"If you fail to plan, you are planning to fail"
Can business plans reduce the high failure rate of SMEs?

Part two

The Reality on the Ground

Felicia Avwontom,
African Development Bank

Part II of this article looks at what small business owners actually do with respect to business planning. Following the literature review of relevant sources (see Part I of this article), which concluded that business planning is the key, not business plans, an online survey was used to further investigate the link between business planning and performance and identify good business planning practices. Owing to time and accessibility constraints, easier access to data, and easier Internet access, the survey (using Survey Monkey) was given to a small sample of United States'small business owners' to determine how small US business owners perceive the role and utility of business plans.

The survey sought to answer such questions as what is considered good practice for exploiting a business idea. Is there a performance difference between small businesses that prepare business plans and those that do not?

The Survey: Is there a performance difference between SMEs that engage in business planning and those that do not?

Results / Findings

This section discusses the findings from the survey focusing on the differences in responses between two groups: those who wrote business plans and those who did not.

Business plan, business planning, and performance

The planning exercise is more important than the business plan itself

More than three quarters of respondents (78%) stated that they started the business themselves, while just over one fifth (22%) did not. Similarly, 75% responded that their business is or was a profitable venture, with many of them citing "hard work" (26%), as the driving force behind profitability. Other factors such as good customer service (6%); competent employees (4%); high demand (4%), knowledge of industry, and planning, were also mentioned. In contrast, those who deemed their business to have been a failure cited inexperience, not being an owner, going into business with the wrong people, putting in little effort, high overhead costs, and a declining client base.

When explicitly asked whether or not they had prepared a business plan before beginning their venture, respondents in the "no" camp were distinctly more numerous: only about 41% prepared a plan, while a majority, 52%, did not. This is similar to the findings of Perry (2002) that very little formal planning goes on in U.S. small businesses and the findings of the Wells Fargo/Gallup Small Business Study, where only 31 percent of business owners started their firms with business plans. In contrast the results of this survey do not quite support the conclusions of the investigation of the relationship between planning sophistication (did planning lead to a written document?) and performance (Rue and Ibrahim (1998) [cited in Perry), which found "that firms with no written plans exhibited a slower growth rate than firms with more sophisticated planning". Survey results show that 16 of the 19 (84%) respondents who reported that their venture was profitable and who had also prepared business plans indicated they had undertaken planning (rating of 3 and above); while 15 of the 22 who reported successful businesses, but had prepared no business plan considered they had undertaken planning – there was thus only a moderate difference between those who exhibited 'planning sophistication' and those who did not.

Respondents who did prepare business plans cited reasons such as: ensuring agreement between core team members, outlining necessary efforts and establishing an income stream timeline, focusing one's energies for success, and thinking things out thoroughly. Each of these points agrees with the existing pro-business plan research, respectively: the increased likelihood of team cohesion (Delmar and Shane, 2004), easier and quicker access to funding and revenue (Rea, 1989; Faltin et al., 1998; Delmar and Shane, 2004), a clear focus for the business (Volkman et al., 2010), and foresight of, or adaptability to, different possible scenarios (Legge and Hindle, 2004; Kuratko and Hornsby, 2009).

A few of these respondents took the stance that having a business plan is a no-brainer ("I wanted a business, businesses have plans", "who goes into business without a business plan?" "Why wouldn't you?"). On the flipside, respondents who did not write plans seemed to have just as much conviction that their method was correct. Reasons for not having a plan included dedication and drive ("willing to wing it, personal effort", "I was going to pursue my passion regardless" "I was going to start the business regardless of any consideration"), and entrepreneurial spirit ("Unexpectedly presented with the opportunity to take over, or business would have shuttered and employees would, including myself, have been jobless" "rather try and if I failed I could get a job"). Factors such as dedication, drive and entrepreneurial spirit also have precedents in the literature against formal business planning. For example, Dimov (2010) found that while planning had an indirect effect on venture emergence, opportunity confidence – which, judging from the above quotes, a number of respondents exhibited – had direct implications for performance. Lussier and Corman (1996) also found that alongside planning, experience – which can confer resilience, drive and dedication – was a strong predictor of performance. Brinckman et al (2015) also find that entrepreneurial self-efficacy facilitates development of formal business plans; entrepreneurial perseverance promotes engaging in business planning activities; and, advanced academic education leads nascent entrepreneurs to engage in business planning activities and create formal business plans.

