

©Stephen Coburn, 2010/ Used under license from Shutterstock.com



# Develop a Business Plan

**3.1** Why a Business Plan Is Important

**3.2** What Goes into a Business Plan?

**3.3** How to Create an Effective Business Plan



[www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas)

## Turning a Summer Job into a Career

A successful entrepreneur starts with a solid business plan. By age 16, Matt Warren secured a bank loan, acquired a steady stream of customers, and managed several employees. Matt quickly learned that writing a business plan was the key step that enabled him to grow Warren's Landscaping to where it is today.

His business started with humble beginnings. Looking to make some extra summer cash, twin brothers Matt and Justin Warren loaded up their dad's Jeep with equipment and mowed neighbors' lawns and washed windows. The brothers learned the valuable lessons of working hard and managing cash flow. After Justin left the business to pursue a different career path, Matt, a high school marketing and entrepreneurship student, crafted a business plan to turn his entrepreneurial dream into a reality. His local Milford, Ohio, DECA chapter taught Matt that gaining and retaining customers involves many factors, such as creating a good image by having clean trucks and well-dressed employees and giving back to the community. With his experience and strong ideals, Matt was able to prove to the bank that he could easily pay back a loan.

Matt keeps his DECA-instilled values of community involvement at the forefront of his business plan. He volunteers his company's services to area nonprofits, and he also returns to his former high school DECA chapter to advise young entrepreneurs. Matt says his community involvement helps Warren's Landscaping attract new customers. Warren's Landscaping has since expanded to larger, commercial projects and stonework. "The most rewarding part of the job is building and creating outdoor spaces for a customer's family gatherings. It's in my hands to make people happy, which makes me happy," says Matt. Matt's ethics and ideals helped him earn the Entrepreneur of the Year Award from the Milford-Miami Chamber of Commerce.

"Anyone interested in becoming an entrepreneur should get their feet wet in all areas of business and ask a lot of good questions," Matt advises. "Although working for yourself has its ups and downs, if you do the proper research, the rewards outnumber the challenges."

Writing and executing a business plan is an essential activity for the most successful companies. This first step helped Matt focus his vision and turn his money-making ideas into a profitable business.



Photo courtesy of Matt Warren

Matt Warren, owner of Warren's Landscaping

1. How can you improve your chances of securing a bank loan?
2. What does Matt do to create a good public image?
3. Why is it important for business owners to give back to the community?

what  
do you  
know?

# 3.1

## WHY A BUSINESS PLAN IS IMPORTANT

### Goals

- Explain the purpose of writing a good business plan.
- Describe the importance of a business plan.

### Vocabulary

- business plan

## focus on small business

### Look before you leap.

Tony worked for a local automobile dealership as a technician for over 20 years. He always received very high customer service ratings. One day, Tony decided that because he was such a good technician, he could make more money working on his own. At a local print and signage shop, he had business cards printed and a sign made that read "Tony the Technician." He quit his job at the dealership on Friday, put his sign up on Sunday, and was open for business on Monday.

**Work as a Team** What do you think are Tony's chances for success? Discuss what advice you would have given Tony if he had talked to you about his idea first.



PhotoDisc/Getty Images

Planning is the key when starting a business.

## The Business Plan

Once you have settled on a business idea, it is time to start making plans for the business. A **business plan** is a written document that describes all the steps necessary for opening and operating a successful business. A business plan does the following:

- Describes what your business will produce, how you will produce it, and who will buy your product or service
- Explains who will run your business and who will supply it with goods
- States how your business will win over customers from competitors and what your business will do to keep customers
- Provides detailed financial information that shows how your business will succeed in earning a profit
- Describes plans for the future growth of your business

Writing a business plan is one of the most difficult and important things you will do as an entrepreneur. Writing a solid



© Yuri Arcurs, 2010/ Used under license from Shutterstock.com

## DEVELOP YOUR READING SKILLS

As you read this chapter, make a list of the items that you will need to develop and research for your business plan.

Why would potential investors want to see your business plan?

business plan is critical because the plan can make or break your business. Some people may tell you that you do not really need a business plan, but potential investors or lenders will want to see evidence of a well-thought-out plan. The business plan will also serve as a guide for you as you get your business started.

### Purposes of a Business Plan

If you think preparing a business plan is unnecessary, you should think about the many purposes it serves. The business plan serves three important purposes.

1. **A business plan explains the idea behind your business and spells out how your product or service will be produced and sold.** To convince banks or investors that your business idea is solid, you will need a completely new product or service or one that is better or less expensive than products or services that already exist. You will need to identify your target customer and show how your company will be able to obtain and keep customers.
2. **A business plan sets specific objectives and describes how your business expects to achieve them.** A good business plan includes sales projections for the short term (the first year), the medium term (two to five years after startup), and the long term (five years in the future). It describes what products and services will be introduced over the next five years and sets forth future business plans.
3. **A business plan describes the backgrounds and experience of the leadership team of the business.** Banks and investors make financing decisions based on how well they think a company can meet its objectives. If you provide good information on the background and experience of the leadership team of your company, the bank or investor will be more likely to provide funding for your business.

## CHECKPOINT

What are the three main purposes of a business plan?

### Importance of a Business Plan

Every new business must have a business plan. When comparing businesses that succeed to those that fail, there is often one important difference. Business owners that develop and follow a business plan are more likely to succeed. The business plan is important for several reasons.

1. **A business plan makes you think about all aspects of your business.** It will help you during the development and startup phases of the business. Stan Meyer began a graphic design business from his home. He spent many hours thinking about the business and thought he was ready to start it until he sat down to write his business plan. He had not made sales and profit projections. He had also not thought about the possibility that he might need to hire staff if the business grew too large for him to handle alone. Drafting a business plan helped Stan gain even more confidence in his business idea. It showed him that building a successful business based on his concept would be possible. Working on his business plan also helped Stan think through business strategies, recognize limits, and identify problems he might encounter.
2. **A business plan may help you secure financing for your business.** You may have a great idea, but very little capital to invest in your business. You may need to go to a bank to obtain a loan or find other investors to get startup money. Lenders and investors require a business plan before they will consider financing



©Andreas, 2010/ Used under license from Shutterstock.com

a business. A well-written business plan shows lenders and investors that you are serious about your business idea and have spent sufficient time in the planning process. The loan officer at Stan Meyer's bank was very impressed with the work that Stan had put into his business plan. The plan showed the loan officer that Stan thoroughly understood all that was involved in starting his own graphic design business. She recommended that he be approved for a loan.

How does creating a business plan help you see the "big picture"?

