

## **Who is Your Business Plan For? (Besides YOU!)**

It was C.D. Jackson, Publisher of Life Magazine who once said “Great ideas need landing gear as well as wings.” The sad truth is that most people plan trips and vacations better than they plan their business ventures. It seldom occurs to them that a business plan can help—tremendously. Consider the different audiences who may read your business plan as your great idea takes off.

Bankers are primarily concerned about having their loans repaid. While they will say that they are interested in a company’s long-term prospects because they want to establish long-term relationships, bankers want to be assured of a company’s ability to keep up a loan repayment schedule. Margins on business loans are so low that banks can’t afford to have too many go sour. Therefore, the emphasis should be on cash flow—past, present, and future.

Investors are most interested in factors that can help predict growth, because growth is essential for them to get an attractive return on their investment. These factors include the market’s likely future, the management team’s experience, evidence of fast-growing sales, and so forth. They want to see their investment go into marketing rather than R&D expenses. The existence of tangible assets is less important to investors because they aren’t as concerned with being “repaid” in the same way.

Strategic partners are important. Increasingly, smaller growing companies are seeking out large corporations to provide expansion resources—mainly in the form of investment funds, distribution outlets, and production expertise. Corporate executives have their own agenda. They are most interested in finding new products and/or services that can be integrated into the corporation’s existing offerings. Such issues as cash flow and sales-force planning are less important because corporations figure they can

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compensate for these needs. The business plan should be concise but devote significant detail to the strategic issues of importance to the corporate partner.

Your large customers are also important. These tend to be major corporations seeking long-term and significant purchasing relationships. The customers want evidence that a smaller company is going to be around to provide the product and/or service promised and also warranty or maintenance service. For these readers, the business plan should emphasize the company's past record of performance and ability to satisfy customers. "Love letters" and names of reference accounts can be especially helpful.

More than any other single group, potential key employees are looking for reassurance on a variety of issues. They want to know that the company has a history of success and that it can achieve substantial growth in the future. In other words, potential key employees are looking for signs of both security and opportunity, especially if they are going to be getting stock in the company. A business plan that satisfies one of the previously described audiences may well be appropriate for these individuals.

A business plan intended to guide your company's middle- and upper-level managers usually needs to be more detailed than other plans. A plan of 60 pages or more isn't unusual.

A company looking to acquire your company is primarily interested in its past and present record of growth and accomplishment. If the acquiring company's executives can be excited about the past and present, they will figure that they can provide input that will solidify the future. Moreover, it's the past record of sales and profits that help determine the company's value. A business plan similar to that submitted to a bank would be useful in this situation.

If you are still wondering why your company should have a business plan, the reasons are quite simple.

1. A business plan, first and foremost, should sell you on the business.
2. A business plan sells others on the business. When someone asks you for a business plan, they are really saying, "Sell me on this business. "Turn me on."
3. A business plan gives you confidence.
4. A business plan improves your chances of success.

And with all of this going for you, your business works with both wings and landing gear!

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