



[Home](#) > [Courses](#) > [Bay Area Farmer Training Program](#) > [Business Development and Management](#)

[← Previous Module](#)

[Next Module →](#)

Module

16. Business Plans

Module Progress: 

Background Material

What is a Business Plan?

It is a tool that can help you to identify management tasks and financing options for your business idea. This tool can help you to identify business challenges and opportunities that apply to your marketing, operations, human resources and finances. It also can be an effective tool to communicate your business idea with future consumers and potential investors (SARE, 2003).

Parts of the Business Plan

- Front Page
- Executive Summary
- Business Overview

- Mission Statement: Describe your business, your products, yourselves and your industry, legal setup of the business and how are you poised to compete
- Operation Plan: describe day to day of your operations, cropping schedule, production, processing, marketing plans. Include personal and division of labor
- Marketing Plan
- Risk Management Plan
- Financial Analysis
- Supporting Documents (e.g. cropping plan)

The following video gives an overview of [Business Plan Essentials](#) from [NESFP](#) on [Vimeo](#).



Business Plan Essentials

from [NESFP](#)

How to Write a Mission and Vision for a Business Plan?



[Jones \(2003\) Building a Business Plan](#)



SARE Handbook (2003)

Introduction to Lean Business Planning

The following section is adapted from the [Bplans](#) article “[Introducing Lean Planning: How to Plan Less and Grow Faster](#)” by [Noah Parsons](#).

This article is part of our “[Business Startup Guide](#)” – a curated list of our articles that will get you up and running in no time!

Today, I want to introduce you to a new concept for starting and growing successful companies: Lean Planning.

Lean Planning is a set of tools for **discovering a business model** that works, **building an action plan** to test your assumptions, **creating financial models** and a plan for a viable business, and **tracking your performance** so you can adjust your plan on the fly, quickly and easily.

Hear more about lean business planning with Peter, Jonathan, and Tim Berry on the ninth episode of [The Bcast](#), [Bplan's official podcast](#):



[Bcast](#)

Episode 9: Lean Business Planning with Tim Berry | The Bcast

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Before I dive too deeply into the Lean Planning methodology, it makes sense to talk about its history and where it comes from.

It starts with “Plan-As-You-Go” instead of detailed, formal business plans

Lean Planning started with [Tim Berry](#)’s 2008 “[Plan-As-You-Go Business Plan](#)” which was a new way for entrepreneurs to think about planning. Instead of encouraging entrepreneurs to focus on developing long and in-depth, static business plans, Tim advocated for a simpler approach:

1. Define your business identity: What’s your value proposition to your customers?
2. Determine your target market: You need to know and understand your customers.
3. Build an action plan: How are you going to validate your assumptions and measure progress?
4. Develop a forecast: Basic forecasts and budgets are critical; And tracking them is even more so.

The business plan should no longer be just a single event. Instead it should be a living tool that is revisited on a regular basis. “Plan-as-you-go” planning is about setting goals and objectives, defining accountability, and then revisiting and revising the plan as new information is discovered.

Can the Business Model Canvas replace the business plan?

In 2010, Alex Osterwalder published his book, [Business Model Generation](#), where he created a framework for what Tim called “business identity.” Osterwalder defined a template called a Business Model Canvas, for documenting business models. This form of planning condensed the business model onto one page and is most useful for high-growth, technically focused startups (think Silicon Valley).

We really liked the concept of condensing a business model onto one page, but as I worked with startups, small businesses, and academics, the tool provided to be not quite the right fit for all business types and difficult for small businesses to make use of the canvas without coaching. For example, many businesses have a difficult time arriving at their key value proposition without first thoroughly understanding the customer problem. Also, the “customer relationships” section didn’t seem to fit for many traditional businesses. Finally, while the Business Model Canvas asks for a basic list of expenses and revenue streams, it doesn’t help entrepreneurs determine if their company is truly financially viable.

Do startups have a manual?

In 2012, [Steve Blank](#) synthesized the ideas from his 1st book, “[Four Steps to the Epiphany](#),” with The Business Model Canvas in his “[Startup Owner’s Manual](#).”

Blank’s main innovation here is what he calls Customer Development, which is a methodology for learning and validating market needs through detailed customer communication and follow up.

For us, this methodology made sense for high growth technology startups seeking to define and prove a new business model. But, it stopped short of the tracking and accountability that we really liked from “Plan-as-you-Go” planning.

Lean Planning is born

We felt that there was a need to pull all of these concepts together and create a methodology and set of tools that both startups and existing businesses could use – a tool set that would work for both Silicon Valley startups and Main Street small businesses. So, we developed the concept of Lean Planning, with its foundations in “Plan-As-You-Go” planning and incorporating the idea of documenting a

business model in a simpler format so entrepreneurs could find success faster.

Lean Planning is made up of five core components:

1. Start with a Pitch that outlines your business idea.
2. Create an action plan with real accountability to test hypotheses and refine the pitch.
3. Build a financial model to prove that a viable business can be formed.
4. Flesh out the specifics with more detailed planning (as necessary).
5. Track your performance so you can spot problems and opportunities early.

Step 1: The Pitch

The Lean Planning methodology starts with a documenting your business idea with a pitch. The initial pitch is your best guess at the problem your business is solving, a summary of your solution, and an overview of your intended target customer. While similar to the Business Model Canvas concept, it's a different approach that brings more focus to the problem that an entrepreneur is solving.

We've found that too many entrepreneurs fail because they don't fully understand the problem they are solving. By making the problem statement a critical part of the business pitch, entrepreneurs are forced to tackle the problem they are solving head on.

