

Foreword By Bestselling Author **Guy Kawasaki**

- *Simplify the Business Planning Process*
- *Create a Plan That Grows With Your Business*
- *Tailor a Plan to Your Company*
- *Develop A Quick-Hitting Set of Priorities*
- *Avoid Business Mistakes and Pitfalls*
- *Simplify An Overwhelming Process*
- *Build As Your Business Develops*
- *Demystify the Business Planning Process*
- *Ignore Traditional Cookie-Cutter Plans*
- *Save Time and Resources*
- *Take Total Control of Your Business*

The Plan-As-You-Go Business Plan



Tim Berry

Principal Author of

**Business
Plan Pro**

The Country's Bestselling Business Plan Software

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Cover Design: Desktop Miracles
Production and Composition: Eliot House Productions

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Library of Congress Cataloging-in-Publication Data

Berry, Timothy.

The plan-as-you-go business plan/by Tim Berry.

p. cm.

ISBN-13: 978-1-59918-190-5 (alk. paper)

ISBN-10: 1-59918-190-8

1. Business planning. I. Title.

HD30.28.B4569 2008

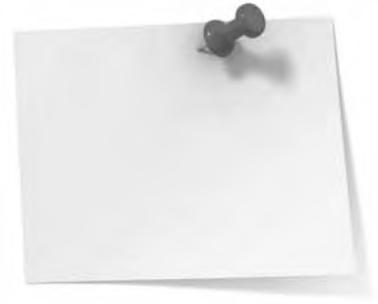
658.4'01—dc22

2008015788

Printed in Canada

12 11 10 09 08

10 9 8 7 6 5 4 3 2 1



Contents

| | |
|---|----------|
| Foreword by Guy Kawasaki | vii |
| Preface | ix |
| CHAPTER 1 | |
| About This Book | 1 |
| What's Different About This Book? | 5 |
| Why Plan as You Go? | 9 |
| What's Different About This Approach? | 9 |
| Why Is This Approach Better? | 11 |
| Chapter Outline | 12 |

Read This Even If You Read Nothing Else 13
Do You Have a Business Plan Event? 20
About that Big Plan 21

CHAPTER 2

Attitude Adjustment 25
Start Anywhere. Get Going. 27
Form Follows Function 30
Let It Evolve Organically, as You Need It To 36
Fundamental Management 37
Mixing Numbers and Words: Keep It Simple 39
Separate Supporting Information from the Plan 42
Inside Out from the Heart 43
Planning, Not Accounting 47
It Has to Be Your Plan 55
It's About Controlling Your Destiny 59
Like Planning a Trip 63

CHAPTER 3

The Heart of the Plan 67
Your Business Identity 70
Your Market Story 83
Strategic Focus 92
Remember: Your Plan Is Not Necessarily a Written Document 96

CHAPTER 4

Flesh and Bones 101
Action Plan: What's Going to Happen? When? 103
Basic Business Numbers 126
It's Not Rocket Science 178

CHAPTER 5

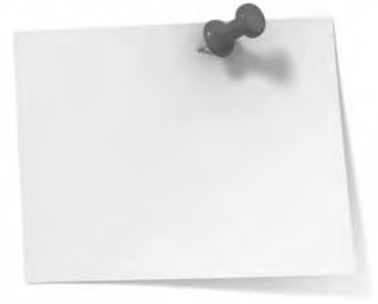
Dressing and Growing 179
From Basic Numbers to Financial Projections 180

Market Research on the Web 210
Simple and Practical Market Research 210
Documents, Presentations, Live 220

CHAPTER 6


Planning Process. 245
A Plan vs. Actual Analysis 246
Management and Accountability 258
Crystal Ball and Chain 260
Set Expectations and Follow Up 261
Final Thought 263

Index 265



Foreword

by Guy Kawasaki

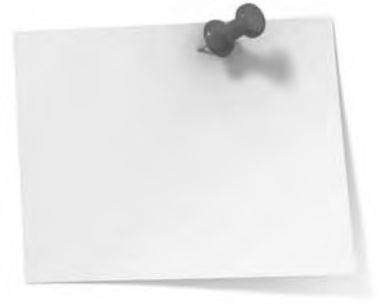


You should be surprised that I'm writing this foreword for a book about business planning. After all, I've blogged about how I started a venture of mine called Truemors.com without a business plan. I also wrote a blog posting called "Is a Business Plan Necessary?" I've spent a lot more time and effort talking and writing about one's pitch than one's plan.


