Business plans and business models: Understand pitches

The business plan is one of the most “taught” aspects of entrepreneurship. As a work project, it provides a wonderful learning platform. The creation of a business plan requires that all the different functional areas relating to the venture be detailed. Financial plans and budgets, assessments and assertions of market need, the 4P’s (Price, Product, Promotion and Placement) of marketing, key talent needs of the venture, risk assessments, competitive details and comparison and on and on.

This chapter will not teach you how to write a business plan. You can Google the topic and find all the outlines you need; there are whole books dedicated to the topic. One particularly classic article on this topic is entitled “How to Write a Great Business Plan” by Bill Sahlman (HBR 1997). It offers some healthy skepticism and useful thoughts on the substantive essentials. This chapter is dedicated to the principle of substance over form in business plans.

Substance over form is essential because the business plan itself is largely a marketing tool, and we don’t mean this in any pejorative sense. It is used to communicate perspective, insights and guidance on how others might evaluate, categorize and interface with your venture. And as with any marketing communication, you must know your audience and the objectives you have in mind to accomplish with that communication. Audiences for business plans include virtually any resource provider to your organization – lenders, private investors, potential employees and board members, customers, upstream suppliers, downstream channel partners. With this diverse audience, the form of a business plan really depends on what you intend to do with it – how you plan to address the desires of your audience. Thus, we’ll focus on substance, you’ll need to fine tune form.

Each audience has different information needs, and uses the substance of the business plan to different ends. Talk to them and find out what they really want to know and how they want to know it. Our suggestions in this chapter can help you get started, but we claim no encyclopedic knowledge on the needs and preferences of all of those audiences. All of them have shorthand rules/screens that help them process the information you provide much more quickly than you might think. They often have requirements involving minimum revenue levels, industry/technology/sector preferences, different risk factors they are willing to take on, team member details and relationships, or primary customers and marketing channels. In many instances, you can learn the details of your audience’s different “screens” and rule out many options right up front. Ask what different potential resource providers want and listen to them, some will fit, some won’t. For example: most banks will not deal with new ventures, most VCs won’t deal with pre-revenue businesses, most angel investors won’t invest in ventures valued at more than $5 million pre-money (often less). Ask and listen.

In this chapter:
Importance of partnerships p.
Why partnerships work p.
Practically speaking p.
What to look for in partnerships p.
Managing risk

Our starting premise: Business plans are not about selling the upside of your venture. Business plans are about sharing your mastery of the opportunity, which involves upside, downside, inside, outside and blindside. One of the most under-addressed topics in business plans is risk management. No one wants to “spook” potential partners with frank discussions of negative possibilities while in the midst of selling the winning potential of their venture. Yet, if we take to heart ideas about influencing and being influenced, staying committed to means more than goals, working with affordable loss, pre-committed partnership, and leveraging contingencies, then we must also take to heart the idea that things will go wrong. This is to say, things we wanted to happen sometimes don’t actually happen. Murphy’s Law applies:

> Whatever can go wrong, will, and tends to do so at precisely the worst moment.
>  - Murphy

If this is the game played by entrepreneurs, then the business planning and modeling that takes place must reinforce our ability to deal with problems, change, disappointment and so on. Business plans that sell the upside with a mere nod to the risks are considered naïve by good investors and useless by expert entrepreneurs. Yes, your graphs should go “up and to the right” as Guy Kawasaki (a popular industry pundit and author) commonly jokes about the hockey stick revenue projections constantly created by entrepreneurs. But if you stop there, you will be unprepared to deal with the inevitable beatings that are coming your way. Additionally, if you only show “up and to the right” type information, you leave the risks to your audience’s imagination and miss the opportunity to influence their assessment and learn from their honest feedback about those risks – naïve and useless.

We’ve seen countless business plans where the “worst-case scenario” is still a completely acceptable business, simply with lower sales growth, or where the short-term customers go away, but long-term you’re still okay, or where the whole plan is simply an average of the best case and the worst case. Bad. And don’t laugh, this is commonplace, and you’ll likely do something similar unless you deliberately choose to do something better. Something better: Think through your Murphy’s Law plan. Deal with the consequences of receiving a NO from everywhere you currently hope to receive a YES. For example:

**Yes**

- Yes, the technical milestone was just hit on time.
- Yes, the customer wants to set up a test and then scale out.
- Yes, we just hired the savvy and well-known marketing person we’ve been chasing.
- Yes, we just brought in an investor that brings a lot of expertise.

