Risk Analysis for Initial Needs (RAIN): Improving a Time Zero Startup Plan through Resource Based Auditing (RBA) and a Launch Focused Strategy

By
Gilbert Gonzalez, University of South Florida

The case has been made that successful startups are beneficial to all stakeholders in the community, while startups that fail to sustain create significant costs, both actual and opportunity, for both themselves and the community. Depending on the source and the time frame referenced, emerging business failure rates range from 50% to 80% (BLS, 2016). This figure demonstrates the disappointing inefficiency of startups. What is not clear is whether the high failure rate, which has come to be accepted, is necessary. The creation of RAIN was motivated by the desire to seek a solution to the business problem of continuously high failure rates through improved startup business planning. RAIN improves the startup business plan by replacing traditional environmental auditing with resource-based auditing (RBA), and focusing on sustainability and scalability during the post-launch incubation period. Using the RAIN startup planning model at time zero and throughout the early stages of the business lifecycle should improve sustainability and encourage founders to embrace developing and using startup plans. Experts agree that entrepreneurial enterprises are creators of economic growth. In fact, a recent study by Guzman and Stern (2016) looked at the attributable growth for a community based on the quality of the startups. It was found that “a doubling of the entrepreneurial quality predicts an increase of 6.8% in GDP in 11 years” (Frick, 2016). This study emphasizes the need for more successes, rather than more startups. “We've long known that new businesses matter to the economy and that it's a small group of fast-growing firms that matter most, because of the jobs and innovation they bring” (Frick, 2016).

Founders, investors, creditors, incubators, government programs, and entrepreneurial education programs all benefit from improving the sustainability rate of startups. These benefits include job creation, debt default minimization, and expanded economic growth through the multiplier effect of the surviving business entity (Guzman & Stern, 2016). Improving the success rate of new businesses through improved time zero planning will have positive consequences for the community and economy.

Using the Risk Analysis for Initial Needs (RAIN) planning model and its resource-based audit (RBA) tool to support the creation of a time zero startup business plan will improve the perceived value of the startup plan to founders and stakeholders by identifying gaps between the needs and availability of the needed resources at time zero.

Keywords: Audit, Startup Plan, Planning, Business Plan, Entrepreneur, Venture Capital, Private Equity, Risk, Resource, Business Model, Business Canvas.

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Introduction

Research shows that there is a persistent and pervasive failure rate of new businesses at a rate of 50% to 80%, depending on the time studied (BLS, 2016). For the last several decades, regardless of the strength of the economy, attractiveness of the industry sector, interest rates, unemployment, and third party investment in startup support—the failure rates remain consistent and high (Gonzalez, 2017a). Some researchers argue that poor or no planning is causal to the high failure rate of startups (Baker, Addams, & Davis, 1993; Gollwitzer, 1999). However, some practitioners assert that traditional startup planning is of little or no value (Gerber, 2010; Gumpert, 2002; Guttman, 2015). Exploring the objections of those founders and advisors longitudinally brings to light the need to improve the methodology of startup business planning (Gonzalez, 2017).

The Evolution of Startup Business Planning

The academic literature and practitioner writings on startup businesses are well established (Brinckmann, Grichnik, & Kapsa, 2010). These studies have particularly proliferated over recent years as the emphasis on the success of startup businesses has increased. However, there is still dissent in terms of the advice and guidance being offered with respect to the necessity of a business plan, both in the academic and practitioner literature. Specifically, there are several studies on both sides which question and debate the value of a business plan at time zero, otherwise referred to as a startup business plan (Barrow, Barrow, & Brown, 2015).

The evolution of startup planning, business planning, and environmental auditing in support of planning has created a body of work that is mature and rich. Business planning and startup planning continues to evolve and build on the work of the past. The history of auditing and startup business planning can be traced to the early 1950s. Startup planning is the first iteration of business planning responsible for establishing a sustainable and scalable business model at time zero.

Startup practitioners and researchers have demonstrated resistance to using traditional planning
models. A careful investigation of the evolution of planning through the relevant literature, from the perspective of the target audience, shows that for the last decade there has been a growing opposition to advising entrepreneurs to channel all of their time and effort into a traditional startup plan (Gonzalez, 2017b).

In the 1950s, Smith and Christensen set out to study how organizations related to their external environments and their approach would later become the foundation for SWOT analysis. In 1957, Andrews argued that organizations should adopt clear objectives to be competitive and successful. Auditing was introduced by Kenneth Andrews in 1963 as an antecedent to developing a business plan. During a business policy conference held at Harvard in 1963, SWOT analysis was discussed openly and identified as an essential strategic planning tool. SWOT was developed as an audit tool to analyze case studies by the participating researchers through collaboration by Learned et al. in 1965 as the summation of research at the Harvard Business School. After the study was concluded, there was widespread adoption of the planning model by business schools nationally (Chermack & Kasshanna, 2007; Learned, Christensen, Andrews, & Guth, 1965). As a result, a focus on organizational strengths and weaknesses in the context of opportunities and risks emerged during this era (Mintzberg, 1994).