However, it is exactly because of that history that I wanted to write about this book. *Plan-As-You-Go Business Plan* is about planning, not the plan. Tim Berry says that instead of a ponderous document, do the planning that every business needs in order to focus, prioritize, and manage. Do that, and, if that's all you're going to use, do nothing else. Don't sit back waiting for a big plan to be done, get going, start planning, start thinking, and do whatever part that is going to help you run your business better.

In this book, Berry explains how to build your the plan around a core (he calls it the "heart") strategic combination of market, identity, and focus. I like the idea that the real plan is not the output format, but what's supposed to happen, and why, and when, and how much money. It's ideas like this that make me say that everybody running a business should develop a plan, but only in the simple, pragmatic context that this book evangelizes. And that's why you should buy this book.

— Guy Kawasaki, author of
Reality Check and *The Art of the Start*



Preface



Planning is good. You may not need a full formal business plan, but you can certainly use planning to manage. So I've written this book to help you get going quickly, and easily, with only as much planning as you want and need to succeed. That might require a full plan, and it might not.

In an old Peanuts comic strip, Charlie Brown and Lucy are walking on a sidewalk when they see in front of them something that Lucy—who

knows everything—identifies as a rare Brazilian butterfly. She starts talking about the wonder of the butterfly having traveled all the way from Brazil, when Charlie Brown looks closer and interrupts: “It’s a potato chip.”

“Then isn’t it even more amazing,” Lucy continues, without missing a beat, “that this potato chip got here all the way from Brazil?”

This story reminds me of what’s happening to business planning. People who mean to say what I’m saying with this book, that not every business needs a complete formal business plan, end up missing out on planning. And that’s a shame.

So I say let’s keep it simple and practical. Do as much planning as you’ll be able to use. Realize that all plans will change, so think of your plan as ongoing and use it to guide your business. Expect it to change, but use the planning to keep your eyes on the long-term goals even as the details change. It’s like planning a trip, for example: having the plan doesn’t lock you in, it helps you keep track and revise as needed. Or like dribbling: you keep your eyes on the whole field (or court) while you deal with the ball, watching the play develop without losing track of the goal. Plan as you go.




About This Book

This is a new approach to business planning. It's *new and different* because it takes what's most important about the traditional business plan idea and applies it better to today's world. And it's a lot *better* than the traditional business plan—quicker, easier, more flexible, more practical, and more useful.

It's been a long time coming. I've been working with business plans for about 30 years now. Startup plans for new companies that didn't yet

exist, growth plans, strategic plans, action plans, feasibility plans, lots of plans. One of my startup plans became Borland International, which went public less than four years after it started and made me a lot of money. I did annual plans for Apple Latin America, then Apple Pacific, and then Apple Japan for a combined total of 12 years. I've used business plans to grow my own company to 40 employees and 70 percent market share without outside investment.

Through all these years, I've seen how business planning can be the secret of success for new companies and growing companies. I've seen how the best companies understand planning and regularly develop plans and manage them. Good companies plan.



I've seen how the best companies understand planning and regularly develop plans and manage them.

I've also seen how myths and misunderstandings get in the way. People think—wrongly—that having a plan means getting locked into doing something that doesn't make sense, mindlessly, because it's in the plan. People think—wrongly—that rapid changes make planning less useful, when in fact good planning is one of the best ways to manage change. People think—and this is one of the most damaging misconceptions—that a business plan is hard to do and set in stone with a long list of necessary parts, a ponderous and pompous formal exercise.

The plan-as-you-go business plan is what you need and only what you need. It can be as simple as a 60-second strategy summary that can be delivered in an elevator. For smaller companies it might be that plus a review schedule, milestones table, measurement notes, and a sales forecast. And as companies grow, their plans can grow. Then, when you need the big plan document, you add the additional parts you need and create the document. But you are always planning, and you are never without a plan.

This is not the first business plan book I've done. Unfortunately, I now hate the title of my last business plan book, the most successful, because it sets up exactly the wrong idea: the business

IMPATIENT? THEN JUMP IN

I understand. Enough of the explanations and positioning; let's get working on a plan. So go ahead, just jump in and do it.

