

Business Planning

INTRODUCTION

Business plans are tools for decision making. They may be used by external stakeholders for investment decisions or by internal stakeholders to aid planning, ensure focus on common goals and to set out the steps required by departments and teams to meet an organisation's vision and core aims.

You may already have developed plans for your business, be they business strategy documents, sales plans, marketing strategies, financial plans, visions or core aims and objectives. Each of these documents and processes provides information that guides and supports your organisation. What is important is that your plan, however simple or complex, meets the needs of your business.

Often the first time an organisation perceives a need for a plan is when they are trying to obtain finance. However, the value of a business plan extends beyond a document for the bank. A well constructed business plan helps leaders and managers identify where the organisation is, where they want to take it, and highlight the steps needed to take it there.

BENEFITS OF BUSINESS PLANS

Helping to Clarify your Vision

The process of developing a business plan will help to identify whether your idea and business model will achieve the desired results.

Determining the Market for Your Product

The planning process can help you to determine whether there is a market for your product or service. This is valuable for both existing and new businesses.

Defining your Market

Defining the market in terms of who your customers are and the best way to reach them will help you establish whether existing processes are fit for purpose.

Reviewing Competition

Reviewing the competition can clarify whether there are new entrants in the market, what the competition is doing and your own competitive position.

Support Growth

A business plan is often a prerequisite for obtaining funding at the start up stage; however this plan should develop with the business, charting key stages in its development, revisiting goals and targets and restating them in line with changes in structure, markets and strategic direction.

Cash Flow

Many businesses fail within the first three years of operation for one simple reason: poor cash flow. A business plan will help to identify peaks and troughs and will enable managers to forecast issues and take preventative measures in advance.

Communication and Team Work

If communicated effectively and regularly, the efforts and goals of a team can be focused through cascaded unit or departmental business plans and aligned to the overall aims of the business.

Moving on

A business plan can also be used to help potential suitors identify the true value of the organisation, should the owners wish to merge, sell or leave the business.

STRUCTURE OF A BUSINESS PLAN

The following sections detail the typical structure and content of a business plan. Remember this is your plan and therefore it is important to consider what you need to achieve through the plan and how it will be used.

Executive Summary

This is the last section to be written and answers the key questions addressed by the plan:

- What the business concept is
- Which industry you will be operating in
- Where you want the organisation to be
- Your competitive advantage
- Successes to date
- Management Team's experience and credentials
- Projected financial performance and needs

USING THE NATIONAL STANDARDS TO SUPPORT BUSINESS PLANNING

The Team

- Ownership structure of the business
- Members of the board / senior management team
- Specific skills of key people / availability of skills
- Policy and plans for developing staff
- Management of diversity and equality
- External support and advice, i.e. Accountants.

Business Environment

- What is the stage in the business's development
- Size of the industry
- Product / service positioning
- Who your competitors are
- Demographics of your customers
- Long term outlook for the industry
- Consider other aspect from PESTLE (see unit B2 of the NOS)

Marketing Plan

The marketing plan is a statement of how you are going to develop your business; what you are going to sell; how and when you are going to sell it; the costs and return on investment that will be made. NOS Unit F4 (Develop and implement marketing plans for your area of responsibility) supports this process.

Operations

- What is your product or service range
- How is your product made or service provided
- Accreditation quality awards
- Size of production / service offering
- Sourcing of materials and supplier power
- Environmental issues and action to manage these
- Where do you operate
- Industry associations and guidelines

Risks

This focuses on the types of risks you may face, including; loss of key employees; changes in technology; supplier monopolies; and disruption of material supply.

Finance

You may choose to produce your own review of the financial performance of your organisation; however it is often better to seek the support of your accountant and/or attend specific training. Key documents used include:

- Profit and loss Statement;
- Balance Sheet;
- Cash Flow Statement.

BUSINESS PLAN PROCESSES

The National Occupational Standards (NOS) for Management and Leadership include a number of units that can help guide you through the business planning process. Outlined below are a number of key business planning areas and the corresponding NOS units.

Map your Environment— Use unit B2 which helps you to develop a clear and up-to-date picture of the environment in which your organisation operates. Consider using a SWOT and PEST analysis to support this process.

Develop the Business Plan—Identify the structure and content of your plan (the column on the left can act as a guide) and evaluate the process using unit B3.

Implement and Review the Plan— The value of the business plan lies in its application by the organisation's internal and external stakeholders. The plan will also change over time so regular reviews are important. Unit B4 focuses on this.

Providing Support through Effective Leadership - This is critical to ensuring that people are committed and motivated to achieve the plan - use unit B7 to review your leadership approach.