



Chapter 3

Demystifying Business Plans

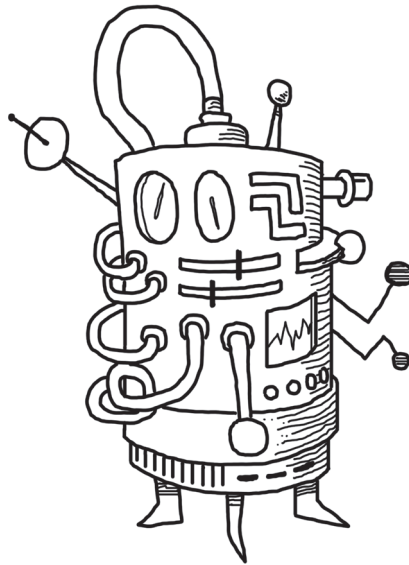
Introduction

'Dreaming, after all, is a form of planning.' – Gloria Steinem

We have all heard of business plans. We have all heard that they are important. They sound complicated and overwhelming. So the important questions for you are:

- Are they complicated?
- Are they difficult?
- Are they worth it to you?

Maybe.



They don't necessarily have to be complicated or overwhelming. They can even be short and simple, as short as one page. But are they worth it to you?

Maybe.

There are many types of business plan. There are also many ways to use a business plan. As a business owner you have flexibility about how you write and use a business plan. It all depends on what you need and want from it.

What is a Business Plan?

A business plan is a document (yes, it is best if you write it down) that details what kind of business you have, what you sell, how you make money, and how you are going to grow. If you like analogies, you can think of a business plan in several different ways.

Business Plan as a Story

A business plan tells a *story*. It tells the story of your business.

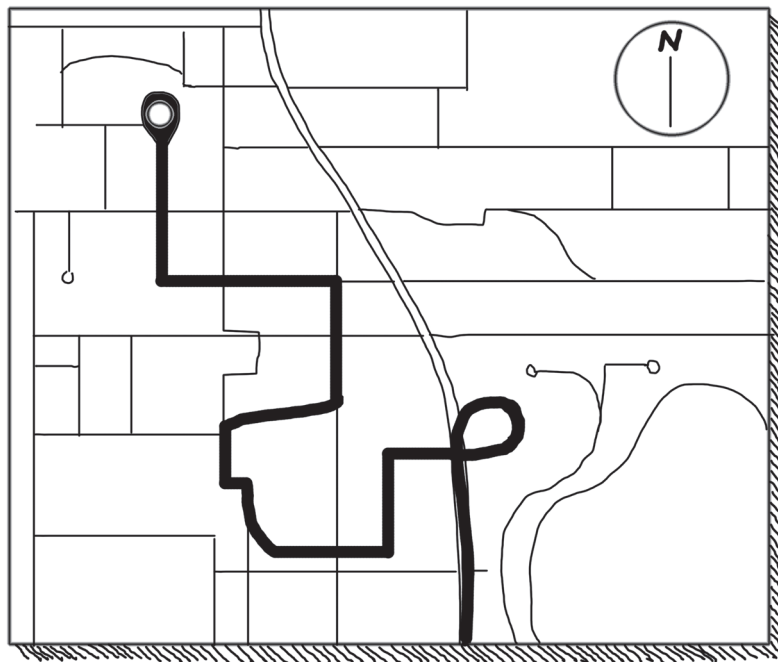
- How your business came to be.
- How you are going to take your business from where it is to where you want it to go.

- How you are going to stay on course.
- How you will end your business when it is time to do so.

Business Plan as a Conversation

When it is important that you share this story with someone else you can also think of it as a *conversation*. You might have this conversation with a partner, advisor, or investor. You might even have it with yourself (present-day-you with future-you).

Business Plan as a Road Map



You can think of a business plan as a *road map*. It can help you get a very clear picture of where you are, where you want to go, and how you intend to get there. Business plans are especially good for this.

What a Business Plan is Not...

A business plan is not a legal document. You don't have to be afraid to estimate, guess, imagine, or be optimistic. It is a *plan*, not a contract.

It does not have to be long and cumbersome unless you are working with someone (bank, venture capitalist, etc.) who has a specific format for the business plan. The more formal the money or advice you are seeking, the more formal the business plan.

It does not have to be written in a boring, dry, or stilted style. You can use everyday language.

It does not have to be full of numbers but there will be numbers in it. How much money will you make? How much will you spend? How many potential customers do you have? These are important numbers but they are not all there is to a business plan.