Survey findings suggest that the difference in performance stems from the planning exercise rather than from the business plan itself.

Some respondents also cited a lack of time ("it was a spur of the moment decision" "We were thrust into it, with little time between inception and Go!") and a lack of awareness in the value of a plan.

Interestingly enough, despite most respondents not having prepared business plans beforehand, a mere 22% disagreed that a business plan was important when starting a business. Among non-business plan writers, just shy of half – 45% – found it important to have one, versus nine in ten – twice as many – respondents who had written plans. In both groups, a small number of respondents found that the answer to this question was not a straightforward yes or no, suggesting that it depends on the nature of the business in question. While some respondents were "not exactly sure how" a business plan was helpful, others found that a business plan helped define objectives ("it helps to clarify the big picture", "you cannot get anywhere without one"); gain access to finance ("if you are borrowing money") – as also reported by Bewayo, Simoneaux and Stroud, and Zimmer, 1998) and

Brinckmann et al (2015) – who find that a nascent entrepreneur's striving for outside financing promotes business planning activities); be more efficient ("help save steps that will be taken if not thought out properly"); and plan for the long term ("for future", "equivalent of a map for a long unfamiliar trip").

It is interesting, and in line with conventional business wisdom that so many respondents retrospectively saw the value in preparing a business plan before pursuing a venture, even if they did not actually prepare one. The time and resources required to prepare a business plan perhaps accounts for this discrepancy.

Further analysis of the data showed that 19 of the 42 (45%) of respondents who reported their company as profitable had prepared business plans, while 22 of them (52%) had not prepared business plans; in contrast, 4 of the 14 (28%) who reported their venture as not profitable had prepared business plans, while 8 of them (57%) had not. A closer look at the data showed that among those respondents who had developed a written business plan, 82% claimed that their venture was profitable, compared with 71% among those who did not write a business plan. These proportions are respectively slightly higher and slightly lower than the 75% of successful ventures in the global group, which may lend further credence to the belief that more sophisticated business planning (i.e. a tangible business plan) may translate to a slightly higher likelihood of success.

Preparing a business plan then did not seem to make a pronounced difference. Survey findings suggest that the difference in performance stems from the planning exercise rather than from the business plan itself. Business planning is only one of the determinants of successful performance. It is therefore not surprising that following a literature review Honig and Samuelsson (2012) reach the conclusion that results are mixed in the planning–performance relationship in firms. They report that some studies reported significant relationships (Gibson and Cassar 2002; Perry, 2001; Rue and Ibrahim 1998), while others report no significant relationships (Mintzberg 1994; Ackerlsberg and Arlow 1985).

When asked to rate how well they planned the implementation of their business idea, the results clearly showed that the planning process was deemed important. About 80% of respondents did at least some amount of planning, including some 20% who described their planning as thorough. Furthermore, 16 of the 19 who reported their venture profitable and who had also prepared business plans indicated they had undertaken planning (3+); while 15 of the 22 who reported successful businesses, but no business plan considered they had undertaken planning. Of the 8 who reported failed ventures, none of them had undertaken any planning.

Moreover, the business plan writer subgroup **planned the implementation of their businesses more thoroughly** before launching (all did at least some planning, with 40% planning thoroughly) than did non-business plan writers (32% did not plan at all, and among the remaining 68% who planned, only 6 did so thoroughly). This is in keeping with the literature that planning generally produces better alignment and financial results than does trial-and-error learning (Ansoff, 1991); What's more, this is an indication that the more sophisticated the business planning process is, the more successful the venture ends up being. Indeed, the results suggest that planning is important, but it does not necessarily have to be in the form of a business plan… the planning exercise is more important than the business plan itself. Planning is supported by the conclusions of Brinckmann et al (2015) that faced with incomplete information and high uncertainty, nascent entrepreneurs, who are in the process of establishing new firms, must determine an appropriate course of action. Although not a focus of this study, both 2013 et al (2015) and Honig and Samuelson (2012) find that education level also did not affect the level of planning. Planning has a positive impact on performance in many areas, including in performance management, because of its positive impact on problem solving, learning, motivation, adaptability, and coordination. (Mumford et al, 2001).

