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CHAPTER 9

Management and business plan

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ABSTRACT

Purpose: *The aim of this chapter is to present an overview of how entrepreneurs' management activity can be assisted by utilising business plans. The main purpose of this chapter is to guide prospective tourism entrepreneurs to make a reflection on management decision-making when starting up a micro, small or medium-sized tourism venture.*

Methodology/approach: *This chapter was built on a review of management literature and authors' industry experiences.*

Findings: *This chapter suggests that a well-designed business plan can help prospective entrepreneurs to (1) facilitate their decision-making, (2) minimise their risk perception, and (3) increase their venture's success probability.*

Research limitations/implications: *This chapter is descriptive in nature to illustrate how business plans are useful instruments for decision-making in management and marketing areas.*

Practical implications**:** *The practical/entrepreneurial approach of this chapter contributes to highlight the utility and value of a business plan for any micro, small or medium tourism, travel, leisure or event venture.*

Originality/value: *This chapter is useful for prospective entrepreneurs that are planning to launch a venture but have not decided yet how to shape and start a tourism business venture.*

Keywords: Entrepreneurs; management; decision-making; business plan components; tourism business venture

Learning objectives

After working through this chapter, you should be able to:

- relate the management functions to tourism ventures

- discuss the importance of managing strategic, tactical and operational decision-making
- explain a range of decision-making biases
- identify types of data collection, such as primary and secondary information, to support effective decision-making
- produce a business plan for your venture.

9.1 Introduction

Tourism ventures, like any other businesses, are systems that require human, material, financial and technological resources to achieve entrepreneurs' goals. Coordinating these resources effectively and efficiently is the main objective of management, as this will contribute to the sustainability of the venture. This introduction revisits the definition of management and its main functions, with the aim of contextualizing the use of business plans.

One of the most common definitions of management is the following:

> *Management is the process of planning, organising, leading and controlling the use of resources to accomplish performance goals.* (Schermerhorn, 2008, p. 17)

The management process includes four main management functions: planning, organising, leading and controlling.

The *planning* function relates to the entrepreneurs' evaluation of the situation of their venture within their specific context (Linstead, 2009). This context includes the venture relationship with its political, economic, social, technological, legal and environmental settings. This evaluation can be conducted at all stages of the venture. Its purpose is to identify internal or external situations that can contribute to or prevent the entrepreneur from reaching their venture's goals.

The *organising* function is executed when the entrepreneurs specify the activities and responsibilities that will be carried out in the venture (Robbins, 2003). However, as time passes and the business grows, entrepreneurs have to delegate operational processes to other staff or external contractors. Sometimes it is convenient to subcontract services to other businesses via outsourcing or freelance services, to alleviate the entrepreneurs' workload or to overcome their lack of know-how or expertise in specific areas. Small ventures commonly subcontract cleaning, finance and/or marketing.

The *direction* function is executed when entrepreneurs actually manage and guide the desired path of the venture. Two elements that enable this management are communication and motivation via leadership (Schermerhorn, 2008). Effective communication will contribute to identifying potential issues and finding alternatives to improve the performance of the venture. Gaining a better understanding of employees' drivers of motivation to work is another way to improve the venture's performance. Entrepreneurs have to bear in mind that employees' motivations vary and can be situational. Therefore, entrepreneurs have to be open to listening to their employees' drivers of motivation and be ready to negotiate (Mikkelsen, Jacobsen, & Andersen, 2017).

The *control* function is executed when the entrepreneurs are supervising and verifying that the planned actions have been conducted as requested and the expected results achieved (Robbins, 2003; Shermerhorn, 2008). This principle is a continual process that implies a constant revision of the venture processes and results to achieve the best outcomes (Linstead, 2009).

