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# Planning your business success

A guide for small business operators and those thinking  
about starting their own business in Tasmania.





# Planning your business success

## DISCLAIMER

The information in this guide has been prepared with care, but no warranty, express or implied, is given as to the accuracy, correctness or completeness of the information, or for any advice given, or omissions from this guide. Therefore, readers relying on the contents of this guide do so entirely at their own risk and they should seek their own independent legal and financial advice. The information is provided to intended parties solely on the basis that they will be responsible for making their own assessment and undertaking such investigations as they see fit to verify all relevant information to enable them to come to their own conclusions.

## Contents

Overview Page 4

---

What is a business plan? Page 5

---

What are the benefits of planning? Page 6

---

Barriers to business planning and how to break them down Page 6

---

Structure and content of a business plan Page 8

---

How to prepare and present your business plan Page 11

---

Summary Page 11

---

Resources and contacts Page 11

---

## Overview

In the guide titled *The Keys to Business Success*, business planning, including its ongoing use as a management tool, was listed as one of the keys. This guide focuses on what a business plan is, the benefits of planning and how to prepare a plan for your business.

There is a well-known saying in business that business owners do not plan to fail, they merely fail to plan. This saying draws on the results of small business studies which show that owners who plan their businesses are much more likely to survive and prosper.

Does this sound as though business planning is the 'magic formula' for success? Not so; business life is not that easy. While business planning is not a guarantee of future success, it certainly helps to understand, plan and evaluate key steps in the decision-making process.



Readers are advised:

- *The purpose of this guide is to provide general introductory information.*
- *The guide does not purport to contain all the information that would be relevant to any particular business opportunity.*
- *The guide is provided to interested persons on the basis that they will be responsible for making their own assessment of that opportunity with the assistance of the information provided.*
- *All figures contained in the guide should be regarded as estimates only based on general samples and may be subject to error.*
- *The information in the guide should not be relied upon in substitution for professional advice and individual investigation.*
- *Persons interested in pursuing any particular business opportunity are strongly advised to fully inform themselves by taking professional advice as to the extent of their rights and obligations – particularly in relation to any proposed investment.*
- *The guide is provided subject to the terms of the formal disclaimer, which appears on page 2.*

## What is a business plan?

A business plan is a document which provides a description of the business, the market in which it operates, its objectives and the strategy to achieve those objectives.

Objectives give direction and motivation. Good objectives should satisfy the S-M-A-R-T principle. They should be specific, measurable, attainable, realistic and time-linked. When you set objectives, describe what you are seeking to achieve in clear, definite terms. Make sure your objectives are capable of being measured in numbers, percentages, dollars or time. When something is measurable, it is much easier to manage and evaluate. To help maintain your motivation, the objectives you set should be achievable and the setting of a date for their accomplishment injects further momentum and strengthens your commitment.

To be successful, you need two sets of objectives – one for your personal life, the other for your business. Personal objectives are most important because they provide the stimulus and drive required in business. Successful people know this and make sure that their success in business will help them to achieve their personal goals. When conflict arises between the two sets of objectives, a cost will be involved, usually in terms of something which must be given up or paid.

*“The business planning function allows you to step outside your business and see your creation, warts and all.”*

Craig Seward, Managing Director,  
Circular Head Chronicle, Smithton



## Put your business plan in writing

To be effective, your business plan should be in writing. The advantages of a written plan are that it:

- Forces you to think more realistically, objectively and unemotionally about your business
- Leads to questioning of past and future assumptions
- Makes it easier to communicate planning objectives and strategies to bankers, partners, employees, financial backers etc
- Helps to ensure that all aspects of the plan are clear and integrated
- Serves as a reference point when determining the effects of alternative courses of action on business operations
- Provides a basis for review
- Offers a framework for analysis, especially where objectives have not been achieved

*“The process that you go through in writing a business plan is an indispensable learning experience. It focuses your thinking and it forces you to take an objective, critical and unemotional view of your venture.”*

Patricia Dottori, Principal  
Patricia Dottori & Associates, Hobart

## What are the benefits of planning?

While it has been acknowledged that business planning does not guarantee success, studies show that businesses which consistently undertake planning perform better than those where planning is lacking.

The planning process produces a number of benefits for your business:

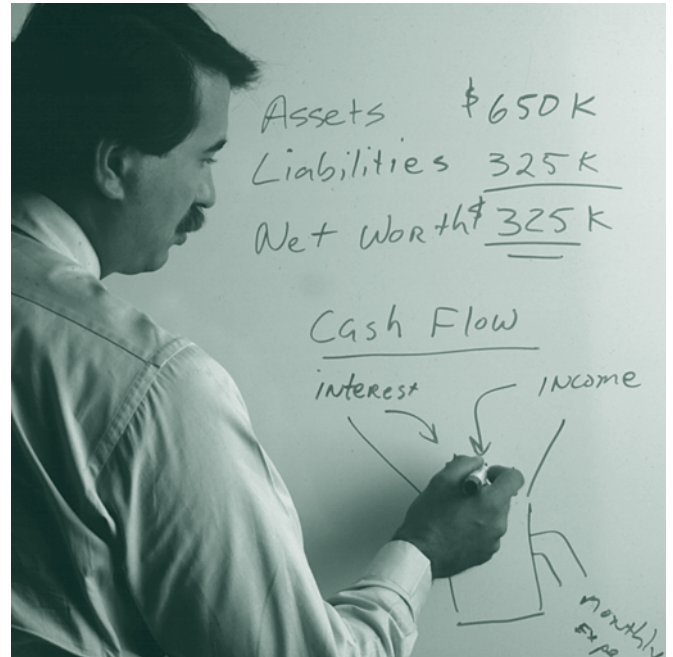
- Forces an early consideration of essential goals and basic policies
- Helps to challenge old ideas and create a climate for new initiatives
- Gives you a clear focus
- Enables problems to be recognised that call for external sources of information and assistance
- Increases your objectivity. By converting everything to numbers, planning prevents you viewing the future in ways that the facts do not support
- Increases your personal motivation and that of any employees you may have
- Enables growth to be planned and associated capital requirements to be determined in advance
- Provides feedback of information and periodic reappraisal against established objectives and performance standards

*“As the result of business planning, a map of the way ahead will be drawn up which will make you more confident as well as helping to convince investors, lenders and your employees of the direction in which the business is going.”*

Craig Saward, Managing Director,  
Circular Head Chronicle, Smithton

## Barriers to business planning and how to break them down

Even though research points to a higher prospect of survival for small businesses which plan and many small business owners are aware of the advantages of planning, a significant proportion still fail to develop and use a business plan as a management tool. Certain barriers tend to discourage them from planning.





The following checklist describes the barriers which you may encounter and offers practical tips for breaking them down.

Barrier	Practical tips	Actions I need to take
<p><b>Fear</b></p> <ul style="list-style-type: none"> <li>- of the unknown (future)</li> <li>- of failure</li> </ul>	<p>Be honest with yourself. We all have strengths and weaknesses. Start to recognise yours and be positive with yourself. Everyone learns from failure.</p> <p>Develop an attitude of not being afraid to discover what the current state of your business really is; the future may hold opportunities as yet unrecognised.</p>	
<p><b>Inexactness</b></p> <ul style="list-style-type: none"> <li>- no matter how carefully I plan, things do not usually work out according to the plan</li> </ul>	<p>In the business world, probability is sufficient to govern action. Planning allows you to determine what is likely to happen in business according to the odds.</p> <p>It is better to attempt to predict and prepare rather than assuming the passive and dangerous role of wait and see.</p>	
<p><b>Speed of change</b></p> <ul style="list-style-type: none"> <li>- developments happen too frequently to make planning worthwhile</li> </ul>	<p>Provide a measure of flexibility in the business plan to meet changing circumstances and review your plan frequently.</p> <p>You also need to develop flexibility of attitude.</p>	
<p><b>Lack of specialised knowledge</b></p> <ul style="list-style-type: none"> <li>- how do I start?</li> </ul>	<p>Courses on business planning are available through Business Enterprise Centres and training organisations including TAFE, business advisers etc. These sources can also assist with direction and advice.</p>	
<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>- it costs too much</li> </ul>	<p>The expense of planning must be justified by tangible results. You can keep the whole exercise cost-effective by undertaking the planning yourself under the direction of a skilled professional. Action checklists covering each aspect of the plan can help.</p>	
<p><b>Time pressures</b></p>	<p>Efficient organisation and time management are required. Time for planning will not turn up by itself. A schedule needs to be set and planning may have to be undertaken outside normal business hours – perhaps in the evening or one morning during the weekend.</p>	

Barrier	Practical tips	Actions I need to take
<b>Lack of suitable place to undertake planning</b>	Self-discipline and personal commitment again are appropriate. Consideration may have to be given to undertaking planning, say, on a Saturday, away from day-to-day problems and operations.	
<b>Difficulty in starting</b>	Development of a personal commitment to planning, self-discipline and a firm grasp of the benefits that planning can provide will help to get the show on the road.  Establishing a goal is the essential first step in the planning process.	

## Structure and content of a business plan

Every business is unique. Your business plan needs to be structured to suit the specific requirements of your business. There is no 'right' or 'wrong' way to structure a business plan – each will differ in presentation and emphasis. The particular situation

and requirements of your business need to be taken into account, as well as the purpose for which the plan is being prepared.

### Checkpoint

The following checklist offers a handy reference of the various elements that need to be included in your business plan.