### 3. A business plan helps you communicate your ideas to others.

By the time you write your business plan, you will have given much thought to the business you want to establish. You will proceed believing that your business can succeed. If you communicate your ideas well on paper, you will also convince the readers that your business can succeed. It will give suppliers confidence in extending credit to your company. Stan presented his business plan to the owner of the local office supply company to help convince her to sell him a computer system on credit.

## famous entrepreneur

**WALTER ELIAS DISNEY** No one has entertained families more than The Walt Disney Company. Who has not experienced the Disney brand by seeing a movie, visiting a theme park, staying at a resort, buying merchandise, watching TV, or cheering on the Mighty Ducks of ice hockey? We have all been touched by the magic of Disney, the preeminent name in family entertainment.

As a young child, Walt Disney had an interest in art. To improve his drawing skills, he took art courses in high school, and at night, he attended the Academy of Fine Arts. The humble beginnings of his colossal corporation date back to 1923 when Walt arrived in California to peddle one of the cartoons he had made. Although the cartoon was not an initial success, Walt did not give up. He started working with his brother, Roy, in his uncle's garage. Success did not come quickly to the Disney brothers, but Walt's faith in himself and others helped him to succeed.

Mickey Mouse was created in 1928. Mickey made his screen debut in the world's first fully synchronized sound cartoon, *Steamboat Willie*. In the midst of the Great Depression of the 1930s, Disney took great risk and invested a then-unheard-of amount of \$1.5 million to produce the first full-length animated musical feature, *Snow White and the Seven Dwarfs*. The film is still considered one of the



Why do you think Walt Disney was a successful entrepreneur?

great feats and imperishable monuments of the motion picture industry. The string of successful films that followed allowed Disney to begin construction on Disney's Burbank studio, and the staff grew to more than 1,000 artists, animators, story men, and technicians.

Disney began television production in 1954 and was among the first to present full-color programming with his *Wonderful World of Color* in 1961. Disney opened the first of many theme parks in 1955. The Disney Corporation continues with innovation and success today. Through perseverance and an entrepreneurial spirit, Walt's dreams and the dreams of millions of others have come true!

#### THINK CRITICALLY

Do you think success comes quickly for most entrepreneurs? What do you think Walt Disney's first business plan included as his vision for the company?

4. **A business plan can serve as a tool for managing your business.** Once your business is up and running, you can use the business plan in your decision making. Stan Meyer regularly uses his business plan to help him manage his company. Stan's plan laid out his vision of how the company would grow over time. By following the strategies in his plan, he has increased sales by offering innovative designs and reaching new clients.



## CHECKPOINT

Why is a business plan important to an entrepreneur?

### 3.1

## ASSESSMENT

### THINK ABOUT IT

1. Why do you think the quality of the business plan is so critical to an entrepreneur's success?
2. Melinda Rosati wants to purchase her uncle's barber shop. Because it is an ongoing business, Melinda doesn't think she needs to write a business plan. Do you agree or disagree with Melinda's opinion? Why or why not?
3. Putting your business plan in writing helps you communicate your ideas to others. Do you think discussing your business plan aloud with others can also help get your ideas across to them? Why or why not?

### MAKE ACADEMIC CONNECTIONS

4. **MANAGEMENT** André Kitaevich uses the business plan he wrote to help him run the day-to-day operations of his jewelry store. On what specific issues might André consult his plan?
5. **COMMUNICATION** You want to start a business in the home healthcare field. Conduct online research to learn more about this field. Based on your research, write a paragraph explaining your business idea. Be sure to spell out how you plan to market your services.

### Teamwork



Working in a team, choose a well-known business in operation today. Research the history of the business. Find out who started the business, why the person had the idea to start the business, and when the business was started. Prepare a presentation for your class about the history of the business.

# WHAT GOES INTO A BUSINESS PLAN?

# 3.2

## Goals

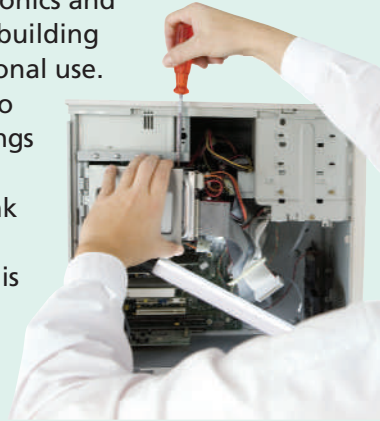
- List and describe the basic elements of a business plan.
- Describe how to pull a business plan together.

## Vocabulary

- pro forma financial statement
- harvest strategy
- cover letter
- statement of purpose
- executive summary

### Create interest in your business plan.

Having always had a strong interest in electronics and computers, Andy wanted to start a business building customized computers for business and personal use. He knew that he would need about \$5,000 to get his business started. He had \$2,000 in savings that he could use, but he was going to have to get a loan from family, friends, or the bank for the remaining \$3,000. He sat down one night and threw together a few facts about his business and handwrote a list of items that he needed to purchase. The cost of the items on the list totaled \$1,950. He showed the information he had compiled to his parents, his grandparents, his aunt and uncle, and his friend. No one was interested in making an investment in his business.



©Image Team, 2010/Used under license from Shutterstock.com

A formal business plan is the best way to share your business idea.

**Work as a Team** Discuss why you think Andy could not interest anyone in making an investment in his business. How do you think a formal business plan would improve his chances of finding lenders?

## Basic Elements of a Business Plan

Every new business should have a business plan, but not all business plans are alike. The content of a business plan for a small, home-based, single-owner business will differ from a business plan for a large corporation with offices in many cities. But regardless of the business, all business plans serve the same basic purposes. They should also contain the same three basic components—introductory materials, the main body, and the appendix.

The main body of the business plan will contain the bulk of the information about the business idea. It provides details on how

focus  
on small  
business





What kinds of information do you think investors would want to know about a new day care center?

the business will succeed. A lot of time and effort will go into writing the main body of the plan, and it should be compiled before the other components in the business plan. It should be organized into the following sections, or elements.

- |                         |                         |
|-------------------------|-------------------------|
| 1. Introduction         | 4. Operations           |
| 2. Marketing            | 5. Concluding Statement |
| 3. Financial Management |                         |

Nora Ellis and Samantha Richards are qualified child-care providers who have worked together at a day care center for many years. The center frequently has to turn away children because it does not have the room or the staff to care for more toddlers. Because

of the high demand for quality day care services, Nora and Samantha know they are well positioned to meet this need. They decide to work together to create a business plan.

## Introduction

The introduction section of a business plan contains many important details about the proposed business idea. The following information should be included in the introduction section.

- A detailed description of the business and its goals
- The ownership of the business and the legal structure
- The skills and experience you bring to the business
- The advantages you and your business have over your competitors

**DETAILED DESCRIPTION** Something inspired the idea for your business. Describing how you came up with your idea can help lenders, investors, and others understand what your business is about. Your business plan should also outline your short-term (three months to one year), medium-term (two to five years), and long-term (more than five years) goals. Stating goals will help provide you with direction and focus for your business activities.