- *Most people like to start with the **heart of the plan**.* Jump to Chapter 3 now, and you'll see what I mean. It's about what really drives your business. Your target market, your business offering, your strategic focus. And don't worry about format; write it, speak it, use bullet points, slides, or whatever.
- *My personal favorite is the **plan review schedule**.* This makes it very clear that you're after planning, and better management, not just a plan. (See page 104.)
- *Another very good starting point is the **sales forecast**.* Some people like to get to the numbers first, and many people do the conceptual thinking while they work the numbers. Your target market, your business offering, your strategic focus are all in your head as you make your sales forecast. That's not a bad way to proceed. (See page 131.)
- *Maybe you want to start with an **expense budget** instead.* Estimate your payroll on an average month. Calculate your burn rate, a very important number, meaning how much money you have to spend per month. (See page 155.)
- *If you're planning to start a business, **startup costs** are a good place to get going.* Make lists of what you need in money, goods, locations, and so forth. (See page 161.)
- *Particularly when you have a team, a **SWOT** (strengths, weaknesses, opportunities, and threats) analysis is a great way to start.* You can jump to the section on SWOT analysis now and begin there. (See page 80.)
- *Some people like to set the scene better, with the **mission statement**, vision, mantra, objectives, or keys to success.* That gives your plan a framework to live in, if you like. (See page 73.)

However, there are some things in business planning, even plan-as-you-go planning, that have to happen in a certain order. For example, you can't really just start with the cash flow statement without having done your sales forecast, burn rate, and some asset and liabilities assumptions.

Still, you can get started fast. I don't blame you. Maybe you'll *jump back here* to continue with the explanations after you've made some progress.

plan as hurdle. The book is titled *Hurdle: The Book on Business Planning*. What's wrong with this is that business planning isn't supposed to be like a hurdle that stands in the way; instead, it's a powerful tool for managing your company better, controlling your business destiny, establishing accountability, and developing teamwork. You should never think of it as a hurdle. It's not an obstacle you overcome; it's a technique that always helps you manage your company better.

So don't stop working. Don't ever let the business plan stand between you and doing business. Get started, get going, and make the plan useful to you from the very first day.

You'll find that strategy in this book. I want you to get started. I expect that you'll be able to do something today that will already be helping your business tomorrow.

TIPS & TRAPS

THE BIG PLAN, ALL AT ONCE

You can also do the big plan all at once! I understand. This new approach is great, but never mind, you need the formal plan. You've been asked for it by somebody who might invest, or a bank loan manager, or a boss. Maybe you're doing it for a business school class. I call these *business plan events*. When you need the old-fashioned full document, so be it; there's a business need, so let's get it done.

We'll get there in this book. You can jump to Chapter 5 right now, and start writing things down, section by section. I'd rather have you develop your *core plan* first, then get the essentials, including the *who, what, when, how much*, the *sales forecast*, and the *burn rate* (the amount of money that flows out of the business each month); but that's up to you. "Get started and get going" means you can also do it the old-fashioned way if you want.

What's Different About This Book?

A Live Book: Web Links

Some things change more often than a book is printed, so I keep the content alive and refreshed on the web. You've got the book as a guide, but let's optimize.

This is the 21st century. I'm not pretending this book lives alone. As I wrote this, I was also working on three blogs myself and contributing to three others as a guest expert. I only recently stopped running a company that lives and breathes web traffic, download sales, conversion rates, page views, visitors, and Google analytics. I was working with Microsoft Office on four computers and on three different office substitutes in the web world, where my documents live online, and I visit them from whichever computer I'm on.

If you're near a computer, go to planasyougo.com and you'll see what that means for you. It's a new world now; everything changes so quickly. Happily, most of what I have to say will last but there will also be updates, new ideas, tools, and of course new stuff on my blogs and associated websites. Join me there. That's your portal to what else is happening in plan-as-you-go business planning.

I don't expect this book to sit static on the shelf—I expect you to use it. And I don't expect it to sit static as it is—I expect to update it constantly on the web, on my blogs, and as it flows through the world into other books, magazines, software, and so on.

Chapter Updates

Please do check in at planasyouago.com because I will be updating some chapters from time to time. After all, if we're doing plan-as-you-go planning, isn't it also logical that we do write-as-you-go authorship? Things change, not just in your business, but also in the business of business planning.



Information Sources

Resources and references that appear in this book can also change; once again, we're living in the real world here, so we have to deal with change. I'll keep you updated through the planasyougo.com.