**No**

- If you assume NO, what will you do? Concretely
- Are there good fallback positions?
- Can you prioritize the pain from different failures?
- Can you take steps to shore up the highest priorities?
- Have you completely bet on one solution that could ruin you?
- Can you minimize the damage from any one particular no?

- In what ways have you kept things to affordable loss in order to help minimize that damage?

Your Murphy’s Law plan will not be entirely elegant. Sometimes, the answer to a problem is simply that you will have to work twice as hard to survive. Sometimes, the answer will be that you in fact have no response – and winning that particular YES is mission critical. Lose it and you lose. Okay. At least you see that. It should also mean that if you win it, then you should have really made a great step forward. Attract more resources with that win. Manage the expectations of investors, and demonstrate your expertise, by humbly considering these topics and ambitiously taking them on.

You won’t share your Murphy’s Law plan with everyone. Different details and versions of business plans have different audiences. It may be that you use it only with key leadership, board members or potential employees in their last decision steps. It is up to you, but having worked out your thoughts on managing risk is genuinely useful for whatever form of business plan you choose to create.

Bottlenecks

Related to managing risk, is identifying real bottlenecks. They aren’t all operational, and they aren’t all bad. Sometimes a little bottleneck is a very useful thing. Unknown bottlenecks don’t fit into this category of “useful.” You can learn a lot about bottlenecks from operational ideas in management.

What is going to be truly difficult about your venture? When? How will things change over time? Where will things get stuck? Where are they stuck right now?

Cash is quite often presumed to be THE bottleneck for entrepreneurs. This is generally misguided. You must keep asking “why” questions: Why can I not get cash? Chase those causes, dig a little deeper. Those are your real
bottlenecks. As with managing risk, you have to take these on directly.

**Business models**

As mentioned earlier, wrapping your arms around the difficulties, problems and risks are consistently overlooked in business plans. Business models are rarely overlooked, but are consistently misunderstood and underspecified. This is truly unfortunate, well-designed business models are very useful. While well-done business plans are primarily useful with potential resource providers, well-designed business models are primarily useful to guiding the entrepreneurial team in action.

There is no one pure definition of what a business model is, so we'll proffer our own. A business plan consists of four components:

- **Revenue model:** What actually generates cash? What does a transaction look like?
- **Operating approach:** How do you DO the things it takes to accomplish those transactions?
- **People approach:** What skills and talents are critical? How will you tap into them?

**Practically speaking: The cube and the plan**

Time to put away those champagne glasses, the 25th anniversary of Rubik's Cube mania is officially over. Hard to believe that the blockbuster toy that frustrated our childhood and sold almost a hundred million units between 1980 and 1983 is already an antique. But what was behind the product that created the first millionaire entrepreneur from the Communist Bloc?

The father of the cube, Erno Rubik, was a sculptor, an architect and a teacher of interior design. Spatial relationship problems were his business and realizing them in three dimensions was his specialty. In class, it was likely he would build a physical design in order to make a point – as he did with the cube. Rubik's Cube was not originally intended to be a blockbuster, or even a toy. It was the presentation of a solution to a structural design problem of surfaces in three dimensions that could be manipulated in any direction.

Technical creations come along all the time. Making a market for them is the job of the entrepreneur. And without such explicit intentions, Rubik started the process by sharing his puzzle with his students and friends. Their attraction to it indicated opportunity. So when Rubik met Tibor Laczi, a salesman from an Austrian computer company, Rubik was open to what happened next.

Laczi took Rubik's Cube to the Nuremberg Toy Fair where he met British toy specialist Tom Kremer. Kremer shared Laczi's attraction to the cube, and the pair negotiated an order for a million cubes with the Ideal Toy Company in New York. Rubik set up production in his native Hungary, to feed the escalating demand for his toy. But manufacturing high-quality consumer products behind the Iron Curtain in the early 1980s proved an insurmountable challenge. Ironically, the wild success of the cube, compounded with the expense of returned defective cubes, ultimately led to the collapse of Ideal Toy Company.

