



Business Planning

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Why Plan for a Business that Already Exists?

The ability of small businesses to react quickly to market impetus gives them a substantial advantage over their larger competitors. However, resources in a small business which are in short supply must be used to their fullest potential. This makes such businesses highly vulnerable to failure if their progress and development is not tightly controlled. A business plan provides a vehicle for the strategic planning and continuous monitoring of a business—allowing it to avoid the pitfalls of haphazard growth, such as cash flow starvation, reduced profitability and loss of custom.

The benefits of preparing a business plan are many and varied.

They include:

- gaining a better understanding of the business, the market in which it competes and its competitors
- an expansion of focus from short-term local issues only to include an awareness of longer-term issues that may affect ongoing viability
- creation of an information system that will promote more effective decision making within the business
- * identification of key areas of product and service development (both current and future) and the finance and resources that will be required to develop them
- an evaluation of current internal systems, their efficiency and effectiveness and ways in which they can be improved
- providing a means of communicating with staff and other interested parties (bankers, financiers, business advisors, suppliers, customers, partners etc.)
- providing an ongoing resource in relation to both planning for future action and monitoring progress towards set objectives
 - providing a means of identifying and achieving both the personal and altruistic goals of business owners and of optimising the development of the asset which every business represents.

A business plan not only analyses the performance of a business to date, but also appraises the current and future potential of the market, the strategies most likely to capitalise on that potential and the organisational requirements for efficient and profitable operation.

It comprises twelve sections which should be conducted in the logical sequence detailed below.

Who should be involved in business planning?

The answer to this question is simple and direct... **you!** Some extra detail is provided below:

- the owners of the business should be involved to the extent that it is possible. A proper business plan has vast potential to increase the future profitability of your business. Retaining an external party to complete a business plan, means that they will end up knowing your business better than you do yourself
- as many staff as possible should be involved, certainly all key personnel, so that all facets of the business are represented
- if large numbers of staff exist, they should be broken into smaller groups and be asked to comment on a list prepared periodically which details the issues that have arisen – one staff member should be elected to attend all of these sub-group discussions and report back to those coordinating the planning process
- any brainstorming or planning that takes place in relation to the business should take place 'off-premises', that is, in an environment free from political and hierarchical contamination, conducive to the free flow of ideas
- if at all possible, an uninvolved third party facilitator should be engaged to coordinate such sessions— someone who is familiar with the business and its field of endeavour but otherwise not linked to it. This will ensure that familiar issues are not glossed over or ignored, however innocently
- wherever desirable, professional involvement should be sought in relation to specific areas of enquiry (such as legal and accounting issues, mergers etc, if in-house expertise does not exist).

What does the Business Planning Process Involve?

Business Planning is a structured enquiry, geared to ensuring research and analysis into **all** facets of a business preventing areas being overlooked by virtue of the enquirer's familiarity with the subject matter. The information below provides a hands-on description of the process, which will allow those using the 'skeleton'

provided to attach the 'flesh' relevant to their own business, and develop a comprehensive business plan, useful both in the short term and as a planning guide for the future.

The sequence followed in the table of contents indicates the sequence in which the business plan should be prepared.

On the basis that it is impossible to proceed with an research without having firmly defined the business itself, the core or mission statement must be determined. They may, of course, be modified as enquiries proceed.

The next step is the identification and analysis of the market itself, providing the basis for all planning which follows it. Having identified the market, the next step is to formulate the strategies which will allow it to be reached most effectively. The marketing plan, which is tackled next, fulfils this need. Having worked out how to market the product—service mix, the physical organisation required to allow the business to function needs to be determined and takes the form of the organisational plan.

Identification of the means and method of production, resources required and schedule of operations come next. To this end, the production plan is followed by the as is required is then detailed in the R & D plan. Having collected all the data necessary to define the business implementation schedule. Such research and development and its operations, it becomes possible to make some realistic statements relating to funding its operations. The financial plan is therefore the final step in the planning process

The summary and recommendation (including the executive summary) are then formulated in the light of what is now a complete study of the market and the business itself. They summarise the findings and highlight changes and tactics that should be pursued.

