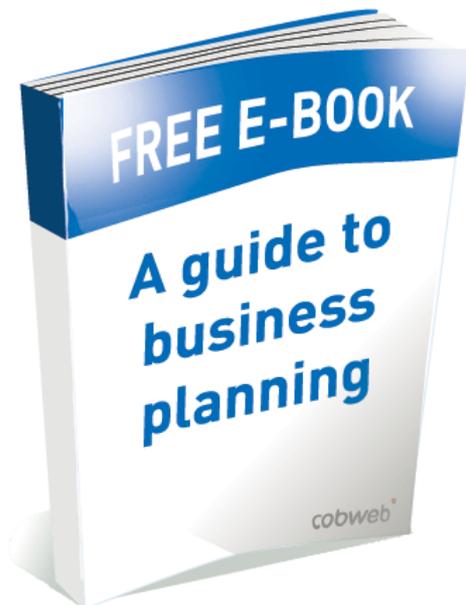


FREE E-BOOK[®]

A guide to business planning

Synopsis

As a new business, it's essential that your research has been carried out thoroughly and that you have well-defined objectives before you start trading. A business plan will help put your thoughts down on paper and will then give you something to review your business' performance against. This e-book outlines how to construct your business plan and explains all the key information it should contain.



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Why have a business plan?

All businesses, whether new or established, should have a constantly evolving business plan in order to help them define their objectives and their strategies for achieving them. The business plan should describe where your business is now and your hopes and aims for where you want it to be in the future.

Business owners often make the mistake of thinking that their plan is solely for obtaining finance. However, a good business plan can do much more. It can help you to:

- Clearly identify and communicate your business purpose.
- Bring together your ideas and research into a structured format.
- Identify any further research that is required.
- Outline the strengths and weaknesses of the management team.
- Set targets and objectives.
- Monitor your business' performance.

Why have a plan when starting up?

As a new business, it's essential that your research has been carried out thoroughly and that you have well-defined objectives before you start trading. A business plan will help put your thoughts down on paper and will then give you something to review your business' performance against. Will your business perform as you expected? If it has done better or worse, you will need to identify why and review your future targets and objectives.

Your plan should include detailed information for your first year's trading, including objectives, strategies, operational requirements, forecasts and budgets, with an overview of what your business hopes to achieve over the next two to three years. The main objective of the plan is to identify how you intend to move your business forward.

Do you need a written plan or is it about 'planning'?

Planning is a continual process, but having a concise and clearly written document that is regularly reviewed and updated will provide an invaluable aid for you and other stakeholders in your enterprise. A professionally prepared plan should contain all of the information that you need to develop and monitor the performance of your business.

The information to include in a plan differs from business to business and will depend on your individual aims and objectives. However the process for gathering the information you need and putting your ideas into practice is the same.

The best way to think of your business plan is as a roadmap. It will show the route you want to take to get your business from where it is now to where you want it to be in the future. Every business will take a different route but the aim is the same - to get your business from A to B.

How will this guide help your planning?

This guide will help you to build up the information that you need to plan and monitor the development of your enterprise through:

- Researching your business aims and objectives.
- Defining your business purpose.
- Describing your current market and competition, and any changes that you anticipate in the future.
- Deciding on your marketing strategy and how you will achieve it.
- Identifying your financial needs.
- Looking at how your business will operate.
- Finding sources of help and advice to help you run your business.

The guide takes you step-by-step through the various stages of writing your plan, referring to relevant sources of further information. However, not everyone will find the whole guide appropriate, but may find individual sections relevant to their own business situation.

What should be in your plan?

The information contained in your plan will need to be tailored to your particular start up situation and target audience. This might be your bank manager, venture capitalist, other investors, business partners and employees. For example, your business plan could be for your own personal use, or it could be a requirement in order to obtain finance. The purpose and target audience of your plan will determine the way it is written and the level of information that will need to be included.

However, there are some basic questions that need to be considered when preparing any business plan, particularly for a new start up. These questions will form the basis for writing your plan. By answering these questions, you will gather the information that you need to define your aims, objectives and individual operational requirements for your new enterprise.

