

# Business Planning

A guide for business operators in South Australia




[www.statedevelopment.sa.gov.au/smallbusiness](http://www.statedevelopment.sa.gov.au/smallbusiness)





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**A well-prepared business plan is an impressive document. It shows outsiders such as potential financiers, investors, advisors, and/or suppliers that you understand your business.**

# Overview

There is a well-known saying in business that business owners do not plan to fail, they merely fail to plan. This saying draws on the results of small business studies which show that owners who plan their businesses are much more likely to survive and prosper.

Whilst business planning is not a guarantee of future success, it certainly helps to understand, plan and evaluate key steps in the decision-making process regardless of which phase of the life cycle your business is at – starting, running, growing or exiting.

Once prepared, you should ensure that your business plan remains a flexible, living document – one that you take the time to regularly review, measure progress against, and update as necessary. This will enable your business to more quickly and effectively adapt to potential risks and take advantage of opportunities, and help you to stay relevant to your market/s and ahead of your competitors.

This guide focuses on what a business plan is, the benefits of planning and how to prepare a plan for your business. There is no 'right' way to structure a business plan – the particular situation and requirements of your business need to be taken into account.


## Further information and templates are available at:

**business.gov.au** ([www.business.gov.au](http://www.business.gov.au)) has a Business Plan Template and Guide to help you through the process of developing a business plan that is solid, well-structured and can be tailored to your business.

**Business planning courses** are available through training organisations including **TAFESA** ([www.tafesa.edu.au](http://www.tafesa.edu.au)), business advisers and business advisory services throughout metropolitan and regional South Australia – visit the *Getting advice* section of the **Department of State Development** Small Business website: [www.statedevelopment.sa.gov.au/smallbusiness](http://www.statedevelopment.sa.gov.au/smallbusiness) or enquire via email at: [DSDSmallBusinessStrategy@sa.gov.au](mailto:DSDSmallBusinessStrategy@sa.gov.au)

About this guide:

- The purpose of this guide is to provide general information.
- The information in the guide should not be relied upon in substitution for professional advice.
- Persons interested in pursuing any particular business opportunity are strongly advised to seek professional advice about their rights and obligations, particularly in relation to any proposed investment, and the risks and benefits of particular business opportunities.
- All figures contained in the guide should be regarded as estimates only, which are based on general samples and may be subject to error.
- The guide is provided subject to the terms of the formal disclaimer, which appears on the last page.



**A business plan is a document which provides a description of the business, the market/s in which it operates, its objectives or goals and the strategy to achieve those objectives or goals.**

# What is a business plan?

A number of research studies have indicated that successful small business managers set realistic goals and plan how they are going to reach them. Planning helps you to work smarter rather than harder. It keeps you future-oriented and motivates you to achieve the results you want.

Perhaps most importantly, the process of completing a business plan helps you to determine what commitment you need to make to the venture.

Objectives give direction and motivation.

Good objectives should satisfy the **S-M-A-R-T** principle – they should be:

**Specific–Measurable–Attainable–Realistic–Time-linked**

When you set objectives, describe what you are seeking to achieve in clear, definite terms. Make sure your objectives are capable of being measured in numbers, percentages, dollars or time. When something is measurable, it is much easier to manage and evaluate.

To help maintain your motivation, the objectives you set should be achievable and the setting of a date for their accomplishment injects further momentum and strengthens your commitment.

To be successful, you need two sets of objectives – one for your personal life, the other for your business.

Personal objectives are most important because they provide the stimulus and drive required in business. Successful people know this and make sure that their success in business will help them to achieve their personal goals.

When conflict arises between the two sets of objectives, a cost will be involved, usually in terms of something which must be given up or paid.

## Principles of planning


A plan must be:

- **Explicit** – All steps completely spelled out
- **Intelligible** – Capable of being understood by those who will carry it out
- **Flexible** – Capable of accepting change
- **Written** – Committed to writing in a clear and concise manner

## Put your business plan in writing

To be effective, your business plan should be in writing. The advantages of a written plan are that it:

- Forces you to think more realistically, objectively and unemotionally about your business.
- Leads you to question past and future assumptions.
- Makes it easier to communicate planning objectives and strategies to bankers, partners, employees, financial backers etc.
- Helps to ensure that all aspects of the plan are clear and integrated.
- Provides a basis for review, especially where objectives have not been achieved.