Key element	What to include
<b>Title page</b>	Name of business Address Contact points for future reference (telephone, facsimile and email) Date of preparation
<b>Table of contents</b>	Clear information about the contents of your plan Number all pages Incorporate a version control method so that the latest version of the plan can be easily identified
<b>Executive summary</b>	Purpose of plan Brief highlights of the plan (overview of your business) Brief description of your business (product or service) Summary of marketing strategy Summary of funding requirements: <ul style="list-style-type: none"> <li>- amount of funds required/equity offered</li> <li>- how funds will be used</li> <li>- how funds will be repaid</li> </ul> Key projected operating results Precis of your management team

Key element	What to include
<b>Your industry</b>	Description of the industry in which your business will operate Current status Trends and future prospects
<b>SWOT analysis of your business</b>	What are its strengths? What do you do well? What are its weaknesses? What opportunities exist to grow your business? What threats or problems may emerge to impede the attainment of your goals?
<b>Your business</b>	What business are you in? General description Your distinctive competence or competitive advantage Where your business will be located and why The performance of your business to date
<b>Your management team</b>	Key people involved Roles, responsibilities and background Skills Formal qualifications required Include resumes, where appropriate, in appendices section of plan Key advisers to your business
<b>The stated aims of your business</b>	Your business mission The needs that your business will seek to satisfy
<b>Market research</b>	Description of marketplace Past, present and future trends Size of market Demographics Customer groups, their characteristics and buying habits Assessment of competition, strengths and weaknesses
<b>Marketing plan</b>	What your target market is What your marketing strategy will be What marketing image you are seeking to project for your business How your product will be distributed How you will advertise and promote your product or service How you will set the price for your product or service Which markets you will aim at initially How you intend to meet the competition What service and support you will provide to customers

Key element	What to include
<b>Organisational plan</b>	<p>How your business will be organised</p> <p>How it is expected to develop</p> <p>Staffing needs</p>
<b>Operating and manufacturing plan</b>	<p>How the day-to-day operations of the business will be carried out</p> <p>Requirements for plant and equipment</p> <p>Scheduling of work flow</p> <p>Quality control</p>
<b>Financial plan</b>	<p>Historical financial data, where applicable, for past three years</p> <p>Business viability and timeline to profitability</p> <p>Break-even analysis</p> <p>Funding mix</p> <p>Equity and borrowings</p> <p>Debt reduction and repayment plan</p> <p>Past trading results (if applicable)</p> <p>Financial projections for next three years – balance sheet, profit and loss statement and cash flows</p> <p>Key financial ratios</p> <p>Projected rate of return on investment</p> <p>Assumptions underlying the projections</p>
<b>Implementation timetable</b>	<p>Action plan of timelines for implementing the key elements of the plan</p>
<b>Appendices</b>	<p>Material to support the main body of the business plan e.g. brochures, summary of market research results, resumes of key personnel, letters of reference etc</p>

## How to prepare and present your business plan

Development of a business plan takes time. It is hard work. Sound business plans are not written at one sitting – they are created systematically over a period of time, usually months, as ideas and strategies are developed and problems are identified and resolved. Given the effort that goes into development of your business plan, it is important that it is put together and presented in a professional manner. Here are some practical tips for putting your business plan together:

- Determine the objectives of the plan.
- Decide what information must be presented in the plan e.g. if finance is required, sufficient information must be included to enable the financier to make an informed decision.
- Determine in advance to whom you will be presenting the plan – knowing the reader(s) of the plan will help you decide on detail required, its length and emphasis.
- Use tables, charts and graphs to present data where possible.
- Make a good first impression – incorrect spelling, grammar, punctuation, numbers that do not add up and a poorly organised plan all detract from the impact of the document.
- Keep paragraphs and sentences short.
- Avoid jargon – do not use language that only an expert can understand.
- Do not make vague, ambiguous or unsubstantiated claims or statements.
- Arrange to have your business plan bound in a business-like (not ‘slick’) presentation.
- Include an executive summary up-front but write it last.
- Be succinct. Quantity does not equal quality. A well-written plan should say it all in 20 to 30 pages.
- Use consultants where required to assist you prepare the plan, but not prepare it for you. It should always be your plan; you should understand it fully and be committed to the plan.

## Summary

- A business plan serves as a major planning and control tool in business.
- Business planning helps you to focus on the key success factors in your business and the priorities necessary to attain personal and business goals.
- Objectives should be specific, measurable, attainable, relevant and time-linked.
- Studies show that planning offers many benefits and enhances the prospects of business success.
- Written plans have several advantages over plans (often just good intentions) which are not committed to writing. Getting it down on paper helps to reveal where the plan is vague or undeveloped.
- An effective business plan consists of business objectives, strategies and operating tactics covering all facets of the business, directed towards the realisation of objectives.
- A business plan must be compiled and presented professionally.

## Resources and contacts

- CPA Australia,  
[www.cpaonline.com.au](http://www.cpaonline.com.au)  
Level 2, 21 Kirksway Place, Hobart Tas 7000  
Telephone 6224 8770  
or the accounting firm of your choice
- Institute of Chartered Accountants in Australia,  
[www.icaa.org.au](http://www.icaa.org.au)  
25 Davey Street, Hobart Tas 7000  
Telephone 6223 4115  
or the accounting firm of your choice
- National Institute of Accountants,  
[www.nia.org.au](http://www.nia.org.au),  
1/222 Elizabeth Street, Hobart Tas 7000  
Telephone 6231 6075  
or the accounting firm of your choice
- Department of Economic Development, Tourism and the Arts  
Business Point 1800 440 026  
[www.development.tas.gov.au](http://www.development.tas.gov.au)