Nora and Samantha know their short- and medium-term goals. In the first year of business, they want to get financing that will allow them to lease or buy a facility, equip it, and staff it with eight employees. In their second and third years of business, they want to invest in more equipment and possibly expand their facility to accommodate more children. They have not yet thought through what their objectives are for the long term. Writing a business plan will force them to think about these goals, such as whether they want to remain a single day care center or expand into a regional chain of centers.

**OWNERSHIP AND LEGAL STRUCTURE** In your business, you should have a section detailing your form of ownership. Will it be a sole proprietorship (one owner), a partnership (two or more owners), or a corporation (many owners that hold shares of stock in the business)? Provide information relevant to your form of business, such as who will make up your leadership team and how many shareholders

you have. This section of the business plan is important because each legal form of business has an effect on how the business works and makes profits. If you use your business plan to obtain financing, the lender will be interested in this information.

**SKILLS AND EXPERIENCE OF THE LEADERSHIP TEAM** As the owner of the business, a written summary of your experience is an essential part of your business plan. This summary should emphasize all experience you have that relates to the business, including paid work experience, volunteer experience, and any hobbies you have that relate to your proposed business. Along with you, any other individuals that you hire to serve as managers will make up the leadership team of your business. The skills and experience of the members of your leadership team will also be relevant.

Nora and Samantha have master's degrees in early childhood education. Together, they have more than 35 years of experience in day care, including 15 years in management. To show that they are well qualified to run a center, they include copies of their resumes and letters of reference from satisfied parents.

**ADVANTAGES** You should list your company's advantages over the competition. These advantages may include the following:

- Performance
- Quality
- Reliability
- Distribution
- Price
- Promotion
- Public image or reputation

## Marketing

The marketing section of your business plan should describe the products and/or services you will offer, the market, the industry, and your location. Developing a marketing plan will be examined in more detail in Chapter 5.

**PRODUCTS/SERVICES** You should describe your products and services and explain how they differ from those already on the market. Highlight any unique features, and explain the benefits customers will receive by purchasing from your business.

Nora and Samantha describe their vast experience in the day care industry. They also promote their plan for four large outdoor play structures and a state-of-the-art day care facility.

**MARKET** You will explain who your prospective customers are, how large the market is for your product or service, how you plan to enter that market, and how you plan to deal with competition.

Nora and Samantha's prospective customers are the parents of the 1,000 to 1,500 children between the ages of two and five who live in their area. Nora and Samantha determine that 90 percent of the families would be able to afford their center. They will advertise in local newspapers and send out fliers to their target market. They will also offer two months of care at a discounted rate for new customers.

**INDUSTRY** You should describe the industry in which you will operate. To find this information, you will need to perform research. Things you should include in this section are as follows:

- External factors affecting your business, such as high competition or a lack of certain suppliers
- Growth potential of the industry, including growth forecasts
- Economic trends of the industry
- Technology trends that may affect the industry

When providing information on the industry in which they will operate, Nora and Samantha include population data for their area. This information shows that demand for their service could grow over time. They also cite government sources reporting that the demand for day care services is expected to grow steadily.

**LOCATION** You should describe the location of your business. Lenders and investors want to know exactly where your business will be because the location of a business is often a critical factor to its success.

Nora and Samantha describe their plan to start the business in a prime location, in the heart of a suburb where most families have young children and both parents work outside the home.

## Financial Management

The financial section of your business plan will help determine your financial needs. It consists of three elements.

1. **Identification of Risks** Prospective lenders and investors will want to know what risks your business faces and how you plan to deal with them. Do not be afraid to list potential problems. Lenders know that every business faces risks. They will be reassured to see that you have clearly thought through the potential problems and have a plan for dealing with them. Risks typically faced by new businesses include competitors cutting prices, costs exceeding projections, and demand for your product or service declining over time.
2. **Financial Statements** A new business must include projected financial statements in its business plan. An existing business must include current as well as projected statements. A financial statement based on projected revenues and expenses is called a **pro forma financial statement**. Each of the statements that you will need to prepare is described in Chapter 9.
3. **Funding Request and Return on Investment** You must indicate how much you need to borrow and how you plan to use the money. You should give investors an idea of how much money they can expect to earn on their investment in your business. You should state how much money you are personally investing and provide a personal financial statement. Investors will want to know who will maintain your accounting records and how they will be kept.

Nora and Samantha believe the biggest risk they face is safety. They must show concerned parents that they have addressed all safety issues that could arise on a daily basis as well as during emergencies.

Nora and Samantha have prepared a pamphlet entitled “Safety and Your Child” to use as part of their marketing package. They include a copy of this pamphlet with the business plan.

Nora and Samantha have also included pro forma financial statements for their business, which show how much money and profit they expect to earn. They require \$140,000 to start their business. Together they are contributing \$85,000 of their own money. This means they need a bank to loan them \$55,000. They include this information in their business plan as well.

## Operations

The operation of your company is critical to its success. In this section of your business plan, you should explain how the business will be

# what went wrong?

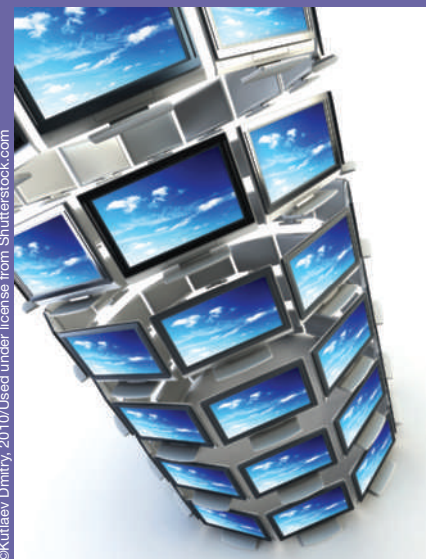
## CONDUCT MARKET RESEARCH

While working as a salesperson for a custom exhibit display company, Leo Hunt found a unique product not currently being marketed in the United States. It was a lightweight, portable, full-color display that could be set up and dismantled quickly. A company in Sweden was the manufacturer of this display. Leo thought it was ideal for trade shows and conventions. Leo decided to become a distributor of the special displays. He quickly prepared a business plan focusing on the unique

features of the product and the lack of competition in the United States. He estimated that he could generate more than 5,000 sales in the first quarter of the year. He did very little research and assumed that everyone who exhibited at a trade show would be part of his target market. He hired 10 salespeople, placed a large order with the manufacturer, and was ready to go! Within three months, Leo had taken only 250 orders for the product, had spent 95 percent of his startup capital, and had found that many exhibitors had no need for his product. After six months, Leo had bills piling up, fewer than 500 orders, an overdrawn checking account, and some very unhappy employees. Leo decided it was best for him to close his business.

