
BUSINESS PLANNING

PLANNING YOUR BUSINESS - SMALL BUSINESSES

Paper 009-010

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1. Small Business Owners - Are They Different?

The small business owner differs in a number of ways from the managers of public companies or other types of organisations. These differences can go some way to explain both the strengths and weaknesses of the smaller firm.

2. Owner's Involvement

The owner/manager has normally established or developed the firm themselves. The risks and responsibilities have been theirs. The business is frequently seen as an extension of the owner. It can lead to extreme dedication. At the same time it can produce a reluctance to change or rethink initial assumptions.

The same phenomenon of involvement encourages many small business owner/managers to become involved in virtually all aspects of a business' activities.

3. Generalists Not Specialists

These managers tend to be generalists, not specialists. This gives them an overview of the firm seldom possible to the specialists in a large business.

At the same time, it can make them unaware of many of the specialist skills needed in today's business climate if they are going to survive.

4. Lack Of Concern For Specialist Activities

Many small business owners want to get on with the job and not be bothered with specialist activities, such as management, planning, marketing, finance or customer relations.

In their opinion, that is not why they are in business. However, neglecting these important specialist activities can do more to erode the business' base than anything else.

5. Wrong Priorities On Time

The extent of the manager's involvement means that they seldom have the time to invest in key business activities such as management, planning, record keeping, personal and customer development. They either do not have the time or resent spending the time on these pursuits. They concentrate on working in the business rather than on the business.

But planning is a must to ensure business survival.

6. Work On The Business Rather Than In The Business

To be successful, business people need to find the time to devote to planning and steering the business rather than being the all-rounder who does everything.

7. Quality Time

Business people, especially small business managers, need to allocate quality time on a daily basis for:

- Planning where the business is going.
- Development of customer relations.
- Staff training and development.
- Reviewing actual results.
- Planning effective delegation.

8. Where Do You Get 'Quality Time'?

You plan for it. Allocate an hour each day when you lock yourself away when you are fresh and alert (not tired at the end of the day).

Have someone take messages. (People don't mind as long as you ring them back within a reasonable time)

Tell your staff this is your planning time and that they are not to interrupt you for the next hour unless it is absolutely important.

Use this precious one hour each day - this *quality* time - to plan the future of the business.

Use a check list (such as parts of the Business Plan Questionnaires) to continually review.

- Where is your business now?
- Where is your business going?
- How are you going to get there?

Allocate enough time to work on the business of the business rather than all of your time being spent working in the business. For further information, refer to [Paper 021-001 - Review Of Business](#).

9. Small Business Failure

The extent of small business failure rates in Australia emphasises the absolute need for planning for businesses to meet business objectives and aims.

10. Reasons For Business Failure

Various statistics are available but most generally agree that 50% to 75% of the businesses that commence this year will be out of business within the next three to five years. The reasons for business failure are numerous, however the most frequently referred to are:

- Lack of planning.
- Lack of bookkeeping/computer knowledge.
- Lack of accounting and financial knowledge.
- Lack of marketing skills.
- Lack of customers' empathy.

All of these items relate to working on the business of the business, whereas what is highlighted is that most small business operators work in the business rather than on the business.

11. Why Plan?

The owner of a small business can be compared to a ship's captain. When the ship's captain sets out to plan an overseas trip from an Australian port to Tokyo, before leaving port he plans his course, maps out an estimated timetable, checks the weather forecasts, checks his fuel, determines where he will have to top up his fuel, briefs his key subordinate officers on the plan for the voyage. A pilot guides him out of port and then he sets off on his predetermined voyage plan. If he strikes problems on route such as cyclones, wars, distressed vessels, he has to divert from his plan but he continually rechecks where he is, as his ultimate aim is to reach Tokyo on his scheduled date so that the voyage can be completed at a profit for the ship's owners.

Business planning is exactly the same. Before setting up in business or starting a new business venture and in fact at least every year in established businesses, the business operator management should have prepared or reviewed a plan. There is then a need for continual review and ongoing adjustments to the original plan so as to keep the business on target to meet the ultimate aims.

12. The Business Plan

Business plans can be divided into:

- Short term, probably of a duration of one year.
- Long term three years, or even longer.

