

Chapter 1

Getting Your Act Together

In This Chapter

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So you've decided to start an overnight bushwalking-tour business in the Blue Mountains. You've bought the mozzie repellent, the backpacks and printed the flyers. You've even taken your first bookings. You're ready to hit the trails and start making money — at least, you think so.

Or maybe your business is further down the track. Your organic fruit and vegie store, with juice bar attached, has been running for a few years now. You're making some money and everything's running smoothly (except for the quality of the certified organic bananas a farmer just delivered!) but you sometimes wonder whether business is going as well as it should.

You need a business plan.

Business planning is kind of like booking in to visit the dentist — you know you should do it, but you keep on putting it off. Once you're working 60- or 70-hour weeks and the phone never stops — or the customers keep coming — the amount of time you have left to create a business plan may seem hard to justify, right?

Such procrastination is a pity, because if you spend time planning and working *on* your business — rather than just working *in* your business — your chances of success are so much higher.

And, although your first business plan can take quite a while to get together (somewhere between a couple of days to a few weeks), after the initial hump, updating your plan only takes a few hours here and there.

So, enough of the whys and wherefores. It's time to make a plan, and there's no time like the present . . .

Pooling Your Resources

Having the right information at your fingertips can make business planning easier and more successful. Fortunately, you can now find more useful and usable business-planning resources than ever before, from books and software to Web sites and real, live experts. Of course, you may also find plenty of stuff that isn't worth looking at — much less worth paying for. And you can't always judge a book (or software program) by its cover.

As you begin to put together your business plan, you may discover that you need some additional tools — a book devoted to marketing, for example, or business-planning software that can help you create and maintain your written document.



CCH MasterPlan business-planning software is a good example. Although MasterPlan isn't the only business-planning tool on the market, you can use the demo version on the company's Web site at www.maus.com.au to see how it works.

Hitting the corner bookstore

Obviously, you've already selected one of the best hands-on business-planning books around. But okay, you can also find other useful business-planning books out there — particularly books that concentrate on specific areas, such as marketing or financial planning, and books that focus on getting your business started, such as *Small Business For Dummies*, 2nd Edition, by Veechi Curtis, published by Wiley Publishing Australia Pty Ltd.

You can find out a lot about a book by reading through its table of contents or dipping into the first chapter. If you're browsing on the Web, booksellers like Amazon.com often include a detailed table of contents, along with the first chapter and the back and front covers. You can find some real beauties by reading the surprisingly frank readers' reviews, as well as checking out what other books these readers bought.

Whether you're running a barramundi farm, a new hairdressing salon or a large legal practice, we're not suggesting that you should drown yourself in business theory — though inspirational books written by entrepreneurs who've made it are always great reads. Look for resources that help you get tasks done — a local book that shows you how to set up your accounting software is a good example. Stick to buying books that help you get your business plan done — after all, there's only so many hours in the day.



The basic principles of business planning may be timeless, but certain subjects — Internet marketing, GST or tax planning, for example — change rapidly and can be quite specific to the context in which they're written. A three-year-old book may already be ancient history. Likewise, a US book may include a whole load of information irrelevant to Australian businesses. So, if you want to read up on a topic that's changing fast, be sure to check the book's publication date and place of origin.



For the most up-to-date info, turn to magazines, newspapers and journals. These regular publications offer a terrific way to keep up on what's happening in the world of business in general — and your industry in particular. Publications distributed by industry associations, such as trade magazines or regular newsletters, are another way to stay tuned for industry-specific developments, new technologies or emerging opportunities. If you're not sure what periodicals focus on your particular industry or your region, do a quick search on the Internet (read on for more details). Or, ask your colleagues or business advisers to list their favourite business books and resources.

Surfing the Internet

Today, hundreds of Web sites offer information on business planning. Some are free; others tease you with a sample of what they have to offer and then charge you for more details. In our experience, some of the freebies can be just as helpful as the subscription sites, so we suggest that you check first to see what's free for the asking before you plunk down your hard-earned cash.

Surprisingly, many of the government Web sites are packed with useful info, with the Business Entry Point site in particular being a great place to start (www.business.gov.au). This site pools resources from both federal and state governments and offer heaps of solid information on planning, starting and operating your own business. For more government sites, as well as a few independent sites, see the sidebar 'Internet hotspots for business-planning info' later in this chapter.

