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## Developing the Global Business Plan

**Profile:** TOMS Shoes



Digital Vision/Digital Vision/Thinkstockphotos

**E**ntrepreneurial inspiration can occur anywhere, as happened to Blake Mycoskie, founder of TOMS, a very successful shoe company with an extraordinary business model. For him, inspiration struck while on vacation in Argentina as he witnessed extreme poverty in many parts of the country. Many of the people in the smaller villages, including most of the children, did not own shoes, a condition that can cause numerous health problems as well as general discomfort. He wanted to take action to help the problem, but rather than a one-time charitable contribution, he envisioned a sustainable solution that could provide ongoing help to the people who had so lovingly invited him into their lives.

On the same trip, Mycoskie noticed the *alpargatas*, a simply made, inexpensive shoe that sold for less than \$2, worn by the majority of Argentinians. He decided that he could use the simple design of the shoes, and reinvent them using high-quality materials and production methods to create a product that could be sold in the United States and other developed markets. With knowledge from previous entrepreneurial ventures, Mycoskie decided to start his own company producing *alpargata*-inspired shoes manufactured in Argentina. For every pair of shoes sold, he would donate the same pair to a child in need. His “one-for-one” concept was simple enough, but many thought that such an altruistic business model could never succeed. With a fixed cost of around \$9 per pair selling at about \$40 retail, in conjunction with the cost of the extra pair given to charity, the margin seemed slim for a consumer product. However, in pursuit of sustainability rather than profitability, Mycoskie snubbed the naysayers and proceeded with his plan, commissioning 250 pairs of shoes from an Argentinian manufacturer and transporting them back to his apartment in the United States.

With the problem of distribution looming, Mycoskie began cold-calling vendors in the Los Angeles area, trying to find an outlet that would sell his shoes. One upscale boutique heard his story and believed the product would appeal to its customer base. With an order of 150 pairs, TOMS was in business. With the help of this boutique owner, word spread quickly about TOMS “one-for-one” mission, and attracted media attention. After an article about the brand was published in the *Los Angeles Times*, Mycoskie received orders for 2,200 pairs in one day. With less than 100 pairs left in his apartment headquarters, the young entrepreneur was not ready to meet such high demand. “As any good entrepreneur would do,” he said, he immediately ran an ad to hire interns, three of whom he hired just a few days later. Handing over the keys to his apartment as well as the customer list and instructions to call every one and let them know that their shoes would be shipped in “more like three months than three days,” Mycoskie jumped on the first airplane to Argentina to find a solution to his supply dilemma.

Once he found enough manufacturers to handle the supply demand, TOMS had nowhere to go but up. Within the first year of business, the company sold 10,000 pairs of shoes, which he matched and gave to those in need to make good on his promise. Mycoskie created what he called a “shoe drop” in which he and many colleagues, friends, and like-minded supporters flew to Argentina and hand delivered 10,000 pairs of shoes to barefooted children. They filmed the experience and turned it into a documentary revealing the difference that TOMS could make. Word spread like wildfire.

In an instant, TOMS had an abundance of media buzz, celebrity endorsers, and word-of-mouth advertising, with zero cost to the company.

Whether meticulously calculated or wholly accidental, TOMS's business model was successful and business is booming. NGOs, charities, and nonprofits around the globe want to partner with TOMS. Mycoskie, who refers to himself as “Chief Shoe Giver” rather than CEO, encourages the business with a strong online presence through Twitter, a corporate blog, and multiple documentaries of “shoe-drops” posted on YouTube for all curious viewers to see. Celebrities such as Liv Tyler, Keira Knightly, Kirsten Dunst, and the Hanson brothers have endorsed the shoes on their own account, having no official affiliation with the brand. Mycoskie is quick to commend this free word-of-mouth advertising for TOMS's success. Citing other major shoe brands, such as Nike, that must spend a good percentage of their revenue on marketing to stay competitive, TOMS has enjoyed free marketing, allowing the “one-for-one” business model to work. The company has expanded throughout the world, selling shoes in most major markets as well as online. Since its beginning in 2006, TOMS has given away more than a million pairs of shoes to children in need in more than 20 different countries.

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SOURCES: Adapted from CNBC (2009) and TOMS (2011).

