers’ critical success factors.
  - **Action Step 5.3 Create My Marketing Plan – Market Analysis**
    Identify various market segments, determine which ones provide the best opportunities for their products/services, and select their ideal target market for start-up.
  - **Action Step 5.4 Create My Marketing Plan – Pricing**
    State the pricing positions and strategies of their competitors and determine the pricing strategies that best meet the needs of their new venture.

**Read Module 6 Reaching the Market**

The Marketing Plan is the bridge for entrepreneurs to reach prospective customers and promote their products/services. Marketing strategies are developed after a thorough analysis of the industry, competition, market, and pricing strategies. Because the financial projections in their Financial Plan are based on the assumptions of the Marketing Plan, it’s important that entrepreneurs spend time developing a sound market analysis.

Module 6 will build on the decisions they have made in this module. They will continue developing marketing strategies and activities to complete their Marketing Plan.

Activity Close

The Marketing Plan is the bridge for entrepreneurs to reach prospective customers and promote their products/services. Marketing strategies are developed after a thorough analysis of the industry, competition, market, and pricing strategies. Because the financial projections in their Financial Plan are based on the assumptions of the Marketing Plan, it’s important that entrepreneurs spend time developing a sound market analysis.

Connect this Module to the Next Module

Module 6 will build on the decisions they have made in this module. They will continue developing marketing strategies and activities to complete their Marketing Plan.
Reaching the Market  Business Planning

In this module, participants create an image or brand identity for their product or service to help them reach their identified target market. Participants consider strategies to promote and sell their product or service to their target market, including advertising, publicity, promotions, and a sales/service process. Participants consider the marketing dollars they need to achieve their sales goals, and they develop a Marketing Activities Schedule. They use this information to write the Market Penetration section and financial assumptions for their Marketing Plan.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>In this module, participants create an image or brand identity for their product or service to help them reach their identified target market. Participants consider strategies to promote and sell their product or service to their target market, including advertising, publicity, promotions, and a sales/service process. Participants consider the marketing dollars they need to achieve their sales goals, and they develop a Marketing Activities Schedule. They use this information to write the Market Penetration section and financial assumptions for their Marketing Plan.</th>
</tr>
</thead>
</table>
| Key Outcomes | • Brand that appeals to their target market  
• Sales/service process to sell their products/services  
• Marketing strategies to effectively reach the target market  
• Marketing Plan to promote their products/services |
| Entrepreneur Manual Outline | Creating a Brand  
Components  
Benefits  
Name  
Location  
Communicating the Brand  
Define the Message  
Convey the Message  
Design Marketing Materials  
Enhance Customer Service  
Exploring Marketing Strategies  
The Marketing Map  
Marketing Activities  
Marketing Activities Schedule  
Developing Sales Methods  
Internal Sales Methods  
External Sales Methods  
The Sales/Service Process  
Checking Marketing Effectiveness  
Creating a Marketing Budget |
6       Reaching the Market

### Activities During Session
- Activity 6a Advertising
- Activity 6b Marketing Map
- Activity 6c Sales/Service Process

### Action Steps Before Session
- Action Step 5.1 Create My Marketing Plan – Industry Profile
- Action Step 5.2 Create My Marketing Plan – Market Analysis
- Action Step 5.3 Create My Marketing Plan – Competitive Analysis
- Action Step 5.4 Create My Marketing Plan – Pricing
- Read Module 6 Reaching the Market

### Action Steps After Session
- Action Step 6.1 Develop a Marketing Activities Schedule
- Action Step 6.2 Create My Marketing Plan – Market Penetration
- Action Step 6.3 Write My Marketing Financial Assumptions
- Read Module 7 Building the Organization and Team

### Optional and Enrichment Activities
- Customer Service Strategies
- The Case of Growth Cycle Strategies

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**Business Planning**

1. Implementing Next Steps
2. Monitoring Cash Flow and Seeking Funds
3. Planning for a Profitable Business
4. Building the Organization and Team
5. Researching and Analyzing the Market
6. Reaching the Market
7. Planning the Product/Service
8. Setting Financial Goals
9. Identifying and Meeting Market Needs
10. Exploring Entrepreneurship

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**Concept Analysis**

1. Exploring Entrepreneurship
2. Identifying and Meeting Market Needs
3. Setting Financial Goals
4. Planning the Product/Service
5. Researching and Analyzing the Market
6. Reaching the Market
7. Building the Organization and Team
8. Planning for a Profitable Business
9. Monitoring Cash Flow and Seeking Funds
10. Implementing Next Steps
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>EM Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening</strong></td>
<td>- Entrepreneurs’ Exchange</td>
<td>Slide 6A</td>
<td></td>
</tr>
<tr>
<td>15 minutes</td>
<td>- Debrief Action Steps</td>
<td>Entrepreneur Manual</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Session Overview</td>
<td></td>
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</tbody>
</table>

| **Facilitated Activities and Group Discussion** |                                                                 |                                                   |         |
| 20 minutes     | **What image do I want to create for my business?**                 | Slide 6B Flip chart                        | 210–224 |
|                | - Creating a Brand                                                   |                                          |         |
|                | - Small Group Activity – Identifying a Brand                         |                                          |         |
| 40 minutes     | **What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working?** | Slides 6C – 6F Activity 6a                | 224–233 |
|                | - Marketing Strategies                                               |                                          |         |
|                | - Marketing Activities                                               |                                          |         |
|                | - Advertising                                                        |                                          |         |
|                | - Activity 6a Advertising                                             |                                          |         |
|                | - Publicity                                                           |                                          |         |
|                | - Promotions                                                          |                                          |         |

| **Guest Speaker** |                                                                 |                                                   |         |
| 30 minutes        | **Marketing Strategies**                                             |                                          |         |

| **Networking Break** |                                                                 |                                                   |         |
| 15 minutes         | **Networking Activity – Six Degrees of Separation**                | Index cards                                 |         |

| **Coaching Session** |                                                                 |                                                   |         |
| 25 minutes          | **What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working?** | Slide 6G Activity 6b                           | 234    |
|                     | - Marketing Activities                                               |                                          | 242–244|
|                     | - Checking Marketing Effectiveness                                   |                                          |         |
|                     | - Activity 6b Marketing Map                                           |                                          |         |
|                     | - Action Step 6.1 Develop a Marketing Activities Schedule            |                                          |         |
| 25 minutes          | **What is my sales/service process?**                               | Slide 6H Activity 6c                        | 235–242|
|                     | - The Sales/Service Process                                           |                                          |         |
|                     | - Activity 6c Sales/Service Process                                   |                                          |         |

| **Wrap Up and Action Steps** |                                                                 |                                                   |         |
| 10 minutes           | - Summarize Key Concepts                                             |                                          | 245    |
|                      | - Preview Action Steps                                               |                                          |         |

3 hours total
Preparing to Lead this Session

It is challenging for participants to decide which marketing activities will provide the greatest return for their investment and which fit their budgets.

To enhance their marketing efforts, entrepreneurs should choose a brand image that identifies with the needs and tastes of their target market, and incorporate their brand into everything they do in the business. The information participants gathered in the previous module about their potential customers, their competitive advantage, and the marketplace will help them generate ideas for developing a brand for their business and explore financially feasible ways to reach their target market. Participants will go through the process of considering a sales strategy for their business and how to select marketing activities that will work best for their business and budget. Participants who do not have a comfort level with their sales skills should be encouraged to seek a workshop or course to develop these skills.

Participants may get discouraged due to lack of financial resources when considering types of advertising and promotional activities to implement. It’s important for them to use a combination of activities and recognize that there are inexpensive ideas they can use immediately, such as word-of-mouth marketing, networking, and volunteering.

Encourage participants to utilize the network they have created with their FastTrac® peers, facilitators/coaches, and guest speakers to get the word out about their product or service. As their business grows, they can modify marketing strategies and activities that meet their budgets.

Materials Needed

Slides
Entrepreneur Manual
More Info Resources
Flip chart
Index cards

Guest Speaker Selection

Periodically throughout the program, you will invite content specialists to share their expertise with participants. Module 6 is a good time to do so. Here are two options for guest speakers in this module:

A Marketing Consultant or Media Buyer
Have someone talk about planning, scheduling, implementing, and evaluating marketing strategies. Share creative and cost-effective marketing activities. Emphasize the importance of building and using a customer database, and measuring the effectiveness of marketing initiatives.

Guest Entrepreneur
Ask an entrepreneur to share how to plan, schedule, implement, and evaluate marketing strategies. Ask him or her to share creative and cost-effective marketing activities that work. It is important to confirm with the entrepreneur in advance how extensively he or she markets and how successful marketing strategies have been in growing a 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 about marketing strategies with FastTrac® NewVenture™ participants.

Date of Presentation

Time

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

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

- What are common challenges or issues in planning, scheduling, implementing, and evaluating marketing strategies?
- What are some creative and cost-effective marketing activities?
- How do you evaluate whether marketing strategies are effective?
- How do you develop a budget and plan for promotional activities?
- What information should be collected in a customer database?
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

Background
Prior to this session, participants have developed and refined their business concept, identified their target market and competitive advantage, and outlined financial goals and pricing for their products/services. In this session, participants will focus on creating an image for their business as well as identify effective marketing strategies that are financially feasible for their new venture.

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
Reaching the Market

15 minutes

Purpose
Provide important reconnection time for entrepreneurs to share information learned since the last session, exchange ideas, and prepare to learn more about reaching their market.

Open the Session

Entrepreneurs’ Exchange
Engage participants in a discussion about their marketing discoveries that will summarize last session’s material and preview this session’s topics.

Discussion Starters
- As a result of analyzing the market, have you made any changes to your target market?
- What have you determined to be your competitive advantage and why?

Tip
Participants may not have completed their market analysis or have clear answers for these questions. Encourage them to consider any unanswered questions and to complete their market analysis. Because they will focus on ways to reach their market effectively in this module, their target market is key to selecting marketing strategies.

Debrief Action Steps
To reinforce key learnings from the previous session, lead a brief discussion of Action Step 5.2 Create My Marketing Plan – Competitive Analysis.

Discussion Starters
- How did your market research help you determine your competitive advantage?
- Did new information make you change or adjust how you will position your business?
- What opportunities have you identified for your business in the marketplace?

Session Overview
Refer to Slide 6A to show participants that they are still gaining information about their market. Now that participants have completed their market analysis and defined the target market, the next step is to find ways to reach it. In this module, participants will:
1. Develop their brand.
2. Explore various marketing concepts and build their Marketing Plan.
3. Develop a Marketing Activities Schedule.
4. Consider a sales/service process that will work for their business.
5. Determine how much these activities will cost.

Activity Close
Encourage participants to continue to question and clarify their competitive advantage as they gather more information about their target market throughout the rest of the program.
**What image do I want to create for my business?**

20 minutes

Explore what goes into creating a brand and how it can be communicated throughout the business.

Recognize the power behind a strong brand and its relationship to their competitive advantage.

- **Creating a Brand**
  Introduce brands from businesses that participants will recognize. Examples may include the Nike®, Lexus®, Harley Davidson®, Google®, and Disney®. Ask participants to determine what message these brands communicate to buyers.

**Tip**

Bring in examples of recognizable brands as well as new business’s brands from Entrepreneur, Inc., and/or Fast Company to share with participants.

**Discussion Starters**

- How would you describe a brand?
  A brand represents everything a business wants to communicate to its target market, which may include characteristics of the business and product/service or quality and level of service promised customers.

- How is a brand created?
  By communicating a consistent message or visual identity for the business supported by its website, letterhead, business cards, logos, and other marketing collateral or activities.

- What kind of message best communicates a brand?
  A single, direct message is better than too much information.

Have participants share additional examples of strong brands, then review the benefits of having a good brand in Slide 6B.

**Key Points**

- A strong brand can attribute favorable characteristics to the company. For example, customers may think that Michelin tires are safer and more reliable than other tires because ads feature a baby in a tire.

- A strong brand differentiates a product or service from competitors and creates loyalty. For example, Toyota® has a reputation for building high quality cars, and customers recognize the vehicle emblem over Hyundai® or other competitive manufacturers.

- With a strong brand the target market is more likely to buy a newly introduced product or service from a business. The company has earned customers’ trust. Starbucks® introduced Frappuccino blended coffees in bottles and customers bought them because they associate Starbucks with good coffee.
What image do I want to create for my business?

Continued

Tip

Show participants examples of print materials, including business cards, letterhead, marketing materials, product packages, and websites, used by several local businesses using branding strategies successfully.

Small Group Activity – Identifying a Brand

Allow participants ten minutes to identify how a variety of small and large businesses have developed strong brands by doing the following:

1. Divide participants into small groups of 5 to 7 participants.
2. On a flip chart, have popular companies listed, such as:
   - Ben and Jerry’s® ice cream
   - Expedia.com®
   - Sears®
   - MasterCard®
   - Tiffany & Co.®
   - A well known local business
3. Have each group take one business and brainstorm the image that business has created in the marketplace. Participants will also list the ways the business has communicated its brand to consumers (for example, visually, logos, tag lines, web, superb service).
   Give them 5 minutes to brainstorm responses.
4. After time is up, have a member of each group share their responses to the larger group.

Debrief the activity by reminding participants to test visual images (logos, web design) with members of their target market. It makes no difference that their favorite color is purple, for example, if the target market does not respond to it.

Customer Service Strategies

For additional discussion on creating a business image through excellent customer service, see the Customer Service Strategies section behind the Optional and Enrichment Activities tab at the back of this manual.

Optional

Activity Close

Every business creates a business image, either intentionally or unintentionally. Encourage participants to take time to determine what their brand will be and how they will communicate it to customers, employees, and the marketplace.
What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working?

40 minutes

Examine the various ways to market products/services. Identify marketing strategies and activities that align with their business goals, reach their identified target markets, and are financially feasible.

- **Marketing Strategies**
  - A marketing strategy focuses on:
    - Selected target markets they are most able to reach.
    - Specific market needs and selected products/services that best meet those needs.
    - Their competitive advantage.

- **Marketing Activities**
  - To reach your target market, you will use a variety of marketing activities.
  - Marketing activities are concrete action items with deadlines and responsibilities.
  - Marketing strategies have little meaning or effectiveness without tactics or activities to support them.

**Discussion Starter**
- **Why should you use a variety, or mix, of activities to market your business?**

A good marketing mix incorporates advertising, publicity, and promotional activities. Use the analogy of the three-legged stool to illustrate the importance of using a variety of marketing activities reach a target audience. Use Slide 6C to illustrate that a good marketing mix will include advertising, publicity, and promotions.

**Tip**
Out of the literally hundreds of ways to create awareness of a product or service, the key is for participants to choose a method that works within their budgets, effectively reaches their target markets, and obtains the financial results they desire.

**Key Points**
- You can’t reach everyone at the same time using the same medium. Advertising is effective only when the intended audience sees or hears the message. For example, if you advertise in the local paper on a Sunday and many of your prospects don’t see the ad that day, the opportunity is lost. Using a variety of marketing activities, you can reach more of your target market.
- Advertising materials should focus on the message they want to convey to their target market. Remember “features tell and benefits sell.”
- Not all marketing is expensive. Many start-up ventures use free or inexpensive ways to market. As sales and profits increase, you can allocate additional monies to marketing. Evaluate every dollar spent on advertising to determine if it is bringing in the sales revenue you anticipate.
What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working? continued

Advertising
Use Slide 6D to initiate a discussion of inexpensive advertising activities.

Discussion Starter
What other inexpensive advertising activities can you suggest?

Tip
Show participants some samples of marketing materials and advertisements (good and bad) like those for businesses represented in this group. Talk about whether each sample is effective, and, if not, how it could be improved.

Activity 6a Advertising
Participants will use the target market identified in Activity 5c to design an advertisement to reach it. Feedback from other participants will help them clarify the goals of the advertisement and the message they are sending. Emphasize to participants that they should focus on their message because they frequently get caught up in the “artistic” aspects of the activity.

After allowing them 5 minutes to complete Steps 1 to 4, instruct participants to meet in groups of 3 and share their advertisement and obtain feedback. Allow 10 to 12 minutes for group interaction.

Debrief the activity with the whole group by asking the following questions:
• How clearly did your advertisement communicate the benefits to the customer?
• What insight(s) did peer feedback provide?

Before going on to Publicity, ask participants to jot down two or three types of advertising they think they are likely to use in the first six months of business. Or have them complete the Reality Check Advertising Options in the Entrepreneur Manual if they have not already done so. They will use this information during the coaching session.

Publicity
Entrepreneurs do not purchase publicity; it is generated through a mass medium, such as an article about their business’s sponsoring a charitable event.

Discussion Starters
• How can publicity help to market a business?
• What are ways to obtain publicity?
What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working? continued

Allow participants to respond to the questions and after two or three of them have provided reasons, add more ideas from Slide 6E.

**Key Points**

- The media is always looking for a story or an angle on a topic. Reporters are assigned topics and have to generate articles or collect information about local events and issues. Publications are look for stories or information relevant to their readership.
- Don’t overuse free publicity to market your business. Develop relationships with a handful of media sources and see how you can help them accomplish their objectives. In a win-win situation, media sources are more open to supporting your objectives.
- Include strategies and solutions to current challenges or highlight new ideas.
  
  Educate your audience about facts, new developments, and solutions to challenges and issues in your target market. Keeping an educational focus, indicate how your business addresses these concerns.

Before going on to Promotions, ask participants to jot down two or three types of publicity they think they are likely to seek in the first six or eight months of business. Or have them complete the Reality Check Publicity in the Entrepreneur Manual if they have not already done so. They will use this information during the coaching session.

**Promotions**

Identify examples of promotional activities on Slide 6F.

**Discussion Starter**

- What other types of promotions have you seen or considered?

**Key Points**

- Find ways to interact and introduce the target market to your business. Provide opportunities for buyers to try-before-they-buy and learn more about what you offer. Networking is key.
- Promotional activities require a little money, time, and planning. Talk with other entrepreneurs about collaborating on promotions, sharing contacts, and getting the word out. Take advantage of specially priced resources, trade show booths, or promotions during slower sales periods.
- “Word-of-mouth” advertising is a great result of marketing efforts but not a strategy or tool by itself.

Many participants will say that their marketing strategy is based upon giving good service or having a good product and, therefore, people will refer others. They call this “word-of-mouth” and are very disappointed that sales do not result from relying on this strategy alone.

Before closing this segment of the session, ask participants to jot down two or three promotions they think they are likely to use in the first six months of business. Or have them complete the Reality Check Promotions in the Entrepreneur Manual if they have not already done so. They will use this information during the coaching session.
What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working? continued

The Case of Growth Cycle Strategies
For additional discussion on market penetration activities, see the Case of Growth Cycle Strategies behind the Optional and Enrichment Activities tab at the back of this manual.

Next participants will hear from a guest entrepreneur or marketing consultant/media buyer about effective ways to market.
Guest Speaker – Marketing Strategies

30 minutes

Understand the variety of decisions an entrepreneur must make in marketing products or services.

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

Introduce the marketing specialist or entrepreneur’s name and information about his or her business’s location, size, number of employees, length of time in business, products and 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 and answer session. Be prepared to prompt the guest to discuss the following points included on the Guest Speaker Confirmation form.

Recommended questions for the guest speaker are as follows:

- What are common challenges or issues in planning, scheduling, implementing, and evaluating marketing strategies?
- What are some creative and cost-effective marketing activities?
- How do you evaluate if marketing strategies are effective?
- How do you develop a budget and plan for promotional activities?
- What information should be collected in a customer database?
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time
- What are some of the best uses of social media?

Entrepreneurs can reach their target market and key decision makers by meeting people who can open doors, introduce them to other networking circles, or help them get in front of their intended buyers. State that the next activity will highlight the benefits of using networking to reach key contacts and customers.
## Networking Break

**Time**
15 minutes

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

**Facilitation**

### Networking Activity – Six Degrees of Separation

We all have heard the phrase, “It’s a small world.” That phrase supports the theory of six degrees of separation, which states that anyone you want to meet is six acquaintances away from someone you already know. The question is how to get a message to a person who is “six degrees” away.

A Cornell University computer scientist has concluded that the answer lies in personal networking: By using your local network or your electronic network, you can create a collective phenomenon: Even though you may not be able to get in direct contact with your key person, you may know someone – who knows someone – who knows someone who could. Collectively the network knows how to find people even if no single person does.

Explain to participants that this networking break provides an opportunity for them to try out the six degrees of separation theory with others in the program. Have participants follow these steps:

1. **Determine who they need to know** or who they would like to be in contact with who could help them grow or promote their business. Have them think BIG! (Who might be a key contact that they don’t already know personally?)
2. **Write their name on the top of an index card.** Then write their key contact person’s name in the center of the card as large as they can. Post the card on the wall.
3. **Walk around the room** and read the names of other participants’ key contacts. If they know one of those contacts – or if they know someone who knows one – or even someone who knows someone who might know one, write their name at the bottom of the other participants’ index card.
4. **Go back and check their own card.** If participants names are written on their card, they should locate those participants and talk about how they might get in touch with their key contact. Remember that other participants may be looking to talk to them too, so they should be aware of the time.

Ask the guest speaker, if still available, to participate in the networking break, and be sure to participate yourself.

**Debrief the Activity**

After the break, have a few participants share their results. Where they able to get closer to their key contact(s) by using the six degrees of separation theory? Did they stumble upon other key contacts in pursuit of the one they sought?

**Activity Close**

Emphasize that successful entrepreneurs are always networking. It is not a one-time activity but a skill that can help them find key contacts in their target market to meet their business needed. Remind them that a lot of other entrepreneurs can provide valuable feedback on marketing strategies.
What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working?

25 minutes

Develop a Marketing Map and Marketing Activities Schedule for the first year after business start-up using traditional and non-traditional marketing activities.

Marketing Activities

Review advertising, publicity, and promotions as traditional marketing activities already covered in facilitated discussion. Before discussing the Marketing Activities Schedule in Action Step 6.1, generate ideas for marketing products/services that may be new or non-traditional. Some ideas may be typical for marketing some product/services, but new to marketing in a particular industry. For example, the pharmaceutical industry began using television advertising to target the consumers in recent years. Prior to that, their advertising was aimed at medical professionals.

Discussion Starter

- What are some new or creative ways you have seen companies market their products/services?
- What marketing methods give you exposure to your customers 24/7, twenty-four hours a day, seven days a week?

Use Slide 6G to identify specifically non-traditional marketing activities.

Key Points

- Find ways for prospects and customers to see your marketing on their own time.
  Consider how technology can help you market your business when you are asleep! This approach allows your target market to access and respond to information any time and anywhere.

- Take your marketing to the market.
  Take time to study your customers’ lifestyle, shopping patterns, or information sources. Consider new opportunities for reaching your target market on its own terms. For example, a company that sells high quality sunglasses can advertise on ski lifts or collaborate with a ski-rental facility to include a coupon with every rental receipt.

Tip

Remind participants to respect local customs and all legal requirements for advertising. For example, they should check laws regarding no-call lists, unsolicited faxes, and flyers placed under windshield wipers if they are considering these activities.
What marketing strategies will I use to market my product/service? How will I know my marketing strategies are working? continued

Activity 6b Marketing Map
Have participants turn to p. 225 in the Entrepreneur Manual to remind them what a sample Marketing Map looks like. Then have them work individually or in pairs to begin their own Marketing Map. They should focus most on their marketing strategy from which will flow their tactics and activities. If they do not complete this activity during the session, they can spend more time on it before the next session.

Debrief the activity by asking two or three participants to share what they have mapped so far.

Variation
Have two or three participants draw their Marketing Map on a flip chart page to share with the larger group. Compare the maps to show the thinking process behind each version.

Action Step 6.1 Develop a Marketing Activities Schedule
Emphasize the importance of identifying creative ways of marketing your business using a mix of advertising, publicity, and promotions. Have participants begin Action Step 6.1 Develop a Marketing Activities Schedule, in which they will plan their marketing activities for the first 12 months of their new venture. They should indicate the marketing activities they plan to pursue, using the lists they made earlier in the facilitation or the Reality Checks in the Entrepreneur Manual. They can list the activities now and research the costs for these activities outside the session and insert them later.

Variation
Time permitting, have participants meet in groups of three (different groups than met previously) to present their proposed Marketing Activities Schedule and explain the reasons for the choice of their marketing mix and their timing. Group feedback will prepare them to complete the schedule on their own.

Activity Close
Participants will want to test their marketing strategies on a small scale, when possible, before expanding to the entire target market. One easy and inexpensive way to evaluate the effectiveness of their marketing activities is to ask new customers how they heard about the business.
What is my sales/service process?

20 minutes

Purpose

Review the steps of the Sales/Service Process and identify the process that will be the most effective for their business.

Facilitation

- **The Sales/Service Process**
  Introduce the steps of an effective Sales/Service Process on Slide 6H.

Discussion Starter

- Why should you develop a Sales/Service Process in the early stages of a business?
- What is your Sales/Service Process?

