

Entrepreneurship Development

Session 1: Introduction to Entrepreneurship Development

In the 21st century the meaning of Entrepreneurship has undergone a change. In the 18th century it had a very simplistic interpretation referring to small businesses run by individuals. In the 19th century businesses became large and entrepreneurship was about starting a business and taking risks. However, in the 21st century entrepreneurship is described as a set of behaviours. They include initiative taking, converting opportunities into marketable ideas, adds value through time, effort, money, or skills.

Entrepreneurs have the ability to recognize opportunities unlike others who see only chaos and confusion. They are catalysts for change within the marketplace. It involves taking risks, and being persistent in pursuing the process of entrepreneurship.

Why Entrepreneurship is important

Entrepreneurship plays a critical role in our society for employment growth. It is the small and medium enterprises who are creating most of the jobs today. Their entrepreneurial behaviour help in expanding sales and also create employment opportunities. On the other hand, many existing big companies downsize in order to be flexible and successfully compete with their smaller rivals.

As total market demand for a product becomes saturated over time, consumers prefer change and existing products become obsolete. Sales will thus decline as customers switch to better alternatives from competitors.

Further, in an era of increased globalization, local firms will face stiff competition in global markets and hence entrepreneurship is necessary to prevent decline in local employment and income levels.

Thus entrepreneurship is essential for individuals, organisations, and societies alike. Through innovation it transforms local and global society.

Entrepreneurs and small-business owners:

These two words are often used interchangeably. Small businesses are independently owned and managed. Also they are fragmented and not very dominant in their respective field of business. Entrepreneurial ventures incorporate innovation in order to enhance profitability, and growth. Entrepreneurs and their financial investors benefit if the firm grows rapidly with a high return on investment.

To summarise, following are the main attributes of entrepreneurship:

- Innovations in products/services, and/or processes
- Accepting extraordinary risk of financial failure

- Making decisions in an environment of incomplete information

- Facilitates greater degree of independent decision making

Who can be Entrepreneurs?

Individuals who exhibit the entrepreneurial behaviours as mentioned earlier could be called entrepreneurs. They can be self-employed owner/managers of their new ventures. The degree of risk in this could vary depending on the nature of the product/service - from absolute novelty in product/service, to new to the market product/service. Apart from their own ventures, people can also be entrepreneurial within an organisation where they are employed (referred to as intrapreneurs). Intrapreneurship facilitates individuals to act entrepreneurially in order to take advantage of market opportunities and solve problems. Thus, entrepreneurship is not just associated with new and small businesses only. Businesses of all stages and sizes strive towards developing an entrepreneurial culture and an entrepreneurial mindset amongst its managers to successfully compete and prosper. While doing so, it is critical that an entrepreneur complies with the accepted norm of ethics in the society and maintains morality and legality in pursuing their entrepreneurial journey.

Building an Entrepreneurial Culture

According to Gary Hamel (2000) there are ten rules which can foster an entrepreneurial culture essential for innovation.

1. Set Unreasonable Expectations

The mission of the organization should be such that it sets 'unreasonable' goals. These goals could be achieved only if the organization 'stretches' beyond its existing capabilities and becomes more flexible, adaptive, and efficient. Such expectations of extraordinary performance exhort employees to achieve better outcomes.

2. Stretch your Business Definition

Defining the business of the company not in terms of what products it makes, but in terms of competences - skills and knowledge that its employees possess, is necessary for developing an entrepreneurial culture.

3. Create a Cause, not a Business

People do not work only for money. They work harder to perform better when they are collectively motivated to achieve an objective which is non-monetary in nature - a 'cause' that they can rally to. This triggers employees to innovate in solving problems, increase productivity, and overall perform better to achieve superlative goals.

4. Listen to New Voices

Often new ideas come from outside the industry, or from new entrants to the industry. Owing to opinions and prejudices of company hierarchies, based on industry experience, past performance, conformity with company policies and objectives, it may become difficult to find new and creative ideas within the organization. Fresh perspectives from people belonging to different cultures and lifestyles, and who are not so glued to the status quo are essential for intellectual creativity leading to innovation.

5. Create an Open Market for New Ideas

People with new ideas should be encouraged so that they offer their creative thinking and that should be rewarded by the organizations. Organizations must facilitate vibrant markets for ideas, for human talent and for venture capital to interact which could give rise to thousands of new businesses.