## Chapter Objectives

1. To know the internal and external purposes of a global business plan
2. To be able to identify all the parts of the business plan and their purposes for each department or organizational function of the company
3. To understand how each audience of stakeholders will use the plan and which section will be each stakeholder's key focus
4. To be able to draft a global business plan from the outline and sample provided
5. To be able to monitor and improve the business plan

## Introduction

In today's highly competitive business environment, there is perhaps nothing more important than planning and, specifically, developing a business plan. In any organization, there are many different types of plans—financial, human resource, marketing, production, sales, and so on. These plans may be short term or long term, strategic or operational, and may vary greatly in scope. In spite of the differences in scope and coverage, each plan has a common purpose: to provide guidance and structure on a continuing basis for managing the organization in a rapidly changing hypercompetitive environment. This chapter will first look at an opportunity analysis plan. Then the purpose and aspects of a global business plan are discussed. The chapter concludes with a discussion of the do's and don'ts of a plan.

## Opportunity Analysis Plan

Every innovative idea and opportunity needs to be carefully assessed by the global entrepreneur. A good way to do this is to develop an opportunity analysis plan. An opportunity analysis plan is *not* a business plan, as it focuses on the idea and the market (the opportunity) for the idea—not on the venture. It also is shorter than a business plan and does not contain any formal financial statement of the business venture. The opportunity analysis plan is developed to serve as the basis for the decision to either act on the opportunity or wait until another (and one hopes better) opportunity comes along. A typical opportunity analysis plan has four sections: (1) a description of the idea and its competition, (2) an assessment of the domestic and international market for the idea, (3) an assessment of the entrepreneur and the team, and (4) a determination of the steps needed to make the idea the basis for a viable business venture.

### The Idea and Its Competition

This section focuses on one of the major areas of the opportunity analysis plan: the idea itself and the competition. The product or service needs to be described in as much detail as possible. A prototype or schematic of the product is often helpful in fully understanding all its aspects and features. All competitive products and competitive companies in the product (service) market space need to be identified and listed. The new product/service idea should be compared with at least three competitive products/services that are most similar in filling the same identified market need. This analysis will result in a description of how the product/service is different and unique and will indicate its unique selling propositions. If the idea does not have at least three to five unique selling propositions versus competitive products/services on the market, the global entrepreneur will need to more carefully examine whether the idea is really unique enough to compete and be successful in the market.

### The Market and the Opportunity

The second section of the opportunity analysis plan addresses the size and the characteristics of the market. Market data should be collected for at least 3 years, so that a trend is apparent for the overall industry, the overall market, the market segment, and the target market. This can be done through gathering as much secondary (published) data as possible. For example, if you had an idea for a motorized wheelchair for small children that was shaped like a car, you would get market statistics on the health care industry (overall industry), wheelchairs (overall market), motorized wheelchairs (market segment), and children needing wheelchairs (target market). This funnel approach indicates the overall industry market size as well as the size of the specific target market.

Not only should the size of these markets be determined but also their characteristics. Is the market made up of a few large companies or many small ones? Does the market respond quickly or slowly to new entrants? How many (if any) new products are introduced each year in the market? How geographically dispersed is the market? What

market need is being filled? What social conditions underlie this market? What other products might the company also introduce into this market? Based on this section of the opportunity analysis plan, the entrepreneur should be able to determine both the size and the characteristics of the market, and whether it is large enough and suitable enough to warrant the time and effort required to proceed and perhaps actually enter the market.

### **Entrepreneur and Team Assessment**

Next, both the entrepreneur and the entrepreneurial team need to be assessed. At least one person on the team needs to have experience in the industry area of the new idea. This is one characteristic that correlates to the probability of success of the venture. Several questions need to be answered, such as why does this idea and opportunity excite you? Will this idea and opportunity sustain you once the initial excitement has worn off? How does the idea and opportunity fit your personal background and experience? How does it fit your entrepreneurial team? This section of the opportunity analysis plan is usually shorter than the previous two sections and allows the entrepreneur to determine if indeed he or she is really suited to successfully move the idea into the market.

### **The Next Steps**

This final section of the opportunity analysis plan delineates the critical steps that need to be taken to make the idea a reality in the marketplace. The steps need to be identified and put in sequential order, and the time and the money needed for each step needs to be determined. If the idea cannot be self-financed, then sources of capital need to be identified. The entrepreneur should always keep in mind that most entrepreneurs tend to underestimate both the costs and the time it will take by about 30%.

Some questions to answer when developing an opportunity analysis plan are listed in Table 4.1.