The plan-as-you-go business plan isn't big on supporting information that slows down your process, but it is required in some cases, so I've set up the links to update information sources, such as market research pages, industry information, and standard financials, as they become out-of-date.

Software Optional, Not Required

You don't need software to do plan-as-you-go business planning. This book is about the planning—how to do it, why, when, and how to work with the ideas, the people, the problems, the information, the decisions, and, of course, the numbers. It isn't about any particular software.

Planning doesn't require any special computer programs. Plan-as-you-go planning is about results and management, not tools, so you can do it on the back of your hand as far as I'm concerned.

By the way, I am also the principle author of the software Business Plan Pro, published by Palo Alto Software. I'm not going to talk much about that in this book, but I can at least assure you that whatever I'm suggesting you do can be done within that software.

Quick Action

Jump around. This book is written with that in mind. It's not all sequential. If you want to get going immediately, do so. (I hope you saw the sidebar on page 3.)

I don't expect you to read this book from the first page to the last page. I didn't write it that way and I don't think you'd want to read it



that way. This book is about your business, and when you think about your business, your thoughts jump. You go from sales forecast to some new slant on your strategy. One thing reminds you of another.

Please read the chapters in whatever order makes sense to you. I have included cross-references all over the book. Let a thought in one place take you to a different thought in a different place. That's what's supposed to happen.

To help you decide where to go when, I've tried to make the chapter titles and headings maps to the main points in the book.

Jumping Subjects

In his excellent book, *Meatball Sundaes* (Portfolio, 2007), Seth Godin points out the growing trend of shorter content, quick jumps of attention, as part of the world we now live in. Instant gratification. Keep it short, like blog posts. You don't want to sit through a long lecture.

Business planning is a lot like that, too. You can expect a lot of short subjects. Stories. Sidebars. I want to help you think about your business, what's important, how to do it better. Planning isn't sequential. Thinking comes in short bursts.



The Blogs

From planasyougo.com, you'll find links to other resources: updates, online tools, templates, the proverbial latest and greatest. And I hope you'll also check in and look for what's going on at my regular posting places:

- *Planning, Startups, Stories* (blog.timberly.com). My first blog, sort of a flagship blog. That one gets a lot of my developing work on business planning, plus stories of real companies, including my own, mistakes, occasionally interesting videos, current events, and planning fundamentals.

- *Up and Running* (upandrinning.entrepreneur.com). My blog on starting a business, hosted at entrepreneur.com. This blog

A WORD
ABOUT
WORDS

AN APPROACH, NOT A METHOD

The plan-as-you-go business plan is a new approach, a new way of thinking about business planning. It doesn't really change fundamentals, but it does change the focus. It adds some *new angles*, and it's better for you and better for your business.

What's the difference? Why do I make the distinction?

Garr Reynolds, in an introduction to his highly-acclaimed book *Presentation Zen*, says his approach to presentations "is not a method":

Method implies a step-by-step systematic process, something very much planned and linear, with a definite proven procedure that you can pick off a shelf and follow A to Z in a logical orderly fashion.

An approach implies a road, a direction, a frame of mind, perhaps even a philosophy, but not a formula of proven rules to be followed.

I like this distinction. It definitely makes plan-as-you-go planning an approach, not a method. I've spent a lot of years working on step-by-step methods to do business planning. Some of them work. Sometimes. But the whole idea of step-by-step, attractive as it is, reinforces the myth of the business plan as a document or hurdle.

What's the difference? Why does it matter? It's not that important, but I do want to use the idea of an approach instead of a method to emphasize that I don't want this plan-as-you-go concept to become another list of specific steps, or another list of "do it my way" methods. I want this approach, like this book, like your plan, to be yours, not mine. You take what I'm offering here and use what you want from it, in whatever order you want to use it, and make it work for you.

includes examples of actual startups, stories of startups, advice, new ideas, and links to other blogs and outside sources.

- *I also contribute to some other blogs, including the Business in General (businessingeneral.com) blog, Small Business Trends (smallbiztrends.com), and the Huffington Post (huffingtonpost.com).*

Why Plan as You Go?

The plan-as-you-go business plan is better than the standard, old-fashioned, formal business plan for several good reasons.

- *Everybody in business deserves business planning to help her manage.* That doesn't mean, however, that everybody ought to have a formal plan document written out.
- *Things change fast.* Planning needs to be quick, flexible, and sensitive to changing assumptions. It's like steering or navigation: eyes up on the horizon, looking at long-term directions, while also managing concrete specifics.
- *The plan is useless, but planning is essential.* As I wrote this, we were eight years into the 21st century, four years into Web 2.0 and social media, and 30 years into personal computing; it was time to change our views on business planning.

