

20 business planning secrets

Expert advice from
business professionals

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INTRODUCTION

In order to start your own business it's no doubt you have to be equal parts brave, passionate and smart. And given how challenging the process can be, it pays to be a little crazy as well.

The latest research shows the number of self-employed owners of home-based businesses has risen sharply during the downturn. On top of this, the economic recovery will tempt many people to leave their jobs and strike out for themselves. Given the economic climate it's never been more important to have your business plan in order before you embark on your own venture.

Of course, it's not just start-ups that need strong business plans. Finding investors, managing cashflow, building credibility and establishing a great team are just some of the issues facing entrepreneurs regardless of what stage their business is at.

We've compiled 20 of the best business planning secrets from successful entrepreneurs and business experts. You'll find out about everything from setting sales targets and planning for growth to organising an annual planning day and the importance of having a "Plan B".

James Thomson
Editor, SmartCompany

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TIP 1:

OUTSIDE INFLUENCES

It is widely acknowledged that business plans are out-of-date as soon as they are written and yet we still persist on doing them and need them for bank loans and raising equity finance. Perhaps we should simply accept that they help us understand a lot about the integrated nature of a business operation and leave it at that, but we should not undervalue what it tells us about what is going on around us.

For any business plan to have meaning, it needs to set out a basic set of assumptions about its internal and external environment. The exercise of uncovering and analysing those underlying assumptions is one of the most useful outcomes of building the business plan.

Think of the impact on your business of some basic trends. Some are very slow, such as population growth, demographic movements, life expectancy, infrastructure changes, global warming and so on, but these will impact your business over a 10 to 20 year period. Then there are abrupt changes such as elections, man made and natural disasters, and competitor bankruptcy, which will impact you suddenly.

- Tom McKaskill, serial entrepreneur, educator and author

TIP 2:

SCENARIO PLANNING

Run a series of forecasts for the next two years. A business-as-usual scenario, for example, might have flat growth. Then impose other scenarios on the business plan, like a 10% drop in revenue and a 20% increase in input costs as a result of a stronger Australian dollar.

The reason for doing that is that it allows the business decision maker to look at his business under a range of scenarios, none of which he can guarantee are going to happen. What it does allow him to do though is then actually identify the trigger points in his monthly reporting as he goes through the year.

- John Downes, Deloitte

TIP 3:

BUILD A REACTION PLAN

in place a set of decisions already modelled which say if we have two consecutive or three consecutive months of declining revenue, we have to drive for a harder sales program, but if we feel that's not delivering, then we may have to look at some significant cost reduction activities.

That might mean developing contingency plans to consolidate sites, or reduce marginal growth services or those that are likely to suffer more when demand crashes. If the worst happens, the company is not caught off-guard and is quick to act.

Having those scenarios modelled and action plans written down gives you the ability to make those decisions in an informed and considered manner as opposed to getting the fax on the Monday morning from the receiver saying 'we have been appointed to one of your key clients' and that you are likely to get X cents in the dollar in two years time and 'we are not going to continue looking to you as a supplier'. That's when you get knee-jerk reactions.

- [John Downes, Deloitte](#)

TIP 4:

TALK TO YOUR CUSTOMERS

The key place you can get information for your business plan from is from speaking to your customers and suppliers and actually having the heart-to-heart conversation with them about what's actually happening in their business and how is their business going.

If you have two or three key suppliers, or two or three key customers, then you need to be having those same conversations, just the same way you would be having those conversations with your bankers.

- [John Downes, Deloitte](#)

TIP 5:

SIMPLE TOOLS

Small businesses are at a disadvantage in this climate because, unlike the big corporations, they lack the resources and sophisticated tools that can make forecasts. But they can do certain things to plan ahead.

What they should be doing is building at least basic financial models using Excel spreadsheets. As a business operator, if they can't build a basic spreadsheet or sheet that represents what the business does, then there are some fairly fundamental concerns about whether they should be running that business.

It's a very structured process where you look through the historical financial statements and the balance sheet history.

- Toby O'Brien, director and co-founder of BPM Financial Modelling

TIP 6:

GO WEEKLY

If you are just doing your balance sheet every three months then you are not close enough to your business. Yes, you can calculate how much GST you need to remit and how much tax you need to remit, but you are not all over your business, you don't know it as well as you need to know it.

You need to have the KPIs each week, have the monthly financials done pretty promptly after month's end, and then analyse the financials by comparing the actuals with your budget and saying, here is what we did well and here is what we didn't do well.

