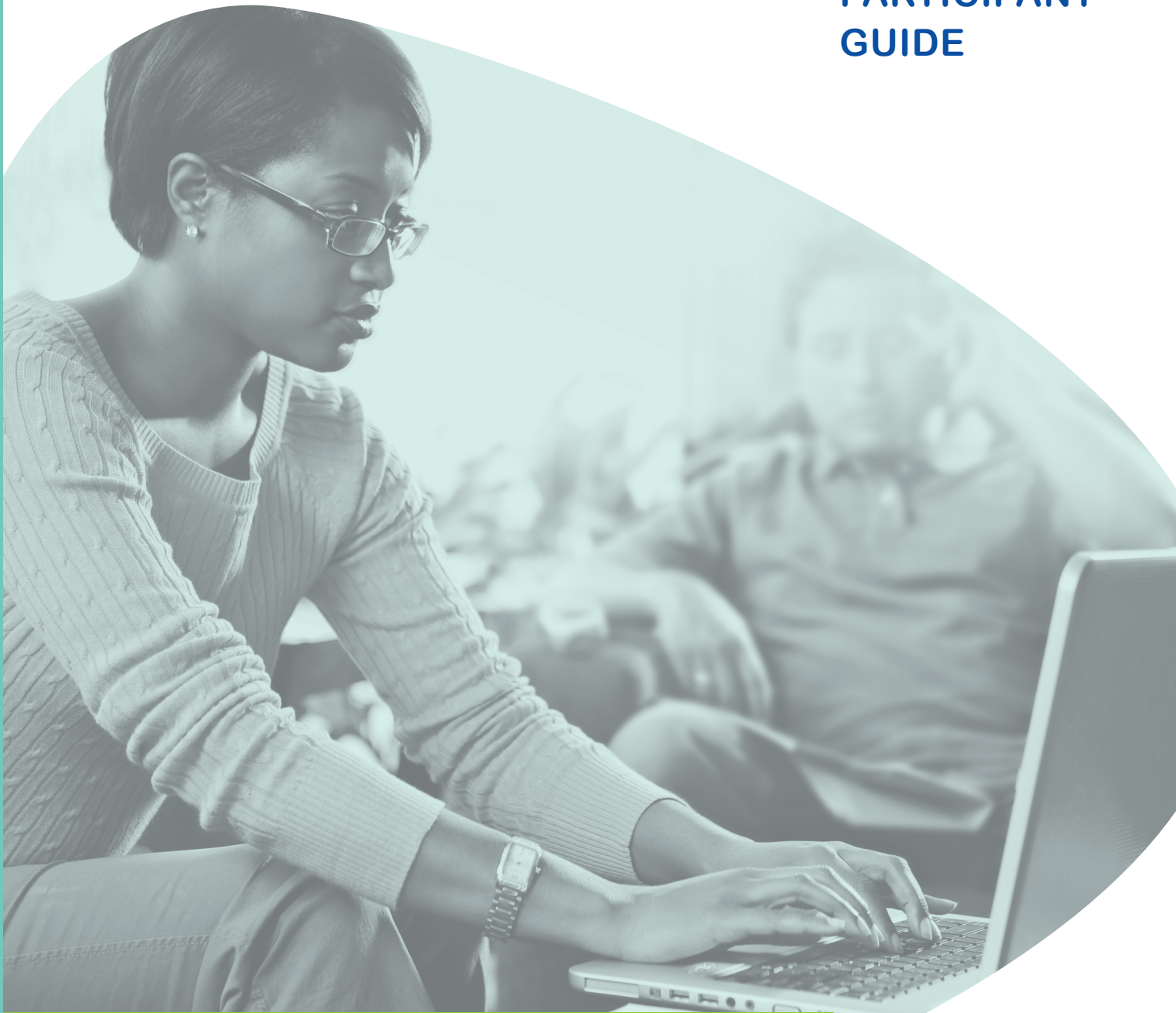


PARTICIPANT GUIDE



Listening to Your Business™

KAUFFMAN | **FASTTRAC**®

Startup your idea.

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FASTTRAC®

Kauffman FastTrac provides entry to the entrepreneurial ecosystem to support current and future business owners before, during and after the startup process. With their membership in Kauffman FastTrac, entrepreneurs receive the information, tools, resources and networks necessary to start and grow successful businesses. Kauffman FastTrac has assisted more than 300,000 entrepreneurs and was created by the Kauffman Foundation, the United States' largest foundation dedicated to the research and expansion of entrepreneurship. For more information on Kauffman FastTrac, go to www.fasttrac.org or call (877) 450-9800.

THE STORY OF EWING KAUFFMAN



The late entrepreneur and philanthropist Ewing Kauffman established the Ewing Marion Kauffman Foundation as the first foundation to focus on entrepreneurship as one of its primary areas of interest.

There is more to Ewing Kauffman's beneficence than his fortune. He had an instinct for the future. He understood how to bring organizations to life to be productive and vital. Above all, he had a zest for life and a social awareness that was grounded in his belief in people. The Kauffman Foundation of Kansas City develops and advances innovative ideas that set the groundwork for institutional change, advance entrepreneurship, and improve the academic achievement of children and youth.

One of America's most successful entrepreneurs, Kauffman was born on a farm in Garden City, Mo., in 1916. His family moved to Kansas City when he was a boy. He started his business in 1950 from modest beginnings. Working out of the basement of his Kansas City home, he built Marion Laboratories into a billion-dollar pharmaceutical giant. Kauffman set a high standard for his associates, inspiring them to work hard, and promising to share the rewards of the company's success with those that produced.

Kauffman established the Kansas City Royals, bringing major league baseball back to Kansas City. He hired mavericks and encouraged them to bring new thinking to transform the hidebound culture of the baseball establishment. Following their owner's unconventional path, the Royals built a model baseball franchise, developing talented young players into major league stars. Ewing Kauffman's Royals were perennial playoff contenders, winning six division championships, two American League pennants and a world championship.

With his business succeeding beyond his wildest dreams, Kauffman turned his vigor, intellect, and wealth to a new style of philanthropy. He lost patience with charity work that never seemed to attack the core problem it sought to remedy. He wanted to dig deep and get at the roots of issues rather than talk about addressing the symptoms. Undaunted by the size of the challenge or the lack of resources, Kauffman encouraged his staff to become immersed in research, consult with the best minds, and devise bold approaches to address complex social problems. He told friends he was having more fun giving money away than he had earning it. He told associates he expected his foundation to be exemplary.

An epitome of American entrepreneurship, Kauffman saw business enterprise as one of the most effective ways to unleash human potential and stir the economy to life. He viewed entrepreneurship as the most powerful strategy to help individuals gain economic independence and serve as a catalyst for creating jobs and wealth in society.

Today the Kauffman Foundation is devoted to advancing entrepreneurship as one of the fundamental aspects of life in the United States. Focusing on research, education, technical assistance, and policy, we work to increase the number and success rate of individuals engaged in the process of starting or growing their own business or idea. We work with partners to design programs based on the proven principles, techniques, and leadership tactics that make starting and growing a business a more common choice for Americans of all walks of life.

Kauffman FastTrac programs are part of a wide range of learning resources developed by and with hundreds of successful entrepreneurs who have shared their knowledge, insights, and stories so that others might learn from them. It is hoped that all entrepreneurs will find them useful as they work to write their own entrepreneurial success stories.

For more information on FastTrac, the nation's leading, award-winning business training program for entrepreneurs, go to www.fasttrac.org or call (816) 454-4380.

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LISTENING TO YOUR BUSINESS



**You want to be here
in three years.**

Step 4 Transition Tactics

- ☐ Establish action steps for the transition.
- ☐ Identify immediate actions needed.

Step 3 Planning Tools and Competencies

- ☐ Evaluate current planning tools.
- ☐ Identify the way plans will be used for analysis, communication, strategic direction, and control.

Step 2 Business Life Cycle and Transitions

- ☐ Verify the stage of growth of your business.
- ☐ Decide at what stage of growth you want your business to be in three years.
- ☐ Ascertain the challenges of transitioning from one stage to another.

Step 1 Three-Year Vision

- ☐ Envision where you want your business to be in three years.
- ☐ Discover where your business is today.
- ☐ Determine necessary transitions to reach your vision.



You are here.

Welcome to Listening to Your Business

Listening to Your Business will help you evaluate and measure your business strategies. Specifically designed for entrepreneurs, this workshop will help you answer the question “Where do I want my business to go, and how do I make it happen?”

