

## Fact sheet: Business plan preparation

### Factors to consider

Planning is the first key to success. A good plan will help you to think analytically about your business and make correlations between the different areas as to what works well and what doesn't.

Be open to discussion as to where the following factors may affect your business. For instance, a dairy farm will have a specific take on revenue/income, completely different from that of a tractor parts supplier. If a factor does have an impact on your business, be prepared to take a position on them and include that in your plan.

Below we have included common factors considered by business owners.

You may not need a business plan which looks at all of the following areas comprehensively. Some of these aspects may not be relevant to your business or will have a very specific meaning in your industry.

<b>Factor</b>	<b>What to consider in your business plan</b>
Review of the business	all aspects of your business, present and past, business structure and the history of the business
Financial analysis	including details of actual financial performance for the last 5 years (if available). This information is used to determine financial trends and ratios and allow benchmarking comparisons to be made with other businesses in your industry
Where is the business now?	what stage of the business life cycle is the business in? Is it an emerging or mature business? What makes the business different?
Business objectives	<p>what are the future objectives for the business?</p> <ul style="list-style-type: none"> <li>• business growth?</li> <li>• business growth?</li> <li>• employees?</li> <li>• customers?</li> </ul>
Succession plans	<p>what are your future plans for the business?</p> <ul style="list-style-type: none"> <li>• sell?</li> <li>• pass on to family?</li> <li>• sell to family?</li> </ul>
Resources	what needs to be upgraded, changed or acquired during the life of the plan
Uncontrollable environmental factors	you cannot put your head in the sand and ignore what is going on about you. How might uncontrollable environmental factors affect you or your customers, staff, suppliers and bankers with an impact on your business?
Computers and other technology	what developments are taking place in technology that affect your business? Can you use changes in technology to benefit your business?
Products/services	does your business deal in products or services or both? How do your customers respond to the quality of your products and/or services? What would improve quality? Can you highlight what makes your products/services different?
Industry and market analysis	is yours a growth industry? Are there restrictions on entry? What are the market conditions?
Marketing	<p>is marketing important for your business? Do you do test marketing? Do you have a marketing plan? If so, attach it to your business plan. Be honest when considering marketing. If you are uncomfortable in this area then seek out an experienced marketing consultant.</p> <ul style="list-style-type: none"> <li>• who is your target market?</li> <li>• have you a customer database?</li> </ul>

	<ul style="list-style-type: none"> <li>• have you a potential customer database?</li> <li>• do you have or need a newsletter?</li> </ul>
Advertising	if advertising is something your business has to do directly, what are you going to do about advertising in the life of the plan? Prepare an advertising budget on a month-by-month basis, listing particular events and determine media allocations.
Experience	how do your experience and shortcomings affect your business outcomes? What are you going to do to develop your strengths and abilities and those of your staff during the life of the plan?
Customers/clients	summarise your customers and the volume of business you are doing with each of them. What is the profile of your customers and what are you doing to improve your services to those customers? How are you going to attract similar customers to your business?
Location	what is your business location? Are there any aspects of location that affect your business performance for better or worse?
Competition	who are your competitors and what are their strengths and weaknesses. Consider: <ul style="list-style-type: none"> <li>• what areas are they better than you?</li> <li>• what areas are you better than them?</li> <li>• what is their share of the market and your share of the market?</li> <li>• how are you going to compete with them?</li> <li>• what is your differentiation?</li> </ul>
Production process	is there an orderly flow through the production process? What improvements are needed?
Suppliers	who are your suppliers? What are they costing you? Could you achieve better cashflow by engaging with different suppliers or by balancing out existing suppliers in a different way? Do you involve them in your business? Is there more you could do with them to promote your business?
Quotes / proposals / orders	does your business use quotes, proposals or orders? How are they prepared and presented to the customer? Are these systems satisfactory? Do they enable your products or services to be delivered to the customer on time, and at a profit?
Costing	what is the cost of production? How does your mark up percentage compare to competitors? Are you including all of your costs when you set charge out rates/sales prices?
Business pricing	how are prices set in your industry? Do you have control over it or input into it? If you do, review prices regularly.
Sales	if you produce a range of products/services, analyse the dissection of your sales into segments of products or services. Review the complete sales process: <ul style="list-style-type: none"> <li>• are your staff properly trained and prepared for selling?</li> <li>• do you give guarantees?</li> <li>• can your staff upsell, cross-sell, add on sell?</li> </ul>
Distribution	what are your distribution costs? Do you have alternatives? Should you be making changes to your methods of distribution?
Packaging	do you need to consider packaging in your business? Is it attractive yet durable? Have you ever gone to a customer's premises and viewed how your product looks when it arrives at its final destination? If so, were you proud of it? If not, why not?
Exports	a large number of New Zealand small/medium sized businesses now export goods or services overseas. Have you fully analysed the benefits, costs and problems of exporting overseas?
Operating the business	have you got a business operations manual or established procedures that everyone in the team are aware of and follow?
Staff development and training	undoubtedly one of the most important aspects of the business plan. If you ignore staff development then the chances of your business becoming a winning business are severely reduced. What are your team's staff development needs and your strategies to address them? Without properly trained and motivated staff, most businesses will have difficulty meeting their business objectives. Have you implemented effective staff training?
Superannuation / KiwiSaver	have all contributions been made by the due date?

