Strategic Business Planning for Agricultural Value-Adding Initiatives

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Introduction

"I have been successful all my life without any planning. I've always known what to do and have done it. Why should we waste time and money on planning this value-adding initiative business?" John H asked matter-of-factly. John was not boasting; he is one of the most successful producers in the state by any means of measurement. And John is not alone in his response to the discipline of planning a business. It is true that for most people, success from business has come with hard work and good organization. But the times are changing and when the terrain is uncertain, it is prudent to think a few steps ahead before you plant your feet in the next step. This is what planning is all about: knowing where the next step is going to fall before it actually falls.

There is a lot of excitement about value-adding initiatives. But the business of value-adding is like no other, if we want to be sincere to ourselves and our pocket books. The business of agricultural value-adding usually transports producers from the familiar to the unfamiliar, from the known to the unknown and from the relative comfort of dealing with people of relatively similar ideals and values to the uncertainty of a world filled with people with a million different ideals and values. There is nothing familiar for a corn producer when confronted with an ethanol plant and negotiating marketing budgets with major retail chains or distribution conglomerates. These activities are never in a producer's natural league of play. For this reason, when producers decide to embark on business ventures that are outside their domains, it is prudent for them to plan, making sure all unfamiliar issues are explained and understood. "But sometimes I don't even know what to ask," argued John H. after he had come around to agreeing that the emerging uncertainty surrounding the business requires forethought and planning to minimize or even eliminate potential pitfalls large and small.

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The purpose of this paper is twofold: First, we want to illustrate the importance of strategic business planning to the many Johns among the farming and ranching population who are interested in value-adding initiatives but are reluctant to subject themselves to the discipline of planning. We do this with both anecdotal and statistical information about successes and failures of entrepreneurs who followed different paths. The most common refrain I hear in conversations with most sincere entrepreneurs who have succeeded at transforming their businesses is this: "I have made a lot of mistakes I could have avoided." We hope to end this refrain by encouraging the appreciation of the importance of planning and its incorporation into the value-adding initiative business development process. Second, we provide a step-wise overview of how to develop a strategic business plan to help the various stakeholders make decisions selecting the best business venture from the many worthwhile ones that confront them.

Understanding Planning

Perhaps we should begin by asking what we mean by planning. The relevant meaning of planning in the context we are using, according to the Merriam-Webster dictionary is "to devise or project the realization or achievement of a program." If we take this definition apart, we may observe that planning involves *envisaging the end prior to the beginning*. A good plan paints a picture of the future, helping its users to create that future using the picture as a guide. The ability to see the destination prior to departing helps us to also assess the journey – the turns, the hills and the valleys – and helps us to find the best way to tackle the journey.

While planning does not eliminate all uncertainties along the journey, it helps us to prepare for the obvious ones and minimize the disturbing impacts of the not-so-obvious ones. Lester R. Bittel, professor emeritus at James Madison University, is quoted as saying "Good plans shape good decisions. That's why good planning helps to make elusive dreams come true." But Peter Drucker, a renowned management thinker, cautions us to not think about long-range planning as dealing with future decisions, "but with the *future of present decisions*." Whenever we pause to think through how current decisions affect our future, we are, in essence, planning, and it is the best way to tackle our journey into the future.

The business plan, then, is a written summary of what we hope to accomplish in the stated business and how we intend to organize resources to achieve the accomplishments hoped for. Metaphorically, it is the map to the defined destination of the business. The business plan identifies the various routes, the rest stops, the helpers and the potential highway men along the route to the defined destination. Fundamentally, the business plan is a communication instrument that eliminates the misunderstandings that can arise when thoughts are not translated into a tangible, visible and challengeable format such as the written document. Among other things, the business plan outlines the current state of thinking about the future of the organization, allowing its intended readers to assess the organization's ability to reach its stated destination given its current and future resources – human, financial, physical and organizational. A good plan can transform an elusive dream into reality by focusing thinking, energies and resources in the right places, on the right things and at the right time. Access to resources is not a guarantee of success but a good plan can bring *smart* resources to the organization. These resources accelerate the organization's ability achieve its goals and objectives.

We have deliberately focused our attention on strategic business plans. Strategy is defined as the continuous search for economic profits. Economic profits adjust accounting profits by the opportunity costs associated with the initiative and accounting profit is the difference between gross sales and accounting (explicit) costs. A strategic business plan seeks to develop strategies that extract all the rents available in venture so as to minimize its opportunity cost. In other words, the plan focuses on ensuring that there is no superior outcome to what has been developed in the summary of accomplishment expectations and its associated strategies. Strategic business planning forces planners to focus on the system dynamic effects of the business and its strategies and not on linear cause-effect relationships.

To sum the foregoing, we emphasize that planning is very important for success, not just in business but in everything. Because businesses often involve dealing with others – employees, partners, financiers, customers, etc. – it is even more crucial that potential misunderstandings are eliminated through the development of documented business plans. A business plan as a map, therefore, shows what destination the business is targeting and how it is going to reach it. A good plan can save organizations and their stakeholders untold pain and discomfort.

From the Trenches

In the last decade or so, research from USDA has confirmed the declining competitiveness of the producer in the agri-food supply chain. It has been estimated that the producer's share of the consumer's dollar has shrunk from about 31 cents in the 1980s to 19 cents in 2000. The argument is that 12 cents that used to come to producers is going to others somewhere in the supply chain post farm gate. Another observation is that total expenditure on food increased from $264.4 billion in 1980 to $661.1 billion in 2000. This implies that producers were receiving a decreasing share of an increasing pie.

The extrapolation of the foregoing trend suggests the need to pursue new and innovative strategies that allow producers to alter their share in the food supply chain and increase their net incomes. Some producers have recognized the declining relative importance of raw agricultural products and are attempting to so something about it. They are pulling their resources together and attempting to get closer to the consumer in the supply chain by participating in value-adding initiatives. Others are pursuing non-food initiatives that allow them to enhance the value they get for their products.

What is a value-adding initiative? A value-adding initiative can be defined under either of two conditions: (1) If one is rewarded for performing any activity that has *traditionally* been performed at another stage further down the supply chain; or (2) if one is rewarded for performing an activity that is *discovered to be necessary* but had never been performed in the supply chain.

Despite their laudable rationale, the paths of value-adding initiatives are paved with the skeletons of many failed dreams and wounded pride, broken friendships and lost livelihoods. The songs of those left in the trenches of the value-adding marketplace are melancholic and forlorn.   In most cases, these failures were not a result of insufficient resources but the lack of effective leadership, which results directly from an absence of a clear map that specifies the milestones and the expected results. It results from a lack of understanding of the marketplace – the players, their styles, the game rules, the exogenous variables and their ripple effects, etc. – and how its dynamics affect the expected results. It is a direct result of insufficient or inappropriate assessment and documentation of the business and its terrain before implementation.

Let us take the example of Future Beef Operations (FBO) in Arkansas City, KS. Its objective was to develop a new generation of processing and fabrication of beef that would address the food safety and inefficiency issues that have dogged the beef industry for decades. FBO planned to use the whole carcass, creating a line of products from every skin and bone of the animal – chromed hides, pet foods, specialty cuts, deli products, etc. Unfortunately, the company lasted only eight months, from August 2001 to March 2002, in the wake of its demise, it left banks, contractors and producers holding the bag for $250 million. Although the national success rate of new businesses is less than 25 percent, a failure of FBO's magnitude raises questions about a lot of things, including its business plan.

