

Small Business Planning – 3 Myths

It's estimated that up to **70% of SME owners don't have a formal strategic plan**. That means they have little idea where they are headed, change priorities constantly, have confused their employees about the purpose of their jobs and are chasing goals they have little or no chance of achieving.

There are a number of common reasons SME owners give for failing to develop this vital business tool. Here are **3 that are pure myth – and why**.

Myth 1: My business is too small to need a strategic plan

From the SOHO on up **EVERY business can benefit from a strategic plan**. A strategic plan can help you make informed decisions about time management and budget allocations to different activities. You can use your strategic plan to help you determine whether it's worthwhile attending a particular event or advertising in a particular medium.

It can be used to outline for employees the specific set of goals you want the business to achieve so as to provide them with direction and focus for their activity. Your strategic plan can really form the basis of all measurement activity in the business and keep you informed of how the business is performing.

Doing the right things and doing them efficiently and economically are activities that every business needs to get right and a strategic plan is the basis for achieving that.

Myth 2: It will take forever to produce

The real value of a strategic plan for your business is in taking some time out to think about your situation – **to work ON the business instead of just IN it**.

There will be some time involved pulling together information about your current way of operating, about what's happening in the wider market place, about your customers – but gathering and analysing it is actually not a burdensome job, especially with the assistance of a trained advisor who can help you do a SWOT (strengths, weaknesses, opportunities, threats) analysis and draw up a strategy with an unbiased eye.

Thinking strategically doesn't involve working out all the individual tasks you will need to do to achieve them right there and then. For example, suppose a goal is to grow revenues at an annual rate of 7%. This sets off all kinds of nitty gritty task-oriented thinking about labour needs, promotional materials, space planning, etc. that can immediately bog you down; whereas the strategies work on a higher level – developing a new product to broaden the service base and decrease reliance on ageing lines for example. Only when a true *strategy* is decided is it time to think about the individual tasks needed to accomplish it.

Myth 3. A strategic plan is out of date from the time it's finished

Too many small business owners treat their business plan as a closed book. That's not what they are about. A business plan **should be an active document** that gets reviewed and updated at least monthly.

Your strategic plan won't be doing what it is supposed to be doing unless you have regular meetings with the people responsible for making the goals in it happen and checking progress against the planned goals. When you track the results of your efforts you can make mid-course corrections to get back on track if you need to. Regular meetings give the opportunity to make the best decisions you can as you progress, and manage the plan as a team.

A plan's purpose is action. Without action, the plan is useless and the dollars invested in creating the plan are wasted.

Treat your business like a real business

CFO Insight works with different sized businesses and we know that those that perform at the highest level usually have some sort of formalised strategic plan in place and have implemented it well. On the other hand, those businesses that struggle usually have no plan in place and seem to flounder in their attempts to be successful.

*If you would like further help on planning for your business, or to simply discuss this fact sheet, please call **Philip Barnes**, Director, CFO Insight on **0405 800 767**.*