### THINK CRITICALLY

1. What mistakes did Leo make when preparing his business plan?
2. Do you think Leo should have ordered displays from the manufacturer before he had orders from customers?
3. Are there steps Leo could have taken to try to save his business?



Market research is critical to the success of a business.



Why should a business owner have a harvest strategy for ending the business?

managed on a day-to-day basis and discuss hiring and personnel procedures. You should also include information on insurance and lease or rental agreements. Describe the equipment that will be necessary for production of your products or services and how the products or services will be produced and delivered.

While planning the operations of your business, you must also think ahead and plan for ending the operations of your business. It is important to plan for this in the early stages of your business. You may plan to

operate the business for many years until you retire. Or you may have a short-term plan in which you operate and grow a successful business and then sell it. In any case, you need to have a harvest strategy.

A **harvest strategy**, or exit strategy, is the way an entrepreneur intends to extract, or harvest, his or her money from a business after it is operating successfully. It details what strategy the entrepreneur has chosen and how much money he or she expects to gain. Plans for harvest could include selling the business to someone else or to another company, passing the business onto other family members, merging with another company, going public by selling shares of stock in the company to new investors, or closing the business and selling the assets such as the building and equipment. Having a harvest strategy in place gives you control over how you will end the operation of your business.

As part of the operations section of their business plan, Nora and Samantha describe hiring plans to ensure their day care center is well staffed. They also devote a section to health and safety issues. They describe procedures for dealing with allergies, illnesses, and injuries because these are common occurrences among preschool children. Currently, Nora and Samantha plan to run their business for the long term and then sell it upon retirement.

### Concluding Statement

In this section, you should summarize the goals and objectives you have for your business. You should also emphasize your commitment to the success of the business.

### CHECKPOINT

List the elements of the main body of a business plan and explain why each one is important.

## Complete the Business Plan

After you have completed the main body of your business plan, you will need to focus your efforts on the other components—the introductory elements and the appendix. Then you must pull all the components together into a well-organized, attractive document.

### Introductory Elements

Every business plan should begin with a cover letter, a title page, a table of contents, a statement of purpose, and an executive summary. These elements help set the tone for the body of your business plan.

**COVER LETTER** A letter that introduces and explains an accompanying document or set of documents is called a **cover letter**. The cover letter for your business plan should include your name, the name of your business, and your address and telephone number. It should briefly describe your business, its potential for success, and the amount of capital you need. Nora and Samantha prepare the cover letter shown below.

THE MT. WASHINGTON  
*C h i l d r e n ' s*  
C E N T E R  
5813 NORTH AVENUE, BALTIMORE, MARYLAND 21205  
(410) 555-4445

April 11, 20—

Ms. Jane Stewart  
Vice President  
First National Bank  
E. 35th Street  
Baltimore, Maryland 21212

Dear Ms. Stewart

Enclosed please find a copy of the business plan for the Mt. Washington Children's Center, a proposed new day care center in northwest Baltimore that will serve approximately 50 young children. We believe that the acute shortage of high-quality day care in this part of the city will allow us to generate significant revenues for the center and that we will be earning a profit within a year of opening.

To establish the kind of center we envision, we plan to put up \$85,000 of our own capital. We will need additional financing of \$55,000. As you will note from our pro forma financial statements, we plan to repay the loan within five years.

Please let us know if there is any additional information you would like to receive. We look forward to hearing from you.

Sincerely yours

*Nora Ellis*  
Nora Ellis

*Samantha Richards*  
Samantha Richards

**TITLE PAGE** Your business plan should have a title page that indicates the name of your company, the date, the owner of the company, the title of the owner, and the address and phone number of the company.

#### STATEMENT OF PURPOSE

The Mt. Washington Children's Center will operate as a private day care center serving approximately 50 children in northwest Baltimore. The Center will offer excellent supervision in a clean, safe, and intellectually stimulating environment.

The project is requesting \$55,000 in financing. This money will be used to:

- rent and remodel 4,000 square feet of indoor space
- prepare 18,000 square feet of outdoor space for use as a playground
- purchase equipment such as swings, jungle gyms, sandboxes, and supplies
- pay salaries of eight employees until sufficient cash flow is generated to allow operating expenses to be covered

**TABLE OF CONTENTS** A table of contents is a listing of the material included in a publication. It shows the reader what each page covers. It is similar to a table of contents in a textbook. It is important that your table of contents is accurate, so make sure the sections are listed in the proper order and the given page numbers are correct.

**STATEMENT OF PURPOSE** A brief explanation of why you are asking for a loan and what you plan to do with the money is called a **statement of purpose**. It should be no more than one or two paragraphs. Nora and Samantha write the statement of purpose shown here.

#### EXECUTIVE SUMMARY

The Mt. Washington Children's Center (MWCC) will be established as a partnership in Baltimore, Maryland. It will be owned and operated by Nora Ellis and Samantha Richards, highly respected child-care professionals with more than 35 years of experience in the field. Three experienced teachers and three teacher aides will supervise approximately 50 boys and girls between the ages of 2 and 5. In addition, a receptionist/bookkeeper and a cleaning/maintenance person will be hired.

MWCC is being established in response to the shortage of high-quality child care in northwest Baltimore. Only two small day care centers now serve a population of 45,000 upper-middle-class professionals. In 75 percent of these households, both parents work outside the home. The accessible location of the Center will make it an extremely attractive day care option for parents in the area. When completed, its facilities, which will include four large outdoor play structures and eight personal computers, will represent state-of-the-art day care. Its staff will comprise the finest day-care professionals in Baltimore, led by a management team that is recognized throughout the region.

Market research indicates that the MWCC could expect to fill 90 to 100 percent of its student positions immediately upon opening and that the center would be profitable as early as the third year of operation. Expansion could begin in the third year. To finance the startup of the company, its owners are seeking \$55,000 in financing, which they would expect to repay within five years.

**EXECUTIVE SUMMARY** Before getting into the detail of the main body of the business plan, readers will want to read an **executive summary**, which is a short restatement of the report. It should capture the interest of its readers. If the executive summary is unconvincing, a lender may decide not to read your entire business plan. This makes a strong executive summary critical to the success of your business.

The executive summary should be no longer than one or two pages, and it should be written in a clear, simple style. Your executive summary should do all of the following:

- Describe your business concept and communicate what is unique about your idea
- Include your projections for sales, costs, and profits
- Identify your needs (inventory, land, building, equipment, etc.)
- State how much you want to borrow

Although the executive summary appears before the body of the business plan, it should be written *after* the

business plan has been completed. To write the executive summary, go through the business plan and find the most important and persuasive points you have made. Then draft an outline of an executive summary based on these points.