In this workshop, you will:

- ▲ Identify a strategic vision for your business.
- ▲ Determine an appropriate plan of action.
- ▲ Prioritize and formalize transition steps.
- ▲ Develop a transition plan to grow your business.

Listening to Your Business, developed by Kauffman FastTrac and the Kauffman Foundation, will take you through some major questions successful entrepreneurs ask themselves:

- ▲ Where is my business today?
- ▲ What stage is my business in?
- ▲ In what stage would I like my business to be three years from now?
- ▲ What transitions will I, as the entrepreneur, need to make?
- ▲ How do I get my business from today to my three-year vision?



Notes

Step 1

Three-Year Vision

“Vision is the art of seeing what is invisible to others.”
– Jonathan Swift

Most entrepreneurs have experienced a driving force, or overriding purpose, for starting their business. Successful entrepreneurs take it one step farther and develop a vision for the future growth of their businesses. This vision helps guide the day-to-day operations and strategic decision-making necessary to achieve success.

In Step 1, you will:

- ▲ Envision where you want your business to be in three years.
- ▲ Analyze where your business is today.
- ▲ Identify the necessary transitions needed to meet your vision.

Those more likely to succeed are those best prepared. As Louis Pasteur was the first to observe, “Chance favors the prepared mind.” Entrepreneurs who prepare a vision and develop plans to reach their business goals will most likely be more successful in the future.

Before deciding what steps are necessary to move toward your business goals, you must be very clear about your desires for yourself and your business. Identifying a three-year vision can add this clarity.

Key Issue

*Luck is where preparation and opportunity meet.
Successful entrepreneurs create their own luck.*



ASSESSMENT TOOL 1

MY THREE-YEAR VISION

To identify a three-year vision, entrepreneurs must focus on the future. Changes in the global marketplace, the Internet, and technology must be considered. A vision is a goal to strive for, not a reflection of a business's current position.

This is an example of what one entrepreneur believed the business looked like three years into the future. Using this example as a guide, go to the next page and create your business vision.

Example

My three-year vision	My staff	Management team	Vendors	Customers	Myself
What do I see?	<i>They have productive meetings with innovations emerging.</i>	<i>I see an energized committed top team.</i>	<i>They want to supply us and visit us regularly.</i>	<i>They are buying our products/ services.</i>	<i>I am leading my team and the organization is very successful.</i>
What do things look like?	<i>They are eager to get to work. They work hard and collaborate.</i>	<i>They are taking care of their areas and producing top results.</i>	<i>They ask if they can form strategic alliances- perhaps finance product lines.</i>	<i>They are happy to visit our business and regularly give us positive feedback and suggestions.</i>	<i>My organization is following a solid strategic plan.</i>
What do I hear?	<i>I hear them taking good care of customers.</i>	<i>I hear them encouraging one another and offering assistance.</i>	<i>I hear them offering special payment plans and discounts.</i>	<i>They say they are satisfied with the quality of our products/ services and are telling other potential customers about us.</i>	<i>My products/ services are the best in the industry.</i>

ASSESSMENT TOOL 1 (CONTINUED)

MY THREE-YEAR VISION

Imagine that it is three years from today you are walking in the door of your business. What do you see and hear? What are people doing? What does the business look like?

Write down your vision for each stakeholder. After capturing your vision, turn to the next two pages and complete the questions to identify additional details to consider as you design the future.

My three-year vision	My staff	Management team	Vendors	Customers	Myself
What do I see?					
What do things look like?					
What do I hear?					

For additional consideration

If you wish to expand on this at another time, you could add other stakeholders such as the following:

- ▲ Professional service providers (CPA, attorney)
- ▲ Financiers (friends and family, bankers, angel investors, venture capitalists)
- ▲ The media
- ▲ The community
- ▲ Wall Street

ASSESSMENT TOOL 1 (CONTINUED)

IMAGINE IT IS THREE YEARS FROM TODAY AND
YOU ARE WALKING IN THE DOOR OF YOUR BUSINESS.

Use these additional criteria to add detail to your vision. You can add the criteria most important to your business.

Location	Where will my business be located?	
Facilities	What kind of facilities will the business occupy?	
	How many square feet?	
	Will the business own the building or lease space?	
Equipment	What kind of equipment will be needed?	
Computer technology	What kind of computer technology will the business have?	
Products	What will the product line encompass?	
Services	What services will be offered?	
Market	Who makes up the customer base?	
	Will markets be local, regional, national, global?	
	What percentage of the market will the business have?	

Financial	What will the total sales be?	
	How much will the net profit be?	
	How much growth capital will be needed?	
	What money sources will be involved? yours? others?	
	What types of investors will be used?	
Personnel	How much support will the business have: full-time? part-time? contract?	
Work load	How many hours/days per week will you be working?	
Growth	Will the rate of growth be: fast? moderate? static? decline?	
Risks	What potential business risks might be encountered?	
Exit strategy	What is the proposed exit strategy for you, the entrepreneur?	

ASSESSMENT TOOL 2

WHERE IS MY BUSINESS TODAY?

You walk in the door of your business today. What do you see and hear? What are people doing? What does the business look like? Use the chart below to make notes.

My business today	My staff	Management team	Vendors	Customers	Myself
What do I see?					
What do things look like?					
What do I hear?					

ASSESSMENT TOOL 3

VISION GAPS

A. List the gaps between your three-year vision and where your business is today.
1.
2.
3.
4.

B. What changes will you have to make in the way you operate your business today to reach your three-year vision?
1.
2.
3.
4.

Notes

Step 2

Business Life Cycle and Transitions

"The vision must be followed by the venture. It is not enough to stare up the steps—we must step up the stairs."

– Vance Havner

Historically, businesses passed through each stage of the business life cycle sequentially. Today, it is more common to leap back and forth as a business responds to the changing global marketplace. When a business shifts from one stage to another, entrepreneurs must implement strategies for operating the business as well as introduce new products/services. A successful transition between business life cycle stages requires careful planning by the entrepreneur.

In Step 2, you will:

- ▲ Determine the stage of growth your business is at today.
- ▲ Consider the stage of growth you want your business to be in three years from today.
- ▲ Identify the challenges to transitioning from one stage to another.

Business survival and growth require entrepreneurs to understand the stages of business growth and the planning required for each. Although situations differ by industry and business type, there are seven stages in the business life cycle. Since businesses no longer go through these stages sequentially, the entrepreneur can exit a business during any of the growth stages. It is important to start a business with the exit strategy in mind as this plan will help guide business decisions throughout the life of the business.

Key Issue

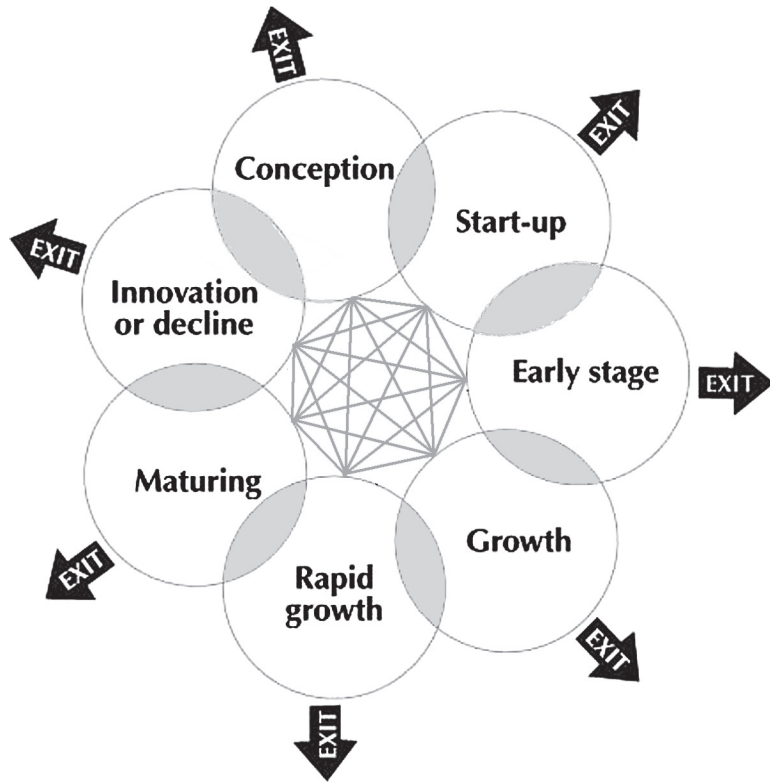
"Every exit is an entry somewhere else."