The aim of this chapter is to present the basic elements that assist prospective entrepreneurs to execute their management functions. Firstly, the concept of decision-making as a fundamental activity of management is presented. This is followed by a description of the different types of decision-making, their biases and their impact on entrepreneurs' decision-making. The next section deals with sources of data collection and the design of a business plan to support entrepreneurs' management. Finally, the chapter ends with a micro case that illustrates the process of starting up a tourism venture.

9.2 Management decision-making

Decision-making is an essential part of managing a venture (Bazerman & Moore, 2008). One of the most relevant choices entrepreneurs make is to start up their own business. This decision is considered transcendent because its consequences may change the entrepreneurs' lifestyle forever. There are three types of decisions: operational, tactical and strategic, which differ in terms of scope.

9.2.1 Managing strategic, tactical and operational decision-making

Strategic decisions are those that imply a long-term goal, and they are related to all components of the venture. For instance, decisions related to starting up the venture, its legal structure, or giving up on this idea are examples of strategic decision-making. To identify strategic decision-making, it is important to reflect on (a) the nature of the problem, (b) the information that the decision-maker has available and (c) the hierarchical position of the decision-maker in the organisation.

Depending on the nature of the problem, the decision could be programmed or non-programmed (Weihrich, Cannice, & Koontz, 2008). If the decision is repetitive and is associated with structural situations that are somehow predictable, then the decision is considered a programmed decision. Ideally, organisations should define procedures, policies and norms that rule the process of programmed decision-making (Robbins & Coulter, 2009). For this reason, these types of decisions are conducted by staff in lower levels of the hierarchy. Entrepreneurs commonly make programmed decisions during the start-up of a venture. Non-programmed decisions are those for which there are no particular rules that set a possible choice. These decisions are more frequent, more difficult and more complex because there is a lack of information about possible actions and a need for creative solutions.

There are three types of contexts where entrepreneurs deal with decision making. These are certain, uncertain and risk (Courtney, Lovallo, & Clarke, 2013; Weihrich et al., 2008). These contexts are classified depending on how much control the entrepreneurs have over the problem variables, the information available and the predictability of the results. There is risk when entrepreneurs have no clues about the result of making a specific decision but there is information that partially controls the variables that facilitate their decision-making. Finally, there is uncertainty when there is no available information, no control over the variables and no idea of the results of the decision-making. In cases of uncertainty, entrepreneurs assign subjective probabilities based on intuition, judgment or experience (Weihrich et al., 2008). However, entrepreneurs should bear in mind that there is more risk if their decision-making is based on subjective rather than objective assumptions.

Tactical decisions are often programmed decisions undertaken in situations of risk based on a venture's strategic decisions (Robbins & Coulter, 2009). For example, setting the prices of a tourism venture's services is a strategic decision, while planning a sales promotion activity within a specific timeframe is a tactical decision. Entrepreneurs have to decide how tactical decisions will be implemented and who will be in charge of implementation, because their workload will increase as the venture expands (White & White, 2017).

Operational decisions are programmed decisions because they provide a solution to daily situations related to the main activity of the venture (Robbins & Coulter, 2009). Decisions of this type are normally taken under predictable conditions and are part of daily operations, for example, what to do if clients complain about their service, miss their booked tour because they overslept or get sick in the middle of a trip. Other examples are related to running the venture, such as paying suppliers or assigning tasks. These decisions are sometimes taken by the entrepreneurs when the ventures are small in size. However, it is expected that with growth these types of decisions will be delegated to employees.

9.2.2 Identifying decision-making bias

Entrepreneurs can be influenced by their own cognitive or emotional prejudices, which may lead them to make inadequate choices. Bias is "a departure from the normative model in a particular direction" (Drucker, 2010 p. 57). Identifying the existence of this bias is relevant for entrepreneurs because its presence can lead them to formulate wrong questions.