This development led the way to the traditional business planning process, which included conducting an environmental audit (SWOT). Defining the mission, objectives, and strategies of the business followed the audit. The next step was strategy implementation, followed by evaluation and control (Wheelen & Hunger, 1998). Strategic planning champions such as Drucker, Selznick, Andrews, and Porter advocated this process. This paradigm had evolved from the early 1950s through the mid-1990s and was generally accepted by both the academic and practitioner communities. It was then refined and brought together into a single model by Wheelen and Hunger in the early 1990s.

Led by Eric Ries, The Lean Strategy has grown and has a large following. Many researchers and advisors advocate this conceptual scheme that emphasizes quick iterations of product development and market testing to learn how to create consumer acceptance and commitment with little or no waste of startup resources (Blank, 2013; Blank et al., 2013; Collis, 2016; Fichter, 2015; Ries, 2011). Lean supporters recommend not conducting an environmental audit or creating a traditional business plan to avoid resource waste (Blank, 2013; Blank et al., 2013; Collis, 2016; Fichter, 2015; Ries, 2011). A key benefit and differentiator of lean strategy is that it places all startup energy and resources on monetization model development to minimize the time until sustainable break-even cash flow is achieved, thus lowering the risk of running out of working capital (Ries, 2011).

The next evolution in startup planning is to recognize the value in resource based auditing (RBA) and startup business model design through RAIN driven startup planning. RAIN is a planning paradigm that makes startup planning relevant and meaningful for the founder at time zero.

How Businesses Grow
In order to understand RAIN and how it differs from other startup planning techniques, one must first understand how businesses grow and how their needs change from inception to maturity. Numerous papers and studies have been done on the stages of business evolution. Most researchers agreed that there are between five and seven stages. One of those researchers, James Fischer, conducted a nine-year study of entrepreneurial companies. This qualitative study was conducted in order to understand and decipher the patterns, behaviors, and characteristics of growth in entrepreneurial enterprises. His study demonstrated seven distinct stages of growth in entrepreneurial companies. The stages of growth, as defined in Table 1, were based on interviews with over 700 CEOs (Fischer, 2006).

Challenges and Themes in Each Phase
It is important to recognize the common themes and challenges at each stage of a growing business to better understand the best practices for planning and strategy formation. Planning during early stages necessitates shorter time horizons, greater flexibility, and shortened periods of evaluation and control. Often, the pivots needed in the early stages make year planning ineffective as the business model is refined and improved. It is not until there is a sustainable and scalable model that long term plans (3 to 5 years) are identifiable and useful (Blank, 2013).

Startup Planning and Business Model Design (Stage I and II)

Stage I: Survival. The first stage is about survival, which means obtaining customers and making sales. The challenges include limited cash flow, insufficient capital, and limited labor. In this phase, there are periods of chaos and confusion. Sales growth is
Stage I: Survival. Initial focus is on survival. Sustaining sales momentum and reinvesting earnings are the keys to graduating from this phase.

Stage II: Ramp up. In Stage two, ramping up is the theme. The key challenges still include cash and capital limitations. But now, hiring and leadership challenges come into the mix as well. Identifying and recruiting quality staff while driving sales growth is a heavy burden. Retaining and reinvesting earnings are priorities to prepare for growth.

Traditional Strategic Planning (Stage III-VII)

Stage III: Delegation. Delegating is a vital theme in stage three. This stage is the end of the RAIN startup plan and the beginning of traditional strategic planning. The goal is no longer incubation, but rather acceleration and scale. The key challenges center around the increased staff and their needs. Delegation of authority is important, and business process design is needed to provide new staff with procedures and guidelines. The founder is still highly visible, but now the enterprise is led by a middle management team. Emphasis is placed on establishing core values and corporate culture.

Stage IV: Professionalism. In stage four, the theme is building a professional organization. The key challenges are developing a proper culture, improving project management skills, avoiding employee turnover, and implementing the business processes established in earlier phases. The beginnings of an executive management team form. Longer term planning and forecasting are now priorities.

Stage V: Strategic Integration. In stage five, the theme is integrating. Human capital is the major challenge. The onboarding of new employees is now critical to sustained quality. Growth and scale depend on the ability to scale the staff without impacting customer satisfaction and retention. The ability of new staff to perform is paramount to scaling revenues. Training the team in this stage is imperative. The processes and procedures developed in early stages are tested and refined. A mature business model is now in place and must be maintained and enhanced.