– Tom Stoppard



These are the seven stages in the business life cycle.

The entrepreneur can exit during any of the stages.



Conception stage

During the conception stage, the entrepreneur determines the feasibility of the new business by evaluating the needs of the market, the potential profitability, and the availability of needed resources.

The entrepreneur often plays all the roles of the management team, relying on suggestions from outside advisers. The entrepreneur's main concerns are to uncover sources of funds, identify potential customers, and design how products/services will be manufactured and delivered.

An astute entrepreneur begins to write a start-up plan to determine if the business concept is feasible and whether to proceed and launch the business idea.

Start-up stage

The business is launched and cash is usually tight in the start-up stage. Products/services are usually targeted to narrow market niches. Sales are inconsistent at best, seldom meeting the entrepreneur's expectations. As a result, many businesses grow slowly and struggle to survive.

The entrepreneur makes most of the management decisions and works long hours. Entrepreneurs modify products/services and experiment with different market-penetration tactics. Resources are scarce and must be used judiciously.

At this stage, formal business and marketing plans are needed to guide the business and measure its progress.

Early stage

In the early stage, the business has attracted customers but struggles to find its competitive advantage. The business is relatively small with few staff members. All activities of the business are focused around increasing sales.

Attracting and retaining a talented management team is paramount during this stage, as the entrepreneur begins to rely on other management members. This stage is a smart time to hire a professional marketer to implement a strong marketing plan for the business.

Modifying the business and marketing plan assumptions to reflect reality is an important undertaking to successfully navigate the business through the early stage.

Growth stage

Markets are established but the business experiences a continual drain of cash as it attempts to meet the demands of increased sales and expanding markets.

New staff, customers, and investors are quickly added. Managing these new relationships requires the entrepreneur to delegate more while continuing to communicate the future vision and direction of the business.

During this growth, a strategic and operating plan is needed to support the business plan and marketing plan that should be updated annually.

Reality Check

Business failure is common during the business stages. Failure can be avoided when entrepreneurs:

- *Develop sound business plans.*
- *Attract, retain, and develop talented management team members.*
- *Innovate.*
- *Monitor and respond to trends.*
- *Communicate internally.*
- *Measure success factors.*
- *Make timely decisions.*
- *Use financial statements to continue to learn and manage the business.*

Rapid growth

In the rapid-growth stage, the business outpaces industry growth rates and establishes itself as a viable concern. This stage is risky since many resources are dedicated to the business but there is no guarantee of continued success.

Planning and control systems are in place and a professional management team operates the business. Some entrepreneurs decide to sell their businesses at this stage. Some find their businesses have outgrown their skills because they are unable to cope with increasingly complex management and growth challenges.

At this stage of business growth, the multiple plans in place—business, marketing, strategic, and operating plans—must be refined and updated annually as the business continually adapts to economic and market conditions.

Maturing stage

The business has well-established markets with multiple products/services in the maturity stage. There is increased competition, saturation of the market, and stabilized sales. The business is now larger and can remain somewhat stable as long as it continues to respond to the market.

The entrepreneur focuses on how to preserve the business so it will continue to be healthy and increase in value. The management team works together to fulfill the strategic plan of the business.

Refined planning tools are still needed to keep the business on track. All plans should be updated.

Innovation or decline

Once the business progresses to the innovation or decline stage, it must innovate or lose market share. Innovation is required at all levels of the organization by virtually every team member.

Some entrepreneurs find it easier to innovate by acquiring other firms with complementary products or services and unrealized market potential. Others introduce new or spin-off products/services to complement current offerings. A savvy entrepreneur may choose to break-up the business into mini businesses or multiple profit centers, each with their own business plan and team.

Since it is critical to the business to reevaluate its strategic direction and the market it serves, it may take a complete rewrite of all plans to put new energy back into the business.

Notes

ASSESSMENT TOOL 4

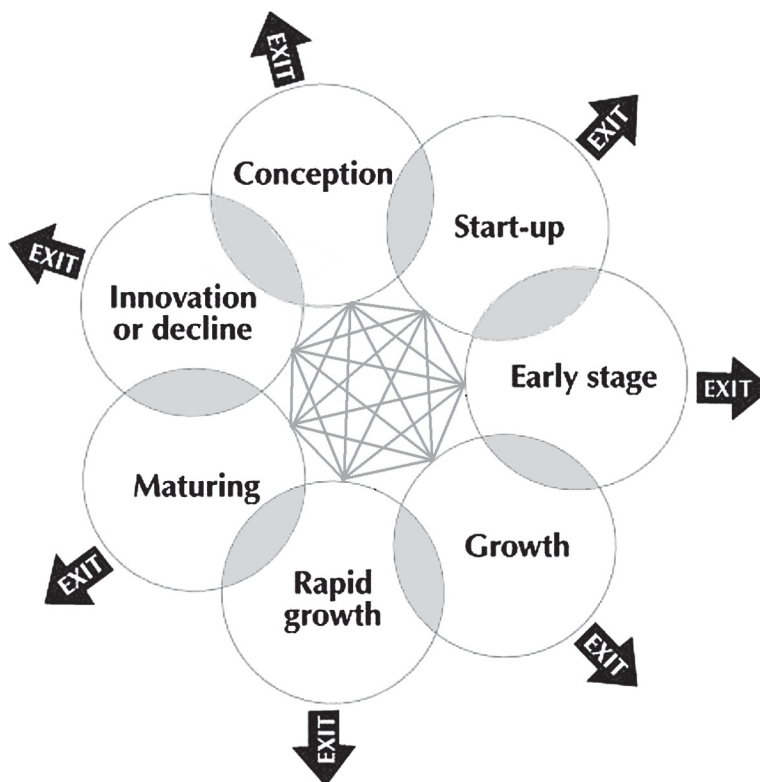
WHERE DOES MY BUSINESS FIT IN THE BUSINESS LIFE CYCLE?

Using the summary sheets for the business growth stages, pages 22–28, check the characteristics listed for each stage of business that best fit you and your business.

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Growth Stage	25
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ALTERNATIVE ASSESSMENT TOOL 4

Another way to determine where your business fits in the business life cycle is to chart the alignment of your business. Use the Alternative Assessment Tool 4 that begins on page 29 to check the alignment of your business.



CONCEPTION STAGE OF BUSINESS

BUSINESS NOT FORMED YET

Business characteristics

- ☐ Business opportunities are identified
- ☐ Business concept is selected
- ☐ Business concept is tested for feasibility

Goals and objectives

- ☐ Resource requirements to launch business are determined
- ☐ Team of outside advisers are identified
- ☐ Sales revenue is projected
- ☐ Sufficient seed capital to launch business is secured
- ☐ Potential customers are identified
- ☐ Products/services manufacturing and delivery is planned
- ☐ Market needs are evaluated
- ☐ Location is found
- ☐ Equipment is purchased or leased
- ☐ Suppliers are identified
- ☐ Distributors are found
- ☐ Needed staff members are identified

Entrepreneurial characteristics

- ☐ Visionary
- ☐ Drive
- ☐ Self-confidence
- ☐ Creativity/innovation
- ☐ Problem solver
- ☐ Intuitive leadership

Entrepreneur's management style

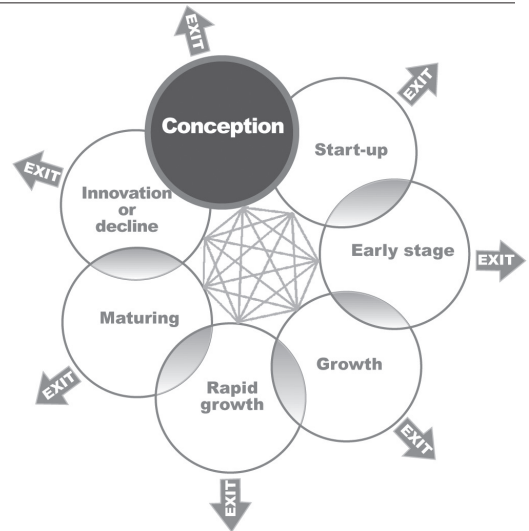
- ☐ Makes all decisions
- ☐ Performs nearly all tasks
- ☐ Focuses on day-to-day activities

Planning characteristics

- ☐ Start-up business plan determines if the business opportunity is feasible and whether it should be launched
- ☐ Budgets are developed
- ☐ Cash break-even is estimated

Red flags

- ☐ Entrepreneur is very reactive, not proactive
- ☐ Too many tasks, not enough time
- ☐ Actions are unorganized
- ☐ Poor focus and follow through
- ☐ Lacks attention to detail
- ☐ No formal planning process