**While it has been acknowledged that business planning does not guarantee success, studies show that businesses that consistently undertake planning perform better than those where planning is lacking.**



# What are the benefits of planning?

## **The planning process produces a number of benefits for your business:**

- It forces an early consideration of essential goals and basic policies.
- It gives you a clear focus and increases your objectivity.
- It helps to challenge old ideas and create a climate for new initiatives. You may do something because that is the way that you have always done it. Preparing a business plan forces you to prove the validity, or at least consider the reasoning, of your plans.
- It tests your ideas on paper – It is much better to produce a business plan and find that the business is likely to be unprofitable than to start the business and find out the same thing.
- It helps to control future risks and avoid crises e.g. sales, stock buying, liquidity, succession etc.
- It enables you to recognise problems that call for external sources of information and assistance.
- It helps you to prepare for change – the nature of markets and customer needs change rapidly. Planning cannot predict change but it helps you to recognise it and map your business strategy accordingly.
- It helps you be realistic about your new idea – by expressing your business opportunity in numbers, planning helps to prevent you viewing the future in ways that the facts do not support.
- It increases your personal motivation and that of any employees you may have.
- It helps to ensure people development.
- It enables growth to be planned, controlled and balanced. Small businesses tend to grow either too fast for their capital base or too slow to maintain cash flow. Planned growth enables you to plan your capital needs in advance and to ensure that funds are available when you need them.
- It enables you to be results orientated, providing feedback of information and periodic reappraisal against established objectives and performance standards.
- A well-prepared business plan is an impressive document. It shows outsiders such as potential financiers, investors, advisors, and/or suppliers that you understand your business.

**Even though research points to a higher likelihood of survival for small businesses that plan, and many small business owners are aware of the advantages of planning, a significant proportion still fail to develop and use a business plan as a management tool. Certain barriers tend to discourage them from planning.**

# Barriers to business planning and how to break them

## Checkpoint

The following checklist describes the barriers which you may encounter and offers practical tips for breaking them down.

Barrier	Practical tips	Actions to take
<b>Fear</b> of the unknown of failure	Be honest with yourself. We all have strengths and weaknesses.  Start to recognise yours and be positive with yourself. Everyone learns from failure.  Develop an attitude of not being afraid to discover what the current state of your business really is; the future may hold opportunities that you haven't yet recognised.	
<b>Unpredictability</b> No matter how carefully I plan, things do not usually work out according to the plan	In the business world, probability is sufficient to govern action. Planning allows you to determine what is likely to happen in business according to the odds. It is better to attempt to predict and prepare rather than assuming the passive and dangerous role of wait and see.	
<b>Speed of change</b> Developments happen too frequently to make planning worthwhile	Provide a measure of flexibility in your business plan to help you respond more quickly and effectively to new developments, and review your plan frequently.	
<b>Lack of knowledge</b> How do I start?	<b>Business planning courses</b> are available through training organisations including <b>TAFESA</b> ( <a href="http://www.tafesa.edu.au">www.tafesa.edu.au</a> ), business advisers and business advisory services throughout metropolitan and regional South Australia – visit the <i>Getting advice</i> section of the <b>Department of State Development</b> Small Business website <a href="http://www.statedevelopment.sa.gov.au/smallbusiness">www.statedevelopment.sa.gov.au/smallbusiness</a> or enquire via email at <a href="mailto:DSDSmallBusinessStrategy@sa.gov.au">DSDSmallBusinessStrategy@sa.gov.au</a>	

# Barriers to business planning and how to break them

Barrier	Practical tips	Actions to take
<b>Cost</b> It costs too much	<p>The expense of planning must be justified by tangible results.</p> <p>You can keep the whole exercise cost-effective by undertaking the planning yourself. Action checklists covering each aspect of the plan can help.</p>	
<b>Time pressures</b>	<p>Efficient organisation and time management are required. Time for planning will not turn up by itself. You need to set aside specific time in your schedule for planning which may be outside normal business hours – perhaps in the evening or one morning during the weekend.</p>	
<b>Lack of suitable place to undertake planning</b>	<p>You may have to consider undertaking planning, say, on a weekend, away from day-to-day business operations.</p>	
<b>Difficulty starting</b>	<p>Developing a personal commitment to planning, self-discipline and a firm grasp of the benefits that planning can provide will help to get the show on the road.</p> <p>Establishing a goal is the essential first step in the planning process.</p>	

# Structure and content of a business plan

Every business is unique. Your business plan needs to be structured to suit the specific requirements of your business. There is no 'right' or 'wrong' way to structure a business plan – each will differ in presentation and emphasis. The particular situation and requirements of your business need to be taken into account, as well as the purpose for which the plan is being prepared.

## Checkpoint

The following checklist offers a handy reference of the various elements that should be included in your business plan.


