

CULTART Training programme

Training Module 2: Business & Entrepreneurship

Business planning



Co-funded by the
Erasmus+ Programme
of the European Union

The European Commission support for the production of this publication does not constitute an endorsement of the contents that reflects the views only of the authors, and the Commission cannot be held responsible for any use that may be made of the information contained therein.

Project number: 2021-1-BG01-KA220-YOU-000028537

A.I.P. Plovdiv | Foundation Plovdiv 2019 | EduCenter Skopje | ICSD | CAN Lecce | cc Vienna

Declaration on copyright:

Creative Commons Attribution-Non-Commercial-Share-Alike 4.0 International License.

You are free to:

Share — copy and redistribute the material in any medium or format

Adapt — remix, transform, and build upon the material under the following terms:

Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

Non-commercial — You may not use the material for commercial purposes.

Share Alike — If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original.

Disclaimer

The CULTART training program has been developed as a blended training program, combining e-learning (independent study relying on online learning resources) and in-person classroom activities facilitated by a qualified trainer.

The units of this module are designed to provide learners with the most important insights regarding the subject matter of the module, in accordance with the findings of the analyses conducted in the framework of Intellectual Output 1 of the CULTART project.

The learning content provided here is intended to serve for independent learning and does not pretend to cover all possible aspects and related issues in terms of the subject matter covered.

Users are solely responsible for ensuring that they have sufficient and compatible hardware, software, telecommunications equipment, and Internet service necessary for the use of the online campus and modules.

Content

Training description

Objectives of this training module

Target groups

Competencies and skills after finishing this module

Training method

Training content

Unit 1 - What is a business plan? Why do you need one?

Unit 2 – Sections of a business plan

Training description

This training module is part of the Cultart set of trainings modules and will provide you tools, exercises and instructions to help you to develop a business plan for your business activities. It will help you to put on the “paper” the information you got about your business in an organized manner, to see your strengths and weaknesses and how you stand among the competition.

Objectives of this training module

- To understand the importance of the business planning
- To be familiar with a business plan and its components
- To be able to use different analysis tools which will be presented in this module

Target groups

- Members and stakeholders which operates into CCS sector and fin-tech industry.
- CCI freelancers.
- Start-ups in CCI sector.
- Entrepreneurs that want to use creativity in their marketing and dissemination activities.
- Regional multipliers.

Competencies and skills after finishing this module

After studying this module,

- You will understand the importance of business planning
- You will be able to identify the key elements of business plan
- You will learn how to use some of the most used tools for business planning

Training method

Cultart learning philosophy promotes a unique engaging training method, based on the following aspects:

- Short-burst learning sessions that feature very well structured learning content.
- A deep sense of involvement and merging of action and awareness.
- A sense of control and dealing with the task that you will find at the end of the module.
- Enjoyment and provoking further interest.

Cultart focuses on an interactive training approach:

- The modules as a training material for self-learning.
- Using the interactive Cultart online training platform: moodle.Cultart.eu for facilitated training sessions in a group with a professional trainer.

Unlike the lecturers into the face-to-face classroom that provide their students with guidance and some additional directions, you have to take the responsibilities for the time management and for the control of your learning progress.

Training content

Unit 1 - What is a business plan? Why do you need one?

Tags:

Business plan, entrepreneurs, components, importance, planning, goals

Unit 1 - Introduction

We are sure that you have heard the term business plan. Some of you may know what it means, some may know what it contains, some may have done it, and some may have done it several times. We assure you that no matter what group you belong to, reading this section will motivate you to think about planning and motivate you to start setting goals and plans to achieve them. We will briefly explain what a business plan is and why you need it.

What is a business plan?

As you could read in the previous Module 1 - "Planning, organizing and managing – visualizing the entrepreneurial journey" planning is the first step in the entrepreneurial journey. Business planning is a decision making process and a systematic way of setting goals and activities that the board of directors, CEO, directors of different departments and the employees on a different level will pursue in the future. That process should be put on paper on methodological way from which final output will be business plan. You may find hundreds of different definitions about what a business plan is, but all that matters is that the business plan is a strategic document which summarizes your current state, your goals and objectives, and how to achieve them. Thereby, this document gives you answers to the following questions:

- Where are you now?
- Where do you want to go?
- How to get there?

Business plan contains explanations, information and analysis of different areas and aspects which concern the operating and functioning of the business. Some of them are listed below:

- Business idea
- Vision, mission, goals
- Products and services
- Consumers market
- Competition
- Marketing

Organisational structure and management

- Financial projections

All the listed areas are not definitive and they may be different from business to business, but they are the core of most business plans.

In general, business plans are confidential documents with a lot of sensitive information intended for internal use, primarily for the manager and the board of directors to manage and monitor according to the set goals. If the company needs capital from external sources, the business plan can also be used by outsiders, such as investors, bankers, but with appropriate adjustments.

Why do you need a business plan?

Why do you need a business plan? Good question, in fact you don't need it at all. You can run your business activities without a business plan. We are sure that you all know someone that runs a business without having a business plan, but that does not mean that those businesses wouldn't be even more successful if they had one.

A study (D. Bygrave, William & Lange, Julian & Mollov, Aleksandar & Pearlmutter, Michael & Singh, Sunil, 2008) conducted on Babson College alumni who graduated by 1985 and 2003 shows that having a business plan is not necessary predictor of the future success of potential start-ups. However, other study shows that entrepreneurs who spent time to write one, are 2.5 times more likely to follow through and actually start and run the business. (Gartner, William & Reynolds, Paul & Carter, Nancy & Shaver, Kelly, 2004)

Going through the process of creating a business plan improves entrepreneurial skills, business, competition awareness and market knowledge. Writing a business plan is like creating a map of the path with the shortcuts and obstacles which you are willing to go through.

If the aforementioned study doesn't motivate you enough to start planning, let us mention one more. In his book "What They Don't Teach you at the Harvard Business School", Mark H. McCormack talks about a study conducted at Harvard between 1979 and 1989, asking postgraduate students at the university to answer the question: "Do you have clearly set written goals for your future and have you made plans to achieve them?". It turned out that only 3% of postgraduates have set goals and plans. 13% had goals but did not put them on paper. 84% had no specific goals for their careers and future lives. Ten years later, in 1989, researchers re-interviewed former postgraduates. They found that those 13% who had goals, but did not put them on paper earn twice as much on average as those 84% who had no goals. However, can you guess how much do the other 3% earned on average? Those who had clearly set goals and a plan for achieving them? Double that of those 13% who have goals but haven't signed up? Five times more? The answer is, they earned on average **ten times more than the other 97% percent together!** Is it astonishing how big the differences between the groups are.