These cognitive or emotional prejudices are the so-called decision-making biases (Baron, 2007; Harel, 2015; MacMaster, Archer, & Hirth, 2015; Robbins & Coulter, 2010; Zhang & Cueto, 2015). Usually, these biases are combined. For example:

Overconfidence bias: A strong sense of confidence is an inherent characteristic of entrepreneurs. However, a sense of overconfidence may overestimate the entrepreneurs' performance. For instance, some entrepreneurs make the decision to start up a business even though the risk and the uncertainty of success are high (Salamouris, 2013). In other words, entrepreneurs' overconfidence in their capabilities and knowledge makes them start a business when other individuals are more reluctant.

Overoptimism bias: This sense of overconfidence overlaps with over optimism, which refers to overestimating the likelihood of positive events and underestimating the likelihood of negative events (Sharot, 2011; Zhang & Cueto, 2015). This attitude enforces the motivation to start up a business.

Confirmation bias: The combination of the previous two biases leads entrepreneurs to confirm their own predictions about their decision-making and minimise its negative aspects. In fact, entrepreneurs under these biases tend to eliminate information that contradicts their choices. Simultaneously, they look only for sources that confirm their beliefs rather than those that challenge their way of thinking. For example, entrepreneurs under this confirmation bias misunderstand their clients' needs and expectations or their competitors' threats (Harel, 2015).

Action-oriented bias: This bias for action implies that entrepreneurs take action even though resources are scarce. Entrepreneurs under the effect of this bias do not devote time to analysing the feasibility of their ideas; instead, they take action with their limited resources and information (MacMaster et al., 2015).

Self-interest bias: Another common bias is self-interest. The entrepreneur does what is best for him (Baron, 2007), therefore making choices that provide immediate results rather than long-term benefits.

Loss aversion bias / Self-fulfilling prophecy: The bias of self-fulfilling prophecy refers to potential entrepreneurs who are reluctant to take a risk (also known as loss aversion bias) and focus on risk rather than on potential profits to make their decisions. This perception of high risk, along with a lack of confidence in their entrepreneurial capacities, does not allow entrepreneurs to materialise their venture.

To minimise the consequences of these biases, entrepreneurs have to be aware of their existence and reflect on how these biases can influence their decision-making (Robbins & Coulter, 2014). Creating an open-minded attitude and behaviour that receives feedback from and provides feedback to staff members, external experts and customers, can also mitigate the effect of these biases.

9.2.3 Sources of information supporting management decision-making

Entrepreneurial decision-making always involves taking risks, which are mitigated when the entrepreneur has access to relevant information. This information is paramount, particularly when the entrepreneur has to make decisions in uncertain circumstances. The following are the basic elements for reducing risk while making decisions (Courtney et al., 2013):

- Previous knowledge about the operation and management of businesses, either empirical or academic
- Previous industry experience related to the new venture
- Analytical thinking, logical reasoning and entrepreneurial intuition
- Access to reliable and qualitative sources of information

Arguably, one of the most relevant elements mentioned above is access to information. Adequate sources of information are helpful in identifying alternatives courses of action to address an issue or solve a problem. These sources must be relevant, up to date, accurate, trustworthy and cost-effective (Chartered Management Institute, 2013). Information can be collected by means of two methods: primary and secondary.

Primary information is collected directly by observing, questioning or counting a specific phenomenon that is being studied. Common examples of collecting primary information are surveys, interviews or observations of current or potential clients. These activities could be organised by the entrepreneurs themselves or by marketing agencies or independent consultants. Another example is conducting an expert panel. The information needed is collected from industry experts who share their knowledge and expertise by discussing specialised topics (Courtney, Lovallo & Clarke, 2013).

Secondary information is collected by gathering information by third parties for their own purposes. An example of this type of information is desk research. This research consists of collecting news, scientific articles, specialised books and/or governmental databases, and statistics (Chartered Management Institute, 2013). An application of this type of research is the use of statistical information to create a target market profile. Another example is case study analysis, which benchmarks the decisions other small business entrepreneurs make regarding possible problem solving or identification of a solution (Courtney, Lovallo, & Clarke, 2013).

