

BUSINESS PLAN PREPARATION - A CHECKLIST TO ENSURE GROWTH

*Reproduced from Australian Business Limited- NSW Business Chamber, please also note
my article on Business planning in the newsletter archive on this site.*

*I don't agree with all of what has been written below, but there are many ways to "skin a cat"
as they say. Roland Hanekroot*

Business planning isn't a single event in the life of your business. It doesn't matter what stage your business has reached in its growth cycle - whether it is growing as planned, is having problems, or even moving away from its core business - you must regularly revisit, review and refine all the processes involved in creating and carrying out your business plan. This means reviewing the way it was prepared and how it is being implemented. Things may not go quite to plan so there is a need to continually monitor it, regularly analyse it and make amendments where identified.

If you are running a business you need to know where you are heading financially both on a monthly and quarterly basis. Having a solid business plan and Key Personal Indicators (KPIs) for staff will help you better understand the issues affecting your business well before you receive a financial statement.

Shock proofing your business

A business plan is the formal structure upon which to build your business. It enables you to:

- ? Document each stage of your businesses growth.
- ? Make periodic assessments of each area of your business.
- ? Make a smooth transition at each stage of growth.

Planning

Just as all businesses are different, no two business plans are the same. Your plan must be: tailored to your individual business; be articulated clearly; communicate the essential characteristics of your business so that interested parties can see why it is likely to be successful; provide a framework to monitor and measure the actual performance of your business and used as a guide to enable you to make sound business decisions.

Checklist for business plan preparation

Before you start your business plan answer these questions. Your answers should give you a thorough understanding of your business and the direction it should be taking.

Your product/service

- ? What do you see as being the main applications and uses of your product/service?
- ? Who will buy your product/service?
- ? What trends do you anticipate for the product service usage?
- ? Who do you see as your potential competitors?
- ? Do these offer a wide range of products/services?
- ? How will your product/service be differentiated from competitors?
- ? What advantages and problems are associated with your product/service?
- ? Do you see scope to expand the range of your product/service?
- ? What price do you anticipate charging for your product/service?
- ? What will it cost to supply your product/service?
- ? How price sensitive do you believe demand for your product/service will be?

Your market

- ? What is the current Australian market for your product/service?
- ? What is the current overseas market for your product/service?
- ? What problems do you anticipate entering the market?
- ? Have you identified a niche in the market for your product/service?
- ? What characteristics do you see this market niche having?
- ? What characteristics do you see your customers having?
- ? What are the trends in the market in terms of how they will affect your product/service's penetration?
- ? What market share are you aiming for?
- ? What are your anticipated distribution methods?
- ? What other distribution methods are there or could there be?

Your competition

- ? What are the strengths and weaknesses of your anticipated competitors?
- ? What assumptions have you made about your anticipated competitors in relation to your proposed business?
- ? In what form does competition exist in the market (e.g. price, discounting, service, promotion, technology)?
- ? How well established are your anticipated competitors?
- ? How important to your anticipated competitors is the product/service that you will be attacking?

- ? What reaction do you anticipate from potential competitors when you launch your product/service?
- ? How will you combat this?

Production/servicing/manufacturing aspects of your business

- ? What methods are proposed to manufacture/produce or provide services for the market?
- ? What technologies are required and how advanced are these?
- ? What production servicing problems do you anticipate?
- ? What do you anticipate as the critical factors associated with your production/manufacturing/servicing operations?
- ? How important are these factors?
- ? To what extent do you anticipate you could reduce the importance of these factors?
- ? Now you are ready to formulate a business plan. Follow the checklist below.

Checklist of 12 basic steps to help your business grow

1. AGREE PROCESS

Prepare a structure for your plan and decide on your team to complete the plan. Set the key goals for your business and agree upon the process to be adopted and the timetable to complete the plan. Assign responsibilities.

2. KNOW YOUR BUSINESS

What business are you really in? Make sure you understand your industry and your particular segment of the industry. What are the recognised critical success factors and key result areas? Identify the specific issues facing your business in terms of your history and in terms of best practice.