There are many reasons why do you need business plan, but the main reason is that business plan help to set a pave for the way you go, reducing the risk through raising the awareness of the situation in which you are and in which you want to be.

Recommendations for Further Reading

Since the development of a business plan requires to get useful information and make proper analysis of different areas and aspects, Cultart recommends taking also *Blended Training Module 1: Planning, organizing and managing – visualizing the entrepreneurial journey*, Unit 3: "Organizing", where you learn more about what organization means and why it is important to form a team. Besides of exploring the organizational structure, you will be able to spot the difference between minimum viable product (MVP) and minimum viable team (MVT).

References for Unit 1:

1. McCormack, W. J., & McCormack, M. H. (1984). What they don't teach you at Harvard Business School. London: Harper Collins Publishers
2. D. Bygrave, William & Lange, Julian & Mollov, Aleksandar & Pearlmutter, Michael & Singh, Sunil. (2008). Pre-Startup Formal Business Plans and Post-Startup Performance: A Study of 116 New Ventures. Venture Capital.
3. Gartner, William & Reynolds, Paul & Carter, Nancy & Shaver, Kelly. (2004). Handbook of Entrepreneurial Dynamics: The Process of Business Creation.

Unit 2 – Sections of a business plan.

Tags:

Business plan, business plan components, vision, mission, goals, market analysis, consumers, competitors, SWOT, Porter's forces, Canvas model, PESTLE, marketing, organisational structure, management, financial projections.

Once you understand the importance of a business plan, let's get acquainted with its components. We will briefly explain its components in very simple terms, with as few definitions as possible and more examples of real businesses, most of the cultural and creative industries. We will also give you tips and guidance when writing your business plan.

Unit 2 – Introduction

Executive summary

The executive summary is often considered the most important part of the business plan. This section briefly tells your reader where your company is, where you want to take it, and why your business will be successful. If you are looking for funding, the executive summary is also your primary (and probably the only) opportunity to attract the interest of the potential investor. It usually appears first in business plan document.

The executive summary should explain what differentiates you from the rest and highlight the strengths of your overall plan to attract the attention of the reader. Therefore, should be the **last part you are writing** and no longer than 2-3 pages.

Description of the business idea/company

This part of your business plan provides a general overview of your business idea. In this section you should give short description about:

- The type of your business, your business concept;
- Your vision and mission;

Short history of your company/origin of the business idea;

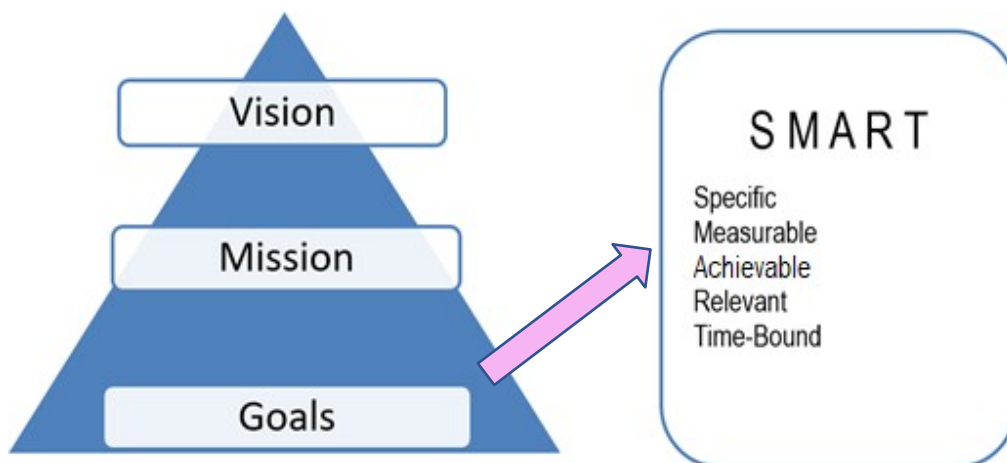
- What products and services do you (your business) provide;
- Describe the industry in which your business will operate;
- Describe your consumers, specify the market needs;
- How your business meets the market needs;
- How you differ from other competitors in the industry, your advantages over competition;
- Location of the business,
- Brief description of the manufacturing process and technology you use,
- Your qualifications, what make you the right man for the success of the business.

Providing information about the bullet points above will significantly contribute to the image creation of your business in reader's eyes, also to understand your business activities. If you are looking for funding, make sure that you are explaining the business in manner that is understandable for your potential investors.

Vision, mission, goals

The first step in planning is establishing vision, mission and goals for your business. This section will help you to establish yours, but if you have already established them, it will help to make sure that you shaped them correctly.

- **Vision** statement is the perspective on the direction your business is going. It is a beacon that illuminates your path when you are making decisions. It shows, in a perfect scenario, where your business will be at least five-ten years for now. It presents the final result of your business existence, your dream. Vision statement often are published externally, but are used and internally. Usually they are no longer than 1-2 sentences in which with simple words and phrases you will express ultimate long-term goal of your business. *Excellent example is Microsoft's first vision "A computer to every desk and every home".*
- **Mission** statement is general statement which explain how you will achieve the vision. Same as vision need to be short and easy understandable. Some mission statements contain one of two goals. *Google's mission is a good example of mission statement: "Our mission is to organise world's information to be accessible and useful". TED's, too "Spread idea".*
- **To pursue your vision** and mission statements you should set **goals**, the milestone you need to reach to be a step closer to your vision. Goals should be set SMART (Specific, Measurable, Achievable, Relevant, Time-Bound).



Model 1. Pyramid scheme of vision, mission, goals and SMART

Market analysis

The market is the place where the whole action is happening, the gladiator arena in which entrepreneurs battle their battles. Just like gladiators that are trying to take advantage of their strengths and discover the opponent's weaknesses in order to overcome him and give him the last blow, entrepreneurs are trying to defeat their competitor and conquer their customers.

