

# Special Report

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# ***Essential Business Planning***

***“Failing to plan is PLANNING to fail.”***

**Alan Lakein**

Starting any business is a serious undertaking to make money and making money is not something that happens all by itself. You need to make it happen. But how can you do that? The question itself implies a need for planning and that is the answer – business planning.

Successful businesspeople wouldn't launch a startup or undertake a major business change or expansion without the required planning because without a plan, activities tend to be erratic and random. It's important to take a structured approach to thinking strategically about the future of a business, whilst taking the present situation into account.

Unfortunately, most first-time businesspeople and entrepreneurs often don't even bother to make a business plan. That is one of the main reasons why so many of them go out of business. Planning is recognized as one of the most essential and indispensable elements in wealth creation.

Not having a business plan is like a coach showing up to a big game with no game plan and telling his players to just "wing it". Of course any respectable coach would just not say that to the team but yet many people are actually saying that to themselves about their business!

Many studies have shown that planning immensely improves the success rate of any venture. Analyzing a business, its commercial environment, defining its competitive advantage, positioning it in the market and setting appropriate financial, personnel and operational plans for a business venture are critical in today's world.

## **WHY PLAN?... *The Benefits To Your Business***

The most common reason to prepare a business plan is to obtain finance from lenders or to seek government grants to assist with export development or research and development. But planning is also very important for any business undergoing change such as developing new products, new markets or relocating premises.

Planning increases the likely success of a business venture because it helps to:

- Recognize internal strengths and weaknesses
- Recognize possible threats and constraints
- Discover and assess business opportunities
- Focus concentration onto longer-term business goals and direction
- Measure your business performance against others of your size
- Identify needs and resources you might otherwise overlook
- Uncover waste in the use of assets and resources
- Secure appropriate funding to underpin growth
- Define possible contingency plans to address foreseeable problems
- Prepare for potential future uncertainty
- Control your business growth
- Avoid a sales crisis
- Avoid a liquidity crisis
- Ensure staff people development
- Ensure adequate workspace is available

**The principal benefits of having a formal business plan are:**

- It sets out a clear path to help ensure that the your identified opportunities matches the overall goals and ambitions.
- Planning allows you to carefully develop and examine your ideas to help

you to decide whether the required time, effort and expense investment to make the business successful will be worthwhile.

- The analysis of your business idea reveals the strengths and weaknesses and determines what you will need to do to achieve your goals.
- It will assist you when dealing with lenders and suppliers from whom you are seeking credit. It shows the business is professional with a clear idea of where it is going and has the ability and commitment to get there.
- Planning reduces 'firefighting' as it allows you to anticipate future events and problems that may occur.
- It justifies plans and actions as it forces you to prove the validity or at least consider the reasoning of your plans, instead of deciding to do something because it 'feels' or 'sounds' right.
- Planning tests the suitability of ideas on paper, which is a much better alternative than starting a business only to find out that it is unprofitable!

## WHAT IS A BUSINESS PLAN?

*“The time to repair the roof is when the sun is shining.”*     **John F Kennedy**

A business plan is a document that defines your business, identifies your goals and objectives and develops strategies for achieving them. It can be used as a guide to the day-to-day running of the business, or as a proposal to be given to financial institutions to raise finance. Overall, it requires the development of:

- Business goals
- A management plan
- A marketing plan
- An operating plan
- A financial plan
- An action plan

Essentially, a good business plan is like a roadmap helping you to find the best path to achieving your business goals - outlining what to expect and possible alternative routes to take to arrive at a successful destination. Depending on its purpose, content and presentation format, the key contents typically include:

- *Executive Summary:* Write this last. Typically a page or two of highlights;
- *Company Description:* Legal establishment, history, start-up plans, etc;
- *Product or Service:* Focus on customer benefits of what you're selling.;
- *Business Goals:* Your 1, 5 and 10 year objectives of the business;
- *Market Analysis:* Your customer needs, location, how to reach them, etc;
- *Strategy and Implementation:* Key responsibilities with dates and budget;
- *Management Team:* Backgrounds of key personnel; and
- *Financial Plan:* Including profit and loss, cash flow, balance sheet, break-even analysis, assumptions, business ratios, etc.

