



## Planning For Success

Every business can benefit from a written business plan setting out the direction and planned performance of the business. Such a plan can be a vital ingredient when preparing proposals to banks or other institutions. However to be of practical use there must also be an implementation strategy that is closely monitored to identify necessary management action.



### Why is Business Planning Necessary?

The planning process provides you with the opportunity to stand back from your work, assess the achievements of your business and set objectives for future performance and development. It allows you time to evaluate your trading environment, assess your competitors and review the economic factors affecting your business.

- Planning will usually increase profitability and financial stability and will have specific objectives such as:
  - To help management anticipate and respond to change;
  - To plan cash flow or raise finance;
- To meet the financial requirements of specific family needs;
- Preparing the way ahead at the time of a change in ownership, perhaps a result of retirement;
- As part of a survival strategy in the face of recession.

### The Starting Point

A logical starting point for the business planning process is to consider the long-term aims for the business and you, covering where the business wants to be and what steps need to be taken to get there.

Family and quality of life considerations are important. Preparing the business plan is an opportunity to involve all levels of management.

### Content

The content of a business plan needs to be tailored to suit its purpose. A plan for raising finance will, for example, have a strong

emphasis on finance and cash flow. However, the plan will normally include:



- Executive summary;
- Background to the business;
- Markets and business operations;
- Products and services;
- Statements of objectives and plan of implementation;
- Management structure and current ownership;
- Financial commentary and projections.

### Executive Summary

The executive summary is a short punchy summary of the plan and should clearly state the purpose, for example to raise additional finance for a specific need.

This should be written last.

### Background

The background need not be detailed but should explain the history and development of the business.

### Markets and Business Operations

This section will cover business style, market analysis, sales, credit control, distribution and asset management. You should begin with an appraisal of the markets in which the business operates and perceived opportunities and then deal with the approach to marketing, selling and distribution:

- Market analysis information from external sources should be used wherever possible;
- Existing market share should be stated, together with an explanation of how any anticipated increase in market share is to be achieved.

### Products and Services

The products and services should be summarised, including planned developments. A subject of growing importance to be addressed is the environmental impact of the business and its products.

### Statement of Objectives

Putting a clear vision of the future as you see it is not as easy as it may appear at first. Setting achievable targets for your business so you can monitor progress and identify the need for remedial action at an early stage is an essential element of implementation often omitted from an "off the shelf" business plan.

### Management Structure

The plan should include a review of roles within your business, including the management team:

- The management team is the key to growth;
- Skill shortages or gaps should be identified together with action to recruit or train.

If the plan is to raise finance, the quality and effectiveness of management is often the most important factor in appraising a business proposition.

### Financial Commentary and Projections

This section should cover projections of profit and loss, balance sheets and cash flow. It should include for comparative purposes the results for the previous two or three years. The projections must flow from the rest of the plan.

- Detailed financial forecasts can be difficult to absorb quickly. Include a short summary of the projections, explaining the reasons for projected change in financial performance;
- Forecasts should not be over-detailed, especially when looking two or three years ahead;
- Clear assumptions should be made and be consistent with the rest of the plan. If market analysis suggests a particular pattern of sales growth, the same assumption should be used for the financial projections;
- Build into the projection a realistic cost of finance needs;
- Demonstrate how sensitive the plan is to changes in the key factors.



## For further advice and assistance

Monahans can assist you in all aspects of business planning and strategy implementation.

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