

Lecture 1 — Introduction to Business Plans

Course: Writing & Presenting Effective Business Plans

Session length: 1.5 hours (recommended) — this is a *source document* (detailed notes + student reading).

Learning outcomes (by end of session)

Students will be able to:

1. Give a precise, multi-dimensional definition of a business plan (document, process, and communication device).
 2. Explain the main functions of business planning (planning, signaling, learning, control).
 3. Differentiate types of business plans and map plan types to stakeholder expectations.
 4. Describe the full anatomy of a professional business plan and the purpose of each section.
 5. Use at least three analytical frameworks (Business Model Canvas, SWOT, Porter's Five Forces) to begin drafting a plan.
 6. Produce a concise, investor-oriented executive summary (first draft) and a one-page Business Model Canvas for their idea.
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1) What is a business plan? — three lenses

A **business plan** is **(a)** a written document that organizes and communicates the venture's strategy, market, operations and financial expectations; **(b)** a planning *process* that forces founders to test assumptions, collect evidence, and make choices; and **(c)** a *signal* used to communicate legitimacy, capacity and intent to external stakeholders (investors, lenders, partners). Good plans combine persuasive narrative with defensible data and clear assumptions (Scarborough & Cornwall, 2019).

Key note: emphasize the difference between *writing a plan* (product) and *planning* (ongoing process). Both matter.

2) Main purposes and functions of a business plan

- **Planning & decision-making:** clarify goals, milestones, resource needs, and timing.
- **Resource mobilization / financing:** show lenders/investors how funds will be used and repaid; demonstrate market size and monetization.

- **Signaling & legitimacy:** provide evidence of competence, market knowledge and seriousness.
 - **Performance monitoring & control:** set KPIs, budgets and milestones for management.
 - **Learning & adaptation:** document assumptions and enable structured testing (compare to lean iterative approaches).
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3) Theoretical perspectives & empirical evidence (short survey)

- **Causation vs effectuation:** Sarasvathy (2001) contrasts planning that starts with a goal and seeks means (causation) versus starting with means and iterating goals (effectuation). This frames why some entrepreneurs resist long formal plans.
 - **Lean Startup perspective:** Ries (2011) argues for hypothesis-driven iterative testing (MVPs), suggesting business plans should be treated as living hypotheses.
 - **Planning-performance evidence:** Meta-analyses and empirical studies (e.g., Brinckmann, Grichnik, & Kapsa, 2010) find a positive link between formal planning and venture performance *in certain contexts* — particularly where uncertainty is moderate and founders implement plans. Other studies (e.g., Lange et al., 2007) show that overly rigid pre-startup plans can reduce adaptability.
 - **Practical implication:** teach students to write plans that are *evidence-based, assumption-explicit, and revision-friendly*.
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4) Types of business plans — when to use each

- **Startup / investor plan:** detailed market/financials; used to raise external equity or VC.
- **Operational / internal plan:** focused on processes, staffing, KPIs; used to guide operations and resource allocation.
- **Strategic plan:** long-term goals, major initiatives; used at corporate level for direction-setting.
- **Feasibility plan:** short, targeted; used to test whether a concept is viable before investment.
- **Pitch / executive summary + deck:** condensed, persuasive format for presentations.

Class activity (5 min): Pair up — list one real-world example where each plan type would be the best choice.

5) Key audiences and what they care about

Use this mapping when you write:

Audience	Primary concerns	Plan emphasis
Equity investors (angels/VC)	Growth potential, exit, unit economics	Market size, traction, scalability, team
Banks / lenders	Repayment ability, collateral, cash flow	Forecasted cash flows, collateral, conservative assumptions
Strategic partners	Fit, collaboration benefits	Value proposition, joint benefits, operational roles
Internal managers	Execution, KPIs, resource allocation	Detailed operations, milestones, staffing
Regulators / grantors	Compliance, impact	Risk, governance, social/environmental impact

6) Anatomy of a professional business plan — deep guidance and writing checklist

Below is a recommended structure with purpose, content, writing tips and recommended length for each section. This is the *source* level detail students need to write substance, not just slides.

Cover page & table of contents

- Purpose: identify plan, author, date, confidentiality notice.
- Tip: add contact info and a one-line tagline.

Executive summary (1 page recommended; 250–400 words)

- Purpose: stand-alone capsule that convinces a reader to continue.
- Must include: problem, solution (product/service), market (size + target), business model (how you make money), traction/validation, competitive advantage, team, funding ask & use of funds, key milestones.
- **Writing tip:** write this **last**. Make every sentence count; avoid jargon.