START-UP STAGE OF BUSINESS

BUSINESS IS NEWLY OPENED FOR BUSINESS

Business characteristics

- ☐ Business environment is chaotic
- ☐ Sales and growth are inconsistent at best
- ☐ Business is relatively small with few staff members
- ☐ Business continually adapts to changes
- ☐ Resources are scarce and used judiciously

Goals and objectives

- ☐ Cash break-even is reached quickly
- ☐ Target market needs are identified
- ☐ Start-up capital is available
- ☐ Products/services are sold
- ☐ Talented management team is recruited
- ☐ Start-up expenses are minimized

Entrepreneurial characteristics

- ☐ Planning and goal-setting skills
- ☐ Market focused
- ☐ Effective communicator
- ☐ Successful negotiator

Entrepreneur's management style

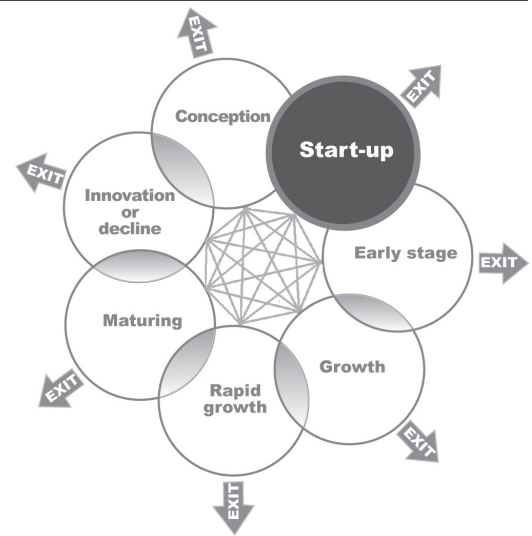
- ☐ Centralizes management decisions
- ☐ Fights daily fires
- ☐ Develops aggressive market strategy devoted to launch and survival
- ☐ Delegates very few tasks

Planning characteristics

- ☐ Plan for an effective entrepreneurial team is established
- ☐ Management decisions guided by the business plan
- ☐ Business plan used as an assessment tool to measure progress against projections
- ☐ Business plan changes frequently

Red flags

- ☐ Growth is slow
- ☐ Sales do not meet projections and occur haphazardly
- ☐ No consistent sales pattern to guide planning decisions
- ☐ Products/services targeted to narrow market niches
- ☐ Competitive advantage hard to identify
- ☐ Cash flow is tight
- ☐ There is no formal planning process



EARLY STAGE OF BUSINESS

ACQUIRED CUSTOMERS BUT NEED TO EXPAND SALES

Business characteristics

- ☐ Business is fast-paced
- ☐ Entrepreneur experiments with different marketing tactics
- ☐ Customers are contacted regularly
- ☐ Business activities are sales driven

Goals and objectives

- ☐ Targeted customers are attracted
- ☐ Products/services are refined to meet market needs
- ☐ Market share is growing
- ☐ Sales volumes are increased
- ☐ Profit is achieved
- ☐ Board of advisers is established

Entrepreneurial characteristics

- ☐ Marketing oriented
- ☐ Effective communicator of business vision
- ☐ Problem solver
- ☐ Tenacious
- ☐ Delegator
- ☐ Effective motivator
- ☐ Feedback solicitor

Entrepreneur's management style

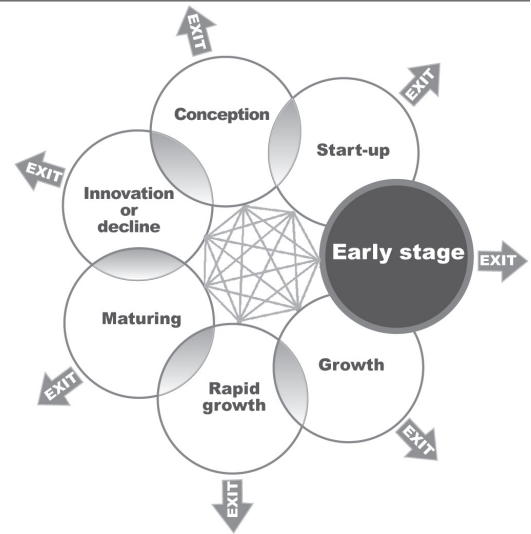
- ☐ Builds solid management team
- ☐ Delegates responsibilities
- ☐ Addresses training needs
- ☐ Manages resources creatively

Planning characteristics

- ☐ Cash flow activity is tracked
- ☐ Staff policies and responsibilities are outlined
- ☐ Business progress is charted and compared with the business plan

Red flags

- ☐ Daily tasks overwhelm management
- ☐ Little time to spend with staff who need direction
- ☐ Entrepreneur micro manages
- ☐ New competition emerges
- ☐ Priorities continually change
- ☐ Business loses focus
- ☐ Entrepreneur spends too much time working in the business rather than on the business
- ☐ Numerous marketing challenges are encountered



GROWTH STAGE OF BUSINESS

GROWING AT LEAST AT SAME PACE AS INDUSTRY

Business characteristics

- ☐ Business is established as a viable business
- ☐ Market niches are well defined
- ☐ Planning and control systems are operating
- ☐ Entrepreneur is bombarded by both growth enablers and growth inhibitors
- ☐ Business is cash poor and needs money to expand

Goals and objectives

- ☐ Aggressive growth strategies are pursued
- ☐ Growth financing is sought
- ☐ Business becomes a market leader and expands market share
- ☐ Talented staff members are attracted
- ☐ Board members are very involved
- ☐ Business value is increased

Entrepreneurial characteristics

- ☐ Effective communicator of business vision
- ☐ Strategic planner, goal setter
- ☐ Effective manager, facilitator, mentor, team builder
- ☐ Gives feedback
- ☐ Problem solver

Entrepreneur's management style

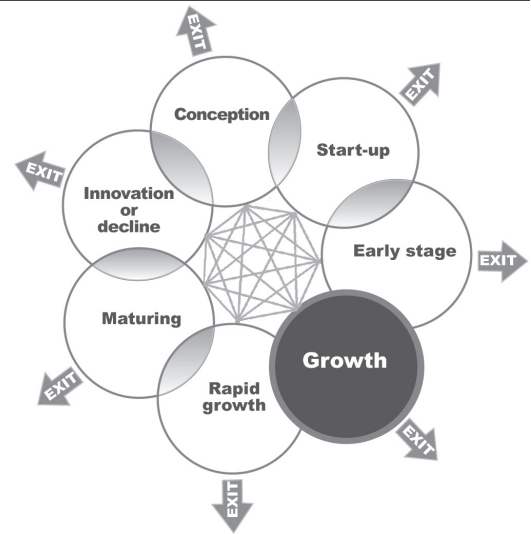
- ☐ Develops effective management team
- ☐ Steps back from the daily operations and manages business with the overall plan in mind
- ☐ Makes major changes in entrepreneurial strategies
- ☐ Aligns management team with business vision and culture
- ☐ Coaches others
- ☐ Encourages ideas and discusses alternatives

Planning characteristics

- ☐ Strategic and operating plans are used to formulate strategies and integrate benchmarks
- ☐ Plans include how the business will grow, manage sales, and remain profitable
- ☐ All resources are used to finance growth
- ☐ Focus on business side of operations
- ☐ Design exit strategy

Red flags

- ☐ Lack of sufficient assets to use as collateral for expansion capital
- ☐ Rapid growth uncontrollable
- ☐ Shortage of management expertise and intellectual capital
- ☐ Insufficient cash flow to support growth
- ☐ Entrepreneur unable to cope with management and growth challenges
- ☐ Staff members become disenfranchised



RAPID-GROWTH STAGE OF BUSINESS

OUTPACING INDUSTRY

Business characteristics

- ☐ New opportunities are sought
- ☐ Customers and staff members are added quickly
- ☐ Business is a market leader
- ☐ Business is able to sustain its competitive edge
- ☐ Operations are structured

Goals and objectives

- ☐ Markets are expanded
- ☐ Brand awareness is created
- ☐ Financing for growth is found
- ☐ Board provides scheduled, regular input
- ☐ Global opportunities are explored
- ☐ Business takes advantage of technology

Entrepreneurial characteristics

- ☐ Effective communicator of business vision
- ☐ Strategic planner, goal setter
- ☐ Tracks financial performance and successfully acquires necessary funds
- ☐ Effective motivator and team leader
- ☐ Problem solver
- ☐ Successful negotiator
- ☐ Develops strategic alliances

