

■ BUSINESS PLAN GUIDELINES

Every business has basic goals and strategies for achieving those goals. A structured business plan can assist your business to set goals and determine timeframes within which your goals can be achieved. Our business plan, developed specifically for accounting practices, can help you to plot a path to achieve your business goals, in accordance with your company vision and values.

The components of the business plan are explained in detail in the following pages. Our commitment is to help you achieve your goals by successfully implementing this plan within your own practice and for your clients.

➔ FUTURE VISION

- Grand plan for your business
- Overarching company values
- Long term goals

➔ MISSION STATEMENT

- Services to clients
- Target clients
- Business reputation

➔ ORGANISATION CHART

- Internal departments
- Reporting lines
- Individual roles and responsibilities

➔ MARKET SUMMARY

- Competitors
- Market size
- Potential market share

➔ STRENGTHS

- Internal advantages
- Positive attributes
- Areas for future focus

➔ WEAKNESSES

- Internal challenges
- Areas for improvement
- Areas of neglect

➔ OPPORTUNITIES

- Areas of potential growth
- Areas for development

➔ THREATS

- External pressures
- Risks to the business

➔ COMPETITIVE ADVANTAGE

- Differentiating factors
- Unique selling proposition (USP)

➔ STRATEGIC PLAN

- Initiatives for business growth
- Initiatives to achieve the vision

➔ FINANCIAL PLAN

- Revenue estimates
- Cost of strategic initiatives
- Budget and cash flow for 12 months

➔ ACTION PLAN

- Steps to be taken
- Managers responsible for implementing plans
- Timelines for implementing initiatives



■ BUSINESS PLAN GUIDELINES

Future Vision

Every business must have a vision: A goal of its ideal position in the market place, coverage and geographic territory, staff numbers, staff skills, projected sales and revenue, physical equipment and property, target clients, etc.

The vision and purpose incorporates everything from the company's headquarters to individual branches, office location, roles and responsibilities of staff, etc.

When developing a vision for your practice, consider the following:

- ➔ Will your business be a family operation with fewer than twenty employees or will it be a global corporation listed on world markets?
- ➔ What values and culture are envisaged for your business?
- ➔ Will your business be a highly competitive, win at all costs company, spawning high performance and high achievers, with a sales driven approach with big rewards for exceeding budgets, high staff turnover for non-performers, a confident, if not arrogant approach to competitors? Will management be sensitive to and critical of any failures, have an attitude to customers that "we are the best and you are fortunate to have our product", staff need to put in long hours, the company always comes first, work hard, party hard, image conscious, self-indulgent?
- ➔ Or will your culture be at the other end of the spectrum: Paternal, caring for staff, family friendly, flexible work hours, sick leave, child care support, low staff turnover, long serving employees, tolerant of moderate achievers who have the company's interests at heart? Will you

have a strong social fabric and emphasis on morale with regular staff get-togethers, pleasant working environment and facilities, good systems and equipment, OH&S focus, superannuation and health benefits, sporting or exercise clubs, regular staff feedback and reviews, ongoing training, mentoring and development, good career opportunities, support for extra curricular study?

- ➔ What are the rewards for creativity and displaying initiative? Are these even encouraged?
- ➔ Is there a focus on research and development – is growth to come by acquisition, organically?
- ➔ Does the business take a long-term approach, particularly regarding profit growth and investments or new ventures, or are there short-term drivers such as making cash payments to shareholders, or public financial disclosures on an annual or quarterly basis?
- ➔ Is there any overt political bias?
- ➔ Do you want to be environmentally conscious, good corporate citizens, pay your share of tax, be involved in the community, be seen as benevolent, support religious morals, employ disadvantaged people, offer equal pay for males and females, remove the glass ceiling?

The vision of a business is an outline of the future goals of the company based on the above considerations. The vision may be expressed in a simple statement, paragraph or detailed document.

“ The content of the vision should clearly state the business target goals, desired positioning and company values. ”



■ BUSINESS PLAN GUIDELINES

Mission Statement

The company mission statement should not be confused with the vision. The mission of any business is serving its customers. The mission statement should therefore be an expression of the manner in which the business strives to achieve this. The statement should be succinct and able to be easily understood and recalled by employees – it should resonate with them.