FBO's prospectus circulated in the spring of 2000 projected a profit margin of $266 per head because of its yield advantage and conformance as opposed to an industry average of $125. It also claimed that efficiency of its fabrication process will lead to a margin of $113 compared to the industry average of $23.70, almost 500 percent improvement. People signed on to the idea but few raised the obvious questions: What if, despite all the fabrication efficiency, FBO could not achieve the projected margins because of forces beyond their control? The company also adopted the "cost-plus" buying strategy, whereby it rewarded seedstock suppliers, ranchers and feed yards who committed to its plan with premium prices. There was no link between the commitment of suppliers and market conditions, forcing the company to incur losses of about $150 per head when market prices started slumping. Samuel Western, writing for the January 2003 edition of *Beef Today* magazine, notes that documents filed during bankruptcy proceedings of FBO present a "tale of dreams gone bad, poor timing, corporate blunders and one flaw that surfaced repeatedly: pride." While former FBO executives and board members point to four major events to explain their failure – catastrophic world events of September 11 and mad cow disease (bovine spongiform encephalitis), an unexpected surplus of feeder cattle, problems with new equipment, and a complex and poorly structured contract with the company's single customer, Safeway Inc. – the fact remains that inadequate understanding of the marketplace by the company's management and a business plan that believed more in the gospel than the reality of the industry determined and sealed the company's fate long before it processed the first animal. For example, since the plan depended so intensely on a single customer – Safeway – the principals should have conducted a more in-depth analysis of Safeway's performance in relationships over time. Such an analysis would have revealed that Safeway's meat managers are rewarded for margins and not quality. Therefore it is in their interest to buy lower quality products if they generate higher margins. Another issue at Safeway that was overlooked by the plan was how Safeway's in-store meat cutters were going to react to the case-ready products that FBO proposed to supply. These two examples indicate that Safeway's internal systems were not in line with FBO's value proposition.

One beef industry observer noted that "the investment community has been soured by this meat industry initiative, and the difficulty of looking for capital is a only going to get worse." Thus, attempts at these value-adding initiatives can have far-reaching implications for whole industries just because these entrepreneurial ventures by producers are still novel in the investment community. For this reason, pioneers need to conduct careful analyses of opportunities, assess plans vigilantly and critically scrutinize success factors. While good business planning does not eliminate the failure, it helps to pin-point potential bumps, curves and potholes along the road to realizing the dream.

The Audience for the Business Plan

We have noted that the business plan is a written summary of what the organization hopes to accomplish in its stated business and how it intends to organize resources to achieve the desired goals. New business ventures usually have three categories of stakeholders interested in its business plan: investors, bankers and management.[2] While the interests of these stakeholders all center on the venture's ability to succeed, they each have a different emphasis on the indicators of success. Bankers, for example, are interested in the ability of the business to service its loans and whether it will have enough assets to cover its liabilities. In other words, the balance sheet and cash

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2 Depending on the nature of the initiative, government regulators may also be interested in the business plan. Their interest, as public institutions, is in public safety and not in the financial aspects of the business. When public agencies are contributing resources to the business, their interest in the business plan may extend to that of investors or bankers.

flow statements and the information they present are of particular importance to banker stakeholders. For all intents and purposes, the banker, acting solely as a banker, will be looking at the risks that affect these two aspects of the business and their impact on debt service ability.

The investor group may be divided into two groups: "insiders" and "outsiders." "Outside" investors are often interested in the ability of the venture to deliver growth and income and may be *speculators* whose commitment to the business is driven solely by return on investment. For the "outside" investor, then, two businesses are the same as long as the risks associated with achieving a given level of return on investment are comparable. "Insider" investors are those interested in the pecuniary benefits engendered by the business, i.e., return on investment (both growth and income), as well as non-pecuniary benefits such as ownership, success for its own sake – what Joseph Schumpeter described as "non-utilitarian motives for action."[3] In other words, "insiders" are interested in how the business *connects* to the non-business to create opportunities or value that supports both financial and non-financial objectives. Inside investors will, therefore, generally accept lower returns on investments than outsiders as long as the business can demonstrate a significant non-pecuniary rate of return.

Management is a group of individuals who, like the movie producers, make things happen. They organize the organization's resources in a timely and effective manner to deliver products and services in ways and forms that create the most value for customers, who in turn reward the organization with loyalty. Managers, as the people who are going to transform the ideas of the business into reality for its owners, are interested in the minute details of the business plan. For them, the business plan is a blueprint of the building they are constructing, the script of the movie they are producing. They are interested in the strategies that transform resources into shareholder value and the availability of the required resources. Because management is the only one among the three classes of stakeholders who is actually responsible for transforming the plan into

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[3] From his book, *The Theory of Economic Development,* Schumpeter (1912) wrote: "First of all, there is the dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty. . . Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of the success itself. . . Finally, there is the joy of creating, of getting things done, or simply of exercising one's energy and ingenuity."

reality, it focuses on seeking from the plan the answer to the question: Does the business have what will help it succeed if the appropriate level of human energy and creativity are brought to it? Managers are, therefore, interested in the details of the strategic direction (which defines the organization's cultural milieu) and how risks are to be managed. They are also interested in the definition and timelines for financial and non-financial expectations as well as the venture's functional goals and objectives.

A good business plan, as a written summary of what the organization seeks to accomplish and how it plans to achieve its accomplishments, details the competitive strategies the organization intends to pursue. For this reason, it makes sense to provide different stakeholders with the business plan of expected detail so they can get the best from them and also reduce the risk of the detailed plan falling into competitors' hands.[4]

Developing the Plan

We assume throughout this document that the business venture has been shown to be both *technically* ***and*** *economically* feasible. This assumption is critical because opportunities that are neither technically nor economically feasible cannot be successful as businesses. And if the objective is to enhance the net income of producers, then any opportunity that is technically and/or economically infeasible must be abandoned.

We have also noted that the business plan is a valuable asset for the start-up firm, and different levels of detail of the plan must be prepared from the original detailed plan for the venture's different stakeholders. The detailed plan, we noted, is of interest to management and the organization's governing board. Thus, it is strongly recommended that the original business plan be developed from management's perspective. The exercise of detailing the strategic direction of the business and its strategies, of understanding the competitive pressures confronting the initiative and the sources of scarce resources can help focus energies in the right places from the start.

We take a step-by-step approach to developing a strategic business plan. We delineate six steps, the "cascading approach," for the development of the comprehensive strategic business plan. The approach cascades because the activities at each step

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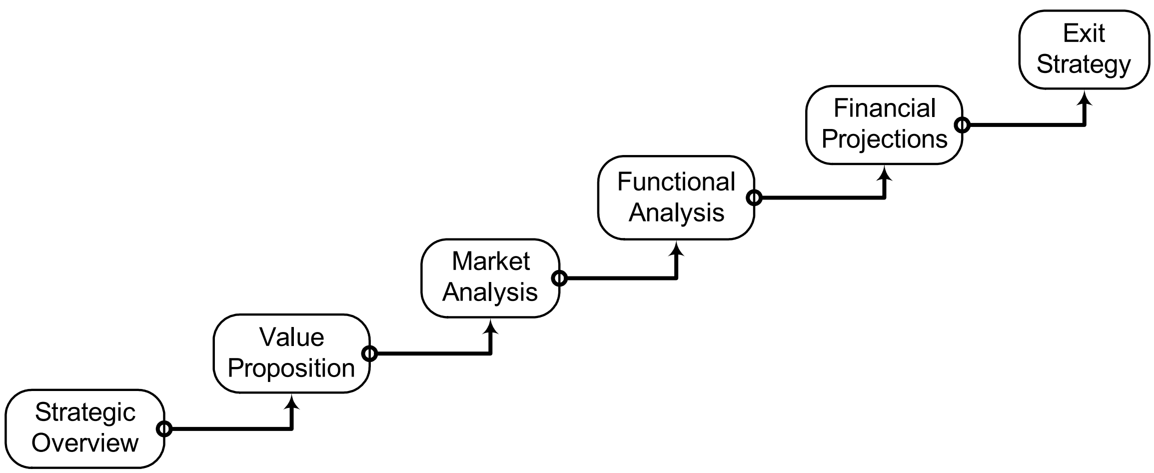
[4] This is a sensible precaution to ensure that the organization's competitors do not work its plan into their plan to neutralize its competitive advantage.