Key Points

- Although every business is slightly different, all businesses use a Sales/Service Process (they may not all have an effective one).
- The specific actions in each step will be different for each business.
- Consider what will take place for each step of your business.

Activity 6c Sales/Service Process

Participants work with a partner to design or assess the Sales/Service Process for their business. Allow participants several minutes to individually complete as much of the form as time allows. Instruct participants they have 4 to 5 minutes each to share their Sales/Service Process with their partner and obtain feedback. After the total 8 to 10 minutes, call time and debrief outcomes.

Activity Close

Encourage participants to spend time designing their initial Sales/Service Process and determine how they will use customer service strategies throughout each step. As their business develops and grows, they will refine their process. Mention that they will also create procedures and train employees to use the process consistently.
Wrap Up and Action Steps

Time
10 minutes

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

Facilitation

☐ Summarize Key Concepts
- Your brand should create a positive image in the mind of customers that attracts them to buy your product or service.
- Consider how to create a marketing strategy that uses advertising, publicity, and promotional activities within your budget.
- Stay open to new ideas and innovative ways to reach your target market using marketing activities that grab their attention and interact with them wherever they may be.
- Identifying your Sales/Service Process will help you to practice a consistent way of attracting customers, meeting their needs, and developing repeat sales and referrals.

☐ Preview Action Steps

Action Step 6.1 Develop a Marketing Activities Schedule – Schedule marketing activities for their start-up marketing strategy.

Action Step 6.2 Create My Marketing Plan – Market Penetration – Write the Market Penetration section of their Marketing Plan using the Business Plan Template.

Action Step 6.3 Write My Marketing Financial Assumptions – Write the financial assumptions for their entire Marketing Plan including action steps from both Modules 5 and 6. They use the Financial Facts Worksheets introduced in Module 3 to capture their costs.

Read Module 7 Building the Organization and Team

Marketing is an ongoing activity and key to a business’s success. Encourage participants to gain information through research, studying competitors, and accessing knowledgeable resources such as other entrepreneurs and marketing consultants to learn to market effectively.

In the next module, participants will focus on building a team that is certain to include a marketing expert.

Activity Close

Connect this Module to the Next Module

In Module 7, participants will learn about their options for structuring their business legally. They will consider the management and organizational needs of their business concept, including the management team, board of directors or advisory board, employees, and infrastructure. They will also be introduced to the idea of intentionally creating a successful organizational culture.
Building the Organization and Team  Business Planning

Purpose
In this module participants identify key factors influencing the selection of a legal form of business. They define the organization’s management team roles, identify team members, and plan for the use of outside boards and contractors. They consider ways to establish company culture, interview and hire employees, set goals, and add value through building an infrastructure of advisers. By gaining an awareness of critical management and organizational issues, participants will be able to identify preventive measures to mitigate risks.

Key Outcomes
- Factors affecting the selection of legal form of business
- Management team decisions
- Critical management issues and ways to balance risk
- Strategy for using employees and outside contractors
- Management and Organization Plan

Entrepreneur Manual Outline
Choosing a Legal Form of Business
Factors to Help You Choose
Six Forms of Doing Business
Managing Key Business Functions
Board of Directors or Advisory Board
Setting Your Organizational Culture
- Communicating Values
- Creating Clarity
- Setting Goals and Evaluating Results
- Recruiting and Hiring Capable, Self-Motivated People
- Helping Others Be Successful
- Providing Appropriate Rewards
Using Outside Resources
- Taking Time to Network
- Hiring Consultants and Contractors
- Building Your Infrastructure
Activity

During Session

Reality Check Legal Structures

Reality Check Management Function Analysis

Note: Participants will discuss their responses to these Reality Checks – completed before coming to this session.

Action Steps

Before Session

Action Step 6.1 Develop a Marketing Activities Schedule

Action Step 6.2 Create My Marketing Plan – Market Penetration

Action Step 6.3 Write My Marketing Plan Financial Assumptions

Read Module 7 Building the Organization and Team

Action Steps

After Session

Action Step 7.1 Create My Management and Organization Plan

Action Step 7.2 Write My Management and Organization Financial Assumptions

Read Module 8 Planning for a Profitable Business

Optional and Enrichment Activities

Networking – Meeting and Greeting

Organizational Chart Activity
## Estimated Time | Topic | Materials and Equipment | EM Page
--- | --- | --- | ---
Opening | 15 minutes | - Entrepreneurs’ Exchange  
- Debrief Action Steps  
- Session Overview | Slide 7A

### Facilitated Activities and Group Discussion

<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>EM Page</th>
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| 45 minutes | **What is the best legal structure for my business?**  
**What are the risks to my ownership and control of my business, and how can I manage those risks?**  
- Choosing a Legal Form of Business  
- Ownership and Control  
- Six Forms of Doing Business  
 Reality Check *Legal Structures* | Slides 7B – 7C  
Entrepreneur Manual | 260 – 270 |

### Guest Speaker

<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
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<tr>
<td>30 minutes</td>
<td>Legal Structures and Management Teams</td>
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### Networking Break

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<tr>
<td>15 minutes</td>
<td>Activity 1b Building My Network (continued)</td>
<td>Activity 1b</td>
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### Coaching Session

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| 40 minutes | **What talents are needed on my management team and who will fill those roles?**  
- Managing Key Business Functions  
 Reality Check *Management Function Analysis*  
- Board of Directors or Advisory Board | Slides 7D – 7E  
Flip chart | 270 – 278 |
| 18 minutes | **How do I establish a healthy organizational culture?**  
**How will I recruit and retain good employees or build a strong infrastructure?**  
- Setting Your Organizational Culture  
- Recruiting and Hiring Capable, Self-Motivated People Introductory Activity  
- Building Your Infrastructure | Slide 7F  
Flip chart | 278 – 292 |
| 7 minutes | **How do I write my Management and Organization Plan?**  
- Management and Organization Plan  
  Action Step 7.1 Create My Management and Organization Plan  
  Action Step 7.2 Write My Management and Organization Financial Assumptions | Slide 7G  
Sample Management Plan | 294 – 296 |

### Wrap Up and Action Steps

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<tr>
<th>Estimated Time</th>
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<th>Materials and Equipment</th>
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| 10 minutes | - Summarize Key Concepts  
- Preview Action Steps |  | 293 |
| 3 hours total |  |  |  |
Preparing to Lead this Session

Participants are often very interested in the discussion of legal structures. They may be aware of the impact this decision will have on factors such as taxes and legal liability. Participants may not grasp the need to plan an organization's structure with a management team, board of directors, advisory board, or outside consultants. This module provides an opportunity to discuss the concept of working on the business, as the entrepreneur, and not just in the business, as a worker, a concept that may not come easily to some. Others may not have considered the role they will play in establishing organizational culture and the means by which they do so. Guidance in planning the organization, understanding how their role will evolve, and transitioning responsibilities to others as the organization grows will prepare participants to develop their Management and Organization Plan.

Materials Needed
- Slides
- Entrepreneur Manual
- Reality Checks
- More Info Resources
- Flip chart
- Sample Management Plans
- Organizational charts from local businesses for Optional Activity

Supplemental Resources

Attorney
Invite a business attorney to discuss the advantages and disadvantages of the various forms of doing business and what key factors will influence the selection process. The Speaker Confirmation form on the following page identifies key topics to be addressed.

Entrepreneur
Invite an entrepreneur who has dealt with multiple legal issues associated with their business (for example, legal structure changes, contracts, leases, intellectual property) as well as management team growth. Ask the entrepreneur to specifically address how he or she determined which legal structure to choose and any lessons learned in the process. The Speaker Confirmation form following identifies key topics to be addressed.
Guest Speaker Confirmation

Attorney

Speaker

Thank you for agreeing to talk about legal structures for doing business with FastTrac® NewVenture™ participants.

Date of Presentation

Location

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

Topic – Legal Structures and Management Teams

Please include the following information in your presentation:

- The advantages and disadvantages of various legal forms of doing business
- Key factors influencing the decision of which legal form to use
- The selection of professional advisers and their legal responsibilities to the company, if any
- Question and answer time

Background Participants are writing a Business Plan for a start-up venture and have completed the Product/Service and Marketing Plans at this point in the program. They have already investigated intellectual property issues and will focus on their management and legal structures in this session.
**Guest Speaker Confirmation**

**Guest Entrepreneur**

<table>
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<th>Speaker</th>
<th>Today’s Date</th>
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Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

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**Topic – Legal Structures and Management Teams**

Please include the following information in your presentation:

- The legal structure you chose and why
- Any intellectual property issues you may have encountered
- The factors that influenced your choosing an attorney
- Organizational structure and management team selection
- How your role in the organization has changed as your business has grown
- How you have used outside resources, such as a CPA and other professionals and contractors
- The evolution of management team roles with organizational growth
- Your process for selecting a board of directors and/or an advisory board
- Advice or lessons learned to share with someone starting a business
- Question and answer time

**Background**

Participants are writing a Business Plan for a start-up venture and have completed the Product/Service and Marketing Plans at this point in the program. They have already investigated intellectual property issues and will focus on their management and legal structures in this session.

<table>
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<th>Number of Participants in the Group</th>
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<th>Group Profile (Types of Businesses)</th>
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Audiovisual Equipment Needed

Materials Needed

Handouts

Facilitator’s Name

Organization

Phone Numbers

E-Mail Address
Building the Organization and Team

15 minutes

Exchange information and ideas gleaned since the last session and start focusing on selecting a legal structure appropriate to their organization’s needs and planning the organizational infrastructure for managing their business.

Entrepreneurs’ Exchange

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?

Debrief Action Steps

To reinforce key concepts from the previous session, lead a short discussion on Action Step 6.1 Develop a Marketing Activities Schedule, Action Step 6.2 Create My Marketing Plan – Market Penetration, and Action Step 6.3 Write My Marketing Plan Financial Assumptions.

Discussion Starters
Debrief action steps as a group by asking the following questions:
- What marketing methods did you identify for your business (advertising, publicity, promotions, personal selling) and why?
- How did you obtain information on the costs of the methods you chose?

Session Overview

On Slide 7A, point out where the group is and indicate that in this session they will examine legal structures for their business and consider their management and organizational infrastructure needs.

Once the Marketing Plan has been developed, participants will have a better grasp of the scope of the business and their organization’s need for management team members and employees. First, they will examine common legal structures for businesses.

You may want to schedule an attorney to speak immediately following the Entrepreneurs’ Exchange rather than after the discussion of legal structures, if you have chosen that option for a guest speaker. If so, your upcoming discussion of legal structures for a business should be adapted to cover any gaps in the presentation.
What is the best legal structure for my business?
What are the risks to my ownership and control of my business, and how can I manage those risks?

Time
45 minutes

Purpose
Lay the foundation for participant’s selection of a legal structure in consultation with their attorney and accountant.

Facilitation

Choosing a Legal Form of Business
While participants may consider many factors in choosing the legal structure of the business, not all factors will apply to every business. Slide 7B addresses factors to be considered in most businesses.

This important decision should be made with adequate counsel from an attorney, an accountant, and other advisers. The owner also has significant input and is the ultimate decision maker in this matter.

Conduct a brief discussion around factors that influence the selection of a legal structure.

Discussion Starters

What types of decisions might raise critical control issues?
For example, management, profit distributions, funding

What liability issues must you consider?
For example, product liability, liability for debts

Tip
Encourage participants to envision possible exit strategies when choosing the legal form at start up. For example, if a participant’s ultimate goal is passing the business on to children or selling it to a larger company, the legal structure makes a difference.

Ownership and Control
Before investors, lenders, or stockholders get involved, participants can protect their own interests from those who might seek to take control, ownership, or profits.

Discussion Starters
To examine risks of ownership and control, ask the following questions:

How can entrepreneurs be squeezed out of their own business?
Loss of ownership of the majority of stock, realignment of parties, demand for payment of debt, and criminal acts by employees

How can entrepreneurs protect themselves?
Rely on experienced business attorneys, accountants, business consultants, and other trusted advisers

Key Points
✓ Many problems can be avoided by upfront planning and work with an attorney.
✓ Strong management communication and effective conflict resolution can avoid many squeeze outs.
✓ A buy/sell agreement is necessary when you have more than one owner. Develop a buyout agreement before it is needed.
✓ During multiple rounds of financing in which investors are asked to contribute additional monies, entrepreneurs may not be able to keep ownership of the majority of the stock if they cannot contribute.
✓ Ownership and control issues may become more prevalent as the value of the business increases.
What is the best legal structure for my business? What are the risks to my ownership and control of my business, and how can I manage those risks?

Six Forms of Doing Business

Business must be done within some legal framework. Slide 7C lists six common forms. To acquaint participants with the various options available, discuss each of the different structures.

In reviewing these legal forms, address the differences in the key areas of control, taxation, liability, transferability, longevity, and raising capital (as described on Slide 7B).

Discussion Starters
- What key considerations might lead you to select a sole proprietorship as your legal structure?
- What key considerations might lead you to select a partnership as a legal structure? A corporation?

Key Points
- **Sole proprietorship** – This form is often used by entrepreneurs when beginning their ventures. The law assumes a business operates as a sole proprietorship unless the entrepreneur files paperwork otherwise. Legal liability is a significant risk in this form of ownership.
- **Partnership** – A partnership may be general or limited; general ones are most common. Partners have control according to their partnership agreement. If no agreement exists, the law assumes equal control. All partnership agreements need to provide for the dissolution of the partnership.
- **C Corporation** – Provides limited liability. Double taxation is a vulnerable area for some corporations. Explain why S corporations are popular – tax treatment (in which the corporation pays no tax and the profits pass through to the stockholders, who pay income tax on profits) and limited liability. If participants have a difficult time with this concept, use a flip chart to illustrate it. An S corp is not a separate legal structure; it is an election owners can make with the IRS to have a corporation be taxed much like a partnership.
- **Limited liability company (LLC)** – All states now offer the limited liability company. It is designed to combine the benefits of corporate liability insulation with the favorable tax treatment of partnerships.

Tip

Be alert to a common inaccuracy. Participants may reference the LLC as a limited liability corporation rather than company.

- **Nonprofit** – The purpose of a nonprofit is to provide a service to the community. Profits are not distributed to the owners but are used to enhance the mission of the corporation.

Most secretaries of state have websites detailing corporate requirements and forms.
Reality Check Legal Structures

Most participants will have completed the Reality Check before this session. This activity builds on their responses. Help participants understand that their choice of legal structure may not be clear-cut. For example, given the same basic criteria, a CPA may suggest one legal structure and an attorney another. In small groups, have participants do the following:

1. Choose one group member’s business and have that member briefly share responses to Step 1 of this Reality Check.
2. In Step 2, have other members of the group select the legal structure they would recommend for that member’s business.
3. Step 3, as a group, discuss the various choices of group members and come to consensus on the legal structure the group sees as most appropriate. It will be helpful for participants to compare the structure they chose to the group’s choice.
4. Instruct participants to complete the Reality Check after this session if they have not already done so.
5. Caution participants that the responses of the group are merely opinions. They should consider the information but only make a decision with professional guidance.

Choosing the appropriate legal structure has significant implications for every business and should only be made after careful consider and consultation with an attorney and accountant.
**Guest Speaker – Legal Structures and Management Teams**

30 minutes

Provide information and depth to the discussion of legal structures.

Announce the topic of the presentation, “Legal Structures and Management Teams.”

Introduce the attorney or entrepreneur 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 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 to discuss the following points included on the Guest Speaker Confirmation form.

**Attorney**

Have attorney focus on the advantages and disadvantages that each item has for a new venture:
- The advantages and disadvantages of various legal forms of doing business
- Key factors influencing the decision of which legal form to use
- The selection of professional advisers and their legal responsibilities to the company, if any
- Question and answer time

**Entrepreneur**

Invite an entrepreneur who has dealt with a variety of legal issues and ask him or her to report the following types of information:
- The legal structure you chose and why
- Any intellectual property issues you may have encountered
- The factors that influenced your choosing an attorney
- Organizational structure and management team selection
- How your role in the organization has changed as your business has grown
- How you have used outside resources, such as a CPA and other professionals and contractors
- The evolution of management team roles with organizational growth
- Your process for selecting a board of directors and/or an advisory board
- Advice or lessons learned to share with someone starting a business
- Question and answer time

Entrepreneurs frequently network with other entrepreneurs to identify potential members of their infrastructure, such as an attorney. The networking break may provide them with this kind of opportunity.
### Networking Break

<table>
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<tr>
<th>Time</th>
<th>15 minutes</th>
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<tbody>
<tr>
<td>Purpose</td>
<td>Provide an opportunity to continue the peer networking started in the first session with fellow participants, the guest speaker, facilitator, and coaches.</td>
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#### Activity 1b Building My Network (continued)

Remind participants that the networking break provides an opportunity for them to meet and talk with fellow participants, the guest speaker, facilitator, and coaches.

These meetings can include:
- Trying out their one-minute marketing speech.
- Discussing information about themselves, their business concept, work experiences, or skills.
- Sharing resources they have found helpful (for example, accountants, attorneys, or research sources).
- Identifying potential areas of mutual benefit.
- Looking for potential infrastructure, advisory board, or board of directors members.

#### Enrichment

**Networking – Meeting and Greeting**

To expand discussion of networking skills, see Module 4 Networking – Meeting and Greeting behind the Optional and Enrichment Activities tab.

#### Activity Close

Encourage participants to continue networking to identify potential infrastructure members, such as attorneys, consultants, accountants, and bankers.
What talents are needed on my management team and who will fill those roles?

40 minutes

Plan the organization’s structure and identify the management team or infrastructure members and strengths.

- Managing Key Business Functions
  A strong management team is critical in attracting investors. One venture capitalist says he would rather invest in a “B” business concept with an “A” management team than vice versa.

Discussion Starters
Help participants identify the types of work and functions that need to be performed by asking the following questions:

- What roles and responsibilities are necessary to start and grow a venture?
  Write answers on a flip chart for ease of reference for subsequent questions.
- Will you fulfill all of these roles and assume all of these responsibilities yourself?
  This question is meant to be rhetorical and lead into the next two questions.
- Which roles are you most comfortable with?
- Which roles/responsibilities will you hire employees or other management team members to prepare?

Reality Check Management Function Analysis
Most participants will have completed the Reality Check before this session. The activity builds on their responses. Have participants analyze key management functions and identify the organization’s management team needs by doing the following:

1. Individually complete the Reality Check Management Function Analysis.
   For those who completed it while reading the module, ask them to review and make changes to their answers if needed.
2. For the 3 areas they identify as challenges, ask participants to create an action plan.
3. Form groups of 3 to 5 (different members than previous group) and ask the members to share the most important business functions and their action plan.
What talents are needed on my management team and who will fill those roles? continued

- **Board of Directors or Advisory Board**
  To encourage participants to develop their own board of directors or advisory board and prepare them to answer the discussion question, have them individually write down 3 to 5 names or types of professionals they would invite to sit on this board. Then have them compare these names to the duties listed on Slides 7D and 7E.

**Discussion Starters**
- What types of companies use boards of directors? Advisory boards?
- What is the major difference between a board of directors and an advisory board?
  - *Legal responsibility to the company*
- What factors would you consider in deciding to create a board of directors or advisory board?
  - *Personal vision, business concept, and the legal form of organization will set the framework for how much structure the company needs.*
- Who would you invite to sit on your advisory board or board of directors and why?

**Key Points**
- Advisory boards usually consist of business experts who do not directly work for the company but provide valuable information to the entrepreneur as well as informal accountability, which are often missing in a new business.
- Board of directors function according to the organization’s bylaws. Advisory boards, not regulated by bylaws, typically meet semiannually or quarterly, often for a breakfast or lunch meeting, although individual meetings with board members may be more frequent. For start-ups members may serve without compensation or for a very modest honorarium or gift plus the meals.

Remind participants that the advisory board may include members of the management team and infrastructure. Advisory boards do not have the legal responsibilities of boards of directors.

In addition to the board of directors or advisory board, employees play a key role in assisting an organization in achieving its goals. Even if the business is operated by a single person, an adjunct management team can be created through the use of an advisory board, a board of directors, contract employees, consultants, and mentors.
How do I establish a healthy organizational culture? How will I recruit and retain good employees or build a strong infrastructure?

18 minutes

Plan ways to develop a healthy organizational culture.

Brainstorm ways to recruit and retain the employees or infrastructure members they have identified they will need.

Setting Your Organizational Culture

Every organization develops a cultural climate. Good leaders are in control of their business’s organizational culture.

Key Points

Healthy, dynamic businesses will typically provide:

- **Strong shared values** – Values will be clearly communicated throughout the business.
- **Clarity** – Clarity of purpose, structure, direction, measurement will pervade the organization.
- **SMART Goals** – Goal setting at every level will be specific, measurable, attainable, relevant, and timely.
- **Motivated team members** – Hiring and recruitment is often overlooked in the planning process, but it can be the Achilles’ heel of a business.
- **Mutual success strategies** – From flexible work hours to relaxed dress codes, a healthy business responds to the dreams and aspirations of its employees.
- **Appropriate rewards** – Gratitude, vision, experimentation, failure, fairness, celebration, trust, and responsibility are part of the equation for most successful organizational cultures.

Recruiting and Hiring Capable, Self-Motivated People

Reference a quote by Ewing Marion Kauffman to “Hire people who are smarter than you! In doing so, you prevent limiting the organization to the level of your own ability…and you grow the capabilities of your company.”

Introductory Activity

To clarify what makes talented individuals want to work for a business, ask participants to think about jobs they have held in the past and do the following:

1. Individually respond to the two questions written on the flip chart:
   - Why did you particularly enjoy the job or work environment?
   - What made you dissatisfied in previous jobs or work settings?
2. In triads, identify several keys to attracting and keeping talented employees.
3. Each group will provide answers to the larger group.

Variation

If time is short, omit small group work (Step 2) and discuss as a large group.
How do I establish a healthy organizational culture? How will I recruit and retain good employees or build a strong infrastructure? continued

Building Your Infrastructure
Introduce participants to the types of professionals who may be a part of their business’s infrastructure by drawing an analogy of an individual’s personal support system, which may consist of relatives, doctors, dentists, financial planners, insurance agents, friends, employers, and even the merchants from whom they purchase their basic necessities. Note that the IRS issues specific guidelines to distinguish between a subcontractor and an employee. Information can be found at [irs.gov](http://irs.gov).

Discussion Starters
To apply the concept of creating an organizational infrastructure, ask participants the following questions:

- What infrastructure members will you need for your business?
  - For example, attorneys, accountants, bankers, business consultants, marketing gurus, sales representatives
- Why develop an infrastructure?
  - Can be used on an as-needed basis instead of regular employees
- How will your needs for infrastructure members change as your organization grows?

To illustrate how many businesses start with the entrepreneur thinking he or she will fill most of the jobs of the organization, refer to Slide 7F. In reality, an entrepreneur uses the skills and expertise of others, even if there are no employees.

Organizational Chart Activity
See the Organizational Chart Activity behind the Optional and Enrichment Activities tab in the Facilitator Manual for further practice at developing an organizational structure.

Activity Close
An organization’s human assets will determine its success or failure.
How do I write my Management and Organization Plan?

7 minutes

Prepare participants to complete their Management and Organization Plan.

- Management and Organization Plan
  Familiarize participants with the content of this section of the Business Plan point by point on Slide 7G and point out the related questions from the Business Plan Template in the Entrepreneur Manual.

  - Legal Form of Business – Form selected and why
  - Management Team – Key members, job descriptions, experience and qualifications, titles
  - Board of Directors/Advisory Board – Names, qualifications
  - Recruitment and Selection of Employees – Hiring plan, qualifications, duties
  - Compensation and Ownership – Package for management, ownership
  - Employee Reward and Incentive Plan – Incentive plan, rewards
  - Communication – System to assure clarity
  - Infrastructure – Key advisers, names, compensation

Discussion Starters

• Which questions will be the most difficult to answer?
• How might you obtain this information?

The Management and Organization Plan provides participants an opportunity to build credibility with the reader by highlighting their expertise, the management team, and other support persons from the infrastructure.

Action Step 7.1 Create My Management and Organization Plan
Show participants a sample Management and Organization Plan from fasttrac.org/resources and explain the level of detail needed to complete it.

Action Step 7.2 Write My Management and Organization Financial Assumptions
Suggest participants be a little pessimistic with projections, even though they want the plan to reflect their enthusiasm for the business. Remind them to document their sources for specific amounts in their assumptions.

Activity Close
Encourage participants to read their Management and Organization Plan as a potential investor might, assessing the strengths and weaknesses of the management team or infrastructure. Then prepare to address any weaknesses.

Tip

Some participants may ask, “Why do I need to have a Management and Organization Plan when I know I am a sole proprietor and the only person in my organization?” Explain that all businesses have support personnel, even if they only function in an advisory position. Also, entrepreneurs will wear the hats of many different positions and need to identify those roles.