## **Purpose of a Global Business Plan**

Given the hypercompetitive environment and the difficulties of doing business outside your home country, a global business plan is an integral part of strategically managing an organization. A global business plan is a written document prepared by the entrepreneur and the team that describes all the relevant external and internal elements in going global. By describing all the relevant external and internal elements involved in starting and managing a global organization, the business plan integrates the functional plans such as finance, marketing, and organizational plans, thereby providing a road map for the future of the organization.

Often a global business plan is read by a variety of stakeholders and can have several different purposes. It needs to be comprehensive enough to address the issues and concerns of advisers, bankers, consultants, customers, employees, investors, and venture capitalists. It can also have such purposes as to obtain financial resources,

**❖ Table 4.1** Questions for the Development of an Opportunity Analysis Plan

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**Description of the Product or Service Idea and Competition**

1. What is the market need for the product or service?
2. What are the specific aspects of the product or service (include any copyright, patent, or trademark information)?
3. What competitive products are already available and filling this need?
4. What are the competitive companies in this product market space? Describe their competitive behavior.
5. What are the strengths and weaknesses of each of your competitors?
6. What are the NAIC and SIC codes for this product or service?
7. What are the unique selling propositions of this product or service?
8. What development work has been completed to date on the idea?
9. What patents might be available to fulfill this need?
10. What are total industry sales over the past 5 years?
11. What is anticipated growth in this industry?
12. How many new firms have entered this industry in the past 3 years?
13. What new products have been recently introduced in this industry?

**An Assessment of the Market**

1. What market need does the product/service fill?
2. What are the size and past trends over the last 3 years of this market?
3. What are the future growth prospects and characteristics of this market?
4. What social conditions underlie this market need?
5. What market research data can be marshaled to describe this market need?
6. What does the international market look like?
7. What does the international competition look like?
8. What is the profile of your customers?

**Entrepreneurial Self-Assessment and the Entrepreneurial Team**

1. Why does this opportunity excite you?
2. What are your reasons for going into business?
3. Why will this opportunity sustain you once the initial excitement subsides?
4. How does this opportunity fit into your background and experience?
5. What experience will you need to successfully implement the business plan?
6. Who are the other members of your team?
7. What are their skills and experience?

**Next Steps for Translating This Opportunity Into a Viable Venture**

1. Examine each critical step.
  2. Think about the sequence of activity and put these critical steps into some expected sequential order.
  3. Determine the amount of time and the amount of money each step will require. If you cannot self-finance (provide this money), where would you get the needed capital?
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obtain other resources, develop strategic alliances, or provide direction and guidance for the organization. Although a global business plan can serve these various purposes, its most frequent use is to obtain financial resources. Bankers, investors, and venture capitalists will not take an investment possibility seriously without a comprehensive global business plan. Some will not even meet with a global entrepreneur without first reviewing the business plan. A well-developed global business plan is important because it (1) provides guidance to the entrepreneur and managers in decision making and organizing the international direction of the company, (2) indicates the viability of an organization in the designated global market(s), and (3) serves as the vehicle for obtaining financing.

## Aspects of a Global Business Plan

Given the importance and purpose of a global business plan, it is important that it be comprehensive and covers all aspects of the organization. The plan will be read by a variety of individuals, each of whom is looking for a certain level of detail (Taylor, 2006). As is indicated in Table 4.2, the global business plan can be divided into several areas, each of which has several sections.

❖ **Table 4.2** Outline of an International Business Plan

**I. Title Page, Table of Contents, and Executive Summary**

Three-page description of the project.

**II. Introduction**

The type of business proposed and an in-depth description of the major product/service involved. A description of the country proposed for market entry, the rationale for selecting the country, identification of existing trade barriers, and identification of sources of information.

**III. Analysis of the International Business Opportunity**

**A. Economic, Political, and Legal Analysis of the Trading Country**

1. The trading country's economic system; economic information important to the proposed product/service; and the level of foreign investment in that country.
2. The trading country's governmental structure and stability, and how the government regulates trade and private business.
3. Laws and/or governmental agencies that affect the product/service such as labor laws and trade laws.

**B. Trade Area and Cultural Analysis**

1. Geographic and demographic information; important customs and traditions; other pertinent cultural information; and competitive advantages and disadvantages of the proposed business opportunity.

*(continued)*

❖ **Table 4.2** (Continued)

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**IV. Operation of the Proposed Business****A. Organization**

Type of ownership and rationale; start-up steps to form the business; personnel (or functional) needs; proposed staffing to handle managerial, financial, marketing, legal, production functions; proposed organizational chart; and brief job descriptions.

