Lesson 4: Business Planning

4-1, Planning and Strategy for Your Business

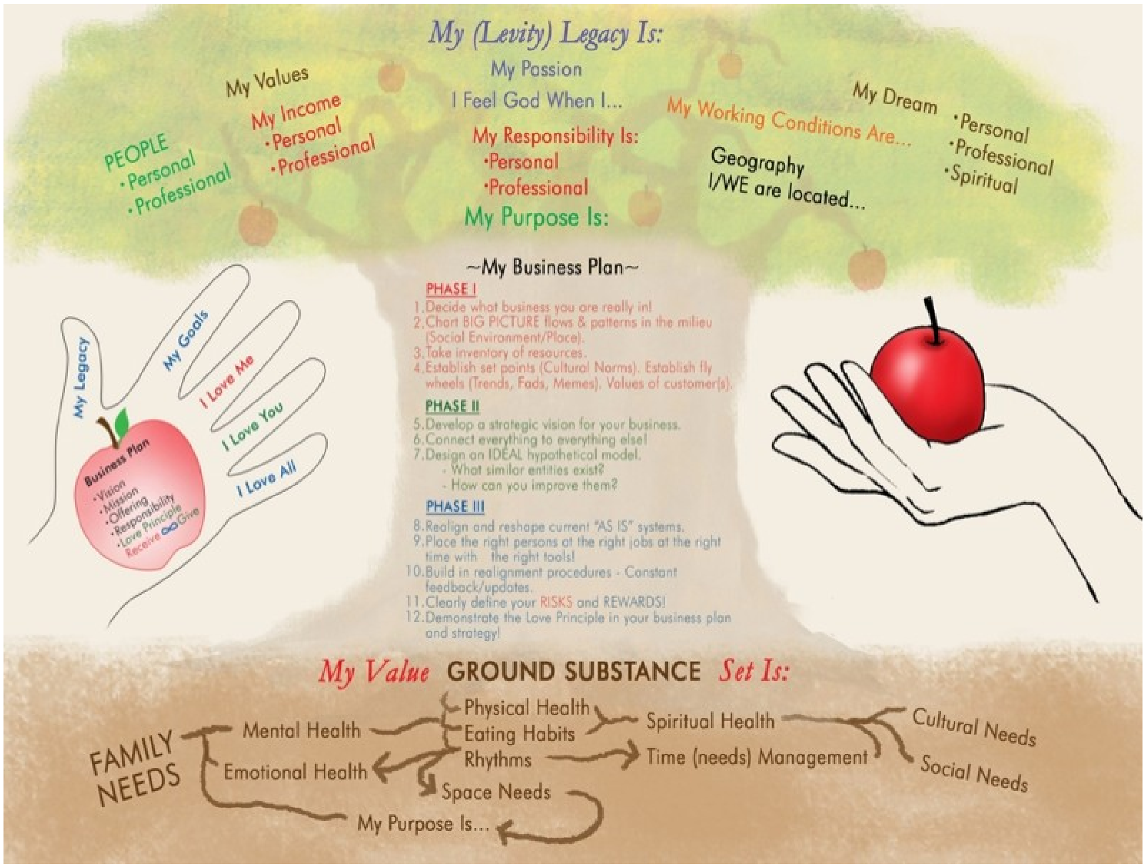
In Lesson 3 we talked about how to set goals, develop a plan for those goals and finally how to develop a strategy that realizes your goal. In this lesson, Christine Perakis and I will be building on the information that you just learned to help you build a very specific kind of plan: the business plan. Now you may be thinking, "I have no desire to run a business of my own, why is having a business plan important for me?" The fact is, *everyone* is running a business, even if someone else employs you. It may just be that you only have *one client – your employer*. If this is you, a business plan is still an essential and we'll show you why as we go through the lesson.

Lesson Objectives

1. Gain clarity on how to build the ground substance or foundation of a well-designed business plan.
2. Understand basic business planning components, strategy, and implementation techniques.
3. Identify common roadblocks to business success.

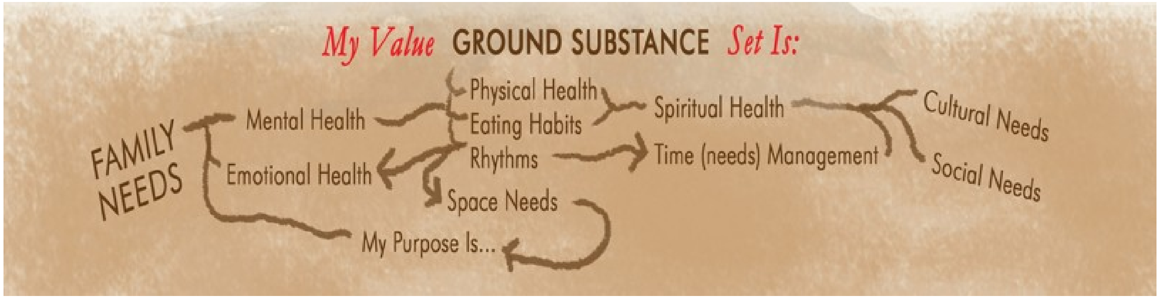
The Fundamentals of Business Planning

To begin with, it's important to see that all of the ideas, concepts and techniques that we have talked about so far play an important part in your business plan and relate to your business plan. Your business plan is the fundamental method for connecting your values set to your legacy. The business plan transforms those values into legacy in a practical way. Every successful and happy person has a business that is an expression of something that emerges from his or her ground substance of values. You can see this relationship between legacy, values and business plan in the diagram on the next page.

