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MAKING EACH OTHER BETTER

The One-Hour Business Plan

How to write a business plan quickly and easily

Patrick Forsyth

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PATRICK FORSYTH

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The One-Hour Business Plan: How to write a business plan quickly and easily
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One reviewer ("Professional Marketing") commented: *Patrick has a lucid and elegant style of writing which allows him to present information in a way that is organised, focussed and easy to apply.*

In this series he is also the author of "Your boss: sorted!" His writing extends beyond business. He has had published humorous books (e.g. *Empty when half full)* and light-hearted travel writing: *First class at last!*, about a journey through South East Asia, and *Smile because it happened* about Thailand. His novel, *Long Overdue,* is published in November 2014.

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1 INTRODUCTION: MAKING A CHORE USEFUL

If you're not planning where you want to be, what excuse do you have for worrying about being nowhere?

– Tom Hopkins

Okay, the title is a bit of an exaggeration, but the subtitle is certainly the intention: to show how to write a (useful) business plan quickly and easily.

The information presented here is directed at those managing, or involved in managing, small/medium sized business. Many people regard such a manager as being in an enviable position. Often they are their own boss, they are independent, able to be flexible, to concentrate on the things that interest them, to organise matters their way and generally get on with the job in hand. By contrast, larger enterprises may seem slow, bureaucratic, committee driven and steeped in rhetoric.

The reality is often all too different.

A dose of reality

Under pressure, the manager of the small business often seems besieged by a plethora of difficulties that conspire to make running the business unnecessarily complicated. Paperwork, administration, taxation, legislation, the bank and more paper work, administration, form filling;…the problems can be numerous, and may be all too familiar. Furthermore, a business – any business – ultimately stands or falls by its success in the market place. It needs sufficient customers buying its products and services often enough to produce both the necessary financial return and the wherewithal to invest and secure future growth.

Now the manager doubtless recognises this, but the process of ensuring it happens can still prove problematic for a variety of reasons. Senior managers may be specialists. Perhaps the business was founded on engineering or design skill and it is such things at which they are best, but the business-generating and management process is less their real forte. And as that process may seem complex and is certainly time consuming, this too may contribute to it being neglected. Besides business-generating activities cost money, real money, paid out in advance with no guarantee that it will bring in results which will repay and exceed it.

However, somehow any business must be made to work as a complete entity, finance, marketing, production and more must all contribute and contribute effectively. There is one thing that can act as a foundation to all aspects of operating success – that is planning. This is not an overstatement, planning really is vital. Starting with a blank sheet of paper as it were, it takes a little time to do; but not a disproportionate amount of time given the advantages it bestows on the planner. It needs to be done, done effectively, and then kept up to date (this latter process is easier and less time consuming).

However, the problem is that planning can tend to seem somewhat academic, alright if you have the time, but something a little cosmetic and not really a part of actually running the business. With this attitude it is easy to do only lip service to it, or even just to bypass or ignore it. This is a mistake. As this work aims to show planning is important for practical reasons. A plan is not a good one if it does not help – really help – direct and manage the business and make success, however that is defined, more likely and more certain.

The causes of failure

If we look at things from a negative viewpoint for a moment, we can focus on what makes business fail. For new small business the causes are well documented, the top ten are often quoted as:

- Lack of experience and skill in the founder
- Lack of capital
- Uncontrolled expansion
- Weak management
- Credit and cash flow problems
- Wrong location
- Too high levels of capital expenditure
- Taking too much money out (as salary for the proprietor)
- Staff problems
- Over-complicated systems

Each of these headings could be developed into a list, and perhaps into a tale of woe. But one thing is clear: *every single one of these areas can be made into less of a problem area through some judicious planning.*

Planning has positive merits and, make no mistake, it is also in the nature of insurance – it can prevent you running into trouble.

So, let us end this short introduction by quoting some well-known words explaining the need for planning and why it is worthwhile to do it. Lewis Carroll wrote, in *Alice's Adventures in Wonderland*:

> "Would you tell me, please, which way I ought to go from here?"
> "That depends a good deal on where you want to get to," said the Cat.
> "I don't much care where – ", said Alice.
> "Then it doesn't matter which way you go," said the Cat.
> " – so long as I get *somewhere,*" Alice added as an explanation.
> "Oh, you're sure to do that," said the Cat, "if only you walk long enough".

Elegantly and memorably put, and the Cheshire Cat's logic is surely very clear. Planning is essential as a basis for a well-run business; you need to plan and do so effectively – it enhances the likelihood of achieving what you want.

2 WHAT IS BUSINESS PLANNING?

If you reach for the stars, you might not quite get one, but you won't end up with a handful of mud, either.

– Leo Burnett, founder of Leo Burnett advertising agency

The process of running a small/medium sized business was never easy. And in recent year's competitive pressures, and in many markets recession also, have combined to make it downright difficult. If the business you manage is your own, you know also that it is vulnerable, as good as its last month's sales – and there is a great deal hanging on its success. Such a feeling is only marginally reduced if you manage the business for someone else or share the risk.

So, how do you make sure of your success? There is, regrettably, no magic formula and, as such, it is not the intention here to suggest otherwise. Success depends on a number of things, such as what you sell, where it is sold, how and the quality of every kind of service, which is involved before, during or after the sale, is made. All are important. So too are the processes of 'bringing in the business', many of which are usually encompassed by the word marketing. People are important too, from their recruitment to their effective management, plus a whole raft of other things from design and innovation to administration.

We begin to paint a complex picture here. So, what of planning? Planning is the foundation to success. It underpins the complexity of business. It makes sure that it is well organised and well directed, and thus that running it is easier and more certain to be successful – and thus to meet its goals. A clear definition quoted from the Oxford Dictionary of Business appears below.

A Business Plan – defined:

"A detailed plan setting out objectives of a business over a stated period, often three, five, or ten years. A business plan is drawn up by many businesses, especially if the business has passed through a bad period or if it has had a major change of policy. For new businesses it is an essential document for raising capital or loans. The plan should quantify as many of the objectives as possible, providing monthly cash flows and production figures for at least the first two years, with diminishing detail in subsequent years; it must also outline its strategy and the tactics it intends to use in achieving its objectives. Anticipated profit and loss accounts should form part of the business plan on a quarterly basis for at least two years, and an annual basis thereafter. For a group of companies the business plan is often called a corporate plan".

Business planning is, or should be, a response to four specific factors, examined here briefly in turn:

1. **The dynamic business environment**

   No business operates in a vacuum, cut off from outside influences, and any business must therefore be managed in a way that recognises the many influences – some positive, others less so, or downright negative – that surround and affect it. A whole range of different influences are involved, listed and commented on here under six headings:

   - **Economic climate:** Financial factors may most usually seem restrictive and they often are. Think of borrowing rates, taxes, operating costs etc. Whereas positive economic situations prompt higher spending and help business.
   - **Technological developments:** These may be positive or negative, for example technological development may assist (as word processors have assisted the quality of presentation), but keeping up often necessitate investment and training. There is also a high degree of uncertainty; who can accurately predict the future development of the internet or dot-com companies?
   - **Social changes:** Changes here again may have a variety of effects, as with the demographics of the ageing population in the UK and elsewhere, which may provide opportunities (retirement homes/holidays) or reduce the potential in other sectors.
   - **Political dictates:** Government may affect company operation and markets also, with legislation on anything from the compulsory testing of pharmaceutical products to safety measures governing car tyres, and other areas, for instance the prevailing or future level of spending on schools or roads.

In recent years another influence has been added to this list.

- **Environmental considerations:** The green movement has affected many product areas, with advertising featuring recycled paper (toilet tissue/stationery) or the emission of harmful chemicals or additives (CFCs have now largely disappeared from aerosol products).

Amongst all the factors that can logically go under these headings opportunities abound. It is an area that repays regular consideration.

Another factor affecting all businesses is:

- **Competitive pressures**: a broad view needs to be taken of what constitutes competition (see box), action from any quarter can affect your business unexpectedly, directly and rapidly. Further it may be sensible to link customers to this heading. The market – the world of customers and potential customers – is essentially dynamic. Customers are fickle, their loyalty hard won and easily lost. Change is the norm. Responding to it is essential or even long-term customers will go elsewhere.

What is competition?

It may seem obvious, but it is worth asking – what exactly is your competition? Consider an example: for someone who makes pens or undertake printing, then your competitors are surely other pen manufacturers and printers. Yes; but competition is broader than this. Consider the pen manufacturer, who makes, let us suppose, medium-priced ballpoint pens. His competitors – and there are probably ten or twenty of them – make similar pens. But what about fountain pens, roller balls and fibre tips? And pencils? These are competitors too, as are dictating machines and word processors, and, of course, other writing instruments throughout the range of all prices from throwaway ballpoints to solid gold fountain pens. These days a stylus on a palm size computer may substitute for the use of other writing instruments (in the U.K. a recent survey reported that more than 50% of people less than twenty five years old had never written a letter by hand).