Entrepreneur's management style

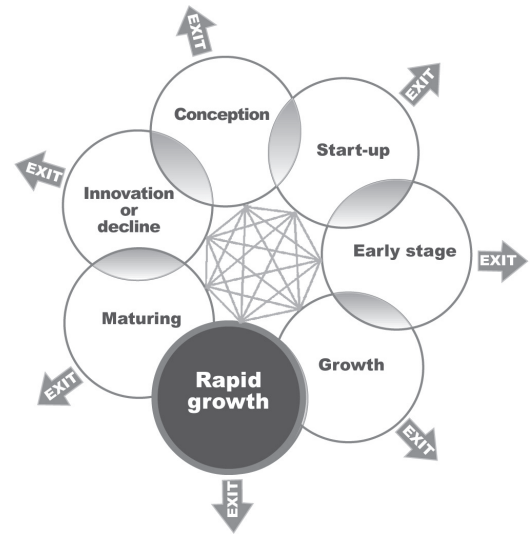
- ☐ Standardizes and streamlines operations
- ☐ Focuses on developing management team
- ☐ Resolves disagreements and seeks collaboration
- ☐ Focuses on the vision

Planning characteristics

- ☐ Operating plan is carefully reviewed and tracked
- ☐ Staff is involved in annual review and revision of strategic plan
- ☐ Cash flow is carefully monitored

Red flags

- ☐ Expanded too quickly
- ☐ Lacks clear vision
- ☐ Poor directions, unwieldy
- ☐ Competitive threats
- ☐ Too many priorities
- ☐ Frequent staff/management conflicts
- ☐ Product/service shortages and delays
- ☐ Outgrowing current management team expertise



MATURING STAGE OF BUSINESS

STABILIZED MARKET SHARE

Business characteristics

- ☐ Business is an industry leader with well-established markets
- ☐ Sales patterns are stabilized
- ☐ Business remains somewhat stable as long as it continues to respond to market needs

Goals and objectives

- ☐ Business is reinvented
- ☐ Be competitive and remain flexible
- ☐ Innovative products/services are created
- ☐ Brand awareness is maintained
- ☐ Business expands globally or acquires new companies
- ☐ Wealth is created

Entrepreneurial characteristics

- ☐ Effective communicator of business vision
- ☐ Strategic planner, goal setter
- ☐ Effective motivator and team leader
- ☐ Change agent
- ☐ Problem solver
- ☐ Forecasts future

Entrepreneur's management style

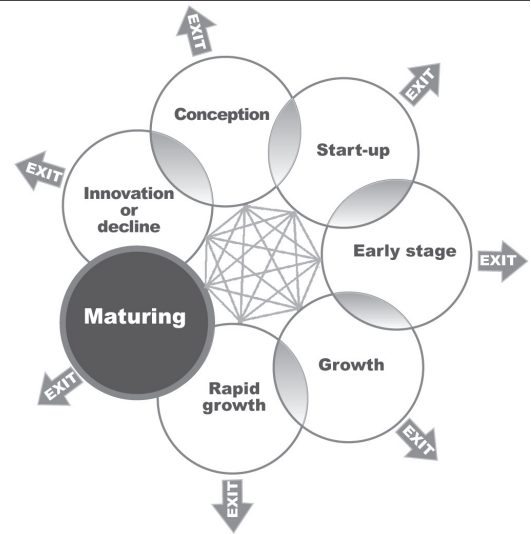
- ☐ Creates innovation at all levels of the organization
- ☐ Proactively manages for future
- ☐ Preserves and creates value
- ☐ Balances short- and long-term growth
- ☐ Molds management team
- ☐ Divides departments into separate business units

Planning characteristics

- ☐ Operating plan is carefully reviewed and tracked
- ☐ Progress and profitability is measured and monitored
- ☐ Growth strategies are developed
- ☐ Business transformation is planned
- ☐ Strategic plan is revised

Red flags

- ☐ Business in turmoil, staff lacks shared values
- ☐ Market saturation with excessive competition
- ☐ High staff turnover
- ☐ Decreasing profits



INNOVATION OR DECLINE STAGE OF BUSINESS

MUST ADD TO PRODUCT LINE OR MARKET SHARE DECLINES

Business characteristics

- ☐ Business is an industry benchmark but it must innovate or exit
- ☐ Innovation is required at all levels of the organization
- ☐ New products/services are the responsibility of all staff members
- ☐ Focus is on high standards
- ☐ Customers and advisers input is solicited
- ☐ Current offerings are reinvented

Goals and objectives

- ☐ Innovation occurs internally or by acquisition
- ☐ New niches in the current market are established
- ☐ New or spin-off products/services are introduced
- ☐ Product/service lines are expanded
- ☐ New internal businesses are created and backed by existing financial resources

Entrepreneurial characteristics

- ☐ Creative, innovative, persistent, and consistent
- ☐ Effectively reinforces vision
- ☐ Strategic planner, goal setter
- ☐ Calculated risk taker
- ☐ Problem solver
- ☐ Effective motivator and team leader

Entrepreneur's management style

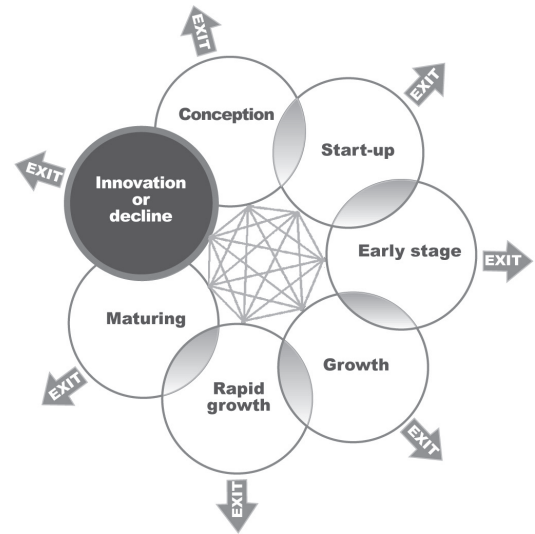
- ☐ Articulates the business vision
- ☐ Instills creative culture
- ☐ Balances innovation and flexibility
- ☐ Solicits continual staff member input

Planning characteristics

- ☐ Strategic plan is adjusted for market shifts
- ☐ Team members are hired, developed, managed, and recognized
- ☐ Priorities are managed with a team approach
- ☐ Operating plan is used to set milestones, reinforce mission and vision
- ☐ Progress is measured

Red flags

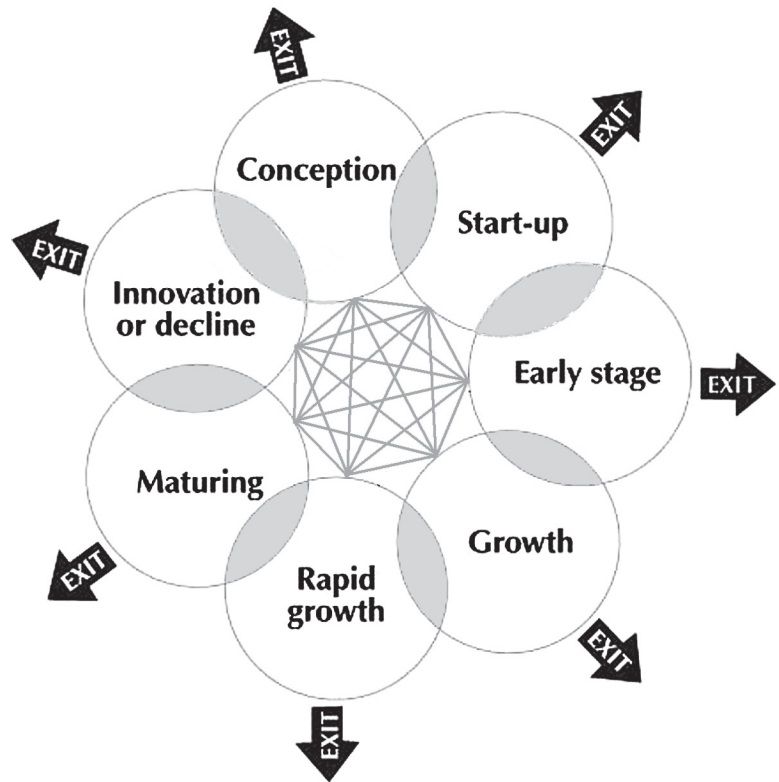
- ☐ Innovation is a tough challenge
- ☐ Bureaucratic management style slows decision-making
- ☐ Staff members lose touch with external conditions
- ☐ Lack of out-of-the-box thinking
- ☐ Restrictive policies and procedures



ALTERNATIVE ASSESSMENT TOOL 4

WHERE DOES MY BUSINESS FIT IN THE BUSINESS LIFE CYCLE?