## PLANNING PRINCIPLES

A business plan is a decision-making tool. There's no fixed content - rather the content and format is determined by the business objectives and audience. It contains whatever information to help you decide whether or not to pursue your business objectives. Importantly. Therefore a Business Plan should be:

- **Written Down** – in a clear and concise manner.
- **Intelligible** –able to be understood by all those who will implement it.
- **Explicit** - with all steps completely detailed
- **Flexible** – so that it can be changed if needed

To increase your chances of success focus on and be mindful of five areas in your Business Plan:

1. Need for Outside Resources – the potential problems your business may face could require information, advice and assistance that you do not have inside your organization.
2. Being Realistic – the facts in your business plan should ensure that you don't become overly optimistic about your new venture.
3. Balance Growth – plan you capital needs for your planned growth to ensure funds are available when required.
4. Recognize Change – planning can assist you to identify changing consumer demand and map out an appropriate business strategy to cope.
5. Be Result Focused – monitor your results against the goals set out in your business plan.

## STARTING YOUR BUSINESS PLAN

*“Nothing is particularly hard if you divide it into small jobs.”* Henry Ford

Many see the writing of a business plan as a huge task, which often translates into immobilization or confusion as to where to start. Many online packages, including [Business Plan Made Easy](#), [Strategic Business Plans](#) and [Proven Business Plans](#) can help you to get started however if you decide to go it alone you should consider the following format:

- 1. Your Audience:** Firstly you need to determine who will be reading your plan, as this will help shape the document. Writing a business plan for investors' maybe 15-30 pages with a detailed analysis and full details of facts and figures to support your assumptions. Whereas writing a business plan for a lender could be 10-15 pages and focused on the bank's main concern with risk and your ability to repay any loans.
- 2. Your Customers.** It's essential you understand what your customers need and to solve their problems or desires. You'll be able to target your products towards your customers once you know what they want. If you don't understand what your customers really want, you may end up trying to sell them the wrong products. To do this you need to work out what your customers typically look like in other words their demographics. You need to determine their typical age; gender; geographic location; income; the number of children they have; and the house they live in. Then you'll be able to target your products and services to the right customers at the right price.
- 3. Research & Information Collection:** This covers several key areas:

- Your insight from experience working or observing the area you will enter.
  - Published information from Small Business Service Providers, Market Research Providers, Accountants and Banks, Industry Associations, Business Peers and Competitors will provide details on the market growth, overall industry perspective and customer profiles.
  - Field research covering interviews with customers, suppliers, competitors, and industry experts. This will provide the real insight behind all the published facts.
- 4. Collection Files:** To make it easy place all your experiences, interviews, and research into files for each section of your business plan. These files can be either computer files, paper-based or set-up using business planning software. Fill your files with notes and printouts as you begin the research and collection phase.
  - 5. Industry Overview:** start with an overview of the industry and uncover industry and association reports. If you have a general understanding of the industry, you should avoid embarrassment when contacting experts with simple questions. Start your field research when you have a good understanding of the industry fundamentals.
  - 6. Analysis:** The process of analysis begins when the bulk of the data has been collected. Start building a competitive profile, risk assessment and contingency plan.
  - 7. Financials:** When you have found some average industry ratios for your business you can then start the financials. To develop realistic projections work closely with your accountant. Your investors or banker will raise eyebrows if you are overly optimistic.
  - 8. Executive Summary:** Save this first section for last - after all sections of the business plan are thoroughly completed. Highlight the key points and include loan payback requirements and the return on investment.

- 9. Review & Editing:** Well-written business plans can open doors. Do not forget the important step of revising and reviewing. Be certain to edit, proofread and ask others for feedback. You only have one shot at making a good impression.

Remember, preparing a business plan is an inexact science. For a variety of reasons it's often necessary to make estimates. Maybe the data is out-of-date or the person who has the information doesn't want to give it to you or it's only available at a certain cost.

Business planning can be difficult but if you follow these steps to writing a business plan you at least ensure your business has a chance at funding and of future success.