In addition to "the problem", the pitch contains an overview of the following:

- Solution
- Business Model (how do you make money?)
- Target market
- Team

- Competitors & Alternatives

You can read more about [what we include in the perfect pitch](#) in our post on the topic and [download a free template to get your pitch done](#).

Instead of the pitch just being a tool to present ideas, we believe that it's a tool you use to make sure your business idea is going to work.

Instead of being locked in stone, your pitch is dynamic. It's a set of assumptions about a business:

- Do the target customers actually have the problem that is defined in the pitch?
- Does the solution the entrepreneur is proposing actually solve the problem?
- Do the target customers want to pay for the solution? How much?

The pitch should be used to generate a set of questions that need to be answered and then revised on a continuous basis until most unknowns are removed. This simple step of talking to your potential customers and refining your pitch can be the difference between a successful business and a failure.

Step 2: Build an Action Plan

As you refine your pitch, now's the time to build an action plan. The action plan should be a list of milestones that focus on validating the assumptions that are defined in the pitch. Early milestones could include things like conducting customer interviews, sending out surveys, researching physical locations, interviewing potential suppliers, etc.

The goal of the action plan is to validate assumptions and make the pitch a reality. As uncertainty is removed from the pitch, the action plan and milestones should become more about implementation, and less about validation.

As with all action plans, it's critical to have accountability. Milestones should have dates and people responsible for completing them as well as regular review to make sure everything is on track.

Step 3: Develop a Financial Model

Even if you have a problem that's worth solving, a solid solution to the problem, and a target market that needs your solution, you don't have a business unless the numbers work out. The next step in Lean Planning is some basic forecasting and budgeting to ensure that a great idea can actually lead to a great business.

Yes, forecasting and budgeting does mean looking into the future, and no one knows the future (at least I don't!). But, it doesn't have to be as difficult as it sounds. Putting together some basic, [bottom-up sales forecasts](#) and a [basic budget for expenses](#) will quickly tell you if you have a business model that works – one that can create a viable business that will pay the bills.

At this stage, it's important to NOT focus on putting together forecasts that paint an incredibly rosey picture. Instead, the sales forecasts should be as realistic as possible. Assume that not nearly as many people as you think will show up in your store. Assume that your website won't get mainstream press coverage. Do you still have a viable business? Can you turn a profit? If you can only be successful with incredibly high volumes of customers, you may need to take a second look at your pricing, expenses, and other aspects of your business model. Or, make sure that you get the kind of funding that's needed for large marketing and PR campaigns.

Step 4: Detailed Planning (as necessary)

With a pitch that has been refined by customer interviews and a financial model

that works, it's time to flesh out additional details of your business. Your business is moving into operational mode and specific plans for marketing, sales, fulfillment, and partnerships are critical. You should also be reviewing your cash flow forecasts to understand how much money you need to take your business through its early stages.

The detailed plan does not have to be a lengthy, polished document. But, it does need to expand on the summary details that you developed in the pitch. For example, in the pitch you determined your target markets and how many people are in each market. Now, you need to understand how to reach these markets. What are their psychographics? How do you market to them? How will they find you? Your plan will need a marketing plan that details this, and more.

The detailed plan should also include an updated action plan. The action plan is no longer about testing assumptions, but now about how to get your business up and running. What do you need to do to get your doors open?

Step 5: Track your Performance

Both Silicon Valley startups and Main Street small businesses need to know how they are doing. Are they growing according to plan? Why or why not? If not, what changes need to be made? Should the plan change?

Tracking performance is the 5th pillar of Lean Planning. Beyond tracking key financial metrics such as cash, sales, expenses, accounts receivable, and accounts payable, businesses must track the other key metrics that are critical to their success. These other key metrics might be web site visits, foot traffic in the store, table turns in a restaurant, or any other core number that drives business success.

These metrics should be reviewed at least monthly in a regular planning meeting with key business partners and employees. This is when you refine your plan and your pitch if necessary and track your on-going action plan.

Lean Planning is planning faster with less writing

So, what's "lean" about Lean Planning?

[Eric Reis](#) brought the lean methodologies popularized by Toyota in lean manufacturing to startups, advocating "minimum viable products" to test assumptions while growing a startup. His core ideas are about learning quickly (and failing quickly) to make early course corrections so that startups succeed faster.

Lean Planning is a methodology and toolset for planning faster so that entrepreneurs can start the planning process without the burdens of a creating a long document. The goal of Lean Planning is to help entrepreneurs discover business models that work and then grow the business successfully and track progress so course corrections can be made quickly.

Historically, business planning has not been lean. It's been a lengthy "[waterfall](#)" process where entrepreneurs take months to craft a detailed plan without interacting with outsiders to validate their ideas. It shouldn't be that way.

To get started with lean planning right away, read our [article on creating your one-page pitch](#) and [download our free template](#).

[Business planning](#) is not a single hurdle to clear to get your business up and running or a thick wad of paper to shove across a banker's desk in order to get the funding you need. Instead, a real business plan is a tool to grow your business

smarter, faster, and more profitably than the competition. It's a tool help you identify a business model that will work – one that will grow a successful business that generates solid profits and solves a real customer problem. A real business plan is an operational tool to steer your business to success, not a one-time document that is quickly forgotten.

We think that the Lean Planning methodology makes planning easier, faster, and more useful.

To support Lean Planning, we built [LivePlan](#). It's a planning tool that helps you build a one-page pitch, collaborate with business partners, and build solid financial forecasts. When you're up and running, you can easily track your progress against your goals just by connecting your accounting software to LivePlan. It'll do all the hard work of crunching the numbers and give you the reports you need.

Reflection Questions



16. Business Plans

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