

# Developing the Global Business Plan

## Profile: Aentropico

As companies both large and small become able to collect more information about their customers, people seem to become overwhelmed with the amount of data available. Many different departments within one company collect data not only about their current customers but also about their past and potential future customers. Then there are also outside organizations that collect data simply so others do not necessarily have to. Technology has become so advanced in recent years that companies must now deal with a mountain of data and are often unsure how to actually acquire the answer to a specific question or concern. The Latin American company Aentropico was founded to provide global businesses with the opportunity to tackle the issue of big data: The company was established to “turn messy data into crisp decisions.”

Aentropico was founded by Sebastián Pérez Saaibi (CEO) and Juan Pablo Marín Díaz (CIO) in Colombia in February 2012. Although some large corporations are already in possession of and making use of the solutions provided, this company aimed to offer applications to sort through big data to any other company that could benefit from it. The company has developed various DataApps, which transform vast amounts of data into valuable insights for decision makers. This data transformation has the ability to save managers time and provide them with an easy and user friendly way to utilize any data they have available. In essence, this firm’s mission is to be a new player in this fast-growing market, which is also becoming highly competitive very fast, by democratizing “access to high quality predictive analytics for decision makers.” Its objective is to become the “top Predictive Analytics platform in Latin America” within only three years.

Selected as one of twelve “Latin American startups to look out for in 2014,” the firm was initially backed by Fundación Bavaria and INNPulsa, and received start-up capital from Start-Up Chile and Argentina’s NXP Labs. The company has also taken part in 21212’s acceleration program in Rio de Janeiro. “In addition, Aentropico’s founders received support from Boston-based accelerator, MassChallenge, and Massachusetts-based open innovation company, Innocentive.” Still a very young company, Aentropico has set several aggressive growth objectives and could perhaps become one of the top Latin American companies to keep an eye on. The

team definitely seems to have the motivation and passion to move their company forward. Breaking through in this highly competitive industry will certainly prove challenging, though. The quality of Aentropico's global business plan will be likely to determine whether this company can achieve its aggressive short-term goals.

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SOURCES: Aentropico [website]. (n.d.). Retrieved February 11, 2015, from <http://www.aentropi.com>

Heim, A. (2013, December 28). 12 Latin American startups to look out for in 2014. Retrieved April 26, 2014, from <http://thenextweb.com/la/2013/12/28/12-latin-american-startups-look-2014/>.



## 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 the direction for each department or organizational function of the company
3. To be able to create a global business plan from the outline and sample provided

## Introduction

In today's highly competitive business environment, there is perhaps nothing more important than developing a business plan. In any organization, there are many different types of plans, such as financial, human resource, marketing, production, and sales. 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 assessment plan. Then the purpose and aspects of a global business plan will be discussed. The chapter will conclude with a discussion of the do's and don'ts of a plan.

## Opportunity Assessment Plan

Every innovative idea and opportunity needs to be carefully assessed by the global entrepreneur. A good way to do this is by developing an opportunity assessment plan. An opportunity assessment 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 statements of the business venture. The opportunity assessment plan is developed to serve as the basis for the decision to either act on the opportunity or wait until another, better opportunity comes along. A typical opportunity assessment 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 assessment plan: the idea itself and the competition. The product or service first 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 of the most competitive products/services that are most similar in filling the same identified market need. This analysis will result in a description of how the new 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 needs to more carefully examine whether the idea is really unique enough to compete and be successful in the market. The competitive products/services available can be found through the use of the counting system of the country used to determine the country's gross domestic product (GDP). This is the North American Industry Classification System (NAICS) country code system for the United States, the Standard Industrial Classification (SIC) for Korea, and a different SIC system for China.

### **The Market and the Opportunity**

The second section of the opportunity assessment plan addresses the size and the characteristics of the market. Market data should be collected for at least the past three 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 by 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.

In the consumer market, data on one of the three most widely used consumer demographic variables—age, income, or gender—for the geographic area should be collected for the last three years.

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 assessment 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 the personal background, experience, and skills of the entrepreneurial team? This section of the opportunity assessment plan is usually shorter than the previous two sections and allows the entrepreneur to determine if indeed he or she is really excited and suited to successfully move the idea into the market.

### **The Next Steps**

This final section of the opportunity assessment 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 needed for each step by about 30%.

Some questions to answer when developing an opportunity assessment plan are listed in Table 6.1.

