



## WORKING WITHOUT A BUSINESS PLAN:

### ODDS OF SUCCESS!

A business plan is like a roadmap, a few lucky organisations may thrive without having it documented – though one exists within the mind of the driver – but having a documented plan certainly reduces the chance of losing focus and getting distracted anytime a seemingly bright opportunity comes along. Enterprises, whether large or small, cannot hope to significantly compete and expand in today's global and fiercely competitive marketplace without effective planning.



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A business plan is a written document that details the company's concept and all the necessary internal and external factors involved in starting a new firm in line with its business focus. It outlines the nature, context, and strategies for utilising the business' prospects. The functional plans in finance, marketing, production or operations, information technology, and human resources are typically integrated into the overall business plan.

A business plan is also a blueprint that outlines the entrepreneur's goals and critical factors that will determine the success of a business. It must define where you are, where you want to go and your proposed route to get there. It is a valuable document important to entrepreneurs, investors, and also employees for several reasons, some of which are outlined below:

- aids in determining the venture's viability in a target market;
- helps entrepreneurs launch their businesses;
- the process of creating a business strategy forces the entrepreneur to consider potential obstacles to the venture's success, as well as look deeply into its potential competitors;
- helps in defining the best capital gearing, and becomes a tool with which to obtain finance by serving as a guide to investors;

- primary stakeholders, i.e., the founders are forced to consider every possible facet of the business whilst working to develop the business plan (whether by themselves or in collaboration with a consultant);
- it is expected to express the founders' vision and objectives when well-written;
- it assists in identifying the crucial factors that will decide the company's success or failure;
- as an employee who is a part of the process, it helps you assess your alignment with the company's vision, and helps you better identify where you fit in and potentially what your growth opportunities are.

Given Pedabo's experience over almost 3 decades, it begs the question – Without a plan, do businesses really stand a chance of success? We daresay that no business actually starts off without some modicum of a plan. Yes, it may not be documented. Yes, it may be in response to a quick opportunity that was spotted and not some innate vision or long-standing passion, or just in response to a need for survival, but inherently, there is some 'plan' that guides an entrepreneur into believing that he or she can deliver on a certain idea. Similarly, developing a business plan is generally considered as part of a required stage in the start-up process in the majority of recommendations for entrepreneurs. As such, they must be seen to be valuable or at least seen to significantly increase the chances of success if so many individuals and research studies advocate for it!

## In Nigeria, 61% of Nigerian startups fail in the first 9 years

There has been a lot of debate in recent years about the true value of business plans, particularly if their existence could be directly correlated to the success of a company. Some schools of thought infer that planning in itself has no guaranteed positive impact given that some businesses are able to achieve great success despite not having formal business plans. What, however, are the daily contextual realities of such companies? In our experience, we find that such companies are those where the owners/founders are very actively involved in the daily operations, and in the very early stages, almost every primary activity revolves around them and their daily direction as they are effectively the organisation's roadmap. How truly sustainable is this? For many owners/founders who fall in this category and are forward-thinking, we have found that they very quickly realise that this comes at a high cost to their sanity and a high risk to the continuity of their businesses, and thus begin to seek out ways to structure – devolve their powers to team heads they can trust – develop systems & processes – document – to ensure their businesses can operate successfully without them. It is important to note also, that according to research, the question is not actually about "developing a plan" or "not developing a plan",

but rather “what kind of plan do you undertake and how much effort are you required to put into it to succeed?”



## Planning can speed up a Company's Growth by up to 30 percent

According to a research by the University of Oregon, businesses that plan, grow 30% quicker than those that do not. This study indicated that while many firms can succeed in the short term without a plan, those with a plan grew quicker, and overall, were more successful than those without one.