As you complete each section of the plan accumulate the information you are obtaining. Be sure to keep notes on your thoughts and analysis of the data itself and the impact it has on the business. This will enable subsequent reference to take place in relation to condensed commentary rather than raw data.

A business plan should have the following ingredients:

- . Executive Summary
- . Statement of Business Objectives
 - Core/mission statement
 - Objectives
- . Company Background and Organisation

- History and background
- Company organisation
- Financial results

- Analysis of Market Structure

- Technical .description
- Market size
- Market segmentation
- Market growth potential
- Seasonality
- Competition
- Pricing
- Promotion
- Market trends
- Key success factors
- S.W.O.T & R. (strengths, weaknesses, opportunities, threats and restraints) analysis

- Marketing Plan

- Analysis of objectives
- Marketing strategy
- Growth projections
- Measurement of objectives
- Sales forecasts
- Other strategic issues
- Risk assumptions

- * Organisational Plan

- Ownership
- Management planning
- Organisational planning
- Training
- Administration

- * Production Plan.

- Raw material sourcing
- Inventory
- Equipment and accommodation
- Impact of seasonality
- Output (units or time period)
- Costing
- Work flow and plant layout
- Quality, performance, stock, staff and waste control

- * Implementation Schedule

- Human resource issues
- Marketing issues
- R & D

- * Research and Development Plan

- Product and service development
- Process development
- Research development

- Financial Plan
 - Analysis of sales, profitability, cashflow and overheads to date
 - Cash flow forecasts
 - Profit and loss forecasts (including return on investment)
 - Break-even and sensitivity analysis
 - Sources and application of funds

- Summary
 - Conclusions
 - Recommendations

- Appendices,

A detailed explanation of the sections outlined in the table of contents above is provided below.

Executive Summary

This provides a general overview of the business and an outline of the recommendations. The executive summary can only be written **after** the business plan has been completed. Ideally one, but no longer than two pages, the executive summary presents an overview of the business and summarises the highlights of the various facets of the business plan. You should cover the following briefly, but informatively:

- the company and its environment
- its current market position and potential for growth
- the company objectives both in the short and long terms—as canvassed in the business plan
- * brief description of the major strategic action to be undertaken as a result of the business planning process including marketing, financial matters, distribution, organisation and management
- description of the product or service
- * summary of the marketing approach—current segment held, channels for distribution or sale
- summary of financial estimates in dollars per annum—income to date and trends, income projected over three to five years (percentage growth)
- * capital required and potential sources
- * summary of key personnel

Statement of Business Objectives

The mission statement and business objectives of any enterprise are necessarily intertwined, due to the fact that they are directional statements that focus on the specific competencies of the business and its operators, and their ability to provide and sustain a competitive advantage over others in the market in which it operates.

The basic definition of the business and its purpose and mission have to be translated into tangible and measurable objectives in order that: (1) they can be achieved and (2) the degree of progress towards them can be measured at any given point.

Objectives should possess the following characteristics:

- be measurable (areas of performance that are routinely recorded such as sales, profit, market share etc)
- be subject to a time period (expressed in units such as weeks, months or years).

Objectives should be set in relation to the **key** areas of the business including market share, profitability, financial resources and management performance and development.

Core and mission statement (details the character and nature of the business)

- what are the specific products or services offered?
- what outlets and/or chain of distribution are being utilised?
- to whom are the products or services being provided?
- list the advantages, improvements and desirability of the products or services, that is, brief details of any noticeable differences between the conventional modus operandi and your business
- what image does or should the business attempt to convey? (whose view will be used, which criteria will be highlighted to form its basis, and what standing does the business have to draw upon in the industry?)
- * statement of objectives relating to achieving goals already set for the business

Objectives (both financial and non-financial)

- provide an outline of the short term goals already set by the business and a brief outline of previous short-term goals set over the last three to five years
- set down some sort of 'long term' goals for the business—three to five years should suffice
- to what place in the industry does the business aspire?—goals as to size, turnover and percentage share of the market may be relevant
- * does the business have different goals about different product or service segments?
- what level of service development is the business aiming at?