When someone is talking about market analysis is often referred to consumer's market analysis. Consumer's market is one of the aspects when you should consider when you are analysing the market, but it's not the only one. On the market you are not affected only by consumers, but also by competitors, suppliers, tax legislations and other regulations, economical environment, social norms etc. To understand and identify the environment in which your business will operate you need to do several types of analysis and surveys. In the next few subunits we will present the most commonly used analysis frameworks and tools. We will also provide instructions, templates, and examples to help you learn and apply your business plan more easily.

- **Consumer analysis.** First, you need to define your target groups! Many businesses make a mistake when they are thinking that they don't need to target their audience. Without defining your target group, you won't know the needs and desires of your costumers. Get information about your target groups. What are the most important needs of your potential customers which are not satisfied? Are these needs met? What's the demographics of the group and where are they? Are there any seasonal or cyclical buying trends that can affect your business? What is the size of the primary target market? What are the trends among your costumers?
- **Competition analysis.** When you are going to sell your products and services on the market, you will face competition. Some of them will be established businesses which are operating in the market for many years. So how you will compete with that kind of competition? Make a research about your competition, because whether the company is on the Fortune 500 list or a start-up with a few employees, they all have their strengths and weaknesses. What's their market share? What is your position on the market among competition? Which products and services are they offering? How do they produce them? How are they marketing them? Gathering information about these questions will help for better positioning on the market and creating optimal market strategy.

SWOT analysis

One of the most used tools in every strategic or business plan is the SWOT analysis. The SWOT analysis is a powerful tool whose purpose is to give a synthesised view of your current state, developed by American business and management consultant – Albert S. Humphrey. The term SWOT analysis is an acronym for **Strengths, Weaknesses, Opportunities** and **Threats**. Often to SWOT analysis is referred as internal-external analysis because takes into account internal factors (strengths and weaknesses) and external factors (opportunities and threats). SWOT is usually presented as a 2x2 matrix in which are factors are listed and grouped appropriately depending on whether the factor originates from the organization or the environment and whether it has a positive or negative impact on the organization.

Strengths and weaknesses are internal factors that you can directly influence. Whether or not they will prevail depends on your past decisions as an entrepreneur. Identifying these factors will help you in the future to build and capitalize on strengths and eliminate or minimize weaknesses. *As you can see from the example below, as strength is mentioned to quickly respond to market changes which is result from its size and organisational structure. Missing expertise, is also an internal factor, it is a weakness since the lack of expertise can negatively affect the business.*



Image 1. SWOT analysis example for start-up

Source: <https://www.visual-paradigm.com/guide/strategic-analysis/what-is-swot-analysis/>

Opportunities and threats are external factors that you cannot directly influence, but is important to identify them to take advantage of the opportunities offered by the environment, but also avoid threats to your business that, at first you may not have been aware of. *An opportunity for a start-up is that can quickly grow and raise market share, but on the other side the larger established companies may represent a threat to them.*

Where can you find the information to answer these questions and to create the SWOT analysis? For internal factors you can hear the opinions from your top management (executive director, board), partners, suppliers, customers, employees, internal reports, KPIs (key performance indicators). For the external factors you can use sources like global trends, industry trends, industry associations, chambers of commerce, market, competitors etc.

When you finish the SWOT analysis, use it. The most common mistake entrepreneurs and managers are making is that despite devoting their time and resources to properly prepare the SWOT analysis, they still do not use it. SWOT analysis will help you to evaluate your current state, to develop and set goals, to evaluate different strategies, to identify potential barriers to growth etc.

Porter's five forces diagram

This framework is useful if you want to understand the industry in which you are operating or starting a business. It identifies and analyses the five competitive force which are defining the nature of the industry and shapes the company's strategies. It gives us answer to the question "Why some industries maintain high profits, why others don't?". This tool was first published in 1979 in Harvard Business Review. Since then becomes one of the most used tools because makes you to understand what forces in your environment direct affects your profitability. It encourages you to expand your view beyond competition, for the reason that on the market you are competing for profit not only with direct rivals but also with customers, suppliers, potentially new entrants and substitute products and services.

