

WE KNOW

BUSINESS STRATEGY

THE IMPORTANCE OF PLANNING

QUICK GUIDE

This Quick Guide outlines the importance of a business plan and the five reasons why you need to spend time setting goals and mapping a path for your business.

BUSINESS PLANNING

Business planning is used by a large number of companies as a means to manage growth better, concentrate resources, assess future opportunities, encourage new ideas and increase the commercial viability of their business.

A business plan is a roadmap for your business and gives you an over-arching goal and plan for you to follow. Without a plan, a business can lack focus and day-to-day activities are likely to be haphazard and reactive – in stark contrast to those businesses implementing a well thought-out business plan.

A business plan should be used annually for setting goals for one to five years ahead. There are usually two parts to a business plan – the first covers background, while the second part details the various goals and objectives. If you have a board of directors, they should provide the key strategic goals that are then given to the staff to develop specific operational goals that help achieve the strategic ones.

Actions are then identified to achieve these goals. A timeline and key performance indicators are wrapped around these actions, with regular review on progress against the goals.

Five reasons why you need a business plan:

1. To map your future

A business plan is a vital aid to help you manage your business more effectively. It helps you to understand your business better and set out particular courses of action to help improve your business. A plan can list alternative future scenarios and set specific objectives, along with the resources required to achieve these goals.

2. To support growth and secure funding

At some stage, most businesses face investment decisions. Often, these opportunities cannot be funded by free cashflow alone and you may need to seek external funding to raise the funds you require. If this is the case potential lenders will require access to the company's recent Income Statements/Profit and Loss Statements as well as your up-to-date business plan.

A well-written business plan can help convey key selling points to prospective investors and provide vital evidence of your company's future ability to generate sufficient cashflows to allow your business to operate effectively.

3. To develop and communicate a course of action

A business plan helps a company evaluate future opportunities and commit to a particular course of action. The plan can outline steps needed to achieve goals and assign objectives to specific individuals, enabling staff to be a part of the overall strategic direction of the business.

Your business plan is a living document that will grow and change. By regularly reviewing your progress against your business plan – usually on an annual basis – you can measure actual performance, and revise and update your plan if necessary

4. To help manage cashflow

A fundamental requirement for all businesses is the careful management of cashflow. Cashflow management is especially important for start-ups, and becomes vital if the business is looking for investment opportunities that will result in large amounts of cash out-flows in advance of the cashflows coming in. A well thought out business plan will help manage these funding requirements more effectively.

5. To support a strategic exit

At some point, the owners of the firm may decide it is time to exit the business. If a business does have an exit strategy and a well structured business plan, present day decisions can be made while still keeping in mind the future requirements of the business.

Common exit strategies include:

- Initial Public Offering of stock (IPO's)
- Acquisition by competitors
- Mergers
- Family succession
- Management buy-outs

A well-written business plan will clearly highlight the opportunity for the incoming investors, the value of this opportunity and will increase the likelihood of a successful exit by the current owner.

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The Chamber has a range of other resources available to help you implement the above tips into your business:

Resources

Marketing plan sample

Quick Guides

- Identifying Core Strengths
- Exiting the Business

Sample documents

- Business Plan