Company Background and Organisation

History and background

A brief description of the origins of the business and its progress since it commenced operations. It should include:

- why the company was formed
- its progress since inception
- key people involved
- sales growth and expansion of operational centres
- what marketing strategies have been used to date
- strategic changes that have occurred—highlights of its operations
- what has the business's growth and development to date been?

Company organisation

Issues covered in this section should include (1) the functions that are performed and those responsible for performing them (who does what); and (2) the way (if any), in which internal functions are organised to ensure overall effectiveness and efficiency. (An organisational chart can

usefully be used to demonstrate this). Factors to consider include:

- internal managerial structure—detail the current position in terms of management, control and ownership of the business itself
- type of legal structure—any special features or controls etc.?
- details of founders and key personnel—helps to set the scene from an analytical viewpoint (may also tend to show changes in direction)
- internal and external 'interface' and systems—detail the way in which the business interacts with its distributors, retailers and customers and the extent of control and reporting systems (in brief—a full analysis will be undertaken in the organisational plan)

Financial results

This requires a financial overview of the business's progress over the past three years. This is a key element which will provide a partial basis for the financial analysis and projections which need to be conducted later on in the Financial Plan.

The financial breakdown of any major division's contribution to the business's overall financial progress over the period will provide data relevant to developing future strategies for purchases, sales and reorganisation during the next three to five years. It may also serve to provide valuable data of each division to the business on a cost—benefit basis.

- general statement of turnover and growth to date (from business records)
- analyses of figures, both break-even and profit and loss—if any substantial growth has taken place in particular groupings as compared with the whole then mention them and attach the figures.
- use profit and loss statements not balance sheets for this purpose.

Analysis of Market Structure

This section deals with past, present and future potential of the marketplace in which the company competes. The sale of products, income derived and profitability possible in the market should be defined in relation to the business concerned and, if possible, in comparison with its identified competitors.

The amount and quality of the research you do in this section will determine the real value of the business plan. you can never investigate **all** possible sources, but be sure to consult enough sources to give you an unbiased and reasonably well-averaged view of the status quo.

Technical description

Summarise the tests and data collation methodology you have used-as with any 'scientific' analysis, detail the primary sources you have used for this purpose and the ancillary methodology for secondary and tertiary research from documentary and other sources. All statistics and information sourced should be accredited **and** attached in the appendices

Market size

Quantify the entire market relevant to the business in both dollars and product turnover (present and potential) this is **not** an analysis of the market segment in which it competes, but a global view of the entire market concerned.

Market segmentation

- what different market sub-groups or 'segments' exist? What percentage of the entire market are your market segments? Do you compete in more than one segment?
- what different products or services are available in each market segment? Detail any major product segments and the percentage of the market for which they are responsible.
- analysis of current situation, i.e. the market share for which the business is responsible.

Market growth potential

- generally at national, state and international levels depending on your perceived market-existing data

should be available for this purpose from Bureau of Statistics, trade and professional associations, yellow pages, industry journals and publications, the media generally etc.

- in relation to major product segmentation i.e. how much will each grow or shrink over the next three to five years and what are the major determinants?
- in relation to the business- what product volume is the business capable of turning realistically? Is this achievable given the state of the market?

Seasonality

- does analysis of the figures show any month or period of month where sales slow off or increase consistently each year
- does it affect the business? How? You may need to look at the different product categories separately
- consider the cause of the fluctuations in terms of such factors as legal or technical developments, industrial demands, domestic requirements, recreation etc.

Competition

- who are they? detail the opposition businesses in your perceived market and specifically any businesses similar to yours.
- what are they doing? how are they doing it? what share do they hold in each of the markets in which you compete? And each of the major product categories?
- how do they differ from your business?
- what will they do if you 'succeed'?