6. Offer an Open Market for Capital

Existing firms should also pursue the venture capital market concept and take a portfolio approach to investment in new business concepts. It is imperative that some ventures will fail and accepting this is very essential for creating an entrepreneurial culture. In other words, the viability screening processes must not be too conservative.

7. Open up the Market for Talents

Encourage and facilitate talented individuals to move around the company to where their talents can best be utilised. This enhances the probability of attaining the company's objectives. Existence of a bureaucratic structure certainly restricts such a culture.

8. Lower the Risks of Experimentation

Failure is inherent in an entrepreneurial culture. Hence employees must be reassured not to be afraid of undesirable consequences and take risks to experiment and develop their ideas.

9. Divide and Conquer

As start-ups grow, they should be subdivided into separate and smaller businesses – for example, each focusing on specific markets. This can make them more will help them to be responsive to changes in the market by facilitating the innovative process and adopting the most suitable business model. It allows for independent thinking and consideration for each separate market by being closer to their customers.

10. RewardtheInnovators

Innovation has value in markets. As a corollary, the creators of innovation have value that is beyond CTC—their innovations may secure a profit stream that stretches out into the future.

Session 2 & 3: Entrepreneurship Life Cycle and Entrepreneurship as a Career

Entrepreneurial Attitudes

In general, entrepreneurs tend to exhibit the following attitudes.

Preference for Decision-making Autonomy

Studies reveal that entrepreneurs have a stronger preference for independent decision-making than those who choose to be employees. They are mostly individuals with 'internal locus of control' and prefer greater autonomy to make independent decisions.

Willingness to Take Risks

Entrepreneurship is inherently risky as there is dearth of information concerning the responses of potential customers; lack of information about the technical issues and problems in production processes. Another challenge is lack of information about the appropriate management practices for the new business.

Need for Achievement

Entrepreneurs tend to have a higher 'need for achievement' and strive towards creating new things to achieve self-satisfaction. Also, they have a strong preference for making decisions independently.

Willingness to Work Hard

Entrepreneurs typically need to work long hours, and that their ability to tolerate hard work might be a necessary condition for entrepreneurship.

Preference for Wealth, Income

Certainty of a secured and stable income from a job or any other source of income may inhibit people from accepting risks and failure. Hence the prospects of great riches could influence people in a positive manner to start-up.

Entrepreneurship Life Cycle

As the entrepreneurs launch their start-ups, the life cycle of the new ventures start. Depending on the various activities such as product design and development, prototyping, production, marketing and sales, entrepreneurship life cycle goes through the phases of – raw start-up, early stage start-up, growth, and maturity. Every stage has its own requirements and challenges of resources and competences. The entrepreneurs have to determine the desired goals and objectives for each of these phases and ensure execution of the business strategies to achieve these goals.

Risk Perception

Many researchers believe that entrepreneurs are risk takers. Although, in reality, everyone is a risk taker – in some form or the other, most people – including entrepreneurs, are risk averse and would like to choose the option with lesser risk, as long as other things, such as expected outcomes remain equal. Entrepreneurs put all their resources (including time) and efforts into a new venture. Unlike existing businesses, they cannot diversify their portfolio to mitigate risk. Entrepreneurs have relatively high tolerance for risk. Further, risk aversion is different from risk perception. A person equipped with right skills and competences, a particular initiative might be perceived as not very risky, whereas to another with less understanding of the business situation, or, lacking in relevant abilities, the same might appear as very risky.

Why New Businesses Fail

Rate of failure amongst new ventures is higher than the existing businesses. It could be attributed to the costs of learning to do new tasks, inventing new roles and the challenges inherent in performing these roles. the absence of formal support structures, and the lack of a prior relationship with customers.

Risk is related to the absence of information and that poses risk while introducing new products, services, and processes. Ignorance may occur in the minds of the potential consumers, in the minds of the those producing the product, and in the minds of the managers whose job is to manage production and marketing. Most of the entrepreneurial decision-making takes place under conditions of risk and uncertainty, where a particular decision may lead to any one of several potential outcomes.

Characteristics of Successful Entrepreneurs

Do certain attributes differentiate entrepreneurs from non-entrepreneurs? Are they born and not made?

John Hornaday (1982) conducted a study and found the following 42 characteristics that were noticeable amongst the entrepreneurs which were interviewed.