- Michael Griffiths, Prosperity Advisers

TIP 7:

PLANNING FOR GROWTH

You would think that being successful in generating ever higher levels of sales would be a recipe for success but, in fact, it brings its own challenges. You are constantly on the search for new staff, you run out of office space and warehouse capacity and your telephone system will have insufficient capacity to cater for all the new people.

At the same time, you need to increase inventories, develop new channels to market and spend more on logistics. If you are very lucky and have high margins and a mostly cash sales business, you might just be able to find enough cash to fuel the engine, but few companies are that fortunate. Most firms have some level of credit sales and their margins are not high enough to provide the buffer to fund high levels of growth.

Financing growth becomes critical once the rate of growth exceeds about 10% pa. From this point on, the business needs to constantly invest in capabilities and capacity to support the increasing sales. The growth of the business needs to be modelling so that cash needs can be ascertained and financing options explored.

- Tom McKaskill, serial entrepreneur, educator and author

TIP 8:

SETTING SALES TARGETS

A part of any good business plans is clear sales targets. Look at the numbers to decide what you have to do. If you need X amount of revenue, then look at what your average sale is, and out of that ask how many sales you need to make each year, how many prospects do you need to talk to for sales and ask how many people you need to contact.

You need to look at details. Know what markets you need to be targeting. Who do you need to be in front of, and how often do you need to do that?

- Sue Barrett, The BARRETT Group

TIP 9:

CAN YOU SCALE UP?

Scalability is not simply selling more into a large marketplace - it requires you to scale up every part of your business, from procurement through conversion to final product sales and support.

Don't get fooled by the hype of the sales staff who tell you that the market is huge and that they can bring the deals in. In the end, it gets down to a very deliberate plan for closing, deal by deal. Remember if it were that easy, anyone could do it.

What you need to do is to review every part of your operations to examine the impediments to scale up operations. In some cases this will mean changing the way you procure, manufacture and ship.

You might end up changing your market interface to establish new channels to market. You almost certainly will have recruitment and training challenges, especially in periods of high employment.

- Tom McKaskill, serial entrepreneur, educator and author

TIP 10:

WHAT INVESTORS WANT TO SEE

The investors I talk to certainly don't believe everything that is in business plans presented to them. And every investor I know says that they have never seen a business proceed according to plan. However, they still assert that going through the process of planning is valuable for the entrepreneur.

Now, I have seen some pretty dismal plans - no market research, no marketing strategy, numbers plucked out of the air, 'Google did it so therefore we can do it' type of assertions. Plainly, these plans are not worth the paper they are written on.

I have not seen a start-up or early stage company that hasn't benefited from gathering real market information. The basis for any planning must lie in a solid understanding of market conditions, customers, the competitors and trends.

- Gail Geronimos, founder of Achaeus

TIP 11:

WHERE THE PLAN MEETS THE PEOPLE

I think one of the most important things I have learned is about people and how important people are. As good as any business plan is, at the end of the day the real value is going to come through execution so that's probably the most critical thing in anything one invests in. I mean, you can have a great business plan and bad people and you won't get anywhere.

I think the second thing is a well thought out strategy, both in relation to what you're doing and what your competitors are doing in the space and really having a full understanding of some of the space you're operating in.

- David Gold, entrepreneur

TIP 12:

A CONSTANT EVOLUTION

A business plan is essential, but make it flexible and constantly evolving. Sometimes you just have to act and see what happens. And whatever you think starting a business will cost in terms of money and time... triple it.

- Anthony Moorhouse, founder of Dynamiq



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TIP 13:

THE POWER OF PLAN B

It's a question I used to talk about a lot with my skydiving friends. When the jump is going well, all's well - when it goes to hell and you only have three or four seconds to save your life, that's the real test.

This year didn't start as planned. At the beginning of December last year I was celebrating our healthy looking pipeline that would see us through for 18 months. All that changed by mid-December as organisations chopped discretionary spend and the pipeline got slashed.

After some initial upset, I decided to take on the very true saying: It's important to focus on the things that are in your control and to let go of the things that are not.

What was in my control was how I responded, behaved and felt about the year ahead, so I decided to first change the way I felt and to find the gifts.

- Pollyanna Lenkic, [Perspectives Coaching](#)

TIP 14:

THE VALUE OF EXPERIENCE

When I started my business, everything I read, everyone I spoke to and my own logic told me that I needed to write a business plan. But I always struggled to write one.

