



Business plans are an essential, but often overlooked, necessity for any business

plan

A business plan is your 'road map' to successfully running your business. It helps you identify the key issues you must resolve before you get started. Once you get going, it helps you to make decisions about the growth of your business.

A survey of Australian small business owners conducted by Curtin University of Technology's Small Business Unit (SBU) has found that those with formal business plans grow faster and have higher average gross revenues.

The most challenging aspect of writing a business plan is to describe concisely your business and your vision for the future.

The most effective business descriptions:

- are written in a few simple words
- identify the market
- specify why the product or service is needed
- highlight why your business is special - for example, you are the only printer in a particular area.

Next you need to define the market in which you are competing by getting information on:

- who your potential customers are
- who your competitors are, what services they offer and what prices they charge
- the strengths and weaknesses of your competition
- current market size and growth potential.

YOUR BUSINESS PLAN CHECKLIST

- A basic description of your proposed business
- An analysis of the market in which the business will operate
- A description of the services to be provided
- Your marketing strategy
- How your business will be legally structured
- Your organisational structure
- The financial projections

This exercise may also help you identify services that are unlikely to be profitable and may be eliminated.

The next part of your plan outlines the process of promoting your services to your customer. Specifically, you will describe the following:

- how you plan to promote your services
- the geographic areas you would like to cover
- an estimate of your annual or monthly customer numbers
- your advertising plan, including the type of advertising your customers are most likely to respond to, when you want to send the message and how much you are prepared to spend.

Meanwhile, your marketing strategy needs to establish the four 'Ps': product, price, place and promotion. That means:

- the product or service you intend to sell
- the price of your product or service
- the place you intend to provide your service and why you have chosen this location
- how you intend to promote your business (already defined in your advertising and promotion plans).

WHO WANTS TO READ YOUR PLAN?

Your business plan is your guide to the future, but remember the plan is a guide to others as well. They may include:

- your employees, as a guide to what you expect from them
- your bank, as a guide to how secure your business is
- other financial lenders
- a customer who wants to be assured your business is solid
- suppliers who want to know when they can expect payment

A sound business plan also outlines the way you intend to run your business. This section will include:

- Where you will be operating your business. (For example: "We will be setting up the business at 123 Anywhere St. Floor space is 70 square metres.")
- Why you chose this location. (For example: "We decided on this location because of its easy access to public transport and off-street parking.")
- A description of any special facilities or equipment you need. (For example: "The business needs a telephone system, answering machine, computer, modem and fax, plus usual office equipment. No special equipment is needed.")
- Detail the work history of all your key employees and yourself.
- Highlight experience specific to your target market. (For example: "Jane Doe was formerly marketing manager with XYZ Printing, our chief competitor.")
- Highlight areas of expertise missing from your organisation and when these holes will be filled. This helps you focus on any weaknesses and shows your future plans. (For example: "With increased customer numbers, we will need to expand our printing staff and install a new computer accounting system.")
- Describe how your management structure is organised. Use an organisation chart if it is easier.
- Describe the duties of the key management personnel. Include your own role and outline any role other key personnel will play.

Most experienced readers of business plans judge the ability of owners or managers to achieve the plan by the track record of the management. So:

Your plan must include financial projections. These projections summarise the other sections of your plan, using the common language of numbers.

PEARSON PARTNERS

John Pearson is the Managing Partner in Pearson Partners Australia, Tax Accountants and Corporate Advisers and specialises in helping employers communicate with employees on such matters as Business Planning and Succession and Human Resource issues.

Pearson Partners has three permanent staff and hires between three and five casuals in busy times.

Pearson believes that doing a business plan was an essential ingredient in the success of the business. "It helped us clarify our objectives - such as whether we really wanted to go into business. I also believe it helped us convince the bank to arrange leasing finance for us.

"As a result of the plan, we've had a

good relationship with our bank and that takes a lot of stress out of running your business."

Pearson found that the hardest part of doing the plan was projecting future income. "Although I'd had previous experience with budgets, it is difficult to predict how potential clients will react to a start-up business."

He says that another advantage of a business plan is that you develop a template on how your business operates. "This means that when expansion opportunities present themselves, it is much easier to evaluate them.

"We also used the business plan to work out the advantages and disadvantages of changing from a partnership to a corporate structure," he says.

3 GOOD REASONS TO WRITE YOUR BUSINESS PLAN

1. To tell you where you are going and help avoid expensive pitfalls by doing things right the first time.

2. To help raise money. You will need to show your business plan to anyone - such as outside investors or a bank - considering investing in or lending money to your business.

3. To help you run your business by identifying the exact steps you need to take at each stage.

Financial projections will always - contain the following:

- expected sales revenue
- expected expenses
- expected initial investment in the business
- any planned capital expenditure, such as computers, faxes or other equipment.

Usually you'll summarise these estimates of future events in three ways:

- 1 an estimated income statement for the next 12 months, month-by-month, and the following two years quarter-by-quarter
- 2 expected cash receipts and expenditures (this is usually referred to as cash flow)
- 3 a snapshot of your liabilities at a point in time (the balance sheet). Your financial projections may be prepared for any time period, but are usually prepared annually or monthly.

Other projections you might want to include are:

- a break-even analysis (this will tell you at what point you start to make some money)
- statistics that compare your expected results to those of other organisations in your industry.

A well-prepared and detailed business plan will help you persuade any outsider that you're headed toward creating a successful business.

The message a comprehensive plan delivers is: You care enough to prepare the plan, you expect to be in business long enough to carry out the plan - and you are treating what you are doing as a serious business.