**B. Product/Service**

1. Product/service details include potential suppliers, manufacturing plans, and inventory policies.
2. Transportation information: costs, benefits, risks of the transportation method, documents needed to transport the product.

**C. Market Entry Strategy****D. Marketing Strategy Plan**

1. Pricing policies: what currency will be used, costs, markups, markdowns, relation to competition, factors that could affect the price of the product such as competition, political conditions, taxes, tariffs, and transportation costs.
2. Promotional program: promotional activities, media availability, costs, and 1-year promotional plan outline.

**V. Financials****A. Projected Income and Expenses**

1. Pro forma income statements for first 3 years operation.
2. Pro forma cash flow statements for first 3 years of operation.
3. Pro forma balance sheet for the end of the first year.
4. A brief narrative description of the planned growth of the business, including financial resources, needs, and a 3-year pro forma income statement.

**B. Sources and Uses of Funds Statement**

1. Country statistics
2. Partner information
3. Relevant laws

**VI. Appendix (Exhibits)**

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**Executive Summary**

The first area, although the shortest, is perhaps the most significant, particularly when the purpose is to secure financing. This area consists of the title page, table of contents, and executive summary. The title page should contain the following information: (1) the name, address, telephone and fax numbers, and e-mail address of the organization; (2) the name and position of the principal individuals in the organization; (3) three to four sentences briefly describing the nature of the organization and the purpose of the business plan; and (4) a statement of confidentiality, such as “This is confidential business plan number 3, which cannot be reproduced without permission.” This statement is important, as each numbered business plan needs to be accounted for by recording the person and organization of the individual receiving it and the date of receipt. When trying to obtain financing, this is particularly essential as follow-up can be scheduled at the appropriate time, which is about 30 days from the

receipt date and then regular 30-day intervals. As one venture capitalist commented, “One way I get a feel for the hunger and drive of the entrepreneur is by waiting to see if he or she initiates follow-up at the appropriate time.”

The table of contents is perhaps the easiest part of the business plan to develop. It should follow the standard format with major sections and appendixes (exhibits) indicated along with the appropriate page numbers.

The final part of the first primary area of the global business plan—the *executive summary*—is the most important, particularly when the purpose of the plan is to secure financing or other resources. The executive summary should be no more than three pages. It is frequently used by upper-level managers, investors, venture capitalists, and bankers to determine if the entire business plan is worth reading and analyzing. The executive summary becomes the screen or hurdle that determines if more detailed attention will be given to the plan. Imagine a typical venture capitalist, who receives more than a hundred 150-page business plans per month. He or she needs to employ some mechanism for screening this large number down to perhaps 10 to 15 for more focused initial attention.

Given its importance, the executive summary should be written last and be written and rewritten until it highlights the organization in a concise and convincing manner, covering the key points in the business plan. The executive summary should emphasize the three most critical areas for the success of the organization. In order of importance, these are the characteristics, capabilities, and experiences of the entrepreneur and management team; the nature and degree of innovativeness of the product or service and its market size and characteristics; and the expected results in terms of sales and profits over the next 3 years.

## Introduction

The second section of the global business plan is the *introduction*, where the focus is on the new global initiative, the product/service to be offered, and the country to be entered. A detailed description of the global initiative provides important information on the size and scope of the opportunity. Besides delineating the mission and purpose of the initiative, an in-depth discussion of the product/service to be offered should be provided. The questions in Table 4.3 will help the global entrepreneur prepare this section.

The introduction also needs to discuss the proposed country, the selection process, existing trade barriers, and sources of information (see Table 4.2). Even though these terms are further developed in later sections of the global business plan, they should be summarized in this introductory section. Some key questions that should be considered by the global entrepreneur concerning the needed environmental and industry analysis in developing this section are provided in Table 4.4.

## Economic, Political, and Legal Aspects of the International Business Opportunity

The third section of the global business plan addresses the *international business opportunity*. Since this important area has been addressed in Chapter 3 (Cultures and International Entrepreneurship) and will be covered in Chapter 7 (Alternative Entry

**❖ Table 4.3** Describing the Venture

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1. What is the mission of the new venture?
  2. What are your reasons for going into business?
  3. Why will you be successful in this venture?
  4. What development work has been completed to date?
  5. What is your product(s) and/or service(s)?
  6. Describe the product(s) and/or service(s), including patent, copyright, or trademark status.
  7. Where will the business be located?
  8. Is the building leased or owned? (State the terms.)
  9. What office equipment will be needed?
  10. Will this equipment be purchased or leased?
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SOURCE: Adapted from Hisrich, R. D., Peters, M. A., & Shepherd, D. A. (2010). *Entrepreneurship* (8th ed.). Burr Ridge, IL: McGraw-Hill/Irwin, p. 206.

