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DEBIT CREDIT

By Filbert Tsai

Get back and write your business plan

Starting up a business means innovation and defying business traditions is the way to go. This is the classic message that I have seen in a lot of articles written on start-ups. While I haven't gone to the extent of researching the business success of these article writers, it is alarming that many are taking these types of advice more than a grain of salt.

In a recent article that I read (which the author said is from *The Lean Start-up*)—business plans are treated as crap and business modelling tools are highly encouraged. I have received a few queries as well from wannabe start-up entrepreneurs on whether they should go ahead now with incorporating their business considering that they already got a big idea. I always ask the question—how's the business plan looking? Sadly, 8 out of 10 responded that they haven't made one.

Striking for me is how many people are aware of the word business plan yet they either don't know how to do it or just simply don't want to do it based on other people's advice. One of the most obscure reasons that I've ever heard is that preparing a business plan defeats the goal of agility in business. So let me give you three bits of reason to go back to the drawing board and think about building a business plan.

Formalizing your business' roadmap

A well-made business plan provides a detailed roadmap on how you plan to do business, your go-to-market strategies and a summary of the initial financial forecast for your business. Yes, this is a tedious process and might take a bit of time—but hey, planning pays well.

Many start-up entrepreneurs shifted from a fixed salaried job and then things go crazy once they start business. There are significant changes in compensation and roles such as variable salaries, managing administrative stuffs and financial management for the business. These are things that you should have thought-of when you've done your business plan properly— assess what you need, determine how you'll get paid, forecast reasonable financial indicators and plan how you'll attack the market.

Market and industry analysis

This is where many newbies to business, or even those new to managing a business, can fail. A lot of start-up entrepreneurs are driven by their ideas and passion but without a strategic mind set. This probably contributes to the significant number of failing start-ups (9 out of 10). Understanding your market and industry is crucial if you want to play in the market, your nice idea matched with cheap price is a nice combination for commoditization of your bright idea.

Market and industry analysis is one of the most time consuming activity that a business must do. Time to think this through might be significant, but you don't just attack without understanding your opponents. Take this time to invest, research and learn.

Business structure

Probably the most ignored topic in all business planning sessions. People just assume that to be incorporated is the right way to go ahead or, for some, just go with partnership structure without understanding the risk involved in a partnership form of business.

Forming your business right is the crucial step in planning your business. After deciding on your business model and objectives, make sure your business structure goes well with your business model and objective. Seek advice if you're not sure. At the end of the day, you won't be doing this again in a short span of time.

Creating a business plan might not be as agile as simply completing a business model canvas or doing a javelin board, but being agile is not always worth the risk of failing afterwards. Learn to play things right. It's not the number of failed start-ups that count as grit.

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This column accepts contributions from accountants, especially articles that are of interest to the accountancy profession, in particular, and to the business community, in general. These can be e-mailed to boa.secretariat@gmail.com.