Tip

Remind participants that their salary is listed on the Financial Facts Worksheet as an expense of the business. Participants will often say, “I’ll take the profits that are left.” Without properly documenting their salary or owner’s draw, they are misrepresenting the business’s true costs.
Wrap Up and Action Steps

10 minutes

Reinforce key points and recap action steps to be completed for the next session.

Summarize Key Concepts

Tip

Recap and summarize information by asking participants to communicate one concept they learned from the session. You will know if your session was on target and can clarify or reinforce key points as needed.

- A legal structure has a significant impact on the way a business operates and should be chosen only after careful consideration and with the assistance of an attorney and accountant.
- The entrepreneur's role will evolve as the business grows.
- Management team expertise can be supplemented by other infrastructure members and the use of an advisory board or board of directors.
- Organizational culture can be shaped through careful planning and attention to key activities including recruiting, hiring, reward systems, and communication.

Tip

Encourage participants to continue to network outside of session.

Preview Action Steps

Participants will make the last of their financial assumptions by completing their Management and Organization Plan action steps. In the next module, they will be able to use the financial information accumulated in Modules 4 through 7 to project the financial position of their business.

Action Step 7.1 Create My Management and Organization Plan – Begin early to identify management team needs and potential infrastructure members. As participants acquire new information, they should update this section of their plan.

Action Step 7.2 Write My Management and Organization Financial Assumptions – Payroll is typically a significant cost in most organizations. Document assumptions clearly so they can be evaluated in light of later information. As participants acquire additional information, they should revise this section of their plan.

Read Module 8 Planning for a Profitable Business

Although many aspects of hiring, contracting, setting organizational culture, and building an infrastructure may seem like something participants will do “down the road,” having this information firmly in mind during start-up keeps them aware of the decisions they will need to face later. Their choice of a legal structure will affect all the other organizational decisions they will make in their business.

In the next two modules, participants will focus on the financial strengths of their business – profitability and cash flow – and begin to project their budget. They will use the financial information they have been accumulating on the Financial Facts Worksheets introduced in Module 3.
Planning for a Profitable Business  Business Planning

Module 8 concentrates on the components of profitability that contribute to participants’ financial goals. Participants will estimate sales projections, inventory, and expenses using the electronic Financial Template, which automatically produces financial statements and ratios from the information they provide. They will focus on reading their projected Income Statement to determine necessary profitability adjustments. They will also consider future profitability analysis, such as budgeting and benchmarking.

- Sales and expenses estimates
- Inventory estimates and their impact on Cost of Goods Sold
- Three-Year Financial Statements using the Financial Template
- Skills to read financial statements to monitor profitability
- Ability to maximize profitability through financial planning

Charting Profitability
Finalizing Sales and Expense Estimates
- Recognizing the Components of Profitability
- Identifying and Projecting Sales
- Writing Sales Assumptions
- Considering Inventory and Cost of Goods Sold
- Estimating Operating Expenses
- Writing Expense Assumptions

Creating Financial Projections
- Projecting Financial Statements in the Financial Template
- Reviewing Financial Statements for Accuracy

Assessing and Monitoring Profitability
- Assessing Profitability
- Monitoring Profitability
Activity 8a Pricing Strategies and Sales Projections
Activity 8b Profit Improvement Practice

Action Step 7.1 Create My Management and Organization Plan
Action Step 7.2 Write My Management and Organization Financial Assumptions
Read Module 8 Planning for a Profitable Business

Action Step 8.1 Project Sales
Action Step 8.2 Project My Three-Year Income Statement
Read Module 9 Monitoring Cash Flow and Seeking Funds

Break-Even Analysis
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>EM Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 minutes</td>
<td><strong>Opening</strong></td>
<td></td>
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<tr>
<td></td>
<td>- Entrepreneurs’ Exchange</td>
<td>Slides 8A – 8B</td>
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<tr>
<td></td>
<td>- Debrief Action Steps</td>
<td>Entrepreneur Manual</td>
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<tr>
<td></td>
<td>- Session Overview</td>
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<tr>
<td>25 minutes</td>
<td><strong>Guest Speaker</strong></td>
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<tr>
<td></td>
<td>- Financial Information and Profitability</td>
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<tr>
<td>25 minutes</td>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td></td>
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<tr>
<td></td>
<td>- What impact will my pricing strategy have on sales and profitability?</td>
<td>Slides 8C – 8D</td>
<td>298 – 301</td>
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<tr>
<td></td>
<td>- Recognizing the Components of Profitability</td>
<td>Activity 8a</td>
<td>318 – 322</td>
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<td></td>
<td>- Using Financial Information to Make Improvements</td>
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<td>- Activity 8a Pricing Strategies and Sales Projections</td>
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<td></td>
<td>- How can expenses be adjusted to improve profitability?</td>
<td>Activity 8b</td>
<td>313 – 315</td>
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<tr>
<td></td>
<td>- Using Financial Information to Make Improvements</td>
<td>Flip chart</td>
<td>323 – 324</td>
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<tr>
<td>15 minutes</td>
<td><strong>Networking Break</strong></td>
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<tr>
<td></td>
<td>- Activity 1b Building My Network (continued)</td>
<td>Activity 1b</td>
<td>29</td>
</tr>
<tr>
<td>15 minutes</td>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td></td>
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<tr>
<td></td>
<td>- What is the Financial Template and how can it help me in the financial planning process?</td>
<td>Slide 8E</td>
<td>310</td>
</tr>
<tr>
<td>15 minutes</td>
<td><strong>Coaching Session</strong></td>
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<tr>
<td></td>
<td>- Where does the information for my Financial Plan come from?</td>
<td>Financial Facts</td>
<td>310 – 311</td>
</tr>
<tr>
<td></td>
<td>- Financial Facts Worksheets</td>
<td></td>
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<td></td>
<td>- What are the sources of revenues in my business?</td>
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<td>- Projecting Sales</td>
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<td>301 – 303</td>
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<td>- Action Step 8.1 Project Sales</td>
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<td></td>
<td>- Projecting Income Statements</td>
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<td>- Action Step 8.2 Project My Three-Year Income Statement</td>
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<td><strong>Wrap Up and Action Steps</strong></td>
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<td>317</td>
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<td></td>
<td>- Summarize Key Concepts</td>
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<td></td>
<td>- Preview Action Steps</td>
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<td>3 hours total</td>
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Preparing to Lead this Session

Even though financial concepts were first introduced in Module 3 and have been reinforced throughout the modules, entrepreneurs sometimes experience anxiety or frustration during financially-based Modules 8 and 9. To help reduce this anxiety, consider the following:

- Encourage participants by reinforcing the financial knowledge they currently have. This knowledge will continue to grow and deepen as they plan and build their businesses.
- Explain that financial knowledge is a critical skill of successful entrepreneurs. Only with this knowledge will entrepreneurs be prepared to build a business that will help them reach their personal financial goals.
- Presenting financial information in a simple, pertinent, and interesting way can greatly improve the participant’s ability to gain new understanding. Resist the tendency to present financial information they cannot use in this module merely as a method of exposing them to additional concepts. As participants are probably already feeling overwhelmed, confine discussion to the key objectives of the module.
- Since participants gain an understanding of financial concepts at different times and in different ways, provide multiple learning opportunities including visuals, activities, and personal reflections. The most important thing to remember is to keep the participants involved. Ask questions and encourage participation.

Resist the temptation to turn over the facilitation of this portion of the financial modules to a guest speaker or CPA. Participants have established a relationship with you and will feel more comfortable with you facilitating this learning experience. Good rapport with a familiar facilitator will aid in their learning far more than the technical knowledge of an unfamiliar financial expert.

Remember to follow the teaching approach of “introduce, practice, and apply.” This process is important to adults as they learn and apply new information. Introductions to financial concepts should be brief if participants have read the material – their first introduction to the key concepts in this program. This assumption provides more time during the module to practice and apply the financial concepts.

Materials Needed

- Slides
- Entrepreneur Manual
- More Info Resources

Supplemental Resources

Sales Projection Tool at fasttrac.org/resources

Guest Speaker Selection

Guest Entrepreneur

Select an entrepreneur, preferably a FastTrac® graduate, to discuss financial issues he or she has experienced in determining and improving profitability. The best guest speaker for this important financial concept is one who is able to talk plainly and purposefully about it. The speaker must be able to convey key profitability concepts in a non-threatening way. More importantly, the guest speaker must be able to convince participants of the critical importance of understanding and influencing the profitability of an enterprise.
Guest Speaker Confirmation

Guest Entrepreneur

---

Speaker: [Name]

Today's Date: [Date]

Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

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

Directions to Location

Directions to Room

Presentation Time

Question and Answer Time

---

**Topic – Financial Information and Profitability**

Please include the following information in your presentation:

- An experience you had that convinced you of the need to understand your business’s financial position – primarily profitability
- How you began to deepen your knowledge of financial concepts
- Key financial concepts you have identified as critical criteria to watch on a regular basis – primarily profitability criteria
- An experience you had that showed the benefits of taking the time to understand these deeper financial concepts. For example, a way you increased profits by making appropriate changes to price, sales, inventory costs, and/or operating expenses.
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

**Background**

This is the eighth of ten modules for entrepreneurs who plan to start a business after completing this program. They have already finished the screening phase of the program to determine that their business concept meets their own personal needs. They have now nearly completed the business planning phase. Module 8 marks the first of the two financial planning modules in which entrepreneurs will determine profitability and proper cash flow. Module 8 concentrates on profitability issues. After this module, entrepreneurs will project a Three-Year Income Statement and analyze the resulting profit against personal profitability criteria.

---

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
Planning for a Profitable Business

Time
15 minutes

Purpose
Provide important reconnection time in which entrepreneurs can share information learned since the last session, exchange ideas, and turn their attention to the financial implications of starting a business.

Open the Session

Entrepreneurs’ Exchange
Encourage participants to share what they have discovered about the management and organizational needs of their business since the last session, if possible, focusing on the financial ramifications of their operational structure.

Discussion Starters

- What have you learned about your business start-up (or concept) since our previous meeting?
- What sources of information or contacts have you identified that may be helpful to other members of the program?

Debrief Action Steps
Reinforce what they learned through their out-of-session action steps by asking the following questions about Action Steps 7.1 and 7.2.

Discussion Starters

- What types of key advisers will your business need? How will you identify individuals to fill these advisory roles?
- What did you gain by clearly defining roles and responsibilities, even if you will be filling all the roles initially?
- What were the key challenges of completing the Management and Organization Plan?

Session Overview
Highlight on Slide 8A that entrepreneurs are on Module 8, Planning for a Profitable Business, emphasizing what they have accomplished so far and that they are nearing the completion of the course.

On Slide 8B emphasize that in this module they will focus on screening for profitability – the second component in the financial screening process.
Instead of a typical Entrepreneurs’ Exchange, you may want to use this time to prepare participants for this important module. Add to your planned overview a creative introduction to financial concepts that involves everyone. The purpose of this overview is to energize participants by involving everyone in the activity and reduce anxiety by introducing the purpose of understanding financial information.

**Facing fear** – Provide a piece of paper and pencil to each participant. Have them draw a line down the middle of the paper. Allow participants two minutes to write down what they fear (or dislike) about financial concepts in the left column. Then, allow two minutes for them to write what they stand to gain by understanding financial concepts in the right column. Ask for feedback from participants to share with the entire group. Or, have them tear their paper in half, crumple up the left column, and throw their fears “out the window” by tossing them over their shoulder. With their fears out of the way, they can concentrate on what they stand to gain by understanding financial concepts.

**Hitting the target** – If you did not use this option in Module 3, it is also appropriate in this module. Or you may reuse it to remind them about goal setting and hitting the target. Provide adequate paper supply to each small group or table of participants (it would add to the fun to give a different color to each small group or table). Ask participants to build a paper airplane. On the count of three, ask them to fly the airplane. Once the airplanes have landed, ask participants to raise their hand if they hit the target they were aiming for (of course, you did not ask them to hit a target).

Ask them to build a second airplane, meanwhile draw a target on flip chart paper near the front of the room. On the count of three, ask participants to fly their airplane and attempt to hit the target. After the cheering has subsided, compare this activity to entrepreneurship, particularly financial concepts. Example: Once you define your financial goals, your target, you have a greater opportunity of reaching them. This module is their first attempt at hitting the target.

Tell participants that they will now hear from someone who will help them understand the key issues of profitability, the second component in the financial screening process.
Guest Speaker –
Financial Information and Profitability

25 minutes

Purpose
Close the gap between theory and practice by having an entrepreneur share his or her personal story of understanding financial information and using this understanding to increase profitability in his or her business.

Facilitation
Announce the topic of the presentation, “Financial Information and Profitability.”

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

- An experience you had that convinced you of the need to understand your business’s financial position – primarily profitability
- How you began to deepen your knowledge of financial concepts
- Key financial concepts you have identified as critical criteria to watch on a regular basis – primarily profitability criteria
- An experience you had that showed the benefits of taking the time to understand these deeper financial concepts. For example, a way you increased profits by making appropriate changes to price, sales, inventory costs, and/or operating expenses
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time

Tell participants that they will have the opportunity to talk with the guest entrepreneur during the Networking Break but first they will consider the components of profitability.
What impact will my pricing strategy have on sales and profitability?

25 minutes

Introduce the components of profitability, concentrating on the sales component and how pricing strategies affect profitability.

Introduce and practice the three sales projection approaches – comparative sales, average sale, and bottom-up.

- **Recognizing the Components of Profitability**
  
  To reinforce that the only way to increase profits is to appropriately change one or more of the three components of profitability (Sales, Cost of Goods Sold/Cost of Sales, Operating Expenses), conduct a brief group discussion (5 minutes) using the information on Slides 8C and 8D as a guide.

**Discussion Starter**

*In the Reality Check Profitability Components in the Entrepreneur Manual, what adjustments to Sales, Costs of Goods Sold/Cost of Sales, or Operating Expenses, did you identify?*

**Activity 8a Pricing Strategies and Sales Projections**

Participants will practice several profit improvement techniques they can later apply to their own business. This first practice will concentrate on the Sales component.

1. Select the business narrative from the two provided, Wood Brain Puzzles or Motivate and Celebrate, Inc., that best meets the needs of the participants in your program. The facts provided in the narratives are of the same type, although simplified, that participants will be seeking for their own business. Have participants read the selected narrative. Don’t overemphasize the mathematical aspect of calculating sales projections. It is more important that participants understand the relationship between setting prices and the effect on sales.

2. Divide the large group into three smaller groups. Assign one of the three sales projection approaches – comparative sales, average sale, and bottom-up – to each group, explaining that estimating accurate sales should involve several methods. Direct participants to pp. 301 – 303 in the Entrepreneur Manual and have them carefully review the sales projection approach assigned.

3. Allow 10 minutes for each group to:
   a. Read the narrative and review their sales projection method.
   b. Calculate the sales estimate based on the information provided, making appropriate assumptions to assist in the task.
   c. Consider pricing adjustments to increase profitability and their potential consequences.
   d. Prepare a 3-minute presentation to teach-back the information to the large group. In their presentation, participants should include tips for using the particular method they have been assigned, challenges they may encounter, and ways to overcome these challenges.

4. Ask the small groups to share their results with the larger group.
   An Answer Key is provided on pp. 161 – 168 of the Facilitator Manual.

---

**Tip**

Suggest that participants round to the nearest dollar when making their projections.
What impact will my pricing strategy have on sales and profitability?

Discussion Starter
Remind participants they will begin working on their own sales projections during the coaching session. Lead the discussion:

X What have you learned from this activity that you can apply to your own business?

Key Points
✓ The price they charge typically affects the number of products/services they can sell, therefore affecting sales and overall profitability.
✓ Most often, the lower the price, the more products/services sold. In some cases, however, increasing the price gives the customer the perception of increased value and more products/services sell.
✓ Sales can be projected more than one way. This activity provides three different sales estimates. Selecting the most reasonable estimate takes accurate information and a realistic view of sales expectations.

Optional Sales Projection Tool

Individual computers – If your location has computer access so participants can view and experiment with the Excel®-based template Sales Projection Tool at fasttrac.org/resources, have each group use the electronic tools to complete this activity.

Computer projection – If your location has only one computer with a projection system, you could have the groups work individually for a while and then present their results using the computer. Or you could ask three participants to use the computer to conduct a section of the activity for the whole group.

Variations
All three methods – Another way to conduct this activity is to have each group practice all three sales projection methods for the selected business narrative. The advantage is that they will have the experience of calculating and analyzing all three estimates for accuracy and reasonableness. The disadvantage is the added time it will take and the potential for an unnecessary emphasis on the mathematical aspect of the activity, which is difficult for some participants.

Provide the answers – Participants will apply these three sales projection methods to their own business during the coaching session and prior to the next module. If you want to save time, consider handing out the answers provided on pp. 161 – 168 of the Facilitator Manual.

Connect this Learning to the Next Activity
Participants will now explore another key component of profitability, Operating Expenses.
How can expenses be adjusted to improve profitability?

15 minutes

Practice adjusting expenses on an Income Statement to improve profitability and discuss the pros and cons of these decisions.

Using Financial Information to Make Improvements

The purpose of this activity is to practice analyzing an Income Statement to identify areas to improve profitability.

Activity 8b Profit Improvement Practice

Conduct the activity as described below, encouraging participants to make assumptions when necessary.

1. Decide the best way to group participants for ultimate learning. If knowledge of financial information is high among participants, they may be able to practice this activity individually and share insights with the larger group. More probably, however, many of your participants are uncomfortable with financial information and would benefit from being paired or grouped with participants who are more familiar. Considering these issues, divide the large group into appropriately sized smaller groups.

2. Have participants turn to Activity 8b in the Entrepreneur Manual, read the scenario, make the necessary adjustments, and predict their consequences.

3. Have the groups take turns reporting one adjustment and its consequences at a time, not repeating any adjustments already suggested. Record their responses on a flip chart.

Participant answers may include the following:

<table>
<thead>
<tr>
<th>Profit Improvement Action</th>
<th>Possible Negative Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase price</td>
<td>Overall total sales decreases because customers are unwilling to pay more.</td>
</tr>
<tr>
<td>Increase marketing costs to increase sales</td>
<td>If the campaign is successful, advertising or marketing expenses will rise in relationship to increased sales.</td>
</tr>
<tr>
<td>Give more coupons to increase sales</td>
<td>If the campaign is successful, reductions from revenue for coupons and discounts will rise in relationship to the increase in sales.</td>
</tr>
<tr>
<td>Reduce Cost of Goods Sold</td>
<td>May reduce quality or fail to meet consumer expectations, driving customers to the competition.</td>
</tr>
<tr>
<td>Reduce payroll</td>
<td>Pay cuts are out of the question, and even letting go of employees can cause a huge downturn in morale for those left behind.</td>
</tr>
<tr>
<td>Reduce operating expenses</td>
<td>May be a good option, although some inefficiencies could increase other costs, such as employee labor.</td>
</tr>
<tr>
<td>Refinance loan to lower interest rate</td>
<td>Refinancing fees may affect this year's profitability and cash flow.</td>
</tr>
</tbody>
</table>
How can expenses be adjusted to improve profitability? continued

Key Points

✓ Some adjustments to expenses have immediate, adverse reactions. For example, reducing the Cost of Goods Sold by reducing wash time from 2 minutes to 45 seconds may only push customers to the competition.
✓ Many adjustments to expenses have small, but long-term benefits.

Optional

Break-Even Analysis
See the Break-Even Analysis behind the Optional and Enrichment Activities tab in the Facilitator Manual for practice in developing a break-even analysis.

During networking break, ask participants to discuss possible sources for obtaining information on costs and expenses.
Networking Break

**Time**
15 minutes

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

**Facilitation**

**Activity 1b Building My Network (continued)**
Remind participants that the networking break provides an opportunity for them to meet and talk with another participant.

Encourage participants to continue the networking they have been doing throughout the program. In their discussion at break, have participants brainstorm resources for obtaining information on financial costs and expenses.

Also emphasize that they have only two more sessions to finish the networking activity begun in Session 1, Activity 1b Building My Network. Participants are encouraged to meet outside of the program to complete this networking activity if needed.

**Activity Close**
During break, participants networked and shared resources for obtaining financial information on costs and expenses. The discussion of financial planning will now continue.
What is the Financial Template and how can it help me in the financial planning process?

15 minutes

Introduce the Financial Template and how it can help participants develop accurate, timely financial statements.

Introduction to the Financial Template

Now participants begin entering the financial information they have been collecting using the electronic Financial Template available at fasttrac.org/resources. Reinforce that the coaching session will include some time for participants to explore the Financial Template and understand the specific steps to complete the financial statements.

Discussion Starters

- How many of you have projected financial statements before?
- How many of you have used an Excel spreadsheet?

Tip

Ask for a show of hands to determine the knowledge base of participants.

- What is motivating you to prepare these financial statements?
  Preparing accurate, timely financial statements is the only way to test the financial feasibility of a business against an entrepreneur’s own personal financial goals.

Tip

If you used the Facing Fear variation in the Entrepreneurs’ Exchange, remind participants of the items they wrote in the right column that described what they stand to gain by understanding financial information.

- What would help you to complete this step?
  An introduction to the template, adequate time to prepare the statements, and resources available when help is needed

- Participants have many accounting options for recording transactions and preparing financial statements for their business.
  For example, QuickBooks, an industry-specific software package, an accounting service, a CPA firm

Tip

Suggest to participants that when they use accounting software, it may be well worth the money to have a professional set up the initial Chart of Accounts.
What is the Financial Template and how can it help me in the financial planning process? continued

Key Points

- The most difficult part of projecting financial statements is gathering the information. This step is nearly complete. The rest is much easier.
- The financial statements in the Financial Template are generated by information they provide in each worksheet of the template. If participants proceed through the worksheets one step at a time, they will complete the statements they need to make financial decisions.

Go over the Financial Template worksheets listed on Slide 8E to help participants become familiar with worksheet names. They may also view some of this information in of the Entrepreneur Manual in Action Step 8.2. Tell participants they will begin entering information into these worksheets on the Financial Template during Action Step 8.2. Other worksheets will not be completed until Module 9.

Variations

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

- **Computer projection** – If your facility has a computer and projection system, 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.

- **Individual computers** – If your facility provides computers for each participant, use them to demonstrate the Financial Template. Be sure to allow time for individual exploration.

Connect this Learning to the Next Activity

In the coaching session, participants will work more with the Financial Template and begin to apply the profitability concepts practiced so far.
Where does the information for my Financial Plan come from?

15 minutes

Organize the Financial Facts Worksheets and other financial information prepared throughout the program to review for completeness and accuracy.

Note: This coaching session includes three separate time periods. Be prepared to transition participants from one activity to another because they need to spend time on all of the activities. The goal is not that participants complete all the action steps during the coaching session but that participants become comfortable with the information they need to prepare projected financial statements.

Financial Facts Worksheets

Ask participants to turn to p. 311 of the Entrepreneur Manual. Using the table, explain to participants how they will enter information from the Reality Checks, action steps, and Financial Facts Worksheets into the Financial Template to assess their business concept for profitability. Slide 8E also illustrates these relationships. Have participants review previous work for completeness and reasonableness.

Be prepared to handle these common difficulties:

- Participants have not completed all of the previous work.
  Solution – Encourage them that the previous work helped prepare them for this point, but it is not necessary to continue. Future information gathered to create the financial projections will be entered directly into the Financial Template.

- Participants have taken in as much financial information as they can and tend to shut out additional information.
  Solution – Ask them to begin writing an action list of the things they want to do after this module. These steps might include calling the facilitator/coach to get some tips on where to start, for example, reread Modules 3 and 8 or finalize sales projections.

- Participants need additional one-on-one help.
  Solution – You may need to provide a little extra assistance in preparing the financial statements for a few people who need it. This might be done through individual coaching, arranging for accounting students to help, or scheduling an ancillary session to help those who need it.

Key Points

- Whether or not participants have fully completed the Financial Facts Worksheets to this point, it is time to begin working in the Financial Template. Any information they have will be used as a basis for projections.

- Identifying where information is lacking will prepare participants to prioritize the collection of additional information, as some information takes longer to acquire.

Now it is time to use the information gathered to enter data into the Financial Template to project sales and generate financial statements, starting with the Income Statement.
What are the sources of revenues in my business?

30 minutes

Use Action Step 8.1 Project Sales to begin estimating sales and analyzing profitability.

- **Projecting Sales**
  
  *Note: Participants will complete Action Step 8.1 using the electronic toolkit at fasttrac.org/resources. If your facility does not have computer access for this coaching session, then have participants look at the projection tools they used in Activity 8a for a sample of what the electronic template will look like when they project their own estimates.*

**Action Step 8.1 Project Sales**

Review the instructions for Action Step 8.1 to help participants estimate sales and analyze profitability using the three sales projection methods – comparative sales, average sale, and bottom-up.

**Discussion Starter**

- What questions do you have on Action Step 8.1?
- How will you go about collecting missing information?

Be prepared to handle these common difficulties:

- The variables associated with the participant’s business do not fit well into the one-size-fits-all sales projection templates.
  