The interesting thing about entrepreneurship is that value created in the process finds many homes. Rubik himself came away with about $3 million. Laczi did well. The Chinese factories that picked up the manufacturing that the Hungarians could not handle did well. The event organizers who held Rubik's Cube solution competitions did well. Retailers selling the product did well. So though Rubik himself is the obvious entrepreneur, the other players in the story contributed to the process, many benefited from it, and they are all entrepreneurs.

Fortunately, entrepreneurship is not a Rubik's Cube puzzle. There is only 1 correct answer and 43 quintillion wrong ones for Rubik's Cube. Perhaps quite the reverse is true for an entrepreneur. Starting with what you know and using the partnerships you build may offer 43 quintillion possible paths to success. Rubik had no business plan. The chances of him being able to plan out, in advance, what happened with his cube are about 1 in 43 quintillion. And even if he had, nobody would have believed him until it was all history.

**Rubik application questions:**

- What was Rubik doing instead of writing a business plan?
- What level of business planning might have helped Rubik?
**Differentiators**

What is unique about what you’re doing? Why will it attract resources?

**Rule number 1:** A business model is not any ONE of these components; the business model is all of those components. Under-specified business models generally detail the revenue model and touch on differentiators, but they overlook the approach to operations and people/talent.

**Rule number 2:** The map is not the terrain. A business model is merely a map; it’s not supposed to detail every micro nuance of what your venture is doing. It needs to focus on your key intended activities, on the primary drivers of your business success. If you can’t be terse, you haven’t yet made your map.

**Business model example:**

gDiapers

gDiapers is a product company; they make completely biodegradable and flushable disposable baby diapers. What is their business model?

**Revenue model:** They generate sales revenue by selling gDiapers products directly to grocery and apparel retail chains, and direct to consumers at their website gdiapers.com. Retailers order crate size shipments with return rights; consumers order starter and refill packs – about $50 at a time.

**Operating approach:** They focus on the design and marketing of their product and packaging, sourcing the components from focused suppliers, which ship finished boxed product to their main office.

**People approach:** Critical talent needs to involve design talent, creative marketing in two different arenas (channel marketing and online marketing), and supply chain management. These skills are all in-house skills, and they access additional talent around technical design issues through their supply chain partners.

**Differentiators:** The key differentiation is the 100% eco-friendly disposable diaper with great style. It is one of a kind. They have also cultivated stellar relationships with a large group of remarkably passionate users online that help them manage channel opportunities and sell product online.

This is clearly just a summary of their business, a glimpse at the critical components gDiapers must master in order to be successful in their current endeavors. However, like a map, you can get a remarkably clear idea about the risk and opportunities facing this company. Business models are design exercises, involving intentional design choices as well as emergent insights that result from working with different people. The business model items (of revenue, operations, people and differentiators) can be considered variables in the equation, and they can take different values as you play with the design. Business model design involves imagining the alternatives and getting ideas for alternatives from potential partners. For example:

**Revenue model:**
- Selling store branded product to chains.
- Selling through wholesaler network, no direct relationships.
- Exclusively online distribution.

**Operating approach:**
- Full integration, design to product to marketing to sales.
- Exclusively use online marketing and order taking.
- Drop shipping only to retailers, no direct handling.
- Sourcing from similar operation in different country.

**People approach:**
- Online marketing in-house.
- Outside reseller network to retailers.
- Open sourced pant design (product exterior).
- Technical expertise around the liner (product interior).

**Differentiators:**
- Custom pant designs online.
- Store branding to encourage channel adoption.
- Focus differently on “earth friendly.”
- Heavy on style and functionality.
- Position against cloth diapers rather than disposable.

The list of possibilities that could be here is immense, and is inherently creative. These are merely examples of other legitimate choices that could detail the gDiapers business model, but don’t. These choices about what are and aren’t part of the model are the critical ones. We hope the earlier parts of this book will help you make these choices in ways that are coherent and actually connected to the preferences and aspirations of your potential customers, partners and employees. Business models are the substance of business plans.
Metaphor and analogy

Attracting resources to new ventures is rife with inherent contradictions. One of these is the simultaneous desire for the venture to be truly innovative yet provide evidence that it will work. New + Proven = Really Tricky (oxymoronic really).