Most importantly, a business plan is not cast in stone. If it is going to be any good to you, it needs to be a living document. It needs to change when your plans change; or after you have reached an important milestone and are ready to look a little further down the road; or when circumstances upend your life and you need to reconsider everything.

It is only useful if it grows and changes *with* you. It is definitely not a once-and-done document.

You May Want a Business Plan If...

Your business plan should reflect your goals and your personality. Think about these questions:

- How specific are your goals?
- How long-range are they?
- Are your goals ambitious? Are they a stretch?
- Do you just want to make enough money to live comfortably and peacefully? Do you already know how much money that will take?
- Are you a planner? Do you tend to live in the moment or are you always looking down the road, thinking about where you want to be in two, five, or 10 years?
- Are you easily distracted from your goals?
- Do you have almost too many choices and are stalled?

Keep the answers to these questions in mind as we look at different ways to use a business plan.

Sole Operators

You are a sole operator (whether by yourself or as an independent contractor) using your own money. You are the only one dependent on your income. Use a simple business plan to start well, stay on track, or figure out how to grow your business. Or skip it entirely since you are the only one who will be affected.

You are a sole operator but others are dependent on your income (your partner, children, etc.). Use a more complete business plan to start, stay on track, or grow. Certain sections (e.g. financials) are going to be even more important.

Partners

You have a partner or work in close conjunction with another business. Use a business plan to ensure you are starting with the same goals, expectations of responsibilities, and plans. It can help you check in with each other throughout your partnership. It can also help you map out an exit strategy if you are ready to dissolve the partnership.

This is very important if your business partner(s) are also your family or romantic partners. A business plan can be a huge help in protecting your relationship.

The Boss

You have people working for you (employees or independent contractors) who are relying on you to fill the schedule and generate a paycheck. You will definitely need a business plan before you start, to keep you on track once you begin, to grow your business, and to figure out how to retire, sell, or close your business when you are ready to move on.

Using Other People's Money

If you are borrowing money from any kind of financial institution (bank, credit union, etc.) or have professional investors, they will require you to show them a business plan.

If your investors are more informal – friends and family, for example – they may not require a business plan. However, think hard about whether you are doing justice to the risk they are taking by giving you their money if you don't

have one. If it would hurt them (emotionally or financially) if your business failed or if you could not pay them back, at least prepare a basic business plan. Honor their trust in you.

If you are using money that you don't have to pay back (a gift), still spend a few minutes thinking about doing some kind of business plan, even a simple one. You may earn a greater degree of trust and respect if you show the gift giver how serious you are by writing a business plan. Does that have value to you in this relationship?

If You Are Asking For Professional Guidance

There are non-profit and community organizations that give business advice to small businesses like ours. SCORE, the Small Business Administration, and county and state agencies are good examples. Organizations such as these will often ask for a business plan (if they don't actually help you write one) to give them a basis from which to advise you. Your business plan doesn't necessarily need to start out long, deep, and MBA-quality. They are there to help you and they will understand if you don't have it all together yet.

Walking in with *some* kind of business plan shows them that you are serious and that you have already invested energy thinking through the critical issues for your business. That makes it easier for them to know where to start with you.

Who Can Live Without a Business Plan?

While many people consider a business plan utterly essential to a successful business, I am about to say something (potentially) radical: not everyone needs a business plan.

I can give you many examples of people who are thriving in their professional life and have never written or even thought seriously about writing a business plan. Some of us just aren't business plan kind of people.

One of my closest friends and professional associates has had a thriving massage therapy practice for 18 years and has never had (and never will have) a business plan. She supports herself and loves her work. She is spontaneous, outgoing, naturally seeks connections and networks without even realizing she is doing it, and has a deep inner compass for working a good deal for herself and her clients. She has got a powerful, intrinsic sense of how to do business and take care of herself. Writing a business plan would be a painful, and ultimately pointless, exercise for her.

Her way would not work for me. I'm a planner, a forward-projector, and I don't have that same intrinsic sense of how to do business. I need to *think* about it. I need to ponder and plan. I'm happiest with a plan in place, even if it is a loose plan.

Who and what are you?

One Size Does Not Fit All

There is more than one type of business plan but most of them are based on what I call the 'standard' business plan. The standard business plan is what most of us envision when we hear the words 'business plan'. It has a predictable set of sections, although those sections may have different names. All standard business plans capture the same information.