I never knew why until five years on, when I could look back with a bit of perspective. Sure, the time was always hard to find, although I would eventually find it and just start writing. I realise now that the real problem was because I didn't really understand how a business worked nor how it grew; I lacked experience. I honestly didn't know what to plan for.

After all my experiences with building and continuing to grow my business I feel I could easily write a business plan for a new business. I could probably estimate expenses and predict revenues quite easily. I have learnt that I won't be able to predict to one decimal place, since business is dynamic and things change. I have learnt that businesses grow slowly to be sustainable and they tend to grow at the speed of the experience the people running it have.

- Fred Schebesta, [online marketing expert](#)

TIP 15:

HOW TO CONDUCT YOUR ANNUAL PLANNING DAY

If you are serious about making 2010 a good year, you need to be serious about planning.

It's not too late to get it right, but you do have to start now. Here's how:

- Book an annual planning day in the diary of your whole management team. And don't let anybody wriggle out. Despite what they may think, nobody is too important to the daily running of the business to attend this session.
- Hold the annual planning day offsite. If you don't do this you will lose half the team to their computer. In my experience an offsite held in a little cottage half way up a mountain works very well - not least because the iPhone/BlackBerry doesn't. The best offsites start with dinner and a sleepover the night before, thereby getting all the social stuff done before the day itself.
- Start the planning day with a recap of the business foundations (purpose, passion, profit driver, brand promise and core competencies) and strategic intent ("big hairy audacious goal", five year targets). If you are a bit rusty on these I suggest you hold a strategic planning day in advance of the annual planning day to work these up.
- I think a high level SWOT analysis is a useful tool next. Not only does it get everyone in the right frame of mind for planning the business, but it also gives people a chance to air their concerns.
- A review of the year just gone is a useful next point on the agenda. But just cover off three highs and lows. If you want to do this in more detail than I suggest you do so over dinner the night before.
- [Julia Bickerstaff, Butterfly Coaching and The Business Bakery](#)

TIP 16:

WHERE TO START WITH YOUR ANNUAL PLAN

First up I would start with the question “what do we want to achieve by the year end?” While you want to end up with measurable goals out of this section, leave it quite open to begin with. You want to unearth goals such as “new product X on market” which you won’t do if you head straight for goals around revenue, profit and ROI.

Decide on, say, five measurable goals. Maybe three around the financial metrics (revenue, profit, working capital) and two around something that is important to the future of your business but will not drive profit this year (such as foot in the door with “A” list clients/new geography, new product).

Once armed with the goals, spend some time nutting out the five strategies you will adopt to get there.

- [Julia Bickerstaff, Butterfly Coaching and The Business Bakery](#)

TIP 17:

PLANNING TOOLS FOR CAN USE

Planning is a bit like trying to read your tea leaves at the bottom of your cup, but here are some ideas.

Start off looking at who your target market is and where they operate. Then look at a range of in-depth material to try and gauge consumer and business confidence.

For example:

Ring Gary Morgan and ask for his Consumer Confidence bulletin.

Stay in touch with Apple's CFO, Peter Oppenheimer.

Follow Neilson's Global Consumer Confidence survey.

Review the US consumer sentiment surveys.

Read the tea leaves in the bottom of your cup.

What you will see in the swirling globe depends upon where you are viewing that crystal ball.

- Dr Colin Benjamin, Marshall Place Associates

TIP 18:

THE ROAD MAP

Each year at 11.00am on 31 December my husband and I sit and outline our plan for the year; what we want to achieve professionally, personally and as a family.

This year I have set some challenging tasks for myself, from learning mediation to developing a new business initiative. So even though we have no idea what the world might look like at the end of the decade, I plan to be in the driving seat.

For me, plans are the road map – so I know where I'm going and more importantly I remind myself why I'm doing it.

- Naomi Simson, Red Balloon

TIP 19:

TIPS FOR TURNING YOUR PLAN INTO ACTIONS

Planning time was coming around again and we wanted to be sure that this year the business actually made some headway.

Here are some of my suggestions:

- Split the annual plan into quarterly plans together with quarterly goals and quarterly priorities. The quarterly priorities are the key initiatives you are going to work on that quarter.
- Allow your business only three quarterly priorities; a maximum of five if you really can't whittle them down. Granted, limiting the priorities down to three is not easy, but the process of choosing the three will ensure your business is focusing on the right things.
- Pick a top priority, the number one initiative that gets done no matter what. Yes, it's tough to pick just one but the very act of making such a decision will underpin your success.
- Hold one person accountable for each priority. Often a management team will decide that more than one person is "accountable" for a priority; it doesn't work - when more than one person is accountable, no one is.