Stage VI: Strategic. Upon entering Stage six, being strategic and purposeful is the theme. The key challenges evolve around staff augmentation and development. Employee retention is critical to efficiency and effectively sustaining growth. Maintaining the culture with the wave of new employees is important. Process and procedures need to evolve, as the growth of new employees and scale make obsolete those that served in the past. A strategic plan that adapts to market change, ensures differentiation, and avoids obsolescence is the key to continued growth and prosperity.

Stage VII: Visionary. In Stage seven, the theme is now vision, and the challenges arise around differentiation, profitability, loss of agility, and responding to changes in the market. In this final stage, an executive management team is making key decisions and implementing the strategic plan. The strategic plan is the tool that is causal to purposeful growth. In some cases, a formal or informal board may be created to assist the founder and executive team in strategic planning (Fischer, 2006).

Unique Elements of the Startup Plan

A startup business plan is primarily unique in that it occurs at time zero of the enterprise. At time zero,
only one decision has been made: the decision to create a new enterprise. Implied in this definition is the reality that, at time zero, there exists no internal environment to audit. Further, in this first stage, the planner is likely to have a limited understanding of the external environmental factors, making the identification of opportunities and threats through SWOT analysis less than rigorous. The frustration with using the SWOT audit at time zero is evident in the testimonials of the practitioner-authored works advising against traditional startup business plans (Blank, 2013; Blank et al., 2013; Brinckmann et al., 2010; Gerber, 2010; Gumpert, 2002; Guttman, 2015). Solving this problem by using the resource-based audit, RAIN, at time zero can improve the creation, adaptation, and implementation of startup plans, and reduce the failure rates of future startups.

The Proposed Theory: RAIN

Risk Analysis for Initial Needs (RAIN), as illustrated in Figure 2, is a new paradigm for startup planning. RAIN is a startup business plan method differentiated by its focus on achieving sustainability and scalability quickly. It has four distinct phases that conducted sequentially and iteratively throughout the Incubation period of the startup life cycle. RAIN incorporates resource based auditing (RBA) at time zero in support of the decision to launch with an executable launch strategy. It is differentiated from other planning models by its foundational resource based audit (RBA, illustrated in Figure 3) and its numerous brief iterations that are meant to be responsive to the needs of a business in the Incubation phase of the business lifecycle. RBA is an auditing method that measures and matches the launch resources necessary with the resources available to identify deficiencies. During the Incubation phase, the founder directs all resources towards creating and validating the business model to ensure it will produce repeatable and scalable positive financial performance. A business model that generates repeatable financial performance guarantees the sustainability of the enterprise.

Business Model Design (BMD) is the first phase. The goal of this phase is to form or create an organization in a purposeful manner. During this phase of startup planning, the founder must deal with administrative decisions such as choosing a legal form, installing a basic accounting system, purchasing necessary insurances, and complying with state, local and federal licensing requirements. The founder must determine what physical space, if any, will be necessary for a successful launch. Through pro-forma budgets, the founder must ensure the initial business model will drive revenues that exceed total cost at attainable initial volume. To develop this initial business model and forecast cash and cost, a decision must be made as to what product(s) and/or service(s) will be offered. The founder must consider the value proposition (VP) of these offerings and how they will be differentiated to induce repeatable purchases. To establish the VP, the founder must identify the market...
segment and customer profile they wish to target at the time zero launch. Further, understanding the VP will allow the founder to establish a pricing strategy, critical to budgeting for sustainability and profitability, at a predicted volume level. Early models should seek to establish a low-risk breakeven point, allowing for learning and innovation to occur without the risk of running out of working capital. Working capital is often referred to as runway, which is actually a measure of time rather than a measure of

<table>
<thead>
<tr>
<th>Factor of Production</th>
<th>Risk Pool</th>
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<tbody>
<tr>
<td>Land</td>
<td>Land Risk</td>
</tr>
<tr>
<td>Labor</td>
<td>Labor Risk</td>
</tr>
<tr>
<td>Capital</td>
<td>Capital Risk</td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>Entrepreneurial Risk</td>
</tr>
</tbody>
</table>

Figure 3: Resource Based Audit Process
distance. Specifically, it is the amount of time within which an organization must achieve positive cash flow while implementing and refining its business model. The design decisions in this phase directly drive the needed resources at time zero that must be identified, acquired, and organized into a functional business.