Pricing

- what strategies are you using? Remember that credit/payment arrangements form a vital part of pricing strategy.
- what pricing strategies are your competitors using? are any of these useable or possible in relation to your business? Including payment terms, rebates etc.
- what has been the effect of your strategies to date.

Promotion

- what are the current strategies being used—in your business? by your competitors? Attempt to cost them separately and give some idea of their effectiveness to date (point-of-sale, public relations, media marketing and advertising and promotional campaigns should be canvassed)

what are your future options including:

- sales literature
- newsletters
- renewed or different efforts by sales force
- packaging strategies
- telemarketing
- distribution network
- alternative or additional advertising in any of the media—specify
- direct to customers promotions
- putting reps and/or vehicles on the road for servicing customers
- direct to dealers promotions etc.

Market trends

Outline current and projected trends. This should be a summary of the information gleaned about seasonality, growth potential and potential product development in the light of current market information.

- effect on your business—to what extent can you plan for the effect of these trends, either by way of avoidance strategies or capitalisation on opportunities that may arise as a result?
- are consumers' expectations as to the services or products they use changing in any identifiable way? what is it?
- will an identified trend in the market necessarily have the same effect on all facets of your operation? If not, do the differences in impact allow you to draw any useful conclusions?
- do trends in the market affect you the same way as those trends affect your identified competitors? If not, why not?

Key success factors in the market

This information is likely to be supplemented by the strengths analysis below,

- what does your business have that makes a difference? i.e. a competitive advantage or unique selling point that your competitors can't offer?
- what can you do to capitalise on this?
- some factors to consider are: quality of product and/or service, servicing of customers, packaging utilised, sales and distribution, credit terms and volume discounts, location of distributors, advertising and promotion undertaken, reputation of the company and/or specific distributors or personnel etc.

Marketable strengths and marketing weaknesses

The strengths and weaknesses facet of this analysis forms the internally focused appraisal of the process (effectively a situation analysis). This part of the business plan examines the business's strengths and weaknesses in the areas of finance, marketing, management, products and other internal aspects.

Obviously enough, such an appraisal cannot take place in a vacuum—that is, it is inevitable that the business's strengths and weaknesses will be measured in relation to some external benchmark, such as competitors in the market. However, it should be wholly concerned with an internally focused analysis of your business.

Keep in mind that when conducting this analysis that rules of brainstorming apply—namely that all thoughts are spoken and recorded without any evaluation or judgement being passed on them initially; consideration of their worth and their refinement or elimination should be left until the brainstorm is over and they have all been listed. This enables maximum value to be extracted from the unexpected results achievable by allowing free-flowing generation of ideas.

- what makes your business good at what it does? what makes it better than the competitors?
- who are the people who make the business what it is? what are the individual and communal strengths that they bring to the business to make it succeed?
- what resources of other kinds does the business have that makes it strong and likely to succeed?
- what are the weaknesses that you need to be aware of when promoting the business or planning expansion? do you have a lack of human resources, finance, ability to produce etc.?

- what products or services don't you or can't you produce? will this make you more vulnerable to attack from a competitor?
- are there tasks or areas where you realise that your performance is not as good as the rest? do any of these areas have the potential to taint your performance in areas where you feel you are strong?

Market opportunities, threats in the market and environmental restraint

The identification of opportunities, threats and restraints involves the analysis of factors external to a business. Once again, they should be determined by conducting a brainstorm, so that all possibilities are considered (see the section above on strengths and weaknesses),

As with any balanced business strategy, it is vital that the down-side to the potential of the business be considered so strategies can be put in place to cope with competition and environmental factors. Proceeding blindly and buoyed up on only the positive aspects of a business is more than likely to end in failure,

Apart from identifiable competition and risk inherent in the market, be sure to consider the substantial effect that environmental factors can have on a business's progress. Issues such as government controls, technological change, social preoccupation with issues such as environment and the state of the economy, can all have an possible perspective can be used in assessing the situation. Never lose track of the fact that no business performs in a vacuum and that customers, problems and unforeseen difficulties should always be anticipated to the extent that it is possible to do so.