provides the foundation for the next, building on the information and the analysis to create a picture of what the business hopes to accomplish and how it plans to achieve its accomplishments (Figure 1). The cascade begins with the strategic overview of the business. For a start-up, this step defines the vision, the mission and the core values that will guide behavior of the organization's people – employees, directors and officers. It also describes the governance, management and the organizational structure. For established businesses, it revisits these broad strategic directions and assesses how the new business initiative fits into them. The strategic overview provides a framework for management to nurture the organization's culture and build its reputation.

Figure 1: Cascading Approach to Business Plan Development



The second step presents the value proposition that justifies the business' raison d'etre. This is where a clear and compelling case is made, indicating that the business is not only going to be profitable but that it will support the organization's core values and lead to the realization of the its vision. The third step describes the competitive environment of the business and presents an analysis of its market – competitors, their cultures and their principal strategies, potential allies and rationale for alliances, size of market and overall profitability, etc. This analysis provides the platform for the development of functional strategies, which leads to a presentation of the financial projections. The critical component of the functional strategies and financial projections is the assumptions. It is important for the business plan to clearly and without any obfuscation specify the assumptions leading to each assumption and each projection.

Every effort should be made to avoid the stating inferences as facts, and the duty of those overseeing the development of the business plan is to challenge assumptions until their clarity and purpose are understood or the assumption discarded. The final step is the harvest and exit strategy, which specifies the triggers of exit opportunities and how those opportunities will be executed. Now, we take each step and discuss it more extensively.

Strategic Overview

Strategic overview encompasses the vision, mission, core values and the overall objectives the organization seeks to achieve. Leaders who learn how to use the strategic overview of the company effectively can draw on it to build and boost morale, attract committed employees and get people to go beyond themselves to contribute to something bigger than themselves. It is a powerful tool that when well articulated, orchestrated and implemented, can help make management easy. We discuss each of these components in the following subsections.

Vision Statement

The vision is what the organization wants to be recognized for. We may think about the vision as answering the following question: "Ten years hence, describe what this company has achieved to warrant receiving a national recognition from the most influential organization in the land." The achievement that warrants recognition beyond the self is the vision of the organization. As an organizational vision, it must be shared by all involved and associated with the business organization – employees, officers, and directors. As individuals, well-articulated visions help us define our place and the role we can play in building something bigger and better for humanity. In this sense, the vision is bigger than the individual objectives – e.g., profitability, sustainability, employment, etc. – articulated by the organization or its people. It becomes the common thread that binds everything in the organization together in serene times and during crises. Because of its importance is defining the organization's culture, the vision quest is non-trivial exercise, requiring the same effort that the saints and the sages of historic times invested to discover their calling.

The vision statement is concise, clear, timeless and broad enough for current and future individuals associated with the organization to find a personal connection to it. A vision that is incapable of evoking action through behavioral change must be regarded as dead! To this Warren Bennis, the renowned management thinker and author said, “Action without vision is stumbling in the dark, and vision without action is poverty-stricken poetry.” Margaret Wheatley, management researcher and author, emphasized the importance of the vision influencing employees’ behavior rather than being an evocative message about some desired future state. Basically, therefore, the vision should inspire action by influencing individuals and the organizational behavior.

Whole Foods Market®, the Austin, Texas-based organic and natural food retailer, states its vision as “Whole Foods, Whole People, Whole Planet.” Shred-It, the mobile, on-site document destruction company headquartered in Oakville, Ontario, Canada, presents its vision as “Relentless pursuit of success and innovation.” And for global delivery company, Memphis-based FedEx Corporation, the vision statement is simply “Leading the way.” Microsoft Corporation, Redmond, WA-based software giant started off with a very clear and compelling vision: “A computer on every desk and in every home.” In each of these examples, we are left with a clear meaning of what the vision says and while our interpretations may differ, our ideas about what needs to be done to achieve the vision will be complementary. That is the power of effective vision statements: they help individuals within the organization to know what they need to do; they provide people with a compass to help them decide the role they want to play within the bigger scheme of things. A good vision calls people to act on the courage of their own convictions evoked by the invitation to be part of something bigger than themselves.

Mission Statement

Many companies do not distinguish between the vision and the mission statements. Dallas, Texas-based Southwest Airlines, one of the most successful airlines in recent history, for example, does not specify a vision, but articulates a mission that is as compelling as a vision statement: “Dedication to the highest quality of customer service, delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.” Shred-It states its mission as “Shred-it will consistently deliver the greatest security, cost effectiveness, convenience and environmentally-friendly service available." FedEx states its mission as "FedEx Corporation will produce superior financial returns for its shareowners by providing high value-added logistics, transportation and related information services through focused operating companies." In each of these mission statements, we observe ends and means – "dedicated to customer service with a sense of humor," "deliver security, savings, convenience," and "produce profits by providing value-added logistics." The difference between vision and mission starts to become clear in the nature of statements themselves. Thus, while missions change as they are achieved, visions remain as pillars of guidance for the organizations over long periods. In a sense, while the vision may be considered an oasis, the mission is a waterhole on the journey towards the oasis. Therefore, mission statements are defined as the timely hurdles that need to be overcome in order to advance towards the timeless target expressed by the vision. For FedEx Corporation, these hurdles include providing high value-added logistics, transportation and related information services while Shred-It is confronted with delivering the greatest security, cost effectiveness, convenience and environmentally-friendly service.

Core Values

Core values specify minimum value standards that will guide actions and behavior of the organization's people. General Electric's core values encompass integrity, governance, social performance, environment, health and safety, quality and innovation. The company defines each of these values such that their expected meanings are communicated clearly to its employees. Each employee is expected to sign the integrity policy, suggesting that GE will not tolerate any deviance from its integrity value. Microsoft Corporation links the achievement of its mission directly to its core values: Integrity and honesty; Passion for customers, partners, and technology; Open and respectful with others and dedicated to making them better; Willingness to take on big challenges and see them through; Self critical, questioning, and committed to personal excellence and self improvement. For Family Tradition Foods, Inc., a Wheatley, Ontario, Canada-based vegetable processing company, the employees used the first letters of the company's core values to form an acronym that helps them to not only remember their values but to challenge behavior deviating from them: Respect IRIS, where IRIS represented Innovation, Responsibility, Integrity and common Sense.