Environmental Assessment (EA) can begin once the initial business model design is complete. The environmental assessment identifies gaps or deficiencies between the resource needs identified in the BMD phase and the resources available to the Launch Strategy. In the EA phase, the RBA is conducted to identify the resource needs and compare them to the resources available to the founder and their allies. Allies are individuals willing and able to provide key resources to the startup without interest in profit or fee (Gonzalez, 2017a). All resources identified as needed must be sourced from the founder or their allies prior to a positive launch decision. Matching the resource needs with sources is causal to improving the probability of sustainability through the removal of avoidable risk and mitigation of inescapable risk.

The RBA Process
Time zero startup plans must audit, measure, and match the resources necessary with the resources available in order to identify deficiencies. Any gaps constitute risk to the sustainability of the new organization. RBA is used to identify, categorize, and remove avoidable risk and to mitigate unavoidable risk. Risk is categorized during the RBA as either avoidable or inescapable. Avoidable risks are prevented through proper resource provisioning and appropriate decision making guided by the Launch Strategy, a written plan born of the RBA output. Inescapable risks are monitored and mitigated by the founder to minimize their impact on the launch and avoid unanticipated challenges.

RAIN utilizes RBA at time zero to identify avoidable and unavoidable risks associated with deficient or incomplete resources. These risk pools, or gaps in necessary resources, are categorized into one of the four factors of production as theorized by Adam Smith in *The Wealth of Nations* (Smith, 1789).

Examples of avoidable risk include deficient capital, lack of physical space, or inadequate human talents and skills. These risks may be avoided by identifying and acquiring the missing resource. Where resource gaps are identified, a corresponding strategy to mitigate or remove the risk is put in place. Inescapable risks, such as economic downturns or litigation related to unforeseen events such as worker error, are not within the founder’s control and must be mitigated. Specific strategies to remove or mitigate risks are the building blocks for the Launch Strategy in the next phase. Table 2 gives examples of resource gaps, the associated risk types, and a corresponding time zero strategy to remove or mitigate the risk.

Having completed the RBA, the founder now conducts an external analysis in a written form. The external analysis builds on the work found in prior planning models. A review of the competition and a rigorous understanding of the competitive landscape are necessary. The societal opportunities and threats as well as task opportunities and threats should be

<table>
<thead>
<tr>
<th>Risk Pool</th>
<th>Resource Gap</th>
<th>Risk Type</th>
<th>Potential Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Working capital deficiency</td>
<td>Avoidable</td>
<td>Identify lower cost model or raise additional funds before launching.</td>
</tr>
<tr>
<td>Capital</td>
<td>Unexpected recession</td>
<td>Inescapable</td>
<td>Pivot to short-term revenue model that allows for economic sustainability during recovery.</td>
</tr>
<tr>
<td>Labor</td>
<td>Injured worker</td>
<td>Inescapable</td>
<td>Budget for and procure Workers Compensation Insurance.</td>
</tr>
<tr>
<td>Labor</td>
<td>Experienced accountant</td>
<td>Avoidable</td>
<td>Identify and budget for key hire or outsource.</td>
</tr>
<tr>
<td>Capital</td>
<td>Unanticipated legal liability, automobile accident</td>
<td>Inescapable</td>
<td>Budget for and procure commercial auto and general liability insurance: restores asset, provides legal defense and makes third party whole if the enterprise is liable.</td>
</tr>
<tr>
<td>Land</td>
<td>Need initial production space</td>
<td>Avoidable</td>
<td>Budget for and lease appropriate initial location for production.</td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>Fail to reach sales goals</td>
<td>Inescapable</td>
<td>Budget for need to pivot to new revenue model based on early feedback from customers.</td>
</tr>
</tbody>
</table>
documented and considered. Using the methods of Wheelen and Hunger (1998) for the external audit is appropriate and effective.

In the qualitative research conducted by Gonzalez in 2017, allies were identified as being causal to sustainability among the 25 businesses and founders studied (Gonzalez, 2017a). Allies are individuals willing and able to provide key resources to the startup without interest in profit or fee. Access to the resources provided by allies greatly assists the founder in managing gaps in capital, labor, land, and entrepreneurship. Examples include:

- A spouse who provides family income to augment the capital resource.
- A parent who gives time and talent to augment operations and administrative labor resource.
- A friend who gives the venture the first order and refers others in their community to augment sales labor resource.
- A mentor who advises the founder on strategy and day-to-day challenges to augment the entrepreneurial resource needs.
- A brother who offers an office and warehouse augmenting the land resource.

In the 2017 study, Gonzalez found that entrepreneurs with robust allies in their eco-system were far more likely to be sustainable than founders with few or no allies. Identifying and leveraging the allies and their shared resources during the EA process is a key differentiator of RAIN from other planning models.