Well-designed and specified business models help deal with this challenge. They allow you to legitimately use metaphors and analogies to other companies and industries as the evidence to go with your novelty. What industries and companies provide legitimate metaphor and analogy? The ones that share important dimensions of your business model.

What industries or companies would be relevant to gDiapers for learning?

- Branded apparel (children’s even more specifically).
- Non-food products for sale in grocery retail (e.g. other baby product or video rental).
- Design/marketing outfits (e.g. Nike).
- Companies with a complicated mix of online and offline sales (e.g. Barnes & Noble or BMG).
- Companies that use their suppliers for technical innovation (e.g. Dell).
- Companies entirely positioned as eco friendly (e.g. 7th generation).
- And obviously, other diaper companies (e.g. Huggies and Pampers).

Some of these are better metaphors, and provide more robust analogies than others provide. Certainly, you can imagine more. Come up with a set that you want to work with, let’s call this your peer group. Now you can have some evidence to go with your novelty; now you can actually learn some things by looking really closely at this creative “peer group.” Yes, it will add substance to your business plan, and yes, it can actually help you master your own opportunity more completely.

What evidence does your peer group provide that?

- Customers will adopt a product like this.
- Your venture can grow as fast as you want to show in your plan.
- Your particular business model choices are “state of the art.”
- Your business model is robust enough to endure mistakes and failures.

If you were to tell the story of your peer group companies, what were their key MISTAKES as well as their key successes, and what do you take away as key learning points? If you’ve really done a good job of connecting, the key components of your business model to those of these peer group companies you’ll be quite surprised how much you can genuinely learn about your own business. Adjust your business model and strategy accordingly, and share some of this expertise in your business plan to combine some legitimate evidence with your novelty.

Traction Trumps everything: How to win a business plan competition for gDiapers

Of course, there is no evidence quite as good as your own successes to prove that the novelty of your business venture is valuable. This evidence is commonly referred to as traction. Traction is what connects the power of a car engine to the road, actually resulting in the car moving forward (in this case you and your team are the horsepower). Every “yes” you win is a point of traction. Without traction, the effort you put into executing your business model is simply spinning your wheels. No one wants to put resources (time, money, relationships or talent) into perpetually spinning their wheels.

Business plan competitions are fun and interesting at times, and they can be outstanding learning experiences. The winners of these competitions consistently have genuine traction that differentiates their efforts from hypothetical business models, and they demonstrate their potential for success – they aren’t just spinning their wheels.

Conjecture:

- We’ll make disposable diapers you can flush down the toilet.
- We’ll sell these diapers in Whole Foods.

Sound Interesting?

Traction:

- Watch as I flush this diaper down the toilet.
- The local grocery store paid us cash for the 1,000 diapers they sold last month.

You win.

Sometimes, you can’t get certain points of traction until you’ve attracted certain resources. You might need to attract a particular engineer to finalize the prototype. You might need cash to order 1,000 diapers for your first store test. Traction can at times be a serious chicken and egg problem. Remember affordable loss? You need to prioritize and pursue accomplishments, within your levels of affordable loss, which legitimately constitutes traction. This is an art, and takes practice, but keeping this concept in mind will help you focus on making real progress, and it will help you make sense of the small victories you accumulate as you proceed.

Transaction economics

This brings us to the over emphasized demand forecast in business plans. At this point, you actually have some ideas of what customers seem to want, you’ve learned a lot about other relevant companies and what they were able to
accomplish over their development, and you’ve learned a lot about different markets you can sell into in terms of their overall market size and competitive mix. This all begs the question: What do you think you can accomplish with this opportunity over the next few years? It’s obviously important, because it has a lot to do with your opinion of whether it’s a good idea to attract more resources to the effort.

Different people have different opinions about top-down vs. bottom-up forecasting. Top-down forecasting is simply estimating the overall size of the market, looking at what might be feasible in terms of market share and customer adoption and doing the math. In our opinion, this sort of predictive work is highly problematic, and all too often leads to grossly high demand forecasts. Top-down forecasts are not terribly compelling, and lead to statements like this: We only need to get a 1% market share and we’ll be really successful. These statements are nonsense and really undermine the credibility of entrepreneurs.