Start with that simple paradox: *the plan is useless, but planning is essential.* That's a quote from former U.S. President Dwight Eisenhower, who had reason to know a lot about planning. He led the Allied forces to victory in Europe during the Second World War.

What's Different About This Approach?

This is a new approach, but some of the principles have been around a long time. Others are just making their debut. Take a look at Chapter 2, on attitude adjustment. The headings there highlight

A
WORD
ABOUT
WORDS

MILITARY QUOTES ON PLANNING

The military relates very well to planning. In business talk about battle plans and war plans, as well as business plans. One of the most recommended books for business is Sun Tzu's *The Art of War*. I use Eisenhower's quote "The plan is useless, but planning is essential" frequently, in writing, speaking, and teaching about planning. He makes a critical point.

There's also the famous line: "No battle plan ever survives the first encounter with the enemy," often attributed to Colin Powell, but also to Field Marshall Helmuth Carl Bernard von Moltke.

the differences between this approach and the standard planning method. If you're impatient, consider this quick summary:

- *It's about planning, not just a plan.* If you don't review your plan regularly, you're wasting your time. The review schedule is absolutely essential.
- *It's about appropriately-sized planning.* Start simple, maybe with your core strategy, sales forecast, and milestones table, for example. Maybe that's all you're really going to use at the beginning. If so, then that's all you should do. Grow it as you need to. Use it at every step. Form follows function.
- *It separates the plan from its output.* You can have a plan without having a formal complete business plan document. The plan is what's going to happen. The output might be a document, speech, presentation, or something else.
- *It separates the supporting information from the plan.* Not everybody needs to develop market forecasts and management team profiles to convince an outsider to invest. Most people know their market and want to plan their business, and they

manage it without spending a lot of time proving that the market exists.

Why Is This Approach Better?

The plan-as-you-go business plan has several important advantages over the old-fashioned, formal business plan document, often seen as hurdle. For example:

- *It gets results.* It helps you manage your business. It optimizes your efforts. You start simply with what you need and only what you need, and you grow your plan as you grow your company. When there's a need for more—like more formalized descriptions for outsiders, or proof of concept or market for outsiders, or description of the management team for outsiders, then you create it.
- *It's faster and easier.* Call it right-size business planning. Start anywhere, get going. Maybe in the beginning it's just a sales forecast or an expense budget; maybe it's the sense of core strategy. You do what you need first and grow it organically.
- *It manages change better than the normal business plan.* This pulls assumptions to the top, where they are visible. It recognizes that change is constant. It focuses on the management process that absorbs change without losing the proactive management that takes change to heart.
- *It's more realistic.* Today's world requires flexible planning that builds on actual needs and uses, rather than a recipe or list of components.
- *It's within your ability and grasp.* You don't need a consultant. It's a matter of laying down the basics, like tracks, and then following them. It doesn't have to be big, it doesn't have to be formally written, it doesn't have to have a specific list of components or recipe. It's about what works.

- *It's just plain the right way to do it. I'm sorry, I know that seems arrogant, but I've been in the business of business planning for 30 years now. I've seen successes and failures, and I've seen what works.*

Chapter Outline

I don't expect you to read from start to finish. I wouldn't. So here's a guide to where you might want to go. The book is divided into six chapters. Following is an outline of the contents of each chapter.

| Chapter | Title | Description |
|---------|-----------------------|---|
| 1 | About This Book | You're here now. Describes what's in this book for you, how to use it, what's new and different about my approach, and why would you want a plan-as-you-go business plan anyhow. |
| 2 | Attitude Adjustment | This book is not about your traditional formal business plan. The plan grows organically. It's a new way of doing it. Look for information on how to start, on form and function, on accountability and mapping, and in general on a new way of thinking about business planning. The plan isn't a document and it isn't anything more than what you'll use today to make your business better. You don't have to complete a checklist. However, you do want to use planning to manage your business better. Do what you have to do to leave tracks you can follow up on. |
| 3 | The Heart of the Plan | The heart of the plan is your core strategy. It's an interrelated combination of business identity, target market, business offering, and strategic focus. It can be written out, or not. |