Lists of the hottest business-related Web sites have a way of going out of date fast. And a resource that appears hot to one entrepreneur may not be suited for another. Your best bet is to prowl around the Internet yourself, looking for useful resources. Here are some searching tips to help you find the stuff you need:

- ✓ **Search by subject.** Instead of searching on a word or string of words, try searching by subject. Some search engines such as www.dmoz.org and www.yahoo.com organise Web pages into subjects — similar to categories in a library — so you can narrow your search step by step

until you find the very topic you're looking for. For example, we clicked on the Business and Economy category on Yahoo!'s Australian home page (go to au.dir.yahoo.com), which led us to the category Organisations, then a listing of organisations by Australian state and territories.

- ✔ **Use specific terms.** For a more efficient hunt, tailor your search by using keywords specific to your business area (technology, retail, travel, financial services and so on) along with typing the words **business plan** and see what you come up with.
- ✔ **Browse Australian sites only.** For an Aussie take on things, click the radio button found on most search engines to ask for Australian pages only.
- ✔ **Surround yourself in quotes.** If you're searching for info about capital gains tax, enclose the phrase in quotes. For example, type "**capital gains tax**" — the quote marks limit the search to pages that contain all three of these words in this order.
- ✔ **Keep track of where you've been.** Make sure to bookmark any promising Web sites so that you can return to explore them later in more detail.

Internet hotspots for business-planning info

You can find a treasure trove of business-planning information and resources online. To help you sort through all the riches, we've put together a list of popular sites that provide useful and reliable tips, tools and examples — including dozens of real-life business plans:

www.abs.gov.au: The Australian Bureau of Statistics (ABS) is the place to go for demographic research. Not only is this site the most easily available source of such information, most of the information is free.

www.acci.asn.au: Contact the Australian Chamber of Commerce and Industry to locate your nearest chamber of commerce.

www.ara.com.au: The Australian Retailers Association (ARA) is a great resource for retailers, especially if you're a new employer or you need advice on employee relations.

www.austrade.gov.au: If you plan to export overseas, visit Austrade's site to find out about Export Market Development Grants.

www.bplans.com: This US site sells business-planning software, but you can download sample plans for free, choosing from literally hundreds of different business types.

www.business.gov.au: The Business Entry Point Web site is a government initiative that combines information at local, state and federal levels and has an impressive range of business resources, especially if you're just getting started.

www.cchbenchmarking.com.au: The CCH Benchmarking site offers comparative financial data for a whole stack of different industries, some of which you can download for free.

www.etc.com.au: The Entrepreneur Business Centre has lots of info for businesses just getting started, including business planning kits for lots of different industries.

www.franchise.org.au: The Franchising Council of Australia is the definitive resource for franchising in Australia.



Have you any sense of all the hidden traps that lie ahead, or the opportunities you could miss? An entrepreneur friend of ours started a music school recently. He used the Internet to make contact with other music schools elsewhere in Australia — schools that were in the same business as him, but due to their location, weren't competitors at all. Being an up-front kind of guy, he shared what he was up to and asked for advice — for the stuff other music school operators wished they'd known before *they* got started. Reflecting the generosity of most business people, our friend was deluged with advice, and now he's well on the way to running a great school.



The Internet may be a goldmine of business information, but you may also find plenty of fool's gold. Unlike magazine articles, which are typically checked for accuracy, much of the info on the Web hasn't been validated. Often the Web site providing the info is also trying to sell you something.

Follow three simple rules when you use the Web for business research:

- ✔ **Make sure the material is current.** Many Web documents aren't dated, so you may not know whether what you read is the latest scoop or ancient history. Look for a date. If you can't find one, dig a little further to make sure that the information is still relevant; you can often do this by confirming the facts on another Web site.
- ✔ **Know your sources.** On the World Wide Web, you may be hard-pressed to know exactly where the stuff you read comes from. If you read a rave review about a new business-software program, and the review comes from a respected business magazine, you can put your faith in it. However, if it appears without a source, on the software company's Web site, you're reading a sales pitch, not a review.
- ✔ **Double-check key facts and statistics.** If you use specific pieces of information — about business trends, markets, competitors, technology and so on — as the central building blocks of your business plan, double and triple-check that they're correct. If you build your financial projections on a forecast that the market for organic chooks will grow at 40 per cent a year, for example, make sure that the information is true and not some chicken farmer's private dream.

Taking it easy with business-planning software

If you're anything like most business people, there are never enough hours in the day. In fact, you're so busy that you tend to put off creating a business plan because you simply don't have enough time. Look no further — business-planning software helps you whip up a plan in the blink of an eye, transforming your scribbled notes into an erudite, spiffy-looking document. The best programs also make easy work of the financial parts of business planning — creating income statements and cashflow statements, for example, or making

financial projections. Some software programs add graphics, such as tables and charts, or diagnostic tools such as the Boston Growth-Share matrix.