### **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 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

**Table 6.1** Questions for the Development of an Opportunity Assessment Plan

| <b>Description of the Product or Service Idea and Competition</b>  |
|--|
| <ul style="list-style-type: none"> <li>• What is the market need for the product/service?</li> <li>• What are the specific aspects of the product/service (including any copyright, patent, or trademark information)?</li> <li>• What competitive products are already available and filling this need?</li> <li>• What are the competitive companies in this product market space? Describe their competitive behavior.</li> <li>• What are the strengths and weaknesses of each of your competitors?</li> <li>• What is the country code(s) for this product/service?</li> <li>• What are the unique selling propositions of this product or service?</li> <li>• What patents might be available to fulfill this need?</li> <li>• What are total industry sales in this country code category for the past five years?</li> <li>• What is anticipated growth in this industry?</li> <li>• What, if any, new products have been recently introduced in this industry?</li> </ul> |
| <b>An Assessment of the Market</b>   |
| <ul style="list-style-type: none"> <li>• What market need does the product/service fill?</li> <li>• What are the size and past trends over the last three years of this market?</li> <li>• What are the future growth prospects and characteristics of this market?</li> <li>• What does the international market look like?</li> <li>• What is the profile of your typical customers?</li> </ul>  |
| <b>Entrepreneurial Self-Assessment and the Entrepreneurial Team</b>  |
| <ul style="list-style-type: none"> <li>• Why does this opportunity excite you?</li> <li>• What are your reasons for going into this business?</li> <li>• Will this opportunity sustain you once the initial excitement subsides?</li> <li>• How does this opportunity fit into your background, experience, and skills?</li> <li>• What experience will you need to successfully implement the business plan?</li> <li>• What are the skills, experiences, and backgrounds of other members of your team?</li> </ul>   |
| <b>Next Steps for Translating This Opportunity Into a Viable Venture</b>   |
| <ul style="list-style-type: none"> <li>• What are the critical steps to go forward?</li> <li>• What is the sequence of activities (steps) to launch the venture?</li> <li>• What is the amount of time and the amount of money needed at each step?</li> <li>• Where will the money needed come from?</li> </ul>   |

and concerns of advisers, bankers, consultants, customers, employees, investors, and venture capitalists. It can also serve such purposes as to obtain financial resources, 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 global 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 6.2, the global business plan can be divided into several areas, each of which has several sections.

**Table 6.2** Outline of an International Business Plan

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|--|
| <p><b>I. Title Page, Table of Contents, and Executive Summary</b></p> <ul style="list-style-type: none"> <li>• Three-page description of the project</li> </ul>  |
| <p><b>II. Introduction</b></p> <ul style="list-style-type: none"> <li>• 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</li> </ul>   |
| <p><b>III. Analysis of the International Business Opportunity</b></p> <p>A. Economic, Political, and Legal Analysis of the Trading Country</p> <ol style="list-style-type: none"> <li>1. The trading country's economic system, economic information important to the proposed product/service, and the level of foreign investment in that country</li> <li>2. The trading country's governmental structure and stability and how the government regulates trade and private business</li> <li>3. Laws and/or governmental agencies that affect the product/service, such as labor laws and trade laws</li> </ol> |

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|---|
| <p>B. Trade Area and Cultural Analysis</p> <ol style="list-style-type: none"> <li>1. Geographic and demographic information, important customs and traditions, other pertinent cultural information, and competitive advantages and disadvantages of the proposed business opportunity</li> </ol>   |
| <p><b>IV. Operation of the Proposed Business</b></p> <p>A. Organization</p> <ul style="list-style-type: none"> <li>• Type of ownership and rationale; start-up steps to form the business; personnel (or functional) needs; proposed staffing to handle managerial, financial, marketing, legal, and production functions; proposed organizational chart; and brief job descriptions</li> </ul> <p>B. Product/Service</p> <ol style="list-style-type: none"> <li>1. Product/service details include potential suppliers, manufacturing plans, and inventory policies</li> <li>2. Transportation information: costs, benefits, risks of the transportation method, documents needed to transport the product</li> </ol> <p>C. Market Entry Strategy</p> <p>D. Marketing Strategy Plan</p> <ol style="list-style-type: none"> <li>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</li> <li>2. Promotional program: promotional activities, media availability, costs, and a one-year promotional plan outline</li> </ol> |
| <p><b>V. Financials</b></p> <p>A. Projected Income and Expenses</p> <ol style="list-style-type: none"> <li>1. Pro forma income statements for first three years operation</li> <li>2. Pro forma cash flow statements for first three years of operation</li> <li>3. Pro forma balance sheet for the end of the first year</li> </ol> <p>B. Sources and Uses of Funds Statement</p> <ol style="list-style-type: none"> <li>1. Country statistics</li> <li>2. Partner information</li> <li>3. Relevant laws</li> </ol>  |
| <p><b>VI. Appendix (Exhibits)</b></p>   |