Organizational Structure

The vision, mission and core values together define the foundations of the organization's culture and help with internal relationships as well as behavior. They also provide a framework to judge the organization's trustworthiness. When the organization structure and functional relations are defined, it becomes possible to predict the organization's cultural framework. For a start-up, defining this framework is important because it determines the organization's ability to attract, retain and grow people who contribute to its growth and success. It also allows the organization to acculturate new people who join it to live the organization's culture. Southwest Airlines has been able to do this since Herb Kelleher, one of its founders, decided to build a flat organization, where rank was no excuse for not delivering exceptional customer service. Thus, unlike most other unionized airlines, it is not surprising to see a Southwest Airlines' pilot picking up customers' baggage to help baggage handlers so that a flight can leave on time. It has been reported that Southwest's executives often fly the airline in order to experience what customers experience on their airlines. This is in line with the company's mission of delivering customer service with "warmth, friendliness, individual pride and company spirit." Similarly, the President of Family Tradition Foods, John Omstead, proudly feeds his family and guests the company's products at every opportunity. Contrast this with the behavior of executives of a grocery retail chain I consulted for recently who had *never shopped* in their own stores, and therefore had no idea about their customers' experiences. The message to other employees from these executives was loud and clear by their behavior and their words for commitment to the company sounded hollow and insincere. As leaders, they failed to build the requisite trust every leadership needs to lead boldly and successfully.

The traditional organizational structure is hierarchical, as in the military, and the decision-making is top-down. While they have been effective over time, they have been shown to be slow in responding to opportunities. Therefore, in a rapidly changing marketplace, hierarchies could become a constraint. IBM's inability to identify and seize the personal computer opportunity that emerged in the early 1980s, for example, has been attributed to its hierarchical structure. Similarly, the fact that Nestlé controlled the global coffee market but missed the business opportunity that catapulted Starbucks into leadership position in the coffee market has been explained by Nestlé's command and control structure. In short, an organization's structure influences its entrepreneurial quotient. But Harold Leavitt, an organizational behavior expert, writing in *Harvard Business Review* (March 2003) noted that hierarchies, despite all their limitations, are thriving organizational structures because they deliver real practical and psychological value, and fulfill our deep need for order and security.

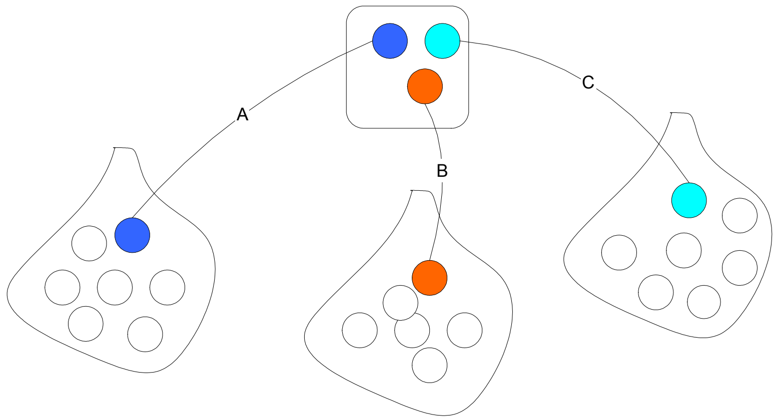
Other organizational structures are bureaucratic, human and system organizational structures. Bureaucratic structures are characterized by rules and procedures, and an abdication of direct human authority. Thus, responsibility is diffused, with its focus being on efficiency embedded in the bureaucracy. Theory X is used to explain behavior in bureaucratic organizations.[5] Governments and very large organizations tend to be structured like bureaucracies. Human structures are people-centered because information and knowledge are critical components of the organization's activities. The structure organizes people in groups but focuses on individual performance, creating a Theory Y view of people. In many knowledge organizations, system structures are used because people are influenced by their environment and vice-versa. Feedback is critical in these organizations as people depend on each other's information flow in making decisions.

As information and knowledge become more important in all industries, some innovative organizations have been moving towards hybrid organizational structures in attempts to capture the benefits of the different structures. They may be clusters of distributed hierarchies or self-managed teams in the human or system structures, but each cluster or team is endowed with a strong leader. These leaders from the different clusters or teams provide the organization's hierarchy (Figure 2). The principal advantage of hybrid organizational structures is that they are scaleable – i.e., new clusters or teams can

[5] With respect to human behavior at work, Theory X states that the average human being has an inherent dislike of work, and will avoid it if at all possible. Therefore, the average human being must be controlled and threatened before they work hard. Theory Y, on the other hand, states that the mental and physical effort involved with work comes naturally to people as in play or rest. Thus, no threats and controls are needed to get them to work hard. Developing organizations around Theory Y leads to empowering organizations. For more on these human behavioral theories and management, see Douglas McGregor (1960) and Tom Peters (1982).

be formed as the organization grows – allowing the structure to be reformatted to provide the most efficient management system.

Figure 2: Clusters, Distributed Hierarchies in Hybrid Organizational Structure



Since the organizational structure determines expectations about employees, it defines how work is structured and how responsibilities and accountabilities are distributed. It will contribute significantly to how the business is managed and the results that emanate from investments of resources. For these reasons, it is important to pay significant attention to the nature and components of the organization structure when developing a new business.

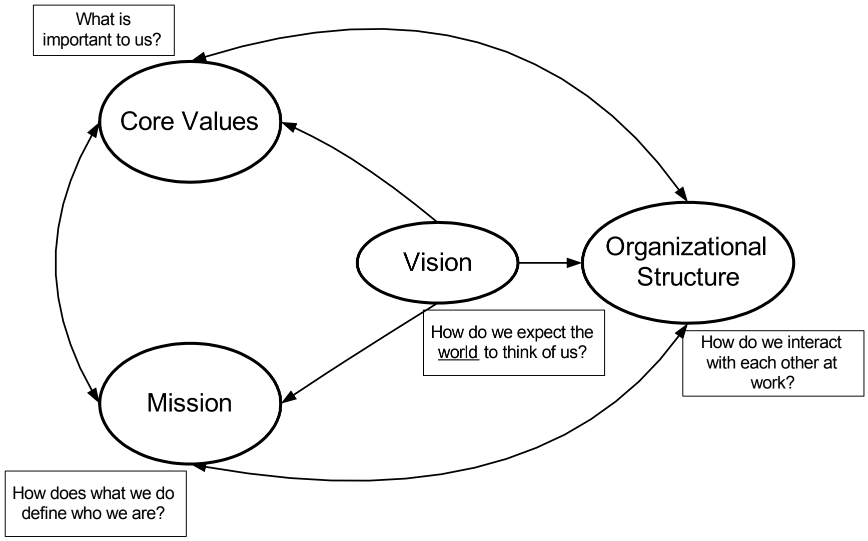
The management function is very important in the business, and must therefore be clearly defined. It is often necessary to have the management team identified for the business for which the plan is being written to help the different stakeholders (bankers, investors, etc.) assess its ability to execute. Where the management team has not been identified, it is important to define the skills and experience necessary for each management team member to ensure success and also to identify where and how they will be recruited.

The final component of the organizational structure is governance. Corporate governance is the system by which business corporations are directed and controlled. It specifies the distribution of the rights and responsibilities among different participants in the corporation – the board, managers, shareholders and other stakeholders – and spells out the rules and procedures for making decisions on corporate affairs. Through these activities, governance provides the structure through which the organization's objectives are specified, the strategies by which they are attained and the means of monitoring management's performance. Governance authority rests in the board of directors. It is important that board members take their responsibilities seriously be it that they represent the interest of all other stakeholders, *including the general public*, in the corporation. For effectiveness, it is important to structure the board with people who are not only knowledgeable about the business of the organization and have the resources to help the organization seize all the profitable opportunities within its strategic sphere, but also people who respect and trust each other and as a result are able to be honest and fair in their challenging and criticism of the ideas of other directors.