You can get an idea of how business-planning software works by visiting www.maus.com.au and downloading the demonstration version of CCH MasterPlan. The question-and-answer format walks you through all the descriptive parts of your plan, providing a good structure and inserting sample text to help you get started. MasterPlan also makes light work of the financials, pulling together your figures to create balance sheets, income projections, break-even analysis and more.



Business-planning software provides a template — something which you can build on. Although business-planning software undoubtedly saves you hours and hours of time, especially when it comes to the financials, be ruthless when adapting sample templates to your own business. Ditch bits that are irrelevant, reword stuff that doesn't sound 'true' to you and don't hesitate to insert totally new content if you think it's relevant.

Seeking professional help

No-one knows the ins and outs of planning and running a business better than people who have done it. And most business people are happy to share their experience and expertise, so long as you don't plan on becoming a competitor! Many are even willing to mentor first-time entrepreneurs. Even the most grizzled veteran may be willing to offer advice if you run into questions you can't answer or run out of ideas to get your business off the ground.

Finding expert advice is surprisingly easy. The first place to look is in your own address book. You may have an easier time getting help from someone you already know on a personal level. Ask your friends and colleagues for suggestions. Other good places to look for help are your local chamber of commerce, TAFE or university, or the business section of your newspaper. Of course, you may end up paying for expert advice. But when you really need help, the advice is well worth it. Later on, your advisers may pay you back by becoming your advocates, cheering your business on as you search for funding or more customers.



Choose experts with experience in a business similar to the one you're planning and be clear about what kind of assistance you need. You can't ask someone to plan your whole business for you, after all. But you can ask them to fine-tune your marketing strategy, for example, or review and critique your financial projections.

Finding friendly advice

In many local communities, organisations of business people regularly convene to share ideas, exchange contacts, help each other out or just plain socialise. Although some of these groups have specific criteria before you can join, such as Rotary (you have to hold — or be retired from — a professional, proprietary, executive or managerial position) or the Women's Network (you have to be of the fairer sex), the groups are generally made up of people from the business spectrum and are open to the public.



Business networking organisations are an invaluable resource if you need help planning and running your business. Contact your local chamber of commerce, read through local rags or ask around business colleagues for the low-down on the social life of your business community. (Alas, those early morning business brekkies are becoming hideously popular.) Or, for a National Directory of Business Women's Groups and Networks, visit www.womensnetwork.com.au.

Assembling Your Planning Team

The first step in creating a business plan is realising that producing a plan is vital (see Chapter 2 if you're still wavering). The first question you come across after your realisation is this: Who's supposed to put the whole thing together? In some sense, the answer depends on how big your business is:

- ✔ **Small businesses:** If your business is really just you — or maybe you and a couple of other people — making a plan is your responsibility. But don't fret: Who better to create a view of the future and set business goals and objectives than the person responsible for reaching the goals and making the future happen?
- ✔ **Medium-sized businesses:** If your business is big enough to have separate departments, with managers responsible for each department, the process of creating your written plan requires more organisation — and more people. Putting together a plan is a big job, and involving all your key people has a certain advantage: Everyone involved in the plan has a stake in making sure that your business succeeds.
- ✔ **Large corporations:** If you're part of a big company, you may need to hire people who work on business planning full-time. Make certain, however, that you don't create an independent planning staff: You don't want your plan to take on a life of its own and get completely divorced from what's happening in your business.

Setting the ground rules

Putting together a business plan resembles any project that involves teamwork, from building a house to running a relay race. The clearer the ground rules, the smoother the process — and the happier your team. Make sure that your ground rules do three things:

- ✔ **Identify key steps.** Typically, the process of writing a business plan includes five distinct steps: research, first draft, review, revised draft and final review. You can specify as many or as few of these steps as you think you need. Just make sure that you spell them out up front.
- ✔ **Clearly assign duties.** Everyone involved needs to know exactly what you expect from them. You can use the key steps you identify to create separate sets of tasks, and then assign each task to members of your team (see also ‘Delegating responsibility’ in this chapter).
- ✔ **Establish a schedule.** Although writing up a business plan is a big job, the process doesn’t need to be a long and drawn-out affair. A business plan has to be timely, responding to the current business environment. After you complete the preliminary research, the rest of the steps are fairly straightforward. To keep your project on track, set due dates for each component of the plan and each step in the process. Give the members of your team as much time as they reasonably need, but no more.

