

EVALUATING THE EFFECTIVENESS OF BUSINESS PLAN APPROACH FOR FIRST TIME ENTREPRENEURS Case Study: IBE SBM ITB

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Abstract-This research is a preliminary research into finding out the best approach for first time entrepreneur to start their business. The main objective of this research is to evaluate the effectiveness of business plan approach for first time entrepreneur to reach a desire product/market fit by evaluating the outcome of IBE program. It is important to know if the approach that used in the IBE program can generate product market fit so it can be produce a good business plan and worthy funded. According to result of this research revealed that the approach used in the IBE programs have not been effective to find a product market fit for their business. The result of program evaluation with using CIPP Evaluation Model proves that still a lack of understanding of the market, resulting in strategy and business plan being developed inaccurate and many changes when execution. And at the end of the IBE program, it turns out they are also still not get the products that fit the market, resulting in most of them do not continue the business. So, it necessary to a renewed focus on IBE programs that better understanding of the market, so it can produce more effective business plan that will make it easier to execution and future business progression.

Keywords: Business plan approach, product market fit, program evaluation

Introduction

Up until now, the business plan approach has been formally taught as the gateway to start a business. In fact, it is so popular that many grants and business related competition relies heavily on business plan. Whether plans today are long, short, elaborate or simple, they still contain the same basic elements they always have. Typically, most have an executive summary, a marketing plan, a management team description and financials (income, cash-flow and balance sheet projections). The researcher wants to evaluate the effectiveness of using a business plan approach to develop a business for first time entrepreneur. Therefore, the researcher chose IBE program developed by SBM ITB as the main research subject.

IBE is a two-semester course in SBM ITB where students are divided into a group of 20 people, namely company, for the purpose of creating their own business. In the first semester, each company undergoes the business preparation stage. Usually it starts from idea creation, and then to feasibility study, vendor selection, product development, financial planning and finally pitching to investors, in this case, the bank affiliated with the program. In the second semester, the company is expected to execute their business plan and hurdled into a stage of selling frenzy to reach a certain amount of sales target.

One thing for sure, IBE has been notably successful in driving students to create an innovative product and value-driven business, some of which has hit media coverage. To top it all off, massive amount of sales are generated from each company, presumably 100-200 million rupiah in just 14

weeks. Nonetheless, after 10 years of successfully carrying IBE to where it is now, the main question remains, where are the products now?

Literature Review

Business Plan

Business plan is a detailed study of the organization's activities, which highlights where the organization has been, where it is owe and where it might get to in the future, and incorporates an action program to achieve these result (M.Coulthard, A.Howell,G.Clarke, 1999:3). The business plan is a written document prepared by the entrepreneur that describe all the relevant external and internal elements involved in starting a new venture. It is often an integration of functional plans such as marketing, finance, manufacturing and human resources (Hisrich,Peter, 1995:113).

Based on Business Directory, business plan is a set of documents prepared by a firm's management to summarize its operational and financial objectives for the near future (usually one to three years) and to show how they will be achieved. It serves as a blueprint to guide the firm's policies and strategies, and is continually modified as conditions change and new opportunities and/or threats emerge. The important things that must be considered in making of business plans is implementation details are what make things happen. Your brilliant strategies and beautifully formatted planning documents are just theory unless you assign responsibilities, with dates and budgets, follow up with those responsible, and track results. Business plans are really about getting results and improving your company.

Business Plan Approach

Business plan approach is a series of activities or program are used to develop an idea to become a business plan that is ready to be funded and implemented. On the way of time, the approach has several modifications in order to produce a business plan that is more accurate and reliable. In the traditional business approach, a business plan created by visibility study on their initial idea and then they begin to develop a business plan in accordance with the expected results. Contrary to this traditional approach, modern day startup follows a different model. The new approach states that a typical "company-building business plan" is to be made only when a product has fit the market, or what is called a product/market fit. So before they make business plan they expect, they first doing a market tests to find products that match market demand. Or more known as "Go to market".