The advantages of using primary data are: it is relevant to the venture and more up-to-date than secondary information. However, it is costly and therefore not feasible. The advantages of using secondary data are: its availability and relatively easy access (Chartered Management Institute, 2013). However, secondary data can be wide-ranging, so it may not be relevant for the small business. As a result, entrepreneurs are encouraged to use primary data as much as possible. This type of data is particularly relevant to identifying the main components of the venture structure and to facilitating the entrepreneurs' decision-making. In this regard, an extremely useful instrument is the business plan.

9.3 Management planning: Business plan design

The business plan is a practical tool for entrepreneurs to use in designing their venture. This tool helps entrepreneurs to plan a business idea before taking action (Corbett & Katz, 2016). The feasibility of the entrepreneurial idea has been assessed by a feasibility analysis and study (presented in Chapter 7).

The purpose of a business plan is to map the future of the venture, to get to the entrepreneurs' desired destination (Sahlman, 1997). It is likely that the business plan will change during the journey. However, the business plan can keep entrepreneurs on track. Another purpose of conducting a business plan is to present the business idea to potential investors or when requesting a bank loan (Mason & Stark, 2004). The business plan is a tool where the essential components of the venture are described in a clear and consistent manner. These components mainly include aspects related to the venture's structure, its finances and the market.

9.3.1 The venture component

This component describes the aspects of a venture's identity and legal composition. It includes the business details in terms of its legal and management structure, that is, the registration details, business premises, organisation chart, ownership and management, description of products or services, description of the key job positions, legal considerations, operations and other related plans. It also includes the vision, mission and goals.

The *vision* statement briefly outlines the future of the business. The *mission* statement concisely describes what the business does, including its services and value proposition as well as its growth potential. The *goals* are the venture's aims, while the *objectives* state the activities needed or the steps to be taken towards achieving the goals. These goals and objectives can be linked with the concept of sustainability. Ventures can be sustainable in the sense of their commitment to (a) minimising their negative environmental impacts, (b) being socially responsible and (c) creating shareholder value (Frederick, O'Connor, & Kuratko, 2013). In the past, there was a belief that sustainability was a separate section of the business plan. Today, sustainability can be a philosophy that is embedded in the processes and systems of the venture to increase its chances of survival in the long term (Werbach, 2011). Therefore, entrepreneurs have to think about their own definition of sustainability and identify potential environmental, social and economic harms while doing their activity, as well as practices that should be implemented to mitigate the impact of potential harms.

The *legal structure* of the venture, *registration*, *licences* and *permissions* are other important aspects of the venture component (Timmons, Spinelli, & Tan, 1994). Entrepreneurs have to register their business in their state or territory. If it is only an idea, entrepreneurs have to research the process of registering a business in their location. They have to decide if they will use a trading name, and the business's legal structure (this issue is presented in more detail in Chapter 6). The local taxation authorities will provide a unique business registration or unique company number, which will be the identity of that particular business. Entrepreneurs also have to make decisions about registering domain names or websites, if applicable. Regulations around the world stipulate guidelines and requirements in this field.

In this component, the *management owner/s'* details and background are described. This section is particularly important to delimit the liability and responsibility of the venture. This section has to define who will be responsible for running the business (e.g. the owner or someone on his/her behalf). In the case of a partnership, it is important to state the percentage share and role in the business. If the business will have employees, their job descriptions must be provided in the business plan.

Entrepreneurs have to identify all the regulations affecting their business (Corbett & Katz, 2016), for example, consumer law, business law, or law related to the tourism/hospitality industry. Based on the regulatory framework, entrepreneurs can consider potential risk ranked by likelihood of happening and then determine the possible impact they might need to prevent or design action plans to minimise these risks. Once these risks and action plans have been identified, decisions about types of insurance can be made. More detail regarding legal issues is presented in Chapter 6.