"faced with incomplete information and high uncertainty, nascent entrepreneurs, who are in the process of establishing new firms, must determine an appropriate course of action."

These planning characteristics are particularly important as they have practical implications for identifying and eliminating most of the startup obstacles facing small businesses. Mumford et al, (2001) write that one of the important contributions of planning to performance is that plans provide a mental model, or a cognitive representation, of the problem, delineating key issues, relevant strategies, and expected outcomes.

Key elements of planning

The people

The planning process as described by Sahlman (1997) and other authors whose frameworks were used to design the survey involves picking the right co-founder(s), investors, employees, and collaborators in general, and the survey covered this as well to determine how important the people or the team working on the venture are. In recounting how well they assessed the capabilities of the core team of individuals who provided resources or performed services to help start the business, about one in four respondents (26%) had assessed them thoroughly. They were part of a wider 72% who had done at least some assessment of the core team's capabilities. Technical expertise (46%), and general qualifications (44%) were the highest-ranked assessment criteria for core team members. These criteria were very closely trailed by drive and relationship to the respondent, both at 43%. Less than three in ten respondents (28%) did not assess core team member capabilities at all.

The findings for the sample as a whole and for the business plan-writing

respondents support Sahlman's framework that emphasizes the importance of the team, as it will impact the success of the venture.

Assessing the business opportunity

Assessing the viability of a business idea is a key aspect of business planning, and the respondents seemed to think so as well. A clear majority (63%) took at least some measure to assess the viability of their idea before launching their operations. By far, demand for the product or service (69%) was the main tool used to assess an idea's viability. The next most important criterion was market size, almost nine percentage points behind demand at 57%. Capital requirements were seemingly less of a factor, at 33%. Responses collected in the 'other' category of criteria used to plan for business viability were industry trends, product reputation, uniqueness, and ability to turn a profit. When controlling for business plan writers and non-writers, there was a stark different in the extent to which each group assessed venture viability: 95% of business-plan-writing respondents did so to some extent at least, as opposed to 40% of non-business plan writers. However, it is interesting to note that both plan writers and non-writers had the same top criteria for assessing viability: demand (40% and 36% respectively) and market size (31% and 30% respectively). This is in line with the overall sample results as well.

It goes without saying that a business cannot exist without customers, and that businesspeople must plan to put serious effort toward pleasing their consumer base. This is perhaps the single most important rule of doing business, and it is reflected in the survey responses. A mere 13% of respondents did not assess their potential customers. Conversely, an overwhelming 87% of people surveyed conducted at least some assessment of potential customers, although less than one in four (24%) of the total assessed them thoroughly. These figures respectively decreased to 81% and 6% when considering solely the respondents who did not write business plans, and increased to 94% and 39% when considering the business plan writers. For the sample as a whole, the main considerations when assessing potential customers were identity (who is the customer – 76%), price (74%), and strategy for reaching different segments (57%). Finally, the single most popular method used to evaluate customers' willingness to consume a product or service was informal conversation, used by exactly half of all respondents. It should be noted here that respondents preferred more intuitive and inductive methods (a combined total of 67% for informal conversation and extrapolation) to methods that record hard data, like surveys and focus groups (24% combined). This trend is also present when accounting for whether respondents wrote business plans (informal conversation – 44%) or not (33%). This is interesting because while intuition and conversational insight may factor into the business planning process (the informal nature of conversation and extrapolation goes against the more formal, fact-based practice of writing a business plan. This perhaps contributes to the failure of small business and underscores the need for robust feasibility analysis, to determine whether what seems like a brilliant business idea is a viable foundation for creating a successful business (Zimmerer, 2010).