| Chapter | Title | Description |
|---------|----------------------|---|
| 4 | Flesh and Bones | This chapter is about what's going to happen, when. Who's going to do it? How much will it cost? The first of three parts includes the action plan with milestones, tasks, and responsibilities. The second is about basic numbers, which include the sales forecast, expense budget, maybe the startup costs (if and only if you're a startup). The third is about about cash-flow traps. |
| 5 | Dressing and Growing | Here's where I fill out the rest of the plan and bring it up to the full document that you'll need if you have what I call a business plan event, meaning you have to show a plan to outsiders. I give you the full financial forecast in detail, plus what you need for supporting information, and how to present that as an elevator speech, summary, pitch presentation, or full-blown, complete formal business plan document. |
| 6 | Planning Process | This is about making your plan-as-you-go planning into a vital management process that will help you achieve your goals and build your business better. Chapter 6 covers the process of review and revision as well as managing the plan. |

Read This Even If You Read Nothing Else

This book, my work, plan-as-you-go planning is about making your business planning a powerful process that helps you determine your business's future, guide your business to the future you want for it, set strategy, manage, and implement. Your planning should be a very powerful tool for driving your business. That includes steering. Keeping the long term visible while minding the details in the short term.

The essence of the plan is its heart, its flesh, and its bone. It isn't necessarily a document, or a presentation, or a speech, or a summary; it's what you're doing and what's supposed to happen. The output of that might vary. Its actual physical existence might be as simple as thoughts in your head, at the beginning, and—I really hope—will quickly become a collection of words and pictures and numbers you keep on your computer.

The Heart of the Plan: The Core Strategy

1. *Who you are.* As a company, if you are one, or as an individual if you're just starting a one-person business. *It's your identity.* Your DNA. Especially what you do well, differently, better; long-term objectives. Goals. Dreams. What do you like to do? Keep the focus in mind, too; that is, think about who you aren't, what you don't do well.
2. *Whom you reach.* That's a customer, a company that buys from you, a client, a beneficiary. Your target market. By the way, it's hard to pull this apart from how they find you, how they know who you are and what you do. Keep focus in mind: who is your target, and what's different about your target that narrows the focus better. Whom don't you reach on purpose? How is your target different from the rest?
3. *What you do for your target.* Fill a need, perform a service, offer a benefit. *What business are you in?* Think of focus as well, meaning what you don't do for your customer.

You can probably see here why I might call these items *identity*, *market*, and *offering*—more standard terms, that sound more MBA-like. Also, I might call them the *tricameral heart* of the plan.

Is this strategy? Maybe, when done well. Strategy is focus. Make that heart of your plan strategic by focusing more narrowly on the most important elements. Narrow your sense of identity to focus on core competencies, what



LIKE DRIBBLING

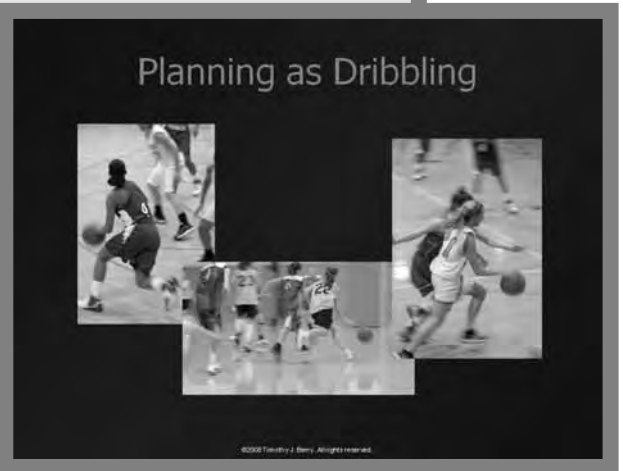
Think of soccer or basketball. You get control of the ball near your own goal (or basket), and you want to dribble it forward to the opponent's goal. Ideally you have a plan. You're going to pass it up the side, and from there a play will develop. Or some other plan.

And things change rapidly. The opposing players surprise you by doing something different from what you expected.

You watch the play developing. You keep your eyes up to see the field (or the court), but you also focus on the ball and the details of dribbling, probably at the same time.

This is a good example of planning as you go. You watch the field and the details at the same time. You expect things to change. You expect to react to the change quickly.

So it's not that you don't have a plan, or that you don't want planning. It's that you want planning to be very fast and flexible and adaptive. The goals remain the same, but the detailed plan changes.



