



Why Business Plans Fail and How to Make Them Work



Business planning is a key to success. The old adage is true; failing to plan is planning to fail.

Writing a plan does not guarantee success. Many plans never get implemented. They become bookends or paperweights.

Business plans fail because entrepreneurs only focus on strategy; they ignore the other six elements of their organization.

The 6 Elements of an Organization

The elements are the individual parts of your business.

Strategy - approach you take to reach and accomplish your goals. Your strategy involves the key performance areas that will enable the company to reach its financial goal. Strategies are within the three major functions of business: Marketing, Operations and Organizational (Legal & Fiscal).

Systems - precise processes (policies & procedures) required to fulfill the marketing, operations and organizational strategies. Systems also include the necessary checks and balances to insure that the policies and procedures are being followed.

Structure - individuals assigned to carry out the processes; how people are teamed and how their work is organized. Is work going to be completed by the owner/employees or outsourced to a contractor? Are consultants going to be used to assist?

Sponsored By



www.umd.edu



Skills – capabilities of the groups of people in the organization, both internal and external.

Culture – norms, values, beliefs and assumptions that shape the organization.

Budget – an itemized allotment of funds for a given time period.

All 6 elements need to be aligned for the business to successfully operate.

This can be explained by using the analogy of a car; a car always gets out of alignment. You constantly need to fix the alignment or else the tires wear, which can lead to running off the road and crashing.

An organization works very similarly to a car. The elements in every organization will get out of alignment.

You may have a great strategy, but lack the appropriate structure: people assigned to do the job. If you don't have someone assigned to do the job, it will never get done.

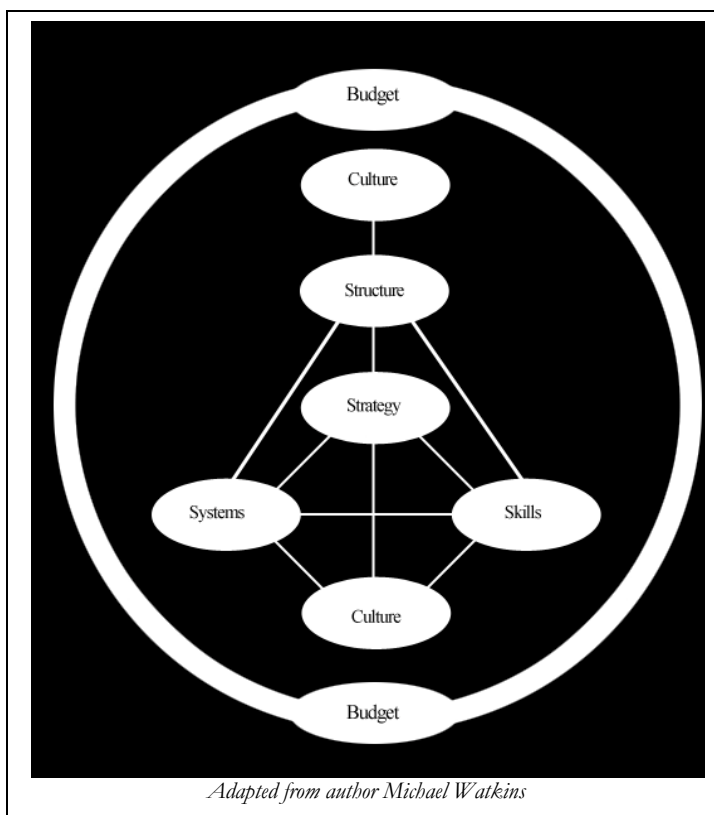
Many times the strategy and systems are not aligned. Reasons may include a strategy but no written policies and procedures to follow, policies and procedures but no checks and balances to ensure that they are carried out, or policies and procedures that are old and outdated and not aligned with the new strategy.

People in the organization may not have the right skills to perform the systems. Perhaps customers are not being treated correctly because your staff does not have the same knowledge of the benefits of your product / service as you.

A commonly overlooked element is culture. If you or an employee do not value an assigned activity or believe that it's important, or if it's not part of the norm, it is unlikely to be accomplished. Changing someone's personality is extremely difficult or impossible. You need to be very honest with yourself to ensure that you and your staff have the personality to implement the plan. You may have a strategy to make ten cold calls per week, but if you really don't want to do that, you will find every excuse to avoid picking up the phone and making calls.

After a strategy is developed, you must make sure that all the other elements are aligned. A strategy that cannot or will not be implemented is nothing more than a list of really good ideas.

Successful entrepreneurs also need to identify when the elements are out of alignment and quickly put everything back into alignment. If not done appropriately or within a certain amount of time, your organization will crash.



Created by Russell C. Teter III. Layout by Benjamin Smith. Copyright 2008 University of Maryland. All rights reserved. This material may not be reproduced, displayed, modified or distributed without the expressed written permission of the copyright holder. For permission, contact rspro@mdsbdc.umd.edu. This material is based on work supported by the U.S. Small Business Administration. Any opinions, findings, conclusions or recommendations expressed are those of the authors and do not necessarily reflect the views of the SBA.