1. Why are you in business, and what do you want out of it?

In many situations it will be vital to state your own personal objectives for starting in business. Potential funders of your enterprise will be interested in this information, as it will have a bearing on the business' aims, development and strategies.

Are you going in to business to:

- Supplement your main income?
- Replace your main income?
- Provide employment for your family?

- Start a business as an investment opportunity, with the intention of selling it on at a later date?
- Provide employment for the local community?

Your personal objectives for starting in business will directly influence some of your business aims and targets. For example:

- If you are starting a business as an investment opportunity, the focus of your planning will be leading up to your exit, that is the sale of your business. Your plan will involve building a business and maximising its value in order to achieve the best selling price possible.
- If you are building up a family business, your plan will include your succession strategy. How will your family take over when you retire? By planning ahead you will be able to ensure that your business does not rely on you too heavily and that your family are fully prepared for what they will need to do when they take over from you.

Suggested section in your business plan – Your Personal Objectives

2. What business are you in?

This may seem like stating the obvious but many people overlook the importance of this question. Stating that you are going to open a restaurant, a building business or a design consultancy is not enough. What sort of restaurant, building business or design consultancy do you want your business to be? Without careful definition, your business could be starting with little direction and be misunderstood by your employees and potential funders.

When describing your business, think of it in terms of writing a mission statement. Your mission statement should clearly summarise your business' purpose. It should be easily understood by:

- You - to ensure the business has a focus and retains its direction.
- Your staff - in order to deal with customers effectively and understand where the business is heading.
- Your customers - so it is clear what your business can offer them.
- Your potential investors - to help them decide whether to back your enterprise.

Consider the example of a restaurant. Restaurant A provides good quality, local food at competitive prices in a family friendly environment. Restaurant B provides a world-class culinary experience for the discerning customer.

Customers should be in no doubt about what the restaurants provide. The restaurant's marketing strategies are likely to be different, aiming at different market segments and offering different benefits in terms of image, staff and cost. A couple looking to celebrate a special occasion would probably choose restaurant B for its exclusive

image, whereas a family looking for an informal meal would choose restaurant A as it would be likely to provide a more homely environment, with children's menus and at a lower cost.

If you can't describe your business in these specific terms, then you should rethink your business idea, focusing on your business' core purpose, target audience and mission.

Suggested section in your business plan – Business Description and Purpose

3. What do you want your business to become in three years' time?

Your plan should define how you will move your business from where it is now towards your vision of where you want it to be in the future. What do you want your business to become and how do you want others to perceive it?

Some common goals could be:

Market leader in your niche

Do you want your business to set the standards for other businesses to follow? Will you be seen as an expert in your trade?

Innovation

Do you want your business to be seen as one of the leading innovators for your market? Will you aim to use the latest technology and provide the latest products? Are you going to invest heavily in product development?

Specialist or diverse

Do you want to provide a wide range of products for several different target audiences - something to cater for all needs? Or do you want to specialise in a specific area? Will you just stick to what you know best?

The best employer in town

Are employee relations important to you? Do you want to be seen as a major local employer, providing good conditions and opportunities? Are you considering linking with local schools and colleges to provide work experience and training opportunities for young people?

Big or not so big

How big do you want your business to become? Are you happy for it to stay a relatively small local business or do you have ambitions for it to become a national or international enterprise? Do you want to open up several branches or have a large number of sales staff working across several regions?

Superior quality and service

Do you want your business' reputation to be built on the high quality service it provides?

Defining your business vision will help you to identify clear and challenging objectives and determine how you will go about achieving your overall goal.

Suggested section in your business plan – Business Vision and Long-Term Objectives

4. Where is your market now?

For a new business to establish itself, it must be able to achieve a share of the market available to it. You will need to have a thorough understanding of your market environment to do this. You will need to understand the size of the market you are going to operate in, the share of the market you can hope to achieve, and any other factors that can affect that market.

These factors will generally include:

Target customers

There are three key questions that you need to be able to answer. Who are your target customer groups or segments? How many target customers are there in each group? What share of the market do you think you will be able to achieve? And most importantly, do you know what they want, that you believe you can provide to them?