Financial planning

Conventional business wisdom says that financial planning is a crucial aspect to consider when starting a business. For startup ventures and big businesses alike, it is indispensable to have cash coming in so that business needs can be fulfilled. The literature review also highlighted the importance of access to finance from venture capital (Rea, 1989) or banks (Bewayo, 2010), and how this can be contingent of business plans. That being said, 81% of people surveyed considered the cash flow implications of running a business to some extent, with 28% of respondents carefully considering this. The most important cash flow implications, according to the survey results, were the need for inputs (resources, supplies, raw materials) and labor (people) (61%) and the customer acquisition period (50%), with the timing of payment for inputs and labor a close third (48%). Responses in the 'other' category revealed industry-specific cash flow implications, such as insurance payment rates, a history of punctual rent payments, and instant collection of payment from customers, in the medical, real estate, and retail industries respectively. Differences existed in the cash flow considerations of business plan writers and non-writers. For non-writers, although most (68%) considered cash flow to some extent, only one in ten considered cash flow carefully before beginning their venture, and almost one third (32%) did not pay attention to cash flow when planning for their venture. Conversely, all respondents who wrote business plans considered cash flow implications to some extent, and over half (52%) did so carefully – five times more than their non-business plan counterparts.

Overall, respondents' businesses operated in a range of industries, each with its own challenges, and business planning should also account for the threat posed by incumbent competitors in your chosen industry. Indeed, 24% of respondents found it necessary to thoroughly assess the industry and competitive environment one was entering into. 85% found it necessary to conduct at least some assessment of the environment. Respondents were vastly in agreement about the importance of competitor awareness (67%) and knowledge of competitors' resources, strengths and weaknesses (63%). The number of competing business (54%), their reputation and expertise (44%), consumer trends

(44%) and barriers to industry entry (35%) were all also deemed quite important when analyzing the competitive environment.

Here again, the findings show divergences between respondents who have and have not written business plans. In the non-business plan group, industry and competitive environment were not assessed as carefully as in the business plan group. In the former group, only 3% of respondents assessed these factors thoroughly, and 26% did not assess them at all. In the latter group, these proportions were 52% and 0% respectively. This divide is further illustrated by the different criteria used by each group to evaluate the competitive environment. The business plan group mainly looked at barriers to entry (35%). For the non-business plan group, barriers to entry were the third criteria (17%) after number of competitors (25% versus 19% for the other group) and reputation/expertise of competitors (19% versus 24% for the other group).

Assessing the Context – what is the big picture?

In the planning stages, entrepreneurs set out the course of action they want to take, and also try to account for how unpredictable or unexpected occurrences might impact their business. Indeed, contextual factors outside the direct control of management also warranted assessment from respondents. 24% considered context carefully, and only 17% did not consider it at all. The remaining 59% assessed context to varying degrees. Overall, demographic trends were the most important contextual factors for six in ten respondents (58%) followed by the regulatory environment (four in ten, or 42% of respondents). In line with the sample as a whole, demographic trends (41% and 31% respectively for business plan writers and non-business plan writers) and regulatory environment (30% and 23%) were also the most important in both subgroups.

"In the planning stages, entrepreneurs set out the course of action they want to take, and also try to account for how unpredictable or unexpected occurrences might impact their business."

The business context in North America is generally stable, but macroeconomic instability or economic downtown can harm the business environment. Regularly assessing contextual factors would be an important factor for small businesses to identify and plan ways to overcome some of the challenges they may face. The goal would be to assess the big picture – the macroeconomic environment, the level of economic activity, regulatory environment, interest rates, demographic trends, inflation, changes in the target market, and other factors that affect the opportunity, but cannot be controlled by the entrepreneur – and how can it help or hinder the proposal. However, inflation (16% for plan writers and 9% for non-plan writers) and macroeconomic activity (14% and 9%) were not highly prioritized by either subgroup. As a whole, it appears that PESTLE analysis is still useful, and as such it should rank among the top exercises for small business planners. A majority of entrepreneurs could avoid failure through better analysis of external circumstances (Hills, 1984).

Related to context and the big picture, risk management was a polarizing issue for respondents. More than half (52%) did not assess eventual risks and how they could be managed. One respondent cited the fact that "risks are extremely limited" in his industry (online retail) as his reason for not doing so. For the 44% that did, people-related risks were the main ones assessed (52%), and opportunity-related risk was a distant second (27%). Concerning risks, there was a stark contrast for each subgroup.

"The goal would be to assess the big picture – the macroeconomic environment, the level of economic activity, regulatory environment, interest rates, demographic trends, inflation, changes in the target market, and other factors that affect the opportunity, but cannot be controlled by the entrepreneur – and how can it help or hinder the proposal."