While the relative size of investment has often guaranteed a seat on the board, it is important for business owners and other stakeholders to recognize that this is not a sufficient criterion for directors' performance. When deemed supportive of the organization's success, certain investor board members have given up their board seats to make way for others they believe have the knowledge, commitment and passion to create results. In other words, individuals invited to sit on boards should demand of themselves their level of knowledge, commitment and passion about the organization's business before accepting such invitations. And the level of self scrutiny should be even higher if one has investments in the organization. In a September 2002recent article in the *Harvard Business Review*, Jeffrey Sonnenfeld noted that many organizations fail because their boards are ineffective – poor knowledge about the organization's business even though they are well accomplished individuals in their own rights and have low commitment to the organization because they are over-committed. Finally, Sonnenfeld points out that the chemistry among board members is critical for individual members to perform effectively in their role as directors.

The general perception in the business literature is to develop innovative structures that are consistent with the vision, mission and core values of the organization. The vision determines the mission, the core values and the organization structure. It is important that these components are consistent with each other for the organization's overall strategy to be harmonious. Inconsistency in the organization's strategic overview can yield significant identity problems later and affect the organization's ability to perform. The relationships among the components of the strategic overview step of the cascading approach to business planning are summarized in Figure 3.

Figure 3: Components of the Strategic Overview Step



Value Proposition

The value proposition of the business is clear articulation of the unique characteristics of the business' products and services, as perceived by its customers. In other words, why would your potential customers choose your products and services instead of those of the competitors? Why would customers not only choose you, but reward you for providing them with your product or service? Articulating the value proposition, therefore, requires an understanding and appreciation of the gap in the customer's needs that is filled by the business being planned. It requires a careful assessment and analysis of what Rob Ryan, founder of Entrepreneur America, describes as "*why the dogs will eat your dog food*." If you cannot identify any significant physical or intrinsic difference between your product/service and those of competitors, then you need to be able to provide your potential customers with some extrinsic reason for them to switch from current products/services. If your product/service is brand new – never seen before – then you need to convince consumers of what they have been missing in life all these years.

Consider the recorded arts industry for a moment. For years, the cassette tape provided a strong competition against the vinyl record for its convenience and portability and ended up killing it. The 8-track system failed to dethrone the cassette tape in the portability and convenience departments, dying a quick and easy death. Then came the digital compact disc and consumers wondered why they had been listening to such poor quality sounds for years. The switching power of quality that hits consumers at the right spot and time can be absolutely phenomenal.

From the food industry, we present President's Choice®, a line of grocery products developed by the largest Canadian grocery retailer, Loblaw Companies Ltd. The brand started in the mid-1980s from the simple idea that Canadian consumers deserved better and higher quality food products than they have been getting for the money they have been paying. The only suppliers of ready-to-eat or ready-to-cook food products at that time were national brand companies, such as Nestlé and the Pillsbury Company. President's Choice® value proposition was two-pronged: offer consumers choice in their food product selections and present consumers with superior quality and convenient food products that are priced competitively. In its choice value proposition, President's Choice® entered the market with exotic sauces and marinades that were not only good-tasting but interesting for the palate. It brought its "Memories of . . ." line out to present consumers with the opportunity to enjoy tastes of Malaysia, India, Japan and Africa in their own backyards or kitchens.

President's Choice® differentiated itself from the national brands through these exotic and creative product offerings as well as price. Since the late 1980s, it has expanded its product slate to address lifestyle differences among consumers by presenting an organic line of products and low or zero-fat but extremely tasty products it branded Too Good to be True™. As a result of its strong value proposition and delivery, the company has gathered a strong following of loyal consumers and expanded to non-food grocery items. To entrench the loyalty of its customers, President's Choice® publishes its annual *Insider's Report* and solicits products ideas from its customers. By all measures, the President's Choice® opportunity has been a successful business for Loblaw's.

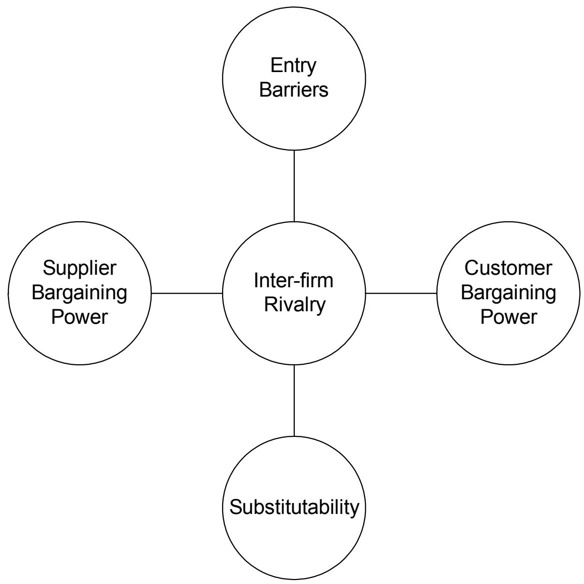
For Loblaw's, the identified gap that its President's Choice® brand was aiming to fill was food quality offerings to consumers. Recognizing that it was not enough to just present quality, they decided to bundle healthfulness and convenience together with taste and high quality and offered these to consumers in ways that provided with excitement. For example, President's Choice® Wood-Fired Thin Crust Pizza cooks in 17 minutes from the freezer and is presented as and "authentic European-style pizza [which] is equally delightful served on its own as an appetizer or with a salad as a main course." This approach of presenting the consumer with a reason to choose President's Choice® is made with each and everyone of its products.

Value propositions are critical in a business plan because they force the business owners to think about their products and services and contemplate how they will cause customer switches in the marketplace. One approach to developing a realistic value proposition is conducting focus group interviews with samples of the target customer segment. While this can be expensive, especially for a start-up company that may be already cash strapped, its value can be immense because it provides insights into how consumers want to use the product/service, allowing for unexpected changes that enhance the in-use value for your customers. It is important that once the data on consumer value perceptions about your product is collected, they must be used to modify any misconceptions that might exit about the product within the organization. Remember that if you have identified the right consumer segment, then they must be more right than you are about their perception of value. "If the dogs will not eat the dog food, it doesn't matter how nutritious it is, you will still have dog food on the shelf."

Market Analysis

Harvard Business School's Michael Porter offered the five forces model for describing competition within any industry (Figure 4). Its simplicity and clarity has contributed to its acceptance in industry as an analytical tool for the impact of market forces on a firm's competitiveness. It shows that inter-firm rivalry is influenced by the number of firms and their bargaining power vis-à-vis their suppliers and customers, the uniqueness of products/services and the ease with which new firms may enter the industry. Competition will be higher if the substitutability of products/services is high, i.e., customers can easily substitute the products/services of one firm with those of another firm. On the other hand, if it is difficult for customers to substitute one's products/services with those of competitors, then competition from other firms will be lower. While uniqueness does not suggest much about suppliers' bargaining power, the critical issue for competitiveness is the firm's ability to have a higher bargaining power than its customers.