The venture component of a business plan must include the provided products or services. In the tourism industry, services rather than physical products are provided. For example, tours, accommodation, bookings are considered services, while T-shirts, souvenirs and postcards are considered physical products. These services are described in this component from the following perspectives: (a) market position, (b) unique selling proposition, (c) anticipated demand for each service or product, (d) pricing strategy, (e) value to the customer and (f) growth potential. These perspectives are considered in the corresponding components on finance and marketing. However, an executive summary is presented in the introduction to the business plan.

It is particularly important to identify and describe the operational processes for delivering services. For example, if there are third parties such as suppliers, then the processes must be precisely described. Operating hours, communication channels used, payment types accepted and credit policy are other types of information related to business processes that should also be provided.

9.3.2 The finance component

The finance component starts setting the venture's financial objectives, which can be stated in the form of sales or profit targets (Brooks, 2015). In this section, entrepreneurs also identify how much capital they need to start the venture and where they will obtain the funds. The proportion of loans, investors, personal savings or government funding should be stated in this component as well. It is common for start-ups to provide assumptions of seasonal adjustments, drought or interest rates. This component must also include all related funds and financial resources needed to start the venture.

This section encompasses the main financial statements in terms of forecasts. These are: (a) balance sheet, (b) profit and loss statement and (c) cash flow forecast. These financial statements are further explained in Chapter 10 (Managing Financial Matters). However, some general considerations are presented below.

The *balance sheet* includes financial resources owned by the venture (assets) and the claims against these resources (liabilities). These claims come from creditors and owners. Assets can be tangible, such as land and equipment, or intangible, such as patents and copyrights. Another classification may be the one referred to as current assets, such as cash, inventory, prepaid expenses for the following three years, and fixed assets, such as leasehold, property and land, furniture, vehicles and equipment. Concerning liabilities, the balance sheet includes the current or short-term liabilities, such as credit cards payable, accounts payable, interest payable, accrued wages, income tax, and long-term liabilities, such as loans that are not due and payable within the next twelve months. Finally, an important liability is the owner's equity, that is, what remains after the firm's liabilities are subtracted from its assets (Kuratko, 2017).

The *profit and loss statement* includes sales revenue less cost of goods sold expected for the following three to five years. Information from sales forecasts and expenses projections is used to calculate the net income projections. The entrepreneur should know how profit varies if sales differ from those forecasts. The *break-even analysis* calculates the total sales needed to break even. In the *annual cash flow forecast* the expected cash flow, which includes cash incoming and cash outgoing to determine cash balance, is analysed.

Sometimes an entrepreneur should present their personal financial statement, where personal assets, liabilities, income and expenses are listed. This is intended to inform potential external investors about the entrepreneur's capability and skills (McKeever, 2017). Once the venture is on track, the financial forecasts and statements can be used to manage the venture on a daily basis and monitor the actual performance or results.

9.3.3 The market component

In this component, entrepreneurs define the unique selling proposition and conduct research to evaluate the market – potential clients and competitors. This evaluation approach is called market-driven because the unique selling proposition offered will be influenced by market trends and the customers' needs instead of the entrepreneur's production or service convenience (Schindehutte, Morris, & Kocak, 2008).

Market positioning refers to the effort to lead consumers' perceptions of a product or service compared to the competition (Brooksbank, 1994). To create a market positioning statement it is important to identify the target customers, identify this market's needs and fears, tailor a statement that spreads the message to meet their needs and overcome their fears and, finally, support this statement by providing evidence (Osterwalder, Pigneur, Bernarda, & Smith, 2014). Chapter 15 of this book presents more detailed information about marketing tourism services.

A SWOT analysis has been carried out in the feasibility study. This analysis enables prospective entrepreneurs to evaluate the strengths and weaknesses of their venture as well as the opportunities and threats in the business environment (Helms & Nixon, 2010). This issue is presented in Chapters 4 and 7. *Market research* aims at gaining a better understanding of the market groups and segments to be targeted. This analysis includes a description of potential customers as well as the services or products and the quantity that would meet their needs. This type of information helps entrepreneurs to know the best way to target their products or services to them.

