



Management and Business Plans

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A business plan means a lot of different things to different people. There are software programs that assist a new business to map out its plan, strategy, and goals. Or professionals in business plan writing can craft complex documents that include such items as detailed financial analysis and forecasts, benchmarks, and investment, growth, and exit strategies. Which sort of business plan you need depends on factors such as type, scope, and size of the business; whether investors will be sought; and the business and financial goals.

Regardless of how extensive and in depth a business plan is, it is universally agreed that every business, no matter how small, should have a business plan. It is a roadmap and a strategy planning document. It assists to organize thoughts, tasks, and move through hurdles. A business plan is a living document—meaning that although it provides a structure, it changes as the business is built and grows.

In nearly every case a business plan is a difficult document to write, which is why many people avoid writing them. It forces a business planner to think through every aspect of the building and growing process, oftentimes bringing up questions that have no clear answer. A business plan is a creative document that looks into the future, while still maintaining accuracy and a factual assessment of the business. To be both creative and systematically practical can be a challenge.

Certain key elements are common to most business plans:

Executive Summary

An executive summary is a concise overview of the plan. It is the section most outsiders will read when attempting to get a sense of your business.

Market Analysis

A market analysis is exceedingly important for any type of business. It discusses the industry, competitors, and why your business is viable. It essentially makes the case for why you will succeed given the current climate. Although it is useful to others, it is critical that you are able to convince yourself, through your market analysis, you have the potential for a successful business.

Company Description

What is your business, what do you do, how does it run? The level of detail depends on the business, but anyone reading this section should have a clear idea of what your company is and will be.

Organization & Management

Particularly for a medium-to-large-size business, the organization and management structure is key to the working machine. Investors and partners will want to be assured that the organization (and ownership) is sound and the players are competent and in appropriate roles that cover all aspect of running the business.

Marketing & Sales Management

Traditionally this section of the plan discusses the fundamental aspects of how you will market the business and sell products and services. More and more business plans are including entire marketing plans that specifically articulate marketing and sales strategy, tools, and steps. This section is more difficult than you might think, as it is an area of the business where the phrase, “it takes money to make money,” is often most apropos.

Service or Product Line

This is a more technical and specific explanation of what your business does and how it does it. It discusses customer needs and how they will be served. Included here is a frank discussion of the product and/or service lifecycle, whether (and when) products and services will become outdated and obsolete, and phase-in of new or updated products and services.

Funding Request

Whether you are seeking funding support from family, banks, or venture capital, most businesses will need to secure funding from somewhere. Even if your venture is self-funded, at some point you will likely need money from another source. Consider all scenarios in the funding request, as well as a hierarchy of funders and a timeline.

Financials

Financials include everything from a budget, allocation and earnings assessments, to complex analysis of the business projected years into the future. Financials are essential for planning and developing a picture of what the business will need and how it will succeed financially. The goal of every business is to bring in money (even not for profit businesses need money). This is the bottom line. When developing financial projections one often runs up against “not having a crystal ball,” or in other words, having to guesstimate. Financials are the best assessment using as much information as possible, bringing in all the elements already discussed above.

A business plan might better be conceived as a management plan—management as in managing the business, in each area that is essential for functioning. The management plan is a reference document that can be used for regular evaluation of progress. For instance, on an annual basis a business may engage in a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) as part of strategic planning. This is an exercise specific to the immediate needs of the business: examining internal and external factors and how they impact identified objectives.

A business or management plan is a big picture document, looking at past, present, and future. It is a fundamental guide when engaging in any more narrow-scoped assessment and planning. It is also useful for developing an “evergreen document,” one that targets a specific audience over time. This is also part of strategic planning, or the more specific work of defining day-to-day what the business does, who it does it for, and how it succeeds.

In summary, a business or management plan is akin to a skeletal structure that contains all the moving parts. Though it may grow and change over time, it articulates the fundamentals of the business. Without a business plan for a guide, the functional strategy of building and running a business is easily lost in the minutia and distractions of everyday reality.

A business plan:

- Defines a business. When building a business new ideas are likely to emerge every day. Although they may be good ideas, a successful business is built one step at a time.
- Differentiates you from your competitors. In a competitive marketplace, it is essential to recognize what works, what doesn't work, and how to make your business the most attractive option in the landscape.
- Sets realistic yet challenging financial goals. It is always tricky to both portray an accurate picture of the expected finances, while still projecting the greatest rewards. This is a balance all investors and partners will want to see.

Frequently, developing a business plan is outside the core competencies of company executives and entrepreneurs. Consideration should be given to contracting with an outsourced provider of CFO services as this resource has expertise in developing comprehensive management and business plans for companies ranging from start-ups to large corporations.

Reference and Further Reading

Starting & Managing a Business: Writing a Business Plan; U.S. Small Business Administration

<http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan>

About CFO Edge

CFO Edge is a leading Southern California provider of outsourced CFO services. Based in Los Angeles, we are a group of experienced chief financial officers who engage with CEOs and CFOs on demand to address strategic planning, business management, and day-to-day financial operations challenges. Our seasoned professionals deliver services as interim CFOs, part-time CFOs, project-based CFOs, recruitment-to-permanent CFOs and interim-to-permanent CFOs. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 626.683.8840.