  *Solution: Make sure participants understand the basis behind each method. The method can be applied without the use of the templates.*

- Participants don’t have all the information they need to complete the projections.
  
  *Solution: 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 or Excel confuse them.
  
  *Solution: Encourage participants to come up with their own way of estimating sales using the theories discussed. Have them look at their business comparatively, from the bottom-up, and with average sales in mind.*

**Key Points**

- Have them consider the changes they want to make to the price to improve overall profitability. But remind them of the potential consequences of raising (or even lowering) prices.

- Most often, the lower the price, the more products/services sold. In some cases, however, increasing the price gives the customer the perception of increased value and more products/services sell.

- It is critical to project sales in more than one way. The comparative sales approach looks at the overall revenue possible. The bottom-up approach calculates what the business is going to cost to run. The average sale approach considers sales activity and how it affects revenue.
What are the sources of revenues in my business? continued

As you plan your facilitation for these action steps on financial statements, consider mixing the way you conduct each activity. Try these variations:

**Individually** – Have individuals work quietly on their own action step for a few minutes and then open the discussion for questions and comments.

**In pairs** – Ask participants to work in pairs. This takes a bit more time, but allows for feedback and sharing. It is also much more interactive and tends to get people more engaged and involved.

**Small groups** – Form small groups and give each group a different task that relates to the action step. After a few minutes, have them report back to the large group about how they completed that portion of the action step.

Now that participants have looked at this one component of profitability, they will begin to look at all components together as they begin to project their Three-Year Income Statement.
**How do I project a Three-Year Income Statement using the Financial Template?**

15 minutes

Use the Financial Template to project their Three-Year Income Statement.

- **Projecting Income Statements**
  - Be sure participants understand that the Financial Template worksheets help the template generate the financial statements automatically. Take time to show them what kinds of information they will be inputting into each worksheet. If necessary, review the connections between the information required for each Financial Template worksheet and the information they have already gathered as illustrated on p. 311 of the Entrepreneur Manual.

**Action Step 8.2 Project My Three-Year Income Statement**

Go over the directions to and major sections of Action Step 8.2 Project My Three-Year Income Statement.

**Discussion Starters**

- What questions do you have on Action Step 8.2?
- How will you go about collecting missing information?

**Key Points**

- Participants should set aside some extra time this week as the Financial Template can be a considerable time commitment.
- After completing Action Step 8.2, participants should revisit the Reality Check Financial Statements Review on p. 312 in the Entrepreneur Manual, as directed by step C in the action step. They can review their financial statements and determine how profitable their business is.

Participants will continue preparing the Financial Plan during the next session.
Wrap Up and Action Steps

10 minutes

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

## Summarize Key Concepts

### Tip

Ask participants to identify one key concept they learned in the session. This practice will help you clarify if your session was on target and provide an opportunity for you to reinforce key points as needed.

- Understanding key financial terms and concepts will help participants 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.
- One way to affect profitability is to adjust pricing, which is a component of sales. This is a critical decision, because this strategy can have positive or negative affect on sales.
- Other ways to affect profitability are to increase or decrease the components of profits – Sales, Cost of Goods Sold, and Operating Expenses.

### Preview Action Steps

Completing the following action steps will put the participants well on their way to projecting the financial situation of their business concept.

**Action Step 8.1 Project Sales** – Project sales using comparative sales, average sale, and bottom-up approaches.

**Action Step 8.2 Project Three-Year Income Statement** – Use the Financial Template to project their Three-Year Income Statement.

Read Module 9 Monitoring Cash Flow and Seeking Funding

Congratulate everyone for successfully completing the first of two financial planning modules. Encourage those who feel they still have unanswered questions to call the coach or facilitator prior to the next module. Tell everyone that in the next session, they will focus on cash flow.

Point out to participants their ability to learn new concepts and to experience personal growth in the critical areas of entrepreneurship. To highlight the financial knowledge they have gained throughout this program, ask two participants to be prepared to share one of the following testimonials with the rest of the group in the next session:

- How much they have learned in the short time they have been concentrating on financial aspects.
- A change that they have already made within their Business Plan that will greatly improve the business’s profitability or cash flow.

Coach participants on the type of information you would like them to include. Make sure they understand the length of time you have available.
## Wood Brain Puzzles

**Step 1** Project sales using the comparative sales approach.

### Comparative Sales Approach

<table>
<thead>
<tr>
<th>Industry Research</th>
<th>High</th>
<th>Low</th>
<th>First-Year Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of sales in region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range of sales of similar-sized companies</td>
<td>$185,000+</td>
<td>$46,250</td>
<td></td>
</tr>
</tbody>
</table>

### Competitor Research

<table>
<thead>
<tr>
<th>Competitor A</th>
<th>High</th>
<th>Low</th>
<th>First-Year Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small puzzles</td>
<td>$20/set</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitor B</th>
<th>High</th>
<th>Low</th>
<th>First-Year Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large puzzles</td>
<td>$30/set</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitor C</th>
<th>High</th>
<th>Low</th>
<th>First-Year Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toys</td>
<td>$40/set</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Competitor D                             |       |     |                      |
| Competitor E                             |       |     |                      |
| Competitor F                             |       |     |                      |
| Competitor G                             |       |     |                      |
### Wood Brain Puzzles

#### Step 2 Project sales using the average sale approach.

#### Average Sale Approach

**Product/Service 1**

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small puzzles</td>
<td>420</td>
<td>420</td>
<td>630</td>
<td>420</td>
</tr>
<tr>
<td>Number of products/services sold: 12 sets to 35 customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service: $20/set</td>
<td>$20/set</td>
<td>$20/set</td>
<td>$20/set</td>
<td>$20/set</td>
</tr>
<tr>
<td>Total sales for product/service 1: No. sold x Average price</td>
<td>$8,400</td>
<td>$8,400</td>
<td>$12,600</td>
<td>$8,400</td>
</tr>
<tr>
<td>Assumptions: Note the sales variations that you would expect with this product:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third quarter sales should be 50% higher than the other quarters as resellers are gearing up for holiday sales.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Product/Service 2**

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large puzzles</td>
<td>420</td>
<td>420</td>
<td>630</td>
<td>420</td>
</tr>
<tr>
<td>Number of products/services sold: 12 sets to 35 customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service: $30/set</td>
<td>$30/set</td>
<td>$30/set</td>
<td>$30/set</td>
<td>$30/set</td>
</tr>
<tr>
<td>Total sales for product/service 2: No. sold x Average price</td>
<td>$12,600</td>
<td>$12,600</td>
<td>$18,900</td>
<td>$12,600</td>
</tr>
<tr>
<td>Assumptions: Note the sales variations that you would expect with this product:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third quarter sales should be 50% higher than the other quarters as resellers are gearing up for holiday sales.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Product/Service 3**

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toys</td>
<td>312</td>
<td>312</td>
<td>468</td>
<td>312</td>
</tr>
<tr>
<td>Number of products/services sold: 12 sets to 26 customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service: $40/set</td>
<td>$40/set</td>
<td>$40/set</td>
<td>$40/set</td>
<td>$40/set</td>
</tr>
<tr>
<td>Total sales for product/service 3: No. sold x Average price</td>
<td>$12,480</td>
<td>$12,480</td>
<td>$18,720</td>
<td>$12,480</td>
</tr>
<tr>
<td>Assumptions: Note the sales variations that you would expect with this product:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Only 75% of the 35 customers are expected to purchase toys (35 x 75% = approx. 26). Third quarter sales should be 50% higher than the other quarters as resellers are gearing up for holiday sales.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Product/Service 4**

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 4:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assumptions: Note the sales variations that you would expect with this product:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Calculate total yearly sales

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Total Yearly Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Service 1</td>
<td>$37,800</td>
</tr>
<tr>
<td>Product/Service 2</td>
<td>$56,700</td>
</tr>
<tr>
<td>Product/Service 3</td>
<td>$56,160</td>
</tr>
<tr>
<td>Product/Service 4</td>
<td></td>
</tr>
<tr>
<td>Total Yearly Sales</td>
<td>$150,660</td>
</tr>
</tbody>
</table>
**Wood Brain Puzzles**

**Step 3 Project sales using the bottom-up approach.**

### Bottom-Up Approach

<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>$3,000</td>
<td>$36,000</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>$50,000</td>
<td>$55,000</td>
</tr>
<tr>
<td>How much pre-tax profit do you want to make in dollars?</td>
<td></td>
<td>$30,000</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>$30</td>
<td>Average</td>
</tr>
<tr>
<td>What is your cost of product/service per unit? (Be sure not to include owner salaries in this cost category if they were already entered above.)</td>
<td></td>
<td>$7.50</td>
<td>Average</td>
</tr>
<tr>
<td>What is your gross margin in dollars per product/service?</td>
<td></td>
<td>$22.50</td>
<td></td>
</tr>
<tr>
<td>This 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>$161,340</td>
<td></td>
</tr>
<tr>
<td>This 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>5,378</td>
<td></td>
</tr>
</tbody>
</table>
**Activity 8a: Pricing Strategies and Sales Projections continued**

**Wood Brain Puzzles**

Step 4 Compare the various approaches and determine sales estimates.

**Comparative Sales Approach**
Based on industry and competitors’ annual sales $138,750

**Average Sale Approach**
Based on frequency and average price per sale $150,660

**Bottom-Up Approach**
Based on projected expenses and profits desired $161,340

Note: The process of estimating sales is not guaranteed to produce an infallible sales projection. As expected, these three approaches have yielded three different amounts. The entrepreneur must evaluate these amounts to determine the most likely outcome.

It is interesting to note that both the average sale approach and bottom-up approach yield higher sales estimates than the industry estimate for a business’s first year with the same production capacity. This would indicate that unless Wood Brain Puzzles has a more efficient production process, they may not be able to produce as many items as they claim they can sell.

Since the bottom-up approach resulted in the highest sales estimate, its components should be reviewed carefully. This approach is the only one that takes into consideration the salaries and desired profits of the owner. These amounts, then, may have contributed to the size of the estimate.

Since raising wholesale prices will ultimately affect the retail price the end user must pay, Wood Brain Puzzles must carefully consider the consequences of raising prices. If the puzzles and toys are currently priced at the high end of the market’s tolerance, they may not have room to raise prices.

It appears, from this first attempt at projecting sales, that additional information from competitors may be needed to provide additional insight into the comparative sales approach to help validate the sales and production figures used in the other estimates.
Motivate & Celebrate, Inc.
Step 1 Project sales using the comparative sales approach.

Comparative Sales Approach

<table>
<thead>
<tr>
<th>Industry Research</th>
<th>High</th>
<th>Low</th>
<th>First-Year Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of sales in region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range of sales of similar-sized companies</td>
<td>$700,000</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitor Research</th>
<th>High</th>
<th>Low</th>
<th>First-Year Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitor A</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor F</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor G</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Activity 8a: Pricing Strategies and Sales Projections  
continued

Motivate & Celebrate, Inc.
Step 2 Project sales using the average sale approach.

### Average Sale Approach

#### Product/Service 1

**Events 1 & 2**

<table>
<thead>
<tr>
<th>Event</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td>$135,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 1:</td>
<td>$270,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:** Note the sales variations that you would expect with this product:

#### Product/Service 2

**Event 3**

<table>
<thead>
<tr>
<th>Event</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td>$125,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 2:</td>
<td>$125,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:** Note the sales variations that you would expect with this product:

#### Product/Service 3

**Event 4**

<table>
<thead>
<tr>
<th>Event</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td>$175,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 3:</td>
<td>$175,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:** Note the sales variations that you would expect with this product:

#### Product/Service 4

<table>
<thead>
<tr>
<th>Event</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of products/services sold:</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price per product/service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales for product/service 4:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:** Note the sales variations that you would expect with this product:

### Calculate total yearly sales

- **Product/Service 1**: $270,000
- **Product/Service 2**: $125,000
- **Product/Service 3**: $175,000
- **Product/Service 4**: |
- **Total Yearly Sales**: $570,000
**ANSWER KEYS**

*Activity 8a: Pricing Strategies and Sales Projections continued*

**Motivate & Celebrate, Inc.**  
*Step 3 Project sales using the bottom-up approach.*

**Bottom-Up Approach**

<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>$5,000</td>
<td>$60,000</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>$150,000</td>
<td>$165,000</td>
</tr>
<tr>
<td>How much pre-tax profit do you want to make in dollars?</td>
<td></td>
<td>$10,000</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>$142,500</td>
<td>Average</td>
</tr>
<tr>
<td>What is your cost of product/service per unit? (Be sure not to include owner salaries in this cost category if they were already entered above.)</td>
<td></td>
<td>$80,000</td>
<td>Average</td>
</tr>
<tr>
<td>What is your gross margin in dollars per product/service?</td>
<td></td>
<td>$62,500</td>
<td></td>
</tr>
<tr>
<td>This 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>$570,000</td>
<td></td>
</tr>
<tr>
<td>This 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>4</td>
<td></td>
</tr>
</tbody>
</table>
**Motivate & Celebrate, Inc.**

**Step 4 Compare the various approaches and determine sales estimates.**

**Comparative Sales Approach**
Based on industry and competitors’ annual sales $700,000

**Average Sale Approach**
Based on frequency and average price per sale $570,000

**Bottom-Up Approach**
Based on projected expenses and profits desired $570,000

Note: The process of estimating sales is not guaranteed to produce an infallible sales projection. As expected, these three approaches have yielded three different amounts. The entrepreneurs must evaluate these amounts to determine the most likely outcome.

It is interesting to note that both the average sale approach and bottom-up approach yield sales estimates lower than the industry estimate for a first-year business with the same capacity. This discrepancy probably reflects Motivate & Celebrate’s goal of charging less now and raising prices when they are established in the industry.

We might assume that it will be easy for M&C, Inc., to meet their financial obligations since the bottom-up approach also revealed the lowest sales estimate, and since this is the only approach that takes expenses, salaries, and desired profit into consideration. With only four clients, however, it is very critical that M&C, Inc., is able to follow through with all four events in this first year, and that the invoices are paid on a timely basis by the clients.

It appears, from this first attempt at projecting sales, that the sales goals are reasonable. M&C, Inc., may need to take another look at cash flow, however, because they will have considerable upfront expenses for each event and they cannot bill the client until work is completed. M&C, Inc., should also carefully analyze its ability to raise prices to reflect a more competitive pricing strategy. They should consider ways to add value to their current service so existing customers are more tolerant of the price increases.
Monitoring Cash Flow and Seeking Funds  Business Planning

Purpose
Using the Financial Template, Module 9 explores the cash flow the business needs to operate and grow as projected. Participants then analyze and investigate potential funding sources to determine the most realistic opportunities for funds. They also explore ways to monitor ongoing cash needs using the Cash Flow Report, cash cycle, and financial ratios. After this session, participants will complete their Business and Financial Plans and prepare to present them during the final session.

Key Outcomes
- Ability to monitor cash flow
- Projected cash flow for the business
- Funding needs for operations and growth
- Potential funding sources
- Strategies to strengthen cash flow
- Financial Plan

Entrepreneur Manual Outline

Cash Is King
Cash Flow
- Cash vs. Profits
- Non-Cash Transactions That Affect Net Income
- Cash Transactions That Do Not Affect Net Income
- Income Statement and Cash Flow Report

Measuring Cash Flow
- The Checkbook
- The Cash Cycle
- The Cash Flow Report

Seeking Funding Sources
- Funding Goals
- Stages of Business
- Cash Flow Sources

Monitoring Ongoing Cash Needs
- Ratios
- Cash Cycle
Activity 9a Cash Flow Management

Action Step 8.1 Project Sales
Action Step 8.2 Project My Three-Year Income Statement
Read Module 9 Monitoring Cash Flow and Seeking Funds

Action Step 9.2 Finalize My Financial Plan
Read Module 10 Implementing Next Steps
Action Step 10.1 Feasibility Checklist
Action Step 10.2 Create My Executive Summary
Action Step 10.3 Finish and Assemble My Plan
Action Step 10.4 Identify Next Steps

Optional and Enrichment Activities
Social Networks Yarn Activity
<table>
<thead>
<tr>
<th>Estimated Time</th>
<th>Topic</th>
<th>Materials and Equipment</th>
<th>EM Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening</strong></td>
<td>10 minutes</td>
<td>q Entrepreneurs’ Exchange</td>
<td></td>
</tr>
<tr>
<td></td>
<td>q Debrief Action Steps</td>
<td>q Session Overview</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Slides 9A – 9B Entrepreneur Manual</td>
<td></td>
</tr>
<tr>
<td><strong>Facilitated Activities and Group Discussion</strong></td>
<td>20 minutes</td>
<td>How does cash flow affect the success of my business?</td>
<td>Slides 9C – 9D 332 – 336</td>
</tr>
<tr>
<td></td>
<td>q Cash Is King</td>
<td>q Cash Flow</td>
<td></td>
</tr>
<tr>
<td></td>
<td>q Income Statement and Cash Flow Report</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25 minutes</td>
<td>How can I avoid the risks of having a profit-rich business that is cash poor?</td>
<td>Activity 9a 336 – 338</td>
</tr>
<tr>
<td></td>
<td>q Income Statement and Cash Flow Report (cont.)</td>
<td>Activity 9a Cash Flow Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15 minutes</td>
<td>What is the best way to prepare to obtain funding?</td>
<td>Activity 9a 339 – 355</td>
</tr>
<tr>
<td></td>
<td>q Seeking Funding</td>
<td>Action Step 3.3 Consider Potential Funding Sources (revisited)</td>
<td></td>
</tr>
<tr>
<td><strong>Networking Break</strong></td>
<td>15 minutes</td>
<td>Activity 1b Building My Network (continued)</td>
<td>Activity 1b 29</td>
</tr>
<tr>
<td><strong>Guest Speaker</strong></td>
<td>30 minutes</td>
<td>Seeking Bank Financing</td>
<td></td>
</tr>
<tr>
<td><strong>Coaching Session</strong></td>
<td>30 minutes</td>
<td>What funding is needed to sustain my business during start-up and ongoing operations?</td>
<td>Slide 9E 356 – 361</td>
</tr>
<tr>
<td></td>
<td>25 minutes</td>
<td>Do the financial statements confirm my business’s financial feasibility?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>q Writing the Financial Plan</td>
<td>Action Step 9.2 Finalize My Financial Plan</td>
<td></td>
</tr>
<tr>
<td><strong>Wrap Up and Action Steps</strong></td>
<td>10 minutes</td>
<td>q Summarize Key Concepts</td>
<td>362</td>
</tr>
<tr>
<td></td>
<td>q Preview Action Steps</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 hours total</td>
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</tr>
</tbody>
</table>
Preparing to Lead this Session

Even if participants came into this program without any preconceived ideas about financial concepts, they have surely formed them after completing Modules 3 and 8. Some have realized that they have been analyzing and planning financial aspects throughout their lives and are less intimidated by this critical part of entrepreneurship. Others have had their understanding of financial concepts strengthened. Still others continue to struggle with the concepts and may even resist the idea that financial understanding is critical to entrepreneurial success. To help this final financial module be useful, consider the following:

- Highlight the knowledge participants have acquired throughout this program. Show participants how much they have learned in the short time they have been concentrating on the financial aspects of starting and growing a business. Encourage them to continue that learning throughout their business experience.

- Reinforce that it is not an entrepreneur's goal to become a CPA (Certified Public Accountant). It is, however, the entrepreneur's responsibility to make the financial decisions that will ultimately affect the business's ability to reach the personal financial goals of the entrepreneur. No outside consultant will take a greater role than the entrepreneur in this capacity.

- Continue to provide multiple learning opportunities including visuals, activities, and personal reflection. The most important thing to remember is to keep the participants involved. Ask questions and encourage participation. Ask those participants who are comfortable with the financial concepts to begin assisting others.

Avoid the temptation to turn over the facilitation of this portion of the financial modules 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. Usually the tough questions don't affect most of the people in the program, however, and should be directed to a break time.

Remember to follow the introduce-practice-and apply process. As with other financial modules, introductions to financial concepts should be brief, assuming that participants have read the material – their first introduction to the key concepts. This assumption provides more time during the module to practice and apply the financial concepts.

Materials Needed

- Slides
- Entrepreneur Manual
- More Info Resources

Supplemental Resources

Activity 9a Worksheet at fasttrac.org/resources, an optional template to be used with Activity 9a Cash Flow Management.
Preparing to Lead this Session continued

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. The presentation should help participants understand the view of lending institutions concerning loans to business. This view includes the criteria sought by the bank, paperwork needed, and the major considerations of any type of funding – timing, amount available, use of funds, cost of funding, control issues, and consequences. The discussion should also include how to prepare for a meeting with a banker and what to expect when applying for bank loans.

Be sure to communicate to the guest speaker that the presentation should not appear to be a commercial for the particular bank where he or she works. The information should be general and apply to all lending institutions, except for appropriate, specific information.

Tip

Consider the lending process of the bank that has provided the guest speaker. Even though the particular bank may not require a business plan, as is the case in the banks that advertise that a single page loan application is all that is needed, reinforce with the banker that the business plan is a key component of this program. As such, its value as a planning tool can be emphasized even though the bank does not require it for loan applications.

Variations

If time and resources allow, consider inviting a panel of funding experts to present to the group. Review the two options below to determine the best fit for your participants’ needs. Be prepared to moderate the panel discussion using the same discussion points provided on the Guest Speaker Confirmation form.

Funders – Invite funders, both equity and debt, who would have the greatest potential for funding the types of businesses in your program. Include a variety of funding sources that may include an angel investor, venture capitalist, bank lending officer, microloan lender, and strategic alliance coordinator.

Lenders – Invite three lenders to act as a panel, one whose institution focuses on larger commercial loans, one that likes to issue lines of credit and smaller loans, and one that understands the SBA programs well. Most lending institutions focus on specific target markets and financial products, even those who call themselves small business banks. Hearing three bankers is an eye opener for those who think all banks are the same.
Guest Speaker Confirmation

Bank Loan Officer

Thank you for agreeing to talk about funding with FastTrac® NewVenture™ participants.

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:

- An experience you had that helps describe a positive lender-borrower relationship and the elements that contributed to this positive experience
- The bank’s philosophy and guidelines of lending, in brief layman’s terms so that participants 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
- Discuss debt financing in general and how this type of funding should be considered from the following aspects:
  - Time – The length of time from first meeting to securing money; for example, the time it takes to fill out paperwork or develop the relationship
  - Amount – The relationship between the amount of money needed in the various stages of business – start-up, early stage, growth and rapid growth – and the ability to get debt financing
  - Use of Funds – How the use of the funds for fixed assets, inventory, working capital, or real estate affects the type of debt sought, whether it be lines of credit, long-term notes, or real estate loans
  - Cost – In general, how the cost of financing through debt compares to equity; for example, the cost of a traditional business loan vs. an SBA-backed loan?
  - Control – The amount of control a lending institution may want to have vs. the amount of control an equity investor will want
  - Consequences – The possible consequences of borrowing money and not being able to repay it
- Explain what the participants should know/have before approaching a lender for financing, including the following:
  - How to find, evaluate, and interview an appropriate lender
  - What to bring to communicate their business
  - How the bank evaluates loan requests; for example, the five C’s of credit or the bank’s own strengths
- Advice or lessons you learned that would be helpful to someone starting a business
- Question and answer time
Guest Speaker Confirmation continued

Bank Loan Officer

**Background** This is the ninth of ten modules for entrepreneurs who plan to start a business after completing this program. They have already finished the screening phase of the program to determine that their business concept meets their own personal needs. They have now nearly completed the business planning phase. In Module 9 entrepreneurs determine profitability and concentrate on having the necessary cash and proper cash flow, which marks the end of two financial planning modules. After this module, entrepreneurs will project a Three-Year Monthly Cash Flow Report and complete their Projected Three-Year Income Statement and Balance Sheet.

---

**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**

---
Monitoring Cash Flow and Seeking Funds

Time
10 minutes

Purpose
Provide important reconnection time in which entrepreneurs can share information learned since the last session, exchange ideas, and get ready to learn the financial implications of starting a business.

Open the Session

- **Entrepreneurs’ Exchange**
  - What important or helpful financial information have you learned since our previous meeting?
  - What sources of information or contacts have you identified that may be helpful to other members of the group?

- **Debrief Action Steps**
  To reinforce key financial concepts and link their outside work with this session, lead a discussion on Action Step 8.1 Project Sales and Action Step 8.2 Project My Three-Year Income Statement.

Facilitation

- **Discussion Starter**
  - What challenges did you have completing these action steps? How did you overcome these challenges?

- **Session Overview**
  Highlight on Slide 9A that entrepreneurs are on Module 9 Monitoring Cash Flow and Seeking Funds, the final financial module. On Slide 9B, indicate that in this module they will focus on obtaining and managing cash – the third component in the financial screening process.

