

Chapter 1

Letting Your Plan Take Flight

.....

In This Chapter

- ▶ Getting started without another moment's hesitation
 - ▶ Thinking about the structure of your plan and how long it's going to take
 - ▶ Rating yourself and your business idea with a quick and easy quiz
-

You probably already know that if you spend time working *on* your business — rather than just working *in* your business — you have a much better chance of higher sales, more profit and a generally easier existence.

One of the main reasons people don't get around to creating a business plan is that they think they don't have enough time. Pish tosh. You don't need to spend weeks creating an impressive 30-page document. Instead, what you need to do is change your way of thinking. Rather than making a daily 'to do' list of all the people you have to call, brew yourself a cup of tea and have a think about your pricing strategies. Rather than fretting about all the jobs that need doing, spend a couple of hours researching your competitors.

Some of the most important elements of a business plan can be done while you're in the shower, on the beach or driving your car. Attitude is everything. To create a great business plan, all you need is a willingness to be objective about your strategy, the discipline to analyse your financials (even if you're not naturally good with numbers) and the ability to think of your business as something that's separate from you.

So no more excuses, no skipping to another chapter, no closing this book with a sigh. It's time to start planning and there's no time like the present.

Getting Your Feet Wet

Some of my best business ideas have come to me while lying in the hammock at our holiday house, digging up weeds in the garden or having a quiet coffee down at the village.

In *Business Planning Essentials For Dummies* I place less emphasis on the importance of creating a written plan and more on why planning is best viewed as an all-year-round activity. The neat thing about this way of thinking is that you can start your plan at any time, even if you know you only have one hour free this week and you're flying to Europe for a skiing holiday the next.

Deciding who this plan is for

You, of course. Your plan is an ongoing process, not a massive document that you create every year or so. Feel free to pick a structure, time and format that works well for you.

Occasionally, other people may want to have a stickybeak at your plan, usually prospective investors or lenders. On these occasions, you probably want to create a formal plan using a fairly traditional format, and focus more on the presentation and readability of your plan.

One thing to bear in mind, however: Regardless of who is likely to read your plan, I strongly suggest that when it comes to the financials — sales targets, income projections, profit projections and so on — you be consistent. Don't have one version of financials for your own purposes and another spruced-up version for the bank.

Choosing your dance partners

As a business owner, you need to have a good understanding of your financials, a solid commitment to marketing, a razor-sharp insight into your competition and a keen sense of strategy. Even if you don't have all of these skills yet, I can't think of a better way of acquiring these skills than getting involved in your own business plan. Experience is a generous teacher.

Having said this, unless you've run a business before, you'll almost certainly need a little help from outside. The good news is you simply need to ask. Consider these sources:



- ✔ **Business planning courses:** In my opinion, a structured course spread over several weeks or even months is the very best possible way to accumulate basic planning skills. Not only do you have the discipline of working on your plan at least once a week, but you also usually receive expert mentoring from teachers, as well as peer support from other people in a similar position to you.
- ✔ **Business advisory centres:** Depending on where you are in the world, business advisory centres have different names and structures. However, most state and federal governments fund some form of free advisory centres.
- ✔ **Business consultants:** While I warn against delegating the whole planning process to outsiders, expert consultants can be a great resource, especially if you retain control and ownership of your plan.
- ✔ **Your accountant:** I strongly recommend that you do your own financial projections, rather than delegating this task to a bookkeeper or accountant. (I explain just how in Chapters 6 through to 10.) However, after you've made your best attempt, consider asking your accountant to review your figures and help you to identify anything that doesn't make sense or seems unrealistic.
- ✔ **Your lawyer:** An important part of business planning is risk management, including protecting your name and your brand, and limiting liability through company structures. Your lawyer is an excellent source of advice for this part of the planning process.
- ✔ **Friends and family:** Not only is the advice of friends and family usually free, but these people also understand you like nobody else. Support and encouragement from friends and family is invaluable on those doubtful days when you think you (and your new business idea) may be crazy.
- ✔ **Your spouse/life partner:** Last but not least. Need I say more?

