



OUTLINING YOUR BUSINESS PLAN*

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by Stuart Adams

The last article in this series was intended to convince you, hopefully, that you need a business plan if you own a business or contemplate starting one. I say "hopefully," because convincing my clients that they need such a thing has been one of my most disappointing shortcomings as a counselor to businesses over the last couple of decades.

I've worked with hundreds of businesses over that period of time. Many have been "Mom & Pop" start-ups where neither Mom nor Pop had any real prior experience in starting or running their own business. Nearly as many have been spin offs from an existing company, where an experienced and successful business owner saw an opportunity to extend a competitive advantage or diversify by starting another company.

Often, the client is a high level executive, successful in his or her present company, who has seen an opportunity to create a new company out of experience gained with the current employer. In some cases, the current employer actually encourages a valued employee to start a new company to fulfill, externally, a need the company recognizes but on which it does not care at present to risk any of its capital to satisfy. In those cases, the promise of an out-of-the-box major client with a "sure" income stream, is an opportunity which seeming cannot be passed up.

Certainly, many great opportunities are "out there." The real question, however, may be whether or not the apparent opportunity you're contemplating is the right one for you at present. There really are lots of "fish in the sea." Taking steps to assure yourself, to the extent this is possible, that the opportunity you are considering is the one you should try to harpoon, is to some extent an art.

To some extent, on the other hand, selecting your target is also a science. That's where business counselors come in. I heard a luncheon speaker last year say that, in starting many successful companies, he had never done a business plan. He said that he had just felt what was right and what was not. Since he is known, internationally, for being a prolific starter of successful businesses, it's hard for me to say he's wrong. Based on my experience, however, I would say that I have not seen many like him.

I would dare say that even the ultimate "intuitive entrepreneur" uses some form of metrics or objective measurement in judging opportunities, discarding some, while putting successful candidates under increasingly careful scrutiny before selecting the winner. Maybe you're one of those who don't need to do this, but I think you may agree that there could be some merit in at least thinking about some of the following issues.

First, how much do you think you'd like working, for the foreseeable future, in the business you are contemplating, for what will probably be the majority of your hours awake? Don't forget the "lots of fish in the sea" theory. This business is what you'll be doing more of than anything else, including sleeping, for years to come. Shouldn't you choose to do something you like, presuming you have the choice? Guess what? You have the choice.

Second, how long do you plan to be in this business? Amazingly enough, this is an often forgotten question. I can't tell you how many really smart people have looked at business opportunities, analyzing them up and down, only to overlook just how long they desire (or need) to stay personally involved to achieve their goal from the venture. A client of mine just called me last week about a business he had sold about two years ago. He had done some owner financing, when offers failed to materialize for a full cash purchase. He ignored advice about doing more "due diligence" on the prospective buyer and ended up with someone who he really felt in his "heart of hearts" was not the best risk. He just wanted out.

Guess what. He's probably back in. The buyer has defaulted on payments on the business. My client, who has since gone on to other things, may have to step back in to rescue the rest of the purchase price he was to receive. The market for his "old" business is probably not any better than it was when he sold it a couple of years ago. Presuming he can't take it over and sell it for cash now, he may have to either give up his new business or somehow run two businesses. This will be difficult because his old business operated at such a low margin that the only real way to try to make it produce a positive cash flow was to be the one working it. Paying employees to run it while you managed remotely, would likely have been less than successful.

Third, what is the future of this type of business? Look at the big picture of the world around you and the market place in which this company will operate. Research industry and consumer trends, looking for new technologies, competitive strategies, hidden expenses or impediments to the success of this sort of company. Is it something people will want more of in future? If so, what giants "out there" may also be studying the feasibility of providing this product or service?

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If you need persuasion to contemplate this last question, think about Wal-mart. Would you like to know how many small companies have been put out of business by the competitive advantage such a giant brings to a local market? You may have the best pet shop, grocery store, drug store, or hardware store around, but when Wal-mart comes to town, you're going to lose customers. Just how many customers do you think you can lose before you can't really afford that extra help in the morning or on the weekends? There you are stocking shelves yourself on Sunday night. Pretty soon your "bottom line" has deteriorated sufficiently that you can no longer convince anyone to even buy you out for what you have invested or for what you owe. Not a pretty picture, but one which you have the power to explore and try to strategize around now.

Check out the competition. You can pay lots of money to do this through "trained professionals." You can also do it "on the cheap." My money is on doing it cheap first, and then determining the return on investment for upgrading to some professional advice. When you consider how much is likely at risk on the decisions you make now, your life may literally be hanging on what you do next. If not life and death, literally, at least the quality of your life for several years may be what you're playing with here. I think that's worth a little planning. How about you?

Next time we'll start looking at some ways you can size up your potential competition before you step onto the court. You have heard about scouting reports in basketball haven't you? There are actually much better ones out there on businesses in essentially every industry. Many of them are free or fairly inexpensive. Want a ticket? Stick around and come back next month.

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