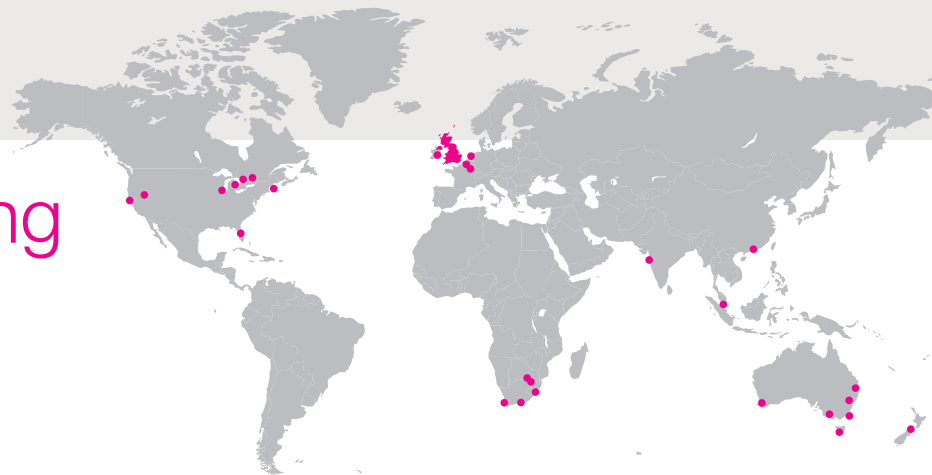




**FAILING TO PLAN IS  
LIKE PLANNING TO FAIL**

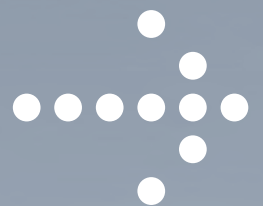
# Business planning & strategy implementation





“We have sold over 4.5m Raspberry Pis and could not have achieved this without Martin’s help with strategy and business planning”

**Eben Upton, CEO, Raspberry Pi**



# Executive summary

Without a comprehensive, up-to-date business plan and an implementation timetable, companies may be missing out on opportunities for growth and not realising their full potential. A formal plan can be an extremely valuable tool for managing and growing a business, as it allows a company to recognise its strengths and weaknesses. Furthermore, research has shown that SMEs that have a business plan in place are consistently more profitable than those who do not have a business plan.

## Highlights

- The benefits of creating a business plan
- The key elements of an implementation timetable
- How a part-time CFO can help you to create a business plan and implementation timetable for your business





# Introduction

Planning is the key to the success of any business, no matter its size or age but it's said that many small to medium-sized businesses don't have a plan of any kind.<sup>1</sup>



**The majority of those without such a plan which sets out the company's strategic direction, its main operating and financial targets, the actions it will take to achieve those objectives, the new initiatives and investments planned, and their impact on the company's performance say they don't believe it's necessary. Nearly a fifth say they prefer to keep plans in their head, according to research by Close Brothers Asset Finance.**

Mike Randall, CEO of Close Brothers Asset Finance, says, "It's concerning that so many small and medium-sized firms do not have a business plan. Without clear direction, they may be missing out on opportunities for growth and not realising their full potential."<sup>2</sup>

He suggested that those who weren't prioritising it or "didn't feel it was necessary" should rethink their approach.

"Planning is key to any business throughout its lifecycle. A formal plan can be an extremely valuable tool for managing and growing a business, as it allows a company to recognise its strengths and weaknesses."

The study also asked those who did have a plan, how often they reviewed it. Almost two-fifths said they considered it at least once a year while a fifth said they looked over their plan every two years. Some 14% reassessed it once every two to five years. Randall said this was an area SMEs should be focusing on as, "a plan is only useful if it is reviewed regularly to ensure it meets the current and future needs of the business."

He added: "It's vital business owners regularly review their financial strategy to ensure they have the right funding in place to meet the needs of their business, at its current stage of the business lifecycle."



