BUSINESS PLANNING

GUIDE TO THE PREPARATION OF A BUSINESS PLAN



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1. Introduction To Business Planning

Contemporary management practice suggests that annual business planning should be conducted in the context of overall strategic development planning for an organisation.

It should be an ongoing process, where the broad development vision for the next three to five years is related to specific action which should be taken in the next six months.

The steps in business planning are illustrated in Addendum 009-005a.

2. Environmental And SWOT Analysis

This is a review of the current situation facing the business. The environmental analysis is a process of looking at economic conditions, the health of industry in your area, the affect of government legislation upon business customers, consumer and community attitudes, demographic change and competitive actions.

What changes are occurring in these external factors, and how are they affecting the needs and attitudes of business customers?

A broad review of the environment in which the business is operating, and an assessment of how these factors are changing and influencing clients, allows management to then carry out the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

A detailed SWOT analysis directs management's attention to the development of strategies to maximise the chances of success.

Strengths should be built upon to create competitive advantage.

Weaknesses should be identified and eliminated.

The identification of <u>Opportunities</u> allows for development of new services and marketing approaches. By regularly taking this broad picture approach management can then identify <u>Threats</u> and minimise the affect which they may have on the business organisation.

It is recommended that a business plan questionnaire is utilised so as to ensure that all aspects of the Business are adequately considered.

For further information, refer to Paper 021-058 - SWOT Analysis.

3. Development Vision For The Firm

Business organisations must remember that the reason for their existence is to serve clients or customers.

In preparing a plan for the future, management must put customers and clients at the centre of their decision making when creating a development vision for the organisation.

You should attempt to answer the following questions:

- Who are your customers?
- · What are their needs?
- How are these needs changing?
- · What are their attitudes to business services?
- What do you need to do to structure your business so that you can best service these needs?

How are environmental factors affecting your customers' needs and attitudes and what should be done in your business to capitalise on these opportunities?

A broad development vision can be documented covering the services to be offered by your business, the staff skills and attitudes to be developed, the way these services are to be distributed to your customers, how the services are to be priced, and how your business should be promoting its abilities.

Consider the factors that your business has some control over. The following are controllable business factors for your business. These are the factors that you should be concentrating on:

- Product/Service Strategies:
 - range
 - specialisation
 - presentation
- Pricing Strategies:
 - margins
 - image

For further information, refer to the following papers:

Paper 151-012 - Setting Retail Prices

Paper 165-010 - Setting Charge Out Rates For Trades

Paper 210-020 - Fee Setting For Professionals

- People Strategies:
 - recruitment
 - selection
 - training
 - motivation
 - performance appraisal

For further information, refer to <u>Paper 017-052 - Key Characteristics Of Best Practice In Human Resources</u>.

- Place/Distribution Strategies:
 - business location
 - accessibility
 - convenience

- · Promotion Strategies:
 - image
 - visibility/growth

For further information, refer to Paper 008-050 - Development Of A Marketing Plan.

You should be aware of the factors that you have little control over (uncontrollable environmental factors).

These would include the following:

MACRO OVERVIEW (external Influences)

Economic Conditions:

- inflation rates
- interest rates
- unemployment
- virtually full employment
- · cost increases
- reduced demand
- reduced margins

Industry Developments:

- computerisation
- communications
- management systems
- logistic systems
- promotion

Others:

- government legislation
- weather
- · consumer attitude and education
- communications

MICRO OVERVIEW (internal influences)

Demographic Change:

- individuals
- businesses

Competitors:

- market share
- positioning
- developments

Excellent leaders begin with a vision and then enthuse their team with it. It is the development vision based on servicing customers which creates energy in an organisation and allows concentration and focus on serving those who pay. This often creates a strong service culture within an organisation. For further information, refer to Paper 006-001 - Personal Leadership Capacity And Development.

4. Mission Statement

A mission statement is a concise and clear expression of the objectives of your business.

It summarises where you are now and where you want the business to be in the future.

It is linked into the vision for development of the business and helps communicate the organisation's reasons for existence.

It gives employees a sense of purpose and creates a climate which inspires people to achieve excellence and satisfaction in their jobs.

5. Strategies

Strategies and objectives are terms which can mean nearly the same thing.

It is suggested that you regard strategies as key developmental issues which you would like to see achieved in your business.

In a business context, it is suggested the emphasis should be given to serving your customers; so strategies should be developed to enhance your business' ability to serve your customers.

6. Objectives

Objectives come from key strategies. They are specified goals to be achieved by set times.

7. Action

Add by whom and when and you have actions to be performed.

8. Developing The Business Plan

Once the Environmental and SWOT Analysis have been completed and a development vision for the firm and its mission statement have been documented, specific development objectives must be finalised.

- For example, what will be done to develop staff skills and improve staff structure?
- What technology upgrades are necessary?
- What systems development should accompany this?
- What new services should be developed?
- What management structure would be appropriate?

- What marketing will be undertaken to lift image and visibility?
- What will be the financial consequences of these actions?

9. The Final Business Plan

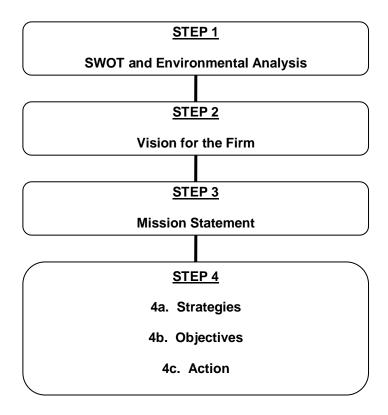
The resulting plan for a business has a number of components including:

- 9.1 Business development vision and mission incorporating the personal objectives of the principals of the business.
- 9.2 Resource development plans.
- 9.3 Marketing plans.
- 9.4 Financial budgets.

These are summarised in <u>Addendum 009-005b</u>. For further information, refer to <u>Paper 009-020 -</u> Planning To Succeed.

BUSINESS PLANNING

009-005a Steps In Business Planning



Addendum 009-005b

BUSINESS PLANNING

009-005b Guide To The Preparation Of A Business Plan

Key Items In A Business Plan:

- 1. BUSINESS QUESTIONNAIRE
- 2. SWOT ANALYSIS
- 3. DEVELOPMENT VISION
- 4. MISSION STATEMENT
- 5. STRATEGIES
- 6. OBJECTIVES
- 7. ACTION:
 - Business Development Vision
 - Detailed Action Plan
 - Resources Development
 - Staff Development
 - Marketing Plans
 - Financial Plans

AN IMPORTANT MESSAGE

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