

Fact sheet: Why is planning important?

Planning in business is essential to success. Your business plan grows with your business as you continue to lift your goals, analysing your successes and shortfalls.

The first key to success in business is planning and defining the short- and long-term goals for your business. With a plan in place, it's your reference point to see how you're tracking, what stage you're at and how far you've got to go. It allows you to assess why you may have run into pitfalls along the way. A good plan will help you to think analytically about your business and see what works well and what doesn't.

Think about the past year and what you might have done differently in terms of budgeting and cashflow. Review your previous plans – what did you achieve and what didn't you achieve? How can you ensure you make it happen this time around?

The beauty of a plan is that it is not set in stone. By regularly monitoring your plan you can keep adjusting it to ensure you stay on track to meet your end goal or move the goal posts as needed.

Strengths, weaknesses, opportunities, and threats

What do you **want** to achieve? What do you **need** to achieve? How are you going to achieve it? What are the strengths, weaknesses, opportunities, and threats to your business?

Strengths	Weaknesses
Your strengths may include such things as: <ul style="list-style-type: none"> • skills • relationships • quality of product/service • management 	Your weaknesses may include such things as: <ul style="list-style-type: none"> • lack of skills • unreliable product or service • systems/procedures
Opportunities	Threats
Your opportunities may include such things as: <ul style="list-style-type: none"> • new technologies relevant to your business • changes in government/rulings • environmental change 	Your threats may include such things as: <ul style="list-style-type: none"> • tax increases • natural disasters • disease/pests

If you don't know where to start or if you find your views differ from those working with you, it can be helpful to ask someone not emotionally involved in the business to act as a facilitator:

- to bring together all stakeholders and help work through the process
- to play devil's advocate, challenge assumptions and facilitate productive debate
- to carry out necessary research or generate the draft plan
- with the necessary technical skills to prepare the plan and supporting documentation to apply for finance.

Developing your Business Plan

Honestly? Most people would rather stick pins in their eyes than write a business plan. In their minds it's an abstract, formal document that has nothing to do with what they're passionate about in their business, though they know they need one when they go to see their bank manager about a loan.

We understand that. But it's true what they say.

“Failing to plan is planning to fail”, attributed to Alan Lakein.

A business plan is not essential to run a business. But it *is* essential to run a successful business.

Most people are aware that developing a business plan is part of starting up a new business. And they also

know that banks and potential investors won't lend without seeing a convincing business plan.

But for a business to stay on track, meet emerging challenges and meet its targets, it's important to have a business plan that will grow over time and be a blueprint for success.

Business planning in governance and management

Good governance includes keeping the business plan current. Directors should look at the plan regularly at management meetings, both at strategic and operational levels. All stakeholders in the business, including team members, should be aware of the business plan so they can commit to their own responsibility to ensure the plan stays on track and the business realises its goals.

Commitment

Your commitment to the business plan as a living document is critical to business success. Otherwise, the business plan is dead and meaningless, with no follow through, trotted out from time to time when you need to talk to the bank.

As your accountants, we can help

Stephen Larsen and Co can help you focus on key issues, quantify them, and interpret the financial data:

- what the business does and for what market
- where you are now
- what you want
- how to make this happen
- what will make this easier
- what will make it harder

What's involved?

Several stages are involved in putting together a business plan:

- analyse the business:
 - identify factors which may affect your business, its growth and success
 - determine how these affect you and the best way to deal with them
 - conduct research on factors which have an impact on your business
- pull together the numbers to back you up, as well as supporting documentation such as marketing or other plans, details of contracts or commitments
- identify the stakeholders in your business. Let them know what you're doing and consult them in the development and review of the plan
- develop a draft plan and review it. Test it thoroughly with your advisors and stakeholders in the business
- make whatever changes are needed and finalise your plan
- implement the plan
- decide the process to review the plan and keep it current as your business grows and conditions change.

Our recommendation

This is an area many people find daunting. We'd be happy to work with you to put together your business plan. We can talk you through the process and point out issues you should consider.

Important: Clients should not act solely on the basis of the material contained in this article. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This article is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.