<sup>1</sup> 'Worrying number of SMEs don't have a business plan', Business Matters magazine, [www.bmmagazine.co.uk](http://www.bmmagazine.co.uk), May 1, 2015

<sup>2</sup> 'Are business plans redundant? Nearly a third of British SMEs don't use them', Smith, Rebecca, Real Business, [www.realbusiness.co.uk](http://www.realbusiness.co.uk), May 1, 2015



## A lack of a succession plan can put the future success of a business at risk...

Rebecca McNeil, MD for Business Lending and Enterprise at Barclays, says, “A lack of a succession plan can put the future success of a business at risk, so this needs to be considered far earlier and more formally than the results show.”

Having a business plan is fundamental, she says. “It defines exactly what you want to achieve, how you plan to achieve it across a set time period and is a sure-fire way to ensure that growth targets and plans are being met.”

“Business plans are dynamic documents – meaning they should be revisited and adjusted as the business develops. In addition, a strong plan can help applications for finance from a business loan to alternative forms of finance and investment.”

She continued; “Importantly, when a business is in trouble, having a solid plan can help to steer it back to good health.”

**SMEs that had a business plan in place last year were consistently more profitable (70%) than those that did not (52%), according to yet another survey, this one commissioned by business and finance software provider Exact.<sup>3</sup>**

It showed that those who had a business plan in place were more than twice as successful in achieving these goals than those who did not (achieving a 69% success rate versus 31%).

Creating a well thought-through, comprehensive business plan is an arduous task. Thinking through objectives and likely outcomes which may occur many years down the line is, by nature, challenging. But it is the hard work up front which makes for lighter work down the road as all of our team of part-time CFOS will attest to.

**Most CEOs and MDs simply don't have the time to spend on quality strategic thinking and to document and communicate that thinking in a way which allows the whole business to buy into the vision.**

Harder still is managing and implementing the business plan. Significant strategic course corrections are commonplace in fast-growing companies. These should be embraced. The tricky part though is in managing regular change. That requires a combination of time and specialist knowledge.

<sup>3</sup> 'UK SMEs losing out on nearly 20% extra profit by not having business plan', Exact, [www.exact.com](http://www.exact.com), Apr 10, 2014

## There is an art and science to effective business planning and getting it right brings a real sense of clarity and direction to a business – this is where an experienced part-time CFO can make a significant contribution.

Not spending quality time on strategic planning usually leads to a chaotic working environment. Our clients often talk about ‘not feeling in control’ and ‘not really knowing what is coming around the next corner’.

When the plan is weak, business owners tend to operate without the same sense of conviction as those who allocate time and expertise to the planning process.

Our part-time CFOs often find their clients have done some good planning and strategic thinking but need a devil’s advocate to ask the right questions and help to steer the ship in the right direction.

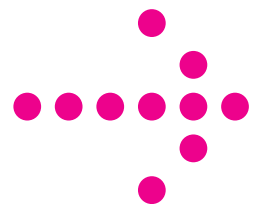
Being a CEO or MD without a high level ‘finance person’ to bounce ideas off can be tough. CFOs often possess a different albeit complementary set of skills to CEOs/MDs.

It is natural for business owners to bring people into the company who see the world in the same way they do. It is often more valuable to have key members of your team who possess very different skills to your own. Constantly doing the same things in the same way with the same people will usually lead to achieving the same results. If you are worried about whether you have the right team in place to fulfil the vision you have for your business, or

whether you have the funds you require, or whether your business plan is sufficient to reach your objectives, then we would recommend you take the time out to work through the detail. It is rare to see a company succeed if it doesn’t have a robust plan.

**Our part-time CFOs often work with clients who started off with intentions to run a business and have ended up working in a job. However, with the right business plan in place and a robust implementation approach, the business owner is able to run the business without getting drawn too far into the day-to-day details.**

Our part-time CFOs often work with clients who started off with intentions to run a business and have ended up working in a job.



# The benefits of creating a business plan and implementation timetable

Proper business planning is very liberating for the business owner, whatever their objective might be. A well-constructed and regularly reviewed business plan will instil real confidence that the goal is indeed achievable.