Market trends

Market needs change continually. This may be due to changes in fashions, lifestyle or the effects of the economy. Before setting up your business, you need to find out what influences your target market now. This will help you to determine the position that you want your business to occupy in the market. Have you considered overall trends to see what is popular in your type of business at the moment? Can you demonstrate that there is adequate market demand for your business idea?

Competition

How competitive is your chosen market or markets? If you have identified a niche, can you describe how you are going to exploit it? How will you differentiate your service from everyone else?

One of the most common mistakes in business planning is showing a lack of knowledge regarding your market. Don't be caught out. Make sure you understand your market now and continue to keep up to date with developments in the future.

Suggested section in your business plan – Current Market Situation

5. Who are your immediate target customers for the next 12 months?

Can you clearly define the characteristics of the target groups of customers that could buy from your enterprise? To do this you need to think about the type of people or businesses that are likely to benefit from using your products or services, and why they will use them.

- Make a list of the features that your products and services have and the associated benefits that these features can provide to your customers.
- Think about the groups of customers that are likely to need the products/services that you provide. What benefits will those products/services offer them?
- Build up a picture of your target customers - what are their characteristics? For individuals, their characteristics may be described in terms of age, income, lifestyle, marital status and so on. For businesses, the characteristics may be described in terms of size, industry sector, public or private sector and so on. For example, your product may be aimed at young professionals with high levels of disposable income.
- How many customers are there in your target group? Think about current trends. Are numbers of your target customers growing? For example, the number of single person households has been increasing recently. Can your business take advantage of this fact?
- When you know how many of your target customers there are, you then need to find out their buying power - how much do they spend and how often do they buy?

Suggested section in your business plan – Current Target Customers

6. Who could buy from you in the future?

Looking for suitable customers is a continual process. You need to think about groups of customers that you might want to target in the future.

Will you develop new sales by:

- Increasing sales to your initial target market or markets?
- Looking for new customer groups to sell your current products and services to?
- Diversifying your business and expanding your product range to attract different types of customers?
- Changing the image of your business to sell to a new, more profitable type of customer?
- Selling new products to an entirely different range of target customers?

Whatever your goals, you should ensure that you know who your new customers could be, how many of them there are and the size of the market share that you hope to achieve.

Suggested section in your business plan – Future Target Customers

7. Who are your competitors?

Your competitors are those enterprises that are in the same (direct competition) or similar (indirect competition) field to you. For example, a sports shop would face direct competition from other sports shops and indirect competition from general clothing stores that stock a range of sportswear.

The level and strength of competition in a market may indicate whether a new business venture is likely to be a success or not. However, it is not simply the number of competitors that is important. Other factors such as operations, facilities, pricing methods and location can also help determine how successful your new enterprise is likely to be. If the competition is too strong you may find it impossible to obtain a share of the market. When researching the competition, you need to carry out a detailed analysis of your competitors' businesses. You need to know what your competitors' strengths and weaknesses are.

Gather the following information regarding your competitors:

Products and services

Are your competitors' products and services the same as yours? Do they provide something that you don't? Why do customers purchase your competitors' product and services?

Customers

Are your competitors targeting the same customer groups as your business? If not, are they aiming at a group that you haven't considered? If they are not targeting the same market segment as you, could they adapt their products and marketing to meet your target customers' needs? Are your competitors a direct threat to you in the near future due to the general direction of their product development?

Share of the market

You need to estimate the share of the available market that your competitors have. You will then be able to see who the major players are and if there is likely to be enough of a market share available for your business.

Marketing activities

How do your competitors market their products and services? Does their marketing reach their target audience? Is it effective? Should you market your business in a similar way? Can you see other channels of advertising that your competitors should use but don't? Are your competitors using advertising methods that you're not using?

Pricing

What are your competitors' pricing strategies? Are all of your competitors charging the same price? Are your competitors locked into a price war, and would this make entering the market difficult for you or could you turn it to your advantage?

Operations and facilities

How much stock do your competitors store? Do they charge for delivery or restrict the areas they will deliver to? Do they have a good reputation with their customers? What after-sales service do they provide?

Level of success in recent years

Unless you can access your competitors' accounts, it may be difficult to assess how successful and profitable they have been. However, there are certain signs that will suggest that your competitors are doing well. For example, have they recently expanded? Do you know of any major contracts they have won? Have there been any interesting articles in newspapers regarding their operations and success? If they seem to have been successful, look at their strengths to see what it is they do well.