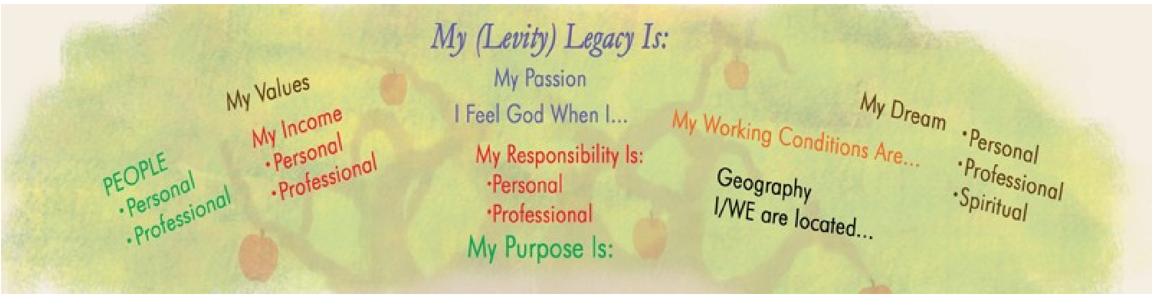


I chose this tree metaphor because your legacy is very much like this tree. You provide the ground substance for this tree. You provide the nourishment. And just as when the soil is deficient, the tree suffers, so too will your legacy suffer if you are deficient in some way. You can only manage and grow your business to the extent that you can manage your own life. In previous chapters I have argued that you cannot give to others what you do not have. This is just as true of your business. You cannot give to your business what you don't have. Thus creating a flourishing business requires that you first see to your own needs and wellbeing.

In addition to managing your self, it is important to start your business plan by making sure you are clear on your values set as well as the values set of any business partners you may have. Your partners must be clear on their own values set as well. When you are 200,000 or more dollars into a relationship with each other, knowing where you stand with regard to your partner's values can make or break the business.



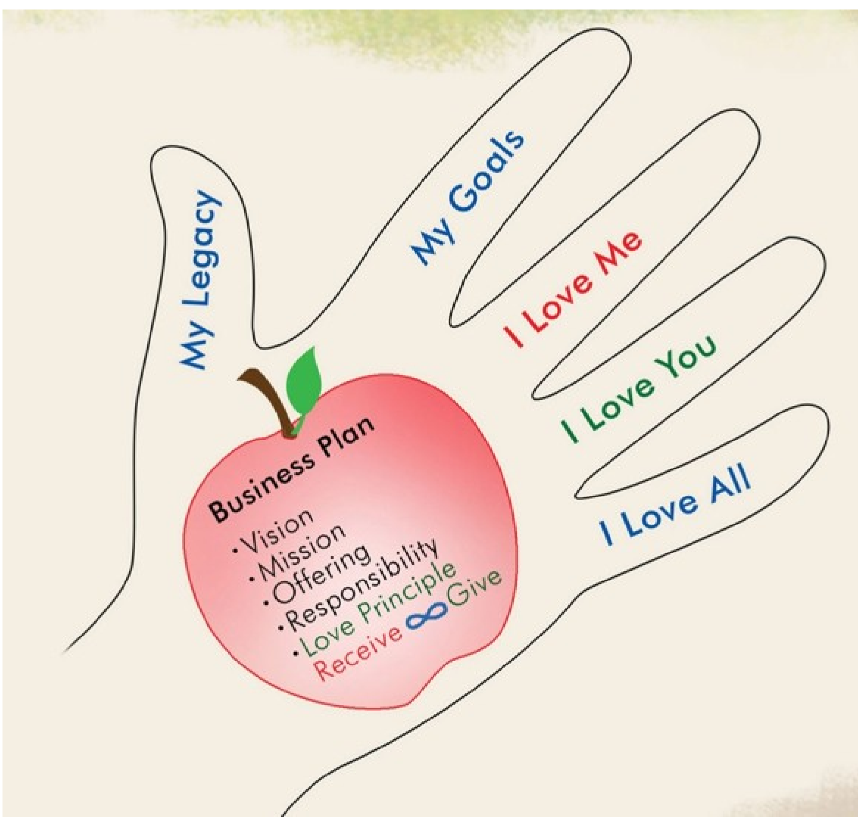
You must also get very clear on your legacy components before writing a business plan or starting a business. Without having a clear vision of your legacy and building that vision into your plan you are much more likely to lose motivation. You are likely to lack the levity needed to carry you and your business through tough times!



Once you have clarified and written down your values set and your legacy, you must think carefully about your goals. In particular, remember to categorize your I goals, WE goals and ALL goals, especially as they relate to your business. Most business are WE and ALL businesses because you are working with a client or employer or employee one on one, or with a number of people at a time.

