

## **Six Points: A Plan for Success**

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*We have struggled with the traditional business plan format and purpose for the last many years as academicians, consultants, and practitioners. The introduction of the business model canvas by Alex Osterwalder several years ago sent a shock wave through the entrepreneurial ecosystem and caused many to reconsider the role and need of the business plan. We submit that the business plan is a necessary component in the flow of idea to venture execution; just not in the cumbersome format that has made writing a business plan into an onerous task. We propose that the purpose of a business plan can be served and even enhanced with a concise depiction of critical elements that compose a successful venture. We offer a format for the business planning process that we term “The Six Point Business Plan”. Our business plan format offers the entrepreneur a means of exploring and elaborating on the nine areas developed using the business model canvas but avoids being a cumbersome chore. The Six Point Business Plan offers a dynamic means to present the essentials of the venture in the form of idea, resources, and execution.*

### **INTRODUCTION**

Josephine, a typical entrepreneur, looks up from the keyboard in frustration; really, is all this effort worth it she asks? She has been laboring on a business plan, the format given to her by advocates of entrepreneurship development, for the last three months. She anticipates using the business plan to obtain funding for her business idea. However, as the hours and days slipped by while she was lost in spreadsheets and developing data to support the various assumptions in her plan, and being worried about structure and grammar she finds her excitement and enthusiasm waning; the probability of concept death by paper-work increases with each passing day.

The ubiquitous business plan has been around for many years and has become an accepted and expected part of the entrepreneurial journey. We ask; is the traditional business plan exercise necessary; and does it really add value relative to the time and effort required to complete the plan properly. The business plan, as developed and presented historically, has not kept pace with the entrepreneurship scene and has become a drag that reduces the enthusiasm and drive of entrepreneurs. We suggest a new form of business plan that captures the excitement of the proposed endeavor and enables the entrepreneur to maintain momentum while developing a vehicle to communicate the business idea to potential stakeholders.

## LITERATURE REVIEW

The extant literature is rich with discussions of the business plan format. We are not attacking nor defending the need for or use of business plans; we propose a new type of plan that takes advantage of new ideas in business idea development. Becherer and Helms (2009) validate the use of business plans as tools to enable an entrepreneur to develop a business that will ultimately result in a successful endeavor. Their research examined the relationship of the entrepreneur to the business plan. Allred and Addams (2006) indicate that after business inception the most valuable elements of the business plan to executives are the executive summary and the financial forecasts. An examination of rapid decision-making and venture capitalists relative to funding entrepreneurial ventures finds a weak association between business planning documents and the information required by venture capitalists to make a go/no go decision on an investment opportunity. In many cases it was found that the venture capitalists obtain required information from sources other than a business plan (Kirsch, Goldfarb, & Gera, 2009). Botha & Robertson (2014) provide empirical support to the notion that a detailed business plan is necessary to and facilitates the development of an entrepreneurial idea. Perry (2001) supports the contention that “failing to plan is planning to fail” in his research into failed firms. He opines that small businesses, firms with fewer than 500 employees, engage in little to no planning. He further says that non-failed firms appear to engage in at least some planning. Perry (2001) defined a failed business as one that suffered bankruptcy with losses to creditors.

The rapidity of change and the demands of a globalized business environment on business planning are reflected in the work of Viltard (2015) in which he proposes that Learning Plans will take the place of traditional business plans. The value of business plan development as a summative assignment in entrepreneurship courses is supported by Zimmerman (2012); however, Karlsson & Honig (2009) examined a small sample of successful firms and concluded that business plans provided little to no lasting value to firms. The value of business planning; not necessarily manifested in a formal business plan is examined by Delmar & Scott (2003). They found that entrepreneurs benefit from the exercise of business planning but caution that the development of a business plan is not sufficient to guarantee business success. Following the thread that a detailed business plan is not the end all of entrepreneurial activity Mullins & Komisar (2010) discuss the importance of not assuming a detailed and completed business plan is optimal for business success. They stress that entrepreneurship is often a journey to plan B and suggest that adaptability and fluidity trump rigidly following an original plan.