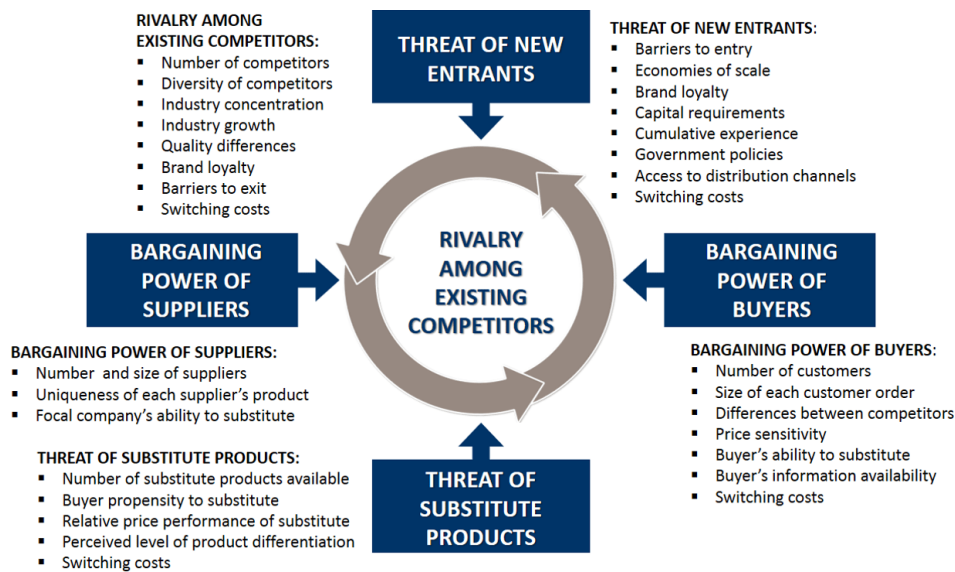


Image 2. Porter's five forces diagram

Source: <https://www.business-to-you.com/porters-five-forces/>

- **Bargaining power of suppliers** shows us the power of suppliers in determining our price. If there are a small number of suppliers on the market they will have a major impact on the price of your product and chances for making profit and vice versa. *Many of the graphic designers are using combo Apple – Adobe. This could be a problem if one of them raise the prices for their products, since there are not many substitutes available and switching cost are high, ceteris paribus, immediately will cut down the profits of the designers.*
- **Threat of new entrants** on the market may increase the competition among established businesses. This force largely depends on barriers to market entry and the profits in the industry. In highly regulated industries and in industries where the initial investments are substantial, the chances of new competitors entering the market are minimal. *This is the weakest force in graphic industry, since the barriers for entry are very low or none. Pretty much everyone can enter the market. One only needs to get a version of Photoshop (or other program) and have a connection to internet.*
- **Bargaining power of the buyers** shows how much pressure they can put to the businesses. In the markets where there are not many buyers, they usually have a lot of power to influence on prices, conditions or other. Besides the number of buyers and sellers on both sides of the scale, there are other factors that determine the purchasing power, such as switching costs, price sensitivity, size of each customer on the market etc. *The services of graphic designers are demanded on the market since there are numerous buyers. A graphic designer can decide whether to work for some company as in-house designer, as freelancer or both since the bargaining power of the buyers of these services is relatively low.*
- **Threat of the substitute** products often is not considered at all. All business primary focus on their direct competition. The threat of substitutes is increasing as the price of your products and services increases. Your consumers could replace it with another product that meets their needs in another way. *Graphic designers often specialize in some discipline, so the supply is segmented, but if the prices in any discipline go up it will attract more graphic designers to engage in that discipline. Another example for threat of substitute is transport industry. If airfare prices were to rise significantly, some passengers would consider alternative car or train transport, especially this is important for Asian travelers who can use “bullet” trains instead of airplanes.*
- The last, but not least force on Porter's diagram is **Rivalry among existing competitors**. Shows the concentration of the current competitors in the industry. If there are many competitors with no big difference in the size, the rivalry will be high. In this case competitors are lowering their prices to attract as many clients as possible, and the winners of this scenario are customers. They will get their products for a price lower than it would be if there were no intense rivalry among existing competitors.

PESTLE analysis

PESTLE (also can be found by acronym PESTEL) stands for Political, Economic, Social, Technological, Legal and Environmental factors. As you can assume from the factors mentioned above, it is an external factor analysis. This is another tool or framework which will help you to better understand external macro-environmental factors how they influence on your business. Some of these can be vital to the operation of your business. Some may not be as influential at the moment, but may in the future be part of a vital set of factors. Therefore, through this analysis you systematically identify all the environmental factors.

There are several variations of this analysis depending on the industry in which business operates the certain factors may be included or omitted. The basic analysis was composed from four factors: Political, Economic, Social, Technological. Like other tools, this analysis to make it applicable to more businesses has been expanded by several factors. First in line, were Legal and Environmental factors.

The following chart contains some of the macro-environmental factors which should be include in this analysis. To see full list of factors please visit: <https://www.business-to-you.com/scanning-the-environment-pestel-analysis/>

P	E	S	T	E	L
<ul style="list-style-type: none">- Government policy- Political stability- Corruption- Foreign trade policy- Tax policy- Labour law- Trade restrictions	<ul style="list-style-type: none">- Economic growth- Exchange rates- Interest rates- Inflation rates- Disposable income- Unemployment rates	<ul style="list-style-type: none">- Population growth rate- Age distribution- Career attitudes- Safety emphasis- Health consciousness- Lifestyle attitudes- Cultural barriers	<ul style="list-style-type: none">- Technology incentives- Level of innovation- Automation- R&D activity- Technological change- Technological awareness	<ul style="list-style-type: none">- Weather- Climate- Environmental policies- Climate change- Pressures from NGO's	<ul style="list-style-type: none">- Discrimination laws- Antitrust laws- Employment laws- Consumer protection laws- Copyright and patent laws- Health and safety laws

Image 3. Graphic presentation of PESTLE model

Source: <https://www.business-to-you.com/scanning-the-environment-pestel-analysis/>

All these factors are macro-environmental and affect all business industries, but with different Intensity. *For example, agriculture is most affected by Environmental factors, especially weather and climate changes, for business which are making foreign trades most important factors are Economic factors like exchange rates, inflation rates etc. In your case, for Cultural and Creative industries you should pay most attention to Social and Technological group of factors. Age distribution of the population, lifestyle attitudes, cultural barriers, new technologies are some of the factors which will determine your success or failure.*

Business Canvas model

Business Canvas model was originally developed by Alexander Osterwalder, and it was further polished with the help of over 400 entrepreneurs from 45 countries. It integrates nine key structure blocks of business into a one-page layout, so you can see all of the important information in one place. It's great tool for entrepreneurs who want to get the picture business model without creating completed business plan. Essentially it tells us how key drivers of the business fit together, and explain how the business operates. The structures blocks are following:

1. **Value Proposition** block is the core of the canvas model because it shows what value proposition your business offers to the market, why customers are attached to your business. It answers the question "Why clients are buying our products and services?". At the beginning you would offer one or two products and services, but with the growth of your business the assortment will increase. As you can see from Sam Smith's Canvas model (see the image 5) there are five value propositions listed. He writes and records music, video, documentaries, remixes, collaboration with other artist, associate with brands etc. But he did not do all these from since the start of his career. For further knowledge please refer to Module 1: "Planning, Organizing and Managing – Visualizing the Entrepreneurial Journey", Unit 2: "Planning".
2. **Customer segments.** This block includes your customers. Are they segmented by their needs, importance and size? Customer's segmentation is important to understanding their needs which is starting point when you are creating your products and services. If you see the Sam Smith's customers block you will see that they are segmented to six-seven groups. All of those have different characteristics and need. *For example, needs of the fans are to record more songs, to do more live concert, but for fashion brands needs are connected with dressing their brand, making promotional videos etc.*
3. **Channels.** After defining your value proposition and customers you need to choose which methods you will use to deliver the value propositions (your products and services) to the customers. How they buy your products and services? How do they get your products and services? Sam Smith does touring with live concerts, shows on TV, shares information through social media.
4. **Customer relationships.** How do you get, keep and grow your customers? The answer of this question you should get from this block. Different business models have to develop different ways to cultivate relationships with the customers. For regular costumers you can make different discounts through club cards or something similar.
5. **Revenue streams.** How does your business earn money? Where does the money come from? This looks like it is simple, but it's not. You have to choose your strategy to capture most of costumer's money. Will the customers pay a onetime fee, monthly subscriptions or you will give part of the products/services free and sell the complementary products at higher price?