Still further factors must be included to define competition completely. Many pens are given as presents, so competition includes alternative present choices, a book, a music CD, a necktie and so on. Many more are given as business gifts, so competition here ranges from pen pots to calendars. No doubt this picture could be extended. Certainly you can consider in a similar way any product or service your organisation may provide; it may be a sobering thought and produce a longer list than might first be thought.

Planning has to accommodate all these kinds of thing, and more; and still work effectively for you.

2. **Limited resources**

   In any organisation, even a small one, there are different resources, especially people, time and money, competing for attention. All sorts of options exist. Do we spend more on research and development or on new computer equipment? Do we extend our business geographically or concentrate on better exploiting the areas we are in now? Such questions and relationships are almost endless and often more than a limited choice between two decisions is in question.

   Often only one course of action can be taken. Resources are not interchangeable. If George is to set up a new office, then he cannot – at least at the same time – be doing something else that demands the same time.

   Planning must address this situation. It is planning that produces a basis for such decisions, and leads to the allocation of resources and the focus on whatever are decided to be key activity.

3. **Driving the business**

   Any business has a certain momentum. But its operation should not be either a case of an automatic perpetuation of the status quo – more of the same – or of constant reaction to circumstances. This latter is particularly to be avoided if it constitutes unthinking reaction to difficulties – a process which can sometimes be best described as panic. Similarly, even if thought is involved, constant "firefighting" prevents time being spent on what really matters.

   Planning, and the existence of a sound plan, gives the business direction and helps ensure that the expertise and the right action are lined up behind what matters, so that those things that support the core of the business are given full attention.

4. **Operations must be controlled**

   A fourth point addresses the question of management control. Any business must know how it is doing. This is not just for the satisfaction of "keeping the score", as it were. Control is designed as a final part of the process of hitting objectives. If the signs are that all is not going well this is flagged by the control system. This should give sufficiently early warning for corrective action to be taken to ensure progress towards goals set can be put back on track. There is a positive side here too. It is just as important to react diagnostically when things are proceeding *better* than expected; more of this later.

There is one further factor: is any or part of the business to be conducted overseas? This is beyond the brief here (and our space) but the boxed paragraph suggests just a few of the questions that this must pose.

Overseas business

Ask:

- Which of my product/service range is suitable for overseas sale?
- Which make a suitable starting point?
- Do products/services need adaptation to help (or make possible) their sale overseas?
- What mandatory regulations or other factors affect the product? (e.g. local voltage for electrical products)
- Is climate a factor? (e.g. chocolate has a "less-likely-to-melt" formula in hot countries)
- Is the product name suitable (not being a trademark elsewhere or rude in a foreign language)
- How is labelling affected?
- Does language pose any other problems?
- Will different promotional materials be needed?
- What about servicing? (e.g. of machinery)
- How well can you afford to keep in direct touch with on territory visits?
- What can you do from base and what must be done on the ground?
- How will prices be set? (including discounts if you go through intermediaries like distributors)
- What other additional costs are involved? (e.g. landing charges or air freight if things are urgent)

Such a list can only be a starting point. Many questions must be considered and answered before initiatives can be taken in this area. In terms of planning, one of the most important things to do – at the start – is to allow time and resources for this to be done systematically and thoroughly. And remember that such time may be invested only to discover that one factor or another means that a particular market is shown not to be viable.

Summary

Thus planning is undertaken to provide a solid base from which the business can operate. It is, or should be, essentially practical. That is doing the planning, and having the plan, should make it easier to run the business. Certainly it is sufficiently important that no new business, or new business development, is likely to be supported by an organisation's bank without a sensible and well documented plan being on the table. That alone is enough to make many who doubt the value of business planning to think again.

The plan for the year – the annual plan – may well be an integral part of longer term planning (say for three years ahead) with the operational plan for the immediate future linking to outline plans, and lines of thought, for the longer term. However it is defined in a particular organisation, a good plan will:

- Identify opportunities for future profit improvement;
- Have the ability to anticipate dynamic external changes;
- Provide better protection for the future of the business;
- Prompt the collection of relevant data;
- Allocate the company's resources towards specific ends;
- Underpin the process of control;
- Assist with clear communications around the company;
- Focus individual efforts and assist personal motivation;
- Provide a proper commercial reference for all activities;
- Justify development (and development funds).

Further, if it is to be a practical process, it will help if:

- The approach is an integration of 'bottom up/top down' (i.e. it involves people throughout the company);
- The system and purpose is clear to all;
- Standard (tailored) planning formats are used;
- A planning cycle, specifying all timings, is agreed;
- The planning includes a facility to 'fine-tune' (particularly to take advantage of opportunities);
- An eye is kept on the external reactions to everything done to facilitate 'fine-tuning'.

Someone must take responsibility for the planning process (and give some time to it), while others must agree to be involved as necessary. Some discipline may be required here as other pressures too easily intrude. In the context of this work and with smaller businesses in mind, while all aspects of business planning are important, the promotional aspects – the things that will bring in the business – are key. So often organisations refer to their business plan, and also to a marketing plan; the latter is simply a core element of the whole. That said, every aspect of the business needs planning. Whether an activity is significant, in the sense that there is an HR department for instance, it needs a plan. But in a small business so too may the proportion of the General Manager's time that goes on HR issues in the absence of any sort of department.

Essentially you must ensure that the planning process addresses issues that are important to you and your business, whatever they are and whatever their scale.

3 THE ART OF PLANNING

The process of planning may be more important than the plans that emerge… Managers must think about what has happened, what is happening, and what might happen. Managers must set goals and get agreement. The goals must be communicated to everyone. Progress towards the goals must be measured. Corrective action must be taken when goals are not being achieved. Thus planning turns out to be an intrinsic part of good management.

– Philip Kotler, American marketing guru

It has been said that planning is only anticipating the inevitable and then taking the credit for it. In reality it is much more than that, of course, and the reasons that make it necessary – and useful – were explored early on.

Here we review the art of actually doing it, doing it well and making sure it is of practical use to your business. As Philip Kotler is quoted as saying, above, planning is a key element of the management job. The effective business plan must recognise and balance:

- The needs of the company
- The needs of its staff (and other groups such as shareholders)
- The demands of the external environment and the market
- The activities of competition
- The resources and capabilities of the organisation.

The starting point should be having a clear overall view of the business.

Mission statements

This now ubiquitous piece of jargon describes something that is simply a succinct, but all embracing, statement about a business and its role, purpose and goals. It is not so much *having* a mission statement that is important, though it does have considerable merit in communication terms, acting to enthuse employees, customers, shareholders if appropriate, with the feeling that the company knows what it is doing. Rather it is *being able to construct one* that is vital. For without thinking through much about the organisation writing such a description may be impossible, and if you are not clear in overall terms about what you are trying to achieve, how can you ever devise a detailed plan? Mission statement are not panaceas, but they *do act* as useful means to an end. Preparing one is a logical first step in the overall planning process. They can be devalued by being turned into a public relations statement; this can result in something nice sounding, but less useful for planning purposes. Specifically mission statements should:

- Define the kind of business the organisation is in
- Identify dimensions of business which current plans exclude
- Focus on customers, specific customer categories and customer benefits
- Link to benefits to stakeholders (e.g. shareholders, owners and, not least, employees)
- Say something about the organisation's culture and values (these may be an important part of the profile of the firm, as with Bodyshop's environmental attitudes).

Note: one important point here: a mission statement is not an *internal* statement, it must describe the organisation primarily in terms of its *outside* involvements with markets and customers.

The core planning principles

Essentially business planning stems from five key questions. These may seem deceptively simple, but between them they define the process, illustrate its logic and dictate what must be done to accomplish it. They are:

1. **Where are we now?**
   This needs addressing through research and analysis – and is sometimes called *"situation analysis"*.

2. **Where are we likely to be? (At a particular future time)**
   This is the situation addressed by forecasting, whether this constitutes an intelligent guesstimate or a sophisticated system and the likes of regression analysis.

3. **Where do we want to be?**
   This is simply your objectives: what you want to achieve and by when.

4. **How will we get there?**
   This relates specifically to the objectives you set – and specifies the strategies you will use to get there; it is the *action plan* that acts to direct the business.