Having made clear your goals, you can begin to sketch your business plant. I have listed the basic components below. Any business plan must contain:

1. Your vision
2. Your mission
3. Your offering
4. The Responsibilities involved in the business. This includes your responsibilities to the business and the business's responsibility to society.
5. A way to incorporate the Love Principle. You have to give back to the community for what is given to you. If you don't, on a spiritual level you may be creating an experience or experiences that you don't want. If you run your business in an unethical way, you may make a great deal of money, but in some way or another you will find that you have harmed yourself in running the business this way. Often times this manifests in a terrible guilt.



Leaving any one of these unaddressed increases the chances of unwanted challenges and your business's failure.

The Three Phases of a Business Plan

When it comes to writing a business plan, for your own business or as a plan to your employer, you can break your plan into three general phases. Later, we will expand on these phases.

PHASE I

1. *Decide what business you are really in.* Don't spread the focus of your business so thin that you don't really do anything.
2. *Chart the big picture flows and patterns in the social environment*. If you're selling apples, chart out where your apples come in to the community, where you are going to get your apples from, who in your community is interested in buying your apples and who else sells apples. In short understand the role of apples in your place or your social environment.
3. *Take inventory of resources.* If people need apples but there's nobody that ships them into your region then you may find that it is going to be exorbitantly expensive to buy these apples and that the quality of the apples is low relative to the price.
4. *Establish cultural norms*. If you're selling apples, it is best to make sure that the people you are selling to actually eat apples. Apples probably won't sell very well if you live with people who don't eat much fruit – e.g. Inuit people. In this case, you might want to sell smoked fish rather than apples. *Establish trends, fads and memes.* What are people into right now? If you're selling clothing styles that are out of trend for a few years now, you're not going to do so well. Be aware of the difference between fads and trends. Fads are short-term patterns, trends are long-term patterns. Human beings wearing clothes is a reliable trend, human beings wearing bell-bottom jeans is a fad. *Be aware of memes that might affect your product* –e.g. a meme that says eating apples is bad for you.

PHASE II

5. *Develop a strategic vision for your business.* Your vision should be in your head while developing Phase I.
6. *Connect everything to everything else.* It is important to try to figure out how the supply and demand ends of your business relate to each other, as well as all of the other components of your business. One way to do this would be to create a giant mind map with all of the components of your business. You can then draw the connections amongst those components.
7. *Design an ideal hypothetical model.*
    a. What similar entities exist? Is anyone else selling apples or whatever product you want to sell?
    b. How can you improve them?

PHASE III

8. *Realign and reshape current 'as is' systems.* You can save money or start your own business sometimes by upgrading a business or buying an existing business.
9. *Place the right persons at the right job, at the right time, with the right tools.*
10. *Build in realignment procedures – constant feedback/updates.* You will need a way to find out whether your workers are happy, whether your business methods are effective and so forth so that you can adjust your business to make it more effective. This is a constant process as your business grows and the business environment changes.
11. *Clearly define your risks and rewards.* If you don't know your risks, you don't know where the challenges to the business will come from. If you don't know your rewards you don't know why you're doing this.
12. *Demonstrate the Love Principle in your business plan and strategy.* What is your gift back to the planet, to humanity, to your community and to your family?

If you do all of this and the things that we will discuss below, you are almost guaranteed to be successful.

Planning for Fruit

The primary objective of a business plan is to give you a roadmap that helps you get clear on your short and long-term goals and provides the plan for how to get there.

-Christine Perakis

The rest of this lesson is the fruit of joint effort with Christine Perakis and myself. Christine has been a mentor to me and has a tremendous amount of experience with business growth and development. Together we are going to flesh out the details of the business plan and this should provide you with a valuable guide as you work towards your legacy.

Choosing a Business Partner

A business relationship can consume as much time and energy as a marriage. In fact, it can consume even more. The relationship between you and your partner is a critical relationship and can be so rewarding because it takes the pressure off of you and it shares the burden of the work if you have made a good choice. It's especially important when you're starting a business relationship to have the difficult conversation about your relationship with your partner. This doesn't have to be a conversation about failure and negativity, but about *honoring the relationship*. If you have done so and there comes a time when your goals are different, you and your partner can choose to go your separate ways and still honor your relationship.

When you begin to talk about forming a business with someone, you're going to have an instinct about this person and making decisions here are really no different than choosing a mate. In fact we often view our mates as prospective business partners. Many of you may be husbands and wives who are in business together and this relationship can work really well. A husband and wife can be just as successful in their business relationship as in their personal relationship. It is, however, important to be extra careful if your business partner is your mate. It is important to be clear with your business partner about your wants, desires and objectives in your business from the outset. You need to come to an agreement on how you expect to work and who is going to shoulder which burdens. This means communication is key. It's exceptionally important if you're going to choose your life-partner to be your business partner as well.