Delegating responsibility

If your business is large enough to boast a management team, you should divvy up the work involved in putting together your written business plan. We’re not suggesting that you delegate responsibility to make your job easier (although it certainly does). Different people bring different perspectives to your plan. With a team in place, you have a group of people ready to read and review drafts, offer suggestions and fine-tune the document to make it as good as possible.

We can’t give you a simple formula for putting together your team. Every business is different. We can’t even tell you the ideal number of people to choose — that depends on the size of your business and the complexity of your plan. But here are a few tips that can help you create an efficient and effective team:

- ✔ **Keep your team lean and mean.** Too many planners are like too many chefs in the kitchen — they get in each other’s way. A bloated team can mean endless meetings and too many points of view. Involve only the number of people you think you really need to get the job done.

- ✔ **Appoint people who want the job.** Sure, you may have trouble finding volunteers who jump up and down at the chance to work on a business plan. But you need to make sure that the people you choose are at least willing and able to complete the task. To spark enthusiasm, take time to explain why creating a written business plan is so important. (See Chapter 2 if you need help convincing your team of the importance of a plan.)
- ✔ **Organise your team around the plan.** Make sure everyone knows the purpose of their task and how their work fits into the larger picture. Some of the assignments are straightforward: Your financial person takes charge of the financial review, for example. And your marketing head puts together the business environment section. However, if certain pieces of the plan are more complex than others, think about assigning a small group to work on them.
- ✔ **Put one person in charge.** Keeping track of the whole process can be a job in itself, especially if you have a large team or a complicated plan. Name one person the project director to manage the team and ensure that employees complete tasks on schedule. Make sure every person on the team understands that the person you choose has the ultimate authority.
- ✔ **Appoint a wordsmith.** A business plan is a written document. If you're lucky, you have someone on your team who enjoys writing — or at least has the talent to put words down on paper. Pick a lucky person to be in charge of writing key sections of your plan, such as the executive summary. This person can also serve as senior plan editor, checking grammar and spelling and making sure that the writing style is clear and consistent throughout the plan.

Putting Your Plan on Paper

When you first set out to create a business plan, the task may seem overwhelming. Right off the bat, you need to answer fundamental and sometimes difficult questions about your business and your hopes for the future. You have to decide what targets to aim for as you look ahead and set business goals and objectives. To succeed, you have to take the time to know your

- ✔ Industry
- ✔ Customers
- ✔ Competitors
- ✔ Resources
- ✔ Unique qualities

- ✓ Advantages
- ✓ Basic financial condition
- ✓ Financial forecast and a budget



You don't want to scare people — yourself included — with a giant written plan. The longer your plan is, in fact, the less likely people are to read it. Ideally, your written plan should be a maximum of 15 to 20 pages. Remember that you can always support the main text with all the graphs, appendixes and references that you think it needs. (To glance at a sample business plan, check out the Appendix.)

To remind yourself and others that your written plan is forever a work in progress, you may want to keep it in a ring binder, or store an up-to-date version of your plan on your internal Web site. That way, you can add or delete pages and swap entire sections in or out as your business plan changes — and it *will* change. Fortunately, however, the format you use — all the major sections of a business plan — stays the same.



If you feel overwhelmed by the amount of work involved in a business plan, don't get tempted to ditch the whole kit and caboodle. Instead, just do a bit at a time (the rest of this chapter lists the various parts of a business plan, so you can see what's involved). You might start this month by doing a customer survey, next month you could go undercover and check out your competition, the month after you could brainstorm different strategies. Remember, any planning is better than no planning!

Executive summary

The executive summary is more than just a simple introduction; a good summary encapsulates all the important points of your plan clearly and concisely. In many cases, the people who read your plan don't need to go any further than the executive summary. If they do, however, the summary points them to the right place.

Your executive summary need not be much longer than a page or two, and you can wait until you complete the rest of the business plan before you write it — that way, all you have to do is review the rest of your business plan to identify the key ideas you want to cover.

General overview

The general overview provides a place to make general observations about the nature of your business. In the overview, you highlight the most important aspects of your industry, your customers and the products and services you offer. Although you should touch on your business history and major activities in the overview, you can leave many of the details for the later sections.