- what opportunities exist in the market for the business, without considering its current personnel or resource limitations?
- what potential exists for expansion? is some form of strategic alliance possible? can alternatives be found which will not require using finance options?
- where can the business go from here locally? nationally? internationally?
- what factors in the market might prevent the business expanding, prospering and remaining viable?
- what might your competitors do if you are successful? what might your staff do if you are successful—or unsuccessful?

- is there any trend, legal or technological development or other extraneous factor that might prevent the business achieving its objectives?
- are there any limiting factors imposed by location, personnel, legal restrictions, prevailing public sentiment or likely developments that may limit your business's potential for expansion?
- are there global, geographical or environmental considerations that need to be taken into account

Marketing Plan

The analysis of market structure (above) and the marketing plan itself, comprise the largest part of the business plan and always require the bulk of the research. You will be able to obtain some of the information from industry associations, industry leaders and possibly the Australian Bureau of Statistics, particularly with regard to market share, competition, market potential, promotional activities and pricing. The yellow pages, trade and industry journals and general media are also valuable sources of information.

The key people in the business itself also provide an extensive resource in terms of real (primary) data, as do the employees of your competitors. Wherever possible try to obtain information from several sources, so that the widest possible perspective can be used in assessing the situation. The marketing plan will assist a business to achieve its objectives through identification of the various avenues open to it to increase its market penetration, and delineation of the specific steps you need to take to achieve those ends.

It should also act as a management control tool which can be used as a gauge of the business's progress and to provide the reference by which new strategies will be assessed, should a change in direction be under consideration. Finally, it sets the sales targets the business is confident of achieving and details the assumptions upon which they have been based.

Analysis of objectives

- have any objectives actually been expressed in relation to your business? if so, what are they, and for what term or to what areas of the market and the business do they apply?
- have they been achieved? if not, were they realistic to begin with?

Marketing strategies

The five broad areas of product, price, promotion, packaging and place (or location), need to be covered:

- product strategies revolve around listing both the features and benefits of the product or service concerned (**benefits sell**, features don't). Specific product or service categories may need to be detailed
- * price strategies (what's possible? depth or width strategies?—can you improve sales/profit by being creative with price or terms etc.?)

promotion (advertising, promotions, point of sale, public relations, word of mouth etc.)—canvas the various alternatives revealed in the promotion section of the market analysis
- distribution (direct to client, via wholesaler, via agent etc.)—look at the various strategies which may be possible to further enhance the profitability and efficiency of the operation and consider 'plugging in' to someone else's existing distribution network specially in relation to export markets
- * identify any specific market niches, their buying profile and the strategies that might be used to get to

Growth projections

Base your assumptions on current market information

What are the prospects for growth of the business in the following areas:

sales (volume, product, price)?

financial performance (debts, inventory, assets, cashflow etc.)?

revenues (expenses, profitability, management expenses)? be sure to list the possible restraining factors and risk assumptions upon which the projections are based i.e. factors such as mentioned in the threats and restraints analysis (above), expected changes in variable costs, possible trends etc-

In addition, look at the possible 'through-line' effects of any strategies which may be used to aid expansion e.g. acquisition or disposal of properties, outlets and so on.

sales forecasts based on the information collated in relation to turnover to date, potential capacity to produce and cashflow and profit and loss records

- risk assumptions that have been taken into consideration in arriving at these sales forecasts
- projections for market growth based on figures (current and past)
- establish the statistical trend indicated by figures over the past three years and use these as the basis forward projection on the basis of mean growth (allowing for CPI) unless particular trends or upcoming events are likely to affect this substantially—in which case, adjust the projections accordingly
- reservations based on likely or possible changes—give voice to any reservations you have about your projections.

Measurement of objectives

To be able to use the business plan as a source of reference for those operating the business into the future, it is necessary to provide both a methodology for monitoring progress and a definition of several 'stopping points' along the way. These points should act as intermediate goals which can be achieved prior to the ultimate one. In addition, consultation with staff and management to ensure that the goals set can be understood by all parties and are capable of attracting their commitment, is a good idea. It is as important that the troops see and understand where they are heading, as it is for the leader.