To chart the alignment of your business, use the table on pages 30–31. In each category, place an “x” in the box that best describes your business activities and characteristics. Then, using your pen, connect each box marked with an “x”, starting with the first “x” and moving down the page, to form a vertical line graph. Is the alignment of your business smooth and in sync or irregular and erratic? Is your business outgrowing your management style? Is your staff exhausted from activities that keep them zig-zagging?



Category	Conception	Start-up	Early stage
Business characteristics	Entrepreneur has found a business opportunity, but the business is not yet formed or the idea is still being tested. <input type="checkbox"/>	Sales and growth are erratic and the business is small, chaotic and resources are scarce. <input type="checkbox"/>	Business is sales-driven, fast-paced, experiments with marketing, and has a close relationship with its customers. <input type="checkbox"/>
Goals and objectives	Determine resources needed, complete start-up business plan, find location, identify suppliers, source capital, and hire staff. <input type="checkbox"/>	Complete business and marketing plans, obtain capital, target market, sell products or services, build team, and control expenses. <input type="checkbox"/>	Modify business and marketing plans, refine products and services, increase market share, establish a board, and realize a profit. <input type="checkbox"/>
Entrepreneurial characteristics	Visionary. Driven. Self-confident. Creative. Resolves problems. Intuitive. <input type="checkbox"/>	Plans. Sets goals. Marketing focus. Team communicator. Negotiates. Oversees daily operations. Sells. Resolves problems. <input type="checkbox"/>	Marketing oriented. Visionary. Tenacious. Delegator. Motivational. Solicits feedback. Solves problems. <input type="checkbox"/>
Entrepreneur's management style	Jack-of-all-trades. Makes all decisions. Focuses on day-to-day activities. Reactive management. <input type="checkbox"/>	Centralized management. Centralized authority. Fights daily fires. Aggressive market strategy. Devoted to launch and survival Minimal delegating. Team focused. <input type="checkbox"/>	Builds solid management team. Delegates. Problem-solving mode. Addresses training. Creatively manages resources. <input type="checkbox"/>
Planning characteristics	Develops start-up business plan. Uses plan to determine action. Develops budgets. Estimates break-even. <input type="checkbox"/>	Develops business plan. Plan used with team. Management uses plan to make decisions. Progress measured against plan. Frequent changes in business plan. <input type="checkbox"/>	Tracks cash flow. Outlines employee roles and responsibilities. Charts progress to plan. Needs systems and structure. <input type="checkbox"/>
Red flags	Runs business by seat of pants. Too much to get done in available time. Unorganized, no focus. Poor follow through. Lacks attention to detail. No planning process. <input type="checkbox"/>	Slow growth. Sales erratic and less than projections. Target market too narrow. Difficult to find competitive advantage. Products and services hard to modify. No cash to pay bills. No planning process. <input type="checkbox"/>	Daily tasks overwhelming. No time to give direction to team. Micro management. New competition emerges. Priorities continually change. Business loses focus. Too much time working in rather than on the business. Numerous marketing challenges. Entrepreneur shoots from the hip. <input type="checkbox"/>

Growth	Rapid growth	Maturing	Innovation or decline
Business is viable, the market is well defined, processes and procedures are in place, and the business needs money to expand. <input type="checkbox"/>	Market leader with competitive edge, launching new ideas and products, hiring, and the planning and operational structures are in place. <input type="checkbox"/>	Industry leader, consistent market and sales patterns, poised to continue growth and profitability or decline from lack of innovation. <input type="checkbox"/>	Business has flat-line growth and profitability and not sure what needs to be done but knows it must reinvent itself because it is the beginning of a decline. <input type="checkbox"/>
Source financing for increased growth, become market leader, hire talented people, involve board, increase value of business, update business and marketing plans, and create strategic and operational plans. <input type="checkbox"/>	Expand markets, create brand awareness, finance growth, hold regular board meetings, explore global opportunities, become technically savvy, continually refine business, marketing, strategic and operational plans. <input type="checkbox"/>	Reinvent business, remain flexible, redesign products and services, maintain reputation and brand, expand or purchase market share, create wealth, write new business, marketing, and strategic plans. <input type="checkbox"/>	Innovate internally or by acquisition, grow new niche markets, develop new products and services, create profit centers within business, and write new business plan. <input type="checkbox"/>
Communicates vision. Planner/goal setter. Coach. Facilitator. Mentor. Mediator. Team builder. Gives feedback. Solves problems. <input type="checkbox"/>	Communicates concrete vision. Strategic planner. Sets goals. Manages financials. Team leader/motivator. Self-confident. Negotiates. Develops alliances. Solves problems. <input type="checkbox"/>	Good communicator. Motivational. Change agent. Planner/goal setter. Visionary. Strong leader. Forecasts future. Facilitates teamwork. Solves problems. <input type="checkbox"/>	Creative/innovator. Persistent. Reinforces vision. Planner/goal setter. Confident risk taker. Leader of growth. Facilitates teamwork. Strategic leadership. Motivational. Develops people. Solves problems. <input type="checkbox"/>
Effective management team Removed from day-to-day operations. Manages in larger context Makes major changes in strategies. Aligns management team to vision and culture. Coaches. Encourages ideas and alternatives. <input type="checkbox"/>	Sense of urgency. Standardized operations. Focus on management team development. Resolves disagreements. Seeks collaboration. Future focused. <input type="checkbox"/>	Creates innovation at all levels of organization. Proactive management. Preserves/creates value. Balances short-term and/or long-term growth. Molds management team. Divides departments into profit centers. <input type="checkbox"/>	Articulates vision. Accountability and team building. Creative culture. Balances innovation and flexibility. Solicits continual team input. <input type="checkbox"/>
Benchmarks established from marketing, strategic and operational plans. Plans growth, sales and profitability. Resources dedicated to growth. Priorities set through planning process. Designs exit strategy. <input type="checkbox"/>	Reviews and tracks operational plan. Team involved in annual strategic planning. Monitors cash flow. <input type="checkbox"/>	Monitors operational plan. Measures progress and profitability. Develops growth strategies. Plans business transitions. Revises strategic plan. <input type="checkbox"/>	Adjusts strategic plan. Hires, develops, manages, and rewards team. Instills creative culture. Balances innovation and flexibility. Solicits continual input into business. <input type="checkbox"/>
Lack sufficient assets to leverage capital needs. Rapid growth is uncontrollable. Shortage of management expertise and intellect. Cash flow crises. Entrepreneur not able to keep pace with business demands. Losing control of business. Office infighting. Disenfranchised team members. <input type="checkbox"/>	Business expands too quickly. No clear vision. Poor directions. Competitive threats. Right hand doesn't know what left hand is doing. Too many priorities. Key management thinking of leaving. Frequent team conflicts. Shortages/delays in sales/service. Outgrowing management team expertise. <input type="checkbox"/>	Business is in turmoil. Team lacks shared vision. Market saturated with cheaper look-alikes. High staff turnover. Decreasing profits. Team gets blindsided. <input type="checkbox"/>	Innovation is challenging. Increasing turf wars. Excessive committee decision-making. Team losing touch with external conditions. No communication time. Lack out-of-the-box thinking. Restrictive policies and procedures. <input type="checkbox"/>

ASSESSMENT TOOL 5

BUSINESS LIFE CYCLE CHALLENGES AND TRANSITIONS

Identify your current and future business stages by answering the following questions.

What stage is your business today?

Using input from your three-year vision, what stage you would like your business to be in three years from today?

Describe the business's major challenges by answering the following questions.

What are the major challenges facing your business in its current stage of growth?

What are the challenges your business will face in the desired stage of growth three years from today?

What personal changes in your style and role as leader will you have to make to transition your business?

How will your management team assist you with this transition?

Step 3

Planning Tools and Competencies

“Those businesses that don’t plan for the future won’t have one.”

– Anonymous

In today’s competitive and complex global marketplace, business success is far from guaranteed. Still, there is little mystery as to one of the essential keys for launching, operating, and growing successful businesses—sound planning. Understanding and applying essential entrepreneurial planning tools can reduce many of the risks of entrepreneurship.

