How Big is a Business Plan?

Each week our SCORE Chapter Executive Committee reviews the requests for mentoring help. I have done a little informal research this past month and observe that nearly 50% mention or request help on a “business plan”. This is great because small business CEOs are seeing the need for a business plan.

The most often misunderstood part of this is how big or detailed it should be and what should it contain. In fact, the interest in this question fills two SCORE workshops each year. In these sessions we make the case that I have repeated in these columns that the “process” of doing the business plan is as much or more valuable than the product. The process forces the CEO to deal with and think through many questions and issues that are vital for the successful business.

Probably one of the most asked question by these CEOs is “how detailed does it have to be?” My answer to that question is “it depends” on why you are doing the plan.

Last week I read a blog written by Tim Berry who is the owner of the company that produces the LivePlan software. He makes some good comments on this point as he takes the position that all business plans do not have to be comprehensive and filled with a lot of detail. He recommends that only in special circumstances is that needed.

Instead, he says, “develop a streamlined, flexible, agile, lean, just-big-enough business plan and use it as the start of a forever-after business plan process. “ I like that. Certainly a business plan template can be used to help guide the thought process of planning for your business, but if, for example, you are not needing to show it to anyone else (like a bank so that you can get a loan), focus on the important basics. He recommends that only in special circumstances is that needed.

He also suggested that one should set a schedule to review it and revise it at least once a month. Understand that it gets obsolete in weeks. Keep it on your computer where you can refer to it easily and keep it up to date.

The primary focus should be on metrics, accountability, priorities, strategy, without a lot of text. For example, don’t ever write text describing your company or management team in a plan that won’t be read by anybody outside your company or your management team. That’s a waste of time.

Of course you should know your business, your team, your strengths and weaknesses, and your market. That’s absolutely essential. But do you take the business time to describe it in comprehensive detail, with edited text, statistics and formal research? No. Not unless you have to communicate it to outsiders. If you’re jumping through hoops for a bank or investors, then certainly there’s an underlying business value to the extra description.
Berry says, “But this kind of hype about big scary masters-thesis-weight business plans does a disservice to all the real business people out there who could use business planning to manage their business better — set priorities, develop accountability, move forward strategically — who unfortunately put off planning because of the mythology of the big formal document that feels as inviting as a high-school term paper.”

It’s business. Form needs to follow function. If you don’t know why you need a comprehensive, detailed business plan document then you probably don’t. But don’t let that keep you from using business planning to manage your business better. Remember a plan is important to your success.

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Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/
*Dean is a volunteer SCORE Mentor and District Director of SCORE Minnesota