However, not all business plans need to be a standard. You may benefit from a more slimmed-down version of a business plan which captures less information but the information it does contain is more specific and critical to you.

I think of business plans as large, medium, small, and micro.



- **Large.** You will have employees or contractors, you are borrowing money, there are more than three people involved in the business, or your aspirations are **big**. The standard business plan is a large business plan.
- **Medium.** Your business has one to three people involved in it but no employees. You can use this business plan to get a solid understanding of working partnerships and put your plans on paper so everyone agrees. You are generally not borrowing money or only borrowing a little money. These plans can be about 15–20 pages or fewer.
- **Small.** You are a one-person operation with modest (usually self-supporting) goals. You aren't borrowing money. You want to get clear with yourself about what you are doing and where you are going. The plan can be about 5–10 pages or fewer.
- **Micro.** This is an even tighter version of the small business plan. The time frame is short term (often one year). You aren't borrowing money. This business plan is an excellent way to record your goals and aspirations for the year. These are often only one page.

At different times in your professional life you may need different business plans. The following chart gives you an idea of when you might need to use the different types of business plans.

	Large	Medium	Small	Micro
Still studying	X	X	X	
Using house/other major personal asset to fund your business	X			
Primary family breadwinner	X			
Others are relying on you to generate clients for them	X			
Spending an investor's/other people's money	X			
Want to take a big step forward with your business	X	X		
Wondering if it is time to quit working for other people and work only for yourself		X		

	Large	Medium	Small	Micro
Wondering if you will ever be able to retire		X		
Moving to a new area and/or starting over		X		
Combining your business with another business person		X		
Your business will be your primary source of income and you are the sole operator		X		
Ready to give up your day job		X		
Generally fuzzy on the details of <i>how</i> something will work out		X	X	
Have another income source			X	
Small practice with modest goals			X	
Want to make sure you don't lose your way on the way to your Big Dream			X	X
Hate the idea of business plans but think you should probably at least give it a try			X	X
Perfectionist/tend to get lost in the details			X	X
Spontaneous and hate planning				X
Want to set goals for this year				X

While these plans are different sizes, the foundation for all of them is the standard/large business plan. Understanding that will make the other plans easier to understand.

If you have worked through Chapter 2, you already have a lot of this information at your fingertips. If you didn't, the exercises in Chapter 2 are a great way to start thinking through the kind of information that goes into a business plan.

If you decide that you want to do a large/standard business plan, then be aware that they take time – potentially a lot of time. Think months rather than days or even weeks. You will have a treasure trove of information when you are done but it will take some time to get there.

Everything I am telling you about business plans in this chapter is introductory. My goal is to help you understand, from a high level, what a business plan is and how it works. When you are ready to start writing a business plan (especially the large/standard business type) you should look for more detailed advice. I have included some good resources at the end of the chapter.

The Large/Standard Business Plan

These are the general sections in a large/standard business plan.

Executive Summary

This is where most investors and lenders start. It summarizes your business and your plan but it also *sells* your plan. This is really your first effort to market and promote your business.

Since this is a summary of everything else in your plan you write it last. When you write it, remember that you aren't trying to convince *yourself* that this is a great business idea. You are trying to convince someone else that it is a good idea. As much as you can, put yourself in their shoes and write to them.

If you aren't sharing your business plan with investors or lenders, you can omit this section.

Product/Service

Since this book is specifically written for those in the health and wellness professions, I am assuming most of you are offering a service through your business (massage therapy, acupuncture, nutritional counseling, yoga, etc.). You may also have products you sell in conjunction with your service (yoga mats, skin lotion, books, etc.) but they aren't the focus of your business.

This section draws a detailed picture of the service you will be offering. You should also talk about the products you plan to sell if that is part of your plan.

Explain your service from both the client's point of view and the potential investor's point of view. Talk about the problems you will solve for your clients with your service.

Competitive Analysis

People in heart-led professions (like those of us in the health and wellness fields) can be uncomfortable with the word 'competition'. It can conjure images of conflict and aggression that we tend to shy away from. There is a more neutral way to understand competition.

The competitive analysis section of a business plan helps your reader understand the world in which your business exists, especially from your potential *customer's* point of view. Our businesses exist to help someone solve a problem. When our potential customers are looking around for a solution to that problem, what else do they see that might do the job *besides* your business? This section reassures the reader that you have established that the business you plan is not just one-more-of-the-same-thing, but that you can stand out in some way.