Looking at online planning tools



In *Business Planning Essentials For Dummies*, I provide you with everything you need to build your plan, including a whole bunch of free templates and resources that you can download from

www.dummies.com/go/businessplanningessentials. You may be wondering how these templates compare to the many business planning templates or software applications you can find online (many of which are also free).

At a surface level, most of these templates provide you with pretty much everything you need to create a plan. However, when writing this book, I've reflected on my experience from running business plan courses. What I find is that some concepts of business planning that may take only a few sentences to summarise are really hard for those new to business to grasp.

For example, almost anyone can explain the concept of strategic advantage in a few sentences, and most business planning templates simply provide a Word template with a few blank lines in which you can write your strategic advantage. In real life, I find that these concepts usually take several sessions to gel with my students. It's for this reason that I devote two whole chapters to the concepts of strategic and competitive advantage (Chapters 2 and 3) and I recommend that you read these chapters early in your business planning process, so you can be sure a solid foundation is in place when you create your plan.

However, what you may find works well is to use a business planning template in conjunction with this book. You can dig up a whole heap of industry-specific templates online, and you may even find topics within these templates that I don't cover in detail within this book. (Bplans, at www.bplans.com is probably the world's leader in business planning templates and software and provides an excellent starting point.)



As well as business planning templates, you can also consider business-planning software. You can either buy software that you install on your computer (such as Business Plans Pro available from www.bplans.com or MAUS MasterPlan available from www.maus.com.au), or you can subscribe to online planning software in the cloud (such as www.liveplan.com or www.planhq.com). I prefer cloud-based software because you can pay as you go, and because cloud computing makes working collaboratively with others so much easier.

The main difference between business planning templates and business planning software is the sophistication of the financials. For example, the financials in most business planning software packages (including those in the cloud) include Profit & Loss Projections, Cashflow Projections, budgets, break-even analysis, Balance Sheets and more. You usually find that all the financials

interconnect so that if you change a figure in your Profit & Loss Projection, the change automatically flows through to the other financial reports.



While business planning software can be a real benefit if figures and maths don't come naturally to you, the downside can be inflexibility (for example, you may find you can't adapt the list of expenses or that the format for sales projections is limited). Assuming you have a decent internet connection, why not weigh up the pros and cons for yourself by subscribing to a service such as www.liveplan.com for 30 days or so. Subscriptions cost approximately US\$19.95 per month and a small payment of this nature is hardly likely to break the bank.

Scoping the Nature of Your Plan

While planning is certainly best done on an ongoing basis, the ideal approach the very first time you create a business plan is to cover all the elements of your plan — concept, strategy, financials, marketing, people and so on — within a reasonable time frame, and then collate all your workings into a single document. This approach requires a certain level of discipline, but by the time you get to the end you're going to be left with a major sense of achievement.

Structuring your plan

The best format for a business with a turnover of \$100 million and 200 employees is going to be utterly different from the best format for a start-up business with no employees. For this reason, you can find as many possible formats for a business plan as recipes for bolognese sauce.

What most formats have in common, however, is certain key elements, although the sequence of these elements varies. (The following section outlines how much time each element is likely to require and also tells you where to find more detailed information on each one.)

Here are the key elements of a business plan:

- ✓ **An overview of the business and its strategy.** This introduction to your plan includes your mission, a brief description of your business and a strategic advantage statement.

- ✓ **A people plan.** Who are you, and why are you so awesome? What are your skills and the skills of those involved in your business?
- ✓ **An analysis of industry and economic trends, as well as a summary of what you perceive to be opportunities or threats.** No business is an island, particularly in a very fast-changing world. This part of your plan looks at factors outside of your control (such as industry or economic trends), possible opportunities that your business could exploit, and threats that you need to guard against.
- ✓ **A complete summary of financials.** At its simplest, the financial part of your plan may only include a Profit & Loss Projection for the next 12 months. More detailed plans include Profit & Loss Projections for 24 or 36 months ahead, plus historical Profit & Loss reports and Balance Sheets for the previous year or years. Financials often also include break-even analysis, Cashflow Projections and budgets.
- ✓ **A marketing plan.** A marketing plan is usually several pages long and includes competitor analysis, unique selling points, target market analysis, sales targets, marketing strategies and a bit more besides.
- ✓ **A summary of goals.** Here's where you get to share your dreams, neatly sliced and diced into monthly, six-monthly and yearly goals.