- [Julia Bickerstaff, Butterfly Coaching and The Business Bakery](#)

TIP 20:

DREAMS VERSUS GOALS

Dreams and goals are very different – dreams are exactly that (for me the apartment in Ravello). Goals are what we intend to achieve.

The key word here is intention. It is amazing how what we intend becomes reality as we focus on that. As my golf instructor said recently: “The key problem with your golf is that you have no goals.”

How right he was; and I know the power of setting goals. When I did set myself a golf goal, I immediately dropped my handicap by six points – mind you it had a long way to drop and still has – but the reminder was what I needed. That we get what we intend!

Goals are the realistic outcomes we can expect from the work and planning we put in to achieving them. Regardless of the economic climate, we can always set goals that are achievable and realistic but create enough challenge for ourselves and our businesses.

I wonder how many CEOs actually share their goals for their business with their teams? I wonder how many businesses would benefit from that, particularly if those people were incentivised to do so?

- Marcia Griffin, [griffin+row](#)

Westpac number one for small business

Westpac has been named Australia's number one financial institution for small business banking by CANSTAR CANNEX winning their Best Value National Award.

In announcing the award, CANSTAR CANNEX said Westpac demonstrated commitment to backing business in a particularly challenging year and were impressed by Westpac's continued push towards improvement for their business customers.

CANSTAR CANNEX rated more than 340 term loans, 69 overdrafts, 39 credit cards and 88 deposit accounts from financial providers who meet the special needs of small business.

Westpac's General Manager, Business Banking, Sian Lewis, said the award recognised the priority Westpac puts on supporting small business navigate the economic climate. This year Westpac has put around 180 local business bankers in branches as a primary contact to support SMEs which is part of a program to triple the number of local business bankers and support small business with experts they can talk to face to face.

Small businesses are also benefitting from a national program to bring back the Bank Manager. "We've been backing small business this year by putting more bankers in more locations, boosting education and advice for our customers and by delivering expertise to help business owners navigate the difficult economic landscape."

Westpac have already hired 160 Bank Managers in its biggest and busiest branches with more than 400 in place by the end of this year.

"Ultimately we'll have Bank Managers in all our branches by mid next year who are out and about serving the needs of their local communities.

"We've been backing the growth and development of small business in Australia since we opened our doors 192 years ago. The current economic climate is no different, we believe we have to invest to grow in the future and we are doing that.

"We're confident in the small business sector and are backing them with a program to build their confidence in their future. Their health means the Australian economy stays on track.

Westpac's package of measures to support SMEs has included:

- Supporting businesses with more education and advice to help with cash flow: in 2009 we have boosted our program of workshops for business by more than 30% so more than 5000 customers can attend expert sessions on everything from managing their cash flow in tough times, to presentations from our world-class economists, to business gurus and cash flow experts. SMEs can get a taste of what information and tools are available with our free 10 Smart Cash Flow Moves booklet available at www.westpac.com.au/business
- Investing in our local presence with more than \$50 million being spent on more experts in more locations. Westpac opened 20 new branches this year plus 5 specialist Business Banking Centres bringing the network of one-stop shops for business around the nation to 61. Westpac's Business Banking Centres provide advice tailored for business on managing their cash-flow, traditional banking needs, equipment finance, building wealth, and trade.
- Expanded the operations of the Cash Flow Solutions Group. Formed in April 2007, Cash Flow Solutions Group unites a specialist team of experts who help customers in cash flow management. We recognise that business owners need so much more from their bank than debt, so we have increased our transactional banking capability. Our experts focus on educating and then enabling business with the right products and solutions for their situation.
- Providing Financial Hardship support - Westpac has earmarked additional funding to expand Westpac Assist to support business customers. Westpac Assist is a team of specialists who support both consumers and businesses in financial difficulty by providing assistance to help them find the best possible way to regain and maintain control over their finances. Customers facing financial difficulties in relation to their Westpac loans or accounts can contact Westpac Assist on 1800 067 497.

"We're here to help SMEs plan over the long term and as the best value business bank we are worth considering as a business partner so visit your nearest branch to sit down with your local small business expert," Ms Lewis concluded.