You will want to know your partner's past. In the same way you would want to know what relationships your life-partner has been in, it is important to know where they are in their business life, what kind of skills they have, what they have learned along the way and to have some consensus on the kinds of things you do *not* want to experience in your relationship. There is an old business saying, "when you get into business with someone, you are getting into bed with them." It may be just as uncomfortable to ask somebody about their successes and failures in their business ventures as it is to ask someone about their sexual history, but both are important to ask about before you begin the respective relationship with them. In short, you need to find out from your prospective partner about his or her business past.

One of the most empowered ways to go about this conversation – a way to avoid raising negative feeling during the conversation – is to talk about what works for you and what your experiences are. So if I'm offering up the experiences that work for me and which experiences haven't, and that I'm choosing to have a different, *positive* experience this time around, the focus isn't on my partner and what they haven't done. Rather, it is an offering from me. I am making a positive statement about what I want and what I am willing to play with.

Another way to go about this is to involve a third party. Christine does that in her negotiations with her clients. She acts as the objective third party to allow that conversation to unfold in a way that avoids any attacking or negativity. So you might want to consider having a mentor, a lawyer or someone who is going to help you craft your relationship serve as a mediator when you discuss your business relationship with your partner.

You will want to know about how much you and your partner share the same values, goals, willingness to sacrifice, take risks and the extent to which you each can manage money. Are you equally willing to make sacrifices? Is one of you going to bring more money in? Or, is one of you just going to work really hard? What level of risk are you and your partner comfortable with? There are so many decisions to be made in terms of financial impact and this is a part of your wellbeing, so it's an important consideration. You want to know that your partner has the same sensibilities and where they are in terms of their risk taking. How does your partner manage money? What systems do they use? What are their views on managing money? How do those views and methods resonate with your own views and methods? Are they up front about their money management skills? If they aren't good at managing money will you be able to do so? Finally, What other skills does your partner possess? Can their skills offset your weaknesses? It's not only important to be honest about what you have but about what you don't have.

You will also want to talk to your prospective partner about how you will apportion your partnership responsibilities. If your responsibilities aren't quite the same as those of the other partners, if they are less than those of your partners, then you may not want to expect full partnership and the same rewards as the full partner. Sometimes the work burden will shift so that others may have more responsibilities depending on the nature of the market and the growth and success of the business. So what percentage of the interest in the business is justified based upon the amount of input that you bring to the business? That is a very important question that needs to be addressed at the outset of the business. In a start-up situation, you will probably be putting in a disproportionate amount of effort at times. Ask yourself how the amount of money that you are investing will affect your good feelings towards the partnership, your partner and the business in general. In essence, having this conversation is about making sure you are taking care of yourself and that you stand for what is really fair. Get clear about this before you get started so that there isn't resentment at a later time.

The important thing to know is that a business relationship is like any other relationship in that it changes over time. If you really are honest in your intention and you've chosen the right partner, then you should always be clear from the onset of a business relationship that any aspect of the business and the business plan is open to renegotiation. In this way, each person knows that the business was created with his or her best interest in mind and that his or her needs are being looked after. That doesn't mean you'll change everything willy-nilly, but rather you have the comfort of knowing that any partner can approach any other partner about any problem they or you may have inside or outside of the business. This openness is part of what makes a good business partnership. More often than not, some aspects of the business need to be renegotiated as things change, otherwise you can get yourself into a very stressful position where you afraid to communicate what needs to be communicated.

The point here is that there needs to be a flexibility that stays in place throughout the life of the relationship. People who may be the founders, the originators or the blood sweat and tears of the operation that started with the business from its inception are going to be replaceable. It may be that someone brings in large investors to build the business and you have other people having a say over your business. In this case you have to be willing to do what is good for the business. Maybe you go from being a CEO to an EVP that isn't at the top of the business. This is going to be for the betterment of the business. You have to know where the business is going and how it is going to be served best.

Choosing a Business Partner in Brief

1. Feeling and Intuition?
2. Past history?
3. Communication:
    a. Can you communicate with your perspective partner?
    b. Can they communicate with you?
    c. How do they communicate with others?
4. Goals
5. Willingness to sacrifice
6. Risk taking
7. Values – is your partner clear on these?
8. Trust, integrity and honesty – does your partner share these values?
9. Ability to manage money

Writing A Business Plan – Five Financial Decisions

When writing a business plan, you should begin by projecting whether you have the money to survive the beginnings of the business during its start-up phase. Do you have savings? Do you have credit cards? How much are you willing to go into debt? You have to be able to weather the start-up phase and expect that your business is not going to be able to support you for perhaps a very long time. Can you give up your day job to start this business? If you do, can you sustain yourself?

A very important consideration here is to think about how you are going to take care of your health. This includes paying for health insurance and, if you see alternative health care practitioners, paying for health care not covered by insurance. What will happen if you can't run your business because of ill health? Do you have family/dependants who count on you for income? It's actually important to find a way to construct a business in which you are dispensable to some degree so that your business doesn't fail if you aren't running it for some period of time. Good business planning means that no one is indispensable.