In this book, I work through the preceding six key elements in sequence. The only exception is the mission statement, which normally goes at the beginning of a business plan, which I leave until Chapter 12 to address. (From experience, I find it works best to delay writing a mission statement until further into the planning process.)

Setting aside enough time

Here's a bit more detail about how much time the different elements of a business plan (listed in the preceding section) typically require, and how often you need to attend to them.

Business model and strategy

How long does it take to come up with a decent business model? If you're lucky, you may be able to work out a winning strategy over the course of a few drinks. Alternatively, you may find it takes years to come up with a strong strategy that really works.



As well as working out a strong business strategy, the other element of developing your business model is doing a detailed analysis of your competitors. This process usually takes only a few hours, but is something that you should do every six months or so to avoid being caught by surprise.

I talk about business strategy in Chapters 2, 4 and 5, and focus on competitive analysis in Chapter 3.

Industry and SWOT analysis

The first time you do this part of your plan, which includes both an industry analysis and a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, can take a fair chunk of time, depending on the depth in which you choose to explore this topic.

I don't usually see the need for you to update the written element of this part of your plan any more often than once a year. However, being alert to the impact of things changing around you is something you want to maintain all year round. Find ways to stay tuned to changes in your industry, possibly by attending conferences, subscribing to forum boards, researching information on industry websites or attending industry association meetings.

Planning for risk doesn't generally require significant time on an ongoing basis, but tends to demand your attention in fits and starts (for example, trademarking a logo or drawing up employee contracts may take several days to organise). However, I suggest you allow at least half a day or so each year to review your risk-management strategies.

I talk about industry and SWOT analysis in Chapters 3 and 4.

People plan

A business isn't anything without the people who run it, and your skills, entrepreneurialism and natural abilities are as much a part of the mix as anything else, as are the skills of the people you choose to involve in your business. This part of your plan needs to outline the people element of your business: Who does what, and why they're the best choice for the job.

Even if you don't have any employees yet, you can still include details about any consultants, advisers, mentors or professionals you plan to involve in your business. These details help to establish credibility for anybody else reading your plan, and

prompt you to think further outside the business than just yourself.

Chapter 2 touches on this topic, while Chapter 5 explores the people side of your plan in more depth. (People planning doesn't necessarily take a huge amount of time at first, but is something that can be a huge time-waster if you don't get it right.)

Financials

Creating a Profit & Loss Projection (Chapters 7 through to 10) can be pretty time-consuming the first time around, and may take several days if you're not used to working with figures or Excel. Stick with the process, though, because your next attempt will only take a fraction of the time.

So how often do you need to review your financial plan? I recommend you compare budgets against actual results every month when you look at your Profit & Loss report. As patterns emerge (maybe you can see that you consistently over- or under-estimate something), return to your overall Profit & Loss Projections, revise your figures, and extend these projections again so they span a full 12 months ahead.



If your business is always tight for cash and you carry high levels of stock or customer debt, you or your finance manager may need to do Cashflow Projections as well as Profit & Loss Projections, updating figures on a constant basis.

I explain how to create a Profit & Loss Projection in Chapters 7 to 10.

Marketing plan

I love doing marketing plans. Thinking about sales strategies is such a creative process that it's hard not to feel a charge of energy and inspiration as you flesh out your ideas.

Creating your first marketing plan can take anywhere from several hours to several days to nut out. After the first time, however, maintaining a coherent marketing plan generally only requires a half-day or so every six months.

I explore marketing plans in detail in Chapter 11.

An action plan

The action plan is where you weave all the other elements of your plan together into a neat summary of goals and objectives, each one with a time frame. In other words, the action plan is the section that endeavours to keep you on track, hopefully providing a calendar of activities for the months to come.

An action plan usually only takes an hour or two to pull together at the end of the planning process, but once done is something that you should try to keep constantly updated. I talk about creating your action plan in Chapter 12.

Deciding how far into the future you want to go

In this book, I focus on projections that cover the next 12 months (or the first 12 months from when a business starts trading). I do this largely for simplicity's sake. (The principle of creating a financial projection for 24 months is exactly the same principle as for 12 months — all you're doing is adding a few more columns.)