5. **How will we know whether we are on track and – ultimately – when we have got there?**
   This reflects the needs for management control and control systems. It also reflects real life: no plan can be a wholly accurate description of what will happen. It is designed to be as accurate as possible and, if you do achieve it then that is good. But it is essentially more like a route map than a strait jacket. It must not restrict you to one course of action, but allow – and help – you to take action to change and fine-tune things as a period goes by. This is just like a route map. You may plan your ideal route on that, but it will also help you find alternatives if things do not go exactly to plan (if your chosen route has road works, for instance).

Now, we address the actual process. It needs a clear, well defined and systematic approach. The next series of headings are therefore sub-sections of the overall approach which encapsulates those elements currently seen as the main issues. This is intended to be a good, practical guide – and, not least, to demonstrate a manageable approach – hence the inclusion of simple *formats* to illustrate how actual compilation of the plan can be organised. *NOTE:* though core aspects are common, the detail of what any individual needs to do must be tailored to the situation of their own organisation.

Compiling The Business Plan

Naturally, writing a plan presumes that those doing the planning know the markets in which they operate, have clear marketing objectives and have the power to authorise or recommend action to agreed cost levels.

All companies should have financial goals expressed in budgets of revenue and expenditure (*see Form 1*) and the first task is to note them. The financial aspects are referred to again later.

FORM 1: FINANCIAL GOALS		
Financial Objectives		
Revenue (by product)	**Last year's actual**	**Next year's plan**
A B C D		
Total		
Costs		
Profit		
Comments		

NOTE: **The format of this publication necessarily truncates forms; all the forms suggested are best imagined , and created, as A 4 sheets**

However, since sales and profits can only be made from customers in the markets selected, the first task must be to translate the financial objectives into market objectives. These must answer the question, "What results must be achieved in the market place to produce the financial objective required?"

Meaningful answers can only be produced by considering two interrelated analyses.

- What opportunities and threats will be present?
- What are the strengths and weaknesses of the company?

These together form what is called a SWOT analysis (*S*trengths/*W*eaknesses: *O*pportunities/*T*hreat). This only means taking a hard, objective look inside the company and out, before setting down more of the plan.

Forms 2 and 3 allow you to make notes under these two headings.

FORM 2: STRENGTHS AND WEAKNESSES
Organisation strengths: Organisation: weaknesses:
Action required:

FORM 2: OPPORTUNITIES AND THREATS
Opportunities: Threats:
Action required:

The list below gives examples of the sort of questions that should be asked.

Market opportunities and threats

What do we know about our market?

- How large is it (how many potential customers)?
- What do they currently buy?
- How much do they buy (e.g. annual/monthly spend)?
- How often do they buy? (i.e. frequency)?
- Who do they buy from?
- How do they find/locate potential suppliers?
- Where is it? (this may involve overseas locations).

What do customers think of the market?

- Why do they buy? And why do they buy the way they do?
- What do they think of the product/service (e.g. good value, over-priced)?
- What do they think of service from suppliers?

How is the market served competitively?

- Who are our direct/indirect competitors?
- What are their strengths/weaknesses?

What are present trends?

- Is the market growing, contracting, changing, restructuring and how is the competition reacting?

Thus, for example, good information about how and why people buy may allow sales approaches that are more persuasive than the competition and therefore provide an opportunity (which links to an internal strength). Conversely, the development plans of a competitor may represent a threat.

Internal strengths and weaknesses

What is our customer base?

- Who do we deal with (by size, location, industry etc.)?
- What is customer mix (e.g. which category is most important)?
- Are our customer groups increasing/decreasing in size?
- How dependent are we on our largest customer? (too great a dependency creates vulnerability)

Range of products/services

- Does it accurately reflect market needs?
- How does it compare with competitors?
- Is it too narrow/too broad?

Prices/price policy

- How do we set price?
- Are we competitive?
- Are we seen as offering 'value for money'?

Promotion and selling

- Whom do we communicate with, how often, in what way?
- What do they know/feel about us?
- Are we selling the range?
- Are sales contacts seen as providing good service?

Internal factors

- Does our planning help the business?
- Is individual responsibility well defined?
- Do we set appropriate standards/targets and measure and control to fine-tune performance?

There is more here than can reliably be kept in mind and thinking it through and making some notes that may influence action is valuable.

Form 4 relates to objectives and strategies.

FORM 4: OBJECTIVES & STRATEGIES
Objectives:
Strategies:

The next step is to translate financial goals into marketing objectives that bear in mind the SWOT analysis, then, with the objectives in mind, to identify strategies, which could be pursued.

The difference between objectives and strategies and the precise definition involved here is crucial:

- An objective is a desired result in the market place;
- Strategy is a course of action designed to achieve that result.

Let us take these in turn. Without objectives, it is impossible to focus and to place any tactical activities in order of priority. Yet, the main options available to us in marketing objectives are limited, perhaps sixfold.

- **To increase market share:** In a static market this can be done by 'conquest selling' or winning business from competitors.
- **To expand existing markets:** This objective will focus on selling the fullest range of products/services to existing customers and markets. It also presumes very close co-operation between those who are involved in different aspects of the business.
- **To develop new products/services for existing markets:** This marketing objective can involve simply the revision of existing products/services or else the introduction of the radically new.
- **To develop new markets for existing products/services:** This is more attractive and lower risk than some options, but is finite; especially so in some service areas where demand is already met.
- **To develop new products/services in new markets:** This is an example of true diversification. This usually carries the highest risk of all marketing objectives. Many companies do not even consider such objectives. Future pressures, however, for the growth necessary to keep good staff, may force a reassessment.
- **To improve the profitability of existing operations:** When growth opportunities are limited, many companies must in the short term seek higher returns from higher productivity and greater cost-effectiveness of their operations. As an example, technology has prompted change here with online selling aiming to be more profitable than older methods (though more modern does not always mean more profitable).

From the analysis of market opportunities and threats and the internal assessment of strengths and weaknesses, we can select the marketing objective(s), which will best achieve the financial goals for the planning period.

Next, objectives must be linked to strategies, the purpose of the strategy being to focus effort, co-ordinated action and exploit identified strengths of the firm. By corollary, the purpose is also to avoid wasting resources on peripheral and non-productive activities.

Clearly, different objectives will require very different strategies. For instance, the two might line up like this.

Marketing objectives

Some possible alternatives strategy

To increase share of the existing market: Marketing segmentation and concentration of resources on selected segments. Developing product/service applications and range extension. Range of registered firm names for different segments

To expand existing markets: Increasing the frequency of customer purchase. Increasing product/service usage (in other applications). Opening new branches. Revising sales methods

To develop new markets for existing products/services: Expanding the range of segments currently dealt with. Overseas expansion

To develop new products/services: Diversification by purchase/take-over in new markets. Technological extension. Exploitation of corporate resources and skills

To increase profitability of existing business: Improving the total product/service package offered to each account. Marketing audit and productivity analysis. Reduction of product/service range

The selection of strategies need not be mutually exclusive. Often a combination that combines several different strategies can provide an even stronger effect in marketing plans. However, the greatest danger at the point of selecting appropriate strategies is that we may be tempted to adopt too many courses of action. Such a mistake spreads management too thinly and prevents commitment of maximum effort to the prime and most important courses of action.

Business planning, and especially that part of it that relates directly to the market, must then begin with a thorough and creative attempt to choose the most appropriate focus of the entire firm's marketing effort. The determination to concentrate simplifies the tactical marketing plans which must then follow for the range of products/services to be offered, the prices to be charged and the promotional and selling actions to communicate with the chosen markets.

Next, using *Form 5,* we turn to products/services and price.

FORM 5: PRODUCTS & PRICES	
Unchanged products:	
Modified products: Products:	Action:
New products: Products:	Action:
Deleted products: Products:	Action:
Price: Products:	Action:

There are factors to be considered here, such as product lifecycle and positioning which are beyond the scope of this work, however we do need something that will prompt ongoing thinking about both. Products need to be changed – updated and developed – and must keep up with the market; services too. And price must be watched constantly for profitability and competitiveness; such decisions must not become merely formulae. A small firm, without long decision-making processes, may be able to steal an edge of competition with their use of price. (I once saw an independent petrol station compete very successfully on price with a large group rival across the road because it took them two minutes to decide what price to set, whereas their larger rival took two weeks to liaise with head office before a change could be made).

With products/services, consider particularly that:

- Long established, mature products/services may remain the same in principle as they were years ago, but they will have to change in detail to meet changing customer needs;
- New products/services may have to be developed, both to meet new customer needs and to keep out competitors who see them as a means of ultimately acquiring more business;
- There may well be opportunities to offer a range of differently priced variants for different customers and different situations;
- As any harsh economic climate forces corporate customers to seek productivity improvements in all functions of the business, so they become more demanding, but the same pressures may also produce new opportunities;
- Technological advancement accelerates the need for change all the time.