Once you have created a draft of your executive summary, ask people who do and do not understand your business to read the summary. If readers do not come away with a clear sense of what you plan to do and why you will succeed in doing it, your executive summary needs more work. Nora and Samantha's executive summary is shown on the previous page.

## Appendix

The appendix to the business plan includes supporting documents that provide additional information and back up statements made in the body of the report. To help you determine what supporting documents to include, you should ask yourself what you would want to know about a business before you would lend it money. Documents that might be contained in the appendix include the following:

- Tax returns of the business owner for the past three years
- Personal financial statement of the owner
- Copy of proposed lease or purchase agreement for the building space
- Copy of licenses and other legal documents
- Copy of resume of the owner
- Letters of recommendation
- Copies of letters of intent from suppliers
- Copies of any large sales contracts you have already negotiated

## Put It All Together

Your business plan is your best opportunity to let other people know what you want to do with your company. It gives you the chance to convince them that your idea is sound and that you have the talent and resources to make your idea a successful business venture. To make the best of this opportunity, you will want to create an attractive document that is neat, well organized, and inviting to read. Handwritten business plans are not acceptable. All business plans must be word processed and printed on standard-sized white paper. In addition, your business plan should follow a standard format and be organized as shown here.

### OUTLINE OF BUSINESS PLAN

#### Introductory Elements

- Cover Letter
- Title Page
- Table of Contents
- Statement of Purpose
- Executive Summary

#### Main Body

- Introduction
- Marketing
- Financial Management
- Operations
- Concluding Statement

#### Appendix of Supporting Documents



## CHECKPOINT

Why should you include supporting documents in your business plan?





©khtz, 2010/ Used under license from Shutterstock.com

Why are the appearance and organization of a business plan important?

## 3.2

## ASSESSMENT

### THINK ABOUT IT

1. Why is it possible to write an executive summary only after you have written the main body of your business plan? Why might the executive summary be more important than the body of the plan?
2. Why do you think it is important to include management and staffing issues in the operations section of your business plan?
3. A group of investors is planning to open a new amusement park. What supporting documents will need to be included in their business plan?

### MAKE ACADEMIC CONNECTIONS

4. **MATH** You plan to start a company. You have \$67,500 in savings, but need \$165,000 total to begin your business. How much money will you need from investors? What will be your percentage of ownership? If you have four outside investors, how much will each investor need to invest equally? What percentage will each investor own?
5. **COMMUNICATION** Write short-, medium-, and long-term goals for an entrepreneur starting a new ice cream parlor.

### Teamwork



Working with team members, choose a business in your local community. Make a list of the items you think this business would include in each component of its business plan—introductory elements, main body, and appendix.

# HOW TO CREATE AN EFFECTIVE BUSINESS PLAN

# 3.3

## Goals

- Describe resources available for researching your business plan.
- Name common mistakes to avoid in business planning.

## Vocabulary

- Small Business Administration (SBA)
- Small Business Development Centers (SBDC)
- Service Corps of Retired Executives (SCORE)
- trade associations

## Where do I start?

Michelle loved working with children. All of the parents in her neighborhood wanted her to babysit for them. She was always thinking up fun games to play and creative activities for the children to do. She wondered if she could do even more with these activities to earn money for college. She talked with her mother and some of the parents and came up with an idea. She would run an ice cream parlor where she could host parties and let the children make their own ice cream sundaes, play games, and watch movies. Once Michelle came up with a business idea, she knew it was time to make a detailed plan. However, she did not really know how to get started on a plan.



Photodisc/Getty Images

**Work as a Team** What kind of information do you think Michelle needs to gather? Where might Michelle find this information and whom might she talk with to learn more about starting a business?

Your interests and hobbies can lead to a new business.

## Research the Business Plan

Your business plan needs to convince readers that you have come up with a practical business idea. To do this, you must include information and data from objective sources to show that your idea is founded on solid evidence. Researching and writing a business plan takes time. In fact, most entrepreneurs spend 50 to 100 hours developing their business plans. The process requires patience, research, thought, and a great deal of writing and editing.

Pulling together the information you will need to write your business plan involves researching all aspects of your business, from leasing space or equipment to determining what you will charge for your product or service to dealing with competitors. Researching all the parts of your business will teach you a great deal about running a business and may provide you with specific ideas for starting a company.

focus  
on small  
business

## did you KNOW ?

Since 1964, 8.5 million entrepreneurs have been counseled by SCORE or have attended SCORE workshops. Every year, SCORE helps almost 20,000 businesses start.

### Community, Government, and Professional Resources

When writing a business plan, you will likely need to seek out advice from others. People from many organizations can help you with your business plan. Available resources include the SBA, the SBDC, SCORE, your local chamber of commerce, trade associations, and professional business consultants.

**THE SBA** The U.S. Small Business Administration (SBA) is an independent agency of the federal government that was created to help Americans start, build, and grow businesses. The SBA also provides aid, counsel, and assistance to protect the interests of small business concerns, to preserve free competitive enterprise, and to maintain and strengthen the overall economy of our nation.

**THE SBDC** The Office of Small Business Development Centers (SBDC) provides management assistance to current and prospective small business owners. Counselors from the SBDC provide free one-on-one assistance in developing a business plan. They also provide inexpensive workshops on topics that may help you develop your plan. SBDCs have many resources in one place to assist individuals and small businesses. SBDCs were formed as a cooperative effort of the private sector; the educational community; and federal, state, and local governments. They enhance economic development by providing small businesses with training and technical assistance. Assistance from an SBDC is available to anyone who cannot afford the services of a private consultant and who is interested in beginning a small business for the first time or improving or expanding an existing small business.

**SCORE** Another source of valuable assistance is SCORE. The Service Corps of Retired Executives (SCORE) is made up of more than 12,400 retired executives who volunteer their time to provide entrepreneurs with real-world advice and know-how. They provide free confidential advice that could be helpful to you as you prepare your business plan. You can set up a meeting with a SCORE volunteer, or you can work with a SCORE volunteer over the Internet. SCORE also offers workshops that are a valuable way to learn more about running a business and to network with other business professionals who can help you succeed. The topics of the workshops focus on important small business issues, ranging from business planning and marketing to web-based retailing. The SCORE counselors represent every business area. Some have worked as executives at Fortune 500 companies while others were small business owners themselves. SCORE can provide assistance to you for just a few sessions or for a number of years, based on your needs.



©Rob Marmion, 2010/ Used under license from Shutterstock.com

Why is it a good idea to seek the help and advice of others when writing a business plan?