The business plan should consider:

- Where we are now - review of the business
- Objectives
- Resources
- Experience
- Competition
- Customers

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- Market
 - Staff
 - Location

and contain financial forecasts and action plans for work agreed to be undertaken

There are some basic questions to be answered:

- Where is your business going?
- How is it going to get there?
- Have you objectively prepared plans, forecasts, budgets and cashflow forecasts?

Other matters to be taken into consideration in developing your business plan:

- Size of the business that you want to have in three years.
- What share of the market do you want?
- Staff development and training.
- Delegation of responsibility and duties.
- Development of customer relations. Know your customer.
- Succession - in the event of premature death or ultimate retirement.
- Premises - are they suitable? Will they be suitable for the duration of the plan?
- Investments - diversification of activities.
- Lifestyle.
- Is your business structure still appropriate (partnership, company or trust)?

13. Appoint A Facilitator

You will improve your chances of success in the preparation of a business plan if you appoint a facilitator.

The facilitator could be an employee (but it is unlikely that most small businesses will have a suitable person with the required skills and time available to act as the facilitator.)

Normally an external consultant is appointed to act as the facilitator (many professional accounting practices specialise in the preparation of business plans and have the appropriate personal available.)

14. Facilitator's Duties

The facilitator's duties include:

- Review of the business operations including physical inspection of the business.
- Review of past financial accounts.
- Preparation or amendment of a business plan questionnaire suitable for the business.
- Attendance at business planning sessions with the owners, managers, key staff and other advisers.
- The business planning sessions can involve think tank meetings of three - four hours or one or two day isolation planning sessions during which all aspects of the business are reviewed.
- From these sessions the facilitator extracts key information, ideas or commitments.
- The facilitator prepares Budgets and Cashflow Forecasts - based on the decisions made at the think tank meetings.
- The facilitator prepares a draft of the business plan and submits it to management for review.
- Normally, a further review meeting is held during which fine-tuning is agreed to.
- The facilitator then prepares the final business plan which includes details of:
 - Executive Summary.
 - Where the business is.
 - Structure.

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- Management.
 - Staff.
 - Customers.
 - Marketing Plan.
 - Operations.
 - Capital Expenditure.
 - Budget and Cashflow Forecast.
 - Succession Planning.
 - Management Meetings/Directors' Meetings.
 - Action Plan.
 - Key Performance Indicators.

15. Preparation Of The Plan

The business planning process commences with the utilisation of a business plan questionnaire to enable a detailed review of the business to be undertaken.

Past financial performance figures are analysed.

What If Analysis are prepared on various proposals submitted as part of the planning process.

From these reviews the final business plan including budgets and cashflow projections are produced.

A summary of the components in the preparation of a business plan are contained within [Addendum 009-010a](#).

16. Performance Review

A business plan is not something that should be prepared, and then filed away somewhere to be brought back out for review in a couple of years' time.

It should be a living document!

Current performance and the implementation of the plan should be under continual review and monitoring so as to ensure the successful staged implementation of the business plan.

A diagram illustrating using and monitoring the business plan is contained in [Addendum 009-010b](#). For further information, refer to [Paper 009-070 - Monitoring Implementation Of The Business Plan](#).

17. Executive Summary

The executive summary is a one to three page précis of the entire business plan, summarising all key decisions, objectives and strategies outlined in the plan.

18. Copies Of The Plan

Normally businesses distribute copies of the business plan to key staff and advisors and the business' bankers. Some businesses give staff a copy of the plan in its entirety whilst the majority make key extracts available to staff.

19. Key To Long Term Survival

Taking the time to prepare a business plan requires commitment and motivation from all who are involved. It is probably better not to start if you are only half hearted about it.