Figure 4: Adaptation of Porter's Five Forces of Inter-Firm Competition



Ability to do justice to the five forces analysis requires an understanding of the industry. Who are the major firms within the industry and how does the supply chain look like? In the red meat industry, the major firms will include Tyson Foods (IBP), Smithfield Foods and ConAgra. They purchase increasing numbers of cattle and hogs from an increasing number of contracted suppliers. They sell to distributors and retailers and have marketing support agreements with major retailers. This information begins to illustrate the challenges that may confront you if you are introducing a red meat product into the consumer marketplace. You also need to identify the potential market size (how many customers exist and how much they spend on products like the one you are introducing) and what proportion of that market size you believe you can seize (i.e., your potential market share). This will lead to an analysis of the challenges that need to be overcome in order to gain the desired market share in the face of competitors' potential reactions. It is also prudent in conducting the market analysis to assess the triggers for changes in industry structure, conduct and performance, thereby altering the prevailing competitive environment.

From the foregoing, it is apparent that the market analysis component of the business plan is driven by collecting and analyzing external data as the strategic direction is driven by organizing internal thinking. Some of the data required may be in the public domain while others may be proprietary and may, thus, have to be purchased. Industry data may be obtained from companies such as Dunn and Bradstreet (http://www.dnb.com) for business survey information and general business information; AC Nielsen (http://www.acnielsen.com/) for consumer marketing information from a broad set of industries; and Agrimetrics Associates (http://www.worldfoodnet.com) for information on food processors. These companies collect these data routinely and can do special surveys or special data runs. Other sources of data are Department of Commerce (http://www.census.gov/main/www/popclock.html) for population information, Bureau of Labor Statistics (http://www.bls.gov) for information on productivity, inflation and other macroeconomic variables and the National Agricultural Statistical Service (http://www.nass.usda.gov:81/ipedb/) for production and other production-related information. For size and financial information for specific companies, if those companies are public companies, a quick visit to the Securities and Exchange Commission (SEC) website (http://www.sec.gov) may present significant information. Other sources of public domain information on public companies are Hoovers (http://www.hoovers.com) and Edgar-Online (http://www.edgar-online.com). Industry associations sometimes collect and publish data on their members and their industry. For example, the Milling and Baking News, an annual publication of the grain and milling industry publishes an annual document on the industry, covering global markets, number and distribution of companies, trade information, research and development initiatives, etc. Similarly, the Meat Processing, published by the Watt Publishing Company, offers an annual edition that has significant industry statistics. These publications are usually sold to the public and are often available at some nominal price to industry members.

The more complete the market analysis, the more confidence and credible the plan looks to stakeholders. It reinforces the value proposition and convinces investors, bankers and potential senior managers that those around the company understand its strengths, weaknesses, opportunities and threats (SWOT). The market analysis information feeds directly into the development of functional analysis which encompasses the strategies that will be used to enhance strengths, address weaknesses, seize opportunities and challenge threats. Additionally, a complete market analysis gives management the necessary information to understand the landscape to navigate the fledgling company more successfully.

Functional Analysis

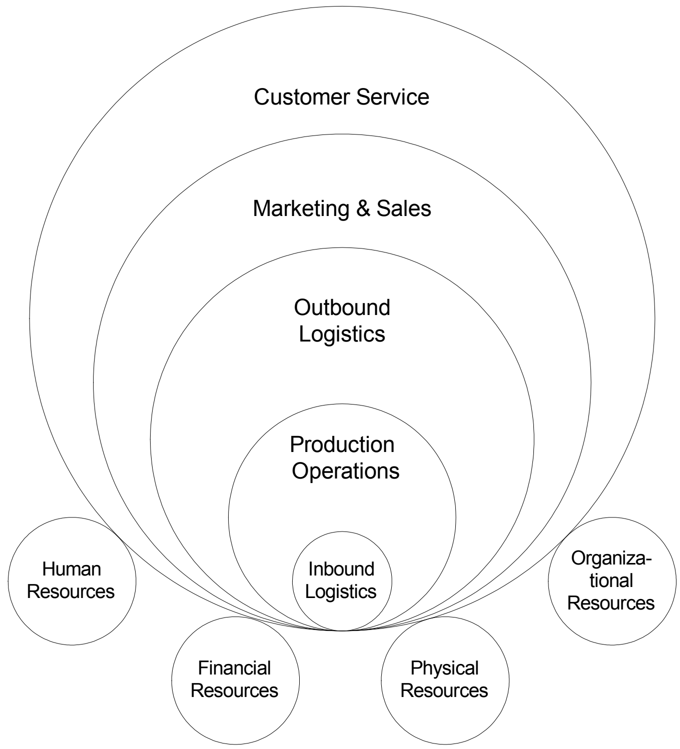
The market analysis is as external to the analyses going into the business plan as the functional analysis is internal. The functional analysis is the engine of the business plan, providing the specific strategies that management intend to use to seize opportunities, minimize weaknesses, challenge threats and enhance strengths. As such, it is the most confidential component of the business plan and must be treated with utmost privacy. The most efficient way to do the functional analysis is draw on the value concentrics (Figure 5) – a modified version of the value chain developed by Michael Porter in his 1980 book referred to earlier.[6] It describes and analyzes the internal functions of the firm supporting its product or service offer, from input acquisition through production to marketing and sales and customer service. It also places these functions within the context of the firm's resources, including those that are owned, rented, borrowed or accessible through alliances. Resources are classified into four major groups – human, financial, physical and organizational.

Inbound logistics describes how inputs are going to be procured and brought into the firm to support production. It analyzes the sourcing strategies – open market to integration – with the view to determining the most strategically efficient approach to source major inputs. Since quality was critical for US Premium Beef, it needed a strong alliance with a processor to ensure that the animals of its members are processed to the highest quality. It secured processing with an alliance with Farmland Industries instead of building a plant and "learning how to process meat." Thus, although building a plant would have offered it greater control over its processing activities, the alliance offered it

[6] Chains suggest linearity, making communication difficult among segments (functions) that are not directly connected to each other. The value concentrics ensure that all stakeholders are knowledgeable about activities in other value segments in the company and are taking those activities into consideration in developing their own initiatives. Also, it forces us to think about resource allocations on the basis of contribution to value instead of functional budgets. Therefore, in this model, no function is an island and the hierarchies are distributed to ensure broad knowledge sharing.

a strategic advantage in terms of knowledge and cash flow. Thus, looking at the human, financial and physical resources available to the company, inbound logistics strategies will be organized to maximize value created – i.e., drive out cost and drive in value.

Figure 5: Value Wheel Model for Functional Analysis



The logic of the production operation needs to be specified so that it is well-understood by those whose decisions and performance depend on it. Starting from the beginning – when inputs arrive at the plant – to when they are packaged or prepared for outbound logistics is the most effective way to go about this exercise. A careful description and analysis of the process will illuminate critical control points that influence productivity and performance, facilitating the development of ameliorative strategies. This section also describes the buildings and equipment (physical resources) that will be needed for production and the skills and competencies of the people who will be needed to operate such equipment (human resources). It also describes and analyzes the technical output that is expected from the equipment and may indeed consider alternatives in order to ensure that the appropriate decisions are being made. For example, you may consider the relative efficiencies of using equipment supplied by different manufacturers and settle on one on the basis of the service support even though its price may be a little higher or productivity a little lower. Such a decision will be driven by the technical and service support offered by one supplier over the other, providing a level of security necessary for meeting other business objectives.

Outbound logistics involve storage and warehousing strategies as well as transportation arrangements to get products to market. Should we build our own warehouses or storage facilities or rent them and what are the factors that support either decision? Should the processing plant be built on a major rail line or should a rail extension be built to a rail line, and what are the implications of either strategy? What relationships should we develop with transportation firms in order to achieve the most efficient transportation services? Thinking through and discussing each of these steps along the logistics continuum, describing and analyzing them help to shape strategies that contribute to developing a competitive advantage for the firm.