When making your projections about sustaining yourself without profit, you will need some ballpark idea of how long starter businesses go without making money. In general, the time to profitability depends upon the nature of the business. If you're launching a new product, you can expect to have huge manufacturing and start-up costs to set up your marketing and advertising and other pieces of the business structure. If you're launching a new product, you could be out of profit for a good three to five years. Most venture capitalists and banks view companies that are less than five years old as a start-up. In this case you're not looking for huge profitability, rather you're looking for a solid projection from the outset that you've managed to meet. In a service business where you have lower overhead, you hope to get into profit very quickly and if you've done a proper analysis of what the market is like, what you should be charging and how much you need to make, then you can be in profit as soon as you take your first client. Overhead cost then is one of the primary determinants of how quickly you will be seeing a profit from your business.

The owner of the business does not need to sacrifice everything in the start-up. If there are revenues, the owners need to take care of themselves. This doesn't mean that they should drain the company irresponsibly of its cash, but if there's money there to allocate in amount that is responsible to the business for the owners then this makes sense. You should be able to tell what is a reasonable amount as well because you have written up your business plan. You know what your costs are, you're aware of your overhead and you know what you're trying to do with the business. If you allocate yourself a small stipend in your plan, then you've taken care of yourself. I don't believe that owners should have to sacrifice their entire livelihood to develop their business.

It is also important to think carefully in the beginning about how much debt you are willing to shoulder. Accepting debt has become part of the great American Way, through credit cards and so forth, but there is going to be some amount of debt that is reasonable and you want to know what that is by doing good financial planning. You need to understand debt services, and think about whether you are going to pay off your interest or interest and some of the principle on your debts. These financial considerations are important to think about when you are developing your business plan.

Five Financial Decisions in Brief

1. How long can you live on your savings?
2. How deeply in debt are you willing to go?
3. What will you do about health insurance?
4. Have you lined up your line(s) of credit in advance?
5. Are you covered against NOT being able to run your business?

Writing a Business Plan – The Nine Objectives of The Business Plan

The business plan is your tool. It has different purposes and you can use it for different reasons. The primary objective however is going to be to give you a roadmap to help you know your short and long-term goals and to provide the plan for how to get there. It maps out your route to reach your goals and that includes a start, middle and end. You want to know how you are going to get started and what your business is going to do when it is up, running, functional and profitable. Finally you need an exit strategy and a relatively clear idea of what that would look like, as there are several ways to go in terms of an exit strategy.

Your business plan should provide financial forecasting. If you are going to begin raising money with this program or you are going to use it to entice investors you want to be able to show investors that you have thought of everything. For example, the plan should lay out what the business is going to cost. How much are you going to get for your service or product and is it enough? How much are you going to spend to tell people about your product? Are you going to have a website? Are you going to have a store? How is this all going to get paid for? What is the profit? People who are investing in you are going to want to know that your business is going to yield a really good return for them. The plan also gives you the framework for building a budget and determining your cash flow on a monthly basis over three years. The plan also gives you the opportunity to do a break-even analysis, which is the ability to determine the price you need to charge to reach these numbers and the profits built into them.

You also want to determine the amount and kind of financing. This is part of determining what the business plan is for. So for example, if it is to raise money you want to be able to tell someone who might be interested in investing about how much money you need, why you need it and how you will use it. Anybody who has any kind of capitol to invest this way is going to have good representatives that will be looking at your numbers and your projections on paper as well. Many people that are just going into business don't realize how good lenders are and how accustomed they are to looking at these types of numbers and facts. Because people don't have this training, they go from bank to bank and get very frustrated when nobody will lend them money. The lesson here is to be as thorough as you can when writing your plan, especially when it comes to the financial aspects.

The final point is incredibly important. A business plan provides financial information so that the past can be compared to the present and the future. It is your road map to success and happiness. That's what we want from a business plan, we want success – getting what you want – but we also want happiness – wanting what you get. We want to make sure that when you go into a business and you are gestating you are also producing what you want and wanting what you produce. Otherwise, you've only added another form of misery to your life. What we hope is that by the time you've gotten to this point in your development as a PPS practitioner, that you've answered the about the nature of your values and legacy so that you know from within what is going to bring your happiness. That's the personal and professional query – what am I going to do with my professional life? Should I be in business? Should I get a job? By this time you're so clear about that that you're going to move into career path that is right for you.

The Nine Objectives of a Business Plan in Brief

1. To create short and long-term goals.
2. To provide the direction or plan for achieving these objectives.
3. To provide financial forecasts based on estimates of the future and your business experience.
4. To provide budget guidelines, projected cash-flow analysis and income statements.
5. Breakeven analysis
6. Determine the amount and kind of financing.
7. Give banks, investors and suppliers the information to make fast, accurate decisions about your business.
8. The business plan forces you to think through every aspect of your business and recognize opportunities for growth and profit.
9. Provides financial information so that the past can be compared to the present and the future. *It is your road map to success and happiness!*

Writing a Business Plan – Who is Your Audience?