An analysis of a venture's direct competition is also part of this section. The assessment of competitors should contain their estimated percentage of market share, unique value to customers, strengths and weaknesses. After analysing the market research, entrepreneurs can identify the most appropriate marketing strategy to enter into a particular market, to target and attract the selected market segment. This includes sales promotion and advertising to communicate the product or service's unique value proposition to attract customers' awareness and generate sales.

The *marketing strategy* to start up the venture needs to be planned by the entrepreneur and stated in this section. The design of this strategy will depend on whether the product or service is entering into a new or existing market (Jain & Haley, 2009). According to McDonald (1996), if the venture is entering into an existing market with an existing product or service, then a marketing strategy of market penetration would be appropriate. If the venture is entering into a new market with an existing product or service, then the market development strategy would be appropriate. Either of these two strategies will have its own: (a) sales promotion and advertising objectives, (b) expectations of achievements and (c) action plans. The sales promotion and advertising efforts need to express the product or service's value proposition. This proposition briefly highlights how the product or service benefits customers over the competitors (Osterwalder et al., 2014). To make an efficient sales promotion, entrepreneurs should select the appropriate communication channels, the expected percentage of overall sales via these channels, their integration with other channels (if any) and the advantages and disadvantages of using them. Finally, the entrepreneurs have to set a specific timeframe for the marketing strategy and the action plan to achieve the objectives.

For further information on how to develop a business plan, entrepreneurs can refer to the business model template by Osterwalder and Pigneur (2010). This template is a tool or framework that helps new entrepreneurs to design their own business plan in a practical way. It contains the main elements of the venture and their relationships, expressing the logic underlying the nature of the business (Osterwalder & Pigneur, 2010). This will help entrepreneurs to assess the business's performance with respect to added value, customer relationships, the creation process and financial aspects. This business plan template has recently been used to integrate the three pillars of sustainability (economic, environmental and social) into the business philosophy. For further information, refer to the sustainability triple-layered business model template by Joyce and Paquin (2016).

9.4 Micro case study: Managing a tourism-related start-up business

This case study is based on hypothetical elements to illustrate the way a business plan could be useful in efficiently managing a business venture by making appropriate decisions.

Three entrepreneurs decided to start a tourism venture. One of their main reasons for launching their own business was their passion for nature and travel within their own area, San Luis Potosí, México.

9.4.1 Making decisions based on suitable sources of information

These entrepreneurs conducted market research with a focus on identifying a unique value proposition for their nature-based tourism product or service, to make the right decisions. In order to achieve this, they identified relevant information. Their market research contained the following steps and outcomes:

1. Collection and analysis of secondary data. This information was gathered from a review of local and national news as well as governmental information provided by the Minister of Tourism and/or tourism professionals and other associations. These entrepreneurs focused their review on the facts that provided them with evidence to support their decision-making for establishing a tourism venture. The key points found in the secondary information were:
    a. México was one of the top five countries with significant biodiversity. In the world rankings, it was in second place in ecosystems diversity and fourth due to its species diversity (*La Jornada*, 2017). This information was identified in the local news, searching with the key words “Mexico” and “tourism”.
    b. The approximate average expenditure by tourists in the nature-based tourism segment was US$2,700 versus US$900 in the conventional/leisure tourism segment (*La Jornada*, 2017). This information was identified in local news.
    c. San Luis Potosí was one of the top five nature-based tourism destinations, along with Chiapas, Chihuahua, Oaxaca and Veracruz (Visit Mexico, 2017). This information was identified in Visit Mexico that is the official website of the Ministry of Tourism.
2. Collection and analysis of primary information. This information was gathered from networking and personal interviews with experts in the field of nature-based tourism destinations. The entrepreneurs attended the most important event for nature-based tourism in Latin America, Adventure Travel Mexico Expo (ATMEX), which is organised by the Adventure Travel Trade Association. The purpose of the interviews and networking was to gather information, which was input to making the following decisions: (a) whether to start the venture or not, (b) selecting the targeted market segment, (c) selecting the targeted segment between adventure activities and nature or wildlife experiences and (d) selecting their unique value proposition to differentiate them from their competitors or other tour operators.