Bottom-up forecasts look at things in a more micro fashion. What customers can you actually reach this year, by name? How many customers can you currently keep in your sales process simultaneously? If you added four sales people, what happens to that number? Can you name the list of prospects that you need to hit for each year you’re forecasting in order to make those numbers real? What is the revenue from what you can actually produce right now? What are the bottlenecks keeping you from doubling your sales over the next 12 months? Can they be eliminated such that your sales forecast is legitimate? These types of forecasts are consistently lower and more credible, but many entrepreneurs don’t feel that it gives justice to the true potential of their opportunity.

Here is the painful reality: Both of these types of forecasting typically lead to demand forecasts that simply don’t get hit. Many investors, and all bankers, barely pay any attention to these forecasts made by entrepreneurs. Early stage investors will use them to sort of broadly characterize the overall size potential of the venture – small, medium, large, if you will.

More important than either top-down or bottom-up forecasting, is the more direct analysis relating to your business model. It’s not the macroeconomics of the top-down approach, or the micro level of the bottom-up forecast; it is the transaction economics of your business model. Transaction economics are where managerial accountants excel. They are inherently less predictive, but help evaluate the robustness of your venture.

Key questions to understanding the contribution margin of a typical transaction:

- What kind of marketing/sales investment is required to win a customer?
- What type of inventory will you have to build to attract sales?
- What drives your product costs? Are your gross margins fragile?
- What are the service requirements, potentially, after you make a sale?
- Over the course of a year or two, what kind of cash are you netting overall from your lead customers?
- How many customers do you need to land to break even?
- How many transactions are needed to break even?
- Are there business model changes that can materially change these transaction level economics?

If you can get clarity at this level of analysis, the needs facing your venture will be significantly clearer, and it can actually inform your risk management ideas. Because this type of analysis involves less prediction (not zero prediction, just less prediction), it is less risky to use it in your decision-making. (Of course, keep in mind that garbage in equals garbage out. You have to do real work to identify your product costs, selling costs and service costs, and validate your pricing.)

Escalation of commitment

At this point, we must discuss escalation of commitment. A well-specified business model, some interesting thoughts and strategies for dealing with real risk and surprise, and some emphasis on traction and gaining ground with customers, partners, employees and investors can materially change how you choose to proceed as an entrepreneur. It can increase the emotional commitment you have to the work you’ve done thus far. This increased commitment to your plans, to the goals you now have in mind, and delivering on the yeses you may have won from customers, partners, employees and investors can pull you away from the principles of entrepreneurial expertise.

Your willingness to think of new ways to use your means, leverage contingency, stay connected to your affordable loss, and truly focus on pre-committed partnerships can disappear if you don’t watch out. Timing is everything. As your venture develops, you will need to focus on goal driven activities more and more, on delivering what everyone has agreed to deliver, but you don’t want to over-commit too early.
This is different from the notion of "lock in." Lock in involves material resource investments that constrain your ability to change strategies toward new opportunities. Escalation of commitment is the emotional side of this. Even in the absence of genuine lock in problems, entrepreneurs often become less willing to change and pursue different opportunities that reveal themselves through your work with customers, partners, employees and investors.

Venture capital investors are a common example of this. Once VC investors come into a venture, they’ve done so largely because they intend to execute on the vision, strategy and opportunity championed by the entrepreneurs. With those new cash resources available, they go about executing in a much more focused and goal driven manner than they may have previously employed. Oftentimes, this is exactly what they needed and wanted to do. Other times, the opportunity changes, contingencies arise that could be taken advantage of, but the escalation of commitment to the current state of things prevents their ability to adjust.

We don’t know the right way to resolve this tension. There is clearly value in focus sometimes, and clearly value in flexibility at other times. We do know that if you don’t explicitly deal with escalation of commitment bias, you likely will not make a fully informed choice, and you can needlessly constrain your ability to succeed.

The Rocket Pitch

Entrepreneurs were originally challenged to reduce the description of their business to something someone could understand in an elevator ride, and it was called the Elevator Pitch.