Variations

- **Testimonials** – At the close of Module 8, you were prompted to identify two participants to prepare brief testimonials for this session on the points listed below. If you did so, call on these individuals now to share this information.
  1. How much they have learned in the short time they have been concentrating on financial aspects.
  2. A change that they have already made within their Business Plan that will greatly improve their business’s profitability or cash flow.

- **Group discussion** – If you did not ask specific participants to prepare answers to the questions above, use them as discussion starters by asking the whole group to respond.

Tell participants that they are in for another module that will help them further design their business to meet their own financial goals. As they read, cash is a key element to the success of their business.
How does cash flow affect the success of my business?

20 minutes

Communicate the basic difference between profits and cash flow and the importance of cash flow to business start-up and operations.

Cash Is King
Ask participants to turn to the Top 10 Reasons Businesses Fail on p. 332 in the Entrepreneur Manual. Involve participants in a discussion that helps them to identify the successful business’s need for cash.

Discussion Starters
Which of the reasons for business failure can happen as a result of poor cash planning?
Of the ten reasons listed, the following six reasons could relate to improper use of cash or poor cash planning:

- **Insufficient money**
  Business does not receive enough start-up money

- **Poor inventory management**
  Inventory cannot be sold, which ties up cash

- **Uncontrolled or unexpected growth**
  More inventory, more equipment, and more accounts receivable put a toll on cash needs

- **Over-investment in fixed assets**
  Buying equipment that does not aid in the production of profits (and ensuing cash) unnecessarily ties up cash

- **Poor credit arrangements**
  Businesses that must pay COD use their cash quicker

- **Low sales**
  Low profits do not create adequate cash flow

How can these failures be avoided?
Understanding the business’s need for cash and its own ability to generate cash flow is critical to a successful start-up and ongoing operations and growth.

Cash Flow
Lead a discussion that helps participants understand the major sources of cash – profitable operations and funding (equity and debt) and the difference between profit and cash flow.

Discussion Starters
Where does cash come from?
Cash should be generated by the business through its revenue-generating activities. Cash is also sought from sources internal and external to the business through equity and debt funding.

Is cash used to generate profits, or do profits generate cash?
No decisive answer should be sought; the question is to provoke thought. A business can operate for a time without profits, but it can never operate without cash. Cash is used to support the revenue-generating activities of the business, which in turn should refuel the business with more cash.
How does cash flow affect the success of my business? continued

**Income Statement and Cash Flow Report**

As participants refer to the detailed information about Income Statements and Cash Flow Statements in the Entrepreneur Manual, use Slides 9C and 9D to show participants the differences between how business activities affect the Income Statement (and ensuing profits) vs. the Cash Flow Report. Step through each account briefly to highlight the business activities.

If your participants have struggled with financial concepts to this point, it is helpful to start with the Income Statement only, as shown in Slide 9C, as participants already have a base of knowledge established from Module 8. Otherwise, feel free to skip Slide 9C and use only Slide 9D if you feel your participants have shown considerable understanding. Step through these points with them:

1. This consulting company started business with five clients. They sent invoices on January 31, therefore, the revenue of $39,000 is posted in January. They allow Net/30 payment terms. This means that the money will not be collected in January and probably not in February, either.

2. Most of the company’s operating expenses, such as Advertising, Insurance, and Office Supplies, are paid out of the company checking account. Therefore, these amounts are paid for and recorded in the same month.

3. Outside Services are also recorded in January because these expenses are incurred in that month, meaning they received the invoice or received services specifically for the month of January. Because they have been given payment terms, they have not written a check yet. They have 30 days to pay and plan to write the check in February.

4. Payroll is recorded and paid in January.

5. Depreciation is calculated on the equipment owned by the company. It is an expense, but does not cost the company cash.

6. The company’s cash flow would be negative (if that were possible) and the company would indeed be in big trouble if it weren’t for the founders who have injected equity ($36,000) into the business to get through January. This money is not revenue, so it is not reported on the Income Statement.

**Key Points**

- Profitability is critical. No business can operate forever without being profitable.
- A business cannot operate at all without cash. Understanding the cash needs of the business is a critical step to financial feasibility and success.

**Tip**

Keep an accountant or financial expert close by to answer tough questions, if necessary.

**Tip**

Since we are not trying to make accountants out of the participants, try to avoid deep discussions of accounting practices that will only affect a small portion of the larger group.

Now you will have the participants take information about this sample company and project its cash flow into the next month, providing some time for them to analyze the information and make suggestions to the company.
How can I avoid the risks of having a profit-rich business that is cash poor?

25 minutes

Demonstrate how cash flow can be more effectively managed by developing a cash flow projection and carefully analyzing its components.

**Income Statement and Cash Flow Report (continued)**

Participants can use Activity 9a to practice projecting cash flow and analyzing its impact on a business using the consulting company example illustrated in the Entrepreneur Manual.

**Activity 9a Cash Flow Management**

The facts of this consulting company’s financial situation are similar, although simplified, to figures participants have identified for their own businesses. This activity depends on the introduction provided in the previous facilitation segment including the payment terms allowed, expectation of sales, payment terms from vendors, and more described in the Facilitator Manual. These points provide a strong foundation for financial assumptions that participants will need to complete Activity 9a. Review these points before proceeding with the activity, if necessary.

If you choose, you have some flexibility in this activity to add enhancements to make it more complex for your participants. It is important, however, not to complicate the activity to such a degree that the focus becomes more about the complexity of the activity rather than the discussion that takes place at the end, which should fill most of the time. The answer key provided is based on Option 1.

1. Divide the large group into teams of two to three people.

2. Review the instructions, telling participants to check your choice of Option 1 or Option 2. Tell participants that Option 1 relies on the information just discussed in the previous facilitation (see Slide 9C and 9D along with accompanying notes). When selecting Option 2, make sure participants are clear on any enhancements you want to make. Add exact figures to the following optional enhancements:
   - Add a percentage growth to sales (consider making it high enough that income tax would become a responsibility)
   - Increase payroll as you hire an additional consultant
   - Add/lose a client
   - Purchase a vehicle or equipment
   - Identify an invoice as a bad debt

3. Allow 10 minutes for each group to:
   b. Project February’s amounts and estimate profit and cash flow for February.
   c. Begin discussing answers to the questions in B. Discuss Cash Flow Management Options.
   d. Encourage participants to identify a solution for the company’s cash flow needs.

4. Conduct a group discussion using the following questions.

**Discussion Starters**

Was profit adequate to generate cash flow?

Even though the consulting company recorded a profit in the first month, $200 is not enough to generate cash flow to support operations or growth.
How can I avoid the risks of having a profit-rich business that is cash poor?

Is the cash flow sufficient to fund cash flow needs?
Cash flow is needed to pay for things that will generate additional revenue. The positive cash flow in January of $500, occurs only because the founders infused $36,000 of equity into the business. This business does not have enough cash flow to support additional growth.

What are some consequences of having such a meager profit and tight cash flow?
The business is not able to fund any unforeseen problems or growth.

How do you think the owners should cover the cash needed for February, until the January invoices are paid by customers?
Participants need to estimate a source of cash, whether it be equity, debt, or cash sales. The amount should be entered into the shaded boxes under “Cash In” to generate a positive cash flow.

What would happen to the company if one client didn’t pay an invoice?

What changes, if any, would you make to improve cash flow?
The company needs to secure external funding opportunities that can help support the business’s operations and growth.

5. Ask participants to share what they learned from this activity that they can apply to their own business.

Key Points
✓ They may have positive profits and cash flow (definitely better than negative!), and still be without sufficient cash to make adjustments for market changes, growth opportunities, or customers who fail to pay.
✓ Most businesses need a source of cash flow external to the business to help support the operations and growth of the business.
✓ Cash and profits work hand-in-hand to support the business’s revenue-generating activities.

Variations
Activity 9a in groups – If your location has computer access so participants can view and experiment with the Excel®-based template Activity 9a Worksheet from fasttrac.org/resources, have each group use the electronic tools to complete this activity.

Activity 9a individually – If your location has only one computer with a projection system, you could have the groups work for a while with a print version of the Excel-based template Activity 9a Worksheet you have downloaded and printed from fasttrac.org/resources and then present their results using the computer.

Provide the answers – If you want to save time, consider handing out the Answer Key for Activity 9a Cash Flow Management to the groups.

Tip
Tell participants not to worry too much about the mathematical aspects of calculating profits and cash flow. It is more important that they understand the relationship between the two.

Participants will use this same process to evaluate the profits and cash flow needs for their own business. The next step is to investigate sources for needed cash.
What is the best way to prepare to obtain funding?

**Time**
15 minutes

**Purpose**
Reevaluate the funding sources initially identified in Module 3, and begin to investigate potential sources for both start-up and ongoing operations, considering both the entrepreneur’s needs and those of the potential funders.

**Facilitation**

- **Seeking Funding**
  Participants considered their funding needs in Module 3. They will revisit their projections, update them, and enhance them using additional information accumulated throughout the program.

**Action Step 3.3 Consider Potential Funding Sources (revisited)**
Have participants look at the Potential Funding Sources Worksheet they completed for Module 3. Ask them to consider sources for ongoing needs by asking the following questions:

**Discussion Starters**

- What type of funds are you seeking from the potential sources on this worksheet?
  Most participants will have identified sources for start-up funding only.

- Why might you need to seek a different funder for your ongoing needs?
  Funders have specific interests/goals in providing funds that may not encompass all the needs of a business.

- How will you identify the amount of money you need for ongoing operations and growth?
  By analyzing the Cash Flow Report

**Key Points**

- Funding sources have different goals in providing money to businesses. Some seek a certain relationship that might be ongoing, others work towards promoting small businesses, and some are simply trying to earn as high a return as possible on their investment.

- It is helpful for entrepreneurs to consider the goals of different funding sources as they seek funds in the different stages of business.

**Variations**
Create three brief sketches of entrepreneurs who need funding for their businesses that include prior experience, business idea, personal assets to put in the business, and how much money they want from a bank or other source.

Have the participants work in small groups and role play as a committee of bankers, venture capitals, or angel investors. Ask them to decide if they would fund the business, explaining why or why not. This approach helps participants see the world from the perspective of a funder.

To summarize, encourage participants to look critically at their own business and its suitability for outside funding.

**Tip**
If the guest speaker (a banker) has arrived prior to the break, introduce the speaker to the group in order for participants to be able to network with him or her.
Networking Break

15 minutes

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

**Facilitation**
*Activity 1b Building My Network (continued)*
Remind participants that the networking break provides an opportunity for them to meet and talk with another participant.

**Enrichment**
*Social Networks Yarn Activity*
The Social Networks Yarn Activity behind the Optional and Enrichment Activities tab is recommended to help participants understand the web-like structure that is created by a growing network. This activity is a good way to start the break if it has not been used in an earlier session.

During the break, participants continue the networking they began in Activity 1b Building My Network and that they have been doing throughout the program. Encourage participants to discuss potential funding sources.

Also emphasize that they have only one more session to finish the networking activity begun in Session 1, Activity 1b Building My Network. Participants are encouraged to meet outside of the program to complete this networking activity if needed.

**Activity Close**
Participants had an opportunity to discuss possible resources for obtaining financing. The group will now hear from the guest speaker, a banker, about how to identify and work with a bank to fund start-up and operations.
Guest Speaker – Seeking Bank Financing

30 minutes

Close the gap between theory and practice by having a lending officer share stories of helping entrepreneurs meet cash demands throughout the various stages of business.

Announce the topic of the presentation, “Seeking Bank Financing.”

Introduce the guest’s name and information about the bank’s location, size, number of employees, length of time in business, products and services, and any 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 and answer session. Be prepared to prompt the guest to discuss the following points included on the Guest Speaker Confirmation form:

- An experience you had that helps describe a positive lender-borrower relationship and the elements that contributed to this positive experience.
- The bank’s philosophy and guidelines of lending, in brief layman’s terms so that participants 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.
- Discuss debt financing in general and how this type of funding should be considered from the following aspects:
  - **Time** – The length of time from first meeting to securing money; for example, the time it takes to fill out paperwork or develop the relationship.
  - **Amount** – The relationship between the amount of money needed in the various stages of business – start-up, early stage, growth, and rapid growth – and the ability to get debt financing.
  - **Use of Funds** – How the use of the funds for fixed assets, inventory, working capital, or real estate affects the type of debt sought, whether it be lines of credit, long-term notes, or real estate loans.
  - **Cost** – In general, how the cost of financing through debt compares to equity; for example, the cost of a traditional business loan vs. an SBA-backed loan.
  - **Control** – The amount of control a lending institution may want to have vs. the amount of control an equity investor will want.
  - **Consequences** – The possible consequences of borrowing money and not being able to repay it.
- Explain what the participants should know/have before approaching a lender for financing, including the following:
  - a. How to find, evaluate, and interview an appropriate lender.
  - b. What to bring to communicate their business.
  - c. How the bank evaluates loan requests; for example, the five C’s of credit or the bank’s own strengths.
- Advice or lessons you learned that would be helpful to someone starting a business.
- Question and answer time.

Use a panel of funding experts or bankers to present to the group. See the Guest Speaker Selection Section.

Participants will now apply this information to their own businesses in the coaching session.
What funding is needed to sustain my business during start-up and ongoing operations?

Time
30 minutes

Purpose
Familiarize participants with the Financial Template sections to finalize the Monthly Cash Flow Report and other financial statements.

Facilitation

☐ Using the Financial Template
Point out that participants entered most of the detailed financial information into the Financial Template after Module 8. They will finish entering their financial information in Action Step 9.1.

This action step projects and reviews financial information to determine exact needs for funding for the start-up and ongoing operations.

Caution participants to be careful to only enter start-up information (both cash funding and cash expenditures) on the Start-Up Company Set-Up Worksheet. Cash activities (both cash funding and cash expenditures) happening after the doors open for business should be recorded on the Capital Budget Worksheet and the Equity & Debt Worksheet.

Be prepared to handle these common difficulties:

• Participants have not completed all of the Financial Template worksheets from Module 8. First, determine if there was a specific reason (waiting on research, template complexities, or just procrastination) that kept participants from completing the work. If necessary, set up an additional time (phone call, coaching session, or ancillary meeting) to coach participants on how to deal with these distractions. Second, encourage participants to review the action step instructions to ensure that they understand the next steps in the process.

• Participants are still waiting on a few key pieces of research to complete the Financial Template. Encourage participants not to let this waiting time slow them down. Ask them to make appropriate estimates, writing their assumptions down for future reference. They can adjust the estimate when the information comes in.

Key Points

- Whether or not participants have fully completed the Financial Template to this point, it is time to begin working in the cash-related Financial Template worksheets.
- Completing the Financial Template, even if estimates are entered rather than facts, is the only way to begin to analyze the potential profitability and cash flow needs of the business.

Variations

Computer projection – If your facility has a computer and projection system, use it to demonstrate how participants will enter information into the Financial Template and generate a Cash Flow Report.

Individual computers – If your facility provides computers for each participant, allow participants to begin entering their own information into the template. Circulate to answer questions and help with difficulties if they arise.

Activity Close
Analyzing the Cash Flow Report helps participants determine how much money they need so they can begin thinking about where it will come from.
Do the financial statements confirm my business’s financial feasibility?

25 minutes

Purpose
Review financial statements to evaluate the business's profit potential and cash flow strength to determine if they are sufficient to reach personal financial goals.

Facilitation

- **Writing the Financial Plan**
  - Point out three important steps to completing the Financial Plan:
    a. Print out the financial statements.
    b. Analyze the financial statements.
    c. Complete the written portion of the Financial Plan.

**Action Step 9.2 Finalize My Financial Plan**
Review the action step instructions to ensure that participants understand the process. Use Slide 9E to overview the parts of their Financial Plan.

**Key Points**
- To complete Step A, participants will need to have entered all financial information into the Financial Template. If they have not yet completed Action Step 8.2, encourage them to do so before the next module.
- Encourage participants to not treat Step B like an assignment and merely strive to complete it. This step is critical in the feasibility process. They need to look for warning signs that could mean their own personal financial goals are not being met by the business as it is projected.
- Once participants have checked for entry errors, made adjustments for profitability and cash flow, and determined overall feasibility, they are ready for Step C. This information should be entered into the Business Plan Template according to the directions provided in the Entrepreneur Manual and on the template.

Be prepared to handle these common difficulties:
- Participants have taken in as much financial information as they can and tend to shut out additional information.
  *Ask them to begin writing an action list of the things they want to do after this session. These steps might include calling the facilitator/coach to get some tips on where to go from here, setting up a meeting with an accountant, rereading the financial modules, or finalizing research.*
- Participants feel that they just can’t handle the financial aspects of the program.
  *Those who have really struggled through these financial modules should be encouraged to seek ongoing financial assistance from an accountant or financially-savvy friend. They should also be encouraged to seek additional professional enrichment opportunities such as classes, seminars, and books.*

**Activity Close**
The Financial Plan enables participants to answer key questions about their business concept: Does it allow them to meet their financial goals? Can they make a profit? Do they have the cash resources to start and run the business?
Wrap Up and Action Steps

10 minutes

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

- **Summarize Key Concepts**
  - Cash is paid out of the business in the form of expenses, capital expenditures, prepaid expenses, and owner payouts.
  - Money is needed to successfully complete each stage of business.
  - Different money sources are available for the different stages of a business.
  - Most businesses are started with the entrepreneur’s own money.
  - The following variables should be closely studied before selecting a source of money:
    - **How much time** will it take to secure the money?
    - **How much money** is needed?
    - **How will the funds be used?**
    - **What will it cost** to secure and pay back the cash?
    - **What control is lost** by using this money source?
    - **What are the consequences** of using this funding source?
  - Financial feasibility is determined by comparing their business’s estimated profitability and cash flow against their personal goals.

- **Preview Action Steps**
  - A significant benefit of the Financial Template is that it allows participants to test and refine their data. Clarify any question participants may have and encourage them to allow sufficient time to develop their Financial Plan. Emphasize that between this session and the next session they will be completing the action steps for both Modules 9 and 10 that include preparing an oral presentation of their Business Plan. Give instructions for how presentations will be conducted in your program at this time.
  - **Action Step 9.2 Finalize My Financial Plan** – Write the financial section of their Business Plan in the Business Plan Template using information they have gathered and projected in the Financial Template.
  - **Read Module 10 Implementing Next Steps**
  - **Action Step 10.1 Feasibility Checklist** – Check their completed Business Plan for feasibility.
  - **Action Step 10.2 Create My Executive Summary** – Write an Executive Summary for their Business Plan using information gathered from throughout the program.
  - **Action Step 10.3 Finish and Assemble My Plan** – Compile the Business Plan and ready it for presentation.
  - **Action Step 10.4 Identify Next Steps** – Begin thinking about the next steps they need to take to put their plan in motion. 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. Tell participants that all the pieces they have been working on throughout the program will come together in the next module and session as they present their Business Plan (Executive Summary) and determine next steps.

In preparation for the next and final session, participants will complete their Business Plan and prepare a presentation. Advise participants the amount of time that they will have to present their Business Plan to the group and for question and answer and feedback. Depending on the size of the group, seven or eight minutes for the actual presentation and then additional time for questions and feedback may work well. Their Executive Summary, described in Module 10, can be used as the basis of their oral presentation.

**Tip**
Recap and summarize by asking participants to identify one concept they learned during the session. By doing so, you will know if your session was on target and can clarify or reinforce key points as needed.
## Consulting Company Example Worksheet

### Income Statement

<table>
<thead>
<tr>
<th>Item</th>
<th>JAN</th>
<th>FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (less returns &amp; allowances)</td>
<td>$39,000</td>
<td>$39,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>39,000</td>
<td>39,000</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bank Charges</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>1,450</td>
<td>1,450</td>
</tr>
<tr>
<td>Dues &amp; Subscriptions</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Licenses &amp; Fees</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Marketing &amp; Promotion</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>Meals &amp; Entertainment</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Office Expense</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Office Supplies</td>
<td>3,400</td>
<td>3,400</td>
</tr>
<tr>
<td>Outside Services</td>
<td>1,850</td>
<td>1,850</td>
</tr>
<tr>
<td>Payroll Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>17,500</td>
<td>17,500</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>3,750</td>
<td>3,750</td>
</tr>
<tr>
<td>Benefits</td>
<td>1,250</td>
<td>1,250</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shipping &amp; Delivery</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>450</td>
<td>450</td>
</tr>
</tbody>
</table>

### Cash Flow Report

<table>
<thead>
<tr>
<th>Item</th>
<th>JAN</th>
<th>FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash In</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Sales</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>Collections from Accounts Receivable</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Equity Received</td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td>Loans Received</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Cash In (receipts from other assets)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Cash In (for example, interest, royalties)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash In</strong></td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash Available</strong></td>
<td>36,000</td>
<td>500</td>
</tr>
<tr>
<td><strong>Cash Out</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory Expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory/Raw Material (Cash)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Inventory/Raw Material (Pd on Account)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Production Expenses</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Dues &amp; Subscriptions</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Licenses &amp; Fees</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Marketing &amp; Promotion</td>
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<td>1,400</td>
</tr>
<tr>
<td>Meals &amp; Entertainment</td>
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</tr>
<tr>
<td>Miscellaneous</td>
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<td>Office Expense</td>
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<td></td>
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<tr>
<td>Office Supplies</td>
<td>3,400</td>
<td>3,400</td>
</tr>
<tr>
<td>Outside Services</td>
<td>-</td>
<td>1,850</td>
</tr>
</tbody>
</table>
### Consulting Company Example Worksheet continued

#### Income Statement

<table>
<thead>
<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training &amp; Development</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vehicle</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Operating Expenses** 38,800 38,800

**Operating Income** 200 200

**Interest Expense** - -

**Other Income** (for example, interest, royalties) - -

**Income Before Taxes** 200 200

**Income Taxes (if C Corp)** - -

**Net Income** $200 $200

#### Cash Flow Report

<table>
<thead>
<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>17,500</td>
<td>17,500</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>3,750</td>
<td>3,750</td>
</tr>
<tr>
<td>Benefits</td>
<td>1,250</td>
<td>1,250</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rent</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shipping &amp; Delivery</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telephone</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
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<tr>
<td>Utilities</td>
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<tr>
<td>Vehicle</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paid on Account</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Non-Operating Costs**

|                      |       |       |
| Capital Purchases    | -     | -     |
| Estimated Income Tax Payments | - | - |
| Interest Payments    | -     | -     |
| Loan Principal Payments | -   | -   |
| Owner’s Draw         | -     | -     |
| Other Cash Out       | -     | -     |

**Total Cash Out** 35,500 37,350

**Monthly Cash Flow**

|                      |       |       |
| (Cash In - Cash Out) | 500   | <37,350> |

**Beginning Cash Balance**  -  500

**Ending Cash Balance**  -  $500 <36,850>

### Facilitator Notes

The Answer Key is based on conducting the activity using Option 1, which relies on the financial assumptions presented in the group discussion on pp. 177 – 178 and highlighted below.

- February sales and expenses are the same as January. Therefore, Net Income does not change.
- No cash sales are reported in February because January invoices are mailed in February with Net/30 terms.
- The company paid a January $1,850 invoice for outside services in February.
- All other vendors are paid during the month that services or products are received.
Implementing Next Steps  Business Planning

Purpose

In this module, participants determine what their next steps will be for their business venture. Prior to making these decisions, they apply the finishing touches to their Business Plan, evaluate it for feasibility, and compare it to their personal vision. The module includes tips to prepare participants for oral presentations of their plans. For those ready to start their business, this module encourages them to use their plan to manage their business, learn from the experience of other entrepreneurs, and take advantage of resources in their community. Coaches review and give feedback on the written plans the participants submit. During the final session, participants present their plans, discuss next steps, reflect on the value of having learned the business planning process, and celebrate their accomplishments.

