

The Importance of Having a Business Plan

Claudine Land:

Hello, everyone. And welcome to Virtual Ingenuity LLC's podcast. Our special guest today is Katherine Zobre. Katherine currently works as a business advisor for the Alabama Business Development Center Network. She proudly serves the business community through coaching, through mentoring of small businesses in Alabama. And in the four years that she has worked with the SBDC, she has assisted over 15,000 businesses. She's helped over 167 businesses to get started. And she's assisted with over \$2.2 million in equity and debt financing. Katherine was actually awarded the national state award for her outstanding contribution to the ASBDC in 2020. And she is a world-class traveler, you all. She has traveled, she's lived in 11 countries in Europe, Asia, Africa, and South America, consulting in financial services, healthcare, education, agriculture, manufacturing, retail, and consulting.

Claudine Land:

Fun fact about Katherine, she served in the Peace Corps in Senegal, West Africa, where she focused on empowerment through financial literacy and technical assistance to women's business groups. Katherine also worked in consulting in Buenos Aires, Argentina before moving back to the United States where she started her own consulting firm in Dallas, Texas. And her specialization is in startup and growth strategy with science engineering, R&D companies and creative arts businesses. So, as you can tell, Katherine is well versed in business. She obtained her BA in Political Science and Economics from the University of Maryland and has an MS in international development studies from the University of Amsterdam, Netherlands. Katherine, welcome. It's such a pleasure and honor to have you on Virtual Ingenuity's podcasts today. How are you?

Katherine Zobre:

I'm doing well. Thank you so much for that just amazing introduction. I always blush when I hear it out loud. I'm sure this was my typo, I've worked with 1,500 businesses, not 15,000. That would be much faster than I can actually, but it's still a lot. I've worked with a lot of folks over the years.

Claudine Land:

Absolutely. Thank you for that correction, I appreciate that. Listen, I've got my blue screen glasses on here to preserve my eyes from the computer rays. So we are going to dive right in this morning, this afternoon rather. So listen, today we're going to talk about the importance of having a business plan. And as you know, Virtual Ingenuity is a support organization that's focused on providing optimized, strategic planning to businesses. We provide consulting services to businesses across time zones to improve their efficiency, effectiveness, and profits. And as I meet with my clients, Katherine, and I map out a means for their success based on their business goals, I realize, and sometimes determine that a business plan is beneficial for my clients. And the number one question that I get asked from my clients is, "Why do I need a business plan?" So Katherine, what is a business plan? And tell us why it's important to have one?

Katherine Zobre:

Yeah, absolutely. So having a business plan really is a critical piece of not just running a business, but starting one and taking advantage of all the opportunities that come your way. And having a written business plan actually correlates with higher chances of success. So 70% of the businesses that make it past that critical five-year mark, which is kind of the threshold where, if you're going to make it in the

long run, you got to make it to that five-year mark. And 70% of the businesses that make it to that five-year mark have a written business plan. So not just something in their head that, "I've got something that's working in my head." But they've got something down on paper.

Katherine Zobre:

Having a written business plan does a couple things. First as an internal document it is your guide star. It allows you to say, "Okay, do all the pieces actually line up? At what point am I going to need financing to move to the next milestone? How can I make these pieces work? What kind of expertise do I need to add to my team to really meet those goals that I have?" So it's easy to kind of think about where you want to be in the next five or 10 years, kind of envision that progress. The business plan is the how, how do we get there from point A to point B? You've got out this vision of where you want to be, your point B. The business plan lays out step-by-step all the resources, both human and financial capital, as well as processes, the legal environment, types of opportunities that might be coming up, any threats that might be approaching or weaknesses that you have in your organization that are going to stop you.

Katherine Zobre:

So it's that how do we get their kind of component. And without having a written document, if you're the only one in your business that might be okay. Maybe you are just a total genius and you can manage all of the pieces of business, as well as thinking forward into the future with it just being in your head. But as soon as you have to explain to one other person, man, is it nice to have that written document. Because you've already gone through the process of articulating not just what your goals are, but how you're going to accomplish them. So it's really important to have a business plan. Even if it starts in your head, as long as it lands on paper at some point you're moving forward and making progress.

Claudine Land:

Absolutely. I totally agree with you on that. So, with a lot of my clients too, I've seen business plans of varying lengths. So, how long does a business plan need to be?

Katherine Zobre:

There are a number of ways to plan your business. There's the business model canvas, which is a one pager, just a one page kind of layout that hits all the important points but doesn't really go into too much depth. There are four or five page business plan templates, or strategic plan templates that you can find online. But the average funded business plan, so if you're using this business plan, if you're intending to go to a bank, if you're intending to take this to, use this to write a grant, the average funded business plan is anywhere from 30 to 60 pages, which is hefty. For many people it is going to be one of the longest documents you may ever write in one document. It's just, I mean, it's the length of a master's thesis. Some dissertations are that long. It's a long document.

