

Updating Your Business Plan

Our coach explains why constantly updating your business plan is the key to growing successfully.



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"When should I update my business plan?" The answer to that question is *always*. You should be updating your business plan every month, every week and every day; whenever things change, you update your plan. And things always change. You should update your [business plan](#) when you're alone in the shower, when you're caught in traffic on the way to work, and when you're walking alone. Update your business plan when listening to customers and other managers.

While this might seem like chaos, it's actually the opposite; the constantly-updated business plan is what makes order out of chaos. It becomes a long-term planning process that sets up your strategy, objectives and the steps you need to take by constantly being aware of the results of these steps.

Managing the Planning Process

The Annual Update

Update your plan thoroughly at least once a year. You can start with an old plan and revise, but make sure you're taking a fresh look--distance yourself from the trees and look at the forest.

- **Talk to your customers and potential customers.**
Review your value proposition. What are your customers buying? What problems do you solve? What other solutions can they choose?
- **Try to come up with a new market segmentation.**
Segmentation is the grouping or divisions you see in the market. For example, if you normally view your market by type of product, look at it by channel or buyer. If you divide by region, divide by size of buyer company. Think up a new segmentation to give you a fresh view.
- **Look at the larger potential market for the problems that need solutions.**
Look at contiguous businesses. Look at changing trends and technologies.

The Monthly Update

Accounting and financial analysis normally works in months since the books close after every month. Make sure you have a monthly review of the difference between planned results and actual results for your sales, profits, balance and cash.

- For each of the standard pro-forma projections, always maintain a table with the plan, another with actual results, and a third with the difference between plan and actual, which is called variance.
- As an annual plan marches through the months, you can use the table reserved for actual results to include changes in budget that affect the near future. For example, if the annual plan starts in January, then by the end of May you have an actual Sales Forecast that includes actual results for January through May and the latest revised forecast for June through December.
- You must also review the activities, deadlines and planned results that don't fall into the financials. A good plan is full of milestones, assumptions and tasks, all of which should be measurable. Make sure you review and update these measured results every month.

Managing the Major Revisions

The business planning process involves an important paradox. Strategy works only when consistently applied over a long period, which means that you can't implement strategy without following a long-term plan. However, blindly following a long-term plan can also kill a company that stubbornly insists on following a plan that isn't working.

Resolution of the paradox is called *management*. It involves judgment. The owners, operators and managers of the business have the responsibility of distinguishing between consistently applying long-term strategy and blindly following a failing plan. There are no easy rules for this, but the first place to look for clues is in false assumptions. Has the real world proven wrong the assumptions on which your strategy is based? This kind of subjective judgment is what makes business management so important. The planning process, with its regular review, is critical.

Every Business Plan is Wrong

You have to realize your business plan is wrong. All business plans are wrong. Plans are about the future--and nobody gets the future right very often, so keep the plan fresh and watch closely as reality moves forward. A planning process constantly watches the difference between the plan and actual results. Reality swallows our assumptions and we need to keep track of where, why and how we were wrong. This kind of tracking becomes the key to management.

A Good Business Plan is Never Done