The Six Points relies heavily on the realization of a fluid business model. Fiel (2013) identifies the Business Model Canvas (Osterwalder & Pigneur, 2013) as used widely and being well known. An uncertain and quickly evolving global business environment necessitates a tool that can be used to experiment with different designs is discussed by Wrigley, Bucolo, and Straker (2016). The need of firms to ponder the causes and continuation of their existence is critical to the firm’s success according to Slavic and Bednar (2014). They say that in-depth development and examination of a business model is a strategic initiative that must be accomplished first. Ghezzi (2014) fears that the continuing and growing popularity of the business model tools is being had at the expense of strategic planning. They suggest that the business model tool be used throughout the strategic planning process.

The end result of many business plans is a pitch to investors; interestingly, Boni (2012) advocates developing a pitch first. According to him, a well-designed pitch will lend itself to writing the prose needed to produce a first-rate business plan. Our six-point model finds alignment with him; however, we envision our model as being more than a pitch.

## ORIGINS

What is true for many good ideas is also true for the six-point model; serendipity had a great deal to do with its initial development. Serving as a consultant for several years and then as the Director of the Small Business Development Center at Austin Peay State University had provided me with a thorough indoctrination of what a business plan was, how it was developed, and what its uses were. This image of

the business plan was carried with me through my graduate program and for the majority of my academic career.

Our college had finally approved the implementation of an entrepreneurship minor. Our first cohort was small but had some interesting ideas; much better than the typical bar that one finds undergraduates' eager to write a business plan about. One young student had a fashion idea that did catch everyone's imagination and did seem worthy of the effort to develop it. The first step, of course, was to develop and write a business plan. Our young student was provided with the tried and true business plan format and told that we expected a first draft within a month. The format used can be seen in Table 1.

**TABLE 1**  
**TRADITIONAL FORMAT FOR A BUSINESS PLAN, "THE BUSINESS BUILDER"**

<p>I. The Business:</p> <ul style="list-style-type: none"> <li>a. Business Name</li> <li>b. Ownership model</li> </ul>	<p>IV. Market Analysis:</p> <ul style="list-style-type: none"> <li>a. Customer definition and demographics <ul style="list-style-type: none"> <li>1. Industry trends:</li> <li>2. National/global</li> <li>3. Regional</li> <li>4. Local</li> </ul> </li> <li>b. Psychographics</li> <li>c. Sales projection</li> <li>d. Products/Services</li> <li>e. Competitive analysis</li> <li>f. Marketing strategy:</li> <li>g. Pricing policy</li> <li>h. Promotion plan</li> <li>i. Sales plan</li> </ul>
<p>II. The Owners:</p> <ul style="list-style-type: none"> <li>a. Names of owners</li> <li>b. Percentage of ownership</li> <li>c. Resume</li> <li>d. Area of responsibility</li> </ul>	<p>V. Financial:</p> <ul style="list-style-type: none"> <li>a. Equipment/inventory requirements</li> <li>b. Breakeven analysis</li> <li>c. Sensitivity analysis</li> <li>d. Funding plan</li> <li>e. Financial statement discussion</li> </ul>
<p>III. About the Business:</p> <ul style="list-style-type: none"> <li>a. Type of business</li> <li>b. Business objectives</li> <li>c. Business or industry history</li> <li>d. Operational/office hours</li> <li>e. Legal</li> <li>f. Future plans</li> </ul>	<p>VI. Financial Statements:</p> <ul style="list-style-type: none"> <li>a. Source and use of funds statement</li> <li>b. Income statement (3 years)</li> <li>c. Balance sheet (3 years)</li> <li>d. Cash flow statement (3 years)</li> </ul>

We are sure that the young student felt as if she had been given a Sisyphean task worthy of any god's ire. Did a day of the semester go by without several questions, a gnashing of teeth, and a wail of despair from our student; of course, the answer is no. The student found herself in a whirlpool of paperwork and fatuous financial projections. An idea was dying the death of one thousand knives. How had this come to be?

