

You gotta have a plan

Creating a sound business plan is an essential for any endeavor

By COELI CARR

WHEN entrepreneurship beckons, nothing sounds as unappealing or time-consuming as creating a business plan.

Everyone seems to know people who started their own company without such a plan, said small business consultant Morris Bocian.

Bocian insists that this kind of thinking, and dismissing the value of having such a document, is a mistake.

"People oversimplify things in their minds and, unfortunately, the devil is in the details," he said.

Bocian owns Creative Business Planning in Livingston, N.J., and is also an adjunct professor of management at New York University's School of Continuing and Professional Studies.

He concedes that most people prepare business plans because they are seeking funding from a bank or commercial lender, the Small Business Administration or other financing sources.

"The better the job you do of showing how you understand the business you want to create, the more faith the lender has that you will pay them back," said Bocian.

"The less risk the financial institution is taking, the greater the likelihood of getting your loan or financing from a cheaper source."

However, Bocian believes the primary reason for entrepreneurs to draw up business plans is to create their personal vision and understand how, in their businesses, they can integrate human capital, operations, marketing, distribution channels, cash flow and financial projections.

Only a relatively small number of small business owners have business plans, he said, and the people most likely to sit down and actually create one are those who know the value of establishing goals.

Not surprisingly, it's not easy to execute this type of document, which can run between 15 to 20 pages.

"It should be readable, exciting and truthful and, if you're a start-up, it should be revisited within a month or two after opening your doors," Bocian said.

He often sends even the most well-intentioned of souls running for software assistance — though he advises that people use business plan software only as a guideline, and not as a way to plug in numbers without thinking the information through.

"People become casual and cav-



PLANNING STAGES: Morris Bocian of Creative Business Planning Inc. helps clients, like Ira and Karen Meislik of the Meislik and Levavy law firm, plot their business course.

Christian Johnston

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alier," he said, describing how easy it becomes to fixate on a number without doing the research and considering other factors.

"The software will ask you certain cursory questions and it's up to you to provide the detail. People who use software can often tell you what they plugged in, but not why."

Another possibility for the new business person is to get someone with experience to help you write one. But even here, Bocian is cautious.

"You can hire someone to help you do the plan, but it really has to be *your* plan," he said. "The minute it's not *your* plan, it's going to sit on the shelf," he said.

And that's one of the biggest mistakes people make after creating a business plan.

Bocian advises that setting the plan aside and not using it as a liv-

ing document to help operate the business is a common mistake.

On some occasions, working on a business plan can reveal more about the aspiring entrepreneur's state of mind than he or she could ever have imagined.

"Very often, they have no idea how much it's going to cost them to start the business or how much sacrifice it will take," Bocian said.

"They don't understand the details of that. So, it's not unusual for people to start understanding the intricacies of running a business. At that point, they recognize they either don't have the capacity or they are not prepared to make the commitment, which means they decide not to go into business for themselves."

This in itself is a good thing. In a climate where so many businesses fail, the sooner you find out whether you're really cut out for the entrepreneurial life, the better.

BUSINESS PLAN KEY

Here's the essential ingredients for a winning plan

EXECUTIVE SUMMARY

The first component presented, but the last one written. Summarizes the entire plan.

THE MISSION STATEMENT

Explains your sense of purpose, your goals and why you are in business.

YOUR PRODUCT

Describes what you're selling and why people will buy it.

MARKET ANALYSIS

Describes your competition.

MARKETING PLAN

Describes how you'll sell your product, including your channels of distribution, advertising, promotion and sales strategy.

FINANCIAL PLAN

Describes how you'll use the loan and how you'll repay it. This component includes revenues, expenses, bottom lines and cash flow.

— Coeli Carr



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