To put together a general overview, you need to draw on several key planning documents, including the following:

- ✔ **Values statement:** The set of beliefs and principles that guide the actions and activities of your business.
- ✔ **Vision statement:** A statement that communicates to the outside world where you want your business to go and what you want it to become.
- ✔ **Mission statement:** A statement that sums up your business's purpose — who you are and what you do. (And sorry to say this, but a mission that says 'I want to make as much dosh as quickly as possible' just isn't going to cut the mustard.)
- ✔ **Goals and objectives:** A list of all the major goals that you set for your business, along with the objectives that you have to meet to achieve those goals.

To begin creating these documents, turn to Chapters 3 and 4.

Business environment

Do you ever feel that everything around you is always changing, that as soon as you've dealt with one thing there's another challenge looming on the horizon? Most business people are no strangers to this sensation. In fact, no matter how hard you try, nothing ever stays the same.

The business environment section of your business plan looks at the kind of things that are beyond your immediate control, such as the nature of your industry, the direction of the marketplace and the intensity of your competition. The idea is that you come up with a list of both the opportunities that this environment offers and the threats that you face.



In a way, this part of your business plan is about listening and watching. You keep your ear to the ground, checking out what's cooking in your industry and how business really gets done. You analyse your customers in more detail, perhaps even dividing them into groups and working out the kinds of customers you plan to serve. Finally, you spend some time describing your competition: Their characteristics, how they work and what you think they may have up their sleeve in the future.

For more information on how to describe your marketplace, check out Chapters 5, 6, 7 and 8.

Business description

This section of your plan goes into much more detail about what your particular business or organisation has to offer. Here's where you blow your trumpet, sharing info about your management team, systems, products and services, even your marketing potential — in short, anything special that you bring to your industry.

Of course, you need to be objective about what your capabilities and resources really are, sorting out the capabilities that represent strengths from those that show weaknesses. Ideally, you want to figure out what real advantages you have over your competitors, as well as how you intend to capitalise on these.

As far as possible, you should write this part of your plan from the perspective of your customers (don't hesitate to include results from customer surveys, if you have them). With a fresh perspective, you can sometimes discover customer value that you didn't know you provide, and as a result, come up with new long-term ways to compete in the market.

To start to put together all the things that your business brings to the table, see Chapters 9 and 10.

Business strategy

The strategy section of your plan brings everything together that you know about your business environment and your business to come up with projections about the future.

Ideally, your business plan should map out your basic strategies, including references to the different cost centres within your business, what your competition is up to and what kind of market you're operating in. You need to talk about why your strategy is the right one (given your business situation), what you have to do for your strategy to succeed and how you think the strategy will pan out in the future.

This part of your plan also considers the ways your business world may change in the future, listing alternative possibilities for action, and in each case, describing what you're doing to anticipate the changes and take advantage of new opportunities.

To prepare for change in your business world and to get info on how to think strategically about the future of your business, turn to Chapters 13, 14 and 15.

Financial review

Your financial review covers both where you stand today and where you expect to be in the future.

If you're just getting your business off the ground, then making financial projections for the months or years ahead can seem rather like betting on the horses. However, you have to start somewhere — after all, any bank manager or possible investor is going to want to see some numbers, however hard they may be to substantiate.

The basic financial statements include the following:

- ✔ **Profit & loss statement:** A profit & loss report is a story, communicating how your business has fared over the last few months or even years. This report lists sales at the top, purchases and expenses in the middle and a final profit (or loss) figure at the bottom, giving a quick and simple indication of whether your business is blooming with health or is as sick as a dog.
- ✔ **Balance sheet:** A balance sheet is a snapshot of your financial condition at a particular moment, showing exactly what you own, what you owe and your net worth.
- ✔ **Cashflow statement:** This report traces the flow of cash in and out of your business over a given period, tracking where the money comes from and where it ends up. The cashflow statement only tracks money when you actually receive it or spend it.

Your projections about your future financial situation use exactly the same kind of financial statements. But for projections, you estimate all the numbers based on your understanding of what may happen next, making sure to include all the assumptions you made to come up with your estimates in the first place.

To tackle the financial planning, see Chapters 11 and 12.

Action plan

Your action plan lays out how you intend to carry out your business plan, pointing out proposed changes in management, for example, as well as new policies or procedures that you expect to put in place. (Of course, if you're writing up a business plan for a business that hasn't started yet, an action plan is probably overkill.)

This part of your plan talks about any additional skills that you or your employees may need to make the plan work, as well as how you plan to generate excitement for your business plan inside your business. After all, without the necessary skills and commitment, you won't be able to be confident that your business plan is going to succeed.

For more background on how to make your business plan work, go to Chapters 16 and 17.