

F3

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Preparation of a Business Plan



EVROPSKÁ UNIE
Evropské strukturální a investiční fondy
Operační program Výzkum, vývoj a vzdělávání

MŠMT
MINISTERSTVO ŠKOLSTVÍ,
MLÁDEŽE A TĚLOVÝCHOVY

Planning and Entrepreneurial Success

- Strategic planning is key to business success (e.g. Miller & Cardinal, 1994)
- „Strategic planning is an explicit **process** for determining the firm’s **long-range objectives**, procedures for generating and evaluating alternative strategies, and a system for **monitoring the results** of the **plan** when implemented.“ (Armstrong, 1982)
- However, the debate has arisen around planning benefits for young companies (Brinckman et al., 2010)

“ A GOAL
WITHOUT
A PLAN
IS JUST
A WISH ”

AS

Planning

- **Business level**
 - Creation of a business plan
 - Overview of planned future outcomes
 - Usually written outline
 - Serves to gain external investments (banks, investors)
- **Personal level**
 - Great importance of individual planning habits
 - Self-management – planning and creating one's life



Source: Planningengineer.net

Investor's Perspective on Business Planning

- Ondřej Bartoš (*founder CredoVentures.com*)



- *Entrepreneurs usually do not understand importance of good business planning*
- *It needs to answer all the important questions: **WHAT, WHY, WHOM, HOW***
- *Differentiates **real** vs **wannabe** entrepreneur*
- *Business plan **significantly** increases chance of success*

Personal planning

- Refers to personal, informal, **everyday** planning approach
- Self-management at work is a person's **habitual approach** to the **structuring** and **planning** of their work
- Entrepreneurial success is mediated by **individual action planning** (Frese, 2007)
- Opposite is „*reactive strategy*“, which often leads to entrepreneurial failure

Personal planning

- Entrepreneurs who do not engage in planning are driven by the situation and are busy reacting to its demands
- E.g. an entrepreneur characterized by reactive planning strategies, would start his workday mainly by reacting to what tasks he finds on his desk, **incoming calls, requests, e-mails**, etc...
- He will not get back to working until it becomes **urgent** because customer reminds him, the deadline approaches etc.
- -> this is a result of **poor time management**

Personal planning

	Urgent	Not Urgent
Important	I <ul style="list-style-type: none">› Crises› Pressing problems› Firefighting› Major scrap and rework› Deadline-driven projects	II <ul style="list-style-type: none">› Prevention› <i>Production capability activities</i>› Relationship building› Recognizing new opportunities› Planning› Re-creation
Not Important	III <ul style="list-style-type: none">› Interruptions› Some calls› Some mail› Some reports› Some meetings› Proximate pressing matters› Popular activities› Some scrap & rework	IV <ul style="list-style-type: none">› Trivia› Busywork› Some mail› Some phone calls› Time-wasters› Pleasant activities



Source: S. Covey, Forbes.com

Rules to gain time (Seiwert, 2004)

- **Goal-orientation**
 - Orient your daily activities towards fulfilling your goals
- **Prepare**
 - Prepare your next day the evening before
 - Allow enough time for routine tasks (e-mail, ...)
- **Set Priorities**
 - Tackle important things first and leave unimportant tasks
 - Beware the urgency

Rules to gain time (Seiwert, 2004)

- **Summarize**
 - Allocate similar tasks (e.g. phone calls, e-mails, short meetings)
 - You won't have to switch between A and B tasks
- **Simplify**
 - Divide difficult tasks into small steps
 - Schedule deadlines for each step
- **Let others do it**
 - Delegate activities to others
 - Don't be afraid to say *no*

Rules to gain time (Seiwert, 2004)

- **Shield**
 - You don't have to be always available
 - Make appointments and use them
- **Be considerate and respectful**
 - Being late, overrunning meetings and rescheduling appointments are a taboo
- **Enjoy success**
 - Perceive settled tasks and things as a success
 - Reward yourself and others

Time Management - Timothy Ferriss

- <https://www.youtube.com/watch?v=bbFmVT0cYQw>



- <https://www.youtube.com/watch?v=bZm3ZDrRT7I>



How to define goals

- Write the goals down
- Having them written makes them more tangible and achievable
- You can have them on your wall or notice-board

SMART Technique

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**elevant
- **T**ime bound



SMART Technique

- **Specific goals**
 - Clear
 - Well defined
 - Should show us the way to go
- **Measurable**
 - Precise amounts
 - Dates
- **Attainable**
 - It should be possible to achieve the goal
 - Otherwise we lose our confidence

SMART Technique

- **Specific**
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SMART Technique

- **Relevant**
 - Are the goals helping us reach our vision?
 - Are they aligned with the direction we are heading in life?
- **Time Bound**
 - When will the goal be achieved?
 - When is the deadline?
 - Is there a sense of urgency?