Once the founder has developed a BMD and conducted an EA, it is time to make a launch decision. Should the EA demonstrate too much risk to sustainability due to resource gaps for which there are no resolutions, the founder should pivot by returning to the BMD process and engineering an alternate BMD. In the alternative, should the founder see an acceptable level of risk, they may make the decision to launch, thus beginning the Incubation Period.

The Launch Strategy (LS) phase begins with creating a list of key activities that support the efficient use of the time zero resources in the creation of the functioning business model, as designed in the BMD phase. In the LS phase, the founder will:

- Create the legal entity
- Procure the key licenses and permits
- Purchase the accounting platform
- Establish a banking relationship
- Inject the initial working capital
- Begin selling activities needed to monetize the goods or services

The Measure & Evaluation (ME) phase follows the completion of the LS phase. During this phase, the founder is learning in real time with each new prospect, sale, and transaction. Measurement of the sales activities from prospecting through close and the key metrics that offer insight into performance against budget is crucial to ensuring that the business is moving in a timely fashion to a repeatable point of breakeven operations. During this phase, the founder may “pivot” by revising the BMD based on learning and discovery. Iterations of these pivots can and should occur until the founder is confident that they have achieved sustainable operations with a scalable business model. Once sustainability and scalability are accomplished, the founder moves the organization into the Accelerator period. Traditional strategic planning is now efficient and valuable; the startup plan is converted into a long-term strategic plan in support of the evolution and scaling of the business.

Applications

RAIN can be applied at the genesis of the enterprise or at Stage 1 in the business growth life cycle (Fischer, 2006), illustrated in Figure 4. This planning system assists the founder in creating an implementable and specific strategy that accounts for all time zero resource needs, including needs related to setbacks or disappointments not normally anticipated by optimistic entrepreneurs (Gumpert, 2002). The resource gap analysis is used in place of SWOT for the startup plan at time zero. The evaluation and control cycle at the end of the Incubation period of planning will then feed into a traditional SWOT audit once a business model that is sustainable and scalable has been established. This transition marks the beginning of the Acceleration period and Stage 3 of the business life cycle.

Business planning and business life cycles can be categorized into two distinct periods. The first period is the Incubation period and is made up of two distinct stages. These stages are the aforementioned Survival and Ramp up stages. During these stages, RAIN is the appropriate planning model. RAIN assists the planner in focusing on the strategies that ensure survival and prepares the business to scale. Innovation, creation, and learning are the dominant activities during the Incubation period. During Incubation, “survival” and “ramping up” revenue are the most important objectives, driving all strategy and determining how resources are invested. Developing a BMD to support repeatable sales and growth is the priority for the founder during the first two
stages. Demonstrating sustainable and repeatable sales momentum is the key to graduating from “Incubation” to “Acceleration.” Once the founder believes the newly formed enterprise has a model that is both sustainable and scalable, the business can transition into the Accelerator period, where more traditional strategic planning techniques and SWOT based auditing are useful and effective.

**Benefits of Using RAIN**

The benefits of using RAIN are significant. With RAIN, the entrepreneur has the means to design a business model and fit it to the resources available at time zero. The RBA tool within RAIN ensures that no resource will be overlooked or underutilized. Further, it expands traditional planning by including the power of identifying and engaging “allies” to expand the resource pool without consuming capital. The RAIN Launch plan is written specifically to meet the needs of a Stage 1 launch, including many one-time activities such as initial capitalization, legal formation, and conformation of a sustainable entity. RAIN improves the value and usefulness of planning for the entrepreneur, which enhances the likelihood that the founder will utilize the launch strategy in a disciplined approach.

It is expected that the sustainability rate of new ventures will increase measurably with the use of RAIN. A thorough understanding of the time zero resource needs and availability will support launch decisions. The RAIN model will assist the founder in removing all avoidable risk and mitigating any inescapable risk. The expectation is better design of time zero business models as a result of complete and responsive launch strategies that remove distractions, and focus on achieving sustainability and preparing the enterprises for scalability. RAIN is a paradigm shift for organizations in the Incubation period of the business life cycle.

**Example of RAIN**

Trajan Rodriguez is a recent college graduate and aspiring entrepreneur. What follows is an example of how RAIN was applied to create a startup business plan for this young entrepreneur. Trajan, or Trey to his friends, has a passion for fishing. Early in life, he established an important ally, his former youth sports coach, who is a professional guide in the Tampa Bay area. Trey worked as a mate while in school and honed and developed the skills needed to establish his own practice as a licensed guide. Trey trained for and earned a captain’s license during his senior year of college. He then wanted to set a path for turning his passion for sport fishing into a sustainable business. The process began with Phase 1, business model design, as summarized in Table 3.