In Step 3, you will:

- ▲ Identify business planning elements that need to be developed or improved.
- ▲ Select the planning tools needed for analysis, communication, strategic direction, and control.
- ▲ Rate your personal and business competencies.

After the vision has been established, entrepreneurial planning tools should be used to drive a business towards the vision. These tools include:

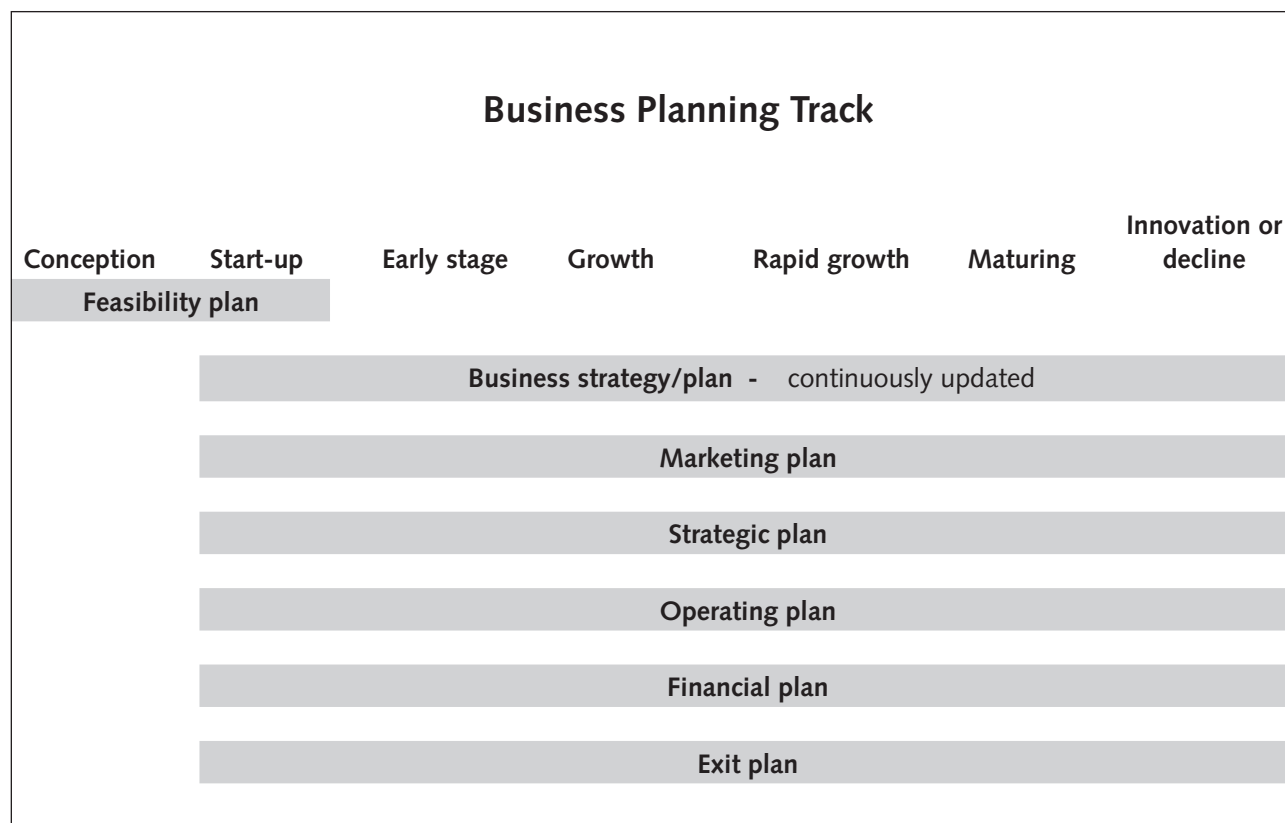
- | | |
|--------------------------|------------------|
| ✓ Start-up business plan | ✓ Business plan |
| ✓ Marketing plan | ✓ Strategic plan |
| ✓ Operating plan | ✓ Exit plan |

Using these entrepreneurial tools produces specific, documented goals that can be communicated with management, staff members, and external advisers. Written plans help entrepreneurs work smarter, rather than just harder. The process of analysis and goal-setting enables them to better understand and clarify risks, thereby devising ways to manage and reduce those risks. Using these essential planning tools keeps the business in a future-oriented mode, always anticipating new trends and directions.

Key Issue

Business planning is the key to reducing risk and uncertainty and to achieving success.





Entrepreneurs should view business planning as essential learning, research, and analysis that helps develop vision, focus, and results. Following are seven essential entrepreneurial planning tools.

The feasibility plan

Typically, the first planning document required of new businesses is the start-up business plan. This plan proves that a business idea is feasible and could be profitable. It consists of researching a business idea—its workability, marketability, and profitability—and assessing the entrepreneur’s capabilities. The process of writing a start-up business plan helps guard against starting a business when the idea is unworkable because there is a shrinking market, is too costly, takes too many financial resources, has too many risks, cannot compete in the marketplace, or is simply not worth the time and effort.

The business plan

A business plan articulates the business concept, opportunities, entry strategy, management, the potential market, financial requirements, and growth strategies. It also identifies potential risks, problems, and trade-offs. It’s an excellent way to help evaluate the opportunity and guide start-up or growth. It

forces an entrepreneur to consider every facet of a proposed business idea and places approval and funding decisions on paper where they can be evaluated and considered by everyone involved.

The marketing plan

The marketing plan is a detailed plan to reach the market being served by the business. The plan profiles the market’s demographics, validates the demand for the product/service, evaluates competition, establishes pricing strategies, and outlines how the product/service will be communicated and promoted to that market to achieve sales. Distribution methods included in the plan tell how the product/service will get into the customer’s hand. The marketing plan includes sales projections and establishes milestones and success measurements.

The strategic plan

A strategic plan provides a framework to analyze the strengths and weaknesses of an ongoing business. It provides a specific strategic direction complete with mission and vision statements. Also included are strategic objectives and goals that guide and direct daily operating activities. A successful strategic plan will provide specific

measurements to evaluate the business's progress against its objectives. It is important the strategic plan involve all staff members since the successful attainment of strategic planning goals is directly linked to the involvement and commitment of all staff.

The operating plan

The operating plan is an action document the entrepreneur uses to coordinate the efforts of all phases of the business toward achieving the business's goals for the planning year. The plan outlines monthly activities for each business unit. It tells what the desired goals are and specifies the action steps required to meet them. Operation planning is directly linked to managing the business, providing feedback, and reevaluating the accuracy of the assumptions and the supporting rationale. The operating plan keeps the work flowing smoothly.

The financial plan

A business's financial success is measured in its ability to cover start-up costs, to achieve profitability, and to maintain cash flow. Designing a business that meets these criteria is a critical step in reaching financial goals. Financial statements that entrepreneurs must use include the balance sheet, the income statement and the cash flow report.

The exit plan

There are many opportunities to start new businesses and equally as many opportunities to cash out and realize the fruits of your labor. Regardless of which strategy is chosen, the entrepreneur should consider the exit opportunities available. However, most entrepreneurs don't think about exiting the business. Creating an exit plan is an important but often overlooked strategy since it drives building value in a business. Knowing how and when you want to leave your business should influence planning at any stage.

Entrepreneur's changing roles

The specific skills and abilities needed by the entrepreneur to effectively use these planning tools vary according to the business's current stage of growth. For example, the tasks facing the entrepreneur whose business is in rapid growth are far different from the tasks necessary to start a small business.

During the beginning stages of business growth, the entrepreneur tends to be resistant to delegating and has difficulty with integrating decision-making among team members. As the business grows, the entrepreneur must be able to step back from the day-to-day operations and evaluate the business in a larger context.

The entrepreneur must be ready for change and make decisions about what most likely will occur in a competitive global marketplace. In some cases, if the skills and management style of the entrepreneur do not change, the business may reach a point where it outgrows the entrepreneur.

Notes



ASSESSMENT TOOL 6

PLANNING FOR BUSINESS SUCCESS

The purpose of the entrepreneurial planning process assessment is to evaluate current planning systems and identify issues that have not been covered in the planning process. Those issues that are missing or below satisfactory should be completed or reworked in order to have a comprehensive plan.

Business planning process

Rate your process:	Don't have or don't need	Under consideration	Satisfactory	Excellent
The business has a formal process to identify business opportunities, potential risks, and pitfalls.				
Key management team members prepare appropriate sections of the business plan.				
Goals are written and systematically reviewed by key management team members.				
Success factors are tracked and measured against the business plan projections.				
All business planning documents are in place and can be easily updated.				
The planning process reduces uncertainty and manages continuous improvement.				