Key Outcomes

- Completed Business Plan
- Oral presentation of the plan
- Evaluation of the plan to determine if they should start the business, modify the plan, or seek other opportunities
- Assessment of next steps and action plan

Entrepreneur Manual Outline

Evaluating the Business Plan
- Test for Feasibility
- Match with Personal Vision

Completing the Business Plan
- Executive Summary
- Cover Page
- Table of Contents
- Appendix
- Assembly

Presenting the Business Plan
- Know Your Audience
- Use Visual Aids

Implementing Next Steps
- Starting the Business
- Pursuing Something Else

Thriving in Your Entrepreneurial Role
- Avoiding Pitfalls
- Getting Support
- Giving Back
10 Implementing Next Steps

Business Planning

Action Steps After Session

Action Step 9.2 Finalize My Financial Plan
Read Module 10 Planning Next Steps
Action Step 10.1 Feasibility Checklist
Action Step 10.2 Create My Executive Summary
Action Step 10.3 Finish and Assemble My Plan
Action Step 10.4 Identify Next Steps

Business Plan Presentation Feedback Form

Optional and Enrichment Activities

1 Exploring Entrepreneurship
2 Identifying and Meeting Market Needs
3 Setting Financial Goals
4 Planning the Product/Service
5 Researching and Analyzing the Market
6 Reaching the Market
7 Building the Organization and Team
8 Planning for a Profitable Business
9 Monitoring Cash Flow and Seeking Funds
10 Implementing Next Steps
## Estimated Time | Topic | Materials and Equipment | EM Page
--- | --- | --- | ---
### Opening 10 minutes
- Entrepreneurs’ Exchange
- Session Overview
| Slide 10A |
### Presentation 90 minutes
- Oral Presentations

### Networking Break 30 minutes
- Networking with Entrepreneurs and Representatives from Community Resources
- Networking Debrief
| 29 |
### Optional Roundtables or Panel Discussion

Optional 40 minutes
- Roundtables
- Panel Discussion

### Coaching Session 15 minutes
- *Will my business plan help me reach my goals?*
  - Slides 10B – 10C
  - 372 – 374
- *Is my business feasible?*
  - Test for Feasibility
  - Action Step 10.1 Feasibility Checklist

20 minutes
- *What are my next steps? What resources are available in my community?*
  - Implementing Next Steps
  - Action Step 10.4 Identify Next Steps
  - Slide 10D
  - 384 – 391

### Wrap Up and Action Steps 15 minutes
- Program Summary
- Program Evaluation
- Program Close
| Slides 10E – 10G
| 392

3 hours total
Preparing to Lead this Session

In Module 10, participants are asked to complete their plan, evaluate it, determine their next steps, and give oral presentations. Even though most participants will not find the actual content difficult, they may struggle with the decisions they are facing. Some will be ready to start their business. Many will need to conduct additional research and preparation prior to starting. These participants often want guidance on what to do now that they have completed the FastTrac® NewVenture™ program. Others may realize that they should not move forward with their business at all or at this time. The decision not to start a specific business may generate feelings that range from relief that they did not invest the funds and effort to launch the business to frustration that their business concept did not work out. In this module, the facilitator and coaches play a critical role in helping participants recognize that no matter their outcome, they have successfully completed the FastTrac® NewVenture™ program and gained some valuable skills.

Keep in mind:
- How you react to someone’s decision to not pursue a business venture will affect how they view their decision.
- Some participants 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 participants will miss the regular contact with their new FastTrac® family. Encourage them to continue networking. Mentoring relationships can also provide a source of sound advice.
- A list of local resources that provide small business counseling or consulting services and entrepreneurial programs will give participants options to continue developing their skills.
- Awarding graduation certificates and serving special refreshments can create a celebratory atmosphere.

Materials Needed
- Slides
- Entrepreneur Manual
- More Info Resources
- Flip chart
- Postcards (optional)

Supplemental Resources
- **Community Resource list** – Provide participants with a list of local resources that help entrepreneurs and start-up businesses.
- **Regulatory Compliance contact information** – Provide participants with a list of local and state governmental agencies that require compliance for persons starting a business. This will jumpstart many on their next steps.
Preparing to Lead this Session  continued

The amount of time needed for participant presentations will help determine if you have time for guest speakers. A panel or roundtable format works well for this final session. If time does not allow this, then invite these individuals to come for the networking activity to meet the participants. 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’s Business Centers, and Small Business Development Centers. If they will be speaking, use the Guest Speaker Confirmation form on the following page 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 they will be speaking, ask them to share their entrepreneurial journey, focusing on implementing their Business Plan and the lessons they learned. Use the Guest Speaker Confirmation form following for guest entrepreneurs.
### Guest Speaker Confirmation

**Community Resource Providers**

<table>
<thead>
<tr>
<th>Speaker</th>
<th>Today's Date</th>
</tr>
</thead>
</table>

Thank you for agreeing to talk about community resources with FastTrac® NewVenture™ participants.

<table>
<thead>
<tr>
<th>Date of Presentation</th>
<th>Time</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Location</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Directions to Location</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Directions to Room</th>
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<table>
<thead>
<tr>
<th>Presentation Time</th>
<th>Question and Answer Time</th>
</tr>
</thead>
</table>

**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 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

Please bring business cards and handouts about your organization's services for the participants.

**Background**

This is the final session of the FastTrac® NewVenture™ program. Participants have completed and evaluated their Business Plan and will give oral presentations at this session. Some participants need to do further preparation before they start their business, while others will be eager to get started. There may also be some who have decided to not start a business at this time. Participants are looking forward to learning about the services your organization provides to entrepreneurs and start-up businesses.

<table>
<thead>
<tr>
<th>Number of Participants in the Group</th>
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<table>
<thead>
<tr>
<th>Group Profile (Types of Businesses)</th>
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<tr>
<th>Audiovisual Equipment Needed</th>
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<th>Materials Needed</th>
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<tr>
<th>Handouts</th>
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<table>
<thead>
<tr>
<th>Facilitator's Name</th>
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<table>
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<tr>
<th>Organization</th>
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</table>

<table>
<thead>
<tr>
<th>Phone Numbers</th>
<th>E-Mail Address</th>
</tr>
</thead>
</table>
Guest Speaker Confirmation

Guest Entrepreneurs

Speaker ___________________________ Today’s Date ___________________________

Thank you for agreeing to share your entrepreneurial story with FastTrac® NewVenture™ participants.

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 of entrepreneurs. Please include information on the following:

☑ What is the most rewarding aspect of being an entrepreneur?
☑ If you could do it again, what would you change?
☑ What advice would you give to entrepreneurs planning to start a business?
☑ What are the key things to focus on when starting a business?
☑ Have your goals changed professionally or personally since you started your business?
☑ Question and answer time

Background

This is the final session of the FastTrac® NewVenture™ program. Participants have completed and evaluated their Business Plan and will give oral presentations at this session. Some participants need to do further preparation before they start their business, while others will be eager to get started. There may also be some who have decided to not start a business at this time. Participants are looking forward to hearing your story and benefiting from lessons learned in your entrepreneurial journey.

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 ___________________________
Implementing Next Steps

10 minutes

Purpose

Establish a feeling of accomplishment and a celebratory tone for the final session.

Facilitation

- **Entrepreneurs’ Exchange**
  - Introduce any guests who 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 program?

- **Session Overview**
  - Use Slide 10A to show participants what they have accomplished during the FastTrac® NewVenture™ program.

The purpose of this session is to help participants determine their next steps, learn about local resources that can help them as they start their business, and practice presenting their Business Plan. They will also discuss what they have gained from FastTrac® NewVenture™.

Although more work is ahead for those planning to start their business or those continuing the planning process, everyone should think about this session as a celebration of how far they have come. Even those who choose not to start a business now are better off – they have not wasted the effort and funds to start a business that was not right for them, and they have learned a planning process they can use in the future.

This final session of the FastTrac® NewVenture™ program marks a milestone for many of the participants. They will leave with some next steps they will pursue in the coming weeks and months.

Now it’s time for the participants to share the results of all the work they have done during the past weeks: They will each give an oral presentation of their Business Plan.
Oral Presentations

190 minutes

Provide an opportunity for participants to practice the oral presentation of their Business Plan (Executive Summary).

- **Oral Presentations**
  Participants will present a summary of their Business Plan to the facilitator or their coach and the other participants in their group. Most of the information they present will be found in the Executive Summary they prepared in Action Step 10.2.

  Advise participants 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 participants, 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 also come for the oral presentations. Have them sit in a prominent position in the room.

**Tip**

The length of the first presentation sets a precedent for those that follow. Identify a participant who will most likely be able to stay within the time allowed. Before the session begins or during break, ask if he or she would be willing to be the first presenter.

Give each participant 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 participants
2. By the coach directly after the session
3. 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 their strengths of 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 two or three to a sheet and cut to size because only a limited amount of space is needed for participants’ comments. Each member of the group needs a copy for each presentation.
Oral Presentations continued

Variations

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. Participants listen to the presentation and ask follow-up questions from that perspective.

Challengers and cheerleaders – Divide the participants into two groups. Those who will provide supportive comments and those who will provide challenging comments. After a presentation, select two participants 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. Then two participants from the supportive side can provide constructive praise.

After the participants give their feedback, ask the guest panel or a single 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 based on the goal of the presentation?
   What would you suggest they do differently if the goal is to attract funding?

The networking break will be a time to celebrate the accomplishments of the participants and network with the guests.
## Networking Break

**Time**
30 minutes (25 minutes for the break and 5 minutes for debrief)

**Purpose**
Provide an opportunity for participants to expand their network to include local resource providers or experienced entrepreneurs.

**Facilitation**

- **Networking with Entrepreneurs and Representatives of Community Resources**
  Encourage the participants to network with guests who attend for the presentations or as speakers. Suggest using their one-minute marketing speech when introducing themselves to any of the guests.

  Note: Remind participants to complete Activity 1b Building My Network if they have not done so already.

### 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 to 40 minutes.

### Networking Debrief

After a 25-minute break, ask participants the following:

- How comfortable do you now feel with your ability to network?
- You may want to ask for several to respond how they would rate themselves on a scale of 0 to 10 with 0 being unable to talk to a stranger and 10 being an all-star networker. What rating would they give themselves before attending FastTrac® NewVenture™ and now, after practicing for the past 10 sessions?
- Who has completed Networking Activity 1b Building My Network by engaging each person you listed in this activity in a one-on-one conversation at some time during the FastTrac® program, either prior to a session, at break, or outside of session? What were the benefits of making this extra effort to acquaint yourself with other participants?
- 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 “very valuable prizes” for good networking skills.

1. Ask everyone to use the 0 to 10 scale for their “before and after” networking skills. Give awards to those who rated themselves the most improved.
2. 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 and have them to briefly explain how their peer was helpful.
3. Award those who completed Networking Activity 1b, Building My Network, (by meeting individually with nine other members of this program).

### Activity Close
Congratulate the participants on developing their networking skills. Encourage them to continue networking whenever possible. Now it’s time to discuss the results of the participants’ evaluation of their Business Plan and their next steps.
Optional Roundtables or Panel Discussion

**Time**
40 minutes

(Since this discussion is optional, it is not included in the session timetable. If you decide to have roundtables or a panel discussion instead of the Networking Break, adjust the time accordingly.)

**Purpose**
Provide an opportunity for resource providers to familiarize participants with the many services available to help them as they continue to plan and start their business. The alternative, a panel of guest entrepreneurs, will share inspirational 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 participants more direct contact with the resource providers. The panel format may be preferable for the guest entrepreneurs as the panelists can piggyback on the ideas of the other panelists.

- **Roundtables**
  For the roundtables, 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, how they can be contacted, and allow time for questions from the participants. Have small groups of participants travel from table to table at preset time intervals. Depending on the number of guest speakers, allocate approximately ten minutes for each roundtable discussion. Give a two-minute warning before each interval is over and then, at the appropriate time, ask the participants to move to another table.

  If you have more roundtable speakers than you have time for all participants to hear 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 them how many 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

- **Panel Discussion**
  With a panel, the facilitator or a business coach can serve as a moderator, helping direct questions so that all panelists 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 halfway point from prepared questions to open it up to questions from the FastTrac® participants.

  Ask guest entrepreneurs to address these topics:
  - What is the most rewarding aspect of being an entrepreneur?
  - If you could do it again, what would you change?
  - What advice would you give to entrepreneurs planning to start a business?
  - What are the key things to focus on when starting a business?
  - Have your goals changed professionally or personally since you started your business?
  - Question and answer time

- **Variations**
  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

**Activity Close**
Now it's time to discuss the results of the participants' evaluation of their Business Plan and their next steps.
Will my business plan help me reach my goals?
Is my business feasible?

15 minutes

Purpose
Assist participants in processing the results of the evaluation tool: Action Step 10.1 Feasibility Checklist.

Facilitation
- **Test for Feasibility**

  Participants will have completed Action Step 10.1 Feasibility Checklist as they prepared for this session. This facilitation serves as a debrief of this assessment.

**Action Step 10.1 Feasibility Checklist**
Participants refer back to the personal vision they articulated in Module 1 and determine how their vision has changed in the process of developing the plan.

**Discussion Starters**
- How closely does your business plan support your personal vision?
  - *If your business plan is not aligned with your personal vision, you will not be content with your business in the long run.*
- Are there any deal breakers?
- What are the strong points of your venture?
- What are the weak points and risks?
- What questions did this evaluation raise that are still unanswered and need further research?

After determining whether the business they have planned will help them achieve their personal goals and assessing its feasibility, they are ready to consider their next steps.
What are my next steps? What resources are available in my community?

20 minutes

Start a list of specific “to do’s” for the participants to accomplish after the program.

- **Implementing Next Steps**
  Participants have completed their plan, presented their findings, and networked with other entrepreneurs. Now it’s time to consider their next steps.

**Action Step 10.4 Identify Next Steps**
Ask the participants to pair and share for 12 minutes using Action Step 10.4 Identify Next Steps. This worksheet will guide participants as they consider which steps to take next.

After entrepreneurs have had an opportunity to discuss Action Step 10.4 in pairs, ask the following questions.

**Discussion Starters**
- How are you planning to use your Business Plan?
  - For example, seek funding, plan all aspects of the business, recruit good employees
- How do the steps to complete your Business Plan differ based on the purpose (or the reader)?
- What is your next action step?

**Key Points**
- Prioritizing steps and developing an action plan will increase chances of accomplishing them in a timely fashion and implementing your plan.
- One of the next steps for many of the participants will be to identify which of the resources that serve entrepreneurs in the community will be helpful to them.

As participants complete this program, they have only started their entrepreneurial journey. The next steps will help guide those who are continuing to pursue a business venture. Participants have been working on actions steps throughout the FastTrac® NewVenture™ program. They are now in the habit of identifying the steps to take and accomplishing them.
Wrap Up and Action Steps

Time
15 minutes

Purpose
Emphasize that success in this program involves more than just writing a Business Plan, but in learning the planning and evaluation process.

Gather participant feedback on the FastTrac® NewVenture™ program.

Program Summary
Use this final wrap up to summarize participant accomplishments and prepare them for their next steps. Refer to the program summary in the Entrepreneur Manual or on Slides 10E – 10G. Have each participant identify at least one bulleted point in the summary they learned from the program that they think will make a difference in their next steps.

Discussion Starters
✓ What has the FastTrac® program meant to you? How will your having gone through this business planning process make a difference in your life?
✓ What factors do you think will be most important to your success?

Tip
Use the entrepreneurs featured in the Entrepreneur Manual and the guest speakers as examples to discuss what factors contribute to entrepreneurial success.
Wrap Up and Action Steps continued

Postcards to themselves – Use postcards for a follow-up reminder for participants.
1. Give each participant a blank postcard and have them address the card to themselves.
2. Ask participants to write two or three things they want to be reminded of – it can be their next action steps for their business, some helpful advice from a guest speaker, a 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 participants after three weeks.

Postcards to each other – Have participants write a postcard reminder of an important idea or a to-do for each other and mail them several weeks after the end of the program.

☐ Program Evaluation
   Ask participants to complete a brief written evaluation of the program.

☐ Program Close
   Thank the participants, acknowledge all that they have accomplished, and wish them success in their business start-ups and other endeavors.
## Optional and Enrichment Activities
### FastTrac® NewVenture™

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<td>Hiring Family Members</td>
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</tr>
<tr>
<td></td>
<td>Interview with an Entrepreneur</td>
<td>p. 26</td>
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### Module 4
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| Social Networks Yarn Activity     | p. 182 |

### Module 10
| Business Plan Presentation Feedback Form | p. 197 |
## Welcome Bingo

**Purpose**
Create a relaxed, interactive environment and give entrepreneurs an opportunity to meet one another.

**Time**
15 minutes

**Materials**
Welcome Bingo cards
Prizes

**Facilitation**
Arrange the room with a large open space in the center, front, or back so that participants can move about freely.

### Tip
Ask multi-cultural groups 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 line (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 five minutes, ask the winner to read the blocks and the names of the individuals on the winning card. If time permits, ask one or two other individuals who have completed “Bingo!” to read their blocks and names.

You may want to have a prize for the winner(s).
<table>
<thead>
<tr>
<th></th>
<th>Welcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Birthday is in same month as yours</td>
</tr>
<tr>
<td>2</td>
<td>Has worked in the communications industry</td>
</tr>
<tr>
<td>3</td>
<td>Favorite movie is the same as yours</td>
</tr>
<tr>
<td>4</td>
<td>Has same number of brothers or sisters as you</td>
</tr>
<tr>
<td>5</td>
<td>Would not work if he or she won the lottery</td>
</tr>
<tr>
<td>6</td>
<td>Has a relative under age of 1 year</td>
</tr>
<tr>
<td>7</td>
<td>Has a family member who owns a business</td>
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<tr>
<th></th>
<th>Optional and Enrichment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Has worked in food service</td>
</tr>
<tr>
<td>2</td>
<td>Has two or more siblings</td>
</tr>
<tr>
<td>3</td>
<td>Can name two Broadway musicals</td>
</tr>
<tr>
<td>4</td>
<td>Has recently contacted the Small Business Administration</td>
</tr>
<tr>
<td>5</td>
<td>Has visited a foreign country</td>
</tr>
<tr>
<td>6</td>
<td>Favorite place to eat is &quot;home&quot;</td>
</tr>
<tr>
<td>7</td>
<td>Knows what cash flow means</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Optional and Enrichment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Likes to prepare budgets</td>
</tr>
<tr>
<td>2</td>
<td>Has worked in a financial business</td>
</tr>
<tr>
<td>3</td>
<td>Can spell &quot;entrepreneur&quot;</td>
</tr>
<tr>
<td>4</td>
<td>Favorite season is fall</td>
</tr>
<tr>
<td>5</td>
<td>Has never had a speeding ticket</td>
</tr>
<tr>
<td>6</td>
<td>Has more than 3 pets</td>
</tr>
<tr>
<td>7</td>
<td>Has worked in a health or human services profession</td>
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<table>
<thead>
<tr>
<th></th>
<th>Optional and Enrichment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Plays a musical instrument</td>
</tr>
<tr>
<td>2</td>
<td>Lives less than 5 miles from you</td>
</tr>
<tr>
<td>3</td>
<td>Can spell &quot;entrepreneur&quot;</td>
</tr>
<tr>
<td>4</td>
<td>Favorite season is fall</td>
</tr>
<tr>
<td>5</td>
<td>Has never had a speeding ticket</td>
</tr>
<tr>
<td>6</td>
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<td>Has worked in a health or human services profession</td>
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<tr>
<th></th>
<th>Optional and Enrichment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Has been employed as a manager</td>
</tr>
<tr>
<td>2</td>
<td>Exercises at least 4 times per week</td>
</tr>
<tr>
<td>3</td>
<td>Speaks a language other than English</td>
</tr>
<tr>
<td>4</td>
<td>Last name has same number of letters as yours</td>
</tr>
<tr>
<td>5</td>
<td>Has been to a trade show</td>
</tr>
<tr>
<td>6</td>
<td>Has written a business plan</td>
</tr>
<tr>
<td>7</td>
<td>Has seen a famous entertainer in person</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Optional and Enrichment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Has been employed in a retail business</td>
</tr>
<tr>
<td>2</td>
<td>Has worked in sales/marketing</td>
</tr>
<tr>
<td>3</td>
<td>Speaks a language other than English</td>
</tr>
<tr>
<td>4</td>
<td>Has been to a trade show</td>
</tr>
<tr>
<td>5</td>
<td>Attended more than one college or university</td>
</tr>
<tr>
<td>6</td>
<td>Has written a business plan</td>
</tr>
<tr>
<td>7</td>
<td>Has been to a zoo in the past 2 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Optional and Enrichment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Has worked in the government</td>
</tr>
<tr>
<td>2</td>
<td>Can explain &quot;common stock&quot; and &quot;preferred stock&quot;</td>
</tr>
<tr>
<td>3</td>
<td>Has written in the advertising/public relations industry</td>
</tr>
<tr>
<td>4</td>
<td>Has been on television</td>
</tr>
<tr>
<td>5</td>
<td>Prepares own income tax return</td>
</tr>
<tr>
<td>6</td>
<td>Has a collection</td>
</tr>
<tr>
<td>7</td>
<td>Born in a state not bordering state presently in</td>
</tr>
</tbody>
</table>

**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.
**Style Assessments** Referenced on p. 16

Purpose

Help participants analyze their personal approach to the types of entrepreneurial tasks they will encounter in starting their own business.

Time

Variable

Materials

Style assessment from the list below or an alternative

Facilitation

Have participants take the assessment and tabulate their results according to the instructions for the specific assessment. You may also recommend they complete it outside of the session.

When discussing the value of understanding their workstyle, emphasize the usefulness of this information in selecting other members of the organization. Complementary styles, rather than identical styles, result in a strong team.

**Myers-Briggs Type Indicator®** – This instrument measures participants’ preferences using four basic scales with opposite poles: (1) extraversion/introversion, (2) sensate/intuitive, (3) thinking/feeling, and (4) judging/perceiving. The various combinations of these preferences result in sixteen personality types. Types are typically denoted by four letters – for example, INTJ (Introversion, Intuition with Thinking and Judging) – to represent a person’s tendencies on the four scales.

**Campbell™ Interest and Skill Survey** – The Campbell Interest and Skill Survey (CISS), a Campbell Development Survey from Pearson Assessments, measures participants’ self-reported vocational interests and skills. Similar to traditional interest inventories, the CISS interest scales reflect participants’ attraction to specific occupational areas. The CISS instrument adds additional scales that provide estimates of participants’ confidence in their ability to perform various occupational activities. The Internet version of the CISS survey and an expanded CISS Career Planner add a new dimension to this dynamic, popular instrument.

**Holland Personality Styles** – The Holland Codes is a system to classify jobs into job categories, interest clusters, or work personality environments. In the Holland Model, these categories represent work personalities. The work personalities are Realistic, Investigative, Artistic, Social, Enterprising, and Conventional. Assessments using Holland Personality Styles link vocational interests to job families.
Hiring Family Members  Referenced on p. 17

Purpose
Provide insights into the pros and cons of the participation of family members in the business.

Time
8 minutes

Materials
Flip charts

Facilitation
Label one flip chart Pros of hiring family members and a second flip chart Cons of hiring family members. List participants’ responses to these questions:

Discussion Starters
× What are the positives associated with hiring family members?
× What are the problems associated with hiring family members?
× How can the problems associated with hiring family members be addressed? Overcome?
### Interview with an Entrepreneur

**Purpose**
Obtain more in-depth information about the business concept and possibly begin a valuable professional relationship.

**Time**
Outside the session

**Materials**
Interview form

**Facilitation**
Hand out the Interview with an Entrepreneur form following of the Facilitator Manual and ask participants to complete it by interviewing an entrepreneur, preferably in a business similar to the one they would like to start. Entrepreneurs in trade locations that will not compete with the participants may willingly share information about their business start-up and growth.

You may wish to ask participants to complete interviews and forms by a specified date. The entrepreneurs who express interest in speaking to the FastTrac® group can then be considered and possibly scheduled as guest speakers. Participants may also be asked to share information that they found particularly helpful. The interviews could be debriefed during the next session rather than the action steps during the session opening.
Interview with an Entrepreneur Handout

Name ____________________________ Date __________________

Choose an entrepreneur in a business closely related to the type of business you would like to start. Often a “competitor at a distance” (someone with a similar business but in a geographical area in which you will not compete) will share information about how he or she started and grew a business. Ask the following questions:

Name of Business ____________________________ Name of Owner ____________________________
Location ____________________________ Number of Employees ____________________________

1. How did you come up with your idea for a business?

2. Did you start a new business, buy an existing one, or join a franchise? Why?

3. How has your product or service changed since you started, and why?

4. As your business has grown, how have your management role and responsibilities changed?

5. Who is your target market? How did you identify customers? Describe your “typical customer.” How do you reach your customers?
6. Is your industry growing locally? Nationally?

7. Does a trade association support your industry?  □ Yes  □ No
   If yes, what is its name and contact information? Are you active in this association?
   If yes, what are the benefits? If no, why not?

8. How did you obtain your start-up capital?

9. What have been your primary financial challenges?

10. If you started over today, what would you do differently (what lessons have you learned)?

11. Would you be willing to speak to my FastTrac® NewVenture™ group?
    □ Yes (if yes, include phone number or e-mail)
    □ No
### Trends and Business Opportunities

**Purpose**

Identify significant trends and corresponding business opportunities.

**Time**

30 minutes

**Materials**

- Trends and Business Opportunities handout
- 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.

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.

**Variation**

1. After participants individually complete the handout Trends and Business Opportunities, form small groups of 4 to 6.
2. Have each group select a Recorder and instruct groups to choose one trend from the list of those identified by group members individually. Instruct small 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 are a rich source of opportunities for business start up and growth. They may be demographic, cultural, technological, or economic in nature. Astute entrepreneurs stay abreast of trends impacting their industry and the marketplace.
Optional and Enrichment Activities

Trends and Business Opportunities Handout

Identify trends and related business opportunities using newspapers, periodicals, and the Internet, if available.

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 evaluate which business idea presents the greatest market opportunity.

**Step 1 Collect information concerning trends in the environment.** Through a review of 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.

