

Continuous Planning Helps Entrepreneurs Avoid Business Problems

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Planning is the key to success for guiding businesses through difficult and prosperous times. Planning often is simply a reaction to a crucial event, such as seeking financing or buying a business. However, this isn't sufficient in order to be successful.

Planning requires constant attention, just like marketing or bookkeeping, so it needs to be integrated into day-to-day business management. It makes sense to concentrate planning activities during an annual process, but it should be a year-round activity.

It's important to avoid the temptation of delegating all planning responsibility to an employee, team or consultant. It's great to have others organize and participate in planning, but business owners must be seen as strong and active in the process. On the other hand, it's not wise to have just the business owner in charge of planning. Giving key employees a sense of ownership in the plan greatly improves its chance of success. It also may help to involve professional advisors; businesses often hire an outside facilitator to keep the planning process running smoothly.

There are many types of plans that businesses may want to consider. For example, the document resulting from a planning process is usually called a business plan. It contains three parts: strategies, actions and projected financial statements and encompasses all phases of business activities. Marketing plans focus solely on the marketing function of businesses. Financial planning includes the process of preparing budgets and projected financial statements. These numbers must be updated whenever any planning activity is undertaken.

Entrepreneurs interested in starting new businesses may engage in a planning process to determine whether to proceed with the new venture. The result is called a feasibility study. A business opportunity worth pursuing satisfies the feasibility tests. The first is SWOT analysis, or strengths, weaknesses, opportunities and threats. To be feasible, strengths and opportunities should outweigh weaknesses and threats.

The second test is the financial feasibility test. If a business isn't financially feasible, it's senseless to investigate further. The next test is sales volume. If business owners believe they have enough sales volume to make the idea work, move on to marketing feasibility. Develop a marketing plan that will outline how the business will reach the projected sales volume. Make sure to also study the feasibility of personnel. The best idea in the world won't succeed without the right staff.

If the results of the initial feasibility study are positive, then it's time to do more research before implementing the business opportunity. Look into marketing opportunities of the product, how it will be priced, where it will be sold and how to promote it. Also think

about employees, managers and outside advisors and their abilities to take on additional tasks required by the new business. The result will be a business plan that can help guide a business to a more successful start.

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SOURCES: Marilyn Schlake, Associate Director, Center For Applied Rural Innovation, NebraskaEDGE program; NX Level Guide, 2000