Another study from the same source indicated that fast-growing companies — those with sales growth of over 92 percent from one year to the next — typically had business plans, which further supports the link between planning and rapid growth. In fact, 71 percent of rapidly expanding businesses have working plans. They develop targets for sales, make budgets, and monitor these plans actively. These businesses frequently use terms like strategic plans, growth plans, and operational plans instead of constantly referring to their

plans as “business plans”, and this is because they are agile and constantly evolving with the business environment and competitors’ performance. Whatever their long or short-term plans are called, they are all working together towards the organisation’s focus on planning for its future.

Planning enhanced business success was the conclusion, according to a study by Brinckmann, J., Grichnik, D., & Kapsa, D. (2010) that compiled research on the expansion of 11,046 businesses. Interestingly, this same study discovered that planning helped established businesses much more than it helped startups. The reason for this is probably that established companies are better familiar with their clients’ demands than are startups. Planning for an established business entails fewer guesses or presumptions that must be supported, therefore the strategies they create are better informed given the availability of working data. In Nigeria, 61% of Nigerian startups fail in the first 9 years (BusinessDay, 2020). Similarly, in the US, it is noted that about 543,000 new firms open each month, yet only seven out of ten survive in the first two years, while only five out of ten survive after five years. Surprisingly, 70% of companies that last for five years are said to do so because they have a comprehensive business plan (Nazar, 2013).

Sometimes it seems that only large organisations benefit from having a written (formal) business strategy in place. Obviously, because of the resources required, there are few small enterprises that have formal documented business plans, and even fewer that have

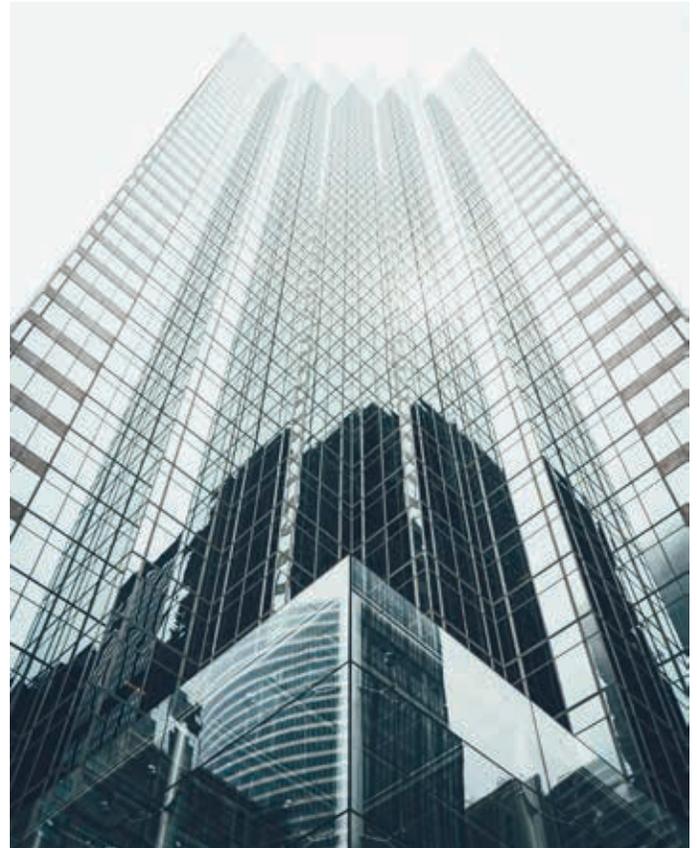
some informal owner / founder-managed plans. According to 2015 Barclays data, 23% of small enterprises in the UK do not have a business plan. In the UK, formal (written) business plans are present in around half (47%) of small enterprises, while informal (spoken) plans are present in the remaining 30%. (Talk Business, 2016).

Further, it is said that more than 30% of small enterprises fail within the first three years of operation if they do not have a business strategy (Francis J. Greene & Hopp, 2017). Thus, the success rates for business plans appear to be evident.