The mission statement should be aligned to the company vision, which is the future plan and goals of the practice. Every employee's role and responsibilities should be consistent with the mission. Everything the business does must emanate from and be consistent with the mission and vision, without exception.

In order to define the mission, the business must be able to define and describe its target customers: their demographic for consumers and their characteristics for business to business.

When determining your mission statement you will need to consider:

- ➔ Who your target clients are
- ➔ The size of the organisation or company
- ➔ Their product and service expectations
- ➔ The best business model to meet your target clients' requirements

For example, your mission statement may be:

We supply the best quality stationery to the top 100 listed companies around Australia, delivered within 4 hours from receipt of order.

To support this mission statement, your business model would need to include good supply of stock, large efficient warehouses, national delivery network, national order taking facilities and sales force.

Ideally, your mission statement should highlight your unique selling proposition (USP) i.e. that unique quality, product or service that makes your business stand ahead of your competitors. By including your USP in your mission statement, you will be qualifying the statement and the quality of service your customers can expect.

In the above sample mission statement, there is reference to "best quality" and "4-hour delivery" turnaround. These can be attributes that differentiate this business from its competition.

Another example is to add a qualifying statement to your mission such as:

We pride ourselves on always putting the customer first, which is why our customers have been with us for an average of 13.5 years.

“ Your mission statement should encapsulate in a few words your purpose and over-arching positioning of your company, written directly for your target clients. ”



■ BUSINESS PLAN GUIDELINES

Organisation Chart

When developing your organisation chart, you need to consider in the first instance if you are going to be a top-down or a top-up organisation. This means that you need to determine if your organisation structure will be hierarchical with many layers, or a flat management structure focused on front line service delivery to customers.

The role of every staff member should be determined by performance outcomes and desired delivery targets. Once these have been identified, then design job descriptions for each function. The job descriptions should be used as a basis for hiring staff and providing a performance contract to each employee. Job descriptions will outline the minimum level of skills and qualifications, as well as labour costs necessary to sustain the business model.

Lines of reporting need to make logical sense and engender efficiency and productivity. Terms and conditions for employees should be reviewed in line with the stated culture. Consider the feasibility or necessity for employment contracts for staff.

Remuneration and incentive programs for key personnel must be structured to reward behaviour and outcomes that are congruent with the organisation's mission and vision. Pay levels must be set at a reasonable market rate in order to attract the calibre of staff necessary to achieve your goals. Salary packages should include incentives to encourage high performance and long-term profitability.

Consider the importance and role of the HR function and what outcomes it is intended to deliver for your business.

The organisation chart should be reviewed annually to ensure that the integrity of the structure is being maintained. Promotions, staff turnover, differing skills and personalities, as well as changed circumstances quickly result in a gap between the original plan and current staffing. Individual personalities should not be a factor in getting the organisation chart right. The culture and objectives should be your key drivers.

It is a good practice to share your organisation chart with your employees so that everyone has a sound idea of how their role fits into the overall success and sustainability of the business. Staff will also be aware of the responsibilities of other staff within the organisation and this might facilitate a culture of openness and freedom of information.

“ Your organisation chart should clearly outline the reporting lines, roles and responsibilities of all the staff and managers in your organisation.

”



■ BUSINESS PLAN GUIDELINES

Market Summary

Businesses need to be aware of their niche within a specific industry, and the potential size of the market they are targeting. Only then can they evaluate whether they have a viable business case and sustainable business. Industry statistics available from bodies such as the Australian Bureau of Statistics, University of Armidale and the Department of Industry provide information about market size for most industries.

Calculating the market share of a business is vital to its future success.

Business aspects such as financial statements, legislative requirements, ability to protect intellectual property, technology and the relative strength of the competition, must all be analysed as part of the assessment of the viability of the business case.

When developing your market summary, consider your competitors:

- ➔ Who are your competitors?
- ➔ How big are they?
- ➔ What is their relative market share?
- ➔ What is it that enables them to command their share of the market?

- ➔ How do your competitors distinguish their business from yours?
- ➔ Are sales driven purely by price, where high volume and low margins are required to be competitive, or is the product differentiated to the extent that it is not so price sensitive?
- ➔ What methods are employed to attract and retain customers?
- ➔ Do your competitors advertise?
- ➔ In which media do they advertise?
- ➔ Do they rely on referrals for repeat sales?
- ➔ Do they employ sales staff?
- ➔ How is the efficiency and return on the marketing investment measured?
- ➔ How much of the turnover is repeat sales, new business, new products or services?

