

So how's the business plan coming along?

You know you should have a business plan, but.....

All small business owners know they should have a business plan, all the books say so, all of your industry associations tell you it's a good idea, the bank manager drops it into conversations, etc. Of course now that you have an established business and are making a profit each year it isn't as important to have a plan, right?

Well, not really.

A business plan isn't to keep other people happy, and it isn't just for start-up companies. A business plan is a well thought out approach to growing and maintaining your business. It's the way that you are going to take on your competitors and win, it's the way that you are going to identify and develop new products and new markets. It's the way that you are going to increase revenue and reduce costs. Above all it's the guide that will help you make all of the major decisions that you face.

An ongoing process

Many small business owners will create a business plan when they first start their business, and that is important. But it is also important to maintain the plan. A business plan is a living document, it's a high level summary of how you want to grow and develop your company. As such it needs to be reviewed whenever something about your business changes, whether it is a change that you create – a new product, a new store, etc; or whether it is a change that is forced on you – a new competitor, changes in regulations, etc.

Small business owners need to constantly be thinking about how they can best benefit from the situations that they find themselves in, and the business plan is a critical component of that. Think about the life of a business as a road trip – as you drive there are going to be problems and opportunities that occur – heavy traffic, construction, short cuts, etc. These will affect the trip in unavoidable ways, but they can all be overcome as long as you know where you are going – and that's where the business plan comes in – it provides the ultimate destination and the major route markers along the way.

Business Plan vs. Strategy

To continue the road trip analogy, the company's annual strategic plan handles the 'how' of the road trip. It identifies the way that you get to each of the route markers after you have to react to the problems that occur during the journey. The annual strategy is important, but you can't rely on it without a business plan – how do you know that you are focused on the right priorities if you don't know where the ultimate destination is?

Many small companies will not have a formal business plan or a strategic plan, the argument being that they aren't big enough to worry about them, they just work hard at what they do and try and move forward. I believe that is a short sighted view - without innovation this world would never move forward and it's hard to innovate by blindly doing what you have always done.

So how can small companies plan accurately and effectively?

Let's start with the basics – a business plan is for you as a small business owner, it isn't for your bank manager or for your staff (although they may have valuable input). The business plan is your vision of where you want your company to go. A good business plan will cover the next 3 – 5 years and will outline the key achievements that will indicate that you are on the right track towards achieving your goals. A business plan doesn't have to be a huge document, it can simply be a handful of bullet points summarising what you are going to achieve in each year of the plan – what's important is the thinking that has gone into producing those bullet points.

The biggest challenge that many small business owners face is coming up with realistic plans. How do you come up with something that is achievable, but not too conservative, or how do you avoid setting impossible goals? There is no simple answer – after all you are trying to identify where you want to be 5 years from now, but the good news is it doesn't matter. The dirty little secret here is that you are never going to get 5 years deep into your business plan.

I said right from the start of this article that a business plan is a living document. It needs to be maintained, it needs to adapt to changes and it's unrealistic therefore to think that you can leave it alone for years and still achieve your goals. What you should be doing is reviewing the plan on at least an annual basis and making changes to it. That doesn't make it a one year plan though. You don't drive a car looking no further than the end of the hood – you look ahead and plan for what's coming up and the business plan is exactly the same.

By looking several years ahead you are keeping your vision in the medium to long term and making decisions in the short term that will help you to achieve those goals.

Supporting the plan – the strategy

The business plan helps us to identify where we are going, but how do we get there? That's where the strategy comes in. All companies should undertake an annual strategic planning exercise to identify which major initiatives you are going to undertake over the next 12 – 18 months to help achieve the goals of the business plan. You know where the company should be in 12 months in order to keep the business plan 'on track' and you now need a strategy to get there.

It's obvious to say that the business plan isn't going to achieve itself – you need to take positive steps to achieve the goals that you set out, but in any given period you only have a finite amount of resources to commit to strategic initiatives. It should be noted that this isn't just financial resources, time and people also factor into this. The strategic planning exercise establishes what you will commit those resources to, and this is where you lean heavily on the business plan. Hopefully no one makes a major commitment to their business without thinking "How will this improve my business?", but I suggest that you need to change that question to "How will this help me achieve the goals of my business plan?" Ultimately that should be the deciding factor in choosing your strategic initiatives.

If your business plan is solid then you should be comfortable that the strategic initiatives that you are committing time, money and effort to are helping you to achieve it. Of course that doesn't mean that you can sit back and relax. You need to make sure that the projects that you are committing to are achieving the results that you expected – are the costs and timelines being met, are the expected benefits being delivered, etc. If not, you need to be prepared to stop and change direction, and that brings us back to the business plan.

Closing the circle

So you now have a business plan, you have a strategy for the next 12 – 18 months, and you are monitoring your projects to make sure that they are delivering the results that you expect. You now need to circle back to the business plan and see how it needs to evolve. Over time you will see real benefits from the projects that you approve as part of the strategy exercise, some will be better than expected, some will be worse; some will deliver early, some late. Regardless of the outcome it will have an impact on the business plan – at the least you need to validate and tweak the timelines, at most there may be additional or different opportunities open to you. Additionally you need to keep pushing your business plan further out to keep the 3 – 5 year window.

Never forget, it's your company – you get to decide how it grows and evolves. You need to be realistic about what can be achieved in your geographic and competitive market, but you should never let anyone tell you what you can and can't achieve. Build a solid plan, a strategy to achieve it, and stay on top of everything at all times – nothing can stop you, except you.

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