Business plan writers differed from the general sample, as they overwhelmingly found it necessary to consider these potential risks at least to some extent (78%). This was only slightly higher than the proportion of non-business plan writers who, conversely, did not find it necessary to look into these risks (74%). Nonetheless, in both subgroups, people-related risks the most commonly assessed (just like the general sample), suggesting a need for clearly defining team roles and expectations in the gestational phase of a venture.

Discussion

The findings from the survey confirm the conclusions from the literature review that business planning can improve the performance and longevity of small businesses. The findings are also in line with the literature, with respect to the importance of understanding one's customers, understanding the context of the business, financial planning, assessing the feasibility of the venture, and choosing a viable team – even if all of this is not captured in a formal business plan. The survey supports the viewpoint that planning is the key, not the business plan.

Based on a review of several authors on the topic, Mumford et al (2001) list a number of behaviors that are associated with effective planning: effective planners are efficient in organizing activities in relation to goals (H. B. Miller & Baird, 1972); Successful planners optimize time allocation to different activities; they also prioritize activities on the basis of goals, look for activities that serve multiple goals, and actively assess the cost benefit trade-offs of different activities – and tend to organize goal and distinguish high- and medium-priority goals from low-priority goals – but also maintain flexibility in their activity organizations (Simons and Galotti, 1992). Finally, in addition to careful analysis of the planning context (Berg, Strough, Calderone, Sansone, & Weir, 1998), successful planning requires flexible, adaptive use of the models, or cases, drawn from previous efforts; and active involvement in plan construction also leads to better performance. As Mumford et al conclude, planning is an inherently adaptive activity, one more likely to promote than inhibit flexible reactions to

> **"Planning has a persuasive, complex influence on performance and, at least in some situations, may play a critical role in shaping performance."**

a changing environment. This is similar to Bhide (2001) when he underscores that there is no one path for entrepreneurs and they must therefore take the time to analyze the situation and establish priorities among the opportunities and problems they face and make rational decisions about the future.

The survey results are in line with the expectations of this work, which aimed to assess some key business planning practices among successful as well as unsuccessful small businesses. It appears that in our sample, whether or not a physical business plan has been prepared, business-planning processes do take place, with varying levels of rigor. While there is higher proportion of successful businesses among the respondents who wrote business plans, the difference is slight. The findings from the survey as a whole are helpful in establishing several takeaways that are in line with the literature.

First, in this sample, a business' customers seem to be the most important factor to assess (87% of respondents). Understanding one's customer is the foremost business rule. This segues into the second takeaway, which is the importance of having a good grasp of the context in which a business plans operates. This is illustrated in the data by the 83% of respondents who paid at least some attention to the context while assessing their business idea. Examples of contextual factors include the level of interest rates, regulations (rules of the game), macroeconomic activity, and some industry variables like threat of substitutes (Sahlman, 1997). One of the important contributions of planning to performance is that plans provide a mental model, or a cognitive representation, of the problem, delineating key issues, relevant strategies, and expected outcomes (Mumford et al, 2001).

Where most SMES face problems relating to people and context, planning would be a useful practice to adopt. As Mumford et al. (2001) suggest in their review planning has a persuasive, complex influence on performance and, at least in some situations, may play a critical role in shaping performance. Planning is a crucial aspect of performance when people are confronted with complex, dynamic, demanding tasks in which coordination of activities is required for goal attainment.

Third, financial planning is a key activity, undertaken by 81% of survey respondents. It can be argued that a venture with no money is like a car with no gas, that is, no means of doing what it has set out to accomplish. This is aligned with Sahlman's (1997) position that successful ventures are "financed by individuals or firms who add value in addition to their capital, thereby increasing the likelihood of success. The financing terms provide the right incentives for the provider and the recipient. There is access to additional capital on an as-warranted basis." A take-away lesson here is the need to ensure access to financing before starting operations. This would entail preparing a business plan if need be, to give the required reassurance to would-be investors or financiers. Small businesses face a financing gap that undermines economic prosperity; for example, nearly half of SMEs in developing countries rate access to finance as a major constraint (Dalberg). Proper and more rigorous business planning, including the preparation of business plans, can help them obtain financing. While donors and governments work to improve the enabling environment, entrepreneurs can work to use good business practices for assessing the viability of their business ideas. As the literature review shows, business plans serve to attract acquisition of capital from investors and lenders, thus constituting the "business card" of the new enterprise and its management team" (Volkmann, Tokarski, Grünhagen). Of particular interest to small businesses is the concept behind Zimmerer's Five C's of Credit which explains what criteria small business owners need to be aware of with respect to the criteria financial institutions use to evaluation the financing requests: these are: capital, capacity, collateral, character, and conditions.