And with prices ask yourself these questions.

- How aware are customers of price – the actual levels (however they are expressed: e.g. the hourly rates for car service)?
- How do customers perceive price? Does, for example, a higher price imply in their minds higher quality or do they view price as a commodity factor with no differentiation between firms?
- Are there 'price barriers' in a customer's mind which we must avoid in any quotation for business (e.g. £10 or £100, 1000)?
- How far can we price differentially because of the perceived and accepted reputation we have?

Price is a critical area of the marketing mix and one that tends to receive too little analytical attention. Far too often, the decision is simply to keep in line with the competition or to work essentially on a cost plus basis. In fact, price should reflect the overall policy at the strategic level and show creative flexibility at the tactical level, up or down, depending on the threat or opportunity.

Marketing plans

The core of the corporate plan is usually regarded as being the marketing plan, after all revenue comes *only* from outside the organisation so how markets are addressed is paramount. It is worth having a checklist style approach to what any individual section of the plan must do; an overview that specifies the core elements it should contain and the key issues it should address. As an example the marketing plan should usually include:

- A statement of basic assumptions regarding likely future developments (for example, in short/long term economic, technological and social changes)
- A review of the past sales (revenue and profit) in as much detail of individual product, market, geography and even major customers as seems useful
- A statement of the external part of SWOTs – the opportunities and threats
- An analysis of the organisation's strengths and weaknesses (the internal side of SWOTs), in terms of such factors as facilities, human resources and skills, finances, customer franchise etc. – also parallel competitive information is useful here, so far as it can be ascertained
- A statement of long term objectives and the strategies for achieving them
- A detailed statement of the objectives and strategies for the year ahead – taking this to whatever level is appropriate: i.e. individual product, market, and elements of marketing activity
- A specific action plan scheduling what will be done, by whom and the full timing implications of implementation; this needs to deal separately with all the component parts of marketing utilised (that is public relations, advertising and promotion, sales etc.- and the detail of each). It is here above all that activity needs to link tightly to the budgets and financial statements
- A look ahead at how the plan for the next year will need to pick up from that for this (and for years beyond that depending on the organisation's scale of operation)
- A statement of priorities showing what is key to the plan and how the organisation will capitalise on its opportunities, identify and correct any weaknesses etc.

In turn, the core of this element of the plan is the promotion plan; this is now investigated in more detail (with the approaches making a good example of the wider process too).

The Promotional Plan

Successful promotional activity needs to be based on a continuous process of review and action and preparing and implementing a comprehensive promotional strategy demands time, skill and a systematic approach. This is an inherently important part of the plan and also makes a good example of the level of detail into which different sections of the plan must go.

The checklist below makes clear 12 key points which will then be examined in more detail. They can be considered under five main sequential stage headings.

1. Analyse the market and clearly identify the exact need.
2. Ensure the need is real and not imaginary and that support is necessary.
3. Establish that the tactics you intend adopting are likely to be the most cost-effective.
4. Define clear and precise objectives.
5. Analyse the tactics available, taking into consideration the key factors regarding:
    - the market;
    - the target audience;
    - the products/services offered;
    - the firm's organisation/resources
6. Select the mix of tactics to use.
7. Check your budget to ensure funds are available.
8. Prepare a written operation plan.
9. Discuss and agree the operation plan with all concerned and obtain management decision to proceed.
10. Communicate the details of the campaign to those involved in implementing it and ensure that they fully understand what they must do and when.
11. Implement campaign, ensuring continuous feedback of necessary information for monitoring performance.
12. Analyse the results, showing exactly what has happened, what factors affected the results (if any) and how much it cost.

Analyse the company's needs

The prime difficulty in the analytical stage is not so much the identification of the need, but ensuring that the need is real and not *imaginary.*

Identification of a need can come from:

- Formal, and informal, research;
- Own company investigation;
- Professional staff;
- Specific market demands; and
- Your own observations.

Such analysis is part of the total marketing review (and SWOT). Promotionally we are primarily concerned to show clearly the interrelationship of customer categories (i.e. the kind of firm/organisation/individual they are), products/services and business (i.e. new business – a new client, extension – an existing customer buying more etc). We may well have to plan different strategies to impact specific areas, for example to produce sales to a specific kind of business with whom we have not had prior contact.

Once a need has been clearly identified, it must be established that the kind of support you intend using is likely to be the most cost-effective method of fulfilling that need. Then the planning stage can commence.

Preparing the operation plan

The first stage of any plan must be the quantification of the objectives. A clear statement is needed of exactly what you want to achieve, stated as specifically as possible. Listing an objective stating 'to improve revenue' is just not precise enough. Whereas an objective which states 'to improve the number of new customers buying Product A by 50 per cent this year' makes it clear to everyone exactly what needs to be done and above all how success will be measured.

Once the objective is finalised the selection of tactics can take place. This will depend on a number of factors, including the following:

The market available

- What is its nature?
- Is it buoyant or is it in a low period?
- Is it price-conscious? If so, how?
- What is the competition doing?
- What is the customer profile?

The target audience

- Types of people/organisation?
- What are their buying habits?
- What motivates buyers?
- What are their current attitudes to promotion?

The products/services we offer

- What is our current performance?
- What are the strengths and weaknesses?
- What promotional support has it received in the past?
- What capacity is available?
- What is current market profile/image?
- Position in life-cycle (i.e. is it seen as new and interesting or old and dull)?

Organisation of the firm

- What are our current sales and promotional methods?
- Would some tactics cause internal difficulties, e.g. in terms of administration or resources?
- Is the company involved in any other activity, which might affect what we want to do or detract from it?

Having answered these questions, there may still be a number of alternative tactics, all of which could be suitable for achieving the objective. Which tactic to use will depend on which is the most cost-effective.

Once the decision on tactics has been made, the details should be formalised into a written operation plan. It is always worth writing this down, even in a small firm. This should not be a one-off exercise, but will eventually provide a reference, which can be updated regularly so that it always sets out the plan for the next period. Planning of this nature is a 'rolling' process. It should include:

- background information as to why the promotional support is necessary;
- the objectives;
- profile of the target audience(s);
- reference to product/service details;
- details of additional support other than that which you are actually planning, perhaps that being done by associated offices, or various staff;
- budget details – how much the action is estimated to cost;

- details showing exactly how the plan will be implemented;
- controls, standards and methods of obtaining results;
- an action plan, or timetable, showing what actions are required, when they should be carried out and by whom.

There are a variety of ways of making the decision on the budget more logical, for example using comparisons with competitors, standard percentages of revenue and so on.

Preparing for implementation

As long as the operation plan has been correctly prepared, the pre-implementation preparation should be a formality.

This can only be achieved if the operation plan has been discussed and agreed with everyone concerned with the support activity, well before any action is required. This can ensure you pick up ideas (or identify snags) from everyone in the firm, some of whom may surprise you with their constructive comments.

Do not forget, either, that if everybody feels involved they will more readily commit themselves to the next stage.

Implementation

The success or failure of any promotional activity, providing it has been thoroughly planned, then rests on how well it is implemented. The effectiveness of the implementation will depend on how well the details are communicated around the company and then controlled. Therefore, the details of what is to be done must be communicated in such a way that they are clearly understood by everyone.

Effective methods of controlling the implementation must be set up to obtain maximum feedback while promotional activity is running. This will permit any necessary changes to be made at the earliest opportunity.

The analysis of results

Any promotional campaign can involve a great deal of personnel time and is often expensive in terms of opportunity cost. This is true regardless of what is spent on the other aspects.

You therefore want to know how money is being spent and what achievements are obtained from that expenditure. Examining the detailed results of every form of promotional activity will show clearly:

- What the situation was prior to the activity;
- What we aimed to achieve (the objective);
- What the situation is after the promotional activity has ended (and what we have achieved);
- Whether there are any factors outside our control which might have influenced the result, what they were (e.g. competitive activity, legislation changes) and their effect;
- What has happened to the rest of the market or at least our near competitors;
- What the effect might have been had we not carried out the promotion;
- What the budget was and how it was spent.

Careful analysis of what has been achieved is important, not least as part of the planning and consideration of what to do next, which should be occurring in a continuing cycle.

No promotional activity plan can be carried out in isolation, particularly without linked sales follow-up and service along the way. This must be planned too, so, as an addendum to *Form 6* – the promotion plan (the columns of which should be tailored to the year and the number of media sections you need) – *Form 7* focuses on sales.

FORM 6: PROMOTION PLAN					
	Advertising	Promotion	Public relations	Etc.	Etc.
January					
February					
March					
April					
May					
June					
Etc.					