If current systems and reporting procedures are not sufficiently efficient, or not geared to cope with assessing progress, think about recommending changes to one or the other! Goals are no use unless it is possible to monitor progress either toward or away from them with the requisite sensitivity.

- ways to keep track of progress towards expressed objectives—will the unit of measure be dollars? turnover? product volume? percentage share of the existing market? new customers gained? new market share obtained? regarding product category or sales generally? will figures used be gross, net or after deduction of fixed overheads? and so on. This issue must be approached and must be applicable to both fiscal and non-fiscal goals
- creation of 'markers' along the way to assess progress is necessary because the setting of one ultimate end-point allows for no intermediate rewards to be put in place (whether tangible or in terms of self-fulfilment); this in turn can lead to a downturn in motivation when the end-point seems too far away to be realistically attainable

Providing actual steps along the way (e.g. \$25,000 increments towards an overall increase of \$250,000 in the first 18 months), allows for workers and management to be rewarded as they attain the toward the larger goals set.

Organisational Plan

The organisational plan covers the basic management structure of the business, administrative responsibility within it, and the accountability of office-holders. It should arrive at a series of stated objectives and strategies geared to improving management and administrative systems,

In addition, it should look at and provide objectives and Strategies relating to the training of staff, particularly in the light of the Training Guarantee Levy. Finally it should arrive at some estimation of the general and administrative expenses associated with the management and administration of the business other than those directly attributable to sales, marketing, distribution and so on.

Management planning

- what management and administrative systems exist? are they efficient, economical, capable of asserting control and ensuring decisions are arrived at and feedback is received from 'street level'?
- is the present management system the most appropriate style of management? or would centralised or decentralised control be more appropriate? are separate profit-centres conceivable? would any changes that are feasible be able to produce greater efficiencies in terms of marketing, financing, cost-savings, distribution?
- cost of manpower involved in operations—the business needs to be appraised to discover the real on-cost of employees (examination of the revenue produced by individual personnel would be a good idea, to put things in perspective)
- * remuneration, packages and incentives? this enquiry is ancillary to the point above
- * what delegation takes place and are there possibilities for alternative uses of delegation as a tool?
- * reporting systems in use relating to staff, distributors and retail outlets i.e. the types of system such as computers, written reports, meetings etc. used, and

any structure in place to assess the effectiveness of these reporting systems.

Organisational planning

an examination of the existing organisational structure with a view to detailing who makes the decisions, and how

- is planning performed with reference to a specific time frame?
- are there any industrial disputes or union problems?
- is the organisational structure currently in place capable of coping with the current size of the business? And if it grows as predicted? (use the organizational chart drawn up in the company background section to aid in the analysis of its ability to cope?
- distribution—how can it be increased or made more cost-effective?
- management—as mentioned above, what are the prospects for improvement in the efficiency and accountability of the existing structure?
- pricing strategies—what strategies are possible if any, to help optimise operational efficiency and profitability?
- what are the existing personal and divisional responsibilities in your business?
- what are the personal and divisional objectives you have set as a result of your analysis and Arrival at growth and expansion targets?
- have you considered the possible benefits of entering a strategic alliance rather than expanding or diversifying on your own?

Training

- what type of training may be applicable to the business? what skill or experience deficiencies can be seen to exist within the company at which levels? What sort of training is available to redress the need?
- what training courses are currently being undertaken?
- is any form of staff appraisal being undertaken? is there any foreseeable advantage in installing such a system of appraisal?

- what are the time and cost factors involved? can the Training Guarantee Levy be put to good use to maximise the profit potential of the business, by contracting for training to satisfy the needs outlined above? conducting a needs analysis on staff and management may be one of the best ways of ascertaining gaps in knowledge or training that they see as valid
- who would arrange such training? can it be centralised? will this make it more cost-effective?