**Writing a business plan has many benefits for businesses of any size and in any industry. It can help owners and senior managers to:**

➤ **Clarify objectives and develop suitable strategies.**

They can create a clear path for management to follow in the early stages and identify targets for performance measurement (or 'milestones'), says David Cromwell, former head of JP Morgan & Co's Private Equity and Venture Capital Division and co-director of Yale School of Management's Entrepreneurial Business Planning Course.<sup>4</sup>

➤ **Understand the market. You have to research your market to understand it and that will always be beneficial.**

"Research is one of the big value-adds of writing a business plan," says Joseph Ferriolo, Director of Wise Business Plans.<sup>5</sup>

"Research forces companies to learn what they can expect to make and what the industry trends are. Where has the industry been the last five years, and where is it going? If the research indicates your idea is viable, the actual construction of your plan depends on the goods or services you offer, how much funding you need and your goals."

➤ **Identify and overcome internal and external threats**

➤ **Organise the company**



<sup>4</sup> 'The Business Plan: Lecture 3:1', Cromwell, David, David Cromwell's and Maureen Burke's Entrepreneurial Business Planning course, Yale School of Management

<sup>5</sup> 'How to Write a Business Plan: Outline, Format & Sections', Arline, Katherine, Business News Daily [www.businessnewsdaily.com](http://www.businessnewsdaily.com), Feb 5, 2015



Access external funding (banks, venture capitalists, and angel investors are unlikely to look at any funding request that isn't accompanied by a very solid business plan.)

"A professional investor's decision to pursue a proposed new opportunity will turn on the quality of the business plan and the accompanying materials," says Cromwell.

"There is no chance whatsoever of raising the needed financing without a business plan. Even with a plan, the content and packaging must be excellent."

"The business plan is management's first, best, and probably only chance to capture the attention of investors," he adds. Investors need assurance that management has thought of its corporate goals, management team, products, strategies, competition, and the necessity of capital.

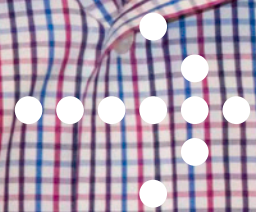
They also want to know that the management team has considered weaknesses as well as strengths, problems as well as opportunities.

"At JPMorgan & Co., we received over 4,000 business plans every year," recalls Cromwell. "We invested only in about 1% of the incoming situations." That 'deal flow' versus the rate of investment is typical for venture capital investors, he says.

"Venture investors think they are busy people. Instead of trying to find a reason to pursue a new investment opportunity, most VCs try to find a reason to kill it ASAP."

“

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# The key elements of a business plan



The most important part of your business plan is its financial information. Your financial forecasts should include your cash flow predictions for the next 12 months or more.

You'll also need to provide monthly sales estimates and costs to prove the business has enough working capital or to show that you understand you need to arrange additional finance.

You need to explain all assumptions in the business plan, with best- and worst-case scenarios. Detail the risks you're likely to face and how they will be dealt with.

## You also need to describe:

- > Your business' history
- > Its competencies
- > Key products/services
- > Goals
- > Market
- > Management
- > Your objectives and business-development strategy (how you plan to achieve your objectives)



# The Business Plan Sections

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## > Executive Summary

The executive summary is usually the first section of any business plan and provides a condensed overview of what the business is and how you intend to reach your goals.

If you're seeking funding, you should detail the terms of the financing and the amount needed.

It's best to leave writing this section until after you've completed the rest. It should be less than 1400 words.

## > Company description

This is like an extended elevator pitch. You need to explain your company history, business goals and how you satisfy the needs or wants of your market. You will also need to explain your competitive advantage.

## > Market analysis

You will also need to provide market analysis, size and expected growth as well as, industry participants, distribution patterns, competition and buying patterns, and your main competitors.

## > Organisation and management

In this section, you need to detail your management team (and plans to fill any gaps within that team), your organisational structure, your Board of Directors, as well as a personnel plan.

## > Service or product line

You need to describe your product or service and any associated copyright information or research and development activities.

## > Marketing and sales

You need to detail your marketing strategy (including pricing, promotion) and your sales strategy (including sales forecasts, programmes and techniques). Your costs, services, and support will also need to be included in this section.

## > Financial projections

This section outlines what you expect your business to achieve financially over the next three to five years. It needs to include your projected financial statements, expected cash flow and break-even analysis as well as key financial indicators and ratios.

Don't be tempted to overstate your numbers or expectations to obtain financing. It's likely to harm rather than help you get that funding.

## > Funding request

If you plan to ask for a loan or capital, you need to include a formal funding request as part of your business plan. You need to include details of how much money you need now and how much you'll need in the future.

