

What business plans can do for a startup

Editor's note: This is the first in a series of columns titled "Entrepreneurial Excellence." The authors are husband and wife Richard Kaye and Lee Boothby.

Q: Do I really need a business plan to start my business? — Joan Grafson

A: Imagine you are sitting on an airplane, ready to taxi for takeoff. You hear the "click" of the intercom, and you know the flight crew is about to make an announcement. You hear someone say, "This is your pilot," then there is a pause, and he or she asks someone else in the cockpit, "Where are we headed to today, anyway?"

Starting a business without a business plan is certainly done over and over again. The question really is, "Is it a good idea to start without one?" Well, how will you know where you are going? Just like the clueless pilot, not only won't you know where you are going, but how will you know when you get there? You don't need a massive document, full of illustrations, photographs and detailed financials, but you do need a great outline so you know your direction, how you plan to get there, and references so you know when you arrive.

Even if you are a sole proprietor, it is an excellent idea to make a business plan. You'll be surprised at what you'll discover when you sit

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and answer your own questions about the nature of your business. Some very basic things to consider: what is the type of business — is it a service business, is it retail, wholesale; who are your customers, clients, or patients; how are you going to attract them; are you going to use radio commercials, TV advertising, newspaper advertising, the telephone directory, develop strategic alliances, fliers, etc. The adage, "Build it and they will come," is great for a movie, but not so great for building a thriving business.

You need to know your financial status, where your seed capital is coming from, how much capital you need to operate for the first year (at least). It is an unusual business that turns a profit in the first year. What are your projections for having enough cash to continue the business until you do turn the corner and show a profit? Do you have reserve funds? Who or what is your competition? What is your core competency

and can you stick to that? If, for example, you are establishing a graphic design company, will you do Web site design as well, or "just" print media? (Too many businesses fail to recognize their core competency and begin doing other things to make money in the short run, while losing the focus of what they do best.)

What are the risks you face and how will you handle them? Certainly, if you are creating a company that will require capital investment from others, a more detailed business plan is mandatory. To begin your business plan, we suggest BizPlan Builder (www.jjian.com), in any stationery store.

As for the financials required, it would be a wise idea to be in touch with an entrepreneurial accountant. There is a distinction between someone who can keep your financial records and file your quarterly taxes and someone who can do financial forecasting. Ask, so you'll know.

Once your business plan is complete, set it aside for a few days, then go through it as if you are seeing it for the first time; be critical. This is your flight path. It is a good idea to avoid the crash and burn, and enjoy a safe journey:

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