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really makes you different. Concentration is power. Narrow your market to a finely cut target segment, the people and companies who really need you and want you—those who really get it. Narrow your offering to set yourself apart, differentiate, position yourself well. It's what you're not doing and why not. Focus on your business's unique keys to success. Resist the temptation to please everybody, do everything, offer it all.

The Flesh and Bones

1. *Assumptions.* Always list your assumptions, and keep that list at the front of your plan. Things are always changing. Listing your assumptions helps you remember to review them frequently.
2. *Review schedule.* It's essential. No way around it. Please don't do a plan without scheduling times to review the plan and share results with participants and make corrections. At Palo Alto Software, we did it on the third Thursday of every month, for years. "We" were the people who ran the company, three or four of us in the early years, five or ten later on. Every quarter you should dig into the strategy. And you need to set those schedules for review ahead of time, so everybody knows and can plan accordingly. This is where managers are going to track progress against goals, share with peers, and coordinate. Review milestones, review results, review changing assumptions.
3. *Metrics.* It starts with money. Sales. Costs. Expenses. Taxes, interest, profits. Assets, liabilities, capital. That boils down to money in the bank, cash flow. But be creative, beyond money: think about drivers, and nonmonetary metrics like customers, deliveries, complaints, calls, presentations, trips, meals, people served, client companies, repeat business, whatever. Everybody needs metrics. You want to be able to track progress, remember?
4. *Who does what?* Call it management team, management structure, organization—it boils down to who does what. Who's in charge? Who's responsible for what metrics?
5. *When?* Who does what when? Milestones. Dates and deadlines. Concrete specifics.
6. *How much will that cost?* Who does what when; how much will it cost; and how much will it generate? Budgets. Forecasts. Tie

down the concrete specifics related to business activities, tasks, managers. Your plan should leave tracks.

15 REASONS YOU NEED A BUSINESS PLAN

Why do you want a business plan? You already know the obvious reasons, but there are so many other good reasons to create a business plan that many business owners don't know about. So, just for a change, let's take a look at a longer-than-usual list of the most important reasons you need a business plan.

1. *Grow your existing business.* Establish strategy and allocate resources according to strategic priority. You can find more information about growing your business with a business plan by reading my article "Existing Companies Need Planning, Too," at bplans.com.
2. *Create a new business.* Use a plan to establish the right steps to starting a new business, including what you need to do, what resources will be required, and what you expect to happen.
3. *Set specific objectives for managers.* Good management requires setting specific objectives and then tracking and following up. I'm surprised how many existing businesses manage without a plan. How do they establish what's supposed to happen? In truth, most of the people who think they don't plan are really just taking a shortcut and planning in their head—and good for them if they can do it—but as your business grows, you want to organize and plan better and communicate the priorities better. Be strategic. Develop a plan; don't just wing it.
4. *Deal with displacement.* Displacement is probably by far the most important practical business concept you've never heard of. It goes like this: "Whatever you do rules out something else you don't do." Displacement lives at the heart of all small-business strategy. And most people have never heard of it.
5. *Share and explain business objectives with your management team, employees, and new hires.* Make selected portions of your business plan part of your new employee training.

15 REASONS YOU NEED A BUSINESS PLAN, CONTINUED

6. *Share your strategy, priorities and specific action points with your spouse, partner, or significant other.* Your business life goes by so quickly: a rush of answering phone calls, putting out fires, and so on. Don't the people in your personal life need to know what's supposed to be happening? Don't you want them to know?
7. *Hire new people.* This is another new obligation (a fixed cost) that increases your risk. How will new people help your business grow and prosper? What exactly are they supposed to be doing? The rationale for hiring should be in your business plan.
8. *Decide whether or not to rent new space.* Rent is a new obligation, usually a fixed cost. Do your growth prospects and plans justify taking on this increased fixed cost? Shouldn't that be in your business plan?
9. *Seek investment for a business, whether it's a startup or not.* Investors need to see a business plan before they decide whether or not to invest. They'll expect the plan to cover all the main points.
10. *Back up a business loan application.* Like investors, lenders want to see the plan and will expect the plan to cover the main points.
11. *Develop new business alliances.* Use your plan to set targets for new alliances, and use selected portions of your plan to communicate with partners.
12. *Decide whether you need new assets, how many, and whether to buy or lease them.* Use your business plan to help decide what's going to happen in the long term, which should be an important input to the classic make vs. buy decision. How long will this important purchase last in your plan?
13. *Deal with professionals.* Share selected highlights or your plans with your attorneys and accountants, and, if this is relevant to you, consultants.
14. *Sell your business.* Usually the business plan is a very important part of selling the business. Help buyers understand what you have, what it's worth, and why they want it.