There is another way to think about this for ourselves: having a clear picture of the competition also gives us a picture of who we might work *with*. Who can we establish a referral relationship with? Who might provide a service that is a superb adjunct to our own service? For example, chiropractors might want to know who the massage therapists are in their area.

Target Market

In Chapter 2 we talked about your ideal client. If you are new in your field or anxious you might find yourself thinking, 'Anyone who will pay me is ideal!' That may be technically accurate but it is not particularly useful, especially not in a business plan.

The truth is that you will not be attractive to everyone. Not everyone needs or wants your service or product. Not everyone will find you geographically convenient. Not everyone is going to respond well to your way of doing business. Can you name one business that *everyone* loves and uses?

You need to identify who is *most likely* to want to be your customer. If you worked through the exercises in Chapter 2, you will have a lot of great material to help you with this section. Paint a strong picture of your potential clients. When you have a clear picture of your potential client, you will be able to market yourself to them much more effectively.

Marketing and Sales

Since good marketing and promotion is what drives clients to you and helps you make money, you might think you should start with this section. However, you need to do the legwork in the previous sections first so you come into this section well-armed with the information to make intelligent and strategic marketing decisions.

This section answers the question, 'How will you reach your customers and get them to buy your service or product?' If you did a good job in the Target Market section you will have a better idea of the language your customers will respond to and what channels are best for reaching them.

Marketing is more than just getting clients in the door the first time. You also need to think about how you will maintain a relationship with your clients.

Operations

This is the nuts-and-bolts of your day-to-day operation. How is your business run and how is it organized? Doing a good job here lets your reader know that you have a solid handle on the day-to-day running of your business.

This can be particularly important if you are transitioning from being a one-person business to having employees. A significant challenge for business owners who are also practitioners is stepping up as an owner, rather than as a friend or peer. Having clear policies around responsibilities and disciplinary issues demonstrates that you are ready to meet that challenge.

Management

Even if you are a one-person operation, you cannot literally do it all. You still have to work with professionals like accountants, lawyers, etc. If you are a multi-person operation, how are duties and responsibilities assigned?

This is a good place to think about your Board of Directors, whether that is a formal structure or an informal network of advisors. Who will help you set the direction of your business, give you valuable feedback, etc.?

Development and Milestones

It is not enough to have a great idea to get started. You also need to have some idea of how you are going to grow and how you'll know you are on

track with your growth. This is particularly important if you expect to use other people's money – i.e. financing – to grow your business. (Chapter 9 talks about financing in greater detail.) You may have investors who expect to see a profit from their investment. If you have a specific place/size of business in mind, this section details how you are going to grow into that place/size.

Financials

This is probably the part of the plan that gives healing arts professionals the most anxiety. Your business needs to have money and make money. Where is your money coming from and how are you going to make it and spend it?

This section usually includes some standard reports to show how the money flows through your business. Chapter 6 explains some of these reports in more detail.

- Cash-flow projections
- Balance sheet
- Income statement
- Sales projections
- Break-even analysis
- Marketing, staffing, and professional services budgets
- Start-up costs

As I said a few pages back, this is the *type* of information that is included in a business plan. You can find hundreds of examples of business plans in bookstores, the library, and online. They may be organized differently and they may use different words to describe these sections, but this gives you an idea of the kind of information you need in a standard/large business plan.

The *Other* Business Plans

You aren't limited to the large/standard business plan. You can also use a medium, small, or micro business plan.

Medium

As I mentioned earlier, the medium-sized business plan is good for partnerships or working relationships among individual businesses. It is also good for people who *really* need their business to succeed but may not need all the detail of a standard/large business plan. You are generally not borrowing money or only borrowing a little money. This business plan helps you get a solid understanding of working partnerships and put your plans on paper so everyone agrees.

Product/Service

You may start out with a clear idea of what you are selling but over time you may come across new opportunities that don't exactly fit in with your original plan. If you have taken time to carefully think through the definition of your product/service you will be in a better position to talk about new opportunities.

If you are in a partnership and you are not both providing exactly the same kind of service, figure out who does what. For example, if two acupuncturists decide to team up are they going to focus on the same 'problem'? If one of them enjoys working with people with chronic inflammation issues and the other person enjoys working with people with fertility issues you have two 'products'. While both are providing acupuncture, they like to solve different kinds of problems.

Competitive Analysis

When new competition arrives on the scene, small businesses may panic. If there are two or more of you running the business you can find yourself running in different directions in response to the new competition.

