

Business Plans to Manage Day-today Operations: Real-life Results for Small Business Owners and Operators

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Full Text:

Christopher R. Malburg, New York, Wiley, 1993, pp272 plus disk, 19.95 [pounds].

The owners of small business are not notorious for their detailed planning, nor for their predilection for reading. So when the first instruction in 'How to use this book' says, "first, read the whole book", a reviewer's critical faculties are stirred.

As the title of the book promises, its purpose is to help managers go about day-to-day planning, and in particular in writing that plan down. It assumes that its main users are practising managers/owner managers in a medium-sized manufacturing business large enough to require significant planning effort to achieve coherence in activities. From this assumption, the book provides a series of chapters on different aspects of creating organisational plans. It comes with a disk on which are eleven Lotus 1-2-3 templates for carrying out a variety of calculations related to business planning.

Malburg states that the book is not for strategic planning, but that it provides guidance on where to start (planning), how to turn goals into business operations, who to involve, how to motivate people to make it happen, how to implement the plan and then how to keep 'on track'.

Part 1, 'Create the Plan', comprises six chapters. The first is an overview which includes a useful timetable for the planning process (12 weeks). The second addresses the important area of goal-setting. This is pitched at operational level rather than broad strategy, in keeping with the concept of the book. The third chapter, a 'Blueprint for Implementation', is mainly a series of examples of typical business actions which might be triggered to achieve such goals as 'decrease working capital' or 'improve inventories by August 30th'. A number of conceptual tools are described, such as 'milestones', 'cause and effect factors' and 'accounts receivable ratios'. The fifth and sixth chapters address more detailed issues of departmental and functional plans and planning financial requirements. Chapter four introduces and exemplifies the notion of 'planning for uncertainty' with such techniques as sensitivity analysis, simulation and contingency planning.

Part 2 addresses the 'Implementation' issues, with three chapters; on setting targets for benchmarks as they are called in this text), on delegation of responsibility and authority and on performance incentives. Numerous examples of types of benchmarks are provided, i.e. conceptually, though no actual substantive benchmarks are given. For example, the assertion 'Production overtime is a benchmark' is only vaguely consolidated by a notion of a balance between production levels and costs, with no actual data given. Forty or so other benchmarks in sales and marketing, manufacturing, human resources, purchasing and finance are treated similarly.

The chapter on delegation focuses mainly on the different functional tasks of planning, including implementation. It provides discussion on who might be responsible for what and the degree of authority needed. A pro-forma, with examples, is provided which demonstrates how neat and simple a task it is to assign responsibility and authority to a group of people for preparing and implementing The Firm. The theory offered is that by delegating responsibility for planning to a planning group (of the main players needed to implement the plan); this will create the "teamwork required to make the components of the plan work together." This

chapter is followed by one on 'Incentives' which provides a reasonable coverage of key issues such as unambiguous performance requirements, setting realistic targets and the dangers of unitary or inappropriate performance measures.

Part 3, with two chapters, is on maintenance, i. e. monitoring performance and updating the plans. It tends to repeat the earlier structures, but in 'review' mode rather than 'create' mode. However, this part of the book is probably the best written. It is useful and to the point. It also contains a substantial pro-forma monthly reporting statement for which there is a spreadsheet template on disk.

The book is supplied with a 5.25" disk (3.5" can be provided or easily copied). On the disk are 11 Lotus 1-2-3 worksheet files. These files are templates for different models and pro-formas described in the text. To use them one needs the Lotus program or something which reads .WK1 files (they run in Excel). One of these files produces a standard set of financial statements and time-series graphics from base assumptions.

Given the increasing ownership of computers by smaller business and increased computer literacy of managers, books which link guidance with preprogrammed tools can be very useful. Unfortunately, I do not think this book is one of them. It seems to fall between stools. It is not a 'how-to' workbook, gradually building up a whole picture. It is a book about planning with some software attached, albeit that the software does echo parts of the text. As a book about planning in a smaller business (with a planning team) it does not resonate. At times it is impenetrable. One section purporting to provide a 'growth index' (which shows the maximum rate of growth possible), tells you how to calculate the said ratio, but not the reasoning, nor the authority (if there is one), behind it.

The publication is written for the USA market. The text makes full use of vivid American expressions and is readable, but where technical terms are used (e.g. accounts receivable, ageing buckets (sic), cross footing), they are not explained well. There is no glossary. References are made to the US tax and legislative systems and all the amounts are in dollars. While this would not be a major problem in Europe for an otherwise outstanding text, it does not help the case of this one. The text is too chatty; ideas and concepts are just dropped into the middle of sentences and some important messages are lost in this fuzziness (trivial instance: "Business Plans are literally crawling with uncertainty" .

The book focuses on operational planning, not strategic planning. This is very useful for anyone actually having to write plans. Some of the software is useful for the process of physically creating plans and these alone represent good value for money. However, to be used, the models need to be thoroughly understood and this will take the reader much longer than it needs. The software is designed with the manufacturing business in mind and has a dated feel about it.

The danger with focusing on operational plans is that you never see the whole wood for the trees. In reviewing this book I was never able to glimpse the whole picture of operational planning; there were just too many trees.

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