FORM 7: SALES PLAN			
Sales plan			
Individual targets: Name 1: Name 2: Etc.		Target: Target:	
Actions/timing: Name 1: Name 2: Etc.	Action: Action:		Timing: Timing:

In considering sales we should think about and list who will do what.

- How much prospecting will be done, when, how, by whom?
- Who will follow up leads, to what time-scale?
- What sales targets are necessary?
- What record will be kept?

Planning and implementing a soundly based systematic promotional plan is not easy, nor is ensuring that all the back-up resources, people, skills and systems are geared to converting the initial enthusiasm created in potential customers into actual business. But it is certainly necessary and, done successfully, it provides a sound basis for securing and, more importantly, enlarging, your business.

(*NOTE:* Most people plan and work with the promotional plan (*Form 6*) best if it is in the form of a calendar. This creates an ideal rolling plan [a perpetual year planner will give you a 12 month view at all times] and the detail will fill out as time goes by. Thus, in January, 99 per cent of the activity will be listed for, say, January to March, whereas only half may be able to be listed at that point for the next part of the year. Using a wall chart, with plenty of space, tailoring the headings to your business will provide a practical planning and implementation tool and also shows the relationship in time terms between different activities at a glance.

Finally, it may be worth having one last sheet, Form 8, on which to note 'other issues'.

FORM 8: OTHER ISSUES	
Issues:	
Action: Etc.	By whom/when

This flags the implication of the rest of the plan for other elements of the business. Here are some examples.

- Does a sales initiative (involving formal presentations perhaps) necessitate training being done in advance?
- Does recruitment need to build in the new skills required in future?
- Does the organisation or its structure need changing (e.g. a new job description)?
- Do systems/controls need adjustment?

As has been mentioned any – and every significant – activity area may need its plan as a sub-section of the overall plan. The box below lists possible areas, but think about what you need before finalising a plan content.

What do you need to incorporate into your plan?

Headings might include (in no particular order):

- Management roles, structure and succession
- Legal matters
- Research & Development and new product launch
- Action to alter relationship with competitors
- Production, quality control and capital equipment
- Personnel and HR activity
- Training
- Distribution
- Information technology
- Design

If these, and more, need their own section within a plan, so be it.

Business planning, and all its components, is a broad issue. The foregoing represents a minimum approach; it should not put you off doing more (and investigating more) but think carefully before omitting the thought or action implied in any of the areas that are specified. A sound foundation makes everything in this book more likely to hold up.

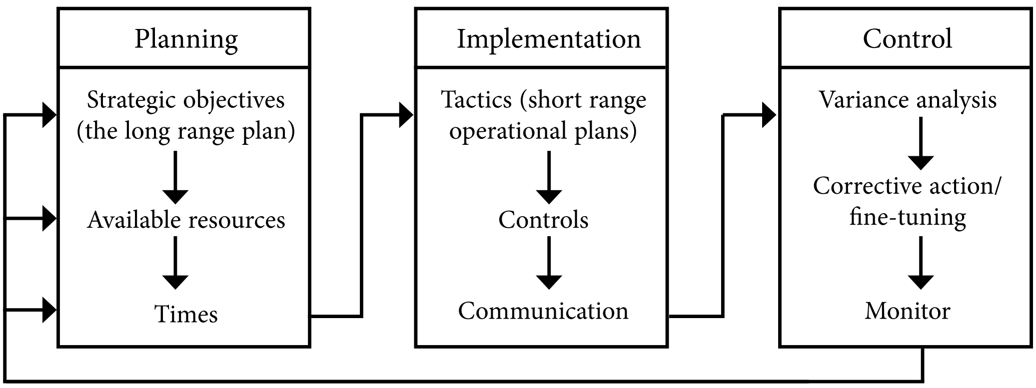
Note: there is merit in keeping plans for the continuation of the existing business and new ventures separate (while, of course, ensuring that they operate in an integrated fashion); if that is done then new ventures may justify the addition of further dedicated forms.

An Element Of Control

Finally, never forget that one way in which plans assist the running of the business is with control: measuring how things are going and taking action as a result. Two things are important here:

- **Corrective action:** if actual results diverge from plans, then controls need a *diagnostic* element. It may be necessary to discover why things are going wrong and to fine tune activity so that the deviation is overcome and activity, albeit revised, still produces what the plan intended
- **Positive feedback:** just as important is analysis when things are proceeding *better* than planned. Again questions need asking and if useful lessons are learned from why this is the case, then there may be positive lessons to build into future plans.

The form shows the relationship of planning, implementation and control.



Summary

Details notwithstanding, the key issues here can be summarised in just a few words. A plan must be:

- Approached systematically
- Based on sound information
- Practical and able to positively assist the decision making and ongoing action that drives the business.

4 MAKING IT WORK

If one wants to be successful one must think; one must think until it hurts. One must worry a problem in one's mind until it seems there cannot be another aspect of it that hasn't been considered.

– Lord Thomson of Fleet, former Chairmen of the Thomson Organisation

Business planning is important. You may have accepted that and taken on board the processes it involves, yet still feel completing it is a daunting prospect. In this section, therefore, the rationale for business planning and the principles of doing it are exemplified through a number of examples. The first reflects the most basic question of all.

CASE: What business are we in?

The thinking demonstrated here is an excellent example of how the most basic form of planning – just defining the business – can focus the mind and lead directly to new opportunities and growth.

A company, let us call them Scaffolding 'R Us, hired scaffolding; they defined their business very simply and directly as *the provision of scaffolding to the building trade.* Just rethinking this took them through three stages, all of which helped their business growth:

- First, they replaced the description *building trade* with *construction industry*. This broadened the market at which they directed their marketing efforts, taking them into areas selling to companies constructing, for instance, motorway flyovers, or to oil rigs (where there is evidently copious amounts of scaffolding) – effectively a different market and one of potentially larger order size
- Secondly, they described what they did less in terms of what they did, more in terms of what that did, in turn, for customers – *providing temporary access and support*. This took them into the leisure market, providing scaffolding networks to support seating at sports events and parades
- Thirdly, they refined that description with more confidence, stressing *their skill and expertise in providing temporary access and support.* This, in turn, prompted them to enter export markets. Not erecting their scaffolding overseas (clearly shipping heavy steel poles is prohibitively costly), but running training schools for local organisations and their staff in new markets where building was a rapid growth industry.

This kind of thinking can be very productive, and is sometimes surprising how the status quo acts to blind an organisation to new opportunities that only need a fresh look and an open mind to spot.

CASE: an accurate basis of information

A personnel recollection: I was working with a medium sized firm of Chartered Accountants (six offices across one U.K. County) and asked about their "typical client". The senior partner described a family business of a certain size and type (the details are unimportant). I asked what proportion of their clients fitted this category and was told it was "about two thirds".

Subsequent analysis – simple analysis – showed he had overestimated by twice the number, in fact one third of their clients fitted the description. He was both out of date and had not troubled to check. Of the clients he *personally* handled, two thirds did fit the description and up to a couple of years before the proportion had been right across the firm. Times change.

This is not just a matter of getting a few numbers wrong. It matters. In this firm decisions about marketing and promotion were being made on the assumption that the higher figure was right – promotional materials were being designed largely for the wrong kind of people. Probably their effectiveness suffered as a result.

Moral: planning, and the strategic decisions that follow it, *must be based on accurate information about what is happening.*

Now, we turn to more positive things.

CASE: Ensuring the process is creative

In a European management consultancy firm (with around one hundred employees) two factors of their planning process are worth noting. Overall the process is systematic. There are prescribed formats and a planning cycle is scheduled and agreed *well in advance.* The dates for *all the meetings* this will necessitate are set, together, in advance. They are regarded as mandatory on those deputed to attend; this avoids the progressive delay that so easily creeps in when at one meeting the next is to be scheduled and other commitments necessitate its being set later rather than sooner. This is a sensible practical point worth noting. The process results in a written plan, and the use of this in communications and as a practical "route map" to drive and assist operations during the year is well proven.

Two factors help, and both rely on sensible decisions having been made about the make-up of the planning group. The right individuals, a manageable number of people and all aspects of the business represented are the key guidelines here. Over and above the basics of getting the job done, creativity is fostered by:

- **Brainstorming:** early in discussions, before there is a chance to get locked into simply extending the status quo or there is great pressure of time with deadlines looming, critical areas are reviewed in a wholly open minded way through brainstorming (see box). This makes sure that designated areas, especially those demanding attention or reflecting opportunities, are examined broadly ahead of discussion being locked into any particular option for action. This proved invaluable to the adoption of new approaches, and areas of the business have regularly benefited from this process with radical plans kick starting new ventures or changes acting as a catalyst to new – and successful – ways of working.