The next phase of your plan is to discover your niche or your market. Do people need what you have? Am I introducing something new and how am I going to do that. How am I going to get people to find out about my product and me? In short, who is my audience and is there a market for me? Your plan should answer that last question for you. You just don't want to get to the point of having gone through half of your business plan only to discover that this really doesn't work. For example, people don't want peanut butter in a tube. They are used to buying it in a jar. There is a threshold consideration, which many of us have gone through when learning about our legacy and our values tree. We know who we are and what we want out of life and how we are going to create that. The business plan is a natural extension of that. You have the opportunity to describe what your product or service is, what the objective toward that product or service, who your market is and how you are going to get to them. Where should you be located? Are there people in your community where you want to put your business in? How you are going to place your self in your community or the community that you are targeting. Is it going to be local or international? What is your competition? Are others doing it out there? Generally, the rule of thumb is that you don't want to be first to produce some product or service unless you have lots of capital. It's not bad to be second. If you *are* first at something and there's nothing other than one or two of you out there, you're going to be ripe to be copied. In that case you want to be first and fast. You want to know that if you've got a great product idea, that you're going to get in on the market, make your money and that everybody is going to copy me.

Developing and analyzing your business plan provides you with an important opportunity to analyze your management. We assume that if it is your business plan that you're going to be one of the best and most skilled people to run the business. Do you have a well-rounded management team? If you're not good with numbers and you're not the day-to-day operations person, do you have that person? Do they have a good resume? When a venture capitalist looks at the plan, one of the first things they are going to want to do is to plant their own operations person in and they'll take a chunk of your business equity to do that. You want to convince them that you've got your management in place and that you have the personnel that are going to be able to execute and realize your idea. You should know who you're going to have to hire and how much it is going to cost and how to keep them happy. It is critical to show your potential investors how you're going to use their money because they are going to want to put a very short leash on what you do with their funds. You might find that investors might stagger their payments to you. In all likelihood they are also going to want to see that you are keeping yourself on a short string salary-wise. It's doubtful that they'll want to see you starting yourself off with a six or seven figure salary right away in the first year because you think you're brilliant for coming up with this idea. Be conservative with your salary. The concerns of an outside third party financier should be no different than your own because you should be looking at your own business as though it were your own investment. It is how you're choosing to commit to your professional body.

We've talked a bit now about the beginning and middle of your business plan, but we have yet to talk about the end of your plan - payback and exit strategies. Ultimately if there's debt you're going to want to pay it back. Is there equity or short term money that you want to pay back? If there is long-term equity, how are financiers going to get their investment back and at what rate of return? Is it more attractive to them to invest in you than to stick their money in a treasury bill? There are all kinds of ways that people can use their money. If you want to convince them to use it on you for your business, you need to convince them that they're going to get enough money back that it makes more sense for them to do it with you than to invest it somewhere else.

The exit strategy is important because if you're building an idea of value, there needs to be a payoff. There has to be some point at which you can sell the company off or let it go public so that you get value out of that company and retire, invest elsewhere or start a new project.

Who is Your Audience in Brief

1. Market
2. Location
3. Competition
4. Management
5. Personnel
6. Use of funds
7. Payback and exit strategy

Writing a Business Plan – Financial Data

The financial data is an area that makes a lot of people feel very uncomfortable. It is important to be honest with yourself about whether you are not really good with creating spreadsheets or working with numbers because you want to have the support that you need. It is often difficult for people who are very creative to do this sort of work, so you'll need someone that can see the hard, numerical aspects of your business and be able to support you so and create the space for you to work in a way that makes your business successful. You need someone to be able to create a balance sheet, to know what kind of equipment you'll need, to see how you can use your money, to see that you have planned adequately to price your product properly for the market. This person should be able to discern whether you will you be able to pay your expense. They should be able to determine the kind of income can you make reasonably over the next three years. They should also be able to project your cash flow needs on a monthly basis. They should also be able to analyze your historical data and see where you deviate from your budget over time. So they may see that you over budget in some areas and under budget in others, and even if it comes out in the wash, you want to know from moment to moment where you need to make adjustments. It's important to see where you need to reign in your spending and where you can spend more. There are financial analysts who can tell down to the penny, which aspects of the business are growing and at what rate. You need to be able to present materials that will let someone do that. In the beginnings of a business plan and the business may only be worth the paper it's printed on, but you still want to go through the exercise. This kind of estimation gives you that roadmap that we talked about. It tells you where you want to go and it will entice people to be interested in your business.

Your business is also an investment in your life force and your chi. The universe moves towards you at the exact rate that you move towards it and with the exact same amount of specificity that you apply to your business plan and to your goals. As challenging as this process sounds, it really is part of ensuring that your business is a success and that makes the challenge worth it.

The best thing you can do for your business is to get passionate about the numbers. Fall in love with the numbers that you're projecting and take them in as your own. It's obvious, but most of us don't want to work for free. If it's uncomfortable for someone to take responsibility and have the control over those numbers and over the generation of that revenue then they should be looking at how to relieve that discomfort through the career that they've outlined in their legacy exercises. The result should be that you're really embracing the belief that 'I want to make money at this!' or 'I want to have financial freedom!' Falling in love with the numbers is an all-important exercise because it's an important way of feeding you and it's just as important as the food that we put in our bodies.