**CHAMBER OF COMMERCE** In many communities, the local chamber of commerce offers assistance and information to entrepreneurs. It can provide information on trends affecting local businesses, local resources, and zoning and licensing information.

**TRADE ASSOCIATIONS** Organizations made up of professionals in a specific industry are called **trade associations**. They exist to provide information, education, and networking opportunities to individuals in their industry. These associations can be valuable sources of information to entrepreneurs.

**PROFESSIONAL CONSULTANTS** Some entrepreneurs hire experts to help them. Professional business consultants can be found in directories available in your library or on the Internet.

**FINANCIAL INSTITUTIONS** Many entrepreneurs are not familiar with the financial aspect of starting and running a business. When writing the financial section of your business plan, it may be beneficial to talk with a banker and an accountant. They can help answer your questions about loans and financial statements.

## Print Resources

Information for your business plan can come from many print resources. Your public library will have many books on entrepreneurship. In addition, books on marketing, financing, hiring and managing a staff, purchasing a business, and operating a franchise can be helpful. The library will also have books devoted specifically to writing a business plan that include sample business plans.

Magazines may also prove to be helpful—especially magazines devoted to small business ownership and to the industry in which you will be competing. Ask your librarian to help you find magazines that contain information that may be relevant to your business plan.

Government documents, including publications issued by the Small Business Administration (SBA) and other federal agencies, may provide you with useful information. The SBA district office nearest you will have many publications that can help you complete your business plan.

## Online Resources

Much of the information you find in print resources is also available on the Internet. The SBA, SBDC, and SCORE websites contain much of the same information that is provided in print. Many magazine articles that deal with entrepreneurial topics can be found online. In addition, there are many sites specifically for entrepreneurs and small businesses that may give you detailed information. Web search engines can help you locate resources.



# BE YOUR OWN BOSS

You want to start a plant nursery. You have taken horticulture classes in school and want to find a way to turn your acquired knowledge and love of plants into a profitable business. You start working on your business plan and realize that you need help. You decide to contact the Service Corps of Retired Executives (SCORE) for assistance.

Prepare for your first meeting with the SCORE volunteer. Write a brief summary explaining your business idea, why you want to start the business, and what you hope to accomplish by starting the business. Compile a list of questions you want to ask the SCORE volunteer.

The Internet is also a good resource for finding programs that can help you prepare a business plan. A recent web search showed more than 69 million matches for “business plan software.” Many entrepreneurs use these programs because they provide an easy-to-use template. By plugging your specific information into the template, you get a professional-looking finished report. If you decide to use a program to create your business plan, be sure it includes all of the essential elements. The style of the business plan you choose should be a good match for the information you want to include. And, of course, it should be one that you can use without difficulty.

Nora and Samantha found many samples of business plans on the Internet that they were able to adapt to meet their needs. Once they had an outline prepared for their business plan, they met with a counselor from their local Small Business Development Center (SBDC) to get feedback and advice for improving their business plan. The number of hours spent on research helped Nora and Samantha prepare an effective business plan.



## CHECKPOINT

What are some of the resources that are available to help you develop your business plan?

## Mistakes in Business Planning

Many entrepreneurs will not take the necessary time to carefully plan their business and prepare their business plan. This can contribute to difficulties in getting their business started and may lead to business failure.

To create an effective business plan, avoid making the following common mistakes:

1. **Unrealistic Financial Projections** Many investors will go straight to the financial section of the business plan, so it is very important for the projections in this section to be realistic. Projections should be based on solid evidence for the potential growth of the company.
2. **An Undefined Target Market** You must clearly define your market and give an accurate picture of your potential customers. Explain why these customers will buy your product.
3. **Poor Research** Many potential business owners do not spend the time necessary to do good research. Use up-to-date research information and verify the facts and figures in your business plan.

## NETBookmark

Plenty of teenagers have started their own businesses, and the most successful teen entrepreneurs have prepared business plans. Access [www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas) and click on the link for Chapter 3. Read the article, “New Recording Studio at Neutral Zone Is Run by Teens but Open to All.” Then answer: How did their business plan help these teens start their business? Who helped the teens prepare their business plan? What do you think would be the most difficult part of a business plan to develop? Why?

[www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas)

4. **Ignored Competition** Do not overlook the competition and do not focus only on what the competition has done wrong. Investors want to know who your competition is and how you plan to compete in the market. Outline how you will differentiate yourself from the competition.
5. **Inconsistencies in the Business Plan** You should review your final business plan to be sure it is well written and formatted in an attractive style. Be sure that information provided is consistent from section to section. It is a good idea to have an objective person review your final plan before you show it to investors.

## CHECKPOINT

List some common mistakes that are made in business planning.

### 3.3

## ASSESSMENT

### THINK ABOUT IT

1. When writing a business plan, it is important to consider all of the resources available to help you. Access [www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas). Click on *Activities* and open the file *Business Plan Resources*. Print a copy and complete the activity.
2. Some elements of the business plan require outside source information. If your business manufactures clothing, what specific sources might you need to consult?
3. Why is it important for financial projections to be as realistic and as accurate as possible when writing your business plan?



### MAKE ACADEMIC CONNECTIONS

4. **TECHNOLOGY** Using web search engines or advertisements from magazines and newspapers, research business plan outlines, resources, and templates. Choose three of these and make a list of their features and costs. Evaluate your selections and decide which one you would choose to prepare your business plan. Justify your decision.
5. **MATH** If you intend to borrow 20 percent of the \$174,500 you need to start a business, how much of your own funds are you investing?

### Teamwork



Working in a team, review a business plan that you obtained from the Internet or from a company in your community. Access [www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas). Click on *Activities* and open the file *Business Plan Review*. Print a copy and complete the activity by listing the features that you think are effective and the features that need improvement. Make suggestions for improving the business plan.





# Sharpen Your **21st CENTURY** ENTREPRENEURIAL SKILLS

## Prepare a Resume

A resume should be part of your business plan's appendix of supporting documents. Potential lenders and investors will want to know about you, the entrepreneur. Knowing about your skills, experience, and character will help them decide whether or not investing in your business is a good idea. A personal resume describes your skills and experience to help prove you have the ability to own and manage a business. Your resume should demonstrate that your background is suitable for the business you wish to start and should convey to readers your career goal, self-image, communication skills, ability to achieve results, and personal character.

A well-written resume, as shown on the next page, includes the following information:

1. Name, address, telephone number, and e-mail address
2. A statement describing your career objective
3. A list of your work experience, arranged by date with the most recent work experience listed first, and a brief description of responsibilities and accomplishments for each position
4. A description of your education and any other training programs in which you have participated

5. A list of personal activities that demonstrate that you are reliable and ambitious, including community service activities, any hobbies you have that relate to your business, and any awards or honors you have received
6. The names and contact information of three references who can verify the information on your resume

When preparing your resume, try to keep it to one page in length. Be sure that it is well organized and includes only significant information that gives evidence of your abilities. Proofread your resume carefully to ensure that your spelling and grammar are 100 percent correct.