1. Confidence	22. Responsibility
2. Perseverance, determination	23. Foresight
3. Energy, diligence	24. Accuracy, thoroughness
4. Resourcefulness	25. Cooperativeness
5. Ability to take calculated risks	26. Profit orientation
6. Dynamism, leadership	27. Ability to learn from mistakes
7. Optimism	28. Sense of power
8. Need to achieve	29. Pleasant personality
9. Versatility	30. Egotism
10. Creativity	31. Courage
11. Ability to influence others	32. Imagination
12. Ability to get along with people	33. Perceptiveness
13. Initiative	34. Tolerant for ambiguity
14. Flexibility	35. Aggressiveness
15. Intelligence	36. Capacity for enjoyment
16. Oriented to clear goals	37. Efficacy
17. Positive response to challenges	38. Commitment
18. Independence	39. Ability to trust workers
19. Responds to suggestions & criticism	40. Sensitivity to others
20. Time competence, efficiency	41. Honesty, integrity
21. Ability to make decisions quickly	42. Maturity, balance

According to Robert Hisrich et al., 2009, following are the major characteristics of successful entrepreneurs:

- Mental Ability – Entrepreneurs should be capable of anticipating changes and think creatively to analyze problems and situations.
- Business Secrecy –Capable of guarding business secrets from competitors.
- Clear Objectives –Clarity about the exact nature and objectives of the business and the nature of goods to be produced.
- Human Relations –Essential to maintain good relationship with various stakeholders including customers, employees, and shareholders, etc. For this entrepreneurs should have emotional stability, personal relations, tactfulness and consideration.
- Communication Ability - Effective communication skills are essential for both the sender and the receiver understanding each other's message.
- Technical Knowledge - Sufficient technical knowledge is essential for a business leader.

It is not necessary that every entrepreneur will possess all these personal characteristics. In reality, very few entrepreneurs will have all of these. Some entrepreneurs have some of these virtues, while others may have some other virtues. In fact, there are many successful entrepreneurs who may lack many of these attributes. We may also come across many individuals who may have these attributes but not engaged in new venture creation. While some highly successful entrepreneurs exhibit amazing personal abilities, vision, and leadership skills, such visionaries and leadership also exist among some managers in large corporations.

Risk Mitigation

1. Acquiring and Developing Rare Resources

Entrepreneurs should focus on acquiring and controlling rare resources including intellectual property rights, reputation, and organizational efficiencies.

2. Making Rare Resources Hard to Copy

It is essential to implement strategies that would ensure that competitors take time and a lot of resources in order to copy the firm's capabilities.

3. Keeping Substitutes at Bay

Understand the value proposition offered by the substitutes and decide upon actions to be taken in terms of the product features or other growth strategies.

The firm also needs to sustain innovations in order to stay ahead of the substitutes.

Entrepreneurial Skills

In order to develop entrepreneurial attitudes and overcome challenges faced by a start-up, entrepreneurship skills have to be imbibed by entrepreneurs. They are of three categories – technical skills, personal entrepreneurship skills, and business management skills.

Session4:Leadership

Leadership behaviours of entrepreneurs play a critical role in the success of a new venture. It includes:

- Interpersonal influence of entrepreneurial leaders could be directed through their style of communication that results in goal attainment.
- The influence of leadership is transformational and inspires people to rise above mere mechanical compliance. This is done through providing clear directions and orders.
- Entrepreneurial leaders also inspire/persuade others to act or respond in a shared direction.
- Entrepreneur leaders are at the core of the new venture where every stakeholder relies on them to seek motivation in coordinating the organizational activities.
- Leadership is associated with willingness to take the blame.

Session5&6:EntrepreneurialLeadership

Entrepreneurial leadership includes the following leader behaviours:

Envisioning goals

Ability to articulate a compelling vision that inspires people to transcend beyond fulfilling individual needs to be motivated to achieve superlative goals. Entrepreneurial leaders perform the function of goal setting in diverse ways – through communicating a vision for the entire organization, or, sometimes point out solutions to the problems.

Affirming values

Entrepreneurial leaders reaffirm the firm's values and spend adequate time to reinforce these values in the organization's functioning.

Motivating

They are able to set superlative goals and show the members of the firm the path to achieve these goals while communicating the outcomes for both the individual as well as the organization as a whole.

Managing

These leaders also excel in managerial functions viz., goal setting and planning, organizing and institutional building, coordinating the various activities and decision making.