Remember that this section of your plan helps you look at the world in which your business exists from your potential *customer's* point of view. What did you identify as your product/service in the previous section? Who else can help solve that problem? How are you like and different from this new competition?

This is also a good place for partners to identify who they would – or would not – want to have a referral relationship with.

Target Market

Who is most likely to want to be your customer? Do you and your partner define your 'target market' the same way?

Marketing and Sales

Since good marketing and promotion drives clients to you and makes you money, you (and your partner if you have one) need to agree on how you will reach those customers and get them to buy your service or product. If you are working with a partner, I can almost guarantee that you will have different ideas about how to do this. If you have limited time, energy, and money (and who doesn't?), you need to agree on how to spend that time, energy, and money.

Operations

Who is going to do what in your organization? When will you call in outside help? What kind of outside help do you think you will need?

This is a very nuts-and-bolts section so it is very important that partners get detailed in this section. This is all about policies and procedures and those day-to-day realities can trip up partners and teams if you haven't worked through it in advance.

Management

It really is important to identify who is ultimately in charge of particular sections of your business if there are two or more people running the business. While it may feel wrong in a partnership, one of you (and only one of you) can effectively be the CEO, having the final word. Talk about what that means and how you are going to work that out.

Development and Milestones

It is vitally important that partners agree on where the business is going and how big it is going to get. You also need to think through the milestones that will mark progress towards that goal.

Financials

Where is your money coming from and how are you going to make it? If you are a partnership, are you both investing the same amount of money to

get started? What amount is enough to feel secure and solid as a business? How do you pay yourselves?

In a partnership, both partners need to have a working understanding of the business's financial state, even if they hate it. It is not wise for one partner to be fully responsible for the finances while the other partner is oblivious. How will you make that work?

Small

You are a one-person operation with modest (usually self-supporting) goals. You aren't borrowing money. You want to get clear with yourself about what you are doing and where you are going.

Mission Statement

In Chapter 2 I talk at some length about a mission statement. In a small business plan this replaces the Product/Service section. You should revisit your mission plan regularly. It shouldn't change often but it may change over the long term as you change and grow as a professional.

When new opportunities arise that don't exactly fit in with your original plan, you can revisit this section to help you decide if you want to take that new opportunity or not. It is easy for a small (especially a one-person) business to get spread too thin. Will this new opportunity spread you too thin?

The Marketplace

As a one-person company, you cannot compete with everyone. You rarely have the depth of resources to do that. So it is wise to be very clear about where you fit into your potential client's marketplace. When new competition arrives on the scene, you can revisit this section to determine just how much competition they really are.

Your Ideal Client

Who is *most* likely to want to be your customer? You can never be the right answer for everyone especially if there's only one of you. Who would be thrilled to be able to be your client? Who would make you happiest to have as a client? Be specific.

There's only you. You might as well be honest with yourself.

Marketing

Everyone has a *great* idea about how you should market yourself. (Some of them might even know what they are talking about.) But only you know what you are good at, what your ideal client responds to, and what kind of resources you have. Marketing will take a certain amount of your time and energy for the life of your business, but once you get started it shouldn't be all-consuming. What are ways to promote your business that you can both manage and sustain?

Operations

You may be thinking that you will do everything, but you will not and cannot. There are times you will need to pay others to do things. Laundry service. Book-keepers. Lawyers. Phone service. Who do you need to have as part of your team to keep your business running?

This is also the place to work out your policies and procedures. What are your rules about scheduling and cancellation? What forms of payment do you accept? What are your hours of operation? When will you terminate a client relationship? Chapter 2 contains a longer list of questions to ask yourself about your policies and procedures.

Management

Yes, you are 100% of the management of your business. Consider, though, whether you might benefit from an informal board of directors. These are people who have expertise in a field and are willing to give you their advice from time to time. Do you know someone who has good financial or marketing experience? Someone who has been in the field longer than you? Someone who is good at listening to plans and helping you find holes in them? Identify them.

Goals and Milestones

You may not have big plans. However, if you expect to be in business for more than three years your business will have to grow just to keep up with inflation. How many clients would you like to have? How much service would you like to sell? What is the biggest you can reasonably get as a one-person operation? What is the next step (even if it is small) to keep you moving forward?

Financials

It is just you, but you do need to think through how your money will come in and go out. You need to have at least a passing acquaintance with the value of your business. It is helpful to know if you are actually turning a profit or not.