Future plans

Try to determine what your competitors' future plans are. Are they planning to move to new premises? What direction is their product development heading in?

It can be useful to draw up a standard profile for each of your competitors so that you are comparing the same information for each competitor. Determine your competitors' strengths and weaknesses and identify ways to overcome their strengths and exploit their weaknesses.

Competitor analysis should be carried out on a regular basis (at least every year if not more often), as new competitors can enter the market at any time and existing competitors can change the focus of their business. You also need to be aware of the general trends affecting the market. For example, a competitor could introduce a new product that would make your product obsolete or unpopular.

Suggested section in your business plan – Competitor Analysis

8. How might your market change in the future?

Your market might change due to external factors or because you decide to change the direction of your business. However, whatever the reason for the change, you will need to adapt your business accordingly to make sure that you can continue to achieve your target market share.

External factors likely to affect your business in the future are:

Increased competition

If your business idea is part of a new trend or is seen as highly profitable, you may find the number of competitors will increase substantially as the idea becomes better known. If this is the case, the market will become saturated and businesses will need to find new ways to differentiate themselves in order to achieve a share of the available customers.

More specialised competition

If the market becomes saturated, some businesses may invest in product development in order to differentiate themselves from the competition. Businesses in a saturated market that have not invested in product development often become involved in price wars with other, similar businesses. This is often damaging, so you need to monitor what your competitors are doing to make sure you are not left behind.

Changes in market trends

You need to keep up to date with changing market trends. Your market may be growing or declining. If it is shrinking, the competition between businesses will intensify. You can find out how the market is changing by monitoring your competitors and studying market reports, the trade press, newspapers and television. However, as your business develops, your customers may become the best source of information. They may be requesting products or services that you do not provide. This in turn could give you an idea for new developments in your market.

New products

Very few products last forever. New products come onto the market all the time, leading to the decline of existing products. Make sure you are aware of any new developments in the market that will make what you provide obsolete.

Economy

The state of the economy can have implications on the current market. When the economy is strong, consumers have more money to spend. With a recession looming, consumers may cut back on their expenditure on non-essential or luxury services.

You should continually review your market so that you are aware of any changes that may affect the market you are currently operating in and any markets that you plan to move into in the near future.

Suggested section in your business plan – Future Market Influences

9. How can you make your business different from your competitors?

This is a key question that must be considered very carefully. There must be something about your business that is different from your competitors in order for it to succeed. You cannot provide the same products and services, at the same prices and in the same manner as your competitors and expect customers to use your business.

The way that you differentiate your business will be based on the information that you have gathered regarding your markets, target customers and

competitors, and a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of your own business. This looks at your business's strengths and weaknesses, and the opportunities and threats you are facing. The strengths and weaknesses relate directly to your existing business setup. The opportunities and threats take into account external factors, such as market trends and competitors.

<p>Strengths</p> <ul style="list-style-type: none"> • What is unique about what your business is offering? • What do you do well? • Are your costs lower than your competitors? 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Have you got gaps in staff skills? • What do you do badly, or lack experience in? • Are you in a poor location? • Will a weak cash flow position prevent product development?
<p>Opportunities</p> <ul style="list-style-type: none"> • Have you got new product ideas not available elsewhere? • What are the growth areas in your market? • How can you exploit your competitors' weaknesses? • Are there gaps in the market to exploit? 	<p>Threats</p> <ul style="list-style-type: none"> • Is your market becoming more competitive? • Do your competitors' strengths pose a threat to you? • Can you keep up with developments in technology?

Making your business different from your competitors will involve making the most of your strengths and grasping the opportunities that are available to you.

Can you describe the ways in which your business differs from your competitors? How can you make the most of these differences in your marketing? Use the differences to explain to your target customers why they should use your business. For example, if your business is going to be renowned for its highly trained staff and excellent customer service, use this to your advantage. Make sure that your customers know that by coming to you they will get the best advice and the friendliest service in town.