Fourth, exploring the feasibility of a venture is also a matter of building a strong core team. 72% of respondents found this to be useful, and they are in agreement with the prevailing idea in startup literature that success is heavily determined by a team's abilities. Sahlman (1997) holds that great businesses have a top performing managerial team with the relevant skills and experiences for the opportunity they are pursuing. Respondents for this survey favored technical expertise and drive, suggesting that a mix of industry- or product-specific knowledge and a mindset of determination are the necessary ingredients for business success. Thus, incorporating a rigorous team selection process into one's business planning efforts is primordial.

Indeed, a viable team increases the likelihood of a viable product offering. Even still, the viability of the proposed product must be assessed on its own. The survey results, in which 63% of respondents engaged in some kind of viability assessment, are in line with economic theories that highlight the importance of market size and strong demand for economic growth.

As for risk management, it is, of course, an important element of a small or medium sized business' sustainability, but this was not reflected in the survey data. The survey does not include a question asking if in hindsight, the respondents would engage in ex ante risk management, so given the existing data, possible explanations may be differing levels of risk in different industries, as well as entrepreneurial optimism, and the willpower to make a venture succeed against the odds.

Finally, in relation to the thesis of this work, it would seem that the planning process need not be crystallized in the form of a tangible business plan. While respondents, even those who said they had not written up a plan before going into business, did claim to see the importance of a business plan, the high level success rate of survey respondents (75%)

suggests that a business plan is not the be-all-end-all of business success. Indeed, even in the absence of a business plan, respondents seemed to have assessed a certain number of key criteria that could make or break their business. While the degree to which they assessed each criterion may have depended on their specific industry, it is the planning process itself, rather than the fact of having a business plan that drove success.

That being said, there is no question that a business plan has high merits. According to the survey respondents, it is a road map for the long term, an agreement of sorts between core team members, and a tool to gain access to financing. This supports

"a useful business plan is one that addresses the elements of the venture – people, opportunity, context, and deal – in the proper dynamic context."

Sahlman's (1997) position that a useful business plan is one that addresses the elements of the venture – people, opportunity, context, and deal – in the proper dynamic context. Long-term goals can change, core team members come and go, and in competitive environments, gaining access to financing may depend on a history of performance and not on the projections generally included in business plans.

Preparing a business plan is ideal. However, preparing one is time and resource intensive. What seems to be really needed is a feasibility analysis underscoring the clear distinction that Zimmerer et al (2008) propose between a business plan and a feasibility study – where they describe the former as a planning tool for transforming an idea into reality, and the latter as the process of determining whether an entrepreneur's idea is a viable foundation for creating a successful business… an investigative tool… designed to give an entrepreneur a picture of the market, sales, and profit potential of a particular business idea.

The survey results suggest that carrying out a feasibility study is perhaps more important than writing a business plan. Most of the businesses that succeeded did not necessarily have a business plan, but had taken the time to conduct a feasibility study – reflected in the planning phase. The survey supports the viewpoint that planning is the key, not the business plan.

Survey results also moderately support the suggestion that the business plan is important for obtaining financing. Zimmerer (2008) describes a business plan as a planning tool for transforming an idea into reality; it builds on the foundation of the feasibility study but provides a more comprehensive analysis than a feasibility study. It functions primarily as a planning tool, taking an idea that has passed the feasibility analysis and describing how to turn it into a successful business. Its primary goals are to guide entrepreneurs as they launch and operate their businesses and to help them acquire the necessary financing to launch. The need to obtain financing thus is a major driving force for the preparation of business plans.