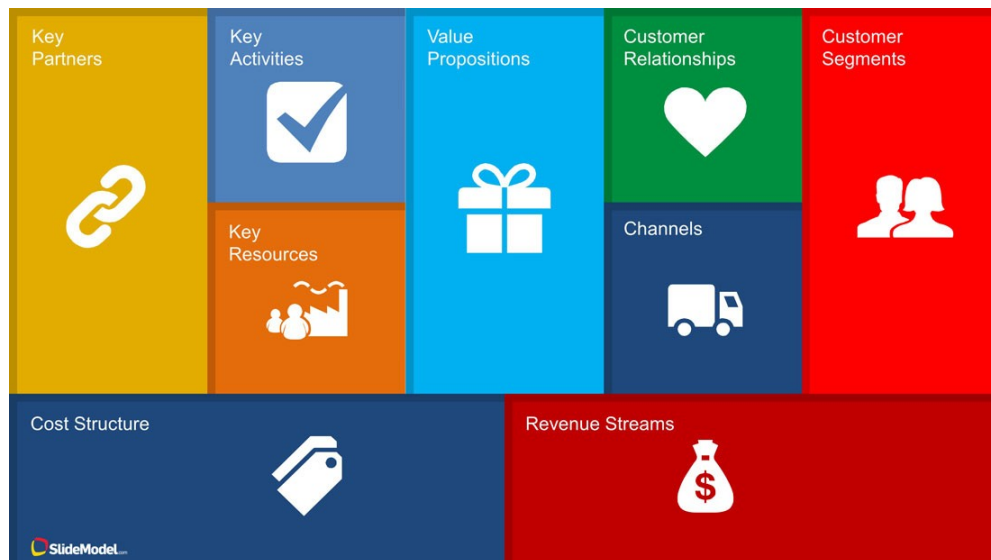


Image 4. Business canvas model template.
 Source: <https://slidemodel.com/business-model-canvas/>

6. **Key activities.** What are the most important activities you run day to day basis? They have to be directly linked to creating a value propositions. If you are web developer, some of your key activities will be creating websites for your clients, keeping up with the latest software and hardware technology.
7. **Key resources.** All businesses spend resources to create value propositions. What are the key resources that enable your business to create value propositions? Are they physical, human, financial, intellectual? In creative industries often the humans are key resources. Can you guess which is key resource of the Sam Smith? It is obvious that is his voice.
8. **Key partners.** In most businesses some activities are conducted by outsiders- outsourcing. This is more common in developed economies. These are your partners. You have to choose who are the key, without them you can't run your business or will be very difficultly and costly to replace. For Sam Smith they are music labels, music producers, radio and TV stations etc.
9. **Cost structure.** By doing the key activities you use resources that have a certain cost. This list can be very long, but you have to know 100% of your costs where are made. Are they fixed or variable costs? A complete knowledge of your expenses will help you make important decisions. What costs are unavoidable, which can be reduced, how much money you need to run the business on a daily, monthly and yearly basis? Costs have an immediate impact on reducing your profits, hence they are important in the overall business model.

The following table is Business Model Canvas for the famous singer Sam Smith. As you can see these tools can be used by every company regardless the industry in which operates, size, revenue which makes or numbers of employees. Can be used for artist and creative workers too.

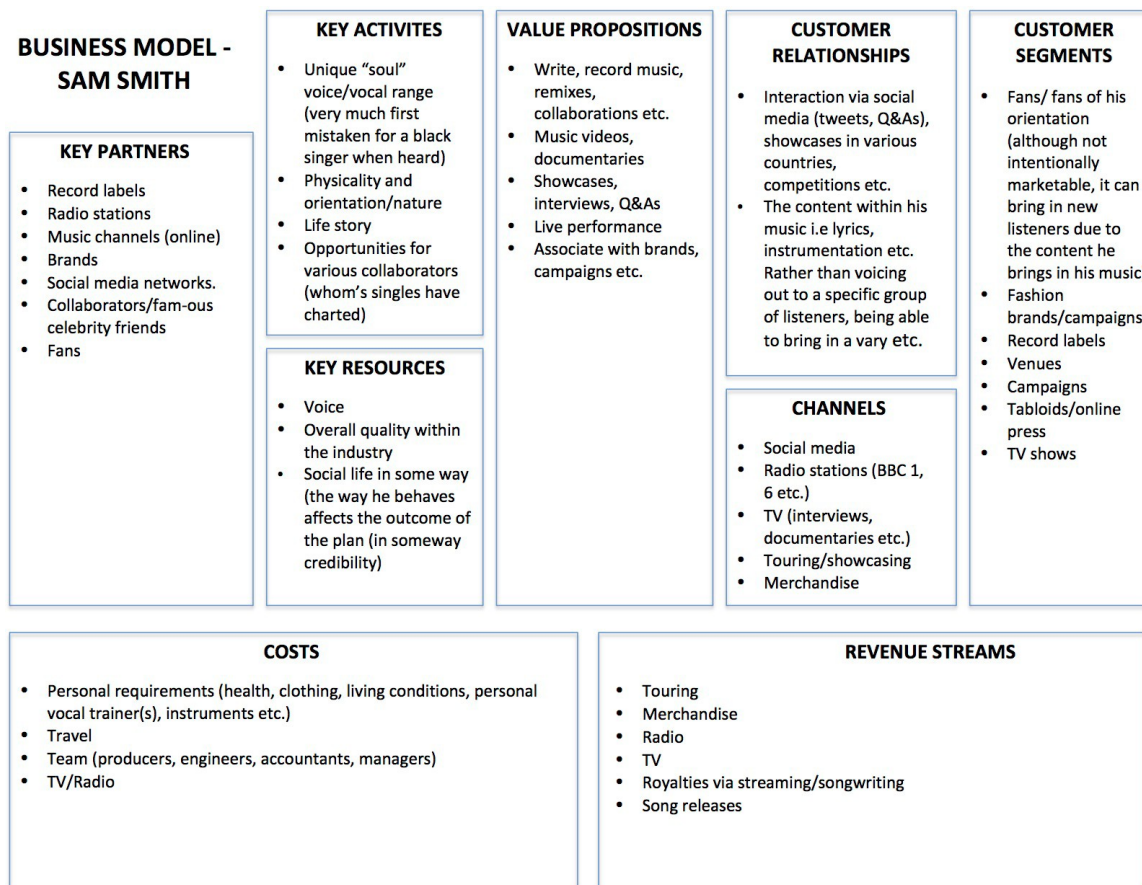


Image 5. Business Canvas model for singer Sam Smith

Source: <https://davsjoljournal.files.wordpress.com/2014/10/business-model-sam-smith.jpg>