Sales and marketing functions work closely with inbound logistics, production and outbound logistics to maximize the experience of the business' customers. Marketing focuses on identifying target markets and developing effective strategies for these targets – prices, promotions, product forms and places of contact with customers. Sales and marketing provide feedback to the other members of the value concentrics from their advantageous position of interfacing with customers, helping to ensure continuous improvement in the organization's competitive position. Exceptional service is fundamental to the customer experience and the business plan should define how service is defined by the target customers and how it will structure its systems to achieve or exceed it. If customers want the lowest level of service, it is inefficient to offer them a higher service level because they will not pay for it. On the other hand, if they want a higher level of service and it is not provided, then they will switch if another organization offers it. Marketing is the face of the company with the community and with regulators. The strategic business plan needs to identify the points of contact in the community and in the various regulatory agencies that need to be "courted" and strategies laid out to achieve the necessary results. It should identify the people who will be responsible for such connections and what the expected outcomes are. This is an important marketing activity for any business organization affected by laws and regulations in a democratic society. Planning these lobbying activities allows the organization to identify its allies or those who share its views on the appropriate issues so it can leverage its resources effectively. Without considering these issues in the planning process, the organization is left to react to them, which often costs more.

A major function of the customer service process is gathering information on customer complaints and praises and feeding them to the appropriate segments in the value concentrics. This is critical for the continuous improvement the organization requires to maintain or enhance its competitiveness in a dynamic marketplace. The plan should lay out the important protocols for facilitating this activity to ensure that a high level of customer satisfaction is maintained. Southwest Airlines has effectively exploited this component of its value concentrics to position itself successfully in the airline industry. A recent letter in Fortune Magazine indicated that Wal-Mart is also effectively using customer service and response, in addition to its other strategies within its value concentrics, to maintain its strong competitiveness position.

From the foregoing, it becomes apparent that strategies evolve around functions and are thus grounded on the activities that define the competitiveness of the firm within its marketplace – from internal operational efficiencies to external effectiveness in its relationships with customers (sales, marketing and customer service) and suppliers (inbound logistics). This approach allows management to see the big "master plan" and at the same time liberate functional leaders to execute the plan with a clear knowledge of where the organization is going. Stakeholders can be reassured that the activities and the strategies support the organization's strategic direction and ask pertinent questions if the "story line" does not flow. When these questions come up, it is important that they are taken in the right spirit so that they can be revisited and addressed. Even where the spirit of the questions is suspect, it is important to take an attitude that suggests in essence that they open a window unto how detractors may look at a strategy, helping develop a better explanation and/or presentation.

Financial Projections

All business is about the bottom line, period! Regardless of the lofty rationales of social good and community well-being, if the financial outlook is bleak, nothing else happens. A former chairman of IT&T, Harold Geneen, is quoted as saying "to be good at your business, you have know your numbers – cold." While this may be oversimplifying a very complex activity, it is important for stakeholders in the business to have a clear and cold view of the "numbers." Financial projections are just what the name is – projections. They relate to the future and differ from accounting numbers which are based on the past. The purpose of financial projections is show what the business is capable of realizing in revenues and profits, given the assumptions about its potential costs, market size, prices, etc. We also use the financial projections to develop a series of ratios that help us make economic and financial judgments about the business' potential – growth patterns, return on investment, return on equity, required investment, financing methods, etc. Because of the temporal effect on business success, it is important to conduct the projections are over a reasonable time frame. For example, if the plan is about starting a specialty orchard, the financial projections should cover the period from planting to marketing fruits – about five to 10 years. However, if it is about making a specialty baked product, then a three-year outlook may be acceptable.

The major aspect of financial projections is their assumptions. They rely on assumptions about activities in the functional segments of the business. For example, how much production is going to occur and what is the unit cost of production? What are the input prices that will confront the company and how much are its customers going to pay for the product? We may assume particular market conditions (from the market analysis) that allow us to make certain statements about prices, quality and volumes which will influence the financial projections we make.

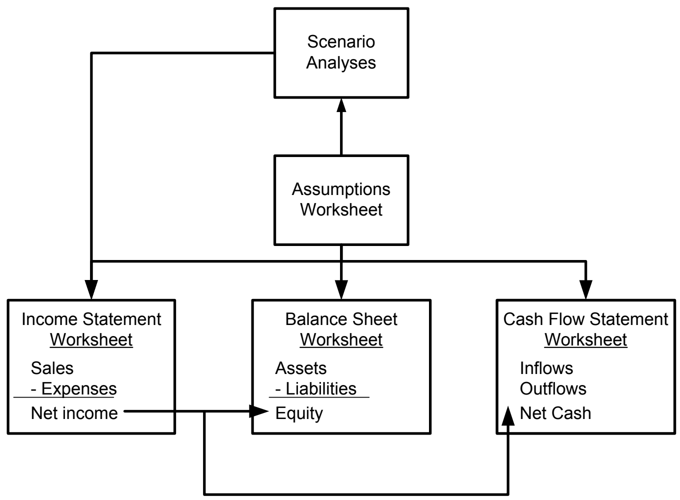
Articulating and specifying the assumptions allows for them to be challenged and improved. Testing these assumptions against industry conditions is always helpful. For example, identifying the industry's best cost of production may facilitate specific assumptions to be made about the business' production cost. Similarly, the going price for the product or its substitutes offer some credible foundation about assumptions made about prices. Indeed, assumptions underlying the business plan will be judged by known information about those variables.

Many financial projections are presented as if they are accounting information, but nothing can be more misleading. In developing financial projections, it is important to recognize the impreciseness of the assumptions underlying the projections and therefore present some indications of the risks of being wrong. In the Future Beef Operations' case, it was assumed "profit margins will be $266 per head compared to an industry average of $125." Is the $266 average, and if so, what was its estimated standard deviation? The distribution information around estimates will help stakeholders, especially management, appreciate the extent of the risks associated with the initiative so ameliorative steps can be taken to address them.

It is strongly suggested that financial projections are developed using a spreadsheet because of the flexibility it provides. The approach suggested is to begin with the assumptions table, which explicitly specifies all the assumptions that are going to be used in the projections: sales, prices, production costs, marketing costs, equity, interest rate on long-term debt, equipment productivity, number of employees in specific areas of the value concentrics, wages, marketing, etc. The assumptions table feeds directly to the financial projections for the income statement, balance sheet and cash flow statements. The assumptions table should also provide information on the perceived distributions for the numbers so that their impact on the financial results can be assessed. Finally, they should also feed into the scenario worksheets so that it can capture the "what if" results and compare them to those related to the mean or average assumptions. The principal advantage of a spreadsheet is its ability to allow us to quickly make changes and get instant results without having to redo things. This approach is summarized in Figure 6.

Different software products have been developed to facilitate most of the tasks associated with financial projections. Some of them will not only present the results in preformatted tables of financial statements, but will graph them and report ratios as well as scenario analyses results. Additionally, there are online tools that help with the preparation of financial projections. For example, Kansas State University's Ethanol Pre-feasibility Evaluator (www.teambas.com/ksu/src/ksutop.php) allows an assessment of the feasibility of an ethanol plan using alternative assumptions. This tool can provide significant inputs for the assumptions table if the business is ethanol production. Because of the increasing ease of access to tools for developing financial projections, there is now little or no justification for not preparing comprehensive business plans that provide the fundamental information required by different stakeholders to make sensible, credible, and effective decisions.