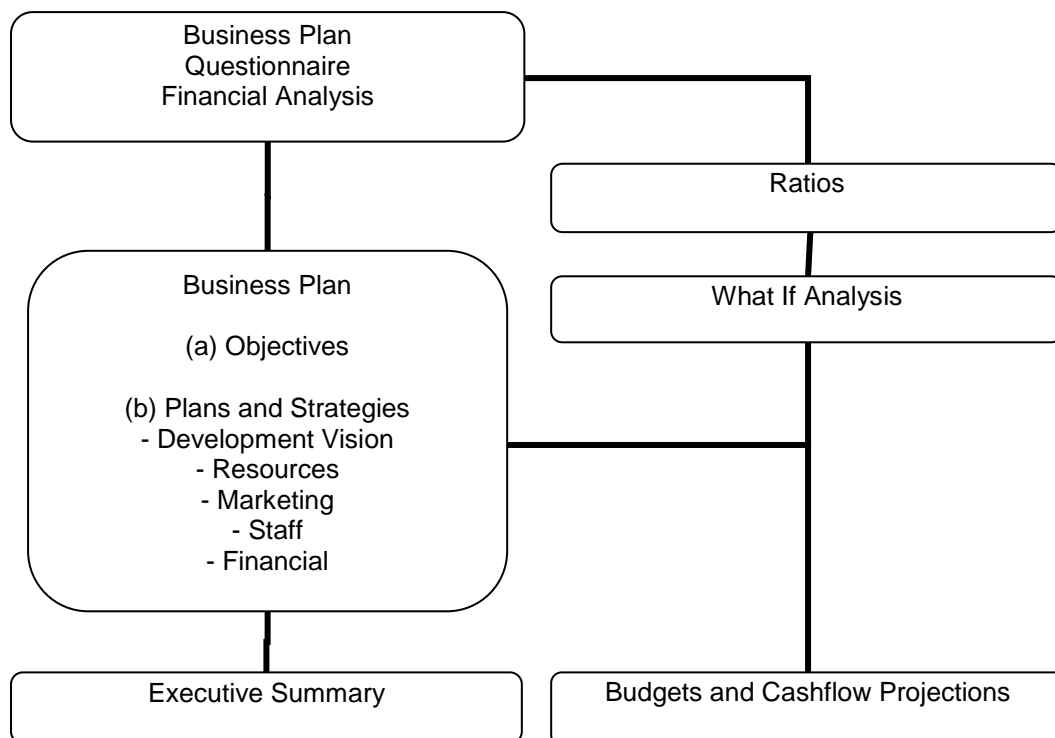
A properly planned business planning campaign will force everyone to concentrate on all of the key issues of the business in a think tank environment.

This concentrated thinking, discussion and debate is the key to the formulation of a workable achievable business plan, which so long as actual performance is monitored against it, should significantly assist in the long-term survival of the business.

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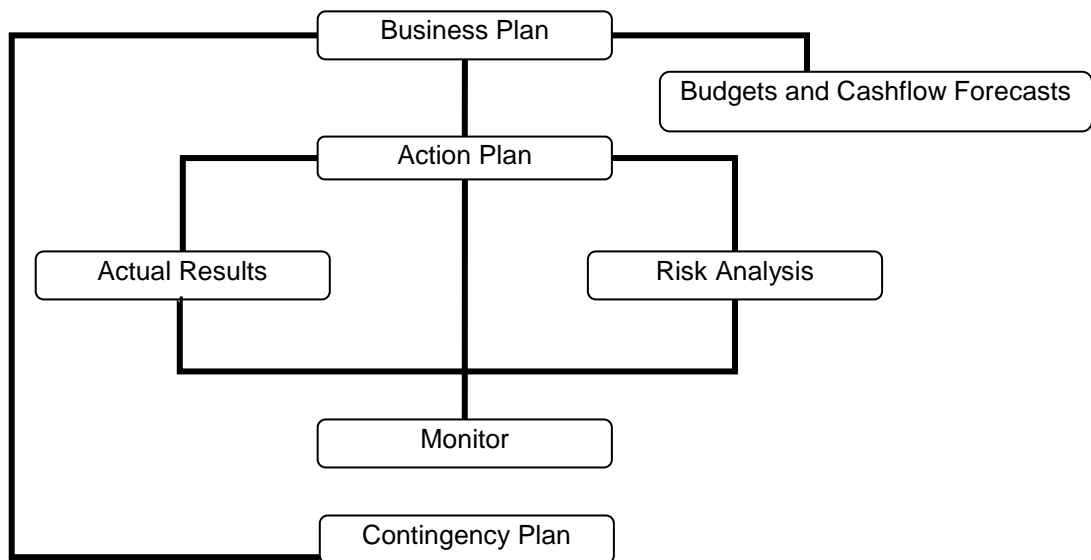
009-010a Preparing The Business Plan



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PREPARING THE BUSINESS PLAN - SMALL BUSINESS

009-010b Using And Monitoring The Business Plan



AN IMPORTANT MESSAGE

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