Sample executive summary (model / clipboard) — *readable example you can give students and adapt:*

Executive Summary — Cotty Care Hygienic

Cotty Care Hygienic addresses the growing environmental and health concerns associated with plastic-cored cotton swabs by producing high-quality, compostable cotton swabs with paper cores. Our initial product line — Custom Head, Spiral Head, and Painted Head swabs — targets

pharmacies, supermarkets, and eco-conscious private-label manufacturers in Algeria and the North African market. Market research indicates increasing consumer willingness to pay a small premium for sustainable personal-care products; initial retailer conversations confirm order interest.

We sell via two channels: B2B bulk sales to distributors and retail-ready packaged product for pharmacy and grocery. Our manufacturing process uses local kraft paper cores and food-grade cotton; production tests show unit costs 10–15% below comparable imported alternatives when orders exceed 50,000 units/month. The founding team has manufacturing and distribution experience in FMCG and sustainable packaging.

We seek DZD [amount] in seed financing to scale production (purchase of forming and cutting machinery), secure packaging and certification, and launch a regional commercial pilot. Milestones for 12 months include: production capacity of [X] units/month, first regional distributor agreement, and break-even on direct channel sales. With funding and execution, Cotty Care projects reaching profitability in year 2 and serving multiple national retailers by year 3.

(Students should replace bracketed placeholders with real numbers and evidence.)

Company description

- Legal form, history, mission, vision, current status (prototype, revenue), location, and milestones to date.

Market analysis (2–4 pages)

- Market segmentation, TAM / SAM / SOM estimates (with assumptions), customer personas, competitive landscape, distribution channels, pricing sensitivity.
- **Data requirement:** cite sources for market size; if unavailable, show and justify assumptions. Use SWOT + Porter to synthesize competitive threats.

Products / services & value proposition

- Features, benefits, IP, lifecycle, R&D roadmap, price points, and comparables. Include photos/diagrams if useful.

Business model & revenue model

- How you charge (unit sales, subscription, licensing), pricing logic, gross margin drivers, expected customer acquisition cost (CAC), lifetime value (LTV) — if possible.

Marketing & sales strategy

- Positioning, brand, channels, sales cycle, promotions, partnerships, 6–12 month launch plan.

Operations plan

- Production process, suppliers, capacity, lead times, quality control, location, inventory policy.

Management & organization

- Org chart, key roles, short bios for founders/executives, advisors and recruiting plan.

Financial plan

- 3-year (minimum) pro forma: income statement, cash-flow, balance sheet (top-level), unit economics, break-even analysis, sensitivity scenarios (best / base / worst).
- State assumptions explicitly (how price, volume, COGS, capex, and working capital were derived).

Funding request & use of funds

- Ask amount, instrument (equity, loan), valuation (if applicable), use of proceeds by category (capex, opex, marketing), and milestone-linked tranches.

Risk analysis & mitigation

- Top 5 risks (market, operational, regulatory, financial, team) and mitigation plans. Investors value realistic risk assessments.

Appendices

- Supporting data: survey results, supplier quotes, patent docs, detailed financial schedules, CVs, sample contracts.

7) Analytical frameworks & how to use them in the plan

(Teach not just what they are, but *how* to use them to produce plan content.)

Business Model Canvas (Osterwalder & Pigneur, 2010) — 9 blocks

- Customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, cost structure.
- **Use in class:** Students complete a 1-page BMC for their idea during the in-class exercise.

SWOT

- Strengths, Weaknesses, Opportunities, Threats. Use SWOT to summarize internal/external fit and derive strategy.

PESTEL

- Political, Economic, Social, Technological, Environmental, Legal — use to identify macro risks and regulatory considerations.

Porter's Five Forces

- Threat of new entrants, buyer power, supplier power, threat of substitutes, competitive rivalry — useful for industry attractiveness section.

Practical tip: Convert each framework into specific bullets that feed sections of the plan (e.g., PESTEL points → Risk Analysis; BMC → Business Model & Marketing).

8) Evidence-based guidance — what research tells us

- **When planning helps:** Brinckmann et al. (2010) show structured planning correlates with better performance especially when plans are used to make decisions (not just written for fundraising).
 - **When planning can hurt:** Lange et al. (2007) caution that excessively detailed pre-startup plans in highly uncertain contexts can reduce founders' flexibility.
 - **Applied implication:** Teach students to produce *actionable* plans with explicit assumptions, short review cycles, and built-in decision points (e.g., “if X not achieved by month 6, pivot to Y”).
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9) Common mistakes & red flags in student plans

- Over-optimistic revenue projections without evidence.
 - Missing or inconsistent assumptions (e.g., growth rate not matching market size).
 - No clear unit economics or cash flow analysis.
 - Ignoring customer acquisition cost or channel constraints.
 - Lack of credible team or governance plan.
 - Excessive jargon and lack of evidence citations.
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References

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