# How a part-time CFO can help you to create your business plan and implement it

The CFO Centre will provide you with a highly experienced senior CFO with 'big business experience' for a fraction of the cost of a full-time CFO. This means you will have:

- One of Australia's leading CFOs, working with you on a part-time basis
- A local support team of the highest calibre CFOs
- A national and international collaborative team of the top CFOs sharing best practice (the power of hundreds)
- Access to our national and international network of clients and partners

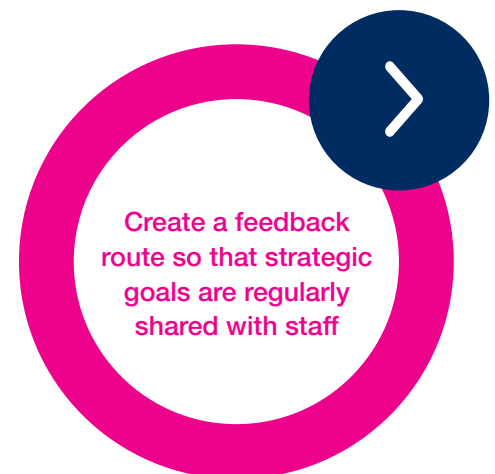
With all that support and expertise at your fingertips, you will achieve better results, faster. It means you'll have more confidence and clarity when it comes to decision-making. After all, you'll have access to expert help and advice whenever you need it.

In particular, your part-time CFO will work closely with you to develop your business plan and your timetable for implementation to:

- **Gain a full understanding** of the business and its operating procedures.
- **Work through** the existing strategic plan with you and make necessary changes to build a plan which clarifies how the company's objectives can be realistically achieved.
- **Agree on** milestones and break down the plan into annual and quarterly targets.
- **Conduct a fresh SWOT** (Strengths, Opportunities, Weaknesses, Threats) analysis bringing the plan up to date.
- **Conduct a new PEST** (Political, Economic, Social and Technological) analysis bringing the plan up to date.
- **Carry out** a full competitor analysis to understand in detail what is and isn't working in the market.
- **Explore opportunities** for effective market research to enable innovation and development of new products/channels to market/operating procedures.

- > **Identify key players** in the business.
- > **Identify skill gaps** in the business.
- > **Agree financial incentive structures** to retain and motivate key members of the team.
- > **Identify five key metrics** for determining what the future course of the business should look like.
- > **Agree on the exit** or succession strategy.
- > **Develop** a clear, coherent message (vision/mission/purpose) to staff and to customers.
- > **Work with the senior team** to ensure individual department goals are aligned with the big picture strategy.
- > **Agree on a who/what/when** set of objectives for all department heads.
- > **Implement accountability** protocol for every member of staff.
- > **Determine methodology** which allows the senior team to course correct periodically when a change in strategy is required.
- > **Agree on delegation** of authority to department heads to spread responsibility across the business and to free up the CEO/MD's time.
- > **Create a feedback route** so that strategic goals are regularly shared with staff
- > **Develop a set of relevant KPIs** (Key Performance Indicators) and a system which allows for regular (daily/weekly/monthly/annual) monitoring and reporting.
- > **Develop a long-term** efficient tax structure for the business and for key employees.
- > **Identify key outsource** suppliers/advisors and, in particular, corporate finance contacts

This process will instil a deep feeling of confidence both within the senior team and throughout the rest of the business.





# Conclusion

Installing an up to date business plan or 'roadmap' in your business will allow you to experience a sense of control, which may have been absent since the day you started your company.

The business plan (and the methodology for updating the business plan) will remove a significant amount of confusion from your operating procedures. There will always be challenges contained within new projects but you will have a proper framework against which all decision-making can take place.

The plan provides the blueprint for delegating responsibility to your team and allows you to create some space in your own environment to work on growing your business, with your part-time CFO as a constant guide and sounding board.

You will move out of the chaos and into a more serene working environment where each of the cogs, which make up the bigger system, is able to move in harmony.

Potential hazards will have been identified in advance and dealt with before they become unmanageable. You will be able to move from a culture of fire-fighting to a culture of fire-prevention and the benefits will be felt by each member of your team and most probably by your customers too.

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## Don't leave success to chance

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