Business Plans Are For Everyone

In and of itself, the process of producing a business plan is a beneficial undertaking. It facilitates management's focus on the future as well as the present. In the process of preparing the plan, management has a chance to step back and assess where they are now in terms of marketing, production, and finances. This assessment can result in "pats on the back" and honesty about past errors.

Looking to the future, the process allows a business person to look ahead five or ten years and say, "In my dreams, this is where I want this company to be." A business plan forms the road map to get to those dreams. It gives interim targets to hit. It highlights many challenges. It points out the company's strengths and how to capitalize on them. It does all this by forcing business people to objectively think things through. When they think through one area, the process requires them to think through the impact on other areas of the company. For example, given sales targets, they must now consider equipment and personnel requirements to reach those targets. Next, they must realistically analyze how they can finance these necessary resources.

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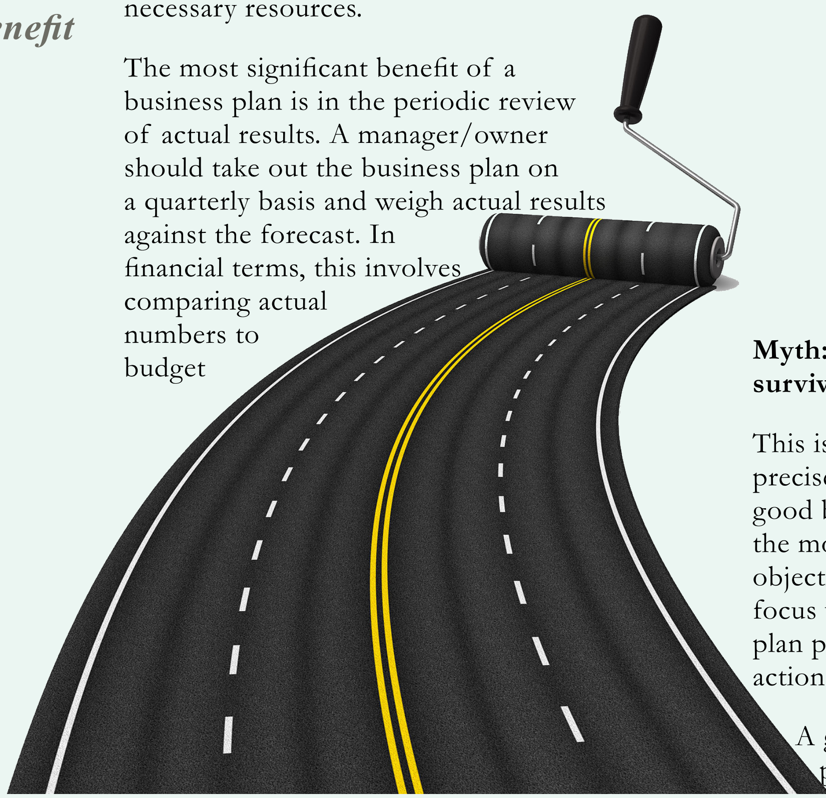
The most significant benefit of a business plan is in the periodic review of actual results. A manager/owner should take out the business plan on a quarterly basis and weigh actual results against the forecast. In financial terms, this involves comparing actual numbers to budget numbers. In marketing, it involves comparison of unit sales, department sales, and penetration of targeted markets, etc. This feedback allows the person to assess what worked, what went wrong, and proactively make changes to move toward his or her goals.



Myth: Business plans are for larger, fancier companies.

Business plans do not have to be fancy documents full of charts and graphs. They have to be documents useful in communicating what the business person has in mind. Several key areas to include in business plans:

> **Goals:** Obviously, long-term goals are necessary. It is critical that time lines be stated for the accomplishment of each goal.
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> **Functional Strategies:** A basic strategy in each functional area of the company will show how to accomplish goals. A well-developed marketing plan will show how to achieve sales goals. An operating plan will show how to fill sales orders. A financial plan will show how to pay for it all. Each of these plans can be written up as simple outlines with little integrating text.
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> **Budget and Cash Flow Projections:** This is where small-business people feel most intimidated. It is, however, the most important reality check on the rest of the plan. Can we pay for it? In the simplest form, analyze revenue and expense accounts under the projections of the plan. This simple analysis will uncover any glaring critical financial problems well in advance.

Myth: Business plans are useless to help us survive the daily grind we face.

This is the most damaging misconception. It is precisely in surviving the everyday grind that a good business plan provides the business person the most benefit. Regular reviews of the goals, objectives, and interim targets bring back in focus what everyone is trying to accomplish. A plan provides a point of reflection and redirects actions that have strayed.

A good business plan just takes the business process to a higher, more useful level.

Source: The Entrepreneur Network