Figure 6: Summary of Developing Financial Projections



The accuracy of financial projections is extremely important for a new business because the organization's future is going to be influenced by decisions made using these projections. For this reason, it is very important that those developing these projections pay critical attention to their assumptions, and challenge the distributions that are applied to variables. Thus, they should not only know how to put financial projections together, but also how the business functions in its marketplace – from input supply, through processing and outbound logistics, to the consumer marketplace, as well as how decisions at each stage are made. Thus, the cascading approach assumes that the financial projections are developed only after the organization's functional analysis is completed, because its strategies will be clear then.

Given all the assumptions supporting the financial projections, it is important to know the "critical control points" for specific variables and their implications for the business. For example, what levels of sales will cause cash to decline to a point where the company has difficulty meeting its short-term financial obligations? This links the income statement to the cash flow projections and provides insights into where periodic hurdles are in the organization's life. It also allows management to prepare for such declines so that they can take ameliorative actions to minimize their impact on the organization's finances. Because of seasonality in sales and other variables, it is prudent to present the financial projections for monthly, quarterly and annual formats. This can provide insights into how the "critical control points" for different variables can be managed in the short-run to ensure long-range projections are achieved.

As indicated earlier, different stakeholders of the business may have different expectations of information. For this reason, it is important that the information developed in the financial projections sessions are organized to different levels of aggregation for the different stakeholders. For example, while the banker might be particularly interested in the cash flow statement, the investor will probably be more interested in the annual rate of return on investment or the balance sheet. Investors will be interested in assessing the internal rate of return for the investment since it measures their compensation for the risk that they bear with the investment. Similarly, the net present value from the investment will be of interest to investors, bankers, managers and other stakeholders because it determines the worthiness of the time value of their investment. Management and other stakeholders may want to compare the projected return on sales and other profitability ratios to the industry norms to determine how the company stands among its peers. This comparison may lead to a review of strategies, assumptions and other pertinent planned decisions.

In summary, the financial projections are driven principally by the assumptions that are used to develop them. Therefore, it is only prudent to state assumptions clearly and present then in a format that allows others to challenge them as well as understand their direct and indirect impact on the projections. Additionally, analyzed scenarios must be presented along with their results and associated changes in assumptions. These allow transparency in how strategies influence financial and other business performance indicators. Indeed, in the process of developing the projections, it may become necessary to revisit the strategies section because of incongruity between certain strategies and the projected results. This suggests that the functional analysis step and the financial projections step of the strategic business planning process may be iterative. Planners should not be resistant to this iterative approach because the *real* world is hardly certain in any dimension.

Exit Strategy

The final component of a good business plan is the exit strategy. It specifies the triggers and mechanisms for exiting the business by *harvesting* the value that has been created. The trigger points are influenced by various conditions including a significant shift in competition, a massive change in product specifications that cannot be met and technological obsolescence. This requires management to be watching the impact of these changes on the company's market value constantly, making sure that whenever it is infeasible for the company to respond to its environmental changes competitively, it has mechanisms in place that allow it to harvest its value before its competitors become aware of its condition.

Take the case of Ocean Spray Cranberries, one of the most successful stories in brand marketing for agricultural commodities. The company was founded in the 1930s to control the marketing of cranberries and cranberry products through innovative product development and close cooperation with growers. Indeed, growers own shares in the company with a nominal face value of $25, a value that has not changed for decades. In 1999, it was estimated that the par value of Ocean Spray stock should be $270 after debt which led to some growers seeking to *harvest* the value given the changing environmental conditions – increasing production, slower sales, declining cranberry prices, consolidation in the industry, increasing competition, etc. However, because there was no exit strategy, the company had no mechanisms for addressing this desire of some investors, and the company descended into internal squabbles and lawsuits which have further distracted it from pursuing the critical opportunities in its marketplace. An analyst had argued in 1999 that for every $5 drop in cranberry prices, the valuation changed by about $37 per share. At the time of this estimate, cranberry prices were at about $65 per barrel and they have since sunk to $17. Furthermore, the potential buyers are currently undergoing their own difficulties in a challenging marketplace, making the probability of an exit not only difficult but unexciting since the potential proceeds are expected to be only a fraction of what they could have been if the timing had been right.

Developing an exit strategy is driven by the assumption that *investors* in the business are just that – investors. Any emotion about the business is driven solely by its ability to increase the return on investments. It is also assumed that regardless of other non-pecuniary objectives supporting the investments, investors recognize that harvesting value at its peak allows them to achieve those non-pecuniary objectives. Thus, there is no economic or social justification to hold unto an asset that is losing value. Consequently, the planned exit strategy business focuses on defining the conditions that will trigger an exit so that investors, especially founding investors, are able to achieve the maximum rewards for their patience. The exit may be a sale to a competitor or a new entrant into the industry, or it could be transforming the business structure by taking it public through an initial public offering (IPO). The objective of the exit strategy is maximizing investors' wealth and the adopted strategy must focus on achieving this objective.

Conclusions

We noted that a business plan is the summary of what a company seeks to achieve and the steps it intends to take to attain those achievements. We also noted that there are different stakeholders in the business with different interests in different components of the business plan. Therefore, the appropriate emphasis must be presented in the business plan to meet the requirements each stakeholder group. However, we emphasized that the "master plan" must form the foundation of the different stakeholder-specific version. This master plan must be written with the objective of guiding the decision-making and actions of management and the board of directors as they navigate the company to its desired future.

For the business owners and management, completing the business plan marks the beginning of the work needed to achieve the vision, mission and stated outcomes for the business. It is the beginning of going out to raise funds from potential investors by showing the potential returns the company is capable of generating, and allowing investors to compare the companies potential and risks to others within their consideration. Completing the business plan is the beginning of marketing the business! Usually, the marketing effort will lead to feedback from potential investors that could cause a revision of the plan. For that reason, we recommend the "master copy" of the plan should not be bound, but kept in a 3-ring binder to facilitate easy changes resulting from credible improvement suggestions from outsiders who take interest in the company.

For management, the business plan is the blueprint for decisions associated with achieving the objectives of the business. Thus, it is not shelved to collect dust, but referred to frequently to understand the assumptions that were made, the results that were expected and the differences in what is being observed. It allows management to update and explain variances between the reality of executing the plan and the projections that were made. Good managers use a **good** plan as a guide to making great decisions.

The board of directors supports management by providing the policy framework within which they make decisions. The policy framework must be driven by the business plan since that is what defines the aspirations of the company. The board oversees management behavior to protect investors and other stakeholders from inherent management opportunism. The director's responsibilities demand strength, knowledge and passion about the business. It also requires them to respect and trust each other, and in that respect and trust, be comfortable in their candor with each other.

A good plan is very important because it defines the indicators of success for the business in the strategic overview of the company, and reinforces that definition in the market analysis, functional analysis and financial projections in measurable formats. It also provides a good picture of the future and the strategies that the company proposes to use in seizing it so that its stakeholders can come to a consensus before tying their futures together with the exchange of money and stock certificates. When strategies need to change, as they often do, the board members and management will have the defined strategies as the foundation on which to make the necessary changes, and the decisions supporting the changes will be clear to those who need to implement them. This enhances the company's success potential. In short, a good business plan can help build a great company and surround it with great people who together perform great feats.

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