## **BUSINESS PLAN FORMATS**

**"It is a bad plan that admits no modification."**    **Publilius Syrus (~100BC)**

There is no standard format or standard content for a business plan. It will vary with the nature of the business, and the primary objectives of the plan. It's common for businesses especially start-ups to have three or four formats for the same business plan depending on the context of the presentation.

Here are just a few ideas as to how a business plan might be presented:

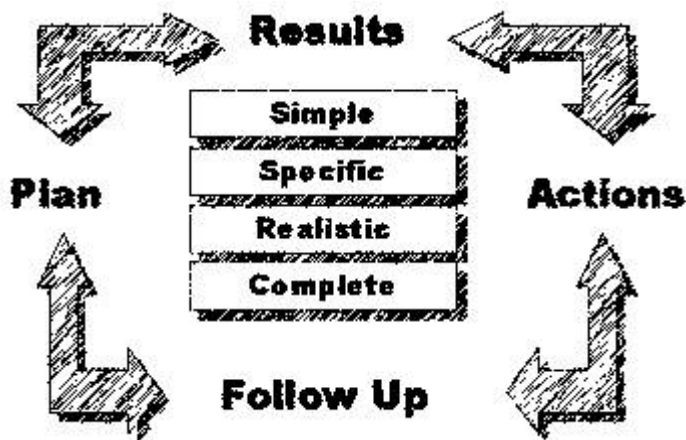
- **An "elevator pitch"** - a three-minute summary of the business plan's executive summary. It is often used as a teaser to interest potential funders, customers, or strategic partners.
- **An oral presentation** - a slide show and oral presentation meant to interest potential investors in reading the written presentation. Its' usually limited to the executive summary and a few key graphs showing financial trends and key decision making benchmarks.
- **A written presentation for external stakeholders** - a detailed, well written, and pleasingly formatted plan targeted at external stakeholders.
- **An internal operational plan** - a detailed plan describing planning details needed by management but not of interest to external stakeholders. Such plans have a somewhat higher degree of candor and informality.

## WHAT MAKES A GOOD BUSINESS PLAN?

*“A good plan today is better than a perfect plan tomorrow.”* George Patton

So let us have a look at what actually makes a great business plan? Could it be the length of the plan, the information it covers, how well it is written, or the strategy itself. Well! It is actually none of these and all of these.

The following is an illustration that shows a typical business planning process. There are certain factors in a plan that makes it more likely to give you the desired results you are after. It is essential to look at the plan as part of the whole process because even a great business plan is a waste of time if nobody is going to follow it.



***Planning is not just a plan, it is a process***

If a business plan is not simple, specific and complete then it is going to be hard for anyone to implement it. Even if you plan is all these things, a good plan is going to need someone to check it and follow up on it. A business plan

depends on the human elements around it especially when it comes to the commitment of tracking and following-up afterwards.

Successful implementation always starts with a good plan. Here are the main elements that will help a plan to be successfully implemented:

- Is the plan easy to follow? Is it simple and easy to understand and action? Does it clearly spell out the contents in an easy and practical manner?
- Is it a specific plan? Are its objectives measurable? Does it include specific activities and actions, each with completion date, delegated to specific persons for actioning and does it have a specific budget?
- Is it a realistic plan? Does it have realistic goals, budgets, and milestone dates? Nothing impedes implementation more than unrealistic goals.
- Is it a complete plan? Does it include all the elements that are necessary? Business plan requirements vary and there is no guarantee that a plan will work even if it covers the basics.

Finding someone to write your plan may be just as important as a great business plan itself. Some people however hire experts to write their plans like it is the final document that's the most important thing rather than the process. A great business plan will be much more effective if you write it yourself.

The main reasons for this are, if you create your own business plan, you demonstrate to potential partners and investors that you put a lot of thought into all aspects of your business. Most plans use the SWOT analysis: Strengths, Weaknesses, Opportunities and Threats.

But more importantly because you have to go through all the fundamentals of your business, not just your idea, not just your product and not just your establishment then you have to face the threats and address them in your plan. Remember, it is the planning process that will make all the difference whether your business will be successful.

A typical business plan should take you a good few days but don't be spending weeks on it. Some parts will be a breeze however others, like having realistic finance projections, will be harder.