There are four reports that I think all businesses, even small ones, should run regularly. I talk about them in detail in Chapter 6.

Micro

This is an even shorter version of the small business plan. The time frame is short term (often one year). This business plan is an easy way to record your goals and aspirations for the year. These are often just one page.

Mission Statement

In Chapter 2 I talk at some length about a mission statement. You should revisit your mission plan regularly. It shouldn't change often but it may change over the long term (every 5–10 years) as you change and grow as a professional.

Marketing

What are you going to do this year (or for the life of your micro plan) to attract new clients? What are you going to do to retain existing clients? If you are trying new things, how will you know they are successful?

Goals

This may be the most important part of a micro business plan. What are your goals for this year (or for the term of the plan)? What would you like to have accomplished at the end of the year/plan? Be specific. Give your goals measurable numbers (e.g. 'attract 15 new regular clients'). How many goals should you have? For one person, four to six is probably enough if they are substantive goals.

Financials

How much money do you want to make this year? Will it come from any new sources?

Run an income statement at least twice a year, at the beginning and end of the year or term of the plan.

If your business sells services that are not paid for at the time of service (pre-pays, invoices, etc.) then do a cash flow report every month or so.

The other two reports in Chapter 6 are optional.

Competitive Analysis (optional)

It is wise to do a good competitive analysis when you open your business. It is wise to revisit these questions when a major new competitor arrives on the scene. Otherwise you don't need to include this in your micro business plan.

Target Market (optional)

You need to get clear with yourself about your target market when you open your business. It is wise to revisit these questions if you take a significant new direction with your practice. Otherwise you don't need to include this in your micro business plan.

Operations/Management (optional)

Unless you are making significant changes in how you run your business, you can skip this section in a micro plan.

Resources

When you are ready to dive deeper into business plans, especially large/standard business plans, there is a world of resources available to you. This is by no means a complete list but it is a good place to start.

Small Business Administration

The Small Business Administration (SBA, www.sba.gov) is a free resource provided by the federal government. It has hundreds of pages of support for small businesses. Be aware that 'small' to the SBA is generally much larger than many healing arts practices will ever be, but it is still a huge source of quality information and support.

For a general explanation of business plans, visit: www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan.

For a business plan template, visit: www.sba.gov/business-plan/1.

SCORE

The Senior Corp of Retired Executives (SCORE, www.score.org) is a volunteer organization. It has plenty of free resources for the business person just beginning or the old timer who just needs a spark to modernize a business with new ideas. Their areas of support include general business advice; starting, running, and growing a business; marketing; finance; technology; and management. They have workshops all over the country and online specializing in financial organizing, marketing, and simple steps for starting a business. This, of course, includes writing a business plan.

The One-Page Business Plan

James Horan (www.onepagebusinessplan.com) has written several versions of his original *One Page Business Plan*. He has a version for the creative entrepreneur, the professional consultant, women, non-profits and more.

This is the book that got me started writing business plans 15 years ago. It is short and easy to follow. He uses worksheets and charts that can be fun to work with. The micro business plan that I discuss in this chapter is based on his work.

The Planning Shop

The Planning Shop (www.planningshop.com) sells books on all the aspects of business planning. *Business Plan in a Day* is easy to read and understand. I don't think you can actually write a standard business plan in one day, but the book explains in plain language what information you need and where to get it.

Laura Allen

Laura Allen has written several books about the business of massage, but the advice and direction she provides can be easily adapted to other healing arts professions. In particular, I recommend *One Year to a Successful Massage Therapy Practice*, which focuses on ways to promote/market a small practice.

NOLO Press

NOLO Press (www.nolo.com) focuses on do-it-yourself legal documents and processes. This includes business formation and operations. They have several books in each category including *How to Write a Business Plan*. Their books, by definition, are written for the average person who wants to be able to do their own legwork.

Sohnen-Moe Associates

Cherie Sohnen-Moe was once a massage therapist, so she knows the world of small business healing arts professionals. Her company (www.sohnen-moe.com) now provides information, products, and services for the healing arts business professional. Her book, *Business Mastery*, is now in its fifth edition and it was the first business book I saw for healing arts professionals.

Professional Associations

If you are a member of a professional association, check to see what business resources they offer. Are there professional conferences for your industry that might offer business classes? Does your industry have trade publications? Do they ever include business articles?

If you want more business advice, classes, and articles from your professional resources, ask for them! You are paying for membership, registration, and publications. They should support you as a business and as a practitioner.