Financial Data in Brief

1. Sources and application of funding
2. Capitol equipment list
3. Balance sheet - assets, liabilities, net worth
4. Breakeven analysis
5. Income projections
6. Cash flow
7. Historical data and deviation analysis

Revisiting Your Business Plan

Throughout the life of your business it is important to review and perhaps to revise your business plan. How often should you re-write your business plan? For a business that is not raising money, every time you are going to present your plan to a financier you are going to want to take a look at your business plan and be sure that it’s current. If there is a good bit of time that passes between the first and second investor, things will certainly have changed and you will want to have made sure that your business plan reflects that. You’re also going to have real historical data. On a regular basis, annually is not too infrequent to see where you’re headed, if your road map is still good and the results of the various strategies that you’ve tried. In the first year or two of your business, you should check in with your business plan on a monthly basis. This is your map after all, and if you’re heading out on a trip you want to make sure that you’re on the right highways.

In a similar vein, how tightly should you adhere to the business plan and what if it isn’t working? Of course, if your plan isn’t working, you’ll have to make adjustments. You want to make sure that you’re making adjustments in the areas that make sense. If you’ve tried certain areas of advertisement and you’ve launched a certain type of product and it doesn’t seem to be getting a response, you should respond to what is actually happening. You don’t want to make assumptions. For example, Christine knows marketing people who have had multi-million dollar marketing budgets. When they sit in front of the board, the board wants to know how they justify their expenditure. ‘I can’t’ is the answer, because they’re putting the marketing mechanism in place today so that it has long-term value into the future. So just because you're doing something and it doesn't appear to be having direct results, this doesn't mean that it's not important to continue to do. In short, some of the decision to stick to your plan is based on instinct, some of it is being able to track the plan and its results, some of it you can gather data and some of it is kicking yourself into forward motion. For Christine, whenever she has gotten into a place where she doesn't feel a particular business – service business's especially – is moving forward, she puts an ad out or does an exercise that kick starts something. This invariably turns into business. It's usually not a direct result of that advertising or the marketing effort. It's about saying 'I'm out here' and it's about cooperating with the flow of the universe and being able to create the forward movement from any angle. That's what you have to be willing to do.

When Christine gets to the point where nothing new is being generated and she is ready for something new – let's say in her consulting practice that she finds she has a space of time and she notice that nothing new is coming in she might go look for a place to put an ad to advertise her services in a publication. That is an easy exercise for her and in that business. This is her way of saying, 'ok, I'm ready for more.' In Christine's words, "In my experience, every time I do that, something comes in and it often doesn't come from the advertising." On a bigger scale though you can afford to go through those kinds of exercises, where a smaller business might not be able to afford that. In this case you have to be willing to be more committed to your advertising part of your strategy as opposed to an exercise.

Why Businesses Fail

10 Common and Costly Mistakes of Small Business Owners
Business failures can really be boiled down to a few common causes. Often, businesses fail because those involved really do not have a clear enough strategy for their business that they develop from the outset and that they are following. Another way that a business can fail is if the partners are not reevaluating the plan on a regular basis and monthly is not too often. Financial planning should also be evaluated regularly – monthly. How did you do something last month? How much money did you bring in? How much money did you spend? Are you in profit or is the business continuing to be negative? Have you met

your cash flow needs or are you prepared to move forward? Is there enough money coming in to stay sustained for a lengthy period of time. Have you implemented your non-advertising marketing avenues such as publicity and promotions? Are you focused more on sales that profits? Regular evaluations of pricing on products and services are important because the market can change. If you under-price your products and services you could run into real problems.

Your relationship with your employees can make or break your business as well. Have you motivated the employees, giving them a sense of responsibility for the business? Have you provided them with an opportunity to participate when the business is doing well? This is one way of garnering employee loyalty. This can be very valuable because a high turnover can be a huge downfall for your business. It’s very expensive to retrain people and new people generally aren’t as efficient at their jobs.

Another problem is taking legal risks such as not understand laws or establishing procedures for hiring, firing performance reviews or sexual harassment. You can’t afford to spend huge amounts of money in court or the damage to your reputation and future potentials that can come with getting caught up in such legal risks. If you can’t afford to have someone else do it, then part of your time spent researching for your business plan should be spent on legal research surrounding your business.

Common Causes of Business Failures in Brief

1. Not developing and following a clear strategy for your business
2. Not reevaluating your entire way of doing business from time to time
3. Not referencing P/L reports monthly to boost profitability in future months
4. Not forecasting Cash Flow needs
5. Not implementing nonadvertising marketing avenues such as publicity and promotions
6. Not tracking results of all marketing efforts
7. Focusing more on sales than profits
8. Under pricing products or services
9. Not motivating employees with results-based bonus or profit-sharing programs

10. Taking legal risks by not understanding laws or not establishing appropriate policies such as for hiring, firing, performance reviews, sexual harassment

Strategic Mistakes

In your business plan you should be developing your strategy. You should know your product, your competition and be able to distinguish yourself from the competition. Having chosen your method for distinguishing yourself, have you stuck with it? Have you committed to it? Or, have you been swinging from strategy to strategy, adopting parts and not creating a consistency. This happens frequently in our experience in education where people run from course to course and expert to expert. What happens at the end of the day is that they know a little bit of this and a little bit of that but do a whole lot of nothing. So it's very important – especially if you are in a service-oriented business – to choose a strategy and stick to it aggressively. Sticking with a clear strategy is also important for developing a solid, recognizable identity. If you change strategies too often, your market won't know who you are or what you offer.