### **In the First Five years, 50% of new Businesses Fail**

It is said that 50% of newly founded companies fail within five years; why is this? According to several schools of thought, it frequently occurs as a result of businesses ignoring the direction of a set business plan or the nonexistence of a plan to begin with. To emphasize, 25% of enterprises without a business plan fail within the first two years of operations. 10% of businesses fail within the first five years of operations, whereas only 6% fail within the first ten (SBT, 2017). In other words, the longer you stay in business, the more likely you are to learn from the marketplace and establish a set of working patterns (a plan) that could drive your success. If you had however devoted some time and resources to a study of those patterns prior to commencement, chances are that you could have saved your enterprise some deeply struggling years. Similar to major companies,

small companies need to have a clear business plan – strategy and roadmap – if they want to succeed (Koulopoulos, 2016).



Summarily, to specifically address the question, what are the odds that a business will succeed without a business plan? A business can succeed without a business plan and there are indeed examples of such large companies—albeit outliers – that are able to succeed, especially, at the onset. However, it is more likely that organisations without a set business plan will make a lot of thoughtless errors and that their rate of growth would be greatly impeded, in comparison.

## Similar to major companies, small companies need to have a clear business plan – strategy and roadmap – if they want to succeed

A strong business plan goes beyond market analysis coupled with vague revenue projections for an investor pitch. Like a professional sports team has a playbook, a strong business plan has one too; action plans about what to do when the business is at the final and critical moment or moments of a tense, important, or desperate situation; including a feature roadmap, a target market strategy, and secondary markets to explore when the primary markets are saturated; action plans in case the intended target market's response is different from that which was anticipated; techniques for strengthening the team as the business expands, etc. These are invaluable learnings from the process of development of a business' strategy and associated plans. Most businesses that just move with the flow do not end up getting very far, though they may not join the classification of failed enterprises. They, however, eventually realise that they are wasting their time in an endless cycle of repetitive mistakes.

## CONCLUSION

Creating a business strategy is an essential step in ensuring the long-term success of any enterprise. The advantages of having a business plan far outweigh the inconvenience or the resources expended, as there is definitely no disadvantage in taking a deeper look into the business area you intend to venture. Business planning helps businesses not only succeed but also have a better chance of surviving any industry disruptions, evolution, or unforeseen occurrences. It has a way of setting an enterprise up for effective continuity.

The good news is it is not all gloom and doom, even if perchance you realise that you did not get off to a great start or the last year has been you potentially playing 'catch up', or you are able to identify your enterprise in one of the less exciting growth stages discussed above, it is very possible to retrace your steps, put in the time, effort and resources required, and set your enterprise up for a new beginning, and what better time to look into those possibilities than at the beginning of a new year.

To get you started, below are some key activities to keep in mind when creating a business plan for your startup or a growth plan for your existing business:

- set goals – financial goals, brand goals, client goals, and staffing goals (to mention a few). Be clear and explicit about what you want your organisation to attain;

## Develop a roadmap, but do not just file or store it in a drawer.

- you can decide to forego the 80-page business plan and instead have a business model canvas or 3 sacred strategy slides; concentrate on basic preparation that outlines your objectives and compiles information on your market and your clients' needs that will facilitate your meeting those objectives;
- understand your strengths so you can optimise and leverage them and identify your weaknesses so you can properly align with the market opportunities that perhaps do not require those skills whilst you grow;
- know every aspect of your industry/market, so you can adequately identify opportunities and avoid threats where able. You cannot properly position your enterprise to penetrate a market you do not understand;
- start early with your planning – plan for the year, for each quarter, to achieve your annual goals, and know what targets you must reach each month, each week. Break down your goals;
- as you gain more knowledge about your operations, frequently modify your plan;
- more essentially, revisit your strategy, develop and update it as you gain knowledge about your market and clientele;
- develop a roadmap, but do not just file it or store it in a drawer. Monitor your performance to see if you are making progress toward your objectives. Your plan will assist you in identifying what is effective and what is not, and these adjustments can continue as you grow your firm.

The management consulting team at Pedabo is equipped to assist you with your corporate strategy review and/or development to get you started on the right path for 2023.

Any enquiries?

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