Key element	What to include
<b>Title page</b>	<ul style="list-style-type: none"><li>• Name of business</li><li>• Address</li><li>• Contact points for future reference (telephone, email and website)</li><li>• Date of preparation</li></ul>
<b>Table of contents</b>	<ul style="list-style-type: none"><li>• Clear information about the contents of your plan</li><li>• Number all pages</li><li>• Incorporate a version control method so that the latest version of the plan can be easily identified</li></ul>
<b>Executive summary</b>	<ul style="list-style-type: none"><li>• Purpose of plan</li><li>• Brief highlights of the plan (overview of your business)</li><li>• Brief description of your business (product or service)</li><li>• Summary of marketing strategy</li><li>• Summary of funding requirements:<ul style="list-style-type: none"><li>• amount of funds required/equity offered</li><li>• how funds will be used</li><li>• how funds will be repaid</li></ul></li><li>• Key projected operating results</li><li>• Summary of your management team</li></ul>

# Structure and content of a business plan

Key element	What to include
<b>Your industry</b>	<ul style="list-style-type: none"> <li>• Description of the industry in which your business will operate</li> <li>• Trends and future prospects</li> </ul>
<b>SWOT analysis of your business</b>	<ul style="list-style-type: none"> <li>• What are its Strengths?</li> <li>• What you do well?</li> <li>• What are its Weaknesses?</li> <li>• What Opportunities exist to grow your business?</li> <li>• What Threats or problems might emerge to prevent you reaching your goals?</li> </ul>
<b>Your business</b>	<ul style="list-style-type: none"> <li>• What business are you in?</li> <li>• What products and/or services will you sell?</li> <li>• General description</li> <li>• Your competitive advantage</li> <li>• Where your business will be located and why</li> <li>• The performance of your business to date</li> </ul>
<b>The stated aims of your business</b>	<ul style="list-style-type: none"> <li>• Your business mission</li> <li>• The needs that your business will seek to satisfy</li> </ul>
<b>Your management team</b>	<ul style="list-style-type: none"> <li>• Key people involved</li> <li>• Roles, responsibilities and background</li> <li>• Skills</li> <li>• Formal qualifications required</li> <li>• Include resumes, where appropriate, in appendices section of plan</li> <li>• Key advisers to your business</li> </ul>
<b>Market research</b>	<ul style="list-style-type: none"> <li>• Description of marketplace</li> <li>• Past, present and future trends</li> <li>• Size of market</li> <li>• Demographics</li> <li>• Customer groups, their characteristics and buying habits</li> <li>• Assessment of competition, strengths and weaknesses</li> <li>• Preliminary sales forecasts and estimated market share</li> </ul>

# Structure and content of a business plan

Key element	What to include
<b>Marketing plan</b>	<ul style="list-style-type: none"> <li>• Identify your target market/s</li> <li>• What your marketing strategy will be</li> <li>• What marketing image you are seeking to project for your business</li> <li>• How your product will be distributed</li> <li>• How you will advertise and promote your product or service</li> <li>• How you will set the price for your product or service</li> <li>• Which markets you will aim at initially</li> <li>• How you intend to stay ahead of the competition</li> <li>• What service and support you will provide to customers</li> </ul>
<b>Organisational plan</b>	<ul style="list-style-type: none"> <li>• How your business will be organised including proposed ownership structure (sole trader / partnership / company or Trust)</li> <li>• How it is expected to develop</li> <li>• Staffing needs / skills / training programs</li> </ul>
<b>Operating plan</b>	<ul style="list-style-type: none"> <li>• How the day-to-day operations of the business will be carried out</li> <li>• Requirements for plant and equipment</li> <li>• Scheduling of workflow</li> <li>• Quality control</li> </ul>
<b>Financial plan</b>	<ul style="list-style-type: none"> <li>• Historical financial data, where applicable, for past three years</li> <li>• Business viability and timeline to profitability</li> <li>• Capital needs (Fixed assets / working capital / starting capital)</li> <li>• Break-even analysis</li> <li>• Funding mix / sources and types of funding including owner's funds</li> <li>• Budgets – expenses / sales / income</li> <li>• Taxation</li> <li>• Debt reduction and repayment plan</li> <li>• Financial projections for next three years – balance sheet, profit and loss statement and cash flow forecasts</li> <li>• Assumptions underlying the projections</li> <li>• Record keeping systems</li> <li>• Key financial ratios</li> <li>• Projected rate of return on investment</li> </ul>
<b>Action Plan</b>	<ul style="list-style-type: none"> <li>• Timelines for implementing the key elements of the plan</li> </ul>
<b>Appendices</b>	<ul style="list-style-type: none"> <li>• Material to support the main body of the business plan e.g. brochures, summary of market research results, resumes of key personnel, letters of reference, technical drawings, patents, designs, etc.</li> </ul>



**Developing a business plan takes time. It is hard work. Sound business plans are not written at one sitting – they are created systematically over a period of time, usually months, as ideas and strategies are developed and problems are identified and resolved.**



# How to prepare and present your business plan

Your business plan is often your first impression to potential financiers, investors, advisors, and/or suppliers so it should be well-prepared and presented professionally, even if you only intend to use it in-house.