Product Market Fit (PMF)

Marc Andreessen was the first person that used the term: "Product/market fit means being in a good market with a product that can satisfy that market" Many people interpret product/market fit as creating a Minimum Viable Product that addresses and solves a problem or need that exists. In Alexander Osterwalder's Business Model Canvas paradigm, product/market fit could be interpreted as a business model's value proposition, customer segment, relationship, and channel are fixed without requiring additional pivots. Means a product is said to products that fit market if it's marketing mix (4Ps: Product, Price, Place, Promotion) did not change significantly.

Program Evaluation

Evaluation is the systematic application of scientific methods to assess the design, implementation, improvement or outcomes of a program (Rossi & Freeman, 1993; Short, Hennessy, & Campbell, 1996).

Program evaluation is a systematic method for collecting, analyzing, and using information to answer questions about projects, policies and programs, [4] particularly about their effectiveness and efficiency. In both the public and private sectors, stakeholders often want to know whether the programs they are funding, implementing, voting for, receiving or objecting to are producing the intended effect

Purpose of Program Evaluation

In general cases, program evaluation is usually used in several purposes including:

1. Demonstrate program effectiveness to funders

2. Improve the implementation and effectiveness of programs
3. Better manage limited resources
4. Document program accomplishments
5. Justify current program funding
6. Support the need for increased levels of funding
7. Satisfy ethical responsibility to clients to demonstrate positive and negative effects of program participation (Short, Hennessy, & Campbell, 1996).
8. Document program development and activities to help ensure successful replication

CIPP Model Evaluation

Stufflebeam's Context, Input, Process, and Product (CIPP) evaluation model is "a comprehensive framework for conducting formative and summative evaluations of projects, personnel, products, organizations, and evaluation systems" (Stufflebeam & Shinkfield, 2007, p. 325). The model originated in the late 1960s to provide greater accountability for the U.S. inner-city school district reform project. It was to address the limitations of traditional evaluation approaches (Stufflebeam, 1971). The CIPP evaluation model "is configured especially to enable and guide comprehensive, systematic examination of social and educational projects that occur in the dynamic, septic conditions of the real world . . ." (Stufflebeam & Shinkfield, 2007, p. 351). Over the years, the model has been refined (Alkin, 2004) and used by a wide range of disciplines (Stufflebeam Shinkfield, 2007).



Figure 1 CIPP Model Evaluation

Methodology

Data Collection

In this research, I immediately researched 10 companies who attended the IBE program in 2013. This is the data that collected data from Internet and print media. Researcher collected the data about company profile, website, social media and also media coverage. The primary data is the data that researcher collected directly from business plan and final report.

Data Processing

In this stage, the researcher will be analysis 10 business plans and final reports using CIPP Model Evaluation to find out the effectiveness of the business plan approach used for the first-time entrepreneur in this case IBE 2013 in accomplishing a product market fit.

The analysis will be following the evaluation start from context evaluation, Input Evaluation, Process Evaluation, and Product evaluation or output/outcomes/impact.

Table 3.1 Stages CIPP Model Evaluation

Evaluation	Formative Evaluation	Summative Evaluation
Context	What needs to be done?	Were importance need addressed?
Input	How should it be done?	Was program plan defensible?
Process	Is it being done?	Was the plan well executed?
Product	Is it working?	Did the effort make a difference?

Data Analysis

a. Context Analysis

In the first phase the student students will experience first-hand: how it feels to start a business. First they must decide on the business venture that they would like to own and operate. And the goal from IBE 1 is the students able to make business plan and get loan from the bank. Divided into 10 different groups with each member of nearly twenty people, they will receive instruction for one semester to complete a business plan that they want to run in the next semester.

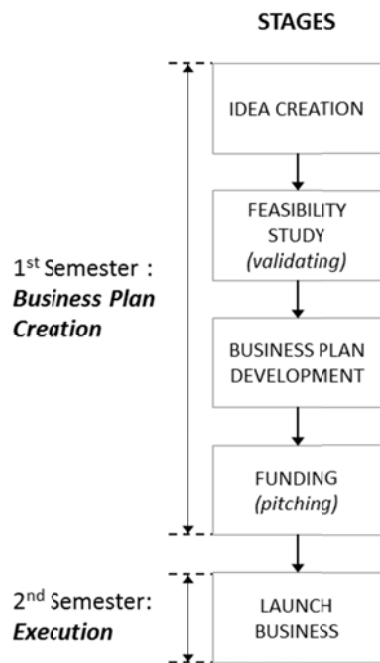
After IBE 1 is completed, then they will enter the IBE 2. In this semester students are required to realize the business plan that has been made and are planned for one semester. The goal of this semester is the student running the business and be able to improve and also make a profit.

