

Business Plans - Have You Ever Seen One That Worked?

by Jim Stewart

Well have you? Personally, I'd say "Yes, but..." But what you may ask? Well, firstly the business plan wasn't written from the back forwards. In other words it wasn't written as a result of a statement like "We need to get \$X thousand/million from the bank/lenders." Secondly, it wasn't written because someone (I hope it wasn't a consultant) said "A small business of our size should have one." Thirdly, once written it wasn't put on the shelf and forgotten for the rest of the year. And, finally, no one expected things to happen exactly, and I mean exactly, the way the plan predicted.

A business plan that starts with a look at what's going to happen in the industry and then at how the competition are positioned, helps highlight opportunities and threats. Combine this with an honest assessment of the small business's own strengths and weaknesses and you're on the way to developing a fairly logical strategy. Using that to develop three financial forecasts -- a "best case", a "worst case" and a "most likely case" helps keep people's feet on the ground. It also helps if the assumptions made in each case are carefully recorded. Compare this approach to starting to write a plan knowing what the final financial numbers have to look like and you can figure out, fairly quickly, which of the two plans is most likely to "work."

A good reason to write a business plan is to figure out the answer to a question - like "What would we have to do to increase our profits in each of the next 3 years?" People will be more motivated to approach the process in a logical, thoughtful way than if we're doing it because "we should have one." Part of the answer is working out what the small business will have to do -- for example buy plant and equipment, add people, and change the way things are done. Those things would probably be written down somewhere anyway -- with, once again, all of the assumptions made -- so why not put them in a plan? If the money we'll have to spend and the people we'll have to hire are related to the increases in profits they'll help to generate, it becomes easier to see them as investments instead of expenses.

Plans that work are dog eared. Why? Because they're pulled out regularly and reviewed. During the planning sessions the "big" goals -- increase sales by \$500K -- are broken down into smaller actions -- introduce a new product, hire new sales people. Action plans -- with SMART (specific, measurable, attainable, realistic and time related) objectives -- are developed and written right into the business plan. Someone is designated as the "champion" for each action. She/he is responsible for getting it done. It's easy to check, for example once a quarter, whether well defined actions like these have been completed. At the same time actual developments in the economy, industry and marketplace are compared to the assumptions and the strategy updated. Financial results are compared with the forecasts and adjusted if necessary. These are "no blame" sessions -- if there are performance problems with some individuals they're dealt with separately -- just an opportunity to update some projections with reality.

Why aren't these guilt filled, finger pointing sessions? Because the people who did the planning know that they can't predict what the weather will be tomorrow, what the stock market will do next week or how their favorite sports team will finish the season. They measure how well their business plan has worked by how close their estimates came to reality. If any of us could exactly predict the future -- well, I wouldn't be writing this and you wouldn't be reading it.

I tell myself that one of the advantages of getting older (there have to be some surely) is that you gain a lot of practical experience – both good and bad. A couple of the things I've noticed, along the way, are related to business plans. Firstly, the companies that I've been involved with which had good business plans always made more profit than those which didn't. Secondly, those small businesses hadn't written their plans to meet some predetermined outcome; they'd written them to help answer key questions affecting the future of the company. Finally the owners had a realistic approach to forecasting the future and, most importantly, they made their plan come to life.

© Copyright ProfitPATH, a division of JDS & Associates Inc., 2005

This article has been published in:

["The Voice", the newsletter of the Markham Board of Trade, November 2005](#)

and on:

http://www.workz.com/content/view_content.html?section_id=523&content_id=6857

<http://ezinearticles.com/?id=148732>

<http://www.profitpath.ca/article-detail-207/>