Suggested section in business plan – SWOT Analysis

10. What is your marketing strategy?

With a clear understanding of your market in terms of size, location, groups of potential customers, competitors, trends and influencing factors, it is essential that you can clearly define your overall marketing strategy. The strategy should ideally be broken down into one or more clear statements that include specific objectives and targets relating to the volume and share of the market, or market segments, you hope to achieve and when you intend to achieve them by.

For example:

- Who are your initial marketing targets in terms of specific customer groups or market segments?

- What products, services or particular deals will you be offering to them?
- Is there a specific volume, value or share of these markets that you hope to achieve?
- When do you hope to achieve these targets by?
- Why are you choosing these markets first?
- Who will you target next, for example in six months or 12 months time?

Make sure that your objective and targets are SMART (Specific, Measurable, Achievable, Realistic and Timed). For example, a SMART objective would be:

- **Specific.** Define your initial marketing targets.
- **Measurable.** Put some numbers against what you hope to achieve, for example set the number of product units you want to sell to your target market or the sales revenue of the product that you want to secure.
- **Achievable.** It would be unfeasible to set yourself an objective of achieving 100% of the market share if you already have many competitors.
- **Realistic.** Don't set yourself production targets that you know you would be unable to meet due to a lack of equipment and other resources.
- **Timed.** Don't be vague about when you want to achieve the objective. Specify a time limit and then review your performance at the end of the time limit.

This will enable you to have a strong focus on the market areas where you think you have the greatest potential for success. You will also be able to monitor progress and modify your strategy as your marketing activities roll out.

Suggested section in plan – Marketing Strategy

11. How will you do your marketing?

Not only is it important to have a coherent marketing strategy, it is also important to be clear about how you are going to make it happen.

In other words, you need a detailed marketing plan that explains how you will go about achieving each of your marketing targets and objectives either by particular target segment, by type of marketing activity, or both.

The level of detail in your marketing plan will depend on your own business situation but should, as a minimum, consider some of the following:

- Determine the marketing methods and route to market you will use for each particular target market segment.
- Decide the specific action you are going to take.
- Give a timescale or timetable for each marketing activity.

- Identify who is going to carry each activity out.
- Estimate the costs to undertake particular marketing activities, for example attendance at trade shows, advertising campaigns, and so on.
- Decide whether you will need to buy in the services of specialist consultants or agencies, for example designers, PR or sales staff.
- Explain how you will monitor and review progress.
- Determine how you will handle the response to your marketing.
- Consider how you will deal with any seasonal aspects of your market.

It will also be important to identify how you will manage the overall marketing plan and activity, such as ensuring that the entire budget is not spent in the first couple of months, monitoring results, adjusting the plan, and introducing new tactics as you go along.

Suggested section in business plan – Marketing Plan

12. What are your sales targets and how will you achieve them?

Your marketing plan, when implemented, needs to be converted into perhaps the most important business goal of all, your sales revenues.

Forecasting and planning your sales revenue is a vital component of your overall financial forecasts but nevertheless needs to be identified in its own right in the context of what you can realistically expect to achieve from your marketing.

Your sales forecasts and targets should be broken down month by month for the whole of the next year. There is no single way of doing this, and depending on your business this could be categorised by:

- Sales of different product types by volume and value.
- Sales from different customer groups.
- Sales from different distribution channels.
- A combination of the above.

This forecast is a vital part of your business plan, and ongoing planning. The forecasts will need to reflect what you can realistically achieve as your marketing activities and tactics roll out over the year, and as your business becomes established.

You will need to consider any peaks and troughs due to seasonal factors, new product introductions, additional sales people brought on board and so on at different points in the year.

You will also need to think about how you will monitor your sales results against your forecasts. This will include how you plan to analyse what is happening with your sales results, why you are up or down on forecasts, and whether this is a reflection of your marketing activity, your competitors' activity, or other external

factors. Most importantly, monitoring sales against forecasts will help you to plan what adjustments you need to make to your business plan and marketing tactics on a continual basis.

Suggested section in your business plan – Sales Targets and Objectives

13. What are your operational requirements?

When planning to start up, or to develop your business as it begins trading, it is important that you have considered all your operational requirements. Some of this information will be required for your financial forecasts while the rest will be needed for your basic operational planning.