Strategic Mistakes in Brief

1. Failure to distinguish your business from the competition.
2. Not following your *chosen* strategy aggressively…*adopting some parts of many different strategies.*
3. Changing strategies too often.

Five Criteria of the Strategic Thinking Process

This section is about developing your strategy. While it may appear that a plan and a strategy are one in the same, there really are very distinct. A plan is like a map. If you're out on vacation and you want to get to Magic Mountain from San Diego, you'll need to get a map to chart out your route. The strategy for getting to Magic Mountain is how you use the map. Suppose that you're stuck in traffic and you need to get to Magic Mountain in a certain amount of time. The map itself won't tell you how to do that. You need to use the information in the map to develop the best route possible. That's the strategy. The business plan maps out the territory, shows you who your competition is, shows who your suppliers are and so forth. The strategy tells you how make use of that plan or how it will be implemented to get you to your goal. *A map provides you with information, but doesn't tell you how to use that information. That's where the strategy comes in.* Just as you can get stuck in traffic on the road to Magic Mountain, you can get stuck in traffic on the way to your business goal. You need to have the strategy to tell you how to navigate that traffic or your destination is bankruptcy. These are the things that should occur before you've even written your business plan so that you know where you want to go and how to get there.

When developing your strategy you should begin by looking at the organization of your business. What is the structure of your business? Are you going to form a legal entity and what is that going to look like? What are you resources and what do you need to get this business going? Who are the key players that are going to help you do that?

You should then make some observations about the market you're moving into and the products already in that market. If you're looking at the world, do you have something that people want? Will your product excite them? Do you know how to solve problems and to distinguish between alternatives?

3.Those observations that you make are often viewed through one perspective or another and in business there are some standard kinds of perspectives. You need to understand those views and decide which ones you are adopting to look at the world, your business and its success. There are many different perspectives that you can use to view your business: the environmental view, the marketplace view, the project view and the measurement view. Which perspective you settle on is also a key issue to consider when choosing your partner. Your partner's view could be radically different from your own. Thus perspective is an important consideration to take into account when you trying to determine whether your partner's or shareholders' interests are aligned with your own.

What are these perspectives? Each of the views is a tool that you can use to think about the outcome relevant to your business. You can also identify critical elements in your business. Finally you should be able to justify your actions in making various business decisions. Your perspective gives you the framework to do this if you use it in your thinking process.

Your strategy should also incorporate the primary driving forces behind your business. When we talk about driving forces here, we mean all of the forces that Paul has discussed in the first three lessons. For example, what is your mission and what are your values? What is the vision that drives you? What is the company's vision? The company's vision should be aligned with your own.

Finally, your strategy should consider the conditions under which you are going to be implementing your plans. Are the conditions there to be productive? Is there a niche there for you to occupy? If there are 15 other businesses like yours in the area, will you be able to distinguish yourself? Do you have something to offer that the other practitioners don't? Is there an opportunity that exists or are you going to have to create it? What are the core competencies that are required to execute on this strategy? What are the strategies and tactics that you are going to use to succeed? Each of these questions is aimed at clarifying the environment in which you are building your business so that you can prepare yourself to thrive in that environment.

Five Criteria of the Strategic Thinking Process in Brief

1. ORGANIZATION:
    a. Structure
    b. Resources
    c. Key Players

2. OBSERVATION:
    a. What Motivates People
    b. How to Solve Problems
    c. Distinguish between Alternatives

3. VIEWS:
    a. Environmental View

   b. Marketplace View
   c. Project View
   d. Measurement View – this is the view that you use to see whether you have a sensible view from a financial perspective.

4. DRIVING FORCES:
   a. Vision
   b. Mission
   c. Values

5. IDEAL POSITION:
   a. Necessary Conditions to be Productive
   b. Business Niche
   c. Opportunities that exist or *you* will create
   d. Core Competencies or Skills required
   e. Strategies and Tactics to Succeed

To conclude, we invite you to go back to the first three lessons and apply those exercises again as though it were the business completing the exercises. Stand in the shoes of your business or your career and answer those questions. And remember that even if you think you don't have a business, but work for someone as an employee, *your employer is your customer*. They just happen to be such a good customer that you only need one customer in your business. Paul has used this strategy at many times in his life to get large raises. He did this by man*aging himself as a business*. He had a strategy, a vision and a plan. When he presented that plan to his boss who was his primary customer, she could clearly see that the value of keeping Paul on as her primary provider in clinical massage therapy was worth far more than the 22,000 dollars extra that he was asking for. So don't think just because you don't have a business that you don't need a plan and that you don't need to worry about this lesson. Your business plan will help you to plan your future with regard to your current job. It will force you to look at whether your job is it taking you where you want to go. It will also focus you on your worth and whether your job is paying you what you're worth. In short the considerations raised in this chapter are beneficial to anyone that is interested in living their legacy, whatever that legacy may be.