**Environmental Analysis**

The next phase of the RAIN process, Phase 2, provides an assessment of the environment and an audit of available resources. Key elements of this process involved identifying resources supplied by the founder and key allies, as summarized in Table 4.

**Ally Identification**

A critical element of the RAIN process is identifying allies willing to share resources with the entrepreneur. In our example, the key allies that could be identified in advance were as follows.

- **Parents:** Agreed to assist with income needs by providing room and board and food during the startup phase. Further, would assist in identifying customers and prospects through existing relationships and postings on their own social media accounts.

- **Corporate Sponsor:** Owner of “Team MCS fishing” agreed to allow the use of key assets such as the Sheaffer 24’ bay boat with tower and 18’ Beaver Tail Skiff. Boats are housed at Tampa Bay Harborage on Hula Bay in South Tampa. Access to the Marina which has a bar/restaurant for clients and parking for small groups. Will also hire for high profile tournaments where professional guidance is desirable.

- **Captain John:** Former youth coach and mentor agreed to assist with advising and referrals for trips he cannot accept. Will also sub-contract to the start-up when more than one boat is needed for a tournament or corporate outing.
Table 3: RAIN Phase 1: Business Model Design

<table>
<thead>
<tr>
<th>RAIN Phase 1: Business Model Design</th>
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<tbody>
<tr>
<td><strong>Product/Service:</strong> The business would provide a turnkey fishing experience on or near the water of Tampa Bay for clients interested in a fun, safe, and relaxing day catching species indigenous to the Tampa Bay estuary.</td>
</tr>
<tr>
<td><strong>Value Proposition:</strong> Using only the finest of equipment including, but not limited to: the boat, tackle, and amenities for a fair market price, the clients could expect a fishing adventure that would be a five-star, memorable experience that guaranteed a safe and fun adventure.</td>
</tr>
<tr>
<td><strong>Model Differentiation:</strong> To set himself apart from other guides, he would guide in a professional quality tower bay boat with all of the amenities necessary to ensure a safe, comfortable, and productive day. His clients would be provided only the best fishing equipment and it would be impeccably maintained. He would offer flexible start and stop times to meet the customer preferences. Lastly, he would use his skills to ensure the client would have a memorable experience catching more and larger fish than a normal day on their own. Lastly, he would project a clean and professional image in delivering his service on the water.</td>
</tr>
<tr>
<td><strong>Market/Customer Identification:</strong> He would market to friends and families to establish an initial customer set. Further, he would seek corporate sponsors seeking to entertain clients. Lastly, using social media, he hoped to identify tourists and new prospects looking for an occasional trip. He realized earning repeat business would be crucial to developing a sustainable practice.</td>
</tr>
<tr>
<td><strong>Margin and Pricing Analysis:</strong> He was aware of the market pricing from his days mating for other captains as well as from surveying the many other guides who readily advertise their rates and fees on their websites. He had decided to price at the market initially.</td>
</tr>
<tr>
<td><strong>Capitalization:</strong> Ideally, he would want a professional grade tower bay boat and a technical skiff in order to offer the options needed based on the season and client desires. Further, he would need a variety of reels, poles, nets, and terminal tackle to have a successful start. Lastly, a full-service luxury marina with a restaurant, fuel, on-site repair, and launch would be the proper home port for his startup. A truck and trailer would be ideal, but they could be rented or borrowed initially without impact to the customer experience.</td>
</tr>
<tr>
<td><strong>Legal Organization, Accounting, And Administration:</strong> He decided to go with a sub “S” corporation to take advantage of the benefits of limited liability and minimal federal taxes. He would also need an occupational license and his captain's license to comply with local and state governmental regulation.</td>
</tr>
</tbody>
</table>

**Competitive Landscape**

With the improving economy, the market is healthy. Competition is made up of full-time businesses with one or more boats and employees—often well established and known for effectiveness. Further, many small and part-time operators operate part-time businesses, especially flex schedule employees such as firemen. Often their rates are lower, and they typically own recreational grade boats and operate from public boat ramps. Offshore captains have recently started working inshore due to excessive regulations by the state that limit the harvest of many desirable species, making offshore fishing less attractive to the customer.

**Other Environmental Factors**

A variety of other environmental factors also needed to be considered. These included the following:

**Societal Opportunities:**
- The advent of social media and web-based marketing creates an affordable way to advertise and develop a clientele.
- The economic recovery means consumer confidence has rebounded from the second great recession, creating a robust consumer market.

**Societal Threats:**
- State regulators continue to restrict the harvest of non-commercial fishing, making it less attractive for the recreational angler.
- Current IRS law does not allow for the expense of fishing for clients, only as an employee benefit, making sport fishing more expensive than other corporate events.
- Fuel prices are volatile, and the cost of fuel can greatly impact profitability.