The mechanics of brainstorming

Brainstorming is a group activity and can be used to provide an almost instant burst of idea generation. It needs a prescribed approach:

- gather people around and explain the objectives
- explain that there are to be *no comments* on ideas at this stage
- allow a little time for thought (singly or, say, in pairs)
- start taking contributions and noting them down (publicly on say a flipchart)
- when a good sized list is established analysis can begin
- grouping similar ideas together can make the list more manageable
- open-minded discussion can then review the list
- identify ideas that can be taken forward.

Such a session must exclude the word "impossible" from the conversation, at least initially (and especially when used in senses such as "It's impossible, we don't do things that way" (why not?) or "It's impossible, we tried it and it didn't work" (how long ago and in what form?).

By avoiding negative or censorious first responses, by allowing one idea to spark another and variations on a theme to refine a point (perhaps taking it from wild to practical), you can produce genuinely new approach. It can be fun to do, satisfying in outcome and time-efficient to undertake – and a group who brainstorms regular get better at it, and quicker and more certain in their production of good, useable, ideas. Try it, you might be surprised at the results; it can creatively augment planning and what planning produces.

- **Challenge:** timing is always the bugbear of planning. People are busy running the organisation now, and it can be that thinking about the future is categorised as a distraction. Here the time-scale was specifically long to include a stage where draft plans and ideas could be challenged. People were encouraged to pick holes in the plan – and did so. Sometimes this led to further discussion which then produced much better ideas; sometimes major problems were avoided. And this was only possible because planning started sufficiently early and an open-minded attitude amongst all concerned was carefully fostered.

CASE: logic and reality

To show that even neglecting basic things can throw a spanner in the works, I refer to an American firm who manufactured and sold a waterproofing treatment for buildings with flat roofs. They were successful in the States and wanted to expand overseas, choosing Europe and the United Kingdom on little more than the basis that it was accessible and spoke the same language (well almost!).

Their planning was painstaking, they set out plans which including moving key executives to and housing them in the U.K., investigating materials and contractors, reviewing and selecting possible sites for their factory, building the factory and launching their promotion just ahead of launching sales operations. They then asked a research company to do some market research, primarily to see in which areas of the country sales staff should principally be deployed. The results were a revelation.

The incidence of flat roofs in the U.K. was found to be only a small fraction of that in the States. The market they had assumed was there was much smaller than what they had anticipated. So far down the line in commitment and investment, they struggled on. But the factory closed again within a year.

The moral: it is surely clear, planning – and even the most thorough plan – must always reflect the *real* situation. If that is not known, then finding out becomes a priority. Here, if only research had led the way, a great deal of time and money would have been saved. Perhaps it was a case of enthusiasm overriding common sense. And it is from the States that the maxim that *Ready, aim, fire!* is always the best order in which to do things comes.

CASE: No magic formula (setting the promotional budget)

Planning would perhaps be much easier if there was one set, and better still one straightforward way, to do everything – but there is not. Some things are more complicated. They must however be addressed. Inventing a simple formula that is just easy to apply, rather than dealing with the facts, is a mistake and lead to plans being wrongly based. One good example is that of deciding the budget for something like promotional activity. Various mechanisms suggest themselves, and indeed are used by some people, but the best way forward needs some thinking through. Doing so relates decisions to the job to be done and provides a much more realistic and useful way forward. The list of possible approaches that follows illustrates this:

1. **Percentage of sales**

   To take a fixed percentage based usually on forecast sales relies on the questionable assumption that there is always a *direct* relationship between promotional expenditure and sales.

   It assumes, for example, that if increased sales of 10% are forecast, a 10% increase in promotional effort will also be required. This may or may not be realistic and depends on many external factors. The most traditional and easiest approach it is probably the least effective.

2. **Competitive parity approach**

   This involves spending the same amount as competition, or maintaining a proportional expenditure of total industry appropriation or an identical percentage of gross sales revenue compared with competitive firms. The assumption is that in this way market share will be maintained. But competition may be aiming at a slightly different sector and including competition in the broadest sense is no help. If we can form a view of competitive/industry activity it may be useful, but the danger of this approach is that competitors' spending represents the 'collective wisdom' of the industry and the blind may be leading the blind!

   It is important to remember that competitive expenditure cannot be more than an *indication* of the budget that should be established. In terms of strategy, it is entirely possible that expenditure should be considerably greater than that of a competitor – to drive them out – or perhaps for other reasons a lot less.

   Remember that no two companies pursue identical objectives from an identical base line of resources, market standing etc., and that it is fallacious to assume that all competitors will spend equal or proportional amounts of money with exactly the same level of efficiency.

3. **What can we afford?**

This method appears to be based on the premise that if spending something is right, but we cannot objectively decide the optimum amount, what money is available will do.

It looks at:

a) What is available after all the other cost have been accounted for, i.e. premises, staff, selling expenses etc.:
b) The cash situation in the business as a whole;
c) The revenue forecast.

Then in many companies advertising and sales promotion are left to share out the tall-end of the budget. More expenditure is considered to be analogous with lower profits; in others, more expenditure on advertising leads to more sales at marginal cost, which in turn leads to higher overall profits.

4. **Fixed sum per sales unit**

Similar to percentage-of-sales approach, except that a specific amount per unit (e.g. in a travel company, per holiday sold) is used rather than a percentage of monetary sales value. In this way, money for promotional purposes is not affected by changes in price. This takes an enlightened view that advertising expenditure is an *investment*, not merely a cost.

5. **What have we learned from previous years?**

The best predictor for next year's budget is this year's.

Are results as we predicted? What relationship has our spending to competition? What is happening in the market? What effect is it having and what effect is it likely to have in future? We can do the following:

a) **Experiment** in a controlled area to see whether we are under spending or over spending. As the chairman of Unilever once said: "I know that 50% of our advertising expenditure is wasted, the trouble is I don't know which 50%."
b) **Monitor results**. This is relatively easy and the results of experiments with different budget levels can then be used in planning what next (though it must always be born in mind that all other things do *not* remain equal).

6. **Task method approach**

Recognising the weaknesses in other approaches, a more comprehensive four-step procedure is possible. Emphasis here is on the tasks involved in the process already described of constructing a promotional strategy. The four steps of this method are as follows.

a) **Analysis.** Make an analysis of the marketing situation to uncover the factual basis for promotional approach. Marketing opportunities and specific marketing targets for strategic development should also be identified.
b) **Determine objectives.** From the analysis, set clear short and long-term promotional objectives for continuity and 'build up' of advertising impact and effect.
c) **Identify the promotional tasks.** Determine the promotional activities required to achieve the marketing and promotional objectives.
d) **'Cost out' the promotional tasks.** What is the likely cost of each element in the communications mix and the cost effectiveness of each element?

What media are likely to be chosen and what is the target (i.e. number of advertisements, point of sale material, web site maintenance, sales promotions, direct mail leaflets etc.)? For example, in advertising, the media schedule can easily be converted into an advertising budget by adding space or time costs to the cost of preparing advertising material. The sales promotional budget is usually determined by costing out the expenses of preparing and distributing sales promotion material etc.

The great advantage of this budgetary approach compared with others is that it is comprehensive, *systematic* and thus likely to be more *realistic*. However, other methods can still be used to provide 'ball-park' estimates, although such methods can produce disparate answers, e.g.:

a) We can afford £10,000;
b) The task requires £15,000;
c) To match competition £17,500;
d) Last year's spending £8,500.

The decision then becomes a matter of judgement allowing for our overall philosophy and objectives.

There is no wholly accurate mathematical or automatic method of determining the promotional budget. The task method does provide, if not the easiest, probably the most accurate method of determining your promotional budget.

Satisfying The Bankers

A major reason for many smaller businesses to take an interest in business planning is that funding from their bank is dependent on it. The banks, not unreasonable, prefer to lend money to those who have given their business some real thought; however good the idea or opportunity on which it is based. Thus it is worth looking at what precisely the banks suggest that their clients do.

Many of the banks produce literature about business planning. This is aimed primarily at start-up businesses, but those further down the line might well find useful information here too. Apart from general guidance in the form of text, there is usually information in format form and these may be worth following.

A good relationship with your bank

This needs planning for and includes negotiating the terms under which they deal with you. Any overdraft facility needs to be clear. It can be a particular problem for things to change suddenly, so build in regular reviews, keep in touch and advise and consult your bank about any change sooner rather than later. Sharing your plan with your bank is not just for start-up businesses, it can be useful to do year by year.