Review the table on pages 38–39 highlighting the entrepreneurial planning tools. Rate the quality of your existing planning processes in the last column by using the following rating scale:

- Don't have or don't need
- Under consideration
- Satisfactory
- Excellent

Type of plan	Time frame	Goals
Feasibility	Pre-business launch or when introducing new product and service lines.	Determine if a business idea is marketable and could be profitable. Ten to 20 page plan that analyzes the industry and forecasts potential. Identify areas of greatest threats and opportunities. Produce written plan for further evaluation.
Business	Prior to launch or during growth stages. Review and evaluate at least quarterly.	Road map for operating the business. Evaluate every aspect of the new business to meet unforeseen challenges and opportunities. Develop planning skills necessary for launch and growth of the business. Address critical strategic questions. Force founder to consider and document every business facet for lenders and investors to review.
Marketing	Prior to launch or when introducing new product or service lines. Review monthly.	Evaluate market and demand. Segment target market and align product to the needs of that market. Validate price points. Identify distribution and sales channels. Strategic positioning.
Strategic	Post business launch. Review and evaluate semiannually.	Long-range plan. Develop competitive strategies for long-term growth and profitability. Identify opportunities and resources needed to offer the right products/services in specific geographic areas. Decide what business(es) the business is in over the next five years. Determine changes needed to reallocate resources and realign competitive market opportunities.
Operating	Annually. Review and evaluate monthly or weekly.	Generate detailed, monthly action steps with timetables. Coordinate all management activities and efforts among the different organizational units. Provide a control and monitoring tool. Create peer-pressure management style. Facilitate a smooth transition among management. Shorten management meetings. Provide objective evaluation tools and performance information to CEO.
Financial	Annually. Review and evaluate monthly.	Assess and monitor profitability. Accurately project sales, cost of sales and operating expenses. Project cash flows. Determine need for funding
Exit	During business life cycle. Periodically review.	Determine exit plan and strategy. Sell to outsiders. Sell to family members. Management buyout. ESOP. Merger or acquisition. IPO. Close the business.

Content	Deliverables	Rating
Executive summary. Management and organization. Product and service plan. Marketing plan. Financial plan. Appendix.	Written to determine if new opportunities and ideas are marketable and have profit potential. Identifies start-up costs and projects when breakeven will be attained. Includes sales projections for the next 12 to 36 months. States what the next step will be and includes a timeline.	
Executive summary. Management and organization. Product and service plan. Marketing plan. Operating and control systems. Financial plan. Appendix.	Is comprehensive, evaluates every aspect of the business, focuses on opportunities, and includes financial projections and pro formas. Identifies needed capital resources. Identifies fatal flaws and addresses how to overcome them. Is investor-ready, explains why the investment is attractive, and specifies potential risks. Is used as a guide to operate and evaluate the business. Goals are reviewed quarterly and progress is assessed.	
Profile of target markets. Timelines and deliverables. Advertising and promotion. Competitive analysis. Distribution channels. Sales and service goals. Success measurements.	Identifies and quantifies who has the need for the product/service. Outlines action plans and tactics to get the product/service into the hands of the customer. Creates a blueprint to follow that includes all marketing messages and sales activities. Establishes goals and accountability relating to sales and marketing efforts.	
Vision statement. Mission statement. External conditions. Market evaluation. Internal evaluation. Implementation plan.	Includes a longer-range forecast for two to five years in the future. Contains a competitive growth strategy, and identifies new business opportunities and resources needed for expansion. Is reviewed and revised annually. All staff has input into the strategic plan. Changes in the revised strategic plan are shared with staff.	
CEO's resume. Organizational chart of key staff. Business goals with assumptions. Financial data. Departmental planning formats.	Details monthly action steps with timetables. Includes benchmarks that measure performance. Includes a contingency plan if projections are faulty. Evaluate and adjust action steps to reflect changes in the marketplace. Compensate staff based on goals achieved.	
Financial projections. Sales and expense estimates.	Projects revenues, cost of sales, gross profit margin.	
Select exit plan. Create timeline. List strategic action steps to execute exit plan.	Identifies which exit option is selected. Outlines the deal structure and elaborates on what the stake holders will receive. Contains a timeline with check points. Includes action steps that measure progress.	

ASSESSMENT TOOL 7

BUSINESS COMPETENCIES

To be successful, entrepreneurs need a solid business foundation on which to build. It is critical for you to understand the key entrepreneurial management skills needed for success. This competencies exercise will help you assess business strengths and weaknesses and target areas for improvement. Listed below are the key indicators of entrepreneurial success. Rate your business for each competency by checking whether it is weak, in need of improvement, satisfactory, or excellent.

Any items that were scored weak or needs improvement in each category should be incorporated in the transition tactics in Step 4.

Rate your competencies:	Weak	Needs improvement	Satisfactory	Excellent
Entrepreneurial management competencies				
Leadership and vision				
Planning.....				
Communication				
Motivating others				
Goal-setting				
Coaching				
Team-building				
Decision-making				
Delegating				
Problem-solving				
Conflict management.....				
Negotiation.....				
Feedback				
Human resources management.....				
Listening				
Marketing competencies				
Market analysis				
Market research				
Target marketing.....				
Market penetration				
Sales management				
Competition analysis				
Customer service.....				
Pricing.....				
Distribution				
New product planning.....				

ASSESSMENT TOOL 7 (CONTINUED)

BUSINESS COMPETENCIES

Rate your competencies:	Weak	Needs Improvement	Satisfactory	Excellent
Financial competencies				
Developing financial strategy				
Budgeting				
Cash flow management				
Financial forecasts				
Raising capital				
Establishing banking relationships.....				
Understanding financial documents.....				
Creating value.....				
Technology competencies				
Computer literate				
Word processing				
Spreadsheets				
Databases				
PowerPoint presentations.....				
E-commerce				
Internet				
Website.....				
E-mail.....				
Legal competencies				
Leases				
Contracts				
Employee agreements				
Human resources: local, state, federal regulations.....				
Intellectual property protection.....				
Operational competencies				
Systems management				
Inventory control.....				
Quality control				
Credit and collection				
Cost analysis and control.....				
Manufacturing				
Production scheduling				
Purchasing				

Notes



Step 4

Transition Tactics

“None of the secrets of success will work unless you do.”

– *Fortune cookie*

Identifying the stages of growth in the business life cycle and areas of personal and business strengths, weaknesses, and competencies is just the beginning. Now that assessments have been made, it is necessary to develop transition tactics to enhance skills, move the business forward, and achieve success. This last step—the transition plan—will help you identify specific tactics necessary to meet your three-year vision. You will walk out the door today knowing exactly what are the first, tangible, doable items to address.

In Step 4, you will:

- ▲ Establish the specific transition tactics needed to reach your vision.
- ▲ Create your personalized transition plan.

Developing transition tactics involves summarizing the results from the assessment tools and transitioning them into manageable action steps that can be accomplished, tracked, and measured.

Key Issue

Business transitions require entrepreneurs to change their management styles and leadership roles.



ACTION STEP 1

VISION SUMMARY

Summary of three years from today

Summarize where you want your business to be in three years.

Summary of current state of business

Summarize where your business is today.

ACTION STEP 2

TRANSITION TACTICS

Develop transition tactics by listing each goal. Then consider the action steps, cost, deadline, and responsible party for each goal.

Transition tactics for entrepreneurial management				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

Transition tactics for marketing				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

Transition tactics for marketing				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

ACTION STEP 2 (CONTINUED)

TRANSITION TACTICS

Transition tactics for financial				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

Transition tactics for computer technology				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

ACTION STEP 2 (CONTINUED)

TRANSITION TACTICS

Transition tactics for legal				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

Transition tactics for operations				
Date:				
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			
Goal	Action steps	Cost	Deadline	Responsible party
	1.			
	2.			
	3.			

ACTION STEP 3

ACTIONS, INSIGHTS, AND RESOURCES

The goals and action steps identified in the Transition Tactics on pages 45–47 will help you move your business forward to your desired stage. One critical final action is needed—prioritize the goals you have listed and select three items for immediate action.

List three critical actions you can accomplish (or at least get started on) immediately:
1.
2.
3.

Insights discovered

Record insights you have gained while spending time working on your business.

Resources found

Identify resources you have discovered that can assist you in reaching your business goals.

