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presents:

your guide to... business planning



your guide to business planning

what is a business plan?

For many small business owners a business plan is the document banks ask for when they are loaning the business money or extending an overdraft facility.

However, a business plan should be much more than that.

The reason banks like to see a business plan is that it gives them an indication that the business is under control and has clear goals. As the business owner you want that too. After all you would not build a house without a set of architect plans.

A business plan should show you what your business will look like in the future and what actions you need to take to achieve the type of business you want. It is a vital tool in helping you identify your future strategies.

The beauty of going through the planning process is that you can ask yourself questions and find answers to potential problems BEFORE your business is impacted by them. You can try out different scenarios on paper without risking your business.

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clearing away the mental obstacles

Many business owners are reluctant to have a business plan. Key objections are often:

→ I don't have time

As a business owner you have a responsibility to yourself to run your business rather than letting it run you. To do this you need to have a clearly thought through strategy. Your business plan is a great foundation on which to build your strategy.

You therefore need to make time to plan for your business's success.

→ I don't have all the answers

No one has all the answers to the problems their business will encounter. However, having some advance warning of the problems which might arise, gives you a fighting chance of finding the solutions before they become critical. The business planning process often provides you with the answers to questions you had not yet thought of asking.

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→ I don't like writing documents

First and foremost your business plan is for your use. This means you can choose whatever format works for you. If you like having a feature length document fine, but other formats are just as valid. You could try using mind mapping, illustrations, photographs etc. The key points are that; your plan is down on paper, you are proud of it and you are happy revisit it.

→ I don't have a crystal ball so I don't know what is going to happen in the future

None of us knows for certain what the future will bring but this should not stop us from planning. A business plan is based on what we want to happen and how we hope to achieve it. As the future becomes the present we can revisit our plans and tweak where necessary to account for our more accurate knowledge. The key thing is that our goals have probably not changed - just the path to getting them.

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➔ I don't want a plan because I like to have flexibility

Having a well thought through plan can actually be liberating rather than restricting. If you know what your goals are you are more able to take advantages of opportunities which advance these goals. Uncertainty leads to inaction - your business plan helps to build certainty.

But the real reason business owners don't write a plan, is often that by writing a plan on paper involves a commitment to take defined actions. It is easier to let yourself off the hook if you don't make that commitment.

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goals

Before you start creating your business plan it is important you spend some time thinking about your personal goals and values. Here we are talking not just about your short term goals, but also your long term ones. Do you want your business to grow into an asset you can sell? Should your business provide you enough income so you can have a great pension? Are there particular values you hold, which you want your business to be built around?

After all your business is only successful if it delivers against your personal criteria. If you have a clear idea what these are, you are in the best position to build a business plan, and therefore a business, which provides what you need.

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what should be in your plan?

Your business plan should include anything pertinent to your business. Once it is written it should provide the clearest possible picture of where your business is now and how it will look in the future.

executive summary

Although the executive summary goes at the front of your plan it should be written last. As the name suggests it provides a summary of the business.

company description

It is useful to start your business plan with a review of what your company is about. You can include here:

- ➔ Your mission statement (if you have one)
- ➔ Your company ethos
- ➔ Your aims/goals

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→ Your team

Although you may work on your own you may have strategic business partners you consider key to your business. If this is so it is worth acknowledging their importance to you and your business and including them in your team.

the offer

It is useful to be very clear on what your offer consists of. What are your key products/services and how do they solve your customers' problems.

the market

Your market

Having as clear a picture of the market your business operates in is the best way of ensuring your offer meets the needs of that market. By specialising you are most likely to be successful in matching your offer to customers who will value your product/service, so understanding the market will enable you to find your niche.

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Your customers

For your business plan to be a true reflection of your business it is very important that you talk to your customers. You need to ask them about what you provide for them and the problems you solve.

This will help you in a number of ways:

- You will find out what really works for your customers
- You will know what to sell to future prospects
- It will help you find your niche

The competition

However unique you believe your product/service is there is always competition out there. If you are clear where that competition is coming from, you are best able to fight it.

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SWOT analysis

Doing a SWOT is a great way of really opening up your business to scrutiny.

→ Strengths

The strengths of your business will give you your competitive advantage. They should include any element of your business you perceive as being important to its success. You should include your personal strengths here because, as the business owner, your strengths are your business's strengths.

It sometimes difficult to identify what our real strengths are.

→ Weaknesses

The weaknesses in your business will hold it back. However, if you know what they are, you are in a position to do something about them. Again, you should include your personal weaknesses here.

Clearly expressed weaknesses are difficult to ignore, so you are much more likely to take action if you are honest with yourself about what needs to change.

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→ Opportunities

You should identify current possibilities offered by the market, which you have not yet exploited.

Opportunities can also come in the form of future changes in the market/economy which, if taken advantage of, will advance your business.

→ Threats

Your business may be affected by problems, either internally or externally generated, which need to be tackled now in order to protect its future.

Threats may also present themselves in the form of future changes in the market/economy which, if not addressed, will damage your business's future.

Interestingly an opportunity ignored can become a threat if your competition takes advantage of it.

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You can use this page to start drawing up your SWOT analysis:

Strengths	Weaknesses
Opportunities	Threats

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Your marketing plan

Your marketing plan should clearly present the strategy you are going to employ to market your offering to your chosen niche. You should then have a mechanism for measuring how effective your execution is.

It is a good idea to break your plan into short term and long term initiatives.

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operations

Once you have looked at your goals and strategies you need to investigate how you are going to achieve them.

This part of the business plan clearly lays out HOW you do, or are going to do, what you do. It should show exactly how you deliver your product/service to your customers on a day to day basis.

You should also include key operational objectives for the coming year.

It is important you look at all the 'departments' of your business, what they need to do to 'deliver' for your business and how they will do it.

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You should consider:

- Marketing
- Sales
- Finance
- Customer delivery
- Complaints
- Strategy creation/leadership
- Training
- Personnel
- Purchasing
- Admin

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financials

Once you have got to this stage you will have a very clear idea of what your business looks and feels like. It is now time to put this information into monetary terms so you can review your business finances.

However difficult it might be, it is important that you forecast the sales and costs you believe will result from all the activities detailed above.

You also need to think about, and include, any larger equipment you will need to purchase.

Please see 'Your guide to forecasting' for additional help with the financial aspects of business planning.

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and finally...

Have fun!

Remember your business plan is about you and your business. It is not about other people's expectations.

Having a clear plan will give you confidence and help keep you on the right track. It can often re-energise you and remind you why you decided to go into business in the first place.

Make sure you re-visit your plan and tweak as time moves on and your business changes.