**Task Opportunities:**
- Millennials are focused on purchasing experiences over tangible goods.
- Numerous corporate sponsorships can be earned for guides regularly on the water and visible in local tournaments.
- Many competitors are in the baby boom generation and will be retiring.
- Organizations such as the CCA advocate for and support the sport fishing industry.
- Many charities organize tournaments for fundraising.
Table 4: RAIN Phase 2: Environmental Assessment & Resource Based Audit

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Resource needed</th>
<th>Founder</th>
<th>Ally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Marina, Restaurant, client parking, on-site repair</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Office for keeping records and conducting administrative and accounting work</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Labor</td>
<td>Marketing, sales, social media management</td>
<td>☑</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accountant and administrative work</td>
<td>☑</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Captain, guiding, equipment and vessel maintenance</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>First mate</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Capital</td>
<td>New or like new fully equipped bay boat</td>
<td>☑</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New or like new technical Skiff</td>
<td>☑</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fishing equipment and terminal tackle</td>
<td>☑</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Truck and Trailer</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td></td>
<td>Website and social media hosting</td>
<td>☑</td>
<td></td>
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<tr>
<td></td>
<td>Accounting and administrative hardware, software, and supplies</td>
<td>☑</td>
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<tr>
<td></td>
<td>Twelve months’ runway capital for payroll and fixed cost</td>
<td>☑</td>
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<tr>
<td>Entrepreneurship</td>
<td>Desire for autonomy</td>
<td>☑</td>
<td></td>
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<tr>
<td></td>
<td>Vision for the enterprise</td>
<td>☑</td>
<td></td>
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<tr>
<td></td>
<td>Passion to succeed</td>
<td>☑</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drive to overcome obstacles</td>
<td>☑</td>
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</tbody>
</table>

**Task Threats:**
- Environmental special interest groups oppose the use of the fishery and waters because of negative impact on the environment.
- The market is very cyclical as tourism, private consumers and corporate entertainment are sensitive to economic conditions.

Upon completion of the audit and identification of sufficient resources to ensure a successful launch, the decision to launch the enterprise as of May 1, 2017 has been made. The Launch Strategy in Phase 3 as summarized in Table 5 shall be conducted.

**Discussion**

RAIN is used to develop a time zero strategy that is quantifiable, measurable, and actionable. RAIN is supported by two existing theories, Goal Setting Theory (GST) and Resource Based Theory (RBT). GST, as explained by Locke and Latham’s book, refers to the positive impact on performance, driven by the setting of goals. Researcher Edwin Locke found that individuals who set specific and difficult goals performed better than those who set general and easy goals (Locke & Latham, 1990). RAIN requires the planner to set specific time-driven goals that are causal to sustainability achievement prior to
Resource Based Theory asserts that firms lower their risk of failure through the creation of competitive advantage (Miles, 2012). RAIN focuses the planners on the identification of resource needs and the acquisition of those resources at time zero. These two theories are consistent with the focus and purpose of RAIN.

RAIN is unique as a planning tool, in that auditing is not the first activity. The first activity is conceptualizing the business design by designing a model that identifies specifically what your product or service will be, how it will be differentiated, and who will be the target market. With an initial business model in mind, the founder then conducts the environmental assessment. The resource based audit is conducted along with an analysis of competitors, potential allies, and societal and task opportunities or threats. It is likely that the resources needed will not be readily available on the first design iteration. In response to resource gaps, the founder can choose to either modify the design to better fit the resources available, or seek out an ally to resolve the resource deficiency. After this iterative process is complete, the hope is that there will be a well thought out business model and confirmation that the needed resources are available. The confirmation of a fully resourced business model results in a decision to launch.

Upon making the decision to launch, the third phase of RAIN must be completed. The launch strategy is a sequential list of actionable items, organized as a timeline, that is necessary to form the new organization and begin operations. Almost immediately, the founder is learning and adjusting in order to optimize the business model. This iterative process continues until the founder is convinced the model design is sustainable and scalable. Having achieved a sustainable and scalable model, the founder is now ready to enter the Accelerator period and introduce traditional business planning. In the stages associated with the Accelerator period of the business lifecycle, the emphasis turns from survival to scale and growth, indicative of a successful launch. The RAIN paradigm differs greatly from traditional business planning. In traditional planning, auditing is the initial activity, and the goal is identifying strengths, weaknesses, opportunities, and threats with growth as the purpose.

RAIN is also differentiated from “Lean strategy” or “Lean Canvas” in that it does not overly rely on excess capital and ignore the fundamental elements of founding a business, such as legal creation, licensing, accounting system formation, and external environment assessment.