Many people have love/hate relationship with the banks – and with their own. You pay for their services (much too much you may say!) so you may as well get the best from them. The most help here is relevant to small and start-up businesses. You may want to take on board the banks experience of business planning or, more important, you may want to do it their way because their funding is dependent on their liking your plan – both what it says and the way it is done. Not only do the major banks provide guidance here, they provide, as mentioned, specific planning formats – and may do so on disk. You can simply take a disk out of their pack, slot it into your computer and fill your plan in under their headings (though of course you can also use it as a starting point and tailor it to your precise circumstances). For a simple plan this may be all you need.

Further Outside Help

In addition to your bank, other agencies may play a useful role. These include:

- **Local authorities:** many local authorities, counties and even quite small towns, put a good deal of resource behind helping small business. They may have an eye on local employment and on matters such as the business rate, but they do it and many do it well. In my own County, Essex, the Enterprise section at County Hall offers good services. This is certainly an area worth many people checking out; more so if your own business is primarily local in its operation.
- **Other agencies:** as has been said, it is difficult to give a definitive picture of the range of various advisory services that exist. The point has already been made that these are worth checking out, essentially in the context of planning they provide:

    - *Information:* much of which is a useful aid to planning and which includes information about: companies, markets, grants and subsidies, training, standards and patents, published market research, EU – and other – legislation, export information (opportunities, agencies and research)
    - *Training:* some they do themselves or they can recommend others
    - *Advice:* about a range of issues such as information technology, design, finance and more.

They provide the benefit of experience, that is you may be faced with doing, or planning to do something, for the first time (especially in a business start-up situation and they have been involved with it many times. The advice is as good as the advisor, of course, but some of the people working in this way are well worth knowing.

- **Consultants:** it may seem like an expensive route to get a consultant to do your planning for you, and so may be the case (though if it made the difference between getting the bank's approval or not, it might be worthwhile). On the other hand some small firms, and individual consultants can offer very cost-effective approaches. Providing the role is well defined, and a basis agreed that makes clear what fees are being incurred, a specific contribution to the process may be very useful. Consultants can also act as sounding boards (something that is sometimes lacking in a small business) either on a one-off basis, or with some continuity, with this process merging somewhat with what a non-executive director might have as a role (but being simpler to set up and disband).
- **Networking:** it is worth stating that help may be available informally. Just by being in touch with other business people (through local business clubs, branch level activities of management institutes etc.) you may find people who have just been through what you are trying to do in planning – or other things, of course – and can pass on advice or warnings.
- **Accountants:** A well-chosen accountancy practice has much to offer; and much more than just the statuary audit. In selecting which accountancy firm to deal with, ancillary matters such as planning (if indeed they are ancillary) should be part of the selection criteria.

An element of the plan links to your accounting system and similar things apply here. Use the computer system that your chosen accountant recommends and uses, and you will certainly save time and money. They can train someone to use it, they can adapt the standard version just for you and they can help link it to any other allied systems that you want. Again technology has changed the way this can be done. They might well have experience of the slightly more specialist systems needed by some organisations.

Balancing The Books

In the last part of this section we look at some other aspects of finance. At the end of the day money drives every business – profit-making and non-profit – unless the finances are well organised then the business is in jeopardy however well it may be doing in other ways. Planning must incorporate action to create financial certainty within the business. This stands repeating: *without the key financial mechanisms being addressed no business plan is doing a good job and, at worst, too little attention here can spell disaster.* It is worth remembering too that a common circumstance of business failure is not simply when the business is failing to produce revenue from the market place, it is when it is growing and becomes over-stretched.

Sound financial provision

At various times all this will include a number of areas:

- Start-up funding
- Profit and loss forecast
- Cash flow forecast
- Managing working capital (that is: debtors, creditors, stock or work in progress, cash and/or overdraft)
- Financial records
- Provision for investment
- Tax arrangements and provision (including income tax, National insurance, Value Added tax, Capital Gains tax, Corporation tax and eventually perhaps Inheritance tax)
- Insurances

All the above speak for themselves, but one perhaps deserves special mention: *cash flow*. The forecast, monitoring and record of this on an ongoing basis is vital. It is one of the key things that banks want from a new business, one of the first things they look at in reviewing progress and one of the first that will give you trouble if it goes array. Plan the cash flow and sleep untroubled at night.

Budgets and management control systems

You need to link plans, finances and budgets. Management controls need to operate accurately and always give you an up to date picture of the state of the business. It is said of the Ford Motor Company that their corporate headquarters knows the details of every car sale made world-wide within twenty four hours of its having been secured. If they feel they need to know that and can organise it that fast, there should be no excuse for smaller businesses. The budgets need to show revenue on the one hand and costs on the other.

Note: some costs can be scheduled easily as a result of activity: if you sell ten widgets say, you are going to incur the cost of making or purchasing them. This is pretty straightforward. Other budgets may be less easy to find a basis for setting, but one always needs to be found. An example of this, in context of a promotional budget, appears earlier in this section.

A sound financial situation is necessary to the success of a business. It is also necessary to the smooth running of the business, if constant fire-fighting is necessary just to keep the bailiffs at bay, then time and attention is inevitably taken away from activity that could build and grow the business.

A Final Word

A personal memory: many years ago going out as a young salesman in the days before much in the way of formal training existed, my sales manager regaled me with various instructions and maxims. One that I have always remembered, and that certainly came back to me forcefully when I started my own business, was to remember – *it is not an order until the money is in the bank!* Wise words.

The moral: make sure you plan and organise not only sound contractual terms and accounting processes, but good credit management as well. Debt collection can be embarrassing (though why this should be so is perhaps a mystery), but it needs to be done and done right. Your plan focuses and directs all your business and all that it does. If you see business activity as a cycle, perhaps the last act is paying the revenue into the bank (so that you can ultimately pay the profit back out!).

Summary

Planning, that is the need for planning, should never take you by surprise. Having accepted the premise that it must be done, and actually faced with the job of doing it, you need to be:

- Well informed and up to date about the facts of your own business
- Clear about what useful sources of information to tap (so as not to waste time)
- In a position to proceed to the job in hand well informed in all respects.

Information really is power in this context; that said the success of planning – and just how useful it proves to be – is in a systematic approach. Now, in the final section, we summarise the key issues.

5 TEN STEPS TO SUCCESSFUL BUSINESS PLANNING

I love it when a plan comes together.

– Catch phrase of Hannibal Smith in the popular, and much repeated, television show "The A Team".

Earlier I suggested clear thinking as the first overall prerequisite to successful business planning; and the second? I would put attention to detail. This latter is especially important in terms of the financial elements of the plan. Beyond that, in this final section the key individual issues about making business planning successful are encapsulated into ten approaches. These are listed only in loosely sequential order, but all do make a major contribution to making the planning process work and, more important, making it practical and useful. It is the cumulative effect of these being brought to bear together that gives planning power.

1. **Take some time**
   The reasons why planning is necessary have been explained (starting in the section "What is Business Planning?"), here we assume an acceptance of its necessity and its desirability. Yet, even when that is accepted, one of the prime reasons why business planning is sometimes ineffective is not so much that it done badly, it is that it is done superficially – the job is skimped. It is a clear prerequisite that if planning is to be done and done properly some time must be committed to it. Making sure this occurs is the responsibility of senior management, perhaps in a small business of the Managing Director; but it involves others too. Each section of the business must be represented. This may include core functions: marketing, production and finance. It may include section heads or those with responsibility for individual products where a wide product range makes this the way things are organised. Whoever is to be involved, and clearly sensible decisions need to be made about the planning team, all those concerned must set aside sufficient time to do the process justice.

That said there are two aspects to the time requirement that need emphasising:

- **Lead time:** first, the planning process must be started sufficiently far ahead of, and related sensibly to, the financial year of the organisation involved in the planning process. A similar philosophy must be applied to any subsidiary processes that underpin planning. For example, data used as a basis for planning must be available in agreed up to date form as an integral part of the planning cycle
- **Planning time:** at the same time, there must be a sufficient *amount* of time set aside to undertake the actual job of planning. All the elements – data collection, analysis, discussion etc. – take some time.

It is frustrating if time runs out, or if there proves never to have been a chance of doing an adequate job before the process even ends. Giving the process sufficient time makes everything else that is necessary possible.