<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><strong>Trends show that people want to be unique and show their individuality. They want ways to express their personalities in everything they do.</strong></td>
<td><strong>Idea 2</strong> Sell a clothing line of mix-and-match clothing and accessories.</td>
</tr>
<tr>
<td><strong>Idea 2</strong></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>

*EXAMPLE*
## Trends and Business Opportunities Handout

<table>
<thead>
<tr>
<th>STEP 1 Trend</th>
<th>STEP 2 Business Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trend A</td>
<td>Idea 1</td>
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<td>Idea 2</td>
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<td>Idea 3</td>
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<tr>
<td>STEP 1 Trend</td>
<td>STEP 2 Business Ideas</td>
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<tr>
<td>Trend B</td>
<td>Idea 1</td>
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<td>STEP 1 Trend</td>
<td>STEP 2 Business Ideas</td>
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<tr>
<td>Trend C</td>
<td>Idea 1</td>
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<td></td>
<td>Idea 3</td>
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</tbody>
</table>

**STEP 3** Business idea that presents the greatest venture opportunity and why.
**Products/Services and Spin-Offs**
Referenced on p. 37

**Purpose**
Provide an opportunity for participants to think creatively about their product or service in light of changes and trends in the marketplace.

**Time**
15 minutes

**Materials**
Paper at the 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 plan to offer.
3. Have the participant whose business concept 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. 37

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Raise participant awareness of the frequency, significance, and impact of change in our economy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Materials</td>
<td>Flip charts</td>
</tr>
<tr>
<td>Facilitation</td>
<td>To facilitate brainstorming about the effect of cultural changes on business, follow these steps: 1. Label one flip chart <em>Changes</em> and a second flip chart <em>Business Ideas</em>. 2. Ask participants: What are some of the more significant changes in the last five years? 3. Record participants’ answers on flip chart labeled <em>Changes</em>. (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 <em>Business Ideas</em>. If time permits, ask them 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.</td>
</tr>
<tr>
<td>Activity Close</td>
<td>Changes are all around. Being alert to changes and the potential opportunities they present is important to both starting and maintaining the success of a business.</td>
</tr>
</tbody>
</table>
### The Cases of Kimo’s Katering and Custom Goods

**Referenced on p. 38**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Illustrate different methods for identifying opportunities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>30 minutes</td>
</tr>
</tbody>
</table>
| Materials | The Case of Kimo’s Katering handout  
The Case of Custom Goods handout  
Answer Keys |

**Facilitation**

Hand out one or both of the following cases:

- Kimo’s Katering
- Custom Goods

Instruct participants to read the case and answer the questions individually. Discuss their answers as a group. After the discussion, share the case update with participants.

**Variation**

Have participants break into small groups to compare responses prior to the discussion.

**Case Updates**

After entrepreneurs have completed the questions and discussion, you may wish to share the following case updates.

**Kimo’s Katering** – This business very successfully added linen and tableware rentals to their services and ultimately used the planning process again to start and expand a food wholesaling division that has almost outgrown the catering business. Their competitive advantage in food wholesaling is that as chefs they can sell more successfully to other chefs by cooking their various products on site, better showing the benefits of their product over those of competitive wholesalers. For example, when trying to make the point that your frozen cutlets are better than your competitors’, saying that your meat is moist and flavorful doesn’t compare to cooking and serving your cutlets and your competitors’ for comparison.

**Custom Goods** – This company recently expanded into private school uniforms (since they have many private schools in the area) and high school sports team uniforms. In a made-over old bus which Custom Goods takes to the school sites, students are measured for fit and students and/or parents can select merchandise and order what the students need. The company delivers the team uniforms back to the school site for pick up. This practice provides easy order and easy pickup for the students and families and very good business for Custom Goods.

Cases provided by: Debbie Hallof, President, Business Advisory Group, Professor Chaminade University of Honolulu

**Activity Close**

The need to be alert to potential opportunities is ongoing. Entrepreneurs who listen to customers, read voraciously, tune into the marketplace, and network within their industries and communities are more apt to innovate and grow their businesses.
The Case of Kimo’s Katering Handout

At age 33, Kimo had been working as a chef at the elegant Plumeria Hotel’s fine dining restaurant for six years, the last two of those years as the head chef. After graduation from cooking school, he first worked at several smaller restaurants with very basic, uncreative menus before landing the job at Plumeria. Each position taught him something new, and he considered each a valuable learning experience. But Kimo found his current job also lacking in creativity because the food and beverage manager liked to maintain control of the menu.

Bobbie, 31, had been in her current job for ten years as an associate for an event and incentives planning corporation. They planned special, usually themed, events for incentive travel groups and large local companies. Although each event was unique for a given customer, the corporation only used a limited number of set themes. So in reality, Bobbie didn’t have a lot of opportunity to be creative. As Bobbie listened to customers tell her what they wanted, she found herself always thinking of new and exciting things she would love to do for them. Knowing that she was required to stay with the standard themes, she found herself frequently frustrated.

Bobbie and Kimo knew each other because their kids played soccer together, and they often saw each other at the games. They would chat about what was new and how work was going. They found that they shared a common desire to have more creative opportunities in their jobs and decided to start a business together.

Kimo’s Katering has been profitable almost from the beginning. Kimo’s customers are primarily upper-middle to upper class homeowners and corporations. When most clients plan a party or event they often start by contacting the caterer. As customers explain their plans, they usually cover the number of expected guests, the menus, and set up. Eventually, questions related to tables, chairs, linen, and china come up. Kimo’s Katering did not handle this aspect of event planning. Over the years Bobbie and Kimo worked with several different rental companies, and they most often referred the client to another source. Only occasionally have they worked with a rental company directly.

Sometimes the rental companies made Kimo’s job easier, but other times they were late in getting things set up or the tableware was wrong or the linen soiled. Kimo and Bobbie were often frustrated because the problems created by poor service on the part of the rental companies reflected on their work and their business.

At the beginning of the fifth year of Kimo’s business, a tableware manufacturing company sent notices that they were selling off excess inventory of soon-to-be-discontinued designs at highly discounted prices. Bobbie and Kimo began to consider the possibility of expanding their business to include rentals.

A feasibility study quickly indicated that table and chair rentals result in very small to no profit margins. These larger items also presented transportation and storage problems. The rental of linens and tableware, on the other hand, indicated good margins. So they took the plunge into offering linens and tableware as well.

Before long it was evident to Kimo and Bobbie that they had made a good decision. They were able to provide a more complete service to their customers as well as have more control over the set up, therefore better meeting customer expectations. They also saw a positive impact on profitability after reaching break-even on the new supplies investment within the first year.
The Case of Kimo’s Katering Handout continued

Discussion Questions
1. What triggered the idea to expand the offerings of Kimo’s Katering?

2. Why did this idea present a business opportunity?

3. What other opportunities exist for Kimo’s to expand and grow its business?

4. Think of jobs you have had. Can you identify a problem in the business operations? What are some possible solutions to that problem? If you were to start a business implementing one of more of these solutions, would your business have a competitive advantage?
Answer Key – The Case of Kimo’s Katering

1. What triggered the idea to expand the offerings of Kimo’s Katering?
   Kimo’s Katering’s branching into linens and china rental is an example of identifying an expansion opportunity through value-chain integration. By being less reliant on other vendors for equipment and accessory items, Kimo’s is able to provide a more comprehensive product and service to its customers. Factors which contributed to the recognition of this expansion opportunity included identifying customer’s needs and communicating with members in the infrastructure.

2. Why did this idea present a business opportunity?
   This relatively low-risk opportunity better satisfies client needs and helps Kimo’s to become more self-reliant by personally providing auxiliary services to customers. The attractive margins for tableware made this business expansion logical. The market demand was evident through previous work with customers.

3. What other opportunities exist for Kimo’s to expand and grow its business?
   In addition to focusing on offering expanded products and services to their target market, middle to upper-class homeowners and corporations, Kimo’s may wish to consider expanding to other levels of the supply chain (food wholesaling or retailing).

4. Think of your current or past jobs. Can you identify a problem in the business operations? What are some possible solutions to that problem? If you were to start a business implementing one or more of these solutions, would your business have a competitive advantage?
   Students’ responses will vary depending on their personal work experience. Even successful businesses often fail to perceive opportunities for improving their products or services or developing new ones.

Tip
Remember, stimulating the thinking and creative processes is more important than finding a “right” answer.
The Case of Custom Goods Handout

Karen worked as an account representative for the Island Style Shirt Company in Honolulu, Hawaii, for three years. She began in the clothing industry as a designer but discovered fairly quickly that she preferred working more with customers than her first position allowed.

The Island Style Shirt Company primarily produced a line of men's aloha design shirts. Occasionally they received requests for custom design work by corporations or sports teams. They accommodated these requests if they were large orders but they didn’t seek such work and thought there wasn’t enough of it to be profitable. Smaller job requests were turned down.

Eventually management decided that the custom work was distracting them from their core business and decided to stop all custom work. With that decision came the choice to discard all the equipment related to doing custom work.

Karen rather spontaneously asked her supervisors if she might buy the equipment from them; instead, they offered it to her for free. Since Karen worked closely with the customers as an account manager she believed that considerable custom work existed. She thought if custom work were the primary focus of her business it could be profitable. Custom Goods was launched.

With approval from her bosses she completed a feasibility study and started her new venture part-time with small jobs and the help of her family. It did not take long, however, for the work to become too much for part-time. So Karen quit her job and focused her full attention on her new initiative.

Custom Goods has grown to a very successful business employing several members of Karen’s family as well as a couple of her colleagues from the Island Style Shirt Company. One of the primary elements of Custom Goods’ success is the tremendous referral business she gets. The primary source of her referrals is her prior employer, The Island Style Shirt Company.
The Case of Custom Goods Handout  continued

Discussion Questions
1. What triggered this business idea and possible business opportunity?

2. Why did this idea present a business opportunity?

3. What additional opportunities exist for Custom Goods to expand and grow its business?

4. Think of jobs you have had. Can you identify a problem in the business operations? What are some possible solutions to that problem? If you were to start a business implementing one or more of these solutions, would your business have a competitive advantage?
Answer Key – The Case of Custom Goods

1. What triggered this business idea and possible business opportunity?
   Custom Goods represents a very common trigger, a business spin-off or an opportunity an employee perceives in the course of his or her job.

2. Why did this idea present a business opportunity?
   Carol’s work experience at Island Style Shirt Company verified a growing market demand and immediate customers for her product. A business in custom-made shirts capitalized on the trend of an increasing demand for indulgence goods (custom-made clothing) and the rise of retail boutiques. The low cost of getting started also contributed to the attractiveness of this venture.

3. What additional opportunities exist for Custom Goods to expand and grow its business?
   Custom Goods may expand its offerings to include other personalized sports items and business specialty items such as clothing and caps. Women’s apparel may also be considered. Without knowledge of the marketplace, students’ answers will tend to be general.

4. Think of your current or past jobs. Can you identify a problem in the business operations? What are some possible solutions to that problem? If you were to start a business implementing one or more of these solutions, would your business have a competitive advantage?
   Students’ responses will vary depending on their personal work experiences. Even successful businesses often fail to perceive opportunities for improving their products or services or developing new ones. They sometimes suffer from tunnel vision, focusing totally on current products and current customers.

Tip

Remember, stimulating the thinking and creative processes is more important than finding a “right” answer.
What’s in Your Competitor’s Hand?  Referenced on p. 76 and p. 95

Purpose
Demonstrate the importance of knowing competitors’ strengths and weaknesses to determine one’s own competitive advantage.

Time
5 minutes

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 5 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. Now the winning hand is obvious. Use this activity to generate a discussion regarding how much easier it is to know if you have a winning hand when you know what the competition has – hence the value of market research.

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/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.
## The Case of Dr. Shingle

**Purpose**

Analyze a new product’s features and benefits and consider its proprietary aspects. Evaluate the issue of a product’s viability in the marketplace.

**Time**

30 minutes

**Materials**

- The Case of Dr. Shingle handout
- Answer Key

**Facilitation**

Instruct participants to read the case individually and answer the corresponding questions. Discuss participants’ answers.

**Variation**

Have participants break into small groups and discuss and compare responses prior to the group discussion.

**Case Update**

After entrepreneurs complete the questions and discussion, you may wish to share with them the following case update:

Dr. Shingle’s story has a sad ending. Two prototypes worked extremely well. The product name was changed to Shingle Shelf. Erin Rogers contacted the owner and CEO of one of the largest contractor suppliers in the country, ABC Supply. As Rogers described Shingle Shelf to him, he said, “That sounds very similar to Bear’s Grip.” After checking out Bear’s Grip, the company found it to be almost identical to Shingle Shelf. The company making Bear’s Grip claimed a patent. Though the patent was not verified, the product was. Even though the Bear’s Grip manufacturer was small, it was enough to stop Rogers from pursuing Shingle Shelf further.

Even though they conducted a considerable amount of research, he only found out about the other product on the market after a conversation with the CEO of ABC Supply, who knew the industry better than Rogers did.

Case provided by:

Dianne H. B. Welsh, PhD  
John H. Sykes College of Business  
University of Tampa

Dr. Welsh would like to thank Adam Selsby, Luke Dautovic, Chris Garwood, and Josh Ferrara for their assistance with this case.
The Case of Dr. Shingle  Referenced on p. 76

While observing the shingle installation process, Erin Rogers recognized the need for a better way of handling new shingles prior to their installation. To install a new roof, first the old shingles are removed and felt paper is stapled to the roof deck. Then the new shingles are delivered to the roof, and the shingles must be taken from their thick paper encasing. The shingles can either be placed in a pile next to the roofer nailing the shingles to the roof, or a second roofer can hand the nailing roofer the shingles.

Both methods of obtaining shingles for the nailing roofer are areas of concern. The first process, setting the bundle of shingles next to the nailing roofer, presents several different challenges. The placement of shingles on a steeply pitched roof may prove to be hazardous. A high-sloping roof will most often cause a roofer to install roof jacks (typically thick-gauged steel brackets that hold planks in position) in order to keep the bundle of shingles in place. The installation of roof jacks can be dangerous and time consuming.

A roof that does not require roof jacks to keep the shingles from falling may also prove dangerous. Depending on the slope of the roof, the shingles may still slide out of the nailer's reach causing other roofers to trip. The sliding shingles may also increase installation time because the nailer has to retrieve fallen shingles.

The second process, the handing of shingles to the nailing roofer, increases the level of risk and cost to management. The risk involves an excess number of workers on the roof. Management incurs the cost of an extra worker's time as well as the time it takes to manage another employee. The costs associated with the extra worker also include extra safety equipment, benefits costs, and potential legal issues.

Rogers saw an opportunity to make the roofing process safer by eliminating the need for two workers and providing a promotional opportunity for shingle manufacturers.

His new product, Dr. Shingle, is an innovative approach to keeping shingles from slipping down the roof. Dr. Shingle also eliminates the need for a second worker to hold the extra shingles. Fewer people on the roof decreases the chance of injury. Shingle manufacturers could use Dr. Shingle in their marketing by personalizing the product with their company’s name and giving it out with their shingles to demonstrate their concern for roofers’ safety.

Dr. Shingle is an L-shaped bracket. The long part of the “L” is 36 inches. On the back of the long side is a piece of non-slip foam rubber. The short side of the “L” is eight inches. The back of the long side is laid on the roof; the shingles lie flat on this side with their bottom edges against the short side.

Safety is important in any construction job. Dr. Shingle will not only increase safety but also decrease labor costs. One thing to consider, however, is that many roofing operations are strongly unionized. Even though the union supports safety increases, it may be concerned about potential job losses.

Increased productivity could offset some of the adverse impact on labor. If roofers are compensated based on the area roofed per day, this increased productivity may result in higher wages per roofer.

Rogers realized that a helpful and innovative product is only a small part of capitalizing on a business opportunity. The product must also reach the market (which involves targeting the audience, proving the product's usability and benefits to this audience, finding a distribution channel and branding the product).

Market research showed that there were 150,000 roofers in the United States in the year Rogers designed Dr. Shingle. Tests by actual roofers showed the product was valuable. Their comments included “Dr. Shingle allows me to work alone” and “That product really helps me save time and money.”

Finding a distribution channel could be more difficult. Dr. Shingle could be sold in stores or sold to shingle distributors to be used as a promotional item when certain amounts of shingles are purchased.
The Case of Dr. Shingle Handout continued

Discussion Questions

1. Does Dr. Shingle seem to be a viable product? Why or why not? What are the features? What are the benefits?

2. How can the market be identified for Dr. Shingle? Could Dr. Shingle have a significant impact on the roofing industry? What are the pros and cons of introducing a product of this type into a mature and traditional industry?

3. What determines whether or not a patent will be pursued? If this is the first product of its kind, should a patent be considered immediately? Are there any drawbacks to seeking a patent or provisional patent?

4. What positive attributes does Dr. Shingle possess?

5. What potentially fatal flaws (if any) does Dr. Shingle possess? How can these flaws be overcome?
Answer Key – The Case of Dr. Shingle

1. Does Dr. Shingle seem to be a viable product to introduce? Why or why not? What are the features? What are the benefits?
New product opportunities are everywhere. To identify an opportunity, entrepreneurs must be aware of their surroundings. They must be aware of what they do, what they can improve, and what they would like to have. In developing an innovative product, however, they must be realistic as to its practicality, marketability, and distinctiveness. Dr. Shingle is as viable as it is practical, marketable, and original. Features include the shape, the non-slip foam rubber, and the way it lies on the roof. This feature translates into two important benefits: safety and savings by eliminating the need for a second person to hold the shingles. Another feature is that the product can be personalized. This feature translates into promotional value since shingle manufacturers can have their company name printed on it.

2. How can the market be identified for Dr. Shingle? Could Dr. Shingle have a significant impact on the roofing industry? What are the pros and cons of introducing a product of this type into a mature and traditional industry?
The market is identified once the product is identified. Entrepreneurs find their market by realizing who will actually be using their product, for what purpose, and who will be purchasing it (the user and the buyer may be different). Dr. Shingle could have a significant impact on the roofing industry for several reasons. It saves time for the workers, which leads to saving money. It reduces the number of people on the roof, which reduces risk of injury. Mature industries may not be as open to change and innovation as younger industries. Obtaining the buy-in and support of industry leaders is critical.

3. What determines whether or not a patent will be pursued? If this is the first product of its kind, should a patent be considered immediately? Are there any drawbacks to seeking a patent/provisional patent?
A patent should be pursued if the product is unique or has not been patented before. It was decided that Dr. Shingle would undergo the patent process, which begins with a provisional patent – an intermediate step to keep people from copying the product while the patent is being processed. The drawbacks to seeking a patent or provisional patent are the time and money required in research and paperwork.

4. What positive attributes does Dr. Shingle possess?
Dr. Shingle’s most significant positive attributes include:
- Involves significant savings – it reduces the need for an additional roofer to assist the nailing roofer.
- Solves a serious problem – it provides a safer work environment.
- Offers convenience – it enables the roofer to access shingles and eliminates the need for installing roof jacks. It also decreases the risk of sliding shingles.
- Other positive attributes may be added.
5. **What potentially fatal flaws (if any) does Dr. Shingle possess? How can they be overcome?**

The most significant flaws in this product are:

- **Hidden traps.** The union may see Dr. Shingle as a threat to its membership by potentially reducing the number of roofers needed on a job. The increased productivity, which could result in higher wages, is a selling point that may appeal to the union.

- **Changing consumer behavior.** The roofing techniques currently in use represent long-established methods of roofing. This new product will necessitate a slightly different approach to roofing. The resulting need for one less roofer to assist on a job may be viewed negatively. The increased safety of the product may more than offset the inconvenience of changing existing methods for installing shingles.

- **Training costs associated with teaching roofers how to use the product.** Increased roofer safety and cost savings will offset additional training costs.

- **Other potential flaws may be added.**

This case deals with real issues residential roofers encounter everyday. An entrepreneur dealing with new product development should consider several relevant matters. Discussion should include such important issues as:

- How can safety in the workplace affect the working environment?
- Why has this area of roofing safety not been emphasized before?
- How can this new innovation bring increased productivity and improved safety?
- How can workers’ compensation expenses be decreased?
Networking – Meeting and Greeting

**Purpose**
Identify organizations and activities to expand their professional network. Prepare effective networking greetings for meeting new people and reconnecting with previous acquaintances.

**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 do one or both activities). If facilitated as 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.*

**Materials**
Slides OEA1 – 3

**Facilitation**

- **Networking – Meeting**
  Review the definition of networking on Slide OEA1. 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?
    - Hold an office, volunteer your time, act as a speaker, attend events, arrive early, 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, checking the Encyclopedia of Associations.
  - 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 OE2.

**Networking Activity – Targeting Organizations and Groups**
1. Hand out the activity form following.
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 OE3 to suggest steps for greeting new acquaintances.

This is a great opportunity to refine the one-minute marketing speech participants worked on in Module 1. As they work on crafting this message, they can focus on their Unique Selling Proposition (USP). Their USP can differentiate their business from the competition.

Key Points  

- Networking goal – What do they want the communication to accomplish?
- In advance, plan who to talk to and what to talk about.  
  A list of group members can be extremely helpful.
- What resources, tips, or opportunities can they share?
- How can participants respond to the question “What do you do?” in an effective manner (their one-minute marketing speech) to avoid typical responses such as “I own my own business” or “I’m a CPA”?
- Can participants clearly and quickly explain their business in terms of problems it solves for customers, what it does best, and/or what they want the listener to remember?  
  Keeping in mind the entrepreneur’s goal for the networking meeting will help him or her focus their response in a way to achieve that goal.
- To show rather than tell, entrepreneurs may want to give an example of a project that illustrates their capabilities by saying something like “my most recent project was . . .” or “One of my most interesting projects was . . .
- Danny O’Neill, founder of The Roasterie® says, “I roast and sell the best coffee on the planet.”

Networking Activity – New Acquaintances  

1. Hand out the activity form following.
2. Participants complete the activity individually and meet in triads to discuss it.
   Participants’ one-minute marketing speech, prepared in previous sessions, can be the starting point.
3. Participants share their one-minute marketing speech with the other two members of their group and ask for feedback to these questions:
   - Was the greeting clear and concise?
   - Does the greeting accomplish the entrepreneur's networking goal?
   - 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 follow-up questions on a flip chart.
Networking – Meeting and Greeting  continued

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.

Tip

Some participants have excellent social skills while others may feel inadequate with the whole concept of networking. Although all will benefit from the discussion on preparing their one-minute marketing speech or Unique Selling Proposition, you may wish to omit the second part of the discussion focused on previous acquaintances.

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

✓ 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. Have participants practice making the most of reconnecting with people they have previously met. Ask them to take 2 or 3 minutes to think through their goal and talking point.
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 starting and 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 – 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 one-minute marketing speech or Unique Selling Proposition. In 60 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 . . .”

My networking goals is:

________________________________________________________________________
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My one-minute marketing speech is:

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My Unique Selling Proposition is:

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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:
**SWOT Analysis of Competitors**  Referenced on p. 97

**Purpose**
Use information on direct competition to position business effectively.

**Time**
30 – 45 minutes

**Materials**
SWOT Analysis form

**Facilitation**
Participants will determine the strengths and weaknesses of each competitor and evaluate how their business can respond to them.

Follow these steps to facilitate the activity:
1. Have participants evaluate their direct competitors, opportunities, and threats in the marketplace on the SWOT Analysis form.
2. Have participants meet in pairs or triads to share their SWOT analysis and state how they will use this rating to compete in the market.
3. Have other participants suggest ways to use this information to compete effectively.

**Discussion Starters**
- Which competitors’ weaknesses offer your business an advantage in the market?
- What additional information do you need about your direct competitors to determine or clarify your competitive advantage?

**Activity Close**
Knowledge of the competition’s strengths and weaknesses enables a business to respond appropriately and compete effectively.
SWOT Analysis of Competitors Handout

Develop your marketing response to current and potential competitors’ strengths and weaknesses.

Use the research you have already gathered on your competition. If you need more information, you may want to conduct research through site visits, the Internet, phone calls, business reference materials, marketing materials, and customer interviews.

**Step 1 Determine current competitors’ strengths.** In the boxes labeled Strengths, list each competitor’s strong points. These can be features of the product/service itself and other factors such as being convenient to purchase. Focus on those strengths that matter to customers and those that impact the profitability of the business. In the Your Response column state how you can avoid competing directly with competitors who have strong advantages over your business. Be specific.

**Step 2 Determine current competitors’ weaknesses.** In the boxes labeled Weaknesses, list each competitor’s weak points. These can be features of the product/service itself and other factors such as lack of availability or user-friendliness. Focus on those weaknesses that matter to customers and those that impact the profitability of the business. In the Your Response column, state how you can capitalize on the competitor’s weaknesses. Be specific.