Conclusion

This study covers the business planning process, focusing on elements that have been identified in the literature as being predictors of business success. Rather than using any specific measure of success, the study allowed respondents to determine for themselves whether they considered their venture successful or not. A survey modeled on select aspects of the literature has helped assess the attitudes of U.S small business owners toward the usefulness of the business planning elements in question, and also to answer the question of whether a written business plan (denoting a relatively sophisticated planning process) is necessary or helpful to achieve business success. Salient findings are the importance of assessing customers, of considering the financial implications of a business idea, the need for competent business partners, and ensuring the viability of a potential venture. These takeaways support previous research on this topic. When considering the role that entrepreneurship plays in economic development through an increased role of the private sector, this study makes a valuable contribution to the conversation about strengthening small business development to foster private sector development, but more remains to be done. As assistance for private sector development increases, especially in developing countries, so does foreign direct investment, all pointing to a need to improve business practices. Further research could be conducted to further identify business planning good practices to be emulated and bad practices to avoid in less stable economic settings like Africa.

A business plan is written proof that an entrepreneur has performed the necessary research, has studied the business opportunity adequately, and is prepared to capitalize on it with a sound business model. In short, a business plan is an entrepreneur's best insurance against launching a business destined to fail or mismanaging a potentially successful company.

References

African Development Bank (2013). Supporting the Transformation of the Private Sector in Africa. Private Sector Development Strategy, 2013-2017 (online). Available from http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/2013-2017_-_Private_Sector_Development_Strategy.pdf. [Accessed 01.12 15]

Agbor J., Quartey, P. (2010). Issues in SME Development in Ghana and South Africa. International Research Journal of Finance and Economics(online). ISSN 1450-2887 Issue 39 (2010)© EuroJournals Publishing, Inc. Available from http://www.eurojournals.com/finance.htm. [Accessed on 01.15.15]

Avwontom, F. (2016). A study of the business planning practices of small businesses in North America. A Dissertation Submitted in Part-fulfillment of the Requirements for the Degree of Master of Business Administration of the University of Warwick

Barringer, B.R. and R.D. Ireland (2012). Entrepreneurship: Successfully launching New Ventures (4th edn) Harlow: Pearson Education Press

Bewayo, E. (2010). 'Business Plans: Why Do We Teach Them?' Proceedings of the Northeast Business & Economics Association, Port Jefferson, Northeast Business & Economics Association, 492-496.

Bhide, A. (1996). 'The Questions Every Entrepreneur Must Answer', Harvard Business Review (online), November-December. Available from https://hbr.org/1996/11/the-questions-every-entrepreneur-must-answer [Accessed December 2015]

Brinckmann, J. and Kim, S.M. (2015). Why we plan: The impact of Nascent Entrepreneurs' Cognitive Characteristics and Human Capital on Business Planning, Strategic Entrepreneurship Journal, .J, 9: 153–166 (2015). Published online in Wiley Online Library (wileyonlinelibrary.com). DOI: 10.1002/sej.1197

Burke, A, S. Fraser and F.J. Greene (2010). 'The Multiple Effects of Business Planning on New Venture Performance' (online), Journal of Management Studies, 53 vols, available from http://ssrn.com/abstract=1567179 [Accessed 10.11.15]

Delmar, F. and Shane, S. (2003). 'Does Business Planning Facilitate the Development of New Ventures? (online). Strategic Management Journal, 37 vols available at Wiley InterScience: http://onlinelibrary.wiley.com/journal/10.1002/(ISSN)1097-0266m [Accessed 10.10.15]

Delmar, F. and Shane, S. (2004). 'Does business planning facilitate the development of new ventures' Journal of Business Venturing, 19, 385–410.

Dimov, D. (2010). 'Nascent Entrepreneurs and Venture Emergence: Opportunity Confidence, Human Capital, and Early Planning'. Journal of Management Studies, 47:6, 1123–1153

Harvard Business School, 'Entrepreneurship', n.d.,(online) Available fromhttp://www.hbs.edu/entrepreneurship/resources/businessplan.html. [Accessed 10.10.15]

Honig, B. and Samuelsson, M. (2012). 'Planning and the entrepreneur: a longitudinal examination of nascent entrepreneurs in Sweden'. Journal of Small Business Management. 50:3, 365–388.