Also consider your own business:

- ➔ How is your target market identified?
- ➔ What research, if any, is used to support this analysis?
- ➔ What account has been taken of any relevant recent demographic or technological changes?

“ The market summary should contain factual information including statistics about the state of the market, factors affecting change, competitors and competitive intelligence, available and prospective market share, etc. ”



■ BUSINESS PLAN GUIDELINES

Competitive Advantages

It is necessary to enumerate what special qualities reside in the product or service, which make it an attractive proposition for customers i.e. the value or unique selling proposition (USP). Your USP is that unique quality, product or service that makes your business stand ahead of your competitors.

There are certain reasons why customers might choose to do business with you. Examples include price, quality of your products and services, mode of delivery, staff, service guarantee, advertising and promotions, office location, delivery, customer care, backup and support service and recognition of your brand.

Conversely, your competitors may offer something different which attracts customers to their business. You need to identify what it is specifically that distinguishes you from your competitors.

Once these factors are clearly established, your business can postulate the type of customer who will benefit the most from receiving your products and services. You can then efficiently direct your energies towards finding and servicing those customers.

Consider:

- ➔ What are the characteristics of your brand?
- ➔ How relevant is your brand to your sales?
- ➔ What work has been done in developing the brand?
- ➔ Is your brand a sleeping asset?
- ➔ What effort goes into designing and developing new products and services?
- ➔ How are industry trends identified and tested?

“ Your competitive advantage lies in the key differentiating factor which makes your business special, which is your unique selling proposition ”



■ BUSINESS PLAN GUIDELINES

Strengths

Every business possesses inherent strengths. When identifying the strengths of a business, it is important to determine the reasons customers return. This will help to determine the unique selling proposition of the business. The intention is to define the core business model and the formula for success, so that this can be leveraged and repeated for continued success.

By harnessing the strengths of the business, and ranking them in order of importance and impact, you will be able to determine the areas of the business where you should focus, and eliminate all other non-core or ineffectual activities.

This is the 80/20 rule in operation. Businesses often spend up to 80% of their energy for as little as 20% of their return, and vice-versa. Analysing your business strengths will allow you to re-direct your resources to the areas that have the greatest impact on performance and profit.

Your strengths are factors that are within the control and influence of the business. The only thing holding back your business from fully capitalising on its strengths, is knowing which ones are the most important, and having the will and discipline to concentrate solely upon them.

A further reason to dwell on your strengths is that it is all too easy to highlight the negatives, and limit your activities to addressing those. Only fixing the weaknesses is like healing a wound: you get well again, but you're not super fit. A prime example of this is savage cost cutting when things are not going well. One can cut back so much that there is no capacity left to grow.

“ By adopting the approach of developing strengths as part of an ongoing process, you will avert poor performance and a negative culture and will maximise the potential of the business. ”



■ BUSINESS PLAN GUIDELINES

Weaknesses

Although it is important to focus on the strengths of the business, the weaknesses cannot be overlooked. The ideal is to address both strengths and weaknesses in a productive and positive environment.

Often weaknesses are easier to identify as they are generally the areas where things go wrong, mistakes are made, complaints come in from customers, or from staff, and they show up as negative variances in the management reports and key performance indicators (KPIs). Weaknesses can also be unfavourable points of difference from competitors, which takes customers away from the business and loses sales.

Having noted the weaknesses, the idea is to turn them into opportunities as areas to be improved. Business weaknesses are usually “low hanging

fruit” in terms of performance enhancement, as they are areas directly under your control and influence. It should be demonstrated to all your staff that proper care and attention will bring instant and sizeable benefits. Unless, of course, something that is seen as a weakness should actually be discarded rather than preserved, if correcting it produces little benefit to the business.

Alternatively, it may be that an operation that is not within the area of expertise of the business should be outsourced to someone who specialises in that activity, often at a lower cost. This will have the dual advantage of having the business focus on its core operations, as well as possibly making real savings by culling inefficient ones.