Administration

- administrative systems should be governing the operations of the business in such a way as to ensure optimisation of endeavour
- they are different from, but tied to operational systems on the basis that they effectively monitor the actual operation of the business; they therefore need to be both time-efficient and sufficiently sensitive
- reporting systems currently in use
- are they providing those responsible for administering activities with both accurate information and malleable tools to that end?
- in keeping with the above, look at: budgets and cash-flows and how they are supervised, computer systems in use and available, time management within the business itself and any other administrative systems that become evident (either through their presence or absence).

Production Plan

This section focuses on the physical production processes and requirements of raw materials, necessary in order to arrive at the product or service which will be sold to provide the revenue for the business being appraised or planned for.

While a product-based business will require a more detailed analysis of the actual use and costing of raw materials, this section is also applicable to the production of services. Issues such as the preparation required to develop courses, materials and promotional material and the time and resources required for submission of proposals are relevant.

As the subject of this section is responsible for generating revenue for the business, investigation should be as thorough and comprehensive as possible. Work flow, quality control and control systems should be given special attention.

- who are your suppliers? do you have backup suppliers for crucial components of your production process?
- what are the lead times between ordering and delivery? do these fluctuate in relation to seasonal peaks?
- what equipment do you require? should you lease, purchase or rent? given your objectives purchase and growth forecasts, does your decision make commercial sense?
- do you have or can you obtain the requisite human resource skills to allow your planned expansion? Do you have strategies in force to ensure their ongoing availability?
- have you costed all factors (lease, raw materials, wages, maintenance, on-costs, tax, administrative overheads, cost of servicing borrowing, wastage etc.)?
- are your plant and personnel arranged to ensure greatest possible work flow, with a minimum of wasted time and effort?
- does your quality control start at the time of purchase and continue through storage, rotation, assembly and manufacture and through until delivery and payment?
- have you looked at the balance achieved between production-based precautions and insurance coverage, from the aspect of risk minimisation? Is your solution the most cost-effective?
- to what extent have you planned for breakdowns, industrial action, 'force majeure' incidents and other exigencies?
- what level of inventory do you and should you Hold? how much is 'dead' stock going to cost you if ordered too soon/in quantities that are too large?

Implementation Schedule

Each of the major initiatives detailed in relation to your strategic action should be included here by way of a 'diary' of commencement and completion. Setting the action highlights apart from the more routine matters allows you to achieve perspective as you look to the months ahead and what they hold.

The starting dates of personnel recruitment drives, lead-in to launching marketing campaigns, purchasing of large consignments of goods/raw materials and deadlines for completion of orders, contracts and negotiations are just a few examples of the sorts of issues involved,

If you have a firm date for the start of your plan of action, use calendar dates. If not, detail actions and events in terms of their relative proximity to the start date to be determined (e.g. Day 1, Week 1 etc.).

- what major events or initiatives need to be coordinated carefully in order to avoid conflicts of time and resource availability?
- who is going to be responsible for what action? when are they required to start and finish?
- what lead time is required in order to ensure readiness prior to deadline, with respect to the various initiatives and actions you have planned?

Research and Development Plan

The amount of information included in this section will depend substantially on the extent to which the business is required to parallel technological advances to ensure ongoing profitability.

Product and service based businesses will usually need to indulge in research development of their range of products or services, in order to avoid falling behind their competition. This process, however, comes within the ambit of ordinary operational development and so requires little, if any, allowance for extra funding,

High-tech or manufacture-based businesses on the other hand, may require substantial allocation of both time and financial resources on an ongoing basis. Maintenance of market position alone may dictate this; attempts to remain at the forefront of technology will certainly require large investments on this front. Questions you may ask include:

- are you seeking to do more than maintain your position, using current technology? if so, to what extent do you expect to have to allocate time, materials and management expertise to achieve your end?
- does your organisational plan reflect your intention to engage in R & D in addition to the routine tasks requiring performance?
- can your existing resources, reporting systems and delegation of responsibilities cover this extra load?
- is your process capable of further development or diversification? have you considered a strategic alliance to achieve this end? have you considered pooling your R & D resources with other synergistic organisations?