Serving as a symbol

Entrepreneurs strive to solve customer problems. Entrepreneurial leaders become quite aware of the symbolic aspects of their roles and speak on behalf of the stakeholders.

Renewing

Entrepreneurial leaders are the champions of organizational change. They always challenge the status quo and focus on renewal processes.

Risk taking

One of the hallmarks of entrepreneurial leaders is their ability to tolerate risks. They are good in identifying the sources of risks and very proactively plan to mitigate them.

Session 7: Entrepreneurship and Creativity

From its inception, a new venture faces unprecedented levels of competition, technological turbulence, and changes in consumer behaviour. Hence, the survival and growth of a new venture depends to a large extent in its ability to constantly adapt. Innovation is one of the means for an organisation to remain competitive in the volatility, uncertainty, complexity and ambiguous business environment. In this context, creative thinking can be a significant part of the entrepreneurship process.

Creativity is the connecting and rearranging of knowledge – in the minds of people who will allow themselves to think flexibly – to generate new, often surprising ideas that others judge to be useful. (Plsek's (1997) Creativity, Innovation and Quality)

Ideas usually evolve through a creative process whereby imaginative people germinate ideas, nurture them, and develop them successfully. A model of creative process includes-

- * The seeding stage of a new idea
- * Conscious search for knowledge
- * Subconscious assimilation of information
- * Recognition of idea as feasible
- * Test to prove idea has value

Session 8&9: Entrepreneurship and Innovation

Creativity alone is not adequate - creative thinking is necessary for innovation in the new venture. Innovation is about implementing valuable ideas first. It can be in the following four forms:

Product Innovation

It involves alteration in the features of the product. Such innovation in the product concept helps in retaining market share through timely response to the ever-changing environment and changes in customer needs and preferences.

Process Innovation

It is defined as the “changes in the ways products and services are created and delivered”. Such innovations provide competitive advantage to a new venture by eliminating inefficiencies and unnecessary activities in production and delivery processes. It also involves implementing new processes to improve performance.

Position Innovation

It is associated with “changes in the context in which the products are introduced”. It does not require major changes in product features but focuses on changing the perception of customer towards the product offered. Such innovations can transform an existing market or build a completely new market.

Paradigm Innovation

It is about “changes in the underlying mental models which frame what the organization does”. It directs at a radical change in markets or customer perceptions. Firms can create value in the form of new products, processes, re-positioning an existing product, or with a combination of these.

All said and done, innovation requires the ability of the entrepreneur to create an innovation mindset amongst the members of the start-up team. Towards that people have to not only desire but develop the right competences.

Session 10-11: Enhancing Creativity

Refer to our discussion on session 1 and 2, where we have understood that in the 21st century entrepreneurship is directly associated with innovation. Entrepreneurial behaviours result in innovation and businesses (both new and existing), societies and economies grow with innovative solutions. Hence as an entrepreneur we have to understand that the entrepreneurship process is essentially a creative process. Hence the ability to generate ideas is very critical for innovation. This requires thinking skills that can deploy creative thinking methods. Some of the methods are as below:

Brainstorming

By participating in group exercises that are well structured, people become more creative in generating ideas. In such exercises a group of people meet and discuss about the various solutions and ideas. While conducting such sessions, we have to ensure that the members freely talk about their ideas and others do not give negative comment. However, members can seek clarifications if needed. Greater number of ideas thus gets generated.

One way of conducting a brainstorming session is to use mind maps. This technique facilitates developing a visual structure for the ideas generated. This helps in documenting the ideas and analysing them. It is done through linking words, concepts, diagrams etc. to a central concept. Nowadays there are software that helps in mind mapping. It is also a way of content management.

Scientific Method

It involves defining the problem, gathering and analyzing data, developing and testing potential solutions, and choosing the best solution.

Problem Inventory Analysis

In this method, consumers are provided with a list of problems associated with a product. They discuss problems associated with such products and discuss about it and suggest solutions.

Rapid Prototyping

This method uses software for three-dimensional computer-aided design to create scale models or assembly of any physical part of a product.

Six Hat Thinking Style

Edward De Bono is the exponent of this method of parallel thinking. It involves problem-solving/idea generation by everyone in the group looking in the same direction at the same moment. This is opposite of traditional thinking, where two or more people disagree and argue, where each tries to prove the other wrong. In parallel thinking both views, despite being contradictory, are taken into account in parallel.