“ By identifying your weaknesses and turning them into opportunities for business improvement and growth, you will demonstrate to your staff the benefits of a positive approach to attention to detail. ”

■ BUSINESS PLAN GUIDELINES

Opportunities

Examining the strengths of the business may lead to the identification of business opportunities. There may be instances where the business model may be copied, for example, by opening more outlets, expanding into other territories or through franchising.

Consider strategic alliances that can be built with complementary businesses for mutual benefit. Examine the prospects for acquiring or merging with competitors to improve margins and profitability.

Conduct an analysis of your business and the political – economic environment in which you are operating and are likely to operate over the following three years, domestically and globally.

Consider:

- ➔ Is it reasonable to expect a growing economy?
- ➔ What will be the price of resources?
- ➔ Where are the demographics for your sector heading?
- ➔ Will environmental factors affect the business?
- ➔ Are there opportunities for you to be more green?
- ➔ How can you benefit from the power of information technology and the internet?
- ➔ Are there government incentives for your industry, or are you able to lobby governments for assistance?
- ➔ What are the special nichés that very few people are playing in, where being a pioneer can create a premium before everyone else joins in?
- ➔ Can you see your industry changing in a way that requires a substantial shift in your method of doing business?
- ➔ Have conditions altered where there is no longer a need for a middle-man, and you can go directly to the source; or, if you are the middle man – what are your options?

“ When identifying opportunities for business growth and development, consider what new areas would fit within the core direction of the business. ”



■ BUSINESS PLAN GUIDELINES

Threats

Threats are very often external to the business and include events out of your control and which you cannot avoid. The issue is how you prepare for events and circumstances out of your immediate control.

Consider:

- ➔ What will be the impact if there is a change in government or a downturn in the economy?
- ➔ How will you react to these events?
- ➔ If your sales take a beating, will you cut costs or increase your marketing expenditure?
- ➔ How are you preparing for changes in technology that may adversely affect your product range or distribution?
- ➔ What is your position in relation to potentially higher interest rates and inflation, to rising world oil prices, to a tightening of the job market, to the impact of industrial relations changes?
- ➔ What are the issues in relation to supply of skilled labour in your industry? Is it union dominated?
- ➔ Is there a shortage of trained people coming through, or high demand from overseas for your staff skills?
- ➔ What are the barriers to entry in your industry?
- ➔ What will you need to do if the barriers come down and new competitors flood the market?
- ➔ Is your market already over-supplied, and if so, is this just a temporary cycle or a permanent situation?
- ➔ Is the industry dominated by a handful of major players while a bunch of small operators make up the balance, or is there room for all?
- ➔ Is your industry highly regulated and/or subject to substantial government intervention?
- ➔ What legislative changes are you anticipating from the regulatory authorities?
- ➔ How easy is it for competitors to replicate your products or services?
- ➔ What legal protections are there? (If the answer is "Not many") How do you stay ahead of the pack?

“ Address threats by preparing for the future, predicting foreseeable changes, planning for difficult times, and controlling your reaction to unforeseeable events. ”

A yellow diamond-shaped road sign with a black border and the words "PAVEMENT ENDS" in bold black capital letters.The word "HARDINGS" in white serif capital letters on a dark green background.

■ BUSINESS PLAN GUIDELINES

Initial Plans

Your business plan should include a Strategic Plan, Financial Plan and Action Plan.

Strategic Plan

The business strategic plan should incorporate all of the strategic issues and demonstrate clearly the business direction and operational path for a 3 year period.

It should include the marketing plan, financial targets such as profitability and rates of return on investment, and the product plans. Each of the initiatives will be costed out and evaluated, including estimates of revenue they will generate.

Financial Plan

The first year of the plan will be incorporated into an operating budget, capital expenditure budget and cash flow forecast.

The costings from the strategic plan will form a significant part of the financial plan.

There should be key performance indicators (KPIs) devised to monitor performance, in addition to the financial measures.

Action Plan

An action plan is a schedule setting out the initiatives to be undertaken, personnel responsible, deadlines for implementation and the estimated financial implications of each initiative.

If there is not one already in place, a monthly management meeting should be held to report on performance relative to the budgets, cashflow and KPIs.

The business action plan should be circulated to all relevant parties.

For more information:

Peter Perivolaris
General Manager
Hardings Consulting

Ph: (02) 9247 8451
Email: pperivolaris@hardings.com.au
Mail: First Floor, 1 York Street
Sydney NSW 2000