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Preparing a Business Plan

INTRODUCTION

One of the major reasons for business failures has been the lack of, or inadequate, planning. It is vital therefore, that all businesses are operated in accordance with a plan. Even if forecasts don't necessarily eventuate the benefit of planning would have been achieved. These include:

1. You have considered and understand the market in which you are competing or plan to compete;
2. You understand the competition you will encounter;
3. You have analysed your business, its strengths, weakness, opportunities and threats;
4. You understand what are likely to be the requirements for success in that particular industry;
5. You realise whether you have the ability, necessary resources and capital to adequately compete in that market.

These would place you in a good position for success or, alternatively, provide you with enough insight to realise that perhaps you would be unlikely to succeed. This can be a wonderful realisation when achieved at the right time – before spending significant amounts of time and capital.

While there are many types of businesses, in different markets and with different structures each requiring a different type of plan, the following outlines general considerations regardless of industry or business type.

BUSINESS PLAN OUTLINE

1. EXTERNAL ANALYSIS

Details of the overall market/industry

Market segments

Customer characteristics, needs & buying decisions

Supplier characteristics

Changes in the market/industry

Target market & customers

Nature of competition in the industry & target markets

Major competitors, their strengths, weaknesses, products and services

Changes the target market

Opportunities, threats & risks

2. INTERNAL ANALYSIS

This is a statement of where you are now.

Your own business – Strengths, Weaknesses, Opportunities & Threats (SWOT)

Business structure

Customers

Suppliers

Staff

Technology

Performance

Financial situation

Basis for growth

Sustainable competitive advantage

3. OBJECTIVES

Establish objectives, targets and performance measures for all aspects of your organization.

These are statements of where you want to be in the future.

4. STRATEGY DEVELOPMENT

You have an understanding of the market/industry in which you operate, your business as it currently operates and you have decided upon your objectives – where you want to be and what you want to achieve. Strategy development is the process of choosing the means by which you will achieve your objectives (goals) given the nature of the market and your existing situation.

You may need to consider:

Marketing

The products & services to be delivered

The product & service range to be supplied

Positioning – product/service differentiation and/or pricing approach

Target market

Innovation

Logistics management

Sales activities

Advertising, promotion, publicity etc

Key staff

Operations

Production capacity, scheduling

Process innovation

Research & Development

Equipment requirements & layout

Material requirements & suppliers

Location & distribution

Quality control

Inventory management

Human resources – key staff

Financial

History

Profit & loss projections

Cash flow projections

Balance sheet projections
Capital requirements
Break-even analysis
Sensitivity analysis

Management & Ownership

Key managers
Intentions of how to attract & compensate people with the required skills
What are the required skills?
Organisation structure

5. IMPLEMENTATION

Once the plan has been formulated and tested from a financial point of view (projections & sensitivity analysis) an implementation plan is required for the purpose of detailing:

- a) Specific actions required for each strategy implementation
- b) Responsibilities for the implementation of each action
- c) Timing requirements for the implementation of each of the actions
- d) Key success factors and measurements for each of the actions
- e) How will progress be reviewed & what evaluation processes will be employed to measure & adjust the business plan.

6. MONITORING & ADJUSTMENT

The business plan should be monitored against the key success factors, performance targets, deadlines and evaluation criteria. This monitoring process will provide information of how things are going, why are they different to the original assumptions and supply current information which may lead to adjustment of the plan.

Please note that this is just a basic outline of things that should be considered. It is not an exhaustive list and different things may apply in different markets/industries. The process, if done correctly, is quite detailed and can be time consuming. However, the benefits are significant and should be undertaken at regular intervals.

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