Lastly, RAIN recognizes the role and necessity of allies in the startup plan and formally seeks to identify them and leverage their available resources. Traditional strategic planning and Lean planning do not recognize or target allies in developing the initial business model.

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Goal Date</th>
<th>Duration (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiate terms with ally for use and shared cost with respect to the two boats and marina access.</td>
<td>May 1, 2017</td>
<td>1</td>
</tr>
<tr>
<td>Incorporation and filing for sub-chapter “s” status.</td>
<td>May 1, 2017</td>
<td>5</td>
</tr>
<tr>
<td>Establish website and social media presence, and grand opening marketing campaign of direct sales.</td>
<td>May 2, 2017</td>
<td>10</td>
</tr>
<tr>
<td>Set up QuickBooks and initial budgets to track reoccurring costs and revenue to ensure a budgeted path to sustainability is likely.</td>
<td>May 2, 2017</td>
<td>5</td>
</tr>
<tr>
<td>Seek sponsors through direct sales to offset operating costs and establish credibility as top tier guide service.</td>
<td>May 15, 2017</td>
<td>5</td>
</tr>
<tr>
<td>Establish bank account and means to accept credit and debit cards.</td>
<td>May 15, 2017</td>
<td>1</td>
</tr>
<tr>
<td>Purchase occupational license and assign captains license to new entity.</td>
<td>May 15, 2017</td>
<td>1</td>
</tr>
<tr>
<td>Install signage at Marina with contact information and develop and distribute a brochure which explains service, cost, and reservation instructions.</td>
<td>May 16, 2017</td>
<td>10</td>
</tr>
<tr>
<td>Insert initial working capital into banking account and procure gear and tackle as needed.</td>
<td>May 16, 2017</td>
<td>2</td>
</tr>
<tr>
<td>Search for additional allies to act as informal sales team and reference sources, with emphasis on sales professionals whom entertain clients and staffs frequently.</td>
<td>May 21, 2017</td>
<td>10</td>
</tr>
</tbody>
</table>
RAIN’s greatest vulnerability is that it is an untested business innovation. No matter how carefully the model is designed and resourced, it must still pass the empirical test of the consumer. RAIN will not guarantee the founder graduation to the Acceleration phase; it can only signal to the founder when graduation is appropriate. RAIN is not a conceptual scheme like “Lean Strategy” that works in a narrow sector under heavily capitalized launches. RAIN is applicable to all industries, sectors, and ventures. Its broad design can be a burden to an inexperienced entrepreneur who does not fully understand business model design and may not see all the resource gaps or fully anticipate customer’s preferences.

**Conclusions**

The complete model, shown in Figure 5, demonstrates how the RAIN planning model transitions to traditional planning as the enterprise successfully advances through the life cycle stages of a business. Using the RAIN model, the founder can measure and plan the Land, Labor, Capital, and Entrepreneurial resources needed prior to launching the initial business model. The founder compares the resources needed to the resources under their control, identifying any gaps, which represent a potential risk. Further, the founder identifies and includes allies in order improve the time zero resources of the startup. The founder then develops specific strategies to fill the gaps and avoid or mitigate the avoidable or inescapable risks. These strategies become crucial elements to the time zero launch plan. During stage 1, the founder is focused on creating a strategy that ensures survival by validating that the business model will begin to generate positive cash flows well before the initial working capital is depleted (Fischer, 2006). The decision to launch is triggered once all avoidable risk is removed and all inescapable risk.

![Figure 5: Business Planning Models & Life Cycle](image-url)
is identified and mitigated with a specific strategy or contingency plan. Upon launching, the business cycles through rapid iterations of environmental assessment, looking for improvements that can be made to the business model. Only upon validation that the model will generate repeatable and scalable revenues does the founder transition into the Acceleration period and employ traditional strategic planning to scale and grow.

References


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This article was accepted under the constructive peer review option. For further details, see the descriptions at: http://mumabusinessreview.org/peer-review-options/

**Author**

**Gilbert Gonzalez** is founder and president of Mission Critical Solutions, Inc., a leading-edge technology solutions provider, and a two-time finalist for the Greater Tampa Bay Chamber of Commerce Small Business of the Year. In 2005, Gonzalez was named the Small Business Person of the Year for Florida by the U.S. Small Business Administration. He is a frequent lecturer at business forums and, in addition to his service at MCS; Gonzalez has published software and case studies related to strategic management and business policy. He received an MBA from University of South Florida (USF) in Tampa, FL, doing so with honors and with concentrations in management of information systems and economics and is currently completing his DBA at USF.