The old plans had their day; as entrepreneurship came to be recognized as a valid branch of business and the importance of emerging firms came to be recognized lenders and venture capitalists felt the need for documentation to support their opinions of the entrepreneur, be they negative or positive. The natural development was to pull practices used by larger corporations; hence, the detailed business plans that came to be accepted and then required. This is not to say that these plan formats were totally bad; they had good points such as requiring the entrepreneur to become familiar with areas of the business that they had not thought about as the idea was developed and a prototype built. Many entrepreneurs, in their excitement, ignored aspects of business that would come back to haunt after the business was established; the in-depth plan sometimes alerted the entrepreneur to such traps.

Too many times however, the in-depth formats required a depth of knowledge and research that most entrepreneurs were ill equipped to provide. Shortcuts were taken and projections were based on guesses, none of which enabled the entrepreneur to understand her business better.

Improvements in word processing and other technologies moved the business plan from the purview of pencil and paper to computer programs. Soon plug and play business plan programs were available and became popular with many aspiring entrepreneurs; much to their detriment. Much of the software that would develop the business plan for the entrepreneur merely required that the entrepreneur answer a few questions; than a completed business plan was printed. This divorced the aspiring entrepreneur from the planning process and enabled the evolution of the business plan into a troublesome several pieces of paper required by bureaucrats. The business plans were being produced by consultants or by software and were not serving as a planning or exploring tool for the entrepreneur.

## **THE SEA CHANGE**

Osterwalder and Pigneur (2010) published a book that changed the way many viewed the business plan. This book introduced the business model canvas; an interesting way to analyze and discuss a business; be it conceptual or existing. The business model canvass has gained acceptance and is used by schools, consultants, and entrepreneurs to develop new and change existing business models. We have been using the business model canvas for several years and have found it to be quite helpful in identifying the critical components of a business and how they interact with each other. In fact, we have noticed a better comprehension of how a business interacts within its own system when students use the business model canvas to describe a business. Neck, Neck, & Murray (2017) have included a chapter using the business model canvas in their recent entrepreneurship text. We found ourselves using the business model canvas when discussing the dynamics of business and relying less on business plan formats. However, even with our newfound enthusiasm for the business model canvas we continued requiring entrepreneurship students to develop formal business plans if they desired to take their idea to the next level.

## **THE REVELATION**

The first cohort of our newly established entrepreneurship minor provided the catalyst for change. A promising student had risen to the challenge and was ready for our Venturing course; her idea was viable and had potential. She was excited and ready to take on the challenge of development. The student was provided the traditional business plan template (see Table 1) and instructed to develop a first draft. We waited.

Deadlines were not being met; conversations with the student revealed someone who was lost in the complexity of the business plan and was losing interest and enthusiasm for her business idea. A business plan format that should have been serving as a roadmap or guide for the student was turning into a device to curb her enthusiasm and drown her in minutia. The business plan format was just not working.

## **THE SOLUTION AND A NEW DIRECTION**

The solution lay in simplification; we were sure of that. How to simplify the business plan process and still provide the entrepreneur with an introspective process that would require the tough questions be asked and that would provide stakeholders with the information they needed for an investment decision.

The answer presented itself in the business model canvas format; could we find the essence of a business and develop a means to present it that would satisfy our criteria in those nine components? After continued examination of the business model canvas and discussion of the increasing popularity of short pitches such as the elevator pitch we decided that brief and to the point just might be our solution and a path forward for, not only, our student but also aspiring entrepreneurs everywhere. We examined the business model format and extracted what we deemed the most essential components; these selected components were used to form our new format and are the heart of our six points.