Katherine Zobre:

And it's because you're literally thinking through all the aspects. You're thinking through, "Okay, what the history of this idea? What skills am I bringing to the table? What are the strengths and weaknesses of my team? What are the opportunities and threats of the marketplace? Who is my customer? What's going on in the market? What is the structure and what are the major influences of my industry?" And all of that takes time and space to fill out. And then of course you have the cashflow projections on top of that. So, it can be quite a long document, but on average 30 to 60 pages is kind of that sweet spot for a funded business plan.

Claudine Land:

Okay. So is there a preferred business plan template then to use?

Katherine Zobre:

So, most business plan templates that you can find online cover all the same parts. They go through the company history, your background, then they talk about your products and services, any intellectual property, your facilities, your location, your mission, vision and goals, or mission, vision, and core values. The industry that you're operating in. The marketplace that you're operating in. And those two are kind of, they get confused often. So your industry is other businesses like yours, wherever they may be operating. And your market is your physical space or digital space. So if you're on Facebook or if you are operating a business through a digital platform, like an e-commerce platform like Amazon, that's your physical space if your, but then your actual location does play a part and matters in that as well, because you probably have to buy business licenses. You're going to have local taxes due. Your internet speed may be determined by where you live. All of those kinds of access to additional resources have an impact.

Claudine Land:

Great points. I'm glad you brought those up. Thank you, Katherine. And then, earlier you mentioned about a cash flow projection, and we all know that's part of a business plan as well. So, what if there's a business that has not been in business very long? How does one then put together that cashflow projection?

Katherine Zobre:

Great question. The cashflow projection is usually where people get stuck, unfortunately. It's kind of easy and fun to think about the possibilities for your business, but in American culture we don't highlight, we don't really celebrate two things. The first is mathematics. We don't celebrate mathematics like we could or should. And putting a cashflow projection together is inherently a mathematical exercise. Now it's not complicated math. You're using addition, subtraction, multiplication, and division, that's it. Maybe some percentages, but those are, that's the math, right? Anything you can, you can do it all on your cellphone calculator, you can do it all in Microsoft Excel or Google Sheets. So it's not difficult math, but in our day-to-day lives the amount of math that we think about is not, we just don't think about math often. And so when we're faced with a task that involves a lot of math, even if it's not difficult math, we shy away from it. So that's the first thing that holds people up is thinking in mathematical terms and numbers about their business.

Katherine Zobre:

The second cultural artifact that stops a lot of people from creating their cashflow projections or makes that kind of the emotional wall comes down is that it's money, right? It is cash flowing. And we do not talk about money in America in the same way that some other cultures do. And it stops us from really thinking about how we want to talk about money in our business. What are other businesses doing for their cashflow? And if you haven't been in business long, that's really where you need to start. You need to start with industry benchmarks, because otherwise you're just making these numbers up.

Katherine Zobre:

And cashflow statements, their projections are always wrong, but you want to get them as close as possible to the truth. You want to make sure that you are aligning your financial resources with your

goals. And so if you're over or underestimating by a lot, then you're either going to have, they're going to be missing opportunities or you're going to be missing opportunities, overestimate the amount of capital it's going to take to accomplish one of your goals. Then you're going to come up short, right? So if you think it's going to take a \$100 to do something, and then it takes 150, well, you're \$50 short, and you may have already spent that \$100. So now you're a \$100 out of pocket, \$50 short, so you're not going to reach that goal. And at that point lenders are very shy from kind of filling that gap. So makes it much more difficult to kind of take advantage of those opportunities.

Katherine Zobre:

So when you're putting your cash projection together, the easiest place to start is with industry benchmarks. And you can literally just start Googling these things. So cashflow projections for whatever industry you're in. There's some specific software that allow you to get industry and business-specific cashflow benchmarks. Typically that is used by accounting firms. But the Alabama Small Business Development Center also has a subscription, it's called Profit Sense. And we can look up benchmarks for you. So this is not a task that you have to do on your own. And in fact, I encourage you not just to talk to family and friends, but to talk to a business advisor, somebody who has experience in not just goal setting, but figuring out timelines, like I know, Claudine, you are an expert in execution and timelines.

Katherine Zobre:

If you can get a sense of what those timelines are, you can much better align your financial resources and think through, "Okay, what's it going to take in terms of cash to make this goal actually happen?" So the business plan, the written part of your business plan is really the justification for why your cashflow is going to flow the way it will. So I recommend people write their business plan and their cashflow projections in parallel. So have your cashflow projections open while you're writing your business plan, because all of the sections connect. When you're selling, when you're thinking about how much your products and services are going to sell for, what your prices will be, that's where your revenue is coming from. When you're thinking about your target market, your customers, that's who's going to be purchasing. So how many are there? What kind of, how many people in the market can you capture? What's your market share going to be?

