

Developing a basic business plan

A business plan doesn't have to be fancy to be effective. Developing one is worth the effort and will help you stay on track to profitable growth.

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Some business owners struggle to organise themselves and perform effectively. One tool that can help streamline daily operations and decision-making is a business plan. Developing one doesn't have to be a complicated chore.

An effective plan is worth the effort

Business success is about having a direct and disciplined strategy that asks the right questions of the right people on the right subjects. The resulting information can provide guidance to make company objectives very specific. Progress can then be measured in order to stay on track and achieve profitable growth.

A business plan will enable a persuasive case to be made when outside financial resources are needed to acquire or expand a business. Naturally, it is much easier when there is a history to work on. Remember that a budget is a guideline of how you believe the business will operate over the next 12-month trading period.

Keep in mind that your shareholders and bank will carefully scrutinise your plan, so it is important to put time and effort into developing an effective plan.

Follow this simple format

Business plans can vary widely, but there are some key elements that should be included.

First up, you need to decide who your target market and competitors are, then assemble:

- a set of the previous year accounts
- forward budget and financing proposal documents
- background and history of the company owners/managers
- legal liabilities such as leases and hire purchases.

Once you have this information, you can start building your plan. By using the following format,



your business will eventually be revealed much more clearly.

EXECUTIVE SUMMARY

The executive summary is the most important part of the plan. It must contain an extensive overview of your operation, including:

- a mission statement stating your goals and how these will be achieved
- the objectives of the business
- keys to the businesses success.

It's important to highlight the successes attained over the previous year and note any opportunities that could have a major impact on the business in the future.

COMPANY SUMMARY

The company summary will include who owns the business, and its history, location and past performance (balance sheets).

PRODUCTS

Explain the products and services that your business offers. Provide a clear and informative picture that explains why your products and services are unique compared with those of your competitors. You may include sales literature, sourcing information (suppliers), technology involved in production and future products.

MARKET ANALYSIS

Identify your target market and the key demographics of those who will be buying your products or services. Actual facts and figures will make your analysis more credible, so include an attachment showing the previous 3 years' sales

figures and forecast sales. Your marketing plan must refer to the current business situation, economic conditions and the previous year's results. It should also take a broader look at the next few years.

Provide an overview of your industry based on your research and analysis of the competition and buying patterns in the marketplace.

STRATEGY AND IMPLEMENTATION

This section will outline how your plans will be implemented. Key elements to include are your competitive edge, marketing strategy and where you will position your products in the market.

Summarise your pricing, promotional, marketing and sales strategies.

MANAGEMENT SUMMARY

In this final section, you need to provide information about all the principals/directors/managers. You may also want to include any special attributes they bring to their roles within the business.

Finally, attach copies of any loan applications, lease or hire purchase contracts, agreements with suppliers and any other agreements that could have an impact on your business. Your financial budgets and previous year's results need to be included too.

Be realistic!

One of the crucial issues when developing a business plan is to be realistic. When forecasting sales, ask yourself if the figures can actually be achieved or if you are dreaming. The same applies when estimating your annual expenses.

It's a lot easier to know the worst case scenario and be able to plan for it than to find yourself against the wall without financial back-up and nowhere to turn.

Business plan templates can be downloaded from www.businessdoctors.co.nz. ♦