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Business Planning, Consultants, and Cobblers' Children

By Tim Berry

Do you have a business plan? Or are you one of the multitudes of consultants who talk about planning, recommend planning, facilitate plans, but don't have one? I've been in that position, and I understand how you get there.

An amusing irony is how few consultants manage their businesses with a good plan. Like the cobblers children with no shoes, consultants fail to plan.

The failing-to-plan phenomenon is common with consultants because consulting is not a capital-intensive business, and working capital is not nearly the problem it is in many other businesses, particularly product related businesses.

According to [Integra Information](#), the average management consulting firm has no cost of goods, meaning no inventory. Its profits to assets ratio is 18 percent, not because consulting is so profitable, but because assets are generally quite low, relative to sales. Outside investment, meanwhile, is a relatively low priority because of the relative lack of financial leverage required to run a consulting business.

In the real world, business plans are about as popular as root canals. Of course, when you have a toothache, you want that root canal to end it. Most people avoid root canals and business plans until they desperately need them. So, if you aren't looking for a loan or for outside investment, you may not recognize the need for a business plan.

There are benefits to planning that extend beyond simply creating a plan because someone, like a banker, asks for one—even if you have a full backlog of work. The benefits of planning that you sell to clients also apply to your practice.

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Business plans are a bit like to-do lists. Like it or not, we all make “to-do” lists from time to time. And most of us fail to complete all the tasks on the list. That's just the nature of life; none of us gets as much done as we'd like.

Given that, shouldn't the most important tasks be on the top of the list? That's the best real-world summary of what a business plan is really about, making sure you're managing the most important aspects of your business.

A plan is most likely to give you business results, to actually make your business better, by allowing you to do five things:

1. Set priorities properly.
2. Track plan-vs.-actual results and make course corrections.
3. Plan and manage the critical numbers that aren't intuitive: not just profit and loss, but the critical relationships between cash flow, the balance sheet, and the income statement.
4. Communicate your plan to others: partners, employees, lenders, investors. You may have a great plan in your head but as soon as you need to explain it to others, you need to write it down.
5. Gauge your success and meet your goals in the near and lasting future.

I have dealt with some excellent businesses that didn't have written plans. They did the calculations for the first two points above in their heads, managed the third point by being so successful that they didn't have to count the cash until later, and didn't run into the fourth point because they didn't have to communicate to anybody but themselves. They were not worried about the fifth point, but that was just ego. Still, the reason for their success is that they *were* planning, just not in writing.

Business plans are easier to create for yourself than for clients. You don't have to write a thesis on your business. You'll organize your activities, set priorities, and look ahead. While a plan does become a fairly elaborate task when you need to produce the full document for a bank or an investor, a plan for your own use doesn't have to be.

“You don't have to write a thesis on your business.”

You don't have to develop a complete description of your company, service, or marketplace if you're doing a plan just for yourself. You already know all that, and you're the only reader.

You do have an opportunity to project your business numbers into the future, set priorities, and imagine how you can influence that future and the steps you'd take along the way.

Does the idea of planning your own business seem worth thinking about and worth the effort? I hope so. Ultimately, the benefits of creating a business plan are the same for large, small, even one-person businesses: it's about planning for results that improve your consulting practice.

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[Tim Berry](#) is president of Palo Alto Software in Eugene, Oregon, and author of its Business Plan Pro software for developing business plans. He is also the author of three books, including [Hurdle: The Book on Business Planning](#), which you can read for free by following the book link. You can also browse some examples of consulting business plans at www.bplans.com. As you look at the plans, you can leave out the portions that are there for outsiders to read.