## 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 in 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 this 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 whether 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 plans 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 five 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 6.3 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 (This is discussed in Chapter 5). 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 6.4.



**Table 6.3** Describing the Venture

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?

SOURCE: Adapted from Hisrich, R. D., Peters, M. A., & Shepherd, D. A. (2013). *Entrepreneurship* (9th ed., p. 198). Burr Ridge, IL: McGraw-Hill/Irwin.

**Table 6.4** Issues for Environmental and Industry Analysis

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 five years?
3. What is anticipated growth in this industry?
4. How many new firms have entered this industry in the past three years?
5. What new products have been recently introduced in this industry in the last three years?
6. Who are the competitive companies?
7. What are the competitive products/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?

SOURCE: Adapted from Hisrich, R. D., Peters, M. A., & Shepherd, D. A. (2013). *Entrepreneurship* (9th ed., p. 197). Burr Ridge, IL: McGraw-Hill/Irwin.

### **Analysis of the International Business Opportunity**

The third section of the global business plan addresses the international business opportunity. Since this area, to some extent, has been addressed in Chapter 3 (Cultures and International Entrepreneurship) and will be covered in Chapter 8 (Alternative Entry 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 (see Table 6.2). 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 6.1, while there are 0 weeks in pay in severance costs legally mandated in the United States, labor laws require 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.

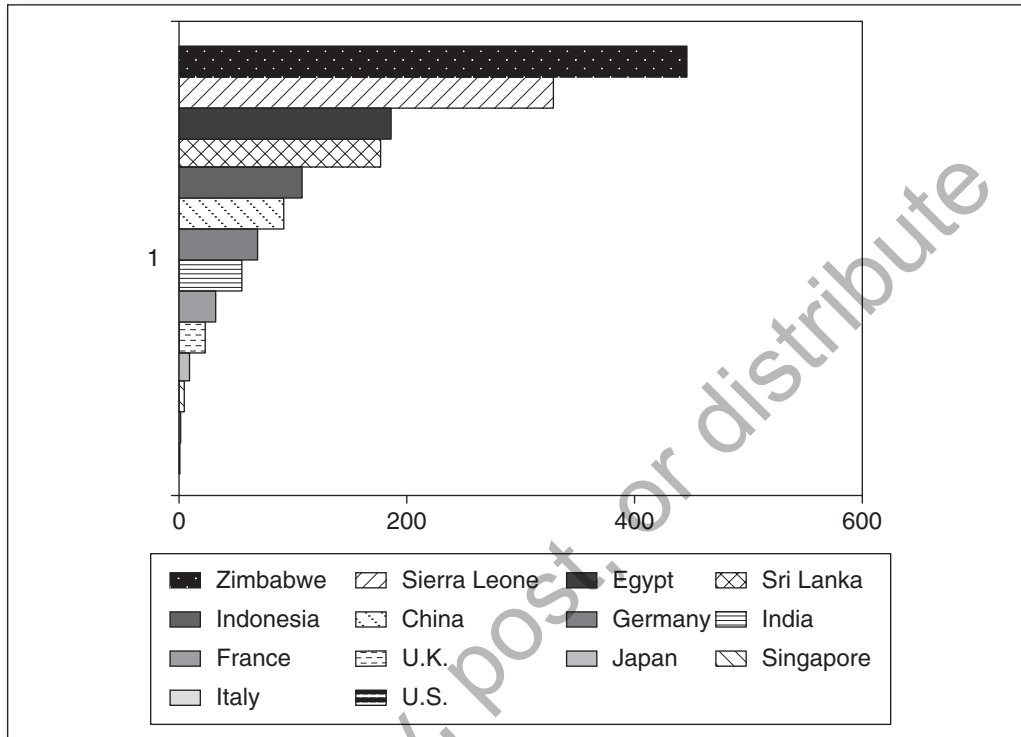
The second part of this section—cultural analysis—is equally important. The customs and traditions of the country need to be analyzed as well as any competitive products or services available. This will lead the global entrepreneur to identify the competitive advantages and disadvantages of the particular 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.