Consider using consultants where required to assist you prepare the plan, but ensure you retain ownership of it – it should always be your plan, to which you fully commit and understand.

## **Practical tips to keep in mind when preparing and presenting your business plan:**

### **Putting your business plan together:**

Stay focused – keep your overall business vision, objectives and audience in mind.

Executive summary – perhaps the most important part of your business plan – consider it a concise statement written for an outsider who doesn't know your business, or have time to read the full plan. Present a clear statement of your business vision, objectives, key strengths, and outline the benefits to potential investors and lenders. Leave your audience with a positive impression and confidence that your business can successfully execute the plan. You may also include 'next steps' and/or a 'call to action'.

Professional format – use a consistent tone, style and language. This can be achieved by having a single person write up the plan.

Short and to the point – capture it all in as few pages as possible. Use your Appendix for supporting documentation e.g. resumes, letters of reference, data analysis/statistics, legal documents, licences, agreements, financials etc.

Avoid jargon – do not use language that only an expert can understand.

Do your research and be realistic – do not make vague, ambiguous, unsubstantiated or overly

ambitious claims or statements. Present facts and figures, past and present performance data, industry analysis, and ensure your forecasts are rational and supported by solid data.

Visual aids – use to present data where possible i.e. tables, charts and graphs.

Review – ask a number of impartial people (who you trust) to proof-read your final plan. Incorrect spelling, grammar, punctuation, numbers that do not add up and a poorly organised plan all detract from its impact.

### **Presenting your business plan:**

You may wish to consider having your business plan bound in a business-like presentation.

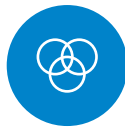
Whether you are presenting your business plan in writing or in person, prepare and practice as you would for a job interview – present with professionalism and confidence to leave a positive and lasting impression of you and your business.

Keep your audience in mind to tailor your content/messaging appropriately – potential investors and lenders will have differing priorities and interests. Use key points from your executive summary to prepare a short, inspiring presentation that tells your story, explains your business, its achievements, and how it will satisfy a customer need/desire or solve a problem, and why they should invest in you.

As the business owner you should know your plan inside out, including the financials, so that you can confidently answer any questions. Consider inviting other members of your management team to cover areas where they may be more knowledgeable than you.

Be prepared for rejection and to listen and improve – it may take time to find the right match for your business. Seek feedback and be prepared to change your business model/strategy and plan where required.

# Summary



## Major planning tool

A business plan serves as a major planning, evaluation and control tool in business regardless of which phase of the life cycle your business is at.



## Executive summary

Leave your audience with a positive impression and confidence that your business can successfully execute the plan.



## Benefits

Planning offers many benefits such as giving you a clear focus, increasing your objectivity and helping you recognise change and map your business strategy accordingly to minimise risks and take advantage of opportunities.



## Reaching your goals

An effective business plan consists of business objectives, strategies and operating tactics covering all facets of the business, directed towards reaching your goals.



## Write it down

Written plans have several advantages over those not committed in writing (often just good intentions), providing clear focus, objectivity and realism.



## Regularly review

Your business plan should remain a flexible, living document that you take the time to regularly review, measure progress against and update as necessary.



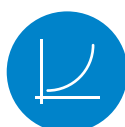
## Objectives

Objectives should be **S-M-A-R-T**:  
**S**pecific-**M**easurable-**A**ttainable-  
**R**elevant-**T**ime-linked



## Present professionally

Your business plan is often your first impression to potential financiers, investors, advisors, and/or suppliers, so it should be well-prepared and presented professionally, even if you only intend to use it in-house.



## Planning principles

Explicit; Intelligible; Flexible; Written



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## **Department of State Development**

GPO Box 320, Adelaide SA 5001

Telephone: +61 8 8226 3821

Email: [DSDSmallBusinessStrategy@sa.gov.au](mailto:DSDSmallBusinessStrategy@sa.gov.au)

[www.statedevelopment.sa.gov.au/smallbusiness](http://www.statedevelopment.sa.gov.au/smallbusiness)