Generally, you will need to consider the following requirements for your new enterprise:

Premises

Have you thought about whether you will rent or buy premises, or work from home? Do you know the type of premises and the facilities you will require? Have you found suitable premises? Do you know how much they will cost?

Equipment

Do you have a list of all of the equipment that you need and estimated costs? Do you know where you will get this from? How will you fund your equipment - for example, will you purchase it outright, lease it, or buy it second-hand? Will you require any additional major equipment items during your first year?

Staff

Have you got all the staff that you need? Are there any key positions that you haven't filled yet? Are your staff trained? What skills do they bring that will benefit your business? When will you employ new people in the future?

Suppliers

Have you found suitable suppliers? Do you need more than one supplier for your main purchases? What are the benefits of using your chosen suppliers?

Licences

Are you aware of the trading licences (for example, for the sale of alcohol) that you need to obtain to run your business? If you need a licence do you know where to get it from, when it needs to be applied for and how much it will cost?

Suggested section in your business plan – Operational Requirements

14. How much money do you need now and for what purpose?

Your business plan should include a breakdown of your financial requirements, the sources of finance you have available to you and any additional sources that you may need.

This should include:

The cost of starting your business

Do you know the overall cost of starting your business? Can you break the costs down into equipment, premises, professional fees and ongoing running costs such as staff wages?

This information is essential both for you and for your potential investors, who will want to know what you need money for and how carefully you have researched your idea.

Your personal budget

Have you considered how much money you need in order to meet your personal commitments? This shows that you have taken into account all your financial needs.

Details of your own personal finance that you intend to invest

Investors need to see that you are prepared to invest in your own business. This increases their confidence as it shows that you are committed to your business idea because you are willing to risk your own money.

Your financial forecasts and budgets

Financial forecasts are an essential part of your plan as they are often the key to obtaining additional finance. They bring together information from every stage of your business plan to produce a picture predicting what will happen when your business starts to trade. These forecasts will act as your ongoing budget and provide a benchmark to measure your progress against.

You need to produce forecasts to identify:

- If you are likely to need additional finance, whether this is to fund the initial costs of starting your business, the ongoing costs of running your business, such as working capital, or for any major developments you are planning in the future, for example new premises or product development.
- If your business will provide you with enough money to live on and whether the business can grow to meet your objectives.
- When your business will start to make a profit.

Your potential investors need forecasts to identify:

- Whether your business is likely to be a good investment opportunity.
- When they will be able to get their money back.
- If your business can achieve the rate of growth they require to make supporting it worth their while.
- What effect lower or higher sales will have on the viability of your business.

Your financial forecasts should include:

- A detailed cash flow forecast that will help you to estimate how much available cash you will have in any particular month. This will show whether you have adequate working capital to develop your business.
- A profit and loss forecast to help you estimate when your business will start to make a profit, which will be essential to your medium-term success.
- A balance sheet forecast to provide you with a snapshot of the trading position of your business, to identify what your business will owe, what it will own and how financially strong it will be at a particular point in the future.
- Details of additional finance that you have secured.

When you have produced your financial forecasts, you will be able to approach potential sources of funding for any additional finance that you require in order to start up your business. The potential sources of funding include equity, loans, grants and overdrafts. When you have agreed the additional finance, include the details of the agreement in your plan, as this will help you encourage other potential investors to support your enterprise.

Suggested sections in your business plan – Current Financial Requirement and Financial Forecasts

15. Will you need more money in the future and for what purpose?

Your business plan will help you to identify when in the future you will need additional finance. For example this might relate to:

- Expanding into new premises.
- Purchasing new equipment in order to increase production levels.
- Starting to export your products.
- Targeting new markets.
- Developing new products.
- Taking on more staff.

If you are likely to undertake a project requiring major investment in the future, you should outline what the project is, how much you anticipate it will cost and how you plan to finance the project.

Suggested section in your business plan – Future Financial Requirements

16. How will you manage the business?

When running your own business, it is important that you have a sound management team and processes behind you.

If you are the only person involved in your business, then all of the management activities will fall onto your shoulders. However it is still worth looking at your key skills, responsibilities and management processes at this stage.

