

Six steps to an effective business plan

If your business is running perfectly, wastes no money, is making maximum profit and dominates its market, then you can pat yourself on the back and get back to work. But if you think your business performance can improve and, amidst the meetings, phone calls, e-mails and office challenges, you find it difficult to know how to begin, then you will benefit from reviewing your business planning.

Don't confuse business planning with crisis management. The former should prevent the latter. Making time for planning now can reduce the time you spend fighting fires later. Here are six key steps that can lead to an effective plan for your business:

Step 1:

Establish your mission

In essence, your mission statement explains why your business exists. When you encounter a problem or a key decision, the answer will be informed by your mission. Think about why you started the business, what needs of the marketplace you aim to satisfy, and imagine where you want it to be in the future. These elements will provide your mission statement.

Step 2:

Analyse your SWOT

With your mission in mind, analyse your business's strengths, weaknesses, opportunities and threats. List each category in full and be honest. Done correctly, this 'SWOT' analysis will help you to take an objective, critical, unemotional look at your business in its entirety.

Step 3:

Develop a plan

Try this exercise: from each SWOT category, choose three to five important items. Then set goals to maximise your strengths, correct your weaknesses, make the most of your opportunities and nullify your threats. For example, you could decide to focus more strongly on a particularly successful product or service (a strength), and abandon a side-project which is costing time and money for little return (a weakness). Remember that you can't do everything yourself. Think about how you will delegate tasks and involve all the staff. Avoid dwelling on the negatives – set yourself realistic strategies for improving the business.

Step 4:

Create a budget

All missions and strategies need adequate financial resources to succeed. A smart budget will help you to regularly review your expenses and make financially beneficial decisions. You may need to take a wide variety of factors into account when setting your budget.

Step 5:

Put it in writing

Make sure you write down your finished plan. Include the mission statement, SWOT analysis, goals and plans, budget and forecasts, and make it clear who is responsible for doing what. Share it with your key staff and shareholders, and encourage their input.

Step 6:

Make it a living document

This is vital! Make your business plan a living document that you and your staff can frequently update and improve. Consider reviewing it monthly to track your progress and readjust your strategy as necessary. Hold yourself and your staff accountable for meeting the plan's goals, and think about introducing an incentive programme to keep everyone motivated.

...And six reasons why business plans fail

You may well have prepared a business plan some years ago to present to your bank manager. If you revisit that plan now, you will probably be surprised by how little relationship the position of your business now bears to that predicted in the plan. The reality is that most business plans fail. Here are some of the traps to avoid:

1: A dead document

A business plan that is created for a purpose and then discarded will always become obsolete quickly. Making your business plan a living document (see step 6) is essential if you don't want the whole process to be a failure. Only a regularly reviewed and updated plan can be the spur to look critically at your business on a recurring basis.

2: Over-optimism

Most business plans are over-optimistic, especially as regards predicted sales, often massively overestimating the size of the market. Research your market thoroughly. Too many business plans include a SWOT analysis, but concentrate on the strengths and opportunities and ignore the threats and weaknesses.

3: Ignoring the competition

Business plans commonly assume that the competition will make no competitive response or indeed, will have no new initiatives of their own. Study your competitors and try to second-guess their plans. A living document will take into account their actions.

4: New or old?

Too many business plans depend on doing something new, when what is needed is to find a better way of doing what is being done now.

5: Ignoring risk

What are the risks attached to the plan? Think through these and the costs of failure as well as the rewards of success.

6: Profit or turnover?

Remember the old adage, turnover is vanity, but profit is sanity? If expansion is planned, it should result in increased profits, not just sales. Expansion requires finance, people and other resources. Do you have adequate resources?

Remember, a good business plan is as much about the process as the final document. Creating your plan will open your eyes to the realities of your business. Keeping it updated will help you stay on the right track.

For help with developing your plan, call us.