The world has gotten faster, and version two of that challenge is called the Rocket Pitch. Imagine your business on a single slide, 30-point font, with a total of 4-5 bullets, in 30 seconds:

- Who are you pitching to?
- What are you saying?
- What is that person hearing?
- What is the one thing you want them walking away with?
- What you want them to do is describe it to the next person?

Remember that every pitch that fails gives you an idea for how to make the next one better. You should never make the same pitch twice as pitching is as much about your learning as it is about your gaining commitments.
Effectual Entrepreneurship in Action

Practically speaking: The wind and the plan

“New-age traveler” is a euphemism for a hippie, a house trucker or even a vagrant. It’s not the community typically associated with the next generation of business leaders. But then again, solutions to climate change and high-priced oil are not likely to come from typical business leaders. This may explain part of why Dale Vince, an x-traveler himself, is among the most influential “green” entrepreneurs on the planet today.

Committed to a low-impact lifestyle, Vince’s journey into business began with building small-scale windmills to serve his personal energy needs and limit his dependency on commercial power. One of the most complex pieces of the puzzle was reliably measuring the environment in order to identify a location that provides consistent wind to drive turbines. Not finding adequate solutions on the market, Vince also started crafting wind-monitoring towers in 1991 and, in 1992, founded Western Windpower. Though Vince has continued his own expedition, Western attracted large orders from clients like Scottish Power and is now Nexgen Wind, the UK’s market leader in wind monitoring equipment.

Armed with more knowledge of wind measurement and power generation, Vince applied for permission to establish a wind farm in the UK and in 1992 gained approval. Just three years later, he founded Ecotricity (originally the Renewable Energy Company), offering the radical alternative of “green” electricity to both household and business customers. By the end of 2007, Vince’s firm was operating 12 wind farms, representing 10% of England’s wind energy, 46 GWh/year of renewable electricity, and a savings of around 46,000 tonnes of CO2 emissions a year as compared with the same amount of “brown” energy. His accomplishments have been duly recognized. Vince has been presented with an OBE for services to the environment, a Queen’s Award for Enterprise, an Ashden Award for sustainable energy and he made the list of the world’s Top 100 Eco-Heroes. But this is really just the start of the story.

Fewer new age travelers roam Europe today, and green energy is no longer a radical idea. With the external environment, Vince himself has changed. His networks, his knowledge and even his assets have changed. And as is often evidenced with serial entrepreneurs, he is reconfiguring what he has in order to create his next opportunity. His current effort is a prototype electric sports car based on the Lotus Exige, which makes sense not only in light of Vince’s relationship with sustainable energy, but also because Lotus is already an Ecotricity customer, building a wind-powered automobile factory in Norfolk, England.

And what lies ahead? Certainly, no specific business plan. A vegan, a keen advocate of organic farming and still committed to a low-impact, self-sufficient life, Vince is currently experimenting with approaches to micro-generation at home. In fact, the more he does, the more he has to work with, and the more opportunities he has ahead of him. In addition to offering needed hope to our energy bills, this observation points to the real source of entrepreneurial opportunities. Less often are they blinding visions; instead, they are more often a whirlwind of the many things you already have, mixed together with unplanned changes and the needs of the environment.

The one thing I have learned is that you have to be flexible, you have to continually reappraise that which you hold to be true because things change internally and externally

Dale Vince

Research roots: Business plans and new venture performance

Eager to understand the value of business planning, a team of researchers brought together all the prior work they could find that investigated the business planning-performance relationship. They found that planning is generally beneficial, but less so for newer firms and for firms in cultural environments highly desirous of avoiding uncertainty.

A note on the standard form of business plans

Slide decks have risen to a status formerly held by lengthy business plans. Most often these days, we see opportunities described in an executive summary of less than two pages accompanied by a somewhat brief slide deck. Generally, only the more formal requests from banks and somewhat later stage investors then put a longer formal business plan to use, after they've already begun to make judgments about you and your venture from those initial materials, their interactions with you and referral information.

Slide decks provide an interesting window into the logic by which you understand your venture, as well as the logic that you believe 'justifies' or 'validates' your venture. Logic occupies a funny position between substance and form. At the highest level, we encourage you to look closely at that logic, and organize your slide decks accordingly. There are some patterns:

1. A: Look at our cool product
   B: Look what it can do for these types of customers
   C: Look how many of these customers there are
   D. Look at what we’re going to do to win them over
   E. Look how talented we are.