Katherine Zobre:

When you're thinking about your management structure and thinking about who you're going to need on your team, well, that's going to be payroll or wages. So all of those different parts connect to your cashflow. And so if you get to the point where you're like, "I have no idea what to put down in the cashflow," you need to revisit the business plan because you're really missing numbers in those places.

Claudine Land:

Agreed.

Katherine Zobre:

Does that make sense?

Claudine Land:

It does, makes perfect sense.

Katherine Zobre:

Awesome.

Claudine Land:

So, when is the right time to pay for a private business advisor?

Katherine Zobre:

Soon as you can.

Claudine Land:

Yes, to write a business plan, right. ASAP.

Katherine Zobre:

So I don't recommend that you pay someone else to write a business plan for you. It is extremely important that you develop your business skillset and acumen up to the point where you are confident and comfortable in discussing these issues. So like, Claudine, if I were going to pay you to write my business plan, you would need to know what my dreams and ambitions are, what my capabilities are. And if I'm not a strong writer, that's fine for you to actually take my thoughts and put them into a format that a lender or a granting organization might really appreciate. But only I can decide what my dreams and ambitions are. Only I can say, "I have a skillset in this, or this is one of my weaknesses."

Katherine Zobre:

So your first draft of your business plan should be written by you. And I don't care if it's on the back of a napkin or a coaster or handwritten, or professionally typed. Whatever your first draft looks like, you need to be the one to write it. But like I said, having that business coach, mentor, consultant in your corner to say, "We need to look more specifically at this one particular aspect," is absolutely critical. If you can't afford a business advisor, there are no-cost services like the Alabama Small Business Development Center, and plenty more around the Birmingham area. But there's lots of resources if you can't afford a private business advisor upfront. But I will tell you that the Alabama Small Business Development Center and all the free services do not crowd out the professional services that you can pay for.

Katherine Zobre:

So I'm like the public defender, right? I'm the person that gets assigned to you when you can't afford somebody else. Claudine is the expert that's going to be able to sit and hold your hand through all of the really tough pieces. For my clients I average like 3.6 hours per year per client. Claudine, what is your average time spent with a client? I mean, you have 10 clients at any one given time?

Claudine Land:

I do. Yes.

Katherine Zobre:

I have 400.

Claudine Land:

Yes.

Katherine Zobre:

So, if you can pay for the dedicated services of a private consultant, do it as soon as possible.

Claudine Land:

Fantastic. Great. I agree with you. With my clients, only they know what their goals and missions are. It comes from deep within. So they know what they want for their business. They have that vision. So it's always great for them to at least start out writing that business plan on their own, because no one else can tell them what their vision and goals are.

Katherine Zobre:

Exactly, exactly. And it takes time and practice. And take that time and practice that practice, because writing a business plan, just like doing any other skill, is just a skillset that you develop over time. And so if you don't practice it, you don't enhance that skill. But it is important to be able to communicate yourself through not only oral means, but also written means. Because so much of our world still is through written language. Any kind of emails, all, your business plan is going to be kind of the foundation of your business. And as a foundational document you refer to it so frequently. Even if you're not physically picking up your business plan and saying like, "Hey, what am I doing today to move my business forward?"

Katherine Zobre:

You've gone through the process of articulating what those goals are, what your vision is, what your mission and core values are. And so every email that you write is going to be rooted in those core values. It's going to be trying to move that needle forward on your mission. So it is, I mean, I can't overstress the importance of having a business plan. And having a written business plan is not something every single person needs to do to the 30 to 60 page. So I work with a lot of artists and I rarely recommend that they write full-length business plans. Partially because it just stands up as a barrier for them to make progress. And so a written business plan in the traditional kind of financing and funding world doesn't work for a lot of people. But you do need to get your plan out of your head onto paper and so that you can communicate it moving forward.

Claudine Land:

I agree. We know that a business plan sets clear goals, it helps you to set goals, which can help you measure success. A business plan can be used to help identify the need for new goals as well, or even new plans, because your goals and plans may change. But a business plan will definitely help that happen.

Katherine Zobre:

Absolutely.

Katherine Zobre:

You can't, you measure what matters and you can't measure it if you're not paying attention to it essentially. So pay attention to those goals and write them down so that you can hold yourself accountable to them, and you can work with a business advisor to help you move those goals forward.

Claudine Land:

Absolutely. Katherine, thank you so much for your insight on the importance of having a business plan. It's always a pleasure to talk with you. And stay tuned guys for upcoming podcasts from Virtual Ingenuity on resources for small businesses and the importance of photography in social media, that's coming up as well on another podcast. Thank you so much for joining us. Visit Virtual Ingenuity LLC online, virtualingenuityllc.com. Let's impact together! Until next time.