**❖ Table 4.4** Issues in Environmental and Industry Analysis

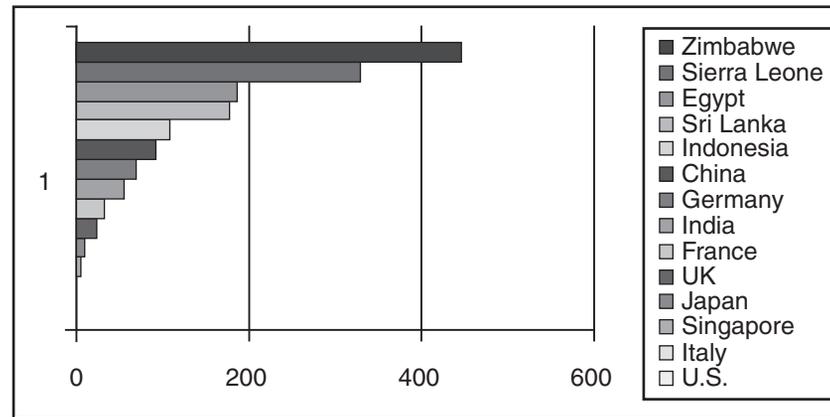
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1. What are the major economic, technological, legal, and political trends on a national and an international level?
  2. What are total industry sales over the past 3 years?
  3. What is anticipated growth in this industry?
  4. How many new firms have entered this industry in the past 3 years?
  5. What new products have been recently introduced in this industry in the last 3 years?
  6. Who are the competitive companies?
  7. What are the competitive products or services?
  8. Are the sales of each of your major competitors growing, declining, or steady?
  9. What are the strengths and weaknesses of each of your competitors?
  10. What trends are occurring in your specific market area?
  11. What is the profile of your customers?
  12. How does your customer profile differ from that of your competition?
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SOURCE: Adapted from Hisrich, R. D., Peters, M. A., & Shepherd, D. A. (2010). *Entrepreneurship* (8th ed.). Burr Ridge, IL: McGraw-Hill/Irwin, p. 205.

Strategies), only an overview will be presented here. Two focus areas should be addressed in this section—the target country’s culture and the overall economic, political, and legal environment of the country. It is important to understand the economic system operating in the country, including the various financial institutions and particularly the banking system. Frequently, especially in developing countries, it can be difficult to get funds transferred in and out of a country. In one country where one of the author’s companies was doing business, currency needed to be hand carried into the country with transactions taking place in cash because the banking system operated very slowly at a very high cost per transaction; funds were not available in a timely manner.

The government structure and its stability as well as the various laws affecting trade and businesses need to be examined. This is particularly important in deciding the best organizational structure, which is discussed in section four of the global business plan

❖ **Figure 4.1** Legally mandated severance costs in select countries (in weeks of pay).

U.S.	0	Germany	69.3
Italy	1.7	China	91.0
Singapore	4.0	Indonesia	108.3
Japan	8.6	Sri Lanka	177.7
UK	22.1	Egypt	186.3
France	31.8	Sierra Leone	328.7
India	55.9	Zimbabwe	446.3

(see Table 4.2). Also, trade and labor laws often affect a country entrance decision as well as the effect of doing business there. McDonald's, when entering Hungary in 1988, needed to get special dispensation from labor law from the Hungarian government (then under control of the Soviet Union) to be able to fire workers who were not performing to its standards. Some countries have very high legally mandated severance costs, making it less desirable to do business there. As is indicated in Figure 4.1, while there are 0 weeks in pay in severance costs legally mandated in the United States, it is 8.6 weeks in Japan, 55.9 weeks in India, 91.0 weeks in China, 186.3 weeks in Egypt, and 446.3 weeks in Zimbabwe. Even though Indonesia should be well positioned to attract manufacturing because of the country's low wages and high productivity, its labor law requiring 108.3 weeks of pay in severance costs is a major deterrent to companies investing in manufacturing facilities there. One factory producing Lee Cooper brand jeans facing a cash-flow problem found it more economical to declare bankruptcy with all its workers losing their jobs rather than downsizing and laying off enough of the 1,500 employees to keep the business going at a lower level of output.

