

Chapter 8 Summary

Business plan: a document designed to detail the major characteristics of a firm
Product Industry Market Financial Outcomes.

External legitimacy: the extent to which a small business is taken for granted, accepted, or treated as viable by an organization or people outside the business.

Internal understanding: extent to which people within the business know the purposes and operations.

Vision statement: 5-10 word sentence that expresses the goal of the firm.

Tagline: slogan (catchphrase)

Mission statement: paragraph that describes the firm's goals and competitive advantages.

Elevator pitch: 30 second action oriented statement

Executive summary: 1 to 2 page overview of business model market and expectations.

Cover letter: introduces business plan and business owner to the recipient.

Proprietary technology

Product or service kept as a trade secret or legally protected by a patent, copyright, etc.

Preselling: introducing your product to potential customers and taking preorders

Research and development: focused on creating new products or services.

Pioneering business: firm whose product or service is new to the industry or is creating a new industry.

Test marketing: selling in limited area for a limited time.

New entrant business: established elsewhere, but new to the market.

Screening plan: mini-plan gives basic overview of the firm and a detailed look at the financials.

Informational plans: give potential customers or suppliers information about the company and its product or service.

Key employee/ partner plans: provides info on the company.

Proof of concept website: internet based type business plan providing information or demonstration of a product or service designed to solicit info on customer interest.

Invention plan: provides info to potential licensees. Invention plan focus on details of the invention.

Operational plan: used internally for management purposes.

Private placement memorandum: specialised legal form of business plan crafted by lawyers for the purpose of soliciting formal investments.

Risks: parts of a business plan that expose the firm to any kind of loss.

Chapter summary:

Understand why and when to develop a business plan

Plans are done for external legitimacy or internal understanding.

Plans are sometimes essential and are often linked to improve firm survival.