You are
young at any age..
if you're planning for
tomorrow

Source: Ranker.com

Managing the Growing Firm

- Small firms play a **key role** in generating employment and promoting economic growth
- Also, **growth** increases the chance of a company to survive
- Young, growing firms are **twice as likely** to survive than those not growing (study by Phillips and Kirchoff, 1989)

Managing the Growing Firm

- However, growth is **not for all** entrepreneurs
- Different people may have **different** motives to start a business
- In a study done in the US, **less than 20 %** of nascent entrepreneurs indicated that they want their company to be as large as possible
- The rest wanted to be their company of a **size they can manage** themselves with a few key employees (Edelman et al., 2010)

Managing the Growing Firm

- Most company owners start a business **not with the intent** of growing a large firm
- But rather as an **alternative to working** for someone
- Or as an **alternative to unemployment** (Morris, Kuratko, Schindehutte, 2001)

Defining and measuring business growth

- The most popular measure is usually **sales turnover**
- Followed by a **number of employees**
- Other indicators include growth intention, growth in profitability and presence of growth strategies (Achtenhagen, Naldi, Melin, 2010)
- Also, some approaches choose to look at changes in company's structure

Defining and measuring business growth

- **Organic growth** is the most common
- However 10 % of companies grow via **acquisition** (Delmar et al., 2003)
- The longer the firm operates on the market, the slower is usually its growth (Davidsson et al., 2002)
- For big companies it is sometimes more suitable to acquire technology through buying another company

Psychological factors explaining small business growth

- Management strategies are an important predictor of company's growth
- **Vision** and **personal motives** are strongly associated with how big the company grows
- Successful entrepreneurs must pay close attention to employee recruitment and development
- The ability of the firm to attract, develop and retain skilled and capable employees is important key to growth



Psychological factors explaining small business growth

- Innovative ideas often come from outside of the organisation
 - From customers
 - From competitors
 - From family and close friends

The art of innovation by Guy Kawasaki

- <https://www.youtube.com/watch?v=Mtjatz9r-Vc>

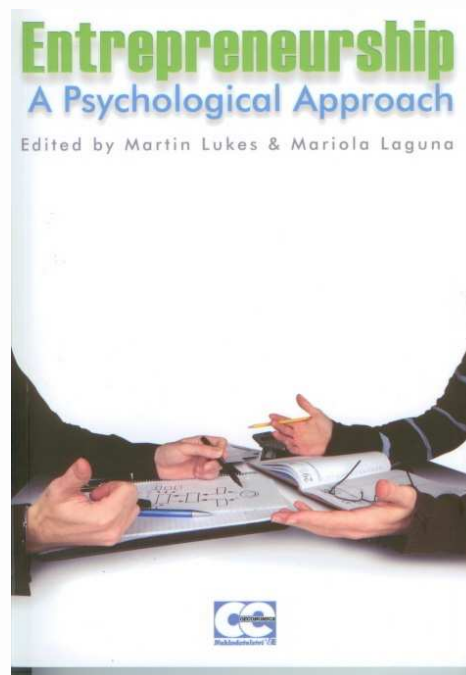


Personal limitations of an entrepreneur

- Sometimes **task-orientation** prevents the company's growth, because the entrepreneur is a *technician* and believes s/he can develop the product the best
- **Single-mindedness** – an entrepreneur is not able to listen to ideas which are not their
- **Working in isolation** – can be a limiting factor as the entrepreneur lacks contact with employees and customers (Hamm, 2002)

Entrepreneurship: A psychological approach

- Lukes, M., & Laguna, M. (2010). *Entrepreneurship: A psychological approach*. V Praze: Oeconomica.



Q & A

