

**5 Ways a Strong Business Plan  
will  
Make you Money**

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**The entrepreneurial spirit** is strong in business owners. Sheer determination and perseverance is a considerable force and many successful businesses have been created on little more than the will to succeed coupled with a good idea. There is however, a significant distinction between ventures that start the race and ventures that finish well. Starting is relatively easy, approximately 575,000 new businesses are birthed each year. A telling statistic is that nearly the same numbers are terminated each year.

One of the characteristics of profitable businesses is a good business plan. A business plan does not have to be complicated to be effective; it should address all five of these issues.

Here are five ways a strong business plan will make you money.

### **1: Evaluate Feasibility**

The concept and details of your business may seem like a great idea. If all the facts point toward unprofitability does it still seem like a great thing to do? You can sell millions of anything and still end up broke. A sound business plan provides “proof of concept”, which simply means proving the answers to the question, “how will this business succeed?” Do your homework, gather the relevant information and look at the numbers objectively to answer that question. Just because your service or product seems in demand does not guarantee that you will be profitable in providing it.

Businesses go under every day that provide goods and services that people want. For example, Americans eat out more than any other culture yet restaurants go out of business regularly. There is plenty of demand; many restaurants fail to act strategically. Their basic marketing strategy is little more than opening the doors and hoping customers show up. Often they believe that a favorable review in the local newspaper will ensure their fortune. Hope is not a strategy. A clever logo

and Yellow Pages listing is not enough to guarantee a steady tide of customers and profits.

Another typical situation is the “narrow niche”. You may be passionate about vintage typewriters or some other specialized product or service; if the numbers don’t add up to profitability, you may find yourself struggling to pay the rent.

“Will this business work?” The strong business plan will reveal the shortcomings of your business concept. With that information you can shift into figuring out what must be adjusted in the plan so that the business does work. The strong business plan will help you evaluate the feasibility of your business or new product and *adjust your actions* so that you have the results you want.

A strong business plan will make you money by preventing you from moving in non-productive directions and keep you moving toward profitability.

## **2: Focus Energy**

As a business coach I experience many smart people working hard and yet achieving far below their potential. They confuse “activity” with “accomplishment.” It’s easy to be deluded by all of the busy-ness that distracts us and makes us think we are doing well. Years ago I told friend that I was “staying busy”. He replied, “That’s nice, but are you making money?” He said “if you are busy and not making money, then you’re an idiot and you deserve to fail.” These were hard words to hear. Changing the way I did business from that day forward shifted me from being busy to making money.

A strong business plan provides clarity and focus on what to do, when and how to do it, and who to do it with. The flip-side benefit is identifying things “not to do”; activities and clients to steer clear of because they don’t support the business goals and use up valuable resources including time, money and energy.

A strong business plan will make you money by shifting you from “hamster wheel mode” to budgeting your energy and resources in the directions that will cause you to succeed. This is the difference between being busy and being profitable.

### **3: Reveal Gaps**

One of the most useful resources a business owner or professional can have is an objective outside perspective. Solid business plans will aid that critical role in two ways.

First, the process of building the plan stretches you to think about things you may not think about until problems become evident. To maximize this benefit, have an outside source guide you through the process. At a minimum have an expert review your plan. This should be a person who knows what they are looking for and will be honest about what they see and what they don't see. Your family and friends are well-intended; they may not have the expertise or the objectivity that will be necessary at this critical point.

Secondly, the strong business plan will address those gaps that are present and lay out a plan to deal with them so that what you currently lack doesn't ruin you. There are always gaps. The secret is having a plan for working with them. This transforms you to being proactive in converting weaknesses into strengths.

A strong business plan will make you money by objectively revealing gaps in your processes and thinking as well as addressing how to fill those gaps.

### **4: Influence Decisions**

Your business today is a reflection of the decisions you made three years ago. The business you will have three years from now depends on the decisions you

make today. A strong business plan will guide and influence those decisions so that you get to where you want to go. The plan provides a template for decision making. Does this fit our plan and assist us; or not? Is it contradictory to our stated goals and objectives?

Many small business owners agonize over the same decision over and over because they fail to put a system in place to deal with the issue. Consider advertising; many business owners approach advertising decisions on whether or not they have “extra” money in the checking account. When many small businesses without a marketing strategy do sporadic and unprepared advertising, the results are often disappointing. This often leads to the declaration that advertising is an expensive waste of money. Ok, sure, tell that one to Pepsi or Nike.

The waste was the energy and money expended without the benefit of a clear strategy.

A strong business plan will make you money being a tool to assist you to making decisions that benefit your company.

## **5: Manage Cash**

The number one killer of businesses is running out of cash. An otherwise profitable business can fail because it runs out of cash. Cash represents fuel in the tank; the best car in the world is useless as transportation without fuel to run it. A strong business plan will include a cash flow analysis and uncover the holes in the cash flow. If your plan shows you running out of cash at some point, you can adjust your actions to prevent that, *in advance*. Many professionals and business owners don't understand their cash flow or how to control it. A strong business plan will assist in filling that knowledge gap and facilitate timely decisions to avoid trouble.

A strong business plan will make you money by predicting cash shortages and giving you a tool to manage your cash to your maximum advantage. This prevents you from relying on emergency injections of expensive credit to keep your boat afloat.

There are many ways to go about creating a strong plan for your business. There are many books available as well as software that will guide you through the steps. Budget time accordingly; the simplest business plan will consume 40 to 60 hours of your time. More complex businesses require more time and resources.

Professionals are available that can provide you with an informed and objective view of what will or will not assist your specific needs. An experienced professional has knowledge and resources that will shorten the planning process considerably, saving you irreplaceable time and money.

Whatever method you choose, make having a strong business plan the most important thing on your to-do list and be more profitable.