In practice, how far you should extend your plan into the future really depends on the nature of your business and how long it has been established. Here's what I suggest:

- ✓ For most new businesses, a 12-month financial projection works just fine. (Although most traditional business planning books talk about building financial projections for the next two, three or even five years ahead, I find that for new businesses, this long-term approach quickly spills into fiction territory. If you have no idea what sales you're going to make this month or next, how can you realistically predict what sales you'll make in three years' time?)
- ✓ For new or growing businesses where the projections show low profitability in the first 12 months because the business requires a certain sales volume before it really starts to work, I suggest you extend your projections for at least a couple of years. This is the only way you can assess the long-term viability of your concept.



- ✓ For an established business with three or more years of trading history, I recommend you extend your financial projections 24 months ahead.

Scoring Your Business

Are you still at the stage of thinking about your business idea and wondering if it's worth you even doing a plan? Maybe your business idea is still a glint in the eye, or maybe you've been mooching along half-heartedly with a new business for a little while now and don't know where you're headed. Just for a bit of fun (this is Chapter 1, after all), why not take a few minutes out and see how you and your business idea rate?

Use the scorecard in Table 1-1 if yours is a business that's been done before. By 'done before', I mean a business selling a service or product that others already provide, such as a gardening business, drycleaners or restaurant. Alternatively, if your business or business idea is a niche business or a new invention, use the scorecard in Table 1-2. For each question, a score of 1 is bad, and a score of 10 is good.

Wondering what a niche business is? A *niche business* is one that specialises in a small market segment. I came across a quirky example of a niche business just today. The company is called Dirty Rotten Flowers and creates unique bouquets for those who are wronged in love to send to the one who wronged them. (My favourite is probably the 'I Love You Not' bouquet, which includes a dozen twisted red carnations accompanied by a teddy bear embroidered with these very words.)

What score are you looking for? Overall, you probably want to get a score of 35 or more, although don't be dismayed if you score less. Chapters 2 to 5 provide lots of inspiration for developing your business ideas, Chapters 6 to 10 help you consolidate your financial skills, and Chapter 11 helps with the marketing side of things. You can return to this scorecard later in the planning process and see if your score improves.

Table 1-1 Rating a Business that's Been Done Before**Ask yourself this question and then score yourself from . . .****1 to 10**

Can you think of something that will make your product or your service different from your competitors?

Can you do something that will allow you to deliver a better product or service than your competitors?

Are you going to be cheaper than your competitors?

Do you love the day-to-day activity that this business demands?

Do you know for sure that demand exists for your product or service?

Do you (or someone in your team) have strong marketing skills?

Are you well known locally, with a strong community network?

Do you have enough start-up capital to give your business the best possible chance of success?

Are you good with money, and able to understand budgets and stick to them?

Is your vision for your business to build something that can ultimately run without your day-to-day attention?

If you're in a relationship, does your spouse/partner support you in this venture?



The very nature of business planning often means taking a slightly conservative approach, dealing with facts and figures rather than dreams and inspirations. But whatever you feel when working through your plan, stay tuned to that germ of inspiration that caused you to get to this point in the first place. Building any new business is a creative process and one that requires you to believe in yourself and your own abilities. This belief and creativity is what separates the natural entrepreneur from the nine-to-five office worker, and is ultimately the thing that will lead you to business success and its many associated rewards.

Table 1-2 Rating a Niche Business or New Invention

Ask yourself this question and then score yourself from ... 1 to 10

How unique is your product?

If your idea is unique, do you have some way of safeguarding this idea from a competitor who might steal it?

Do you know for sure that demand exists for your product or service?

Do you have a clear strategy for launching your product or service?

Can you do something that will allow you to deliver a better product or service than your competitors?

Do you have enough start-up capital to give your business the best possible chance of success?

Do you (or someone in your team) have strong marketing skills?

Are you comfortable in the online environment (Facebook, Twitter, creating web pages and so on)?

Is a window of opportunity emerging due to a change in the business environment, such as changing regulations, government grants or new technology?

If you're in a relationship, does your spouse/partner support you in this venture?