**Step 3 Identify opportunities for your business.** After evaluating each competitor’s strengths and weaknesses, use the column provided to identify possible opportunities for your business in this market. Opportunities are areas in the market that offer you room to grow the business. Opportunities can come through changes emerging from technology, new markets, governmental policy, social patterns, demographic, psychographic and behavioral variables, and local events.

**Step 4 Identify threats for your business.** After evaluating each competitor’s strengths and weaknesses, use the column provided to identify possible threats for your business in this market. Many times, threats are outside of your control such as a downturn in the economy, changing market characteristics, or a new business opening in your market. You can prepare for known threats and speculate on others you think may occur.

**Step 5 Create a SWOT Analysis Chart.** Using the SWOT Analysis Chart provided, summarize your findings on one page. You may choose to include the results of other completed worksheets or information collected from conducting market research on your industry.

### Example

<table>
<thead>
<tr>
<th>Competitor’s Name</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Your Response</th>
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<tbody>
<tr>
<td>Tom’s Bar &amp; Grill</td>
<td>Large variety of menu items</td>
<td>Poor service</td>
<td>Customer service training and customer response cards</td>
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### SWOT Analysis of Competitors Handout

**STRENGTHS AND WEAKNESSES**

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### SWOT Analysis of Competitors Handout

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**Opportunities**

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SWOT Analysis of Competitors Handout  continued

SWOT Analysis for ____________________________________________________________________________

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Star Cleaning Services' Pricing Strategies

Purpose
Apply customer-focused, competition-focused, and cost-focused pricing strategies to Star Cleaning Services to decide which strategy would be most effective under varying conditions.

Time
30 minutes

Materials
The Case of Star Cleaning Services
Star Cleaning Services’ Pricing Strategies Activity
Answer Key for Star Cleaning Services’ Pricing Strategies Activity

Facilitation
1. Ask participants to meet in small groups.
2. Have the group decide either to have one member read the scenario out loud to the rest of the group or to read it individually.
3. Instruct the groups to follow Steps 1 – 4 on the handout to analyze the case and prepare to present their answers to the larger group.

Discussion Starters
✓ Which pricing strategy did your group recommend for Anna to meet her short-term goals?
✓ Which pricing strategy did your group recommend for Anna to meet her long-term goals?

Activity Close
Pricing is a key part of a business’s overall marketing strategy and one half of the revenue equation: Price x Quantity = Revenue. As such, it warrants careful study and analysis.
The Case of Star Cleaning Services Handout

Anna vowed she would never use Jones Rug Cleaning service again, no matter how cheap it was. She could hardly tell the carpets had been cleaned, and she did not feel they were ready for the upcoming holidays.

Anna had been considering starting her own business for quite a while, and this frustrating experience started her thinking, “If I’m this unhappy and have yet to find a rug cleaning service that I have used more than once, maybe others are frustrated as well. I could be a ‘star’ in this industry,” she thought, and decided to call her business, “Star Cleaning Services.”

When Anna met her accountant, Scott, about taxes, she mentioned her idea to him. Scott’s initial reaction was somewhat tepid. “Anna, do you think you can charge enough to make it worth your while?” Anna decided the only way to find out was to do some investigation.

After checking prices on ads and flyers and calling some of her potential competitors as a would-be customer, Anna gathered her pricing information and made an appointment to talk with Scott further. “Finding out what your competition is charging is a great start,” Scott told her. “Now you need to develop your own pricing strategy. The question is, what are people willing to pay for quality service?”

“How do you figure that out?” Anna asked. “You research and experiment,” Scott said. “And if you decide to be more expensive, to position yourself as the premier carpet cleaning service in the area, you need to create value to justify that higher price.”

While Anna and Scott discussed initial pricing options, Anna wondered if she ought to charge more or if she should initially charge a very low price to get her foot in the door and obtain new customers.

“This community certainly offers you access to customers at all ranges of the income spectrum,” Scott commented. Anna thought for a minute about the significant range of income levels and housing prices in her area. “That will only make my pricing decision more challenging,” she responded.
### Customer-Focused Pricing

**Setting a price according to what customers believe the product/service is worth.**

**A. Image or Quality Pricing**
Setting price to match the perception or image of the product/service.

*EXAMPLE:*

**B. Opportunistic Pricing**
Setting a premium price on a product/service in short supply.

*EXAMPLE:*

**C. Psychological Pricing**
Making the price sound right to customers ($9.99 instead of $10.00).

*EXAMPLE:*

**D. Market or Price Skimming**
Setting a high price on a high-demand product, usually in the early stages of its life cycle.

*EXAMPLE:*

**E. Loss Leader Pricing**
Selling a few products at a loss in order to attract customers to other products.

*EXAMPLE:*

### Competition-Focused Pricing

**Setting a price comparable to what competitors are charging.**

**A. Penetration Pricing**
Selling products/services at a loss or at the bottom of the range to gain market share.

*EXAMPLE:*

**B. Defensive Pricing**
Discouraging new competitors by temporarily lowering prices.

*EXAMPLE:*

**C. Expansionistic Pricing**
Setting very low prices to establish mass markets. Temporarily offering price reductions or lower-cost version. Selling higher-cost version after initial purchase.

*EXAMPLE:*

**D. Going Rate Pricing**
Pricing wars between competitors. Refrain from charging more to prevent loss of market share. Few providers control pricing.

*EXAMPLE:*

**E. Predator Pricing**
Deliberate price-cutting to prevent others from entering market. Forces competitors to compete on price and lose profit margins. Free gifts and bundling of products/services.

*EXAMPLE:*

### Cost-Focused Pricing

**Using standard markup or cost-plus pricing.**

**A. Keystone or Target Pricing**
Setting prices to reach specific profit levels. Price based on percentage over break-even projection.

*EXAMPLE:*

**B. Cost-Plus Pricing**
Setting prices on average cost plus mark-up. Average cost is equal to Total Cost less Output.

*EXAMPLE:*

**C. Contribution or Marginal Pricing**
Setting prices to cover variable costs and a portion of fixed costs. Based on the cost of producing a minimum quantity of one item.

*EXAMPLE:*

**D. Absorption or Full-Cost Pricing**
Setting prices to offset some of the fixed costs of production.

*EXAMPLE:
**Star Cleaning Services’ Pricing Strategies Activity Handout**

**Step 2 Discuss Star Cleaning Services’ pricing.**
In a group, discuss what pricing strategies Anna might consider for Star if her short-term business goal matches each of the following.

<table>
<thead>
<tr>
<th>GOAL</th>
<th>PRICING STRATEGY(IES) TO DETERMINE PRICE</th>
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<tbody>
<tr>
<td>A. Maximize profit</td>
<td></td>
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<td>B. Ensure adequate cash flow</td>
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<td>C. Increase sales volume</td>
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<td>D. Increase market share</td>
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<td>E. Meet or beat competitors’ prices</td>
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<td>F. Maintain or create a certain image</td>
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<td>G. Improve customer relations</td>
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Star Cleaning Services’ Pricing Strategies Activity Handout continued

Step 3 Identify a pricing strategy for short-term results.
Discuss the pricing strategies Anna should consider implementing after opening for business. In your group, determine the pricing strategy you believe would give Star Cleaning Services the best short-term results. Be prepared to explain why.

Step 4 Identify a pricing strategy for long-term results.
In your group, decide what pricing strategy you would recommend Anna implement for long-term success. If this strategy is different from what you recommended in Step 3, be prepared to explain why you have chosen a different strategy.
Answer Key – Star Cleaning Services’ Pricing Strategies Activity

**Step 1 Consider pricing strategies.** Answers will vary for this question. Participants can discuss examples of companies or products/services that use the various pricing strategies. Help participants identify both local and national products or services that fit each strategy.

**Step 2 Discuss Star Cleaning Service’s pricing.** Discuss what pricing strategies Anna might consider for Star Cleaning Service if her short-term business goals were each of the following:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Pricing Strategy to Determine Price Goal (suggested answers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Maximize profit</td>
<td>Price skimming</td>
</tr>
<tr>
<td>b. Ensure adequate cash flow</td>
<td>Psychological pricing, Image or Quality pricing, Defensive pricing</td>
</tr>
<tr>
<td>c. Increase sales volume</td>
<td>Penetration pricing</td>
</tr>
<tr>
<td>d. Increase market share</td>
<td>Penetration pricing, Defensive pricing</td>
</tr>
<tr>
<td>e. Meet or beat competitor’s prices</td>
<td>Defensive pricing</td>
</tr>
<tr>
<td>f. Maintain or create a certain image</td>
<td>Image or Quality pricing</td>
</tr>
<tr>
<td>g. Improve customer relations</td>
<td>Image or Quality pricing</td>
</tr>
</tbody>
</table>

**Step 3 Identify a pricing strategy for short-term results.** Discuss the pricing strategies Anna should consider implementing after opening for business. In your group, determine the pricing strategy you believe would give Star Cleaning Service the best short-term results. Be prepared to explain why.

**Suggested answers** – Anna could begin with a low price strategy to attract a large number of customers, demonstrate Star’s superior quality, and build a strong market base (penetration pricing). She could tell consumers that the product or service is being offered as an introductory special.

**Step 4 Identify a pricing strategy for long-term results.** In your group, decide what pricing strategy you would recommend Anna implement for long-term success. If this strategy is different from what you recommended in Step 3, be prepared to explain why you have chosen a different strategy.

**Suggested answers** – Anna may consider selling certain services at a loss in order to attract new customers to other services (loss leader pricing). Or she may consider lowering prices, assuming she is not already one of the lowest in the market, to discourage competitors (defensive pricing). Anna’s best strategy may be to develop an image of higher quality work. By providing additional value to her customers, she can charge a higher price than the average carpet cleaners.
Customer Service Strategies  
Referenced on p. 112

**Purpose**

Identify ways to solve customer problems and maintain customer relationships.

**Time**

10 minutes

**Facilitation**

No matter how careful a company is, situations can crop up that may leave a customer dissatisfied or unhappy. How a company responds can make the difference between a disgruntled customer who complains to others about the problem or a satisfied patron who raves about how it was resolved to friends and family. *Service recovery* describes how a company responds to and resolves a customer complaint or problem.

**Key Points**

- Customer service policies and practices should reinforce the desired business image. *How a business handles warranties, guarantees, returns, and exchanges are part of an entrepreneur’s customer service strategies.*
- It is helpful to know how the competition treats its customers and to use this behavior as a baseline.
- Calling or visiting a business as a customer can provide an entrepreneur basic information about a competitor’s customer service practices.

**Discussion Starters**

- What experiences have you had in which a business’s handling of your complaint or problem actually increased your loyalty to the business?
- What examples of “service recovery” in your business resulted in even stronger customer relationships?

**Key Points**

- Effective service recovery should be part of the policies and practices established in the Marketing Plan. Business owners should welcome customer feedback, especially negative, as it can be used to correct problems.
- Keeping an old customer is typically easier than gaining a new one. Recognizing or rewarding repeat customers makes them feel appreciated and reinforces their loyalty.
- One of the most common reasons why a customer leaves is a poor attitude exhibited by employees of the business. This type of loss can be easily avoided if you adequately train and motivate your employees.
- Evaluate if the image you are creating is the one that you want. Talk with your customers, conducting customer surveys, or devise a way of your own to find out.

**Activity Close**

Successful businesses build customer loyalty through excellent customer service and effective resolution of customers’ problems. Retaining existing customers is good business and more cost effective than seeking new ones.
### Purpose
Evaluate a case study to explore market penetration effectiveness.

### Time
30 minutes each

### Materials
- The Case of Growth Cycle Strategies
- Answer Key for The Case of Growth Cycle Strategies

### Facilitation
Hand out The Case of Growth Cycle Strategies and instruct participants to read the case individually and answer the corresponding questions. Discuss participants’ answers as a group.

### Variation
Break into small groups for participants to compare and discuss responses prior to the full group discussion.

### Activity Close
Successful marketing focuses upon reaching the intended target markets through effective sales and marketing methods.

Case 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 case study.
The Case of Growth Cycle Strategies Handout

Growth Cycle Strategies is a firm that helps maximize the role of product managers for other firms through two means. First, the firm trains product managers to perform their roles as strategists. Second, the firm consults with those who manage product managers to help them understand how to realize a better return on their investment from their employees. A variety of industries are realizing that training for product managers is crucial to success.

Jack Elliott and Joe Brooks have, for over three years of being in business, built a base of approximately 30 clients. Growth Cycle Strategies has earned a high level of customer satisfaction in its consulting and training engagements. The partners’ experience in the area of product development and their ability to share their knowledge effectively with the product managers of their clients makes their services unique and valuable.

The backgrounds of the partners of Growth Cycle Strategies combine knowledge of technical detail with sales ability; however, both confided that sales were the least favorite part of their job.

The company targets industrial and high-tech firms with a sales volume of $25 million or more annually. Firms with lower revenue levels will not typically employ product managers. Growth Cycle Strategies targets industrial firms rather than consumer goods firms because this is the area where its partners’ expertise lies.

Decision makers within the target market tend to vary widely. That is, the firm has worked with marketing managers, directors of product management, vice presidents of sales, and presidents of companies.

For the company to continue to succeed, Growth Cycle Strategies must continue to grow its client base. The firm currently conducts one training seminar per month and completes one consulting project every two to three months. The firm has established goals to complete 24 training seminars and 12 consulting jobs per year.

Elliot and Brooks handle the marketing efforts of the company, which takes about one third of their time. Growth Cycle Strategies has a website that gets about 1,000 hits per month (without being linked to other sites). The firm tried a direct mail campaign last April and had a response rate of 1.5 percent, which was good for direct mail; however, the quality of the leads was poor. Often the individual responding was not the appropriate decision maker within the company. Elliot and Brooks have shifted their focus to building a referral network via existing satisfied clients. A $100 gift certificate to Amazon.com for any referral that generates business has resulted in a number of new accounts. When the firm connects with a prospective client's decision maker (regarding that company's training budget), “we have no problem selling our service,” says Elliot.

As Growth Cycle Strategies continues to grow, Elliot and Brooks will have less time to devote to marketing and will need to concentrate on servicing their clients. Elliot and Brooks acknowledge that it may be time to add someone to the company in some capacity. In order to serve the client well and maintain Growth Cycle Strategies’ high level of customer satisfaction, they considered hiring a person with a product development background whom they could train to handle a portion of their responsibilities, including sales/marketing and consulting/training. The dilemma of Growth Cycle Strategies is how to grow the company effectively.
The Case of Growth Cycle Strategies Handout continued

Discussion Questions

1. Who is the current target market and what research needs to be undertaken regarding this target market?

2. Why isn’t the firm reaching the targeted volume of sales now?

3. Is the current marketing strategy sufficient to increase the volume of sales? Why or why not?

4. What are ways of maximizing the current client base?

5. What are the advantages and disadvantages of hiring an additional sales person or direct sales force? Do you agree with Elliot and Brooks’ plan to hire someone with a product development background?

6. Can the company grow and maintain its current staffing structure?

7. What would you recommend the company do to achieve its goal of growing the business?
Answer Key –
The Case of Growth Cycle Strategies

1. Who is the current target market and what research needs to be undertaken regarding this target market?
The firm targets industrial and high-tech firms that achieve an annual sales volume of $25 million or more in the industrial products area. An analysis of the market place is needed to determine if an adequate number of firms filling this profile exist and what percent of these firms Growth Cycle Strategies is reaching. Growth Cycle also needs to determine how much competition exists for this targeted market’s business.

2. Why isn’t the firm reaching the targeted volume of sales now?
The firm is currently not reaching its targeted volume of training seminars or consulting projects because of a lack of marketing. The firm’s only marketing tools are its website, its white pages ad, and referrals.
The website is a wonderful educational tool. The downfall of this website, as is the downfall of most websites, is that it will not generate its own traffic without support. The website is not linked to any other sites that will pull visitors into it. It is not supported by any other vehicles. Its only pull for unique visitors will come from key word searches via search engines or through name recognition.

Referrals are always a firm’s biggest “bang for the buck.” Currently the firm is providing financial incentives to drive referrals (a $100 gift certificate to Amazon.com for any referral that generates business). Referrals have been and probably will always be the easiest way to obtain new clients, especially in service businesses where customer satisfaction is a key ingredient in the evaluation of the service. The firm might look at ways to maximize the use of its current database of clients. It might consider sending a mailing to the current client base with informational brochures and coupons to be given to other firms.

3. Is the current marketing strategy sufficient to increase the volume of sales? Why or why not?
No. The firm owners would like to do 24 training sessions per year. Currently they average one per month. The firm targets 12 consulting jobs per year. They currently complete one every two to three months. The firm’s website gets an average of 1,000 hits per month; however, not all visitors are unique.

One direct mail piece was sent out, but no additional mailings followed. The response rate for the piece was 1.5 percent, considered good for direct mail. The quality of the response was low, however, because the calls were not from decision makers. It would be worth an investment of time and money to generate a database of decision makers of the firms that checked out the website or responded to the direct mail piece.

A comprehensive marketing plan needs to be developed. The firm’s marketing strategy lacks reinforcement. That is, one direct mail piece needs to be followed up with subsequent pieces and be supported by other vehicles. For example, a salesperson could follow up website hits and direct mail responses to develop them further.

Of course, the tough part of pursuing a more aggressive marketing strategy is having the budget to do so. Ways of allocating a larger amount to marketing must be identified.
Answer Key –
The Case of Growth Cycle Strategies continued

4. What are ways of maximizing the current client base?
   Referrals are the easiest and most obvious way to maximize a client base. The ways one
   asks for referrals can be multiple: a consultant/trainer can ask for referrals verbally at
   the end of a session; one can ask for referrals in writing along with a client satisfaction
   survey; and one can provide financial incentive for the referrer as well as the referee.

   Additionally, non-financial incentives could be used. These types of rewards consist
   of praise, feedback, and reinforcement. For example, Growth Cycle Strategies could
   identify a business client of the month to recognize in a newsletter or on its website.

5. What are the advantages and disadvantages of hiring an additional salesperson or
direct sales force? Do you agree with Jack and Joe’s plan to hire someone with a
product development background?
   A significant benefit of hiring a salesperson or sales force is that long term it could free
   up time for Jack and Joe to conduct training programs and consult with clients. Another
   advantage of hiring a salesperson or direct sales force is that he or she (they) can be
   trained and groomed by the principals. That is, a salesperson can grow from a sales
   position to a consulting position. Therefore, the owners can be sure that the selling and
   training are conducted in ways consistent with their vision for the company.

   Disadvantages of hiring a salesperson or sales force include the host of issues the firm
   takes on with any additional human resources. For example, each new employee will
   bring new human resources, compensation, and training issues. The right people must
   be found first. Hiring someone with a product development background will likely
duplicate the skill sets already existing within the company. The skills and interests that
appear to be lacking are sales and marketing.

6. Can the company grow and maintain its current staffing structure?
   The only way the company can grow and maintain its current structure is to make a
   conscious effort to reallocate its resources. Owners spend approximately one third
   of their working hours pursuing new business. The other two thirds is spent training
   and consulting with their clients. An increase in time and marketing effectiveness is
   needed. A comprehensive marketing plan would allow Jack and Joe to utilize their
   time more effectively.

   Both principals confided that sales was their least favorite part of the job. From a
   study of human behavior, we know that individuals will do what they like best first
   and what they like least last. (This is called the Premack Principle after psychologist
   David Premack.) Therefore, the principals spend the least amount of time doing what
   the business needs most. This occurrence is not unusual in any type of business.

7. What would you recommend the company do to achieve its goal of growing
the business?
   The company’s growth can most realistically be achieved through the hiring of a sales
   force. Initially, this step could consist of one person whose primary function would
   be to turn leads from direct mail responses, website hits, client referrals, and cold
   calls into appointments. Jack and Joe would then use their expertise to close the sale.
   The salesperson would not require the level of experience that Jack and Joe have
   but would need only a basic understanding of the product. The salesperson’s main
   objective would be to identify decision makers in the prospective client’s organization.
   Then Jack and Joe could spend more time actually consulting and training.
Organizational Chart Activity  Referenced on p. 138

**Purpose**
Apply organizational chart concept to entrepreneurs’ own businesses.

**Time**
20 minutes

**Materials**
Sample organizational charts from area businesses
Blank paper

**Facilitation**
1. Bring one or more sample organizational charts from small businesses in your area for participants to review.
2. Ask participants to draft their own organizational charts, labeling boxes with both the function (for example, sales, production, accounting) and the name of the person who will perform that function. Alert participants to the fact that their own name may appear in all the boxes at this time.
3. In pairs, have participants share and discuss their organizational charts.
4. Lead a brief discussion following this activity.

**Discussion Starters**

$x$ How will you obtain the information and knowledge needed to fulfill multiple functions early in your business’s development?

$x$ What positions will your first employees fill?

$x$ In which areas will outside contractors likely be needed? Accounting? Marketing? Legal? Other?

**Activity Close**
Preparing an organizational chart helps the entrepreneur clarify areas of responsibility and authority and helps prioritize hiring needs.
Break-Even Analysis  Referenced on p. 152

Understand the components of break-even analysis and how to determine break-even.

30 minutes

Break-Even Analysis handout
Slides OEA4 – 9

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
Hand out the activity form following, and go through the questions, prompting participants to fill in the missing (underlined) words and to provide examples from their own businesses. 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: The Case of Midwest Lab Services

Hand out the activity Calculate Break-Even: The Case of Midwest Lab Services following and have participants work in teams if the group is comfortable with financial information. Otherwise, lead this exercise with the entire group.

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 Costs).
- $5 is variable cost – Write $5 in the Per Unit column next to Cost of Sales (Variable Costs).
- 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. See the Answer Key.

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.
Break-Even Analysis Activity Handout

Distinguish among the elements of break-even analysis.

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:
Optional and Enrichment Activities

Calculate Break-Even: The Case of 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 twenty-four-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 = Fixed Costs / Gross Margin per Unit

\[
\frac{\text{Fixed Costs}}{\text{Gross Margin per Unit}} = \frac{\text{Fixed Costs}}{\text{Gross Margin \%}}
\]

Break-Even Total Sales = Fixed Costs / Gross Margin %

\[
\frac{\text{Fixed Costs}}{\text{Gross Margin \%}} = \frac{\text{Fixed Costs}}{\text{Gross Margin \%}}
\]

**Step 4** Illustrate your findings by placing your calculations on the graph below.

**Break-Even Graph**

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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 overhead — 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. Semi-variable costs may include a fixed portion and a variable portion. For example, telephone costs may be 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: The Case of Midwest Lab Services

Directions
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 twenty-four-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>
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</tr>
<tr>
<td>Sales</td>
<td>$140,000</td>
<td>$7</td>
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<tr>
<td>Cost of Sales (Variable Costs)</td>
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<td>$5</td>
</tr>
<tr>
<td>Gross Margin</td>
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<td>$2</td>
</tr>
<tr>
<td>Operating Costs (Fixed Costs)</td>
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</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 / $2 ($7 - 5 = 2)

Break-Even Total Sales = Fixed Costs / Gross Margin %

$105,000 = $30,000 / .2875 ($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 participants visualize break-even on a graph, as presented in Slide OEA7, not a test in plotting a graph. Although each participant’s graph will be different, completed graphs should resemble the graph on the right.
Social Networks Yarn Activity  Referenced on p. 182

Purpose
Demonstrate visually how participants’ network multiplies exponentially and connects them to others.

Time
10 minutes

Materials
Ball of string or yarn

Facilitation
1. Start with a large ball of loosely wrapped yarn in order to facilitate its unraveling as it is thrown. Hang on to the end of the yarn and toss the ball to the participant with the closest ties to you (for example, someone you knew before the program began, someone whose business is similar to yours, someone with whom you have a mutual friend).

2. That person should toss the ball of yarn to another person in the circle with whom he or she has made an important connection during the course of the program. Maybe they discovered mutual means of supporting each other during the Networking Breaks. Ask each person to continue holding onto the yarn.

3. Instruct participants that when the ball is thrown to them, they are to throw it to a person in the group that they met as a result of attending the FastTrac® program and that they now consider to be a part of their network. In turn, that person will throw the ball to one person they met, and so on. The same persons can have the yarn tossed to them more than once.

4. Typically all participants will be connected by the end of this activity to create a web of connections.

Note: The ball should be thrown in such a way that the yarn unravels and connects the person who tossed it with its recipient.

Discussion Questions

X  What did this activity demonstrate?
X  How does expanding one’s network contribute to an entrepreneur’s success?

Activity Close
Rather than just a pleasantry, networking is a critical skill of successful entrepreneurs. Making it a priority will greatly benefit the entrepreneur and the business.
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  
Flip chart

**Facilitation**
Reproduce the feedback forms following. 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, they should be given to the presenter before the end of the session.

In order to prevent the feedback process from delaying presentations, monitor the pacing of collecting the forms.

**Activity Close**
Feedback is an important part of the business concept and start-up phase. Participants 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

<table>
<thead>
<tr>
<th>Name of business</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>Strengths of concept/business</td>
<td></td>
</tr>
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<td>Suggestions and comments</td>
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