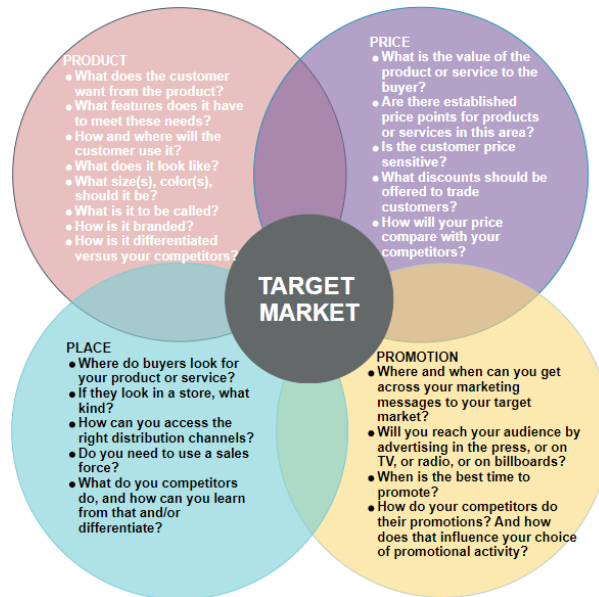
Marketing mix – 4Ps

Perhaps the most vital aspect of every business is marketing function. You may have very unique and good business idea, very good employees which will produce qualitative products and services but if you don't know how to sell them your business failure is guaranteed!

To better understand the marketing, we will use the basic marketing mix – 4Ps model. It is composed by 4 key elements: Product, Price, Promotion and Place. The name is an abbreviation of its components.

- **Product** (includes and services) means what your business can offer to the targeted market and how is different from the others. Why your product is better? Is because the quality, design, packaging, warranty or it's something else?
- **Price** is about how you are pricing your products and services. Are that priced based to the cost that you are making increased by some margin? Are prices similar to your competition? Maybe you are prices are adjusted to penetrate to new markets or you are asking premium price? Choosing the right approach for pricing you are products will have huge impact on your sale's numbers.

- **Promotion** is often mistaken with the marketing. Promotion is part of the marketing which includes forms and channels through you reach your customers, how are they informed about your products. Do you use social media to advertise your products and services or you are using more traditional methods?
- **Place** is about how your customers reach your products. Are they available in local stores? Can they buy your products online on your website or through e-mail or even on some specialised online selling platform? Or you are selling your products direct to your clients? What are the primary distribution channels that you use?



Model 2. Graphic presentation of 4Ps model

Also marketing department should define the profile of your customers, which will help you to better determine their needs and to develop products and services to satisfy them. Answering all these questions is crucial for developing your marketing strategy.

Since **original 4Ps model** was more suited for more traditional product oriented businesses, Bernard Booms and Mary Bitner expanded and modified the original model with additional 3 elements to satisfy the needs of services type of business.

- **People** are those who work in the business organisation. This element is important because people – employees are those who deliver the service. To create a large number of satisfied and loyal customers, you need to hire people who believe and share the same values with your company. If you know how to find and select the right people you will have a competitive advantage over your competitors. You will also have satisfied and highly motivated employees. There is a high level of correlation between these two segments.
- **Process** of creating and delivering services is related to making costs. Make sure all the processes and systems that are going on in your business are necessary and contribute to value creation. Anything outside this framework is just spending extra money and reducing profit.
- **Physical evidence** is everything that customer see when is doing business with you. This element includes: environment when your business deliver products and services, the package itself, logo etc.

Can you guess the name of the expanded marketing mix model? Of course, the name is 7Ps.

For further knowledge about marketing please refer to the Module 3: "Marketing Strategy and Elements of the Marketing Mix", Unit 2: "Elements of the Marketing Mix".

Management and organisational structure

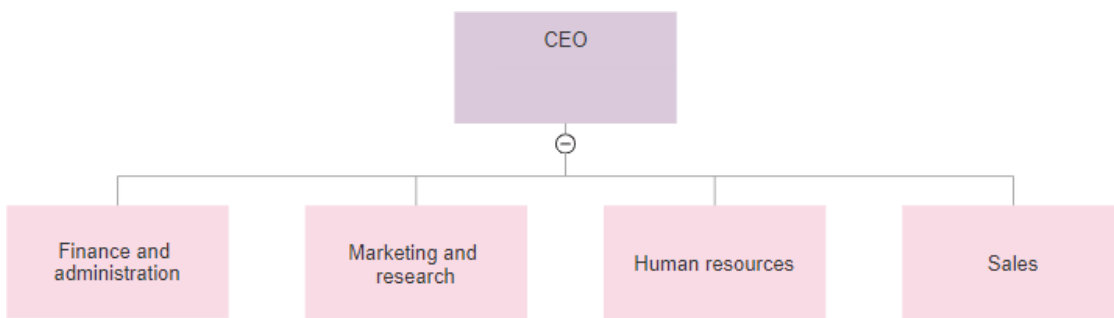
From many investors you may hear statements like "We don't invest in the idea, but in the team, the team implementing it is more important to success than the business idea itself" or "the idea is as good as the good team behind it". This may be even truer about businesses in creative industries, when human resources and talents are fundamental for success.

In this section of the business plan, you should explain and prove why you and the people in your team are right men for the tasks. What is your education and experience in the field?

What are your skills? What knowledge and skills will you look for in your employees? How many you will need for successful implementation of your idea. How you will choose them, how you will organise them? In the next few paragraphs, we will briefly explain what is organizational structure and most common types.