The second part of this section—cultural analysis—is equally important. The customs and traditions of the country need to be analyzed as well as any competitive

products or services available. This will lead the global entrepreneur to identify the competitive advantages and disadvantages of the particular business opportunity.

The fourth section of the global business plan—the operation of the proposed business—is a most significant one. The organization, product/service, market entry strategy, and overall marketing strategy all need to be delineated.

### Organizational Plan

The *organizational plan* is the part of the business plan that describes the venture's form of ownership—such as, proprietorship, partnership, or corporation in the United States. If the venture is a partnership, the terms of the partnership should be included. It is also important to provide an organizational chart indicating the line of authority and the responsibilities of the members of the organization. Some of the key questions the entrepreneur needs to answer in preparing this section of the business plan are

- What is the form of ownership of the organization?
- If a partnership, who are the partners and what are the terms of agreement?
- If incorporated, who are the principal shareholders and how much stock do they own?
- How many shares of voting or nonvoting stock have been issued and what type?
- Who are the members of the board of directors? (Give names, addresses, and resumes.)
- Who has check-signing authority or control?
- Who are the members of the management team and what are their backgrounds?
- What are the roles and responsibilities of each member of the management team?
- What are the salaries, bonuses, or other forms of payment for each member of the management team?

This information provides a clear understanding of who controls the organization and how other members will interact when performing their management functions.

### Product/Service

The *product/service* to be produced and/or offered needs to be succinctly described. For technology-based products, this section should provide information on the nature of the technology, the unique differential advantage the technology has over rivals, and the degree that the technology is protectable by patents, copyrights, or trade secrets.

### Market Entry Strategy

This section of the global business plan describes the *market entry strategy*, the focus of Chapter 7. Suffice it to say here that the various alternative entry strategies need to be carefully considered by the global entrepreneur and the one most appropriate for the country/product/market situation selected. The entry strategy needs to take into account potential suppliers, manufacturing plans, inventory policies, and an operations plan.

## ❖ CULTURAL STORIES

**Story 1**

Two colleagues and I were invited to speak at a conference in Amman. At the conclusion of the program, the host invited us to dinner at a beautiful Lebanese restaurant. An extensive English-language menu was brought out from which we were to make our food selections. As I thumbed through the pages, I noticed that the desserts preceded the entrees in the menu, and being naturally curious about the culture, I asked if eating dessert before the main meal was traditional practice in Lebanon.

Everyone laughed, naturally, since it is well known that Arabic is read in the opposite direction than English. The host kindly jumped in and selected a wonderful variety of dishes for us, and we ended up having a delightful evening.

**Story 2**

Twenty-five years ago when my family first moved to the United States from Poland,

my mom heard it was popular for kids to celebrate their birthdays at McDonalds, and decided that's where she would have my third birthday party.

She picked up the phone book, looked up "McDonald," selected a location that was closest to our house, and called the number. When a woman answered the phone, my mom informed her, "I would like to have my daughter's birthday party at your place." The woman finally understood what was going on and responded, "I would love to host a birthday party here, but my house is just too small."

It turns out that my mom, not realizing the difference between the white pages and the yellow pages, had attempted to schedule a party at someone's house with the last name of McDonald rather than the fast-food chain!

SOURCE: <http://www.culturalconfusions.com> (Story 1 by Gina Frazier; Story 2 by Anetta Hunek).

**Operations Plan**

The *operations plan* goes beyond the manufacturing process (when the new venture involves manufacturing) and describes the flow of goods and services from production to the customer. It might include inventory or storage of manufactured products, shipping, inventory control procedures, and customer support services. A nonmanufacturer such as a retailer or service provider would also need this section in the business plan to explain the chronological steps in completing a business transaction. For example, an Internet retail sports clothing operation would need to describe how and where the products offered would be purchased, how they would be stored, how the inventory would be managed, how products would be shipped, and how a customer would log on and complete a transaction. In addition, this would be a

convenient place for the entrepreneur to discuss the role of technology in the business transaction process. For any Internet retail operation, some explanation of the technology requirements needed to efficiently and profitably complete a successful business transaction should be included in this section.