15 REASONS YOU NEED A BUSINESS PLAN, CONTINUED

15. *Perform a valuation of the business for formal transactions related to divorce, inheritance, estate planning, or tax issues.* Valuation is the term for establishing how much your business is worth. Usually that takes a business plan, as well as a professional with experience. The plan tells the valuation expert what your business is doing, when, and why as well as how much that will cost and how much it will produce.

Adapted from a column for entrepreneur.com.

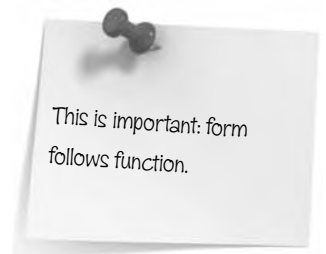
The Rest: Dressing It Up

Separate the plan from the dressing. The plan is what, why, how, who, and how much. Dressing is supporting information.

This is important: form follows function. So of course you want a plan, no matter who you are or how big or how new your company is. However, that doesn't mean that everybody needs to have the full formal business plan with all the supporting information.

For example, you might be running or growing or starting your own one-person business. You feel very comfortable about knowing your customers and your market and you've got a strategy. Why are you writing all this down, formalizing it, making a big project that you don't really need? No good reason. Planning is about the decisions it causes; it's not about showing off your knowledge.

Example: You're starting a new coffee-roasting business in Bend, Oregon. It's just you and your spouse and a close family member who is also investing. You want to develop your strategy



and cash-flow projections and decide who will do what, and you want to track progress against goals, so you do need a plan. But it's not going to be a formal business plan document with a heavy market analysis and competitive analysis. It's going to stay on your computer. You may or may not do a special research and analysis project for this plan, but either way, you're comfortable with your sense of the market and the strategy you're developing.

So if you don't have to do the formal plan, because you're not required to by the investor or the bank, then don't. And when you do want to do the plan, because things are changing (maybe you're entering a contest, or looking for an investor, or the bank asks for it), then you take the next step of developing the document with all the supporting information.

You do what the business needs demand—no more, no less.


Do You Have a Business Plan Event?

Danger: Don't confuse not having a business plan event with not needing or wanting a business plan.

The business plan event forces you to present a plan. It might be that you're seeking outside investment, or applying for business financing from a bank or other lender, or you're involved in a business class that requires a business plan, or you're going to enter a venture contest that requires a business plan.

It's because of these business plan events that people confuse the idea of *needing* a business plan with wanting business planning. Suddenly experts can make themselves feel good by advising people not to do the formal business plan because they don't have a business plan event. It sounds like they are saying *don't plan*, when what they mean is more like *don't bother to do the big, ponderous formal plan document*.

This potential confusion is dangerous. Don't deprive yourself of planning just because you don't have to present a formal plan to



The business plan event
forces you to present a
plan.

outsiders. Plan your business regardless. That’s why I’m suggesting that you plan as you go.

About that Big Plan

There is a lot to be said for the formal business plan. Concretely, it covers all the bases. You get a full review of a business, soup to nuts, as they say, and if you follow one of the standard outlines, you’re less likely to leave something out. That makes things conceptually easier.

So while I’m not recommending that big formal plan for all, you certainly can start with the plan-as-you-go plan and end up with the formal business plan. And I’d hate for this book not to tell you how.

Allow me, then, to go over the standard contents of the standard plan and relate them to parts of this book. I’ll give you the jumps, so to speak.

| Sequence of Components in a Standard Business Plan | What It Is and Where to Read More About It |
|---|--|
| 1.0 Executive Summary 1.1 Objectives 1.2 Mission (or mantra) 1.3 Keys to Success | These are good things to think about. You can jump there now if you want, specifically to my discussion on missions and mantras, objectives, and keys to success. These are in Chapter 3, “The Heart of the Plan.” |
| 2.0 Company Summary 2.1 Company Ownership 2.2 Company History (for ongoing companies) or Startup Plan (for new companies) 2.3 Company Locations and Facilities | You’re not going to do this until you have to. It’s dressing (see Chapter 5), something you’ll do when you need to describe your plan to outsiders. |