Business Planning

What is Planning?

Planning Process Illustrated

Environment

Overview of Planning

- Environmental Analysis
- Ends Planning
- Means Planning
- Resources Planning
- Implementation and Control

Environmental Analysis

- Threats and Opportunities in the Environment
- Strengths and Weaknesses of the Organization
- Key Projections
- Reference Scenario

Ends Planning

- A vision is an image of a desired future
- Ends planning is usually enhanced by participation
Means Planning

- Identifying Courses of Action
- Evaluating Courses of Action
- Project Planning

Resources Planning

- Justification
  - e.g., cost-benefit, pay-back, ROI
- Using existing resources
- Acquiring outside resources

Role of Planning

Why Business Planning?

- To raise capital
- To inform potential employees
- To respond to the press
- To guide business operations
- To verify the company’s strengths and weakness
- To assess the market

Business Planning for Software Business?

- Know yourself and your business better
- Know your software better
- Know your market better
- Identify the necessary business skills
- Provide a guide to growth and development
- To “sell” partners (e.g., bankers, creditors, suppliers, professionals)

Why not to plan?

- It can lock you into a mode or paradigm
  - Must be sensitive to market needs and changes
- Given a choice between a potential client and writing a business plan, service the client
  - Caveat: only if you know your basic goals!
- A plan is not an end itself nor is it a true measure of performance
Components of a Software Biz Plan

• Background of company
• Purpose of software
• Short and long description of software
• Description of software features
• Why is it unique?
• Who are the users? Target customers?
• How will you market and sell?
• Who are the competition? How will you beat them?

Components of a Major Biz Plan

• Mission Statement
• Company Description
• Product Description
• Marketing Plan
• Competitive Analysis
• Management Team
• Financial Plan

Mission statement

• Should be unique
• Should breed excitement
• No platitudes
• Apply the "negation" test
• Exercise: write a mission statement

Company Description

• Who founded? Why founded?
• Name?
• Location?
• Size?
• Major markets, products?
• Growth objectives?

Product Description

• Current products
  • Product features
  • Strengths and weaknesses
  • State of development
  • Development plan
• Future products
  • State of development
  • Intellectual property
Marketing Plan

- Market analysis
  - size
  - share
- Target customers and markets
- Whole product concept and delivery
- Distribution channels
- Promotion
- Sales Objectives
- Pricing

Competitive Analysis

- Who are the players?
- What is the basis for competition?
- Power of buyers and suppliers
- Substitution effects
- Barriers to entry
- What is your competitive strategy?

Management Team

- Who will run the business?
- The TEAM
  - Finance
  - Technology
  - Marketing
  - Management
- Skill and knowledge balancing
- Professional services

Financial Plan

- Start-up costs
- Sources of funds and resources
- Don’t be afraid to barter!
- Revenue growth
- Cost structure
  - operations
  - sales
- Profits

Other Items in the Plan

- Executive Summary
- Appendices
  - Resumes
  - schedules
  - Sales literature
  - Market studies
  - Financial data

Summary

- Business planning is a means of “accessing” the future NOW
  - It is only an approximation
  - It is NEVER a substitute for sales
- There is a difference between a THE PLAN and Planning
- It is useful in attracting both internal and external stakeholders
- Its completion requires several months and is an opportunity cost
Epilog: Selling

• Selling is the MOST important thing you can do
• How to sell?
  - Listen
  - Learn
  - Understand
  - Empathize
  - Be honest
  - Be enthusiastic
  - Be positive