



Why Bother With Business Planning?

I have been working with a number of clients on their annual business plans for the 2015/16 financial year. Even though this is written for the September edition, I thought it might be useful for readers to reflect on what planning activity, if any, that you have undertaken and how valuable in hindsight that it might be....

I don't think that there is any doubt that a business plan is critical for a new business. I also think that an annual business planning exercise is vital for large businesses, if only as a communication tool for employees and external stakeholders. As a numbers oriented character, I would also accept that an annual budget has some uses. However, at the risk of upsetting management consultants, I think that the "annual business plan" is over-rated for successful small businesses.

Let's assume that the business is well established and that:

- the business is achieving some success;
- there are no structural changes to deal with; and
- the original business plan has been maintained as the "big plan".

What then is the benefit of spending significant time, energy and paper on a plan for the next year?

I asked Dr Google to search for variations on the theme of "benefits of annual business plans for small business" to ensure that I wasn't missing something. Here are the common themes that emerged and my interpretation for practical application:

Benefit	Application
1. Overall guide to strategy and goals to maintain focus	This is the core rationale for why a new business must have a business plan and I am assuming that this is addressed by the "big plan".
2. Managing financial performance to achieve profitable returns	An annual financial budget, supported by non-financial measures and regular monitoring, achieves this benefit.
3. Enhancing employee performance by enhancing engagement with the business	Helpful for larger businesses but not required in small businesses as long as there is a regular commitment to quality communication with the team.
4. Provides confidence for decision-making	This benefit should be delivered via the guidance in the "big plan".
5. Determines priorities for growth and development	Now we are on to something valuable.....



If your business is stable, you are comfortable with the status quo and your “big plan” provides guidance then I think the annual business planning process can be limited to a critical review of the “big plan” and a budgeting exercise to test the likely financial outcomes and identify any stresses.

If, on the other hand, your business needs growth, is embarking on a new direction or requires (or is faced with) major change then the annual business plan is very worthwhile. This plan will form a subset of the “big plan” and consider competitors, customers, suppliers and employees, as well as performance indicators. In these circumstances the annual plan must include:

- Priorities for attention (the new focus areas for the business)
- Accountability for actions (including who and when)
- Measures of success (especially non-financial indicators)
- Barriers to success (with ideas about how to overcome them)

Perhaps this is a good time to reflect on your plans for 2015/16. Did you waste time producing redundant documents for a stable, successful business? Alternatively, have you not put in enough effort to plan for the material changes that you know you need to make in your business?

These are the best of times to be successful on purpose - but don't waste your valuable time on a business planning exercise unless you are committed to using the plan to guide your actions and implement sustainable change.