



## **Why Should You Develop a Business Plan for Going Concern, How to Do It, and How Do You Convert the Plan Into Action?**

### ***Why Should You Develop a Business Plan?***

For every startup the development of a business plan is a required first step. It is so obvious - business schools have course on writing the business plan and it is impossible to get funding without one. Teams coalesce around the labor. So, every startup has a business plan.

For the going concern, the ones that are now three or so more years old, the business plan (also called strategic plan -really the same thing) is forgotten, only stumbled on when a move forces someone to pick it up and wonder, "Should I just relegate this to the dumpster?"

This is not a good situation. A business without a plan is like a boat sitting in a pond just waiting to sink to the bottom for nature to compost it. Or, if it has the fate to be afloat in a stream, it will be carried along willy-nilly until it bumps into a stone or dead branch or reaches the ocean where nature will also send it to the big composter.

Every business exists in a world that is changing and filled with opportunities and threats. Your business plan is your set of oars to provide the means to pull in the direction you want to go in, to avoid the rocks. You might even row to shore and portage around the falls, to move to an entirely new river.

But, many people, even accepting the wisdom of having a plan, find it a painful exercise, all too easily avoided. This may be driven by the idea that a business plan involves dozens of pages of writing, lots of spreadsheets with numbers they really don't believe (sometimes don't understand). Business plans, strategic plans, these are just the exercises one does in business schools. Or it may be the folk wisdom that business plans are not a useful part of managing and they always end up on the shelf or hidden in a file cabinet only dusted off for display when in search of a bank loan.

However, shift your thinking to view the process of building a plan as a value in and of itself, and adopt a simpler more flexible business plan model you will find that building that set of oars for your little boat is fun and productive.

## ***The Business Plan Model***

Lets talk about the business plan model first. Since we are developing a business plan for our internal use it does not need to look like or contain everything that bankers, MBAs, venture capital funders expect. This is a working document to help us move the business in a definite direction.

First, I have found that setting an arbitrary limit of 12 pages focuses the mind and edits out all the useless boilerplate that populates many plans. Second, if you and your team prefer not to write a paragraphed narrative, use an outline, PowerPoint approach. Third, get out your most recent Income and Balance Sheet statements - these will be the starting point for the financials. Fourth, establish an outline of the topics that you feel must be covered and keep to it.

Basically, the plan will include these twelve topics.

1. Describe why you are in business - what value are you delivering to which customers. An important corollary to this topic is to identify why customers buy from you and not someone else?
2. How do you find customers? Who are your current customers? List the big ones and their share of your business
3. How do you produce the service or product?
4. How do you make money by making your customers happy?
5. What are your objectives for growing a larger customer base, adding a new market segment, new products or services, or other growth strategy?
6. What are the external obstacles to accomplishing these objectives and how do you intend to get around them? This is where you might look at competition, SWOT and PEST analysis and apply other analysis tools.
7. What resources do we need to put in place to achieve the growth? Money, people, technology....?
8. What strategies are we going to apply to achieve our objectives over the next year to three years? This should be limited to three to five strategies. State clearly what the objectives are for each strategy - how many new customers, new products, dollars of sales, profits, etc? When will these happen?

9. What key tactics are needed for each strategy? Who is responsible, what resources do they get, when will they accomplish the tasks and what results are you looking for?
10. Build a financial model. The spreadsheet should be not more than 25 rows with columns containing quarterly projections for three years. Starting numbers must link to existing financial statements.
11. What is the schedule for follow up business review sessions where you will examine progress on the plan and take required actions to revise and push the plan forward. The first meeting should be one month after you kick off the new initiatives. The, not less than quarterly.
12. How does all of this fulfill the management team's personal objectives? The answer to this is not money?

## ***The Planning Process***

Now, how do you actually develop the plan?

Four to six two to three hour working sessions with all members of the management team present usually suffices. Some homework will be required between the sessions, typically a couple of hours. You might imagine a month to six weeks as a useful window of time.

Who should be in the room? Every significant stakeholder - owners, chiefs of marketing, sales, operations, technology or product development, finance, and HR. In small companies this sometimes means that one person has to cover several functional areas. Do not let the group get larger than six to eight people. More than that and you can not have good, deep interactions - the work sessions will be more like a conference or convention. Two or three is fine as long as every key stakeholder in the business is present.

These work sessions are more important, in many ways, than the plan itself. During these sessions, the team will talk out loud and write things down. Arguments, discussions, innovations, deletions, new agreements about the business emerge. These flow out of the group and the whole team understands and owns these discussions and the conclusions.

In my experience, if the management team represents all of the key elements, all of the facts and concepts about the business are sitting in the room. Some people think that business planning is a research project. But, with a team, the process is more a sharing around the table of the facts, consensus building about the situation, goals, and strategies to get to the goals. The most powerful outcome of the planning process is that it arms the management team to convert the strategies into actions to reach the goals.

## ***You Need a Consultant***

All of this seems quite straight forward. You may be thinking, “Well, I am the Owner, the CEO. I am a seasoned veteran. I can lead my team through this planning process.” Resist this line of thinking and here is why, and I say this despite the obvious self-serving nature of what follows.

A good strategy consultant who knows how to lead groups through a planning process will do the following, much of which you as the Owner, the CEO can not do just because of the fact of your position. First, the consultant stands outside of the actual business discussions, runs the sessions, and keeps the team moving forward. Second, the consultant establishes an environment in which the team is a group of equals for the purposes of the planning. This assures that one person will not dominate, that the less forceful personalities, who frequently have significant contributions to make, will be heard and participate. This increases the breadth and depth of the team ownership of the plan. Third, the consultant can bring up the elephants in the closet that no one wants to talk about. Overcoming the baggage of history can be difficult and painful. The consultant can drive the conversations to confronting the facts of the business situation. Fourth, the consultant will bring appropriate analytical tools to the table. The bag of strategy tools is enormous. All of this liberates the Owner, the CEO from the burdens of running the work sessions to focus on the content of the process. This is where their highest value is.

## ***How Do You Convert the Plan Into Action?***

For most strategic plans and business plans the end is the document itself. This is the critical moment and here is where Step 11 above, that asks about the schedule of review sessions, converts the plan into action. This is where the Owner, the CEO must take the lead. Otherwise the plan is just a plan and is not converted into action. If you have done a good job of establishing the tactics you will know who is responsible, what the success metrics are and the timetable for action. By tying the planning to the existing financial reporting system, you will be able to measure results directly. The review sessions are not designed to be dull reports, but opportunities to understand where the difficulties lie and where new opportunities pop up. A review session brings together the management team to work on the most important strategic activities of the firm.

## ***Summary***

Let’s wrap up this discussion. A business plan is the result of a process in which the management team comes to a common understanding of:

- the business situation
- the value the business provides to customers

- strategies to achieve new goals
- obstacles to be overcome or avoided along the way,
- tactics to bring the strategies to life - this includes who is responsible, resources available, timeline, and results expected
- schedule of review meetings to take corrective action and make course corrections

The business plan is converted into action through the tactics identified supported by active supervision and follow up by the Owner, the CEO. The plan also provides a common language about the business and a platform to communicate the business's goals, beliefs, and values to everyone involved, employees, vendors, and customers.

There is additional material on planning, *Introduction to Strategic Planning*, available on the website at the [Resources: Whitepapers page](#).