

# Business Plans- When are they needed?

It is common practice, bordering on default practice to suggest to aspiring entrepreneurs that they create a Business Plan (BP) as one of their first activities. Although common practice, since every entrepreneur and their ideas, opportunities, customer segments, and markets etc. are different, the near universal practice can't really qualify as good practice. Furthermore, a quote by Steve Blank is appropriate:

... for the past 50 years, finding the successful formula for repeatable startup success has remained a black art. Founders have continually struggled with and adapted the "big business" tools, rules and processes taught in business schools and suggested by their investors. Investors have been shocked when startups failed to execute "the plan," never admitting to the entrepreneurs that *no startup executes to its business plan*. Today, after half a century of practice, we know unequivocally that the traditional MBA curriculum for running large companies like IBM, GM and Boeing *does not* work in startups. In fact, it's toxic.

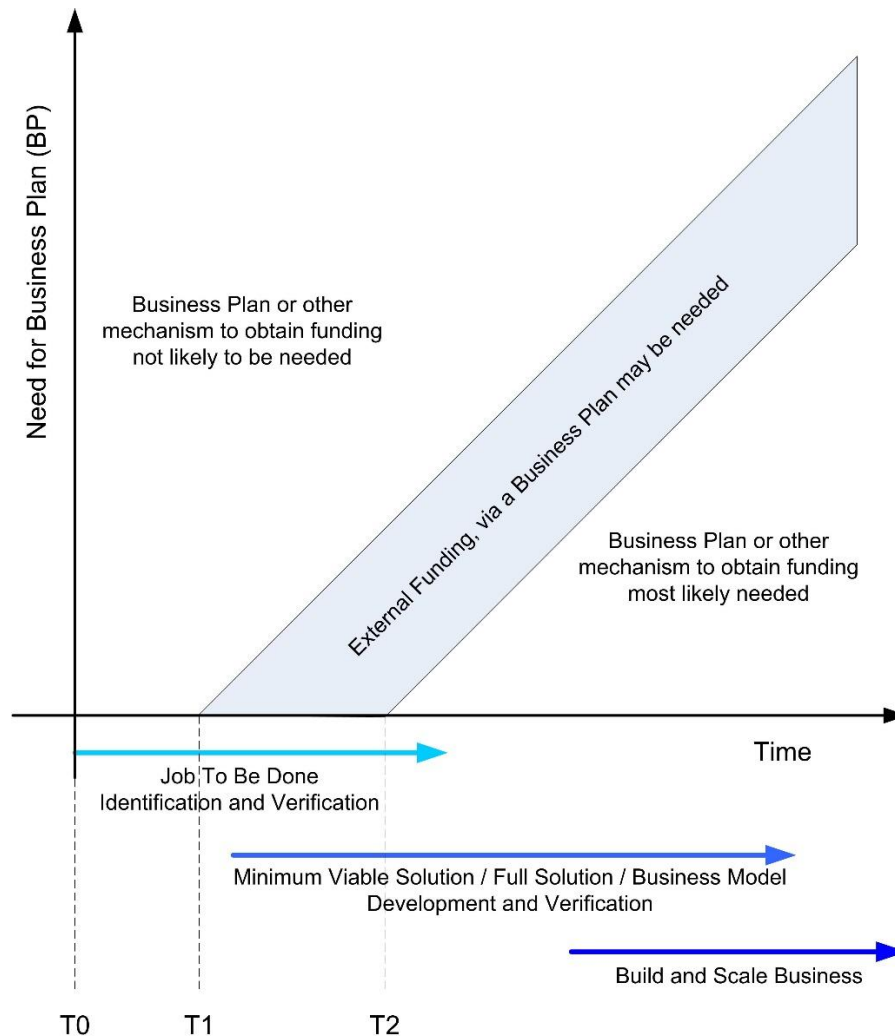
With the benefit of hindsight, entrepreneurs now understand the problem, namely that [startups are not simply smaller versions of large companies](#). Companies execute [business models](#) where customers, their problems, and necessary product features are all "knowns." In sharp contrast, startups operate in "search" mode, seeking a repeatable and profitable business model. The search for a business model requires dramatically different rules, roadmaps, skill sets, and tools in order to minimize risk and optimize chances for success." *The Startup Owner's Manual*, pxiii, Steve Blank.

Business plans can be useful, as creating one gets the entrepreneur or existing-business person to analyse and address standard business concerns. See Appendix: Typical Business Plan Table Of Contents. Working through those concerns helps the author and users of the BP to prepare for the future needs of the business, and this preparation helps to understand and control risk. BPs are also used to engender confidence when recruiting staff by demonstrating that there is a viable plan underpinning the business, as well as engendering confidence in those individuals and organisations that might consider providing equity (investors) or debt (loans) financing.

Finally, it is hoped that the above brief look at the value of BPs has spurred some interest into expressing more nuanced and context specific recommendations as to if and when a BP should be created. What follows is a discussion about when BPs may be needed for a start-up.

The diagram below represents the development of a [solution](#) with time along the horizontal axis and compares that development against when funding, via a BP, would most likely be required on the vertical axis. It's a conceptual diagram for the purpose of discussion, understanding, and developing an even better diagram and BP recommendation.

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## Discussion

1. At time T0, the entrepreneurial journey is started. No ideas have arisen yet so no money or BP for that matter is required.
2. Between times T0 and T1, something has stirred, and following the eBook titled *Starting a Business - With Facts, Not Faith*, Glyn Davies, a [Job To Be Done](#) (JTBD) has been identified and work has started on developing and verifying the hypothesis on which the supposed JTBD stands. The entrepreneur is unlikely to need a BP during this period as it doesn't cost a lot to have, and perhaps, explore ideas, and a BP isn't needed yet to help structure the non-existent business - it does of course depend on the nature of the JTBD. Some JTBDs may take a lot of time, effort, and money, if say a large survey of some form is required between T0 and T1 to determine the nature and extent of a JTBD; for this type of JTBD, a BP may be required between T0 and T1.
3. Between times T1 and T2 a BP *may* be required to raise external funding, but this really depends on the specifics of the JTBD. Factors that will affect the need for external funding include, what it will cost to explore the nature and extent of the JTBD, what it will cost to verify the JTBD hypothesis, and what it will cost to develop the [Minimum Viable Solution](#)

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(MVS). A BP may be needed for business structure and implementation planning purposes, but again, it depends on the JTBD and its solution.

4. In the phase beyond T2, the entrepreneur is building and scaling the business. The entrepreneur will likely need external funding with the help of a BP and a BP will also be needed for business structure and implementation planning. The funding would be used further MVS development and validation, marketing, recruitment, buying supplies and equipment, and generally executing the BP. In this phase the Business Model/Market Fit is being validated by firstly trying to get sales and then growth in sales.

## Appendix: Typical Business Plan Table Of Contents

Standard Contents:

1. Executive summary
2. The business
3. Market demand
4. Competition
5. Strategy
6. Resources
7. Financials and forecasts
8. Risk, opportunity and sensitivity
9. Conclusion
10. Appendices