After evaluating the key points of the primary and secondary information, the entrepreneurs analysed the strengths, weaknesses, opportunities and threats (SWOT) of the potential venture. They then identified a unique opportunity that contributed to shaping their initial entrepreneurial idea as local tourism operators. They identified a potential niche market. This market consisted of public high schools that needed to provide learning experiences involving recreation and tourism. These schools were subsidised by the government. Therefore, these entrepreneurs shaped their value proposition under the premises of providing nature-based tours for teenagers within a safe and educational setting. These tours included camping, lowrisk adventure activities, lessons on how to survive in a natural environment, and nature-based learning activities, such as identification of flora and fauna and migration patterns of animals.

Although the financial situation seemed feasible, there was still uncertainty about the social acceptance of this tourism offering. One of the main potential obstacles was the negative perception of the presence of crime in natural isolated areas. This perception would stop parents from allowing their children to participate in such tours. Another potential obstacle was the risk involved in having teenagers doing adventure activities without a previous assessment of the required level of skills and physical condition. These entrepreneurs wondered if their decision was not biased. They knew that perhaps their overconfidence in doing adventure activities and their love of nature might have interfered with identifying other potential risks in offering this type of adventure service to the specific targeted market segment.

9.4.2 Using the business plan to help entrepreneurs to make better decisions

As a consequence, the entrepreneurs made the decision to invest more time in planning and developing a business plan. This plan helped them to clarify the concept of the scheduled tourism offering, identify the main components of the venture and the specific actions they had to take in determining their vision, and implement suitable actions.

The components of this plan included:

1. The philosophy of the venture, encompassing the mission, vision, general goal and specific, measurable, attainable, realistic and timely (SMART) objectives;
2. The legal structure of the venture, including the registration, premises, management, organisational chart, insurance, legal considerations, licences and permissions;
3. The market analysis, consisting of market research, target markets, industry and competition analysis, environmental and safety analysis, as this is key to the value proposition of their tourism offering, as well as a communications plan (promotion and advertising);
4. The finance component, encompassing assumptions, objectives, initial investment capital, and forecasts for balance sheet, profit and loss statement, cash flow and a break-even analysis.

After a thorough assessment or evaluation of the business plan, they made the decision to target a different market segment: the 18 to 45 age-group instead of teenagers aged 12 to 18.

9.5 Summary

This chapter focused on management decision-making for prospective entrepreneurs in tourism ventures. We have seen how a well-designed business plan can significantly assist entrepreneurs in their decision-making. Making analytical decisions can minimise entrepreneurs' perception of risk and uncertainty (Baezerman & Moore, 2008). Management planning can be assisted by instruments such as a business plan, which is a detailed action plan that describes and analyses the main elements of the venture's structure, finance and market (Corbett & Katz, 2016), including mission, goal and objectives, management, organisational chart, licences, targeted market segments, competition and communications plan (promotional actions), as well as forecasted investment capital, balance sheet, profit and loss statement and cash flow statement. A suitable and realistic business plan can help prospective entrepreneurs to make the right management decisions for the short and long term.

9.6 Review questions

Check your understanding of this chapter by answering the following questions or discussing the topics below:

- What is your own definition of management?
- Why would you consider it important to manage strategic, tactical and operational decision-making?
- What is your evaluation of your possible decision-making bias?
- How would you prevent your personal decision-making bias?
- What are the different purposes of a business plan?
- Discuss the content and components of a business plan.

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