### **Operation of the Proposed Business**

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

**Figure 6.1** Legally Mandated Severance Costs in Select Countries (in Weeks of Pay)



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 listed below:

- 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?
- 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 will run and manage the organization and how other members will interact when performing their management functions.

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.

This section of the global business plan also describes the market entry strategy, the focus of Chapter 8. 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.

The operations of the proposed business section of the business 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

## 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!

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SOURCES: Frazier, G. (2011, April 12). Eating dessert in Lebanon. Retrieved January 24, 2015, from <http://culturalconfusions.com/2011/04/12/eating-dessert-in-lebanon/>

Hunek, A. (2011, March 7). McDonalds. Retrieved January 24, 2015, from <http://culturalconfusions.com/2011/03/07/mcdonalds/>

storage of manufactured products, shipping, inventory control procedures, and customer support services. A non-manufacturer 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 the following:

- Will you be responsible for all or part of the manufacturing operation?
- If some or all of the manufacturing is outsourced, who will do this?
- What are the costs of manufacturing?
- What will be the layout of the production process?
- 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?

### **Market Entry Strategy**

The market entry strategy is such an important part of the business plan that it is covered in a separate chapter (Chapter 8).

### **Marketing Strategy Plan**

The marketing strategy plan is an important part of the business plan because it describes how the product(s)/service(s) will be distributed, priced, and promoted. Data supporting any of the critical marketing decision strategies, as well as for forecasting sales, should be described in this section. Specific forecasts for product(s)/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 strategy plan as critical to the success of the new venture. The global entrepreneur should prepare a comprehensive, detailed plan so that investors can be clear as to the sales, revenue, and profit goals of the venture and the marketing strategies 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, and will provide 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 the first next five 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 five 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.

Next is the projected balance sheet, which 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.

Finally, there is the sources and uses of funds statement, which indicates the amount of money needed to run the business and how it will be spent.

## **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 6.5. 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 market research data are also important.

**Table 6.5** Do's and Don'ts of a Global Business Plan

| 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> |

## Sample Global Business Plan

A sample global business plan created by a student, Joseph Naaman, for his company, Maktabi, can be found at [study.sagepub.com/hisrich3e](http://study.sagepub.com/hisrich3e).

## 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; operational 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 café in Shanghai, China. The company grosses \$25 million per year from donut and café sales, \$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.

## SUGGESTED READINGS

- Baum, M., Schwens, C., & Kabst, R. (2013). International as opposed to domestic new venturing: The moderating role of perceived barriers to internationalization. *International Small Business Journal*, 31(5), 536–562. *Business Source Complete*. Web. 29 Oct. 2013.
- The article contrasts founder-based and firm-based determinants of domestic and international entrepreneurship. It further analyzes historical events in a sample of technology companies to show how perceived financial constraints influence a firm's growth orientation.
- Casillas, J. C., Moreno, A. M., & Acedo, F. J. (2010). Internationalization of family businesses: A theoretical model based on international entrepreneurship perspective. *Global Management Journal*, 2(2), 16–33. *Business Source Complete*. Web. 29 Oct. 2013.
- The authors develop a new model to understand internationalization of family businesses. By comparing six multinational family businesses over their lifetime, the study identifies knowledge and family commitment as key determinants of global entrepreneurship for these types of firms. The model also includes a number of other external and internal contingent variables.
- Etemad, H., Wilkinson, I., & Paul, D. L. (2010). Internetization as the necessary condition for internationalization in the newly emerging economy. *Journal of International Entrepreneurship*, 8(4), 319–342. *Business Source Complete*. Web. 29 Oct. 2013.
- This article focuses on the role the Internet has played in creating a global market. It argues that “Internetization” has become necessary for internationalization of a firm. It explains the challenge of integrating a firm's Internet strategy with its international strategy.
- Ignatius, A. (2013). Strategy for a world in flux. *Harvard Business Review*, 91(6), 12.
- This article introduces the June 2013 edition of the *Harvard Business Review*, which focuses on business strategy in the global economy. It describes how entrepreneurs can create a competitive advantage in a global environment as well as strategies for corporate growth.