Business plan is essential to entrepreneurial success

By Joseph F. McKenna

Claude Kennard, president of Cleveland-based Metal Alloy Reclaimers Inc., will tell you that the creation of a business plan is tough and sometimes frustrating work. That said, Kennard is quick to add that a properly fashioned business plan can translate into results for a business, whether it’s in terms of pinpointing critical goals, attracting investors or marketing the product.

Textbooks dryly declare that the business plan “serves as your firm’s résumé.” True, but there is something visceral in the strong business plan as well. Borrowing an expression from investment whiz Warren Buffett, Kennard insists that actually crafting the business plan allows the entrepreneur “to get ‘skin in the game’ … to get value out of what you do to create that plan.”

“We talk about entrepreneurs as those who take calculated risks. The business plan is part of that calculation,” says Phil Bessler, associate professor of free enterprise at Baldwin-Wallace College and a driving force behind the college’s Business Clinic, one of whose services links the entrepreneur to seasoned executives and trained students as he or she creates a plan.

Strangely enough, the business plan is as widely ignored as it is widely acknowledged as an initial step toward business success. “The literature suggests that 80 percent of businesses don’t ever use a business plan,” says Bessler, who came to Baldwin-Wallace with many years of practical experience in manufacturing and marketing. “Not surprisingly, 80 percent of new businesses fail in the first five years.”

Pointing out that “great ideas don’t always make great businesses,” Bessler says an entrepreneur should seek “to discover that fact before he invests his life savings and a critical amount of time. It comes down to an issue of discovery. Do you discover as you go? Or do you discover issues in advance, resolve them and keep moving forward? Even for great ideas with potential, the business plan significantly diminishes the probability of errors.”

Yet even before starting the creation of a business plan, an entrepreneur needs to make a feasibility study, “a simple test many entrepreneurs do on the fly,” Bessler notes. “I use this analogy: If you build it, will they come? You need to test if there is a viable market for what you want to do. The second test is financial: Is the profitability reasonable? Can you cover your investment? The third question is about resources: about skills, about the individual, about support mechanisms. You go through it quickly, and it’s a go/no-go kind of thing.”

If it is a go, the smart entrepreneur needs to head straight to the business-plan drawing board. “A good business plan,” Bessler explains, “starts with a vision, moves through and articulates a mission and how to accomplish it. The fascinating thing about business plans is the iterations that go back and forth … mission, goals, objectives, marketing. You’re going to constantly reformulate your strategy as you craft it.”

As a well-tested resource to entrepreneurs, the college’s Business Clinic coaches clients through the development of their own business plans. The clinic uses fully trained student-consultants, who themselves gain “significant experiential learning” in the clinic, Bessler says. It also relies on entrepreneurs-in-residence, who are seasoned executives with a passion for helping other businesspeople and coaching students.

“Entrepreneurs also gain access to a specially developed business research center,” Bessler says. “At the end of the process, our clients have a fully developed plan ready to be executed.”

One of the clinic’s customers has been Kennard, whose company works with oil and chemical companies to reduce waste through recycling. After working with the clinic, Kennard “took the initial BP and built a formal funding-solicitation document around it, using a North Royalton-based funding source.”

Kennard says he has returned to the clinic to develop a new business plan for a different venture.

One venture capital company was impressed simply by the look of the first business plan, Kennard recalls. “I felt proud about what we had inside,” Kennard adds.

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