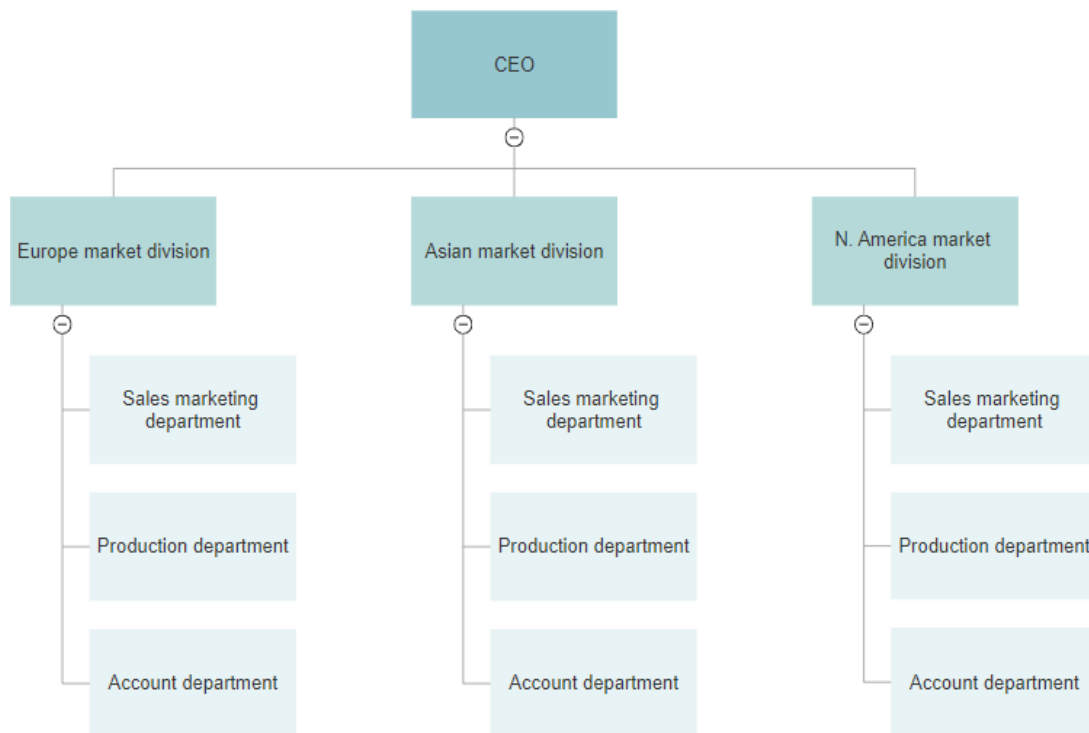
Every company has its own organisation structure. Organizational structure can be described as the systematic process of delegating power, authority and responsibilities among the employers. Also involves how a business is organized to achieve their specific goals. An organisation can be structured in many different ways, depends from its size, industry, costumers and goals. But here we will present you only the four most common types or organisational structures.

- **Functional top-down** organisational structure reflects a traditional business structure where the employees are divided into different functional departments depending on their qualifications and skills. In most cases, they are some core departments like finance and administration, marketing and research, human resources, sale. Most of the businesses are structured by this organisational structure.



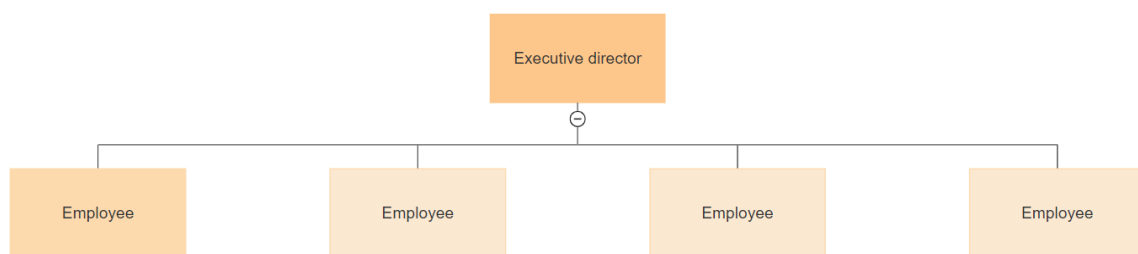
Model 3. Graphic presentation of functional organisational structure

- **Divisional structure** can be implemented in businesses where the costumers are in different areas or have different products. Usually, large organisations which are operating globally can be organised in this way. So, the whole organisation is made up of divisions that are broken down by the product they produce or the market they sell. They are separated from each other and function as semi-autonomous units, but they are part of the whole company and answerable to top management and may share common departments. For example, BMW has divisions for SUVs and sedan cars. Different types of cars are produced in different factories which are structured as divisions. Most of the BMW's Sports Activity Vehicles (SUVs) models from X line- up are made in South Carolina. Below is a graphic presentation of the divisional organisational structure.



Model 4. Graphic presentation of divisional organisational structure

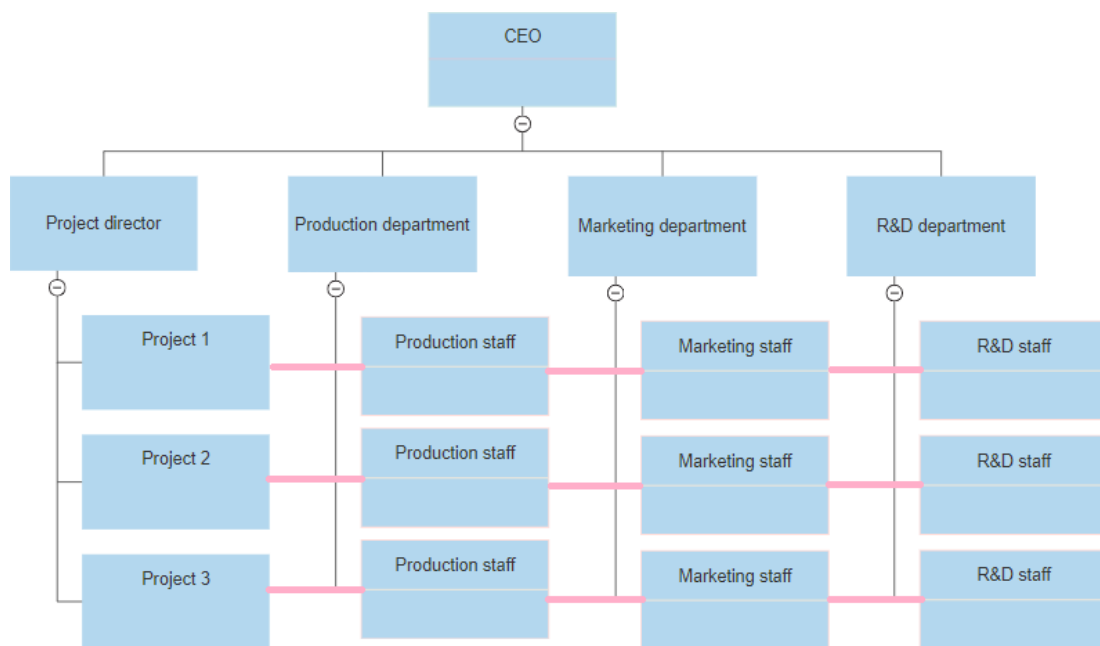
- **Flat structure** is popular among small businesses where there are few employees and no need for a different level of management between executives and staff. It leads to greater inclusion of the employees in the decision-making process and their innovativeness. Also, executive director can directly supervise the process of products and services creation. One of the companies that are organized on this way is world-known Valve, creator of the most famous PC games Counter Strike and Dota 2.