By analysis the context, the period of four months to make a good business plan and ready to receive a loan from the bank was very enough. Compare with Ideosouce that only took three months for the participants to get a business plan that is ready to run. And with resources twenty people, I think they could make a more detailed business plan and great product to meet market demand. Because normally in the startup company they only three until five person. Goals that students to run their business in accordance with the business plan and make a profit, indicating that the products they make meet with the market needs. And the goal to be able make an improvement for their business means that in the end of the program their business or product should be market fit.

b. Input Analysis

In running the IBE program, they will get quite a lot of input during the two semesters is given in the form of a syllabus (APPENDIX A and B). Each semester consists 16 weeks and there they will get guidance and knowledge that relevant with their business. They also get input from the other classes like human resources management, marketing, financial analysis, business law, and corporate ethics. The first semester, each company undergoes the business preparation stage. Usually it starts from idea creation, and then to feasibility study, vendor selection, product development, financial planning and finally pitching to investors, in this case, the bank affiliated with the program. In the second semester, the company is expected to execute their business plan and hurdled into a stage of selling frenzy to reach a certain amount of sales target. frenzy to reach a certain amount of sales target.

IBE course follows the general steps in a traditional business creation, as shown in Figure 4.1. Generally, these steps are the most common steps taken by first time entrepreneurs to start their own business in Indonesia.



When seen from the stage at IBE program, the business plan is based on the feasibility study by conducting a market survey of the idea that they form the beginning. In fact, as a first entrepreneur it is quite hard to do to get the product market fit. Market survey carried out at the beginning usually based on assumptions. It is filled (again) with sheer common sense, assumptions and typical “what others are doing”. And this can make planning what they wrote in the business plan does not valid to the market of the product. After viewing the syllabus, the IBE program itself more focus in the development business plan rather than its products. Development of a business plan conducted for four weeks, longer than the development of a product just three weeks. Different from the Modern Business Plan Approach, which is more focused on developing products based on market demand and then developed a business plan after finding the product market fit. In this approach, we are required to validate consumers repeatedly to find products that fit market. If there is a discrepancy between the product and the market (whether products are not accepted by the market or the market is too small for the products), then we can do a pivot as quickly as possible. So that the business strategy we have made in the business plan is more effective because the product has a market fit

a. Process Analysis

Based on the document review method, the promotional tactics that are stated in most of subject’s business plan are:

Table 4.1 Taktics Plan IBE Company 2013

No.	Tactics	Percentage	Company
1	Magazine	80%	Adipati, Avoir, Bricks, Borneo, Circa, Cakra, DEI, Dixie
2	Social Media	100%	All

3	Website	100%	All
4	Video Commercial	70%	Adipati, Avoir, Borneo, Circa, Cakra, DEI, Evishawa
5	Endorsement	90%	Adipati, Avoir, Bricks, Borneo, Circa, Cakra, Dixie, Evishawa, Exe
6	Printed Commercial	100%	All
7	Consignment	80%	Adipati, Bricks, Circa, Cakra, DEI Dixie, Evishawa, Exe
8	Create Event	90%	Adipati, Avoir, Bricks, Borneo, Circa, Cakra, DEI, Dixie, Exe
9	Exhibition	100%	All
10	Personal Selling	100%	All

The complete result for every company output evaluation is shown in table below.