2. **Formalise the process**

Successful planning needs a systematic approach. It needs certain aspects of the process to be formalised, and for what is to be laid down as a mandatory requirement for all those involved. If you are planning for the first time, then there is more to organise, and discuss, here. Then some parts of the mechanism can serve for a while thereafter (though everything ought to be reviewed regularly). Prime areas to formulise are:

- **Planning formats:** these provide the agenda, setting out (as I have done) the topics that planning needs to address; they also give an indication of the amount of detail into which the plan should go
- **Time scales:** see number 1 above. It is certainly important that timings are regarded as mandatory and deadlines are respected – and hit – by all concerned
- **Written format and style:** how matters will be drafted, by whom, and, if different people produce different segments of the plan, also who will edit the whole document and bring a final, cohesive version together.

The time to change formats and procedures is *not* in the midst of the planning cycle when concentration needs to be on getting the job completed.

3. **Create and maintain the necessary database**

Successful planning is dependent on good information and examples of this have been given elsewhere in this work. It is too late to start to try to find information as the planning process demands it, and it is certainly too late to start to collect it (though you can plan changes in information collection for the next year).

Information gathering, retention, updating and analysis needs addressing by management at another time, and systems need setting up clearly and unequivocally. This includes carefully briefing people involved down the line in the collection process. The last thing you want is for poor briefing to come to light when information is sought – *I'm afraid I haven't kept it up to date – I didn't realise it was important.*

Review possible information needs, considering what falls into the following categories:

- **Essential to decision making:** this is what must be available, and systems need to be in place to guarantee it in whatever form and at whatever time it is needed
- **Desirable:** here more compromise may be necessary, balancing what is needed with the cost in money and time of getting it
- **Useful:** here it may not be worth spending more time and effort, but if information is available (perhaps as a result of other data-collection process) then use can be made of it.

This part of the process is very much tied up with overall company systems and usually with computer systems. One specific area for care is with computer specialists. God knows we could not manage without them, but some can be very blinkered in their thinking. They may understand every ramification of the system, but can only produce a focus on operations if they understand the reason *why* things are being done and how information is to be used. One example: producing more information might well be possible, but the extra may or may not be useful – and incorporating it could just result in an information overload that disguises important facts not allowing the wood to be seen for the trees.

4. **Analyse the information**

This heading harps back, in part, to number 1 earlier. It is one thing to have information, another to take time to look at what it means. Some elements of some companies' plans owe more to an "automatic pilot" style of management than to anything else. Adding on ten percent to the sales target becomes a sort of mantra. There is little thought of a rationale for this, it may downplay the importance of the information to hand, and omit analysing more detailed information in a diagnostic manner. Planning cannot fly in the face of the facts. If facts dictate one thing, then divergence from that demands action very specifically designed to work in a way that creates change. Yes, you might be able to buck the trend of a downturn in your industry, say, but only by finding a strategy that addresses the problem.

The whole question of the data needed to facilitate planning, the collection process needed to capture it, and the analysis and use of it to assist planning needs addressing clearly and – in advance – of the planning cycle.

Having relevant, sound information as the basis of your planning is the best possible way to start making the process work.

5. **Discuss the possibilities**

The stage where discussions take place is key and needs viewing and organising in the right way. Idea generation and then decision making are involved. Care needs to be taken in selecting the planning team, scheduling sessions for them to meet and thrash out the possibilities and allowing time for this to happen.

Two heads really can be better than one. A group of people involved in constructive discussion can bring the planning process to life. The agenda must be clear and attention given to making discussions:

- **Constructive:** what happens can literally set the scene for operations for the year ahead, and often the influence is longer. The idea is to review everything that might help, to explore ideas, to investigate practicality and be both realistic and innovative. Planning must never be seen as a chore. Of course in a hectic period it may present difficulties to fit it in, but the potential results should make it interesting, worthwhile – even fun
- **Creative:** it is important to be open-minded. If there is a reluctance even to put ideas on the table then opportunities may be missed. Processes (such as brainstorming touched on earlier) should be actively deployed to prompt idea generation, and whoever is in the Chair should not act, even inadvertently, to cut things off too soon
- **Challenge:** debate should be open and constructive too. Things should not be agreed on the nod if there are reservations (or might be if something was considered more carefully). This goes especially for assumptions about the status quo. It is too easy to find someone saying *right, I guess we go on doing (so and so), what about….* Something that can benefit from change is then perpetuated unchanged by default.

Whatever is decided, it having been thoroughly discussed can also act to make it more acceptable, and make it more likely for people to commit to it.

6. **Finalise and agree the plan**

Agreement is important too. At some point discussion needs to stop. A range of possibilities having been discussed, the "best" needs deciding on. Sometimes – often? – making a decision involves making a compromise within the group, so the decision making process must be clear and everyone must feel that they can commit to the way ahead. At the end of the day, democracy is not usually the best way to run a business. So, once opinion has been sought and discussion has taken place – someone must decide.

It is important therefore that there is:

- **Clarity:** it must be very clear what is to be done, and this is nowhere more so than with targets and financial goals. If the revenue target year on year is to increase, then it must be clear how this will occur. When will sales come, month by month? What product mix will be necessary? All such matters must be spelt out and be clear to all – especially to whoever may have particular responsibility for implementation; relating to one specific product or division, perhaps. Similarly with costs. The links to cash flow and budgets must be clear throughout
- **Realistic:** plans must reflect real life. It is one thing for them to be challenging, quite another for them to be seen as impractical or frankly impossible
- **Commitment:** everyone must finally agree – for better or for worse –that the agreed plan is what will be gone for; and they must then give it their best shot.

7. **Draft the written plan**

Various papers and drafts may have been put in writing during the process. Then, finally, a definitive document must be produced. This need not be long, indeed should not be overlong, but must summarise key issues (often the same finalising exercise will produce the budgets). The writing should be:

- **Clear:** this is no place for gobbledegook. It should also be born in mind that a wide range of people around (and outside?) a company may well read this document and that it should make good sense to them all, whatever their role or level.
- **Action based:** the document must spell out the clear chapter and verse of *who* does *what* and *when*: the timing implications must not be overlooked and they may start before the planned year commences and stretch beyond its end. This links to control systems.

One overall editor is needed if the plan pulls together contributions originated and submitted by different people.

8. **Communicate**

   The plan must be communicated to everyone whose role affects its achievement (and in some cases this can literally mean everyone in a smaller company). The need to make it intelligible to all was mentioned above. It may be, in some circumstances, that two versions are necessary. One containing all the operational details, a second, highlighting key issues and summarising the way ahead, for wider circulation. Certainly plans should not be completed, then filed away (and forgotten?) with a sigh of relief.

   Remember the motivational implications here. Staff should find the plan interesting, challenging (though the realism should be spelt out) and relevant to *them.* Making it so should be a priority. *Note:* bear in mind too if there are to be any external readers (the bank?); if so they too may need a specially adapted version.

9. **Implement**

   A simple point perhaps, but plans must be implemented. At worst the plan is put aside and the operation is managed reactively, perhaps managed well in a sense, but with no focus on the agreed objectives.

   The plan is only useful if it becomes a *working document*. Budgets tend to be referred to more than plans, but the two go together. The purpose of the plan is, above all, to bring *direction* to the business. If throughout the year you use the action plan elements, link planned intentions to control, then it will act as a catalyst to action, work for you and make achievement of objectives more likely.

10. **Make it a rolling plan**

    Finally, link plans together. The concept of the "rolling plan", one that deals with the coming year and looks further ahead, make planning easier and more useful. In some businesses the time scale is longer than others. Five year plans are often mentioned, but two or three years ahead, may be enough for some organisations and others may need to look further ahead (Japanese management talk of "hundred year plans", but that is only for the very few!).

Let us be clear. The concept here means that the plan:

- Sets out the detailed plan for the financial year ahead
- Also addresses some detail of the next
- Adds something about the period further ahead

The time scale and amount of detail (which will be less and less into the future) is something you must decide. In planning terms it means that at the end of one year as discussions commence, they in fact have a first core of information, intention and ideas on which to build. Remember too that without this with a financial year running from, say, January to December, planning might start in September/October at which point plans only exist for a very short time ahead.

A rolling plan simple reflects the realities of life (and the fact that time does not pause conveniently at the end of an operating period while you gather your wits and prepare to move on).

Overall, well-conducted deliberations during a planning cycle can provide a solid foundation for successful operation. A well planned operation is better at reacting to unpredicted difficulty and change (and there will always be some of that), and it is better focused and able to be more purposeful – knowing where it wants to go and working consciously to get there.

Yes, it takes a little time, and sometimes more than the one hour of the title. The point is that it is not only worthwhile but can be done in a manageable amount of time (which depends on the size of the operation and whether it is being done for the first time or not – updating and moving from period to period is easier after an initial set-up plan has been done). It needs some thought, but it is time well spent.

Let's end with a classic maxim: *Plan the work, and work the plan;* this is good advice. The alternative is a future doing no more than reacting to events.