## Try It Out

Review the sample resume on the next page. Access [www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas).



Click on *Activities* and open the file *Prepare a Resume*. Complete the questionnaire to help you compile your own resume for the business idea you have been working on in the *Build Your Business Plan Project*. Your resume should communicate your ability to start, run, and manage the business. Include your resume in the appendix of your business plan.



©dragon\_lang, 2010/ Used under license from Shutterstock.com

## Brian Johnson

1650 Sweetwater Boulevard  
Sugar Land, TX 77479  
(555) 980-7117  
bjohnson@Internet.com

<b>OBJECTIVE</b>	To start a business selling sports-related memorabilia and other sporting goods products
<b>WORK EXPERIENCE</b>	Sports and More, Sugar Land, TX, 20— to present Sales Clerk: Duties include assisting customers, taking inventory, placing orders, stocking shelves, and balancing cash register
<b>EDUCATION</b>	Sugar Land High School Will Graduate May 20—  Business Preparation <ul style="list-style-type: none"><li>• Introduction to Business</li><li>• Entrepreneurship</li><li>• Accounting</li><li>• Business Law</li><li>• Sports and Entertainment Marketing</li></ul>
<b>PROFESSIONAL SKILLS</b>	Public Speaking (DECA) Microsoft Office Certification Accounting/Bookkeeping Filing Proper Telephone Etiquette
<b>RELATED ACTIVITIES</b>	DECA President Habitat for Humanity Volunteer Foreign Missions Project, Local Church Regular Community Service at Assisted Care Center
<b>HONORS AND AWARDS</b>	First Place in Texas DECA Financial Services Team Decision Making Event  Honor Roll Every Year at Sugar Land High School Character Award, September, Sugar Land High School
<b>REFERENCES</b>	Mrs. Donna Cecil, Marketing Coordinator (555) 999-2189  Ms. Barbara Roberts, Sports and More Store Manager (555) 304-7657  Mr. Mike Murphy, Principal (555) 999-2171



## SUMMARY

**3.1 Why a Business Plan Is Important**

1. A business plan is a written document that describes all the steps necessary for opening and operating a successful business. It explains the idea behind your business and spells out how your product or service will be produced and sold. It sets specific objectives and describes how your business will achieve them. It describes the backgrounds and experiences of the people who will be running the business.
2. Writing a business plan is important because it makes you think about all aspects of your business, helps you secure financing for your business, enables you to communicate your ideas to others, and serves as a tool for managing your business.

**3.2 What Goes into a Business Plan?**

3. The main body of the business plan should include the following sections: Introduction, Marketing, Financial Management, Operations, and Concluding Statement.
4. To complete the business plan, you need to prepare introductory elements consisting of the cover letter, title page, table of contents, statement of purpose, and executive summary. The executive summary is the most important element. It should not be written until the main body of the plan is complete. You also need to compile an appendix, which includes supporting documents that provide more information to the readers of the plan.

**3.3 How to Create an Effective Business Plan**

5. To show you have a practical business idea, you must include information and data from objective sources. People from many organizations—including the SBA, the SBDC, SCORE, your local chamber of commerce, trade associations, business consultant agencies, and financial institutions—can help you with your business plan. Print resources can be obtained at the public library and through government agencies. An extensive amount of information is also available on the Internet.
6. Common mistakes made in business planning include unrealistic financial projections, an undefined target market, poor research, ignored competition, and inconsistencies in the business plan.

What  
do you  
know  
now?

Read *Ideas in Action* on page 65 again. Then answer the questions a second time. Have your responses changed? If so, how have they changed?

## VOCABULARY BUILDER

Match each statement with the term that best defines it. Some terms may not be used.

1. A written document that describes all the steps necessary for opening and operating a successful business
2. A financial statement based on projected revenues and expenses
3. A letter that introduces and explains an accompanying document or set of documents
4. A short restatement of a report
5. A brief explanation of why you are asking for a loan and what you plan to do with the money
6. An independent agency of the federal government created to help Americans start, build, and grow businesses
7. An entrepreneur's plan for extracting his or her money out of the business after it has become successful
8. Organization made up of retired executives who volunteer their time to provide entrepreneurs with real-world advice and know-how

- a. business plan
- b. cover letter
- c. executive summary
- d. harvest strategy
- e. pro forma financial statement
- f. Service Corps of Retired Executives (SCORE)
- g. Small Business Administration (SBA)
- h. Small Business Development Centers (SBDC)
- i. statement of purpose
- j. trade associations

## REVIEW YOUR KNOWLEDGE

9. A business plan is *not* intended for
  - a. your competition
  - b. potential investors
  - c. your bank
  - d. any of the above
10. Purposes of a business plan include which of the following?
  - a. it explains your idea for a product or service
  - b. it sets specific objectives and describes how they will be achieved
  - c. it describes the backgrounds and experiences of the people who will run the business
  - d. all of the above
11. A business plan is important for a new business for all of the following reasons *except*
  - a. it makes you think about all aspects of your business
  - b. it can help you communicate your ideas to others
  - c. it guarantees you will get financing for your business
  - d. it can serve as a tool for managing your business
12. The main body of a business plan includes which of the following?
  - a. executive summary
  - b. statement of purpose
  - c. financial management
  - d. supporting documents
13. Which of the following is *not* a true statement regarding risks?
  - a. Identifying the possible risks your business faces will alarm lenders and investors and cause them to withhold funds.
  - b. Potential investors and lenders want to know the risks your business faces and how you plan to deal with them.
  - c. Lenders will appreciate the fact that you know the risks you face and have a plan for dealing with them.
  - d. Lenders know that every business faces risks.

14. The purpose of including supporting documents in a business plan is to
  - a. make the plan lengthy
  - b. provide additional information
  - c. give the readers more information than they might need
  - d. explain your business idea
15. Writing a business plan
  - a. is a quick and easy process
  - b. is quick but difficult
  - c. requires patience, research, thought, and time
  - d. none of the above
16. Which of the following organizations can provide assistance when writing your business plan?
  - a. bank
  - b. chamber of commerce
  - c. Small Business Development Center
  - d. all of the above
17. Organizations made up of professionals in a specific industry are called
  - a. entrepreneurs
  - b. trade associations
  - c. trade shows
  - d. SBDCs
18. Mistakes to avoid when preparing a business plan include all *except*
  - a. providing unrealistic financial projections
  - b. wasting time on research
  - c. ignoring the competition
  - d. failing to define the target market

## APPLY WHAT YOU LEARNED

19. Obtain a sample business plan. Review the business plan and discuss whether or not the five common mistakes in writing a business plan were avoided. Provide reasons to support your decisions.
20. You plan to open a skateboarding park. What kind of research should you do? What sources will you consult for your research?