It is important to note here that the major distinction between services and manufactured goods is that services involve intangible performances. This implies that they cannot be touched, seen, tasted, heard, or felt in the same manner as manufactured products. Airlines, hotels, car rental agencies, theaters, and hospitals, to name a few, rely on business delivery or quality of service. For these firms, performance often depends on location, facility layout, and personnel, which can in turn affect service quality (including such factors as reliability, responsiveness, and assurance). The process of delivering this quality of service is what distinguishes one new service venture from another and thus needs to be the focus of its operations plan. Some key questions or issues for both the manufacturing and nonmanufacturing new venture include

- Will you be responsible for all or part of the manufacturing operation?
- If some manufacturing is subcontracted, who will be the subcontractors? (Give names and addresses.)
- Why were these subcontractors selected?
- What are the costs of the subcontracted manufacturing? (Include copies of any written contracts.)
- What will be the layout of the production process? (Illustrate steps if possible.)
- What equipment will be needed immediately for manufacturing?
- What raw materials will be needed for manufacturing?
- Who are the suppliers of new materials and what are the appropriate costs?
- What are the costs of manufacturing the product?
- What are the future capital equipment needs of the venture?

### **Marketing Plan**

The *marketing plan* is an important part of the business plan because it describes how the product(s) or service(s) will be distributed, priced, and promoted. Marketing research evidence to support any of the critical marketing decision strategies, as well as for forecasting sales, should be described in this section. Specific forecasts for product(s) or service(s) are indicated to project the profitability of the venture. Budget and appropriate controls needed for marketing strategy decisions are also needed. Potential investors regard the marketing plan as critical to the success of the new venture. The global entrepreneur should make every effort to prepare as comprehensive and detailed a plan as possible so that investors can be clear as to what the goals of the venture are and what strategies are to be implemented to effectively achieve these goals. Marketing planning will be an annual requirement (with careful monitoring and changes made on a weekly or monthly basis) for the entrepreneur and should be regarded as the road map for short-term decision making.

## Financials

The final area of the global business plan covers the financials. Like the other aspects, the *financials* are an important part of the plan. They determine the potential investment commitment needed for the new venture and indicate whether the business plan is economically feasible.

Generally, three financial areas are discussed in this section of the business plan. First, the global entrepreneur should summarize the forecasted sales and the appropriate expenses for at least the first 3 years, with the first year's projections provided monthly. It includes the forecasted sales, cost of goods sold, and the general and administrative expenses. Net profit after taxes can then be projected by estimating income taxes.

The second major area of financial information needed is cash flow figures for 3 years, with the first year's projections provided monthly. Since bills have to be paid at different times of the year, it is important to determine the demands on cash on a monthly basis, especially in the first year. Remember that sales may be irregular and receipts from customers also may be spread out, thus necessitating the borrowing of short-term capital to meet fixed expenses, such as salaries and utilities.

The last financial item needed in this section of the business plan is the projected balance sheet. This shows the financial condition of the business at a specific time. It summarizes the assets of a business, its liabilities (what is owed), the investment of the entrepreneur and any partners, and retained earnings (or cumulative losses). Any assumptions considered for the balance sheet or any other item in the financial plan should be listed for the benefit of the potential investor.

## Appendix (Exhibits)

The *appendix* of the business plan generally contains any backup material that is not necessary in the text of the document. Reference to any of the documents in the appendix should be made in the plan itself. Letters from customers, distributors, or subcontractors are examples of information that should be included in the appendix. Any documentation of information—that is, secondary data or primary research data used to support plan decisions—should also be included. Leases, contracts, or any other types of agreements that have been initiated also may be included in the appendix. Finally, price lists from suppliers and competitors may be added.

## Do's and Don'ts of the Global Business Plan

The global business plan needs to carefully articulate all aspects of the global venture. Some of the do's and don'ts of preparing this important document are listed in Table 4.5. Two do's focus on the all-important executive summary—write it last and make sure it is a powerful statement focused on the recipient and objectives of the global business plan. The market entry strategy, marketing plan, and obtaining market research data are also important.