Some important issues to consider are:

Management team

Outline the skills and experience of your management team. This is of particular benefit if you are approaching venture capitalists or other equity investors. The strength of the management team is one of the main factors investors consider when assessing a proposal.

Key staff

Have you produced a summary of your key employees' skills and experience within your business plan? Remember to tailor the skills to what they can do for your business. Make the most of your employees' strengths.

This will help you to highlight any areas where you are lacking expertise. You will also be able to see if your business relies too heavily on a certain member of staff. In this situation, you need to be aware of the risk to your business should that member of staff leave.

Key responsibilities

You should outline which members of staff are responsible for specific areas of business. For example, you may want to make staff responsible for:

- Marketing and sales.
- Finance.
- Recruitment.
- Product development.
- General management and administration.

Management reviews

You will need to monitor your business' performance on a regular basis to make sure you are meeting your objectives and targets. Regular reviews will also highlight problems before they occur and enable you to take preventative action.

If you have members of staff responsible for certain areas of your business, you should ensure that you have regular management meetings in order to discuss developments and issues that arise. Topics for discussion should include a review of the month's sales and a review of the current financial position of your business against your forecasts.

Suggested section in business plan – Management Processes

17. What are the risks?

Running your own business comes with risks and it is important that you are realistic about these when you start your business. What could go wrong? What will you do if the worst happens? Be as honest as possible when you assess the risks that your business could face.

Lack of management experience

A lack of management experience isn't necessarily the end of your business plans, as your skills will improve as you gain more experience. But it can expose your business to more risks. However, there are many places that you can turn to for advice, for example your business adviser, accountant, solicitor, and family and friends.

No trading history

It can sometimes be difficult to obtain credit or to arrange for the leasing of equipment until you have an established credit history and have been trading for a certain period of time.

Economic uncertainties

You need to be aware of how changes in the economy will affect your business. A boom time could lead to an increase in competitors whereas a recession could lead to a loss of customers.

Reliance on key staff

If your business relies on a key member of staff, for example in a technical capacity, it can lead to a situation where that member of staff has more of an influence over the direction of the business than the owner does. If there is a difference of opinion or if the member of staff leaves, the business may struggle to survive.

Reliance on very few suppliers

What would happen to your business if your main supplier lets you down with a delivery or goes into liquidation?

Reliance on a small customer base

If the majority of your business comes from one customer, your business is at risk if the customer switches to an alternative supplier or goes into liquidation.

Customer bad debts

A customer who does not pay on time can have a detrimental effect on your cash flow. You should agree credit terms with your customers and implement a credit chasing policy. It is important not to let customer debts get too large and to keep an eye on your cash flow. Even a profitable business can be harmed by a cash flow problem.

Partnership difficulties

If there is an irreconcilable problem between the business owners, the business could also be at risk of failure.

Increased competition

You need to be aware that new competition could enter the market at any time. Competition can come from other businesses or new products entering the market that will make what you provide obsolete.

Security

Certain businesses have a higher risk of burglary and, depending on your premises and security arrangements, this can be a major threat to your business. What will it cost to protect your business from crime? What practical steps will you take to try to protect it?

Failure to meet your sales targets

Failing to meet your sales targets is a serious threat to your business. It requires a major review of your business plan.

Lack of resources

Resources can refer to money, staff, or operational facilities. What measures can you put in place to reduce the risk?

Suggested section in your business plan – Business Risks

How often should you revise the plan?

While you are still researching your business idea, you will need to review your business plan regularly as each new piece of information you find may impact on the direction of your business. For example, you may have thought your business would provide a specific service but then spot a different opportunity within the market that changes the focus of your business's attention.

When your new enterprise is up and running, you should still be reviewing your plan regularly, ideally on a monthly basis so that you can see how your business is performing against your targets. It is worth spending the time to do this so that you can spot any potential problems before they cause major difficulties in your business.

As your business becomes more established it is important that you continue your business planning. Your plan should be a constantly evolving document and process. How frequently you review your plan will depend on the development of your enterprise and the speed of change but it is important to make sure that your plan is up to date and accurately reflects its future direction.

You will need to make sure that the plan covers the latest market trends, competitor analysis and changes to your market plan and strategy. If you do not update this regularly, you may lose sight of your goals or miss key business opportunities.

