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BUSINESS PLANNING

- Business Planning

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The Importance Of Planning

Business plans and other planning documents are vital to winning agreement and support. Writing a strong, clear proposition can mean the difference between a project going ahead or surviving or not. Developing a business plan requires a lot of time and energy, but it's invaluable for one primary reason - it forces you to come to terms with your business idea.

Think about what sets your business apart before approaching potential investors and lenders. Develop a fall-back plan and consider other options and contingencies. Decide what your basic business strategy is, whether to develop a solid customer base, go for growth or seek to constantly re-shape the business to attract new customers chasing new products or ways of selling; then try to decide what this will take, whether it plays to your strengths and what resources will be required, especially those you don't already have.

Growth-based strategies require the group to be experts on the market, on industry features and the products and services being sought by customers. You can't rely on other people to do it since it's this knowledge that can make or break a business.

Once in business, key personnel can be overwhelmed by the day-to-day demands of managing. Yet there are many strategic decisions that have to be made as well. Periodic business planning and review can help to avoid sudden crises in the business, expensive problems developing, under-performance at critical times or over long periods that will kill the business.

When Do You Do Business Planning?

Business planning obviously takes place in a variety of ways and for a variety of reasons. Businesses generally plan when they find themselves in the following situations:

- Starting a new business or activity or launching a new product
- Developing new strategies to defend an existing market position
- When attempting to grow the business or maintain growth rates in changing situations
- Fighting back against new competitors or adverse market conditions
- Regular review of activities and forward-planning
- Risk and contingency planning to cope with unforeseen eventualities
- Preparing things likely to occur in the short-term: a recession, take-over or campaign by a competitor
- Coping with other events

Planning - Getting Started

Business planning is a journey. The plan is your road-map. It describes a route from where you are to where you want to be. It identifies risks and barriers but if done well will also enable you to develop risk-avoidance and risk-minimisation strategies.

Start planning by thinking about two key questions: What are you trying to achieve? Why are you planning? When you have answered these questions, you have already begun the business planning process.

A plan reviews the current status of the organisation and plots an overall business strategy for a particular period or set of events. The plan(s) should cover all areas of the business.

Who Writes The Business Plan?

The chief executive, manager or a small executive group of the business' management group should take overall responsibility. In some businesses smaller units will need to write their own development or business plans, in which case the chief executive will delegate responsibility to the service team while shaping its overall approach and conclusions.

The best approach is top down, bottom up, where the management group decides the strategy, the manager develops the plan in line with that strategy and the whole process is reviewed, changed, corrected and improved, then re-approved.

The key will be in how well ideas, strategies and proposals are communicated. A joint effort combining the strategic with the operational and between management and operational personnel, is a good way to get co-operation, understanding and commitment.

There is no point to planning if the people charged with implementation have no confidence in the plan, do not understand it or have different priorities, leading them to implement the plan in the wrong way. This means planning should involve everybody who will be involved in implementation, even if its only to hear objections which can be incorporated before the final version is produced. It should be your plan. If you do use outside experts, look for someone who understands your business, your abilities, the resources available to it, its aims and operating environment.

The Process Of Business Planning

Business planning begins by deciding what you are trying to achieve and the outcomes you are seeking or the problems you are trying to solve. Having identified these, planning proceeds by a series of steps, as follows:

- Describe your business activities or plans
- Outline the current status of the business or its planned activity in Year 1
- Describe the external market, any competition and where you place yourself in the market
- Decide the objectives of the plan over a given period of time
- Develop strategies for achieving these objectives
- Identify risks and opportunities of various strategies
- Develop coping strategies that limit risks and exploit opportunities
- Develop a series of working plans
- Calculate costs and income as part of an overall financial plan
- Ensure the strategy is set down clearly and concisely

Be flexible. Particularly when estimating likely risks and opportunities you may be forced to go 'back to the drawing board', selecting different strategies that might be less good but contain fewer risks.

The planning process and writing a business plan are almost the same thing. Document your plans and the planning process will have written most of the business plan for you.

Using The Plan : Implementation

The business plan creates the basic foundation from which you can build a business and something you can compare progress and development to. Are you achieving what you set out to achieve? Has implementation followed the plan and if not, why not? Were the risks properly predicted and have opportunities been realised? Have costs been in line with forecasts?

Making It Happen

- 1 : Communicate the plan widely. Make sure that you have the widest possible understanding and commitment to its aims and delivery plans.
- 2 : Organise the business in ways that ensure the business plan is at the heart of operations throughout the business.
- 3 : Clearly define roles and responsibilities and communicate them to staff and other key people.
- 4 : Set personal objectives for every employee and volunteer, agreed with that person.
- 5 : Develop individual budgets to support various aspects of implementing the plan and assign responsibility for managing the budgets - with clear spending limits - to individual staff or staff teams.
- 6 : Distribute the budgets and operational/delivery plans.
- 7 : Monitor progress, performance and outcomes; control spending and timetables.
- 8 : Reward successful performance.
- 9 : Take corrective action as required. Revise strategies and plans if necessary.
- 10 : Ensure people who need to know are kept informed and ensure that issues, outcomes and other information about implementation are available when the next planning exercise comes along.

While you are implementing the business plan, don't forget to keep checking progress. Review developments against the plan. Learn from events; adjust the plan as required within the constraints of the business (time, money, and people).