## MAKE ACADEMIC CONNECTIONS

21. **COMMUNICATION** You are preparing a business plan for a self-storage facility (U-Store-It). You are requesting a \$75,000 loan to buy the property and storage lockers. Write the cover letter to the bank loan officer and a statement of purpose.
22. **RESEARCH** Choose a business with which you are familiar. Access [www.cengage.com/school/entrepreneurship/ideas](http://www.cengage.com/school/entrepreneurship/ideas). Click on *Activities* and open the file *Trade Association Research*. Print a copy and complete the activity by using the Internet to research trade associations that could provide useful information to the business.
23. **COMMUNICATION** Think about a business you would like to start. Assume you will need a startup loan. With a partner, role-play a meeting between you and the loan officer. Based on your role-play experience, write a short report describing the do's and don'ts of requesting a loan.



# What Would YOU Do?

You have a great idea for a business you want to start. Because you are going to school full time and work nights and weekends, you really do not have the necessary time to spend preparing a business plan. However, you know you need a business plan to help you secure a loan to get the business started.

While searching the Internet, you find a business plan for a company that is very similar to the one you want to start. It would save you time if you copied this plan, changed the business name, and added your personal information. What would you do? What problems might this cause?



## build your **BUSINESS PLAN PROJECT**

This activity will help you get started on the development of a business plan for your business idea.

1. Describe how you came up with the idea for your business project. Explain why there is a market/need for your product or service. Interview five or more people about your product or service. How many of them would buy it? Did any of them make suggestions? Prepare a one-page report that fully describes your product or service and how it differs from what is currently available.
2. List your short-, medium-, and long-term goals. What steps do you need to take to achieve each of these goals? Do you foresee any obstacles in attaining them? If so, describe them and explain how you will overcome them?
3. Contact the SBA, the SBDC, or SCORE and ask for information about your type of business. Use this information to write a paragraph about the industry in which you will be competing. What are the economic, technological, or growth trends in this industry? Is the location of your business a critical factor in its success? Why or why not?
4. Begin the financial section of your business plan by writing a report that identifies the risks your business faces. Explain how you will overcome each risk. Provide examples from magazine articles about businesspeople in your field who have succeeded when faced with similar problems.
5. Present all of the information you have compiled to your teacher or representatives from your local business community. Explain why you made the choices you did. Be prepared to defend your choices.

# Planning a Career in

## LANDSCAPE ARCHITECTURE



“We got a great deal on our house. Not only was the lawn in chaos, but there was also a problem with storm water run-off. My stepdad hired a landscape architect to re-route the storm water to comply with local regulations. Now our yard looks healthy and inviting. The city and our downhill neighbors are all quite pleased with the improved storm water routing.”

Who balances the environmental, regulatory, and aesthetic outdoor needs of new developments? Who figures out how to make the external part of commercial properties look more welcoming?

Landscape architects help cities, businesses, and residential locations meet ecological, land use, regulatory, and aesthetic needs of outdoor areas.

### Employment Outlook

- Faster than average job growth is anticipated.
- About one-quarter of landscape architects are self-employed.
- New construction and an increasing need to meet environmental regulations will increase demand for qualified employees.

### Job Titles

- Landscape Consultant
- Open Space Planner
- Residential Landscape Architect
- Project Designer
- Historical Landscape Architect

### Needed Education/Skills

- A Bachelor’s degree is recommended; some positions require a Master’s degree.
- Most states require licensing based on the Landscape Architect Registration Examination.

- An appreciation of nature, a creative vision, and strong analytical and communication skills are needed.

*What’s it like to work in Landscape Architecture?* Givon, a self-employed landscape architecture consultant, has just gotten off the phone with a client. The 300-home community planned by the client requires a community park, beautified entrances, attractive boulevards, and compliance with city zoning regulations.

To develop a bid for this project, Givon needs to meet with the developer’s architects, visit the site, and meet with city officials regarding legal requirements. The final bid will include a completion timeline and sketches reflecting the appearance of the neighborhood.

After lunch, Givon meets with his city’s urban renewal team. The city is renovating a blighted residential area. Givon’s input is needed to develop a landscaping plan that will optimize the use of a small amount of land set aside for landscaping.

After dinner, Givon prepares for his meeting tomorrow morning with a retail developer. Givon’s recommendations for the retail parking lot design include planting many trees and shrubs throughout the parking lot. This greenery not only improves the aesthetics of the parking lot, but it also helps lessen “heat buildup,” which is a common problem during hot summer weather.

*What about you?* Would you like to help develop landscaping plans that have a long-term beautifying effect on communities and businesses?

# Prepared Speech



Effective speaking skills are essential to success for entrepreneurs. As an entrepreneur you will be speaking to investors, customers, and suppliers. The Prepared Speech event lets you demonstrate your communication skills in securing, arranging, organizing, and presenting information orally.

Contestants should select a topic related to business, entrepreneurship, or Business Professionals of America and develop an oral presentation of no less than five and no more than seven minutes. This event emphasizes a scholarly approach to securing information and places emphasis on content and research. Facts and working data may be secured from any source. State and federal copyright laws must be followed in the preparation of the speech.

Each contestant must do his or her own work in researching and preparing the speech. The contestant should consider the purpose of the speech, such as to inform, to educate, to motivate, or to persuade. Contestants should also keep in mind the three basic elements of an effective speech and presentation. These three basic elements include the introduction, the body, and the conclusion. Refer to the *Sharpen Your 21st Century Entrepreneurial Skills* feature in Chapter 2 for more detailed information about each of these three elements. During the speech, the contestant should be enthusiastic and use proper grammar.

The speech will be given in front of a panel of judges and a timekeeper. Contestants will be given one minute to set up for their speech. A flip chart, posters, and/or props may be used during the speech.

## Performance Indicators

- Demonstrate effective communication skills
- Demonstrate skills in developing a speech using the three basic elements
- Utilize nonverbal gestures as needed
- Apply speaking techniques using appropriate tempo and pitch
- Secure facts and data from multiple sources, emphasizing research skills

*Go to the BPA website for more detailed information.*

### THINK CRITICALLY

1. How can good speaking skills benefit an entrepreneur?
2. Why is research important when preparing a speech?
3. Why should you follow copyright laws when preparing a speech?
4. How do the three elements of a speech contribute to its effectiveness?

[www.bpa.org](http://www.bpa.org)