Industrial relations and personnel management	do you understand the required procedures for employment of staff? Warnings to staff? Dismissals? Do you have proper procedures and adequate documentation in place?
Taxation	review all aspects of your internal systems for recording transactions to ensure that you comply with the taxation laws. Are you confident that your systems and records will comply with a tax audit? Should you arrange for your chartered accountant to review your systems/records to ensure that you are complying with the tax laws?  Is your tax plan reviewed annually? Are your systems established so that you can record all of the expenditure and other required information for the preparation of your fringe benefit tax return?
Debtors	are debtors an issue for your business? Does your business give credit? The impact of bad debts on cashflow can be severe. Do you ask potential customers (who require credit) to complete a credit application form? Do you check them? Who checks references? Who monitors debtors?
Stock	if your business sells products, stock control is an obvious issue. Do you analyse stock? Does management react with urgency to stock that does not achieve the targeted stock turn? Do staff know what the 'star' lines are? Is there a discount policy to ensure that stock sells?  If you are a producer, sound management of supply stock can be as important, so as not to lock up cashflow or where hazardous materials present health and safety or risk management issues. If your business is in livestock, this area has a whole other level of meaning as the greater part of your business will be concerned with the health and quality of your livestock, and resourcing effective stock management.  Do you conduct regular stocktakes? Do you have clear guidelines for stock control?
Work in progress	if you provide services, proper recording of all costs and employee hours is essential for the management of work in progress. Ensure that regular progress claim invoices are being processed.
Benchmarking	there are significant benefits if you can compare your business with your peers and evaluate key performance indicators for your business. Few industries have such information-rich benchmarking systems as the dairy industry with DairyBase. However, arrangements with similar businesses in your industry in a non-competitive situation so that you can compare all aspects of your business will help you set goals and monitor trends in financial performance, employee productivity, marketing, customers, and development.
Budgets and cashflow preparation	do not attempt to prepare the budgets and cashflow forecasts until you have completed virtually all other aspects of the business plan items to be considered include: <ul style="list-style-type: none"> <li>• sales/production budget</li> <li>• purchases/cost of sales budget</li> <li>• wages budget</li> <li>• expense budget</li> <li>• debtors' budget</li> <li>• creditors' budget</li> <li>• inventory (stock budget)</li> <li>• profit budget</li> <li>• bank loans</li> <li>• cashflow forecast</li> </ul>
Periodic financial statements	most successful business operators receive prompt, regular financial statements throughout the financial year and not just one set of financial accounts after the end of the financial year. Do you receive financial accounts, together with supporting analysis details, regularly throughout the financial year on either a one, two or three monthly basis? Track quarterly figures at management meetings. Analyse key performance indicators, and compare performance with the goals stated in your business plan.
Budgets/cash flow forecasts monitoring	budgets and cash flow forecasts are a vital part of the 'maps' for business, used to monitor business performance.
Bank relationship	do you have a firm policy on your relationship with your bank? Plan to see your bank manager at least

four times per annum.

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Business funding	at least once per year, list full details of all your business' loans, leases and hire purchase agreements, so that you can be fully familiar with your annual commitments.
Organisational matters	is there a 'system' by which the business operates?
Research and development	have you any projects that could be deemed to be 'research and development'? Do you need to budget for development projects?
Insurance	review your insurance covers at least annually. Diarise it to ensure that you do it. Prepare a summary of insurance covers to be included in the plan
Quality assurance	what are the compliance codes for your industry and your systems for meeting them? In some industries, you may have difficulty in securing work without a properly implemented and accredited quality assurance programme, especially from government agencies and big business.
Business structure	at least once per year, review your business structure with your chartered accountant and solicitor to make sure that it is still appropriate for your business needs.
Sensitivity analysis	this involves asking some 'what if' questions on a range of key issues affecting the business.
SWOT analysis	assess your business' present position honestly and analyse your future prospects realistically. The recording of strengths, weaknesses, opportunities and threats will assist you in the preparation of the plan.
Succession planning	<p>have you planned for succession? Don't leave this until it's urgent. Many businesses find succession planning challenging, particularly family businesses. But not attending to it can create a raft of problems, not least of which are the communication blocks and frustrations where key players don't feel they can air their concerns and be fairly heard in the business.</p> <p>For example, Mum and Dad need to know they'll have enough money to retire. And the siblings (and partners) need to know they're working towards a real stake in the business that they can build on. If you don't work out the numbers you need, you don't know what you're working towards and you definitely won't get it by accident.</p>
Personal	your personal position and individual goals influence how you see the business and where you want it to go. It's best to be upfront about this and incorporate it in the plan.

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Important: Clients should not act solely on the basis of the material contained in this article. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This article is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.