International Finance Corporation, World Bank Group (2011). "Posing the Challenge on SME Finance". SME Finance DFI Meeting, Paris

International Finance Corporation, World Bank Group (2010). Micro, Small, and Medium Enterprises, MSME Country Indicators, Washington, D.C.

Kirsch, D., Goldfarb, B. and Gera, A. (2009). 'Form or substance: the role of business plans in venture capital decision-making'. Strategic Management Journal, 30, 487–515

Lange, J.E., Mollov, A., Pearlmutter, M., Singh, S. and Bygrave, W.D. (2007). 'Pre-start-up formal business plans and post-start-up performance: a study of 116 new ventures'. Venture Capital, 9, 237-56

Lumpkin, G. T., R. C. Shrader and G. E. Hills (1998). 'Does Formal Business Planning Enhance the Performance of New Ventures', thesis, University of Illinois at Chicago

Lussier, R.N., and Cormn, J. (1996). 'A business success versus failure prediction model for entrepreneurs with 0-10 employees' Journal of Small Business Strategy, 7:1, 21–35

Moskwa, L. S. (2014). Business Development Best Practices-- Part I: Developing the Plan 'Journal of Pension Benefits: Issues in Administration', 21 (3), 27-28

Mumford, M. C., R. A. Schultz, and J. R. Van Doom (2001). 'Performance in Planning: Processes, Requirements, and Errors', Review of General Psychology. 5 (3), 213–240.

Office of Advocacy, U.S. Small Business Administration (2014). The Small Business Economy: A Report to the President, Appendix A (December 2010). Available from http://www.sba.gov/content/small-business-economy-2010 [accessed 01.26.16].

Perry, S. C. (2002). 'The Relationship between Written Business Plans and the Failure of Small Businesses in the U.S.', Journal of Small Business Management, 39 (3), 201–208

Rea, R. H. (1989). 'Factors affecting success and failure of seed capital/start-up negotiations'. Journal of Business Venturing, 4:2, 149–158

"Entrepreneur-Led Development: A New Model For Africa" Text Of Speech By Tony O. Elumelu At Georgetown University [Online]. http://tonyelumelufoundation.org/feature/entrepreneur-led-development-new-model-africa-text-speech-tony-o-elumelu-georgetown-university/ [Accessed on 06. 2. 15]

Sahlman, W. A. (1997). 'How to write a great business plan', Harvard Business Review, 75, (4) pp. 98–108.

Sahlman, W. A. (1996). 'Some Thoughts on Business Plans: Internet Wicked Ale ', thesis, Harvard Business School

Simoneaux, S and C. Stroud (2011). 'A Business Plan: The GPS for Your Company', Journal of Pension Benefits: Issues in Administration, 18 (2), 92–95

U.S. Small Business Administration (2014). What is SBAs Definition of a Small Business Concern? Available from http://www.sba.gov/content/what-sbas-definition-small-business-concern, [accessed 1. 26. 16].

Volkmann, C.K., K.O. Tokarski, and M. Grünhagen (2010). 'Entrepreneurship in a European Perspective: Concepts for the Creation and Growth of New Ventures (1st Ed)', Berlin, Germany: Gabler Verlag

Yusuf, A., and Saffu, K. (2005). 'Planning and performance of small and medium enterprises in a country in transition'. Journal of Small Business Management, 43:4, 480–497

Zimmerer, T.W., Scarborough N. M. & Wilson D. (2008). Essentials of Entrepreneurship and Small Business Management, Pearson/Prentice Hall.

Author's Profile

Felicia Avwontom is a Communications and Knowledge Management Expert, Editor, and Translator.

She joined Independent Development Evaluation at the AfDB in 2009 and has played a critical role in developing the department's communication and knowledge management function. She is the editor-in-chief of the department's flagship quarterly knowledge publication, eVALUation matters.

Prior to joining the AfDB, Felicia provided editing and translation services to the AfDB, the World Bank Group, the National Institutes of Health, and the International Labor Organization. She also worked in the offices of high-level government officials and on KM projects in the private sector.

She holds a Master's Degree with a specialization in Knowledge Management (George Washington University); an M.A in Translation (Universite de Montreal), as well as a Graduate Certificate in Public Relations (University of Maryland). She recently completed an MBA from Warwick University, UK.