Who will write the plan and where can you get help?

The overall responsibility for creating the plan lies with you but this doesn't mean that you are completely alone.

If you are operating a larger business, you may have a management team who will be able to advise you on certain aspects of the plan. For example, if you have employed a marketing manager, they will be able to advise on a marketing strategy to achieve your objectives.

If your business is smaller, you can discuss your plans with your business adviser, accountant or solicitor. Your local Business Link can provide advice and information about business start up. Scottish firms can contact the Business Gateway and Highlands and Islands Enterprise, businesses in Wales can contact Business Eye and enterprises in Northern Ireland can contact Invest Northern Ireland for similar advice.

There are also many books that provide guidance on producing business plans. For example:

How to Prepare a Business Plan

Edward Blackwell
Kogan Page (2004)

Preparing a Winning Business Plan

Matthew Record
How to Books (2003)

The 24 Hour Business Plan

Ron Johnson
Century Business (2000)

Successful Business Plans in a Week

Ian Maitland
Hodder and Stoughton (1998)

The Business Plan Workbook

Robert Brown, Colin Barrow and Paul Barrow
Kogan Page (2001)

The Definitive Business Plan

Richard Stutely
Financial Times Prentice Hall (2001)

The New Business Road Test: What Entrepreneurs Should Do Before Writing a Business Plan

John Mullins
Financial Times Prentice Hall (2006)

The Perfect Business Plan

Ron Johnson
Random House (2003)

There are also several software packages that can be used to help you to structure and develop your business plan, including:

Business Plan Pro - UK Edition

Palo Alto Software

www.bplans.co.uk

Does the plan hang together?

The plan should have no definable gaps. It should be a comprehensive guide to your business and the aims and purpose of your new enterprise. It should not make wild assumptions without any evidence to support your claims. Objectives should be achievable and strategies should be based on incremental steps. If you are unsure how to achieve an objective, it suggests more research should be done.

Your business plan should provide you with a clear picture of where your business is heading and how you intend to get there. It should provide evidence to show that you can succeed in your objectives and detailed information on your financial requirements.

Producing an executive summary for your business plan is probably one of the key tests to see if there are any areas of the business planning process that you haven't covered yet. The executive summary should be produced when you have completed the full details of your plan. When producing an executive summary, you need to make sure that it covers the following ten points:

- Why are you in business?
- What business are you in?
- What do you want your business to become?
- Where is your market now?
- Where are your future markets?
- Who are your competitors?
- What will make your business different?
- How will you market your business?
- What are your targets (sales and financial - volume and value)?
- What do you want out of it?

The summary should be no more than two sides of A4 paper. Make sure that you read your executive summary on a regular basis. If it doesn't reflect your current business situation or the direction in which you are going, you need to go back and amend the section of the plan that has changed.

Making it happen

Once you have prepared a clearly defined, well-researched plan, you will need plenty

of drive and determination to implement it and make your new enterprise a success.

Never feel afraid to seek the opinions and advice of others, whether professional advisers, management or staff. By making your staff feel involved in the business and asking for their input, you can build a loyal and motivated workforce keen to work alongside you in moving the business forward. If you can delegate parts of the plan to others, then do it. You can then bring together all of the ideas and strategies to ensure that your business keeps moving in the right direction towards your destination.

Review your plan on a regular basis. Look at the actions you have taken. Have they worked or do they need adjusting? Is your business still heading in the right direction?

Most importantly, keep your plan current and keep it realistic.

Key contacts

National Federation of Enterprise Agencies (NFEA)

www.nfea.com

Business Gateway (Scotland)

www.bgateway.com

Highlands and Islands Enterprise (Scotland)

www.hie.gov.uk

Business Eye (Wales)

www.busesseye.org.uk

Invest Northern Ireland

www.investni.com

Find an accountant in your area

www.chartered-accountants.co.uk

Find a solicitor in your area

www.lawyerlocator.co.uk

Furthe information from the publisher of this report

Free weekly tips, ideas and tactics bulletin for small business owners:

www.enterprisequest.com

How to find more customers and increase sales:

www.ukmarketingbible.com

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