Model 5. Graphic presentation of flat organisational structure

There are several reasons why small businesses are organized in this way. Flat organizational structure reduces the operational costs, because there is no need to spend on hiring managers on different levels. Also, increasing employee involvement in the decision-making process increases their motivation and satisfaction and improves overall communication within the organization.

- We have a **matrix organization** when we are applying the functional and project principles during grouping the employees. The combination of the two principles is intended to take advantage of both types of organization, functional organization efficiency and project organization flexibility. This way of organizing seems simple, but the staff are responsible to two supervisors, a functional and a team manager.



Model 6. Graphic presentation of matrix organisational structure

Financial projections

All the effort spent in doing different types of business plan analysis will be pointless if we fail to prove through numbers that our business will succeed. In this section you will do the financial projection to check if your business idea is worth it at all. Many times business ideas that looked great at first, turned out to be unprofitable after all the costs and revenues have been properly calculated. The quality of the information you enter into this part of the business plan will determine on whether you are able to achieve your financial goals. Many businesses make the mistake of overstating sales figures which causes distortion of the image of their business.

Let's get started with the basics. To make a profit, your costs have to be lower than your revenue. These are the two quantities that will determine on whether we have positive or negative financial results. **Revenue** is the total amount of money that you are making by selling your products and services. All the money that you are spending to be able to sell those products and services are the **costs**. If there is money left after this equation, you will make a gross profit. After you have disbursed some of that profit to the tax authorities, you will have a **net profit**. A detailed knowledge of revenue and expenses and their characteristics is necessary to make the right business decisions, especially the structure of the costs. The basic cost breakdown is variable and fixed.

Fixed costs are those costs that do not change regardless of the number of products manufactured. As the number of products and services increases, the price per unit of product decreases.

Variable costs increase with increasing the number of products. *For example, if you are a graphic designer and your office is rented, no matter how many projects you complete you will pay the same amount, but if you have employees which are you paying for finished project your costs will increase with the increase in completed projects.* So you should strive to increase the volume of products and services, so that you have lower unit costs.

In this section you need to make financial projections on your sales and costs. How much of your products and services are you planning to sell? In which period of the year? When will most of the costs incur? Often there are discrepancies with regards to when the costs occur and when the money flows in. How will you finance your business in those periods? The answers to many of these questions lie in the very nature of the business as well as in the main financial statements: Balance Sheet, Income Sheet and Cash flow. For further knowledge please refer to Module 5: "How to finance your business growth", Unit 3: "Measuring Business Growth".

Recommendations for Further Reading

It is advisable to take also *Module 3: "Marketing Strategy and Elements of the Marketing Mix"* to further develop and adjust your marketing plan to your needs. Also it is strongly recommended to take and the module *Module 5: "How to finance your business growth"*, Unit 3: "Measuring Business Growth" to be able to ask the numbers they say about your business idea or your business.

References for Unit 2:

1. Bobek Shuklev, Maja Shukleva (2010), Management for 4th year professional high school, ISBN: 978-608-226-038-9
2. Gary Armstrong, Philip Kotler (2004) Marketing: An Introduction, 7th Edition, Prentice Hall, ISBN: 0131424106
3. Kiril Postolov, Ljubomir Drakulevski (2010) Organisation for 4th year economic - legal and commercial high school, ISBN: 978-608-226-036-5
4. Ljiljana Stojkowska, Elica Zhupanovska (2011) Marketing for 4th year economic - legal and commercial high school, ISBN: 978-608-226-320-5
5. Stephen P. Robbins, Mary Coulter (2012), Management 11th ed., Prentice Hall, ISBN 978-0-13-216384-2
6. Violeta Nestorovska, (2010), Accounting for 3th year economic – legal and commercial high school, ISBN: 978-608-226-071-6
7. Porter, M.E. (2008) The Five Competitive Forces That Shape Strategy, Harvard business Review, January 2008.
8. Business model canvas. Link: <https://www.businessmodelsinc.com/about-bmi/tools/business-model-canvas/>
9. BUSINESS MODEL CANVAS: SAM SMITH AND BBC SOUND OF. Link: <https://davsjollyjournal.wordpress.com/tag/business-model-canvas/>
10. Create an Ecommerce Business Plan Canvas. Link: <https://www.volusion.com/blog/how-to-make-ecommerce-business-plan-canvas/>
11. Divisional Structure: Examples, Advantages & Disadvantages. Link: <https://advergize.com/business/divisional-structure/>
12. Porter's Five Forces of Competitive Position Analysis. Link: <https://www.cgma.org/resources/tools/essential-tools/porters-five-forces.html>
13. Scanning the Environment: PESTEL Analysis. Link: <https://www.business-to-you.com/scanning-the-environment-pestel-analysis/>
14. Strategy and Porter's Five Forces: Analyzing the Graphic Design Industry. Link: <http://www.2lch.com/strategy-and-porters-five-forces-in-graphic-design-industry/>
15. The Marketing Mix - Simon Attack. Link: <https://www.youtube.com/watch?v=oMZMrnNWY-A>
16. Understanding the Marketing Mix Concept – 4Ps. Link: <https://www.cleverism.com/understanding-marketing-mix-concept4ps/>
17. Vision / Mission / Goals / Objectives. Link: <https://service.asu.edu/blog/vision-mission-goals-objectives>
18. What is SWOT Analysis? Link: <https://www.visual-paradigm.com/guide/strategic-analysis/what-is-swot-analysis/>
19. 4 Common Types of Organizational Structures. Link: <https://www.allbusiness.com/4-common-types-organizational-structures-103745-1.htm>