3. COLLECT INFORMATION AND GATHER DATA

Undertake market research on your industry and competitors. Gather historical information about your own organisation. Uncover the issues facing your products or services. Research

4. ANALYSE YOUR INFORMATION

Look at your company's strengths, weaknesses, opportunities and threats through a SWOT analysis (Strengths, weaknesses, opportunities and threats)

- ? The strengths and weaknesses are internal factors.
- ? The opportunities and threats are external factors.
- ? Build on your strengths.
- ? Reduce your weaknesses.
- ? Manage your threats.
- ? Maximise your opportunities.

5. CONDUCT A PEST ANALYSIS (POLITICAL, ECONOMIC, SOCIAL AND TECHNOLOGICAL FACTORS)

A PEST analysis addresses wider macro issues over which it is unlikely the business has any direct control. However maintaining an interest in and monitoring issues and trends that may impact on your business is crucial. Your business may be in position to recognise and take advantage of a "window of opportunity" before the rest of the market. Or conversely you may need to take corrective action or implement strategies that will pre-empt an event that may have a negative impact on your business. Questions you may need to ask: Can the business be unduly influenced by political legislation or changes of Government? Can the technology be superseded?

6. PLAN YOUR FUTURE

Decide on:

Vision - where you want the business to be.

Mission - the purpose of the business and how this will be achieved in general terms.

Objectives - based on the key management goals and prioritised.

Strategies - broad statements as to how the objectives will be met.

7. SCHEDULE IMPLEMENTATION

This should list each initiative that you are proposing to adopt to ensure the achievement of each strategy.

the trends and developments in your industry.

8. DOCUMENT THE PLAN

You are now ready to document the plan. Follow the structured format below and compile the results of the previous seven steps.

9. GIVE OWNERSHIP

Ensure your key management and staff have a feeling of ownership over the end product.

10. CONSIDER OUTSOURCING AND PROFESSIONAL ASSISTANCE

External consultants can bring a level of specialised knowledge and expertise to your planning process. They will be objective and have additional resources. Talking to insolvency practitioners, accountants, business coaches, lawyers, solicitors and employer organisations can help you to understand why and how your business ticks. They can keep you up-to-date with changes in legislation.

Regard them as important assets in protecting the value of your business. If you go down this track ensure you maintain ownership of your final business plan.

11. EXECUTIVE SUMMARY

A brief synopsis written at the completion of the planning process. Include:

- ? Statement of business objectives.
- ? Include your core mission statement and summarise the short and long term objectives.
- ? Background and organisation.
- ? How and why the business has developed.
- ? Market structure and plan.
- ? Size, segments and competition - detail the company's marketing strategies to achieve its stated objectives.
- ? Organisational plan.
- ? Key management resources - organisation and administrative functions.
- ? Services/product summary.
- ? A summary of production or service issues.

Each initiative should be assigned priority, timing, responsibility and cost. Delegate authority and assign resources.

- ? Implementation schedule.
- ? A summary of action - oriented points which must be completed to achieve set objectives - include business development.

- ? Initiatives to grow the business.
- ? Financial plan.
- ? Financial projections and assumptions - provides a measuring stick to gauge the actual performance against budget.
- ? Annexures - used to provide detailed information supporting matters summarised elsewhere in the business plan.

12. MONITOR AND UPDATE

The planning effort will be fruitless unless you regularly monitor the outcomes of your agreed initiatives. Update the plan quarterly and communicate the changes to key stakeholders.

Pitfalls

You will be setting yourself up to fail if you:

- ? plan on a short term basis only
- ? lack a commitment to the process
- ? lack involvement of key staff
- ? lack objectivity
- ? believe business planning is only a budgeting exercise
- ? don't recognise weaknesses in your business
- ? don't monitor and update implementation
- ? don't implement recommendations
- ? bind your business plan into a pretty report - this creates an air of finality - keep it loose-leaf
- ? become so involved in sales and marketing that you fail to plan for the financial aspect.

