

7 Secrets of Successful Business Planning

Creating a roadmap for your business may be your key to growth and success, but many entrepreneurs don't do it right – if they have the mettle to do it at all

Most business entrepreneurs consider business planning the broccoli of business ... good for you, for sure, but who has the stomach for it? Planning doesn't come easily to many entrepreneurs, who find it hard to set aside the daily grind of business to look into the future. Experts say that less than 38% businesses (less than \$5 million in sales) have a formal business plan that contains such elements as a market assessment, competitive assessment, a strategic plan and financial projections.

Many new business start-ups have no business plan (less than 1 in 5 do have a plan). Entrepreneurs get so excited about their idea that they charge ahead without a plan. Most entrepreneurs who achieve some success get there through street smarts and gut feel. They haven't had to worry about formal business-planning process. What made them successful may not guarantee their future success. You can only run your business for so long by gut feeling. At some time you have to plan where you are going and how you will get there.

Simply put, a successful business plan is a roadmap for continuous improvement that describes the business's strengths and opportunities, sets goals for the future and defines the steps needed to reach those goals.

Most experts agree that the value of business planning lies in the planning process itself, not in the resulting plan. Sound business planning enables you to step back and contemplate the big picture issues, refine goals and determine they will be achieved. The process of defining your business and its future subsequently helps you articulate your vision to potential investors, financial backers, suppliers, employers with purpose and confidence. For potential investors or lenders, planning shows you are committed to your success. It shows you have some experience and understanding of what it takes to make a business successful.

To help you plan more productively, here are the experts "seven secrets" to making your business planning process easier, more effective and more successful.

1. Shorten your planning horizon

With the whole world changing at breakneck speed, the traditional five year plan has become almost obsolete. Nobody has any idea what their company will look like in five years. Consider making your vision timeline three years max. You can have great vision and a fantastic strategy, but unless you can connect the dots between where you are today and where you want to be, you increase the possibility that you will fail. Visualize what you want your business to look like in three years, and then identify the four or five crucial strategic objectives that must be accomplished to make your vision a reality. If the period of time is too long between where you are today and where your vision is, the more likely you are not going to be able to achieve it – at least, not the way you set out to achieve it.

2. Mind your metrics

If you can't measure it, you can't manage it!

Many businesses that alter their strategies don't change the way they measure results. You keep getting what you measure.

Take the time to think through how you can capture the data you need. Just about everything can be measured. Measuring your market is crucial. Ask customers how they heard about your business and the more detailed the better. Knowledge is power. Monitor the right information and your plan will have a greater chance of being successful.

3. Increase your planning frequency

Once your two or three year plan is in place, meet with your core management team at least quarterly to review where you are and what to do next. There's a big distinction between doing your planning only on an annual basis and doing it quarterly. When you review your plan every three months it

literally becomes such a small work effort that it doesn't really feel like planning anymore. Once you have a road map, quarterly meetings with the right decision makers will enable you to assess how things are going and realign targets to adapt to each new business situation.

4. Write it yourself

This is probably the one element of your business you'd love to pawn off on a consultant. But now is not the time to sharpen you're your delegating skills. This is your business ... to understand this plan inside out, you need to create it yourself.

Aim for a ten page plan – short enough that it might actually be read, but long enough to include such features as an ...

- Executive Summary (highlighting the body of your plan, and written last)
- Description of your products and services
- Marketing Plan (how you will get your product in front of customers, price point, distribution and competitors strengths and weaknesses)
- Financial Plan – keep this simple. (a projected income statement and cash flow projections are fine)
- Human Resources Plan (are you going to hire, outsource??)
- Technology Plan
- Operations Plan (how will this business function, who's responsible for operation??)
- Management Team
- Appendices (at the end - include such things as stats from last fiscal year that support your new plan)

5. Rally a planning posse

Entrepreneurs who keep their cards close to their chests, not revealing their plans to anyone, do so at their own peril. Successful entrepreneurs build trusted groups – inside and outside the company – with whom they can consult and share ideas. Planning is hard to do on your own because you do get so caught up in the business. You need people who will challenge you and hold you accountable. That is a tremendous advantage.

At the least, make sure someone you trust outside of your company reads over the plan. Give it a test drive. Find a friendly banker or someone you know whom you are not approaching for money to read over your plan. Ask a colleague who's an accountant or lawyer. Constructive criticism from the right people can spark new ideas, spot questionable assumptions, point out sloppy market research or identify potential holes in your financials.

If you can't find volunteers, there are lots of consulting firms that can help organize your planning process on an ongoing basis, or maybe just come in for a day to help you organize your planning process and your objectives.

Include rank and file employees on your planning team – but not necessarily on the big picture stuff. If you are doing high level strategic planning, for instance, you need the power group – the people who can actually make the decisions – to shape the company. As the decision making process form strategic to tactical, you can bring in the ands-on people who really know what can and can't be done.

6. Consider the negative

Many entrepreneurs are not looking at the downside of missing their numbers. By nature entrepreneurs are optimists, so when they are putting together a projection, they tend to not include a downside. A possible solution is to prepare two projections – one being realistic, the other assuming that you'll miss your goals by 10%. That allows you to think through the financial impact of not hitting your target, giving you a chance to consider your options long before the situation turns critical.

If you want to be really thorough, consider three versions: best case, worst case and probable. Your worst case scenario would outline what you would do with very little money and longer timelines – there by ensuring that if the worst happens, it won't take you by surprise.

7. Get the message out

Once you've dreamed big, analyzed your strengths and opportunities, crunch the numbers and set your goals, it's time to share this kick-butt plan with everyone on the team. Letting all stakeholders see the road ahead will make success that much more attainable. The best advice for introducing your plan is to tell your people what the future holds, and then let them figure out how to play their role.

A 2006 Business Survey (Profit/IQ Partners) of 400 business executives revealed that 77% of high performing firms regularly inform their workers of their strategic objectives and targets. These leaders know it is crucial to let their people know where the business is going and how they fit into the picture.

When your employees feel a sense of ownership about the future, you'll be amazed by what they will be willing to do for you.

The Three Worst Mistakes of Business Plans

1. The "born again" plan

If your firm plans a yearly off-site extravaganza where the sky's the limit for ideas, it's time to re-think. These meetings aren't really based in reality, so employees just throw out ideas that will never be implemented. Everyone feels excited and pumped up, and then they just go back to the office and continue doing their jobs. Off-site meetings at plush centres or weekend retreats can be great morale boosters or help employees get excited about new products or strategies. But it's unrealistic and possibly counterproductive to ask staff to brainstorm ideas that have little chance of being implemented.

2. The plan nobody understands

The tone and language of your planning documents can inject your strategy with excitement and power, or bury it in a mind-mush of jargon and doublespeak. It may be a challenge, but try to use clear, simple language and avoid meaningless terms such as "think outside the box" and "competitive dynamics". Keep your analyses short and your proposals to the point. Simple, clear language will benefit the range of people, from employees to potential investors, who will need to be able to understand [the plan] and have it mean something. It will also increase your chances of reaching your goals because clarity means accountability. If there's wiggle room, people will wiggle.

3. The plan with no pulse

Turbocharge your plan by making it a living, digital document, always accessible by all your key people. Keep it connected to reality with links to current projects and status reports. Once online, your plan can always be consulted and tweaked. But having people refer to it and update it constantly will keep the plan top of mind, and ensure that strategy drives your business growth – not just the latest random opportunity. Many entrepreneurs only draw up such documents when they think they need it to get funding. They're really not using it to map out where they need to go.

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