This process has to be done in a structured manner, so that all participants can contribute in parallel. Hence the Six Hat Thinking method. The six hats have different colours—white, red, yellow, black, green, and blue. Each colour represents a particular direction of thinking as below:

White Hat

This mode of thinking is directed at analytical thinking. It calls for data, facts and information. Participants are required to discuss about the verifiable facts related to the idea or the problem to be solved.

Red Hat

This mode of thinking allows participants to express their emotions and feelings about a particular idea/solution. Participants can talk about their intuition.

Black Hat

In this mode, participants look at the weaknesses of any decision. It is an opportunity to deal with highlighting the difficulties and potential problems.

Yellow Hat

This mode of thinking facilitates an optimistic approach to the problem/solution being discussed. Participants can speculate about the opportunities and indulge in constructive thinking to make things happen.

Green Hat

This mode of thinking involves a creative and growth-oriented approach where new ideas and new ways of looking for alternatives are tested.

Blue Hat

Here participants summarize, make observations and focus on execution of the plans.

Session 12 & 13: Opportunities for Business Ideas

Recognising opportunity is very crucial for the entrepreneur as identifying the right opportunity is potentially related to survival and success of the firm. Entrepreneurs have to develop this competence in order to ensure that time and effort is invested in pursuing the right opportunity. For this, the entrepreneurs must understand how to scan the business environment to recognize opportunity. Towards that purpose, the entrepreneurs have to analyse the environment and particularly the following three layers-

Macro-environment

Changes in the PESTEL factors (Political, Economic, Socio-cultural, Technological, Environmental, Legal) give rise to opportunities and threats. Today the macro-environment is marked by VUCA characteristics (Volatility, Uncertainty, Complexity, Ambiguity) and entrepreneurs must be able to understand the structural drivers of change and their impact on industry, markets and the firm.

Industry

Using Michael Porter's Five Forces Framework, entrepreneur need to assess the resources needed for participating in the industry. Whether these resources are accessible and the competences could be built in order to successfully emerge as a profitable venture.

Market

Knowledge of customers' preferences and needs are of utmost significance for an entrepreneur. Market research data should be used for gaining customer insights.

Opportunity recognition process, therefore, depends on education and experience of the entrepreneur. These are the foundations for knowledge related to markets, customers, and business environment as a whole.

Session14-15:DevelopingProducts andServices

Ideas have to be further developed in order to make it consistent with the needs of the market. This process of product planning involves five stages – idea stage, concept stage, product development stage, test marketing stage, and commercialization. Idea stage consists of idea generation and opportunity evaluation. In the concept stage research and development takes place and consumer acceptance is tested by obtaining their initial reactions. Interactions with channel partners also take place for their inputs. In the third stage of product development, the physical product is designed. Product samples are given to potential customers and feedback is sought about the pros and cons. In the test marketing stage, after incorporating the customer feedback, market test is done to assess the acceptance level of customers as it indicates actual sales results. During commercialization, the production life cycle of introduction, growth, maturity, and decline has to be coordinated by the entrepreneurs.

Entrepreneurs also have to explore if they can seek intellectual property rights for their designs. It could be in the forms of patents, copyrights and trademarks.

Session16&17:AssessingBusinessAttractiveness

Entrepreneurs have to assess various strategies for ensuring growth and profitability of the firm. Further they also have to assess the following:

First mover advantages Being the first mover can help in flattening the experience curve and thus the cost of production goes down. Entrepreneurs should focus on improving products and processes over time. Being the first mover can also help in overcoming competitive rivalry. Ability to assess the right opportunity becomes critical as growing markets can help in compensating the lost market share. Entrepreneurs also have to assess the important suppliers and distributors for developing strong relationship.

Scope

Entrepreneurs also have to determine which customer groups to serve and how to serve them. It depends on the risk perception of the entrepreneurs and which type of risk they want to reduce. Scope can be narrow or broad focused. In the narrow focused scope, a small product range is offered to a small number of customers in order to satisfy a specific need. It provides a basis for differentiation and hence an opportunity to compete successfully. In case of broad-focused approach, a portfolio of products and services are offered to enhance the attractiveness of the firm in dealing with uncertainties in different market segments.

Managing newness

In order to enhance attractiveness of the firm, entrepreneurs have to overcome the challenges of the liabilities of newness. They have to invest time and effort in learning every aspect of managing a business—from market research to product development to marketing and sales. Understanding of roles for every member of the team is essential as in a new venture there will be many overlaps and gaps in responsibilities. Hence both formal and informal communication plays a critical role in overcoming these hurdles in the way of creating the right value for its customers which is so essential for the attractiveness of the new venture.