Table 4.3 Percentage of Tactics Plan

No	Strategy	Adipati	Avoir	Bricks	Borneo	Circa	Cakra	DEI	Dixie	Evishawa	Exe	Average
1	Magazine	0%	0%	0%	0%	33.3%	0%	0%	0%	-	-	4.16%
2	Social Media	67%	75%	67%	100%	40%	33%	50%	50%	50%	67%	59.9%
3	Website	100%	100%	0%	100%	100%	50%	100%	100%	100%	100%	85.5%
4	Video Commercial	0%	0%	-	0%	33.3%	100%	0%	-	0%	-	19.04%
5	Endorsement	71.4%	0%	40%	0%	40%	0%	-	0%	0%	0%	16.82%
6	Printed Commercial	100%	37.5%	80%	50%	100%	75%	50%	67%	50%	40%	64.95%
7	Consignment	25%	-	16.7%	-	0%	6.25%	0%	0%	0%	0%	5.99%
8	Create Event	14.3%	33.3%	25%	28.6%	64%	44.4%	42.8%	0%	-	28.6%	31.22%
9	Exhibition	33.3%	20%	33.3%	67%	25%	25%	20%	60%	16.7%	33.3%	33.4%
10	Personal Selling	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Average	51.14	40.64	40.22	49.51	53.56	43.36	40.31	41.89	39.59	46.11	44.63%

As we can see, on average only 44.63% of planned tactics are having a definite realize. The lowest realization percentage is Evishawa Company which only average 39.59% and the highest is Circa Company having a 53.56% output deliverance. It demonstrates the low realization of plans they have made at the beginning. This is because the early assumptions plan "what others are doing". But it is not actually necessarily for their business such as TVC on TV. In exposure maybe broader, but for a business whose value is not too large, then the strategy is quite difficult to be realized for the first time entrepreneur.

Low realization of the tactics also eventually has an impact on the achievement of a minimum revenue target of 200 million rupiahs. Only two company that achieve that revenue target, Evishawa with 300 million rupiahs and Avoir with 205 million rupiahs. And the other company has not reach 200 million rupiahs.

a. Product Analysis

Based on the product analysis, indicates that all 10 companies in the IBE program undergo significant changes even replace or stop producing during execution. This shows that the business plan created during the previous semester are not able to produce products that fit market. From the result presented above, 100% of the subjects undergo changes in the business model and marketing mix, which confirm the statement that a business plan committed before a PMF state should not be justified as valid.

b. Impact Analysis

After observing the business that conducted during the IBE program, it turns out at the end of the program there is only one company that is still running the business, and only a few moments later the company finally stopped. Meanwhile, another company was already stopped when the program has ended. This shows that until the end of the program, those who follow the IBE program has not found the product market fit.

And if we look for more long-term impact, it can be seen if they are following the IBE program 2012/2013 more choose to work as a multi-national company employees than running the business or at least their continuing to master degree. Until now, only 3 participants are actively developing their own business, while 5 others, including the researcher himself, are working while developing their own business.

Conclusion and Recommendation

Conclusion

Based on context analysis, business plan approach used in the IBE program is more than enough to prepare and make a good business plan. Moreover, the execution time for one semester should have been enough to use to find products that fit market. So in the targets and objectives of this program has been very helpful for first-time entrepreneurs to better understand the real business. However, after doing the input analysis prove that IBE programs still use the traditional business plan approach that has begun to be abandoned at this time. In the development of business plan, they are not focused to test the market. They are more focused on the operation and the target sales in the business later. While in Modern Business Plan Approach, it has begun to be reduced and more focused to the market. Thus Approach that used in the IBE program can bring out the assumptions that are not accurate and the impact on the business plan that they make.

And after the process analysis, proves that for the first entrepreneur they make will make a plan that "what others are doing". Lack of validation of consumers, resulting in their strategy is not effective and efficient. Viewed from the realization of their plans, we already know that a business plan is made for one semester yet to find products that fit market. The last after doing product analysis, proves until the end of IBE program they still did not find a product market fit. This is evidenced by the many changes that occur during the execution of a business with a business plan that they form in the previous semester. Moreover, it also proves by viewed the number of company that still continue their business.

Recommendation

This research acts as a preliminary research for the ultimate goal of finding the best approach for first time entrepreneur to take in creating their first business. The researcher would recommend a comparison research following the same program evaluation method for different approach, to name one, the Modern Business Plan Approach or Startup Approach. The researcher would also recommend a change in the scale of priorities in program IBE by focusing more on the market understanding in the first semester. It is intended that the products will be a business plan later, has been tested many times before in the market. And this will help in making the strategy and business plan that is more effective and efficient to run.

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