   >> Therefore: provide commitments and resources to us.

2. A. Look at the massive size of this market
   B. Look at this critical unmet need
   C. Look at what our product can do to solve that problem
   D. Look at how we will provide that solution to that massive market
   E. Look who does business with us now
   F. Look how talented we are.

   >> Therefore: provide commitments and resources to us.

3. A. Look at this/these customer/s we won
   B. Look what they wanted us to do
   C. Look how we did it
   D. Look how happy they are (value created)
   E. Look at how many other customers could use this
   F. Look how we will provide that solution to them
   G. Look how talented we are.

   >> Therefore, provide commitments and resources to us.

Aside from the oversimplification, there is an artificial level of stability in those lines of reasoning, and for good reason. It may not be a good idea to show a line of reasoning like this:

A. Look at all the different things we can do
   B. Lots of different people could value this for lots of different reasons
   C. We’re going to fish them and learn which ones value us right now
   D. Then we’ll do everything we can to make them happy
   E. Then we’ll find others we could also satisfy
   F. By the way, look how talented we are.

Lines of reasoning like these are often the reality, the substance, and with closer relationships, they might be exactly what you want to communicate. It’s not an unreasonable line of reasoning; the earlier chapters of this book are the theories, strategies, and tactics that underpin them. It’s just that it may be less persuasive with resources providers because it may be non-committal and perceived as such. So what happens? You add a layer of stability to your plans that fits what you think that audience is interested in supporting, and that you also may be willing to support (because they may say yes!). The main point is this: Identify, test, and play with the logic of your venture and the slide decks you’re using. Not all logical arguments are created equal, and different rhetorical uses of that logic might be more effective, you might try enthymeme, focus differently on ethos, pathos and logos.

One other thought on slide decks. Each slide prompts one or two critical questions in the audience’s mind. Useful slide decks deliberately prompt those questions (not explicitly necessarily, just deliberately) and then proceed to answer them on the very next slide. Anticipating (and motivating) the question then providing your best arguments to address it, straight away, is a very effective way of demonstrating your mastery of the opportunity and of the issues involved in your audiences’ decisions. It can pre-empt anxiety, and actually motivate deeper questions and better learning for you as you pitch time and again to different audiences.
Whether you plan or not, take action

We hope you are both more confident in how to create a business plan if you want to, or to operate without one if you want to. Clearly, there are plenty of failed businesses both with and without business plans. And there are many successes with and without them as well.

Regardless of whether you have a plan, nothing takes the place of action – of accomplishing something with your venture. Whether it’s closing a deal with a customer, shipping a product or merely getting the sign up over the door, nothing happens in a new venture unless you do it. And doing it is what generates the traction that makes businesses happen, whether there is a business plan or not.

Aside from acting as a marketing tool for raising institutional investment, one of the best uses of a business plan might be to help you take action. Not everyone needs the support of a plan in order to get going, but if it is something that helps you do so, then take advantage of it. Remember that, ultimately, the business plan is nothing more than a tool to help you get your venture going. If it is not helping you do that, then forget it. Forge ahead.

Roadmap:

Make a list of the specific “wins” you need as you develop your venture.

- Prioritize them in terms of affordable loss.
- Which can you win right now, or with minimal resources?
- Which ones constitute unquestionable traction and evidence that your venture is valued by others?
- Which aspects of your current business model are you absolutely confident others value enough to pay for and commit to? Which aspects are really just your current best guesses? Are there components of it that are non-negotiable for you? Why?
- Detail the transaction level economics of your current business model; the timing, costs, pricing and customer decisions around a typical transaction. Does your business plan effectively communicate this level of mastery, or is it focused on big predictive deductions?

So what?

Great business plans are different for the different purposes to which they are put to use. One size does not fit all. Above all, they need to be persuasive/compelling, not legalistic or focused on your divine predictions of the future. If you are doing it right, YOU will learn about your venture as you create different versions of your business plan.

Bigger questions:

- What things can you really plan?
- Is there something else that a business plan might provide – confidence to the entrepreneur?