Technical requirements and building capability

Entrepreneurs must have the skills of analysis the business environment as mentioned in earlier topics. This results in developing a right understanding of the strategic capability to be developed by the firm in order to create the right product features and serve the customers. This also requires adoption of the most appropriate technologies. The entrepreneur must be familiar with the technical processes and technologies involved in creating the products and services. This is required to ensure that right knowledge and skills are built in the new venture. Emerging technologies play a significant role in the ability to compete with existing firms. Building the right capability will result in right value creation and that will enhance the attractiveness of the new venture.

People

Knowledge and skills play a critical role in assessing and utilizing resources. Hence the members of the new venture must be competent to implement the strategies of the new venture in order to make the firm attractive. The entrepreneur's leadership skills are essential for rallying the talents around the vision and mission of the company.

Financial Analysis

The entrepreneurs should be able to assess the fund requirements at different stages of the new venture. During the entire life cycle of the firm the primary activities have to be identified and the resource requirements have to be assessed. This is required also for an assessment of cost benefit analysis and subsequently return on investment. Next, the entrepreneur has to decide the sources of fund – which again depends on the stage of the lifecycle of the firm. Various financial reports such as cash flow analysis is necessary for sound financial projections.

Session 18 & 19: Business Plan Development

Planning is essential for a business and it is a never ending process. Business plan is a communication tool that describes the various internal and external elements required for the functioning of the new venture. There could be a diverse set of readers of a business plan – employees, investors, bankers, suppliers, and even customers. Depending on the target audience, the content of a business plan could undergo some change. However, while preparing the business plan, three perspectives have to be taken into account –

1. the perspective of the entrepreneur as he is the one who understands the innovation and the technologies involved in creating the product/service.
2. the marketing perspective which necessitates that the entrepreneurs look at the product/service from the customer's point of view. This helps the firm to focus towards satisfying customer needs.
3. the perspective of the investor - sound financial projections are very critical to communicate with the investors regarding their expected return on investment.

Thus, a business plan is important as it helps in determining the viability of the new venture, provides guidance regarding coordinating various organizational activities and helps in raising funds. The plan should include the following:

Introduction

Brief summary of the business plan's content including the name, address of the company, and its nature of business. The descriptions should provide clarity on the size and scope of the business. There should also be an Executive Summary highlighting in a convincing manner the key points communicated in the business plan.

Environmental and Industry Analysis

This section identifies the trends and the changes that are taking place in the macro environment (PESTEL analysis) and in the industry. The external factors are not within the control of the firm but understanding them provides the basis for assessing the opportunity. This analysis also helps in determining the demand and the competition.

Industry analysis can be done using the Porter's Five Forces framework and assess the critical success factors to be delivered to successfully participate in the industry.

Product

The product concept has to be described and it should be explained how it is going to satisfy customer needs.

Production Plan

If the new venture is required to manufacture the product, then it is required to describe the entire production process here. What components are going to be made and what will be outsourced will be detailed.

Operations Plan

It describes the flow of goods and services from production to the customer. Hence the description of inventory management, supply chain, and customer support services have to be detailed.

Marketing Plan

Here the entrepreneur has to describe the market conditions through presenting the market research evidence. This is required to show the sales forecast and a comprehensive and detailed plan will describe how the new venture would distribute, price and promote the goods and services.

Organizational Plan

This section describes how the new venture is organized and provides the organization chart that shows the line of authority and responsibilities of the members of the organization.

Risk Assessment

Entrepreneurs should identify the potential risks and describe the risk mitigation strategies

Financial Plan

Here the entrepreneurs describe the investments required to implement the plan and demonstrate the economic viability of the project. There are three important aspects of the financial plan. First, it should summarize the sales forecast for the plan period and mention the costs of goods sold, other expenses viz., general and administrative. This part should estimate the net profit. Second - the projected cash flows for the plan period. This will highlight if there is a need for short-term financing to meet with certain fixed expenses. Further, this section also highlights the financial viability of the project. Third - the projected balance sheet shows the financial condition of the firm at a specific time of the plan period. It summarizes the assets and the liabilities of the firm.

Appendix

It generally contains any supporting material that the main text refers to. For example, letters from buyers, distributors, subcontractors etc.

