

THE NEW STANDARDS FOR BUSINESS PLANS

Article by Herb Rubenstein. Founder and President, Sustainable Business Group

Introduction

Today, business plans are funded at the rate of 1 in 1000. How does a good business plan defeat these tough odds? More importantly, how does an ongoing business write a business plan for these turbulent times? Today, businesses are seeing their old business models being decimated by lack of demand for their bread and butter products and series. The businesses try to change, cut services, cut payroll, reduce benefits, all tactics looking for a strategy. Success in today's marketplace requires more planning than ever because it requires a clear understanding of the new dynamics of the marketplace in 2010 and beyond. Business planning is the best way to clarify and test a company's thinking. Business plans must be based on the reality of today and tomorrow, not yesterday.

This article lays out some of the basic tenets of business planning in turbulent times. The business plan that your company has in the minds of its principals cannot withstand the business pressures of today. Only solid business plans in writing, vetted by all key stakeholders in the business, have a chance of succeeding in either obtaining investors or even banks and others willing to loan money in these tight money times. Business planning does not guarantee success, but the lack of business planning almost certainly guarantees failure. . This articles lays out some of the basics regarding writing business plans and makes critical distinctions needed today in this tough business climate.

Research, Facts and Value

A business plan must a well researched, fact based document. Poor business plans make great leaps from assumptions to projections. Excellent business plans are based on voluminous data on the cost of every element of the service or product to be offered, identify exactly the customers who are expected to buy the products or service and the quantity of expected purchases over the next several quarters or years, plus include research findings on similar products and competitors. Today, new products and services must meet the 10x rule – they must be 10x better than the current services or products on the market in order to be assured of success. This 10x superiority must be demonstrated with facts and statistics. And, a good business plan must state clearly how the idea or service of the new company is proprietary and protectable through the intellectual property laws, trade secret policies and will prove to be very difficult to reverse engineer.

Competitive/Market Analysis

A good business plan must make predictions not only about its success and how customers will respond to it, but must also make predictions on how competitors will respond to the company's success. The more citations to other research on every element of the plan the better and the closer the conclusions are to being fact based rather than assumption based

conclusions the better. A good business plan must show the relative prices of competitive products and services, their names, their size in the market, an objective measure of the value of their products and services and must show that your product or service is demonstrably 10x better than another product.

Three Financial Scenarios

A good business plan will present three scenarios of potential financial results and show how the company will survive if the worst case scenario happens. A good business plan will identify the management team in great detail and show the gaps. Rather than merely state that there is a gap, a good business plan should say, here is the gap and here is a person whom we would hire or like to hire to fill the gap upon funding.

Sales and Marketing Costs and Revenues

A good business plan on the sales side must state why it expects to secure x amount of sales in y time. Have other companies done it? A good business plan must take into account actual experience based data on the sales cycle and the full cost of securing large clients.

It has been estimated that to sell anything to Fortune 500 companies in this business environment takes \$100,000 in sales, marketing, advertising and related sales support to actually make a sale to your first Fortune 500 customer. At the Sustainable Business Group we reject entirely that it will or should cost anywhere near \$100,000 in sales and marketing costs to land your first Fortune 500 client. What it will take is a plan to develop a product or service that solves a very big challenge for the customer, Fortune 500 size or not. Further, it will take the coordinated efforts of many people, and if they have not read a great playbook created by the company, meaning a solid business plan, they will simply never know how they can contribute fully to creating that great product or service that companies, even Fortune 500 companies, will buy. The sales cost projections in a good business plan must reflect the reality of this new sales and marketing environment and make realistic estimates for the company what it will take to market and close deals with substantial customers. It won't be cheap, but it can be budgeted and it must be allocated from current revenue at the time the revenue is received in order to insure the money will be there when the opportunity arises to make that large sale.

Conclusion

This new reality of the business landscape may seem harsh, but it is better to get the plan right the first time than waste three years chasing a interesting business idea that is not backed by a solid plan and procedures to implement that plan.

About the Author

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