



Business Plan 2.0

Why business plans aren't just for rookies anymore

BY GARRETT GLEESON

Do you remember the last time you looked at your store's business plan? If you're like most retailers, it's probably lying under layers of dust in a dark corner of the office or stashed away at the bottom of the file cabinet. Once useful for luring investors or bank loans, it may now only serve as a reminder of the goals you missed or the dreams you had in more optimistic days.

And this is precisely why you need to dust it off and reevaluate it.

Getting rid of obsolete goals as well as updating the hard data and facts about the changing needs of your clientele is critical to the success of any business. For example, has a summer program or a dance school opened or closed in your area? How about new dance shops popping up near the store or a VIP customer announcing the launch of a retail outlet at her studio? Whenever there are major shifts in business activities—from external conditions (like the recession and rising gas prices) to internal changes (such as the decision to expand store hours and hire more help)—you need to go back and reevaluate your plan so your objectives are based in reality.

Think of it as a map that outlines the steps to reach your destination. (You would never follow directions that were outdated.) If it reflects all the latest information, you can plot the most direct routes to where you want to go.

THE PAPER CHASE

"The document itself is not really valuable," says Barry Moltz, author of *You Need to Be a Little Crazy: The Truth About Starting and Growing Your Business*. "It's just a bunch of projections. The thing that is valuable is the

process you go through to come up with whatever numbers are important to your business."

When revisiting the plan, the only limitation is your own imagination and the only requirement is that it helps attain the goals you set forth. "A business plan doesn't have to be a printed text document," says Denise O'Berry, entrepreneur and frequent contributor to Allbusiness.com. "It could be a vision board with a drawing or even pictures from magazines. The key is [to connect with] what appeals to you—what is going to motivate you, tap into your passion and get you to carry out the activities you have identified."

If that means using storyboards, audio files and video, then don't hesitate to incorporate them. You want to develop a "dashboard" to guide performance and maintain focus.

AT SECOND GLANCE

The idea of using the business plan as a tool for inspiration can be highly useful, but if the existing marketing data, expenses and other numbers don't accurately reflect your situation—current or projected—then your master plan won't work.

In constructing a second (or even third or fourth) version, it's important to determine whether the questions posed in the previous one were answered satisfactorily—especially when it comes to marketing data and financial statements. As the foundation for the store's economic projections, they are crucial components that inform all aspects of your business strategy.

"One of the [marketing plan] exercises we do with our clients is a variance analysis," says Ray Vargo, a director with the Institute of Entrepreneurial Excellence at the University of Pittsburgh. "A variance analysis looks at the

projected results, sales and expenses versus the actual results... It gives us a trigger to investigate further and see what's actually going on."

A strong grasp of your marketing and financials is necessary for the management strategy to flow logically. You will need to review and revise your operational information—such as staffing, wages, benefits and hours of operation—against that management plan as often as necessary.

When seasoned owners review the numbers from their original plans, which are often created by far less knowledgeable incarnations of themselves, they usually discover overestimated revenue projections and underestimated expenses. This should come as no surprise: Newbies to business planning are known for an optimism bias for revenues and a lack of comprehensive knowledge when it comes to expenses. While this magnifies the importance of new owners revisiting their plans, it also suggests the need for greater scrutiny by longtime owners.

(If you're a new storeowner in the midst of devising your first business plan, a good rule of thumb is to cut estimated revenue in half and double projected expenses.)

Need Biz Planning Help?

The Small Business Development Center Program offers assistance to small-business owners in virtually all aspects of business management. The SDCP has offices in all 50 states and is funded by federal and state governments at no cost to the business owner.

"The SBDC consultant has a non-emotional, nonfinancial tie and can look at the situation from an objective point of view, challenging the owner and helping him through the process of developing this business plan," says Ray Vargo of the University of Pittsburgh's Institute of Entrepreneurial Excellence. He adds that more than 50 percent of the clients he sees through the SBDC program are existing business owners. For more information, visit www.sba.gov/aboutsba/sbaprograms/sbdc/index.html.

HOW OFTEN IS TOO MUCH?

If the local studio that used to refer lots of dance students closes or the store manager who ran two of your locations quits, these events should prompt a review of your plan. But catastrophes aside, Moltz recommends reviewing it on a yearly basis. Experts like Tracy Piercy, CFP, founder and CEO of MoneyMinding.com, suggests doing this even more frequently.

"A business plan is the living,

breathing document from which all businesses make decisions," she says. "Then how frequently it gets reviewed will likely be daily for some aspects like finance or task allocation between support staff. A weekly review of goals and priorities is also a minimum requirement for growing companies."

Whether it functions as a motivational tool that enables you to visualize your goals or a point-by-point operating manual, consider this: If your business

plan is a map, then the journey illustrated is your store's big picture. Making sure that vision is based on fact, not fiction, keeps your dreams within realistic reach—and may even make referring to it more of a joy than a chore. ▶

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