## **THE SIX POINTS**

The essence of our six-point presentation is brevity; but it is brevity with accuracy and relevancy. The document begins with a brief executive summary. We have found that requiring students and aspiring entrepreneurs to summarize the business idea enables reflection on the idea at a fundamental level. Using a rule of 3 we require that the executive summary discuss briefly the business problem being solved, the business solution and how the solution will be executed. We stress to both students and aspiring entrepreneurs that the discipline of space is at work in the executive summary and that it is a critical first look and hook for potential stakeholders. The second point that our new format addresses is that of the problem.

No problem to be solved; no business needed to solve it. We require that our students be able to succinctly explain the problem that they are identifying and its characteristics. Again, using a basic three-point model we ask that they: (1) define the problem, (2) explain the implications of the problem and (3) describe the impacted customer segment. We suggest to the students that if the problem being addressed cannot be describe succinctly they are not conversant with the problem at a level that would enable them to develop a viable business model. At this point two of the six points have been covered and we again stress the discipline of space. The third point in our Six Points is a description of the product and/or service. Here we demand that the solution relationship between the described problem and the solution offered is obvious. Attributes of the product/service that solve the given problem for the target customer segment are stressed. The solution must be clear and easily understood by the reader.

The fourth of the six points is a description of the market that is anticipated for the product or service. We expect the student or aspiring entrepreneur to have researched the market sufficiently to justify the scope of the proposed business or product. We expect basic demographics and information about competitors in this section. The reader should be able to see the need for the product/service and should also perceive that there is a market sufficient to develop a sustainable business model by serving the identified customer segment.

A good idea is worthless without execution. Our next point demonstrates to stakeholders that a team capable of successfully executing the idea and developing a successful business has been established. Here we expect information about the accomplishments of individual team members. The team members should demonstrate a proven track record of success, the ability to transfer a skill set to a new area, and the ability to tell their story. This section must assure potential stakeholders that each team member's contribution is valuable and is based on a past track record of success. In the advent that the business will be the responsibility of one individual we are more adamant that a successful track record be demonstrated.

The last of our six points is titled seed capital. Our entrepreneur demonstrates to the stakeholders a solid understanding of the capital required to get the business started and operating for six months. This section of the six-point plan requires the use of a basic source and use of funds statement. The entrepreneur is not making income projections, cash flow projections or balance sheet projections; instead

she will demonstrate an understanding of cash needed to operate the business for the first six months. She will also demonstrate knowledge of sources of funding for the business and demonstrate her willingness to inject equity into the business. Finally, she will demonstrate awareness of the sales volume to achieve breakeven and become a sustainable enterprise. Table 2 illustrates the Six Point business plan. We opine that nothing of consequence is lost by using a more concise format in that we have isolated those elements of the business model most important for successful execution of the idea.

**TABLE 2**  
**ILLUSTRATION OF NEW FORMAT FOR BUSINESS PLAN, “THE SIX POINTS”**

I. Executive Summary	IV. The Market
II. The Problem	V. The Team
III. The Product or Service	VI. Seed Capital

## DISCUSSION

The Six Point format for business plans was developed to enable a student to focus on the essence of her business idea and model. The student was getting frustrated and lost in a maze of information that wasn't essential to understanding her idea and its potential for success. We wanted the new format to enable her to share the salient aspects of her business model to potential investors and other stakeholders.

The Six Point format was shared with the student and she was able to develop an effective pitch and short document communicating the critical aspects of her entrepreneurial idea to interested stakeholders. Having success with the initial business we adopted the new format for our entrepreneurship minor; reception from students was good and they preferred the Six Points rather than the traditional format that had been used. We opine that use of the Six Point format will nudge students and entrepreneurs into asking tough questions about their business idea rather than spending endless hours gathering and presenting information that does nothing in furthering their concept. We will continue to use the Six Point program both in the classroom and our consultancy.

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