Financial Plan

This section looks at the policy of the business and its historical performance on key financial indicators such as profit and loss, break-even analyses, profitability and turnover. It should detail the composition of assets and liabilities of the business including future financial obligations and analyse the value and current usefulness of assets in hand. The policies of the business and its suppliers regarding payments and collections need to be addressed, as well as the cost and availability of funds from external sources. In addition, look at three fundamental issues:

- does the planned level of operations generate a sufficient level of revenue and profit to support any investment required?
- can the planned level of operation generate sufficient cashflow to sustain operations or expansion? If not, can the shortfall be covered from other sources? and how?
- does the return on investment maintain economic solvency and viability? If so, what is the internal rate of return?

As profit and loss are the fundamentals of any business, be aware that this section will be scrutinised with the utmost rigour. Be realistic about your appraisals and also about estimations of forward growth and any financing that may be required.

Financial projections

Profit and loss projections are based upon past history and current objectives—look at what has been achieved, whether it is realistic to expect the same, better or worse in the future and project accordingly. You should also provide a profit and loss analysis for the last three years.

- balance sheet projections based on past history, CPI and current objectives—include balance sheets for the last three years
- cash flow projections based on figures to date and current objectives—look at current and forward orders and obligations and be realistic, especially if any strategies for expansion or growth will require large amounts of capital.

Profitability

- break-even analysis
- rates of return on investment (analysis of current position and forward projections)
- effect of financing alternatives available (e.g. leasing, hire purchase, loans, share issues etc.)
- real cost of personnel and effects on profitability of decreases in staff or increases in productivity
- are you operating on overdraft? if so, keep in mind that the cost of holding your inventory increases each month
- profits may erode rapidly if margins are only fine.

Overhead analysis

This includes fixed overheads versus variable overheads and ratio analysis.

- individual past years and cumulative effect for projection—analyse any 'autonomous' sub-centres within the business separately
- projection over next three to five years—keep in mind CPI changes and its effect on fixed overheads, and as with sales statistics be realistic
- how high is the ratio of your fixed costs to your variable costs? (Fixed costs include office and telephone rental, insurance, licenses, vehicle and equipment leases and wages of principal personnel. Variable costs include raw materials, advertising, fuel

and servicing cost of vehicles etc.) To what extent can you apportion the rest of your costs as fixed or variable (e.g. staff wages and taxation may be 80% fixed, but 20% variable — where variable includes extra staff taken on when the business is busy, overtime etc.)?

Summary

The summary of action or operational plan in general terms should cover all elements of the executive summary, but in a little more detail (basically an overview of all the preceding sections to create a complete picture for the reader)

- emphasise key strengths in context of data introduced
- define benefits to the business, managers, employees, customers, and investors involved in the adoption of the strategies and objectives endorsed by virtue of the planning process
- detail additional capital sought, if any (and how).

Conclusions

- where is the business heading?
- why has it decided to head in this direction?
- alternative strategies for contingencies that have been identified by virtue of the research undertaken.

Recommendations

- the strategies that are best suited to getting there
- the pricing strategies that might be used
- the training programs that might be used as part of its growth
- the expansion or changes that will be necessary to computer facilities
- the fleet and capital equipment changes or renewals that will be necessary
- the advertising and promotion that will be necessary or useful
- the internal systems and administrative changes that will be needed
- * the finance that is necessary to achieve the above

Financial

This includes action now and broad strategies for future—plus pitfalls. It is basically a broad summary condensing the situation as it has been revealed in the analysis and projection involved in the Financial Plan.

Appendices

All supporting data should be included. This includes any data that is too detailed to be useful in the main body of the business plan, but was necessary to the analysis or supports trends and factors identified in the business plan, should be placed in this section and referred to in the main body of the business plan.

Conclusion

A business plan provides arguably the most important initiative a small business can pursue in relation to its ongoing survival and profitability. It should be updated at specified intervals by personnel to whom this task has been delegated. It is a planning and marketing tool geared to ensuring that the profit-potential of a business is maintained and capitalised upon to the fullest extent, through what may otherwise be an uncertain future, fraught with pitfalls.