

## Why You Need a Business Planning System NOT a Business Plan

When someone mentions business planning we have been conditioned to think about writing a business plan. There are hundreds of books and articles, tons of software, an army of consultants, and a multitude government programs to help you write a business plan. There are virtually no resources to help you set up what today's business environment really demands – a continuous, ongoing planning system.

A commonly accepted theory is that for a business to survive and prosper it must be flexible and nimble. It must be able to turn on a dime as conditions warrant. Having a written five-year plan is not part of this picture. In fact, trying to follow a long-term plan during rampant change is not logical. It is applying linear thinking to a non-linear situation. It just doesn't work.

Having a formal, written business plan is so accepted as being crucial to success that there haven't been many studies or surveys to test this premise. If business plans were such a wonderful thing, there would be a significant and conclusive difference between businesses that have them and those that don't. Interviews of 100 founders of companies on 1989s "INC 500" list of fastest growing private companies in the U.S. found only 28 percent had "full-blown" business plans. The 1993 AT&T Small Business Study found that 59 percent of small businesses that grew over the previous two years used a formal business plan. A 1994 survey of the country's fastest growing companies found 23 percent lacked a business plan. "The Relationship between Written Business Plans and the Failure of Small Businesses in the U.S.," by Dr. Stephen Perry, surveyed 152 failed and 152 non-failed small businesses in 1997. He found that 64 percent of the non-failed firms had no written business plan. He also found that non-failed firms had more extensive written plans than failed firms, 23 percent compared to 9 percent, respectively.

As you can see the results of studies and surveys are all across the board and don't prove anything. Clearly, a significant percentage of successful businesses don't have written business plans. None of these studies reveal the nature of the process that created the plan. Was it the result of an annual process with occasional updates or an ongoing, continual process? As Professor Albert Shapero said, "Companies that plan do better than companies that don't, but they never follow their plan."

The focus needs to be on the PROCESS not on the plan. If a continual, ongoing planning process is in place, a written business plan is just not important. Writing a business plan without a planning system in place is a massive effort that is done very infrequently. Many businesses write three to five year plans and update them annually. The plans are reviewed periodically during each year to analyze the plan vs. actual variances. Little, if any, thought is given to strategy between the annual updates. Strategy should be the focus everyday. Setting up a planning system allows and sometimes forces you to focus on strategy.

A planning system consists of two functions. One is a goal setting and attaining process and the other is a trend watching or environment scanning process. Setting up a planning system takes several steps. The first and foremost task is to set aside or make time for planning on a regular, ongoing basis. It must become part of your routine, not an occasional event that can be easily postponed. In the evaluation phase, the owner or management team and the company are analyzed. From the analysis, key or critical areas of the business are identified. These areas are filtered down to focus on the most important ones. Performance measures are determined and systems to gather and process the necessary data are set up, if needed. A base of current performance is used to set goals.

Now the regular, ongoing stuff begins. Strategies are formulated, tested, implemented, monitored, and reworked until the goals are achieved. Each planning session is split between working on strategies and trend watching. As goals are achieved, the goal setting and strategy formulation process begins again.

Let's put the focus back where it belongs on continuous, ongoing planning instead of writing business plans. As Karl Albrecht said in his book *Corporate Radar*, "The majority is not always right, the conventional wisdom is not always wise, and the accepted doctrine could well be flawed. The more fashionable an idea, the more it is likely to be exempt from critical evaluation. Breakthrough thinking sometimes calls for contradicting the most widely held assumptions and beliefs."

## About the Author

For More Free Resources visit [www.oversightsystem.com](http://www.oversightsystem.com)

Source: <http://www.articletrader.com>