If you are a small business, or you are just starting out, the effort you make developing a concrete business plan will more than pay for itself in the long term when your company grows.

## **PLANNING DO'S AND DON'TS... *Practical Tips***

*"A goal without a plan is just a wish"*

**Antoine de Saint-Exupery**

Here are some great tips to get the most out of your business plan.

### **Do:**

- Make sure you are practical
- Ensure you set solid goals, responsibilities and deadlines
- Assign tasks, milestones and deadlines to people for tracking and implementation
- Start up a forum for regular reviews and tracking
- Meet changing circumstances by always updating your plan
- To be sure you cover everything use business planning templates and tools
- Use your action plan as though it was a living guide.

### **Don't:**

- Show off how much you know about your business
- Keep you plan short, nobody is interested in a long-winded business plan
- Base your projections on wishful thinking or be unrealistic about what you can achieve
- Underestimate the challenges that you may face in growing a business
- Be afraid to ask for help

## **SWOT ANALYSIS**

*“Plans are only good intentions unless they immediately degenerate into hard work.”*

**Peter Drucker**

SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is another key element of business plans. Even though we touched on it earlier we will briefly discuss the key factors of a SWOT analysis.

### ***What is a SWOT Analysis?***

A SWOT analysis is a widely used business-planning tool that reflects the current performance of a business relative to competitors and potential customers. A SWOT analysis is usually done at the beginning of the business planning process. A SWOT analysis looks at the internal strengths and weaknesses of a business as well as any external opportunities and threats. The findings from these results should then help you to identify the Key Success Factors that eventually forms the basis of your strategic plans.

### ***Elements of a SWOT Analysis***

Here are the main aspects of your business, which would normally be covered in a SWOT Analysis:

<b><i>Internal Review</i></b>	<b><i>External Review</i></b>
<p>Your company's position relative to your industry:</p> <ol style="list-style-type: none"> <li>1. Management team</li> <li>2. Human resources</li> <li>3. Business structure</li> <li>4. Financial position</li> <li>5. Product range</li> <li>6. Marketing</li> <li>7. R&amp;D/ Innovation</li> <li>8. Productivity</li> <li>9. Facility utilisation</li> </ol>	<p><u><i>A. The Macro Level</i></u></p> <ol style="list-style-type: none"> <li>1. Economic trends</li> <li>2. Political/Government</li> <li>3. Society/ Pressure Groups/ Consumers</li> <li>4. International</li> </ol> <p><u><i>B. The Industry Level</i></u></p> <ol style="list-style-type: none"> <li>1. Competition</li> <li>2. Technology</li> <li>3. Demand patterns/ Customers</li> <li>4. Supply/ Suppliers</li> <li>5. Industrial relations</li> <li>6. Skills</li> </ol>

***Critical Success Factors***

Here are some questions that should help you to identify some of the key success factors for your business

- What are our main strengths?

- Why do our customers prefer to buy from us?
- Why do other prospects prefer to buy from our competition?
- What market trends should we address to enable us to be successful in the future?
- What could we do so we could become the leaders in our industry?
- Do we have to change our company culture to become more successful?
- What makes us different or unique from our competition?
- Do we need to update our current product range or be more innovative?
- Do we offer an interesting and safe work environment?
- Where are we financially and do we have the funds to implement our plans?
- Are our technologies relative to our competitors?
- Can we improve our profit margins and/or reduce our costs?

### ***Identifying your Critical Success Factors***

You will have a long list of strengths, weaknesses, opportunities and threats to work on once you have analysed your business and don't forget to prioritize these in order of importance.

The key to business success is to focus on your strengths and avoid or at least minimise your weaknesses. Use your business strengths to turn potential threats into opportunities and look for solutions where you have identified weak spots.

Remember your business success depends a lot on whether you have a business plan or not and the more thought you put into your plan the more success you are likely to achieve.

## RECOMMENDED RESOURCES

### BizPlanBuilder:

One of the best business planning software products on the market today is [Jian](#). It's real, up-to-date, and with the right combination of art and science - from concept through financing and implementation.

**Date born** This document was created on 28 Sept 2007 and based on the best information we could find at that time.

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