❖ **Table 4.5** Do's and Don'ts of a Global Business Plan

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Do:	Don't:
<ul style="list-style-type: none"><li>• Write the executive summary last and revise it until it is a succinct and powerful statement of you, your company, and its goals.</li><li>• Tailor the executive summary to each recipient of the business plan.</li><li>• Include a dated and numbered statement of confidentiality to create a proper follow-up schedule.</li><li>• Include information about the potential economic, legal, and political hurdles your company may face in a foreign market.</li><li>• Clearly delineate the ownership of the company and its organizational structure.</li><li>• Present multiple market entry strategies and assess each proposed strategy.</li><li>• Describe in full the operations plan, including costs, from manufacturing or acquiring inventory to sales and shipment.</li><li>• Strengthen your marketing plan by referring to in-depth market research.</li><li>• Provide detailed sales and expense forecasts as well as projected cash flows and a balance sheet.</li></ul>	<ul style="list-style-type: none"><li>• Write the executive summary first and make minimal revisions.</li><li>• Treat the business plan as a one-time report instead of a living document that should be constantly reviewed and updated.</li><li>• Skip any of the sections of the business plan.</li><li>• Use outdated data and figures when creating the operations plan and the financial projections.</li><li>• Ignore market research when defining your market plan.</li><li>• Limit your company to only one form of market entry strategy.</li><li>• Hastily prepare the sales and expense forecasts, and other financial data.</li><li>• Be the only editor of the business plan.</li></ul>

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## Sample Global Business Plan

A sample global business plan created by a student, Joseph Naaman, for his company, Maktabi, can be found starting on page 373.

## Summary

This chapter takes an entrepreneur through the important process of creating a business plan, which is integral in strategically managing an organization. Business plans are used by global entrepreneurs to examine the internal and external factors that affect a company's decision to go global. A well-developed global business plan provides guidance in decision making and organizing the international direction of the company; indicates the viability of an organization in the designated global market(s); and serves as the vehicle for obtaining financing. Each section of the business plan is described, including each section's necessary content. The primary sections of the

business plan are the executive summary; introduction; political, legal, and economic aspects of the new opportunity; organizational plan; product/service; market entry strategy; operations plan; marketing plan; financials; and appendix.

## Questions for Discussion

1. What role does a business plan play for a global entrepreneur?
2. What are the key sections of the plan?
3. What additional information is needed for a global plan that would not be needed for a strictly domestic business?

## Chapter Exercises

1. Create a table containing each section of the business plan, its primary audience, and its primary function and importance.
2. Explain the role of the financial section of the business plan, including where the information comes from, who the primary audience is, and what internal planning function this section serves.
3. Suppose you are an American donut company that has decided to launch a donut bakery and cafe in Shanghai, China. The company grosses US\$25 million per year from donut and café sales, US\$5 million of which is attributed to its bakery-café in Australia and New Zealand. Create an executive summary to convince a Chinese venture capitalist to invest in this project.
4. Consider your own business or business idea and outline a business plan for it. Identify which areas of the business plan will need more research, brainstorming, and calculations and what steps are needed to address these areas.

## References

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- Taylor, M. (2006, May 27). Healthy living to be made out of wellness: Investors will only be interested if you have a business plan with significant room for growth. *South China Morning Post*, p. 8.
- TOMS. (2011, June 8). *TOMS company overview*. Retrieved from <http://www.toms.com/corporate-info/>

## Suggested Readings

**Fried, J., & Hansson, D. H. (2010). *Rework*. New York: Crown Business.**

Told from the perspective of successful entrepreneurs Jason Fried and David Heinemeier Hansson, this book delves into the world of entrepreneurship from a nontraditional yet successful point of view. Based on their own experience launching and managing a software company that specializes in web-based productivity software, the authors describe their own unique methods of running a business while maintaining work–life balance and staying true

to themselves. In a manifesto-like style, the authors give simple tips and suggestions on how to survive in the competitive environment of the 21st century with innovative but provocative ideas.

**Gruber, M. (2007, November). Uncovering the value of planning in new venture creation: A process and contingency perspective. *Journal of Business Venturing*, 22(6), 782.**

This article describes how the different founding environments affect the planning process, regimes and new ventures. Select planning activities and swift planning are recommended for entrepreneurs in highly dynamic environments, while a broader approach to planning is better in slower environments. The author's findings overall suggest entrepreneurs should use a flexible, tool kit approach to venture planning.

**Jordan, R. (2010). *How they did it: Billion dollar insights from the heart of America*. Northbrook, IL: RedFlash Press.**

This book is a compilation of 45 stories told by some of the most successful entrepreneurs in the United States. These real-life stories not only inspire entrepreneurial spirit but also give great tips and ideas about how to grow a one-person operation into a multimillion-dollar for-profit company. In a kind of history lesson of contemporary entrepreneurship, author Robert Jordan allows readers to learn from the mistakes and achievements of those who have made it, and to share their secrets with budding entrepreneurs.