

For any further information regarding this article please contact Michael Norrish on 0408 914 051

PRACTICAL BUSINESS PLANNING

Business Planning is a valuable management technique but it's all too often overlooked.

Some businesses do not see the benefits of a carefully researched and compiled plan. As a result, they do not undertake the task at all.

Based on anecdotal evidence, a significant number of businesses fail within the first three years of commencing operations. It is realistic to extrapolate that many of these may not have failed had they undertaken some business planning and financial forecasting activity.

When done properly, the planning process and the preparation of the plan, provide business owners and managers with the opportunity to stand back from their work, assess the achievements of their business and set objectives for its future performance and development. It allows them time to evaluate their trading environment and assess their competitors and the economic factors which affect their business. It is imperative that any business plan be a written document that can be referred to on an ongoing basis and to be continuously updated as circumstances dictate.

There is an old adage which says that”A business that fails to plan, plans to fail”!!

A business plan should give the reader a very clear and concise view as to where the business is **NOW**, **WHERE** it wants to be in the future and **HOW** it plans to get there. It is unimaginable that you would allow a house you wanted constructed proceed without having an architect and perhaps an engineer determining that the construction would be successful. So it is with planning your business.

Should you have a need to access funding (perhaps venture capital or equity) any potential lender/equity participant would expect to see that you had a thoroughly researched and complete plan rather than just having an idea in your head. Bear in mind that a business plan is a forward looking document rather than concentrating on historical aspects.

There are some distinct benefits in producing a written business plan. These are: -

- It provides a mechanism for you to think long and hard about and enable informed decisions to be made about the success of your business.
- It will assist in enabling your financial backers to consider that you are a safer option for their funds that someone who does not plan satisfactorily.
- It provides a survival strategy in the event of a general business downturn
- It may assist management anticipate and respond to change
- Most importantly, it provides you with details as to how your business is progressing and what strategies you may need to implement to ensure you achieve your business goals and objectives.

There are no hard and fast rules about what content should be included in a business plan. There can be many components to a business plan that require significant input and a probable outline template could be as follows: -

- Executive summary
- Description of the industry
- Description of the business
- Description of the product or service
- SWOT analysis both personal and business (including skills audit)
- Sustainable competitive advantage
- Analysis of the market
- Assessment of existing and potential competition
- Marketing strategy and action plan
- Ownership and management, key personnel
- Employees
- Business milestones and action plan
- Insurance requirements
- Business structure (including legal duties and liabilities)
- Financial structure
- Financial statements
- Profit budget (at least two/three years)
- Cash Flows (at least two/three years) (including quotes for capital equipment)
- Sensitivity analyses (including industry averages, interest rate sensitivity etc)
- Analysis of sales projections
- Break-Even analysis
- Assumptions used in the financial statements
- Security details to offer a lender if you need to borrow capital
- Any valuations received from licensed and registered valuers for any proposed security
- Licences or similar documents required to operate the business

Generally speaking, it is wise to engage a suitably qualified business management consultant to assist you in compilation and preparation of the business plan. Although that may incur expense, it can ultimately save you an enormous amount of heart ache later as the consultants experience can very early determine the ongoing viability and profitability of your start-up or more mature venture. Most business owners appreciate the honesty of knowing the potential financial outcomes that the planning process determines.

This is extremely critical as far as preparation of valid financial forecasts is concerned. There cannot be any “formulation” or “assumptive” errors otherwise the entire integrity of the business plan may be lost.

Any prospective lender, equity partner, venture capitalist and indeed anyone interested in the business will always tend to examine in detail the “bottom line” position. The business plan may be the most complete and elaborative piece of prose but if the financials do not stack up and provide a solid indication as to the profitability and positive cash flow position of the business, then all the writing will probably be in vain.

The preparation of a comprehensive business plan can be a reasonably lengthy exercise and must involve significant input from the business owner(s). If a completed business plan is not “owned” and/or fully understood by the proprietors, its credibility will probably be lost amongst all parties to whom it is presented. If you elect to utilise the services of a consultant, look upon the consultant as a “facilitator” to get the job done and in a professional presentation rather than it being his or her plan.

It bears repeating..... **“A BUSINESS THAT FAILS TO PLAN PLANS TO FAIL!!!”**

<p>The author for this outline is Michael R Norrish of Norrish and Associates. Michael is a business management consultant who has assisted many clients in compilation of a business plan for a variety of reasons. Michael can be contacted on 0408 914 051 should you wish to have a discussion on your business plan requirements.</p>
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