For intermediaries only

Create a powerful business plan

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Business planning – why do it?

Time is a valuable commodity, but the investment you make in defining the strategic direction of your business will be some of the most rewarding hours you'll spend this year.

People sometimes worry that their business plan will end up sitting in a drawer until the planning cycle begins again. However, having a business plan can help you:

- identify your own goals and business vision;
- reveal why you're in business and the key services you want to offer;
- embed real transparent values in your business;
- define your own business model, which will lay out how you plan to make money and grow your organisation;
- map out the future direction of your business;
- address your weaknesses while harnessing your strengths;
- understand the market you operate in – its opportunities and threats;
- identify your major competitors and your strategy for facing them;
- understand your customers, highlight potential customers and how to attract them;
- define the marketing strategies you need;
- calculate the investment you need for success and understand your current revenue streams;
- anticipate potential obstacles and how to overcome them;
- measure your progress;
- recruit new employees who can see your vision and values, and
- design your corporate CV and attract the business partners you want.

Most of all, your business plan gives you control over events and allows you to shape the future of your business.

Forming your goals and mission statement

Creating goals and a mission statement is an important part of thinking about your ideal future, and a good way to motivate yourself to turn your vision of the future into reality.

Why set goals?

From elite athletes to successful business people, top achievers in all fields have goals they want to achieve. Setting clear goals helps you decide where you want to go — in your career, in your business and in life generally.

If you know exactly what you want to achieve, you can concentrate your efforts where it matters most and avoid distractions. Goals give you the long-term vision to help you focus your learning and development and organise your time and resources more effectively.

By setting sharp, clearly defined goals, you can measure and take pride in your achievements. As you get into the habit of setting and achieving goals, you'll find that you're more motivated and have more self-confidence.

Tips to set effective goals

The following broad guidelines will help you to set effective goals:

- Make each goal a positive statement — carry out this technique well is a much better goal than don't make this mistake.
- Be precise — include dates, times and amounts so that you can measure your achievement.
- Set priorities — this helps to direct your attention to goals most important to you, and stops you feeling overwhelmed.

Example goals – Delight our customers

1.

Increase customer retention to 95% by the end of the year.

2.

Implement a customer feedback form and send to existing customers by 1 June. Monitor results and identify any future opportunities by 31 December.

Create your mission statement

A mission statement defines, in a couple of sentences, an organisation's reason for existence – its philosophies, goals, ambitions and morals. Without one, you'll never be able to show that you're achieving what you set out to do.

A company's mission statement is a constant reminder to its employees of why the company exists and what its founders imagined when they set it up. Losing sight of this is one of the key reasons that companies fail.

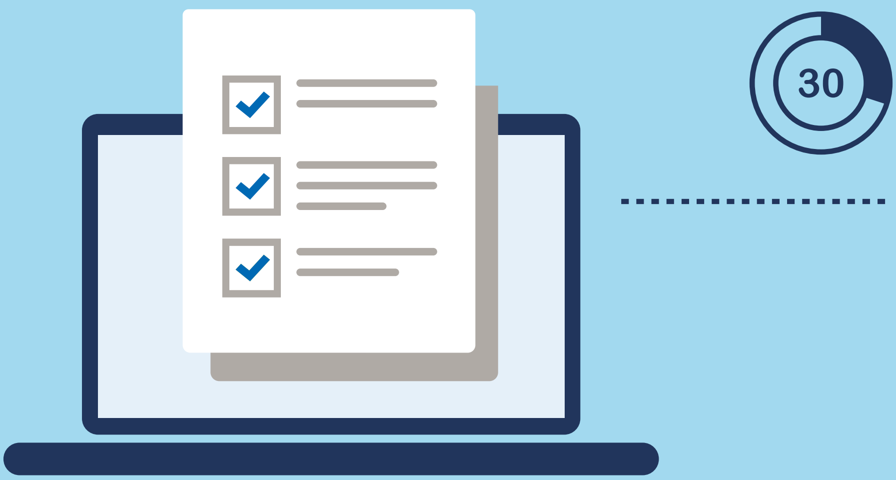
An effective mission statement should tell your company story and define your ideals in less than **30** seconds

How do I write a mission statement?

You should think of your mission statement as a cross between a slogan and your 'elevator pitch' to the world.

Here are some basic guidelines to get you started:

- A mission statement should say who your company is, what you do, why you do it and what you stand for.
- It's best to get input from all the members of your organisation when developing your mission statement.
- The best mission statements are short enough to be easily remembered and repeated by anyone connected to the organisation — ideally no more three to four sentences.
- Instead of just saying how great you are, try to express your purpose in a way that inspires support and ongoing commitment.
- Make sure you motivate those who are connected to your organisation.
- Avoid jargon, and use active language and verbs to describe what you do ('we sell', rather than 'the sale of', 'we think' rather than 'it is thought that').
- Finally, it's essential that you genuinely believe in your mission statement. If you don't, other people will soon see through it.



The market you operate in

An important part of your strategic planning process is the SWOT analysis (looking at your strengths, weaknesses, opportunities and threats).

When carrying out a SWOT analysis, you'll need to look at both your internal environment (within your business) and your external environment (outside it). Internal factors are usually classified as strengths or weaknesses, while external ones are classified as opportunities or threats.

The SWOT analysis gives you information that's helpful in matching your firm's resources and capabilities to the competitive environment it operates in. It's central to creating your strategy.

Strengths

Your business strengths are the resources and capabilities you can use to develop a competitive advantage. Examples include:

- unique services you offer;
- a strong brand name;
- a good reputation among customers;
- a cost-effective service;
- exclusive access to certain services, and
- favourable access to distribution networks.

Weaknesses

Identifying your firm's strengths will help you identify those which it lacks. For example, each of the following may be seen as weaknesses:

- lack of the correct services and solutions;
- a weak brand name;
- a poor reputation among customers;
- a high cost structure, and
- minimal access to key services and distribution channels.

Sometimes, a strength can also be a weakness. For example, a firm with a large amount of manufacturing capacity may be able to produce more than its competitors — but this capacity might also mean it can't react quickly to changes in the strategic environment.

Opportunities

Looking at your external environment can reveal new opportunities for profit and growth, for example:

- a customer need that isn't being met;
- new technologies;
- loosening of regulations, and
- new market segments.

Threats

Changes in the external environment can also present threats to the firm, for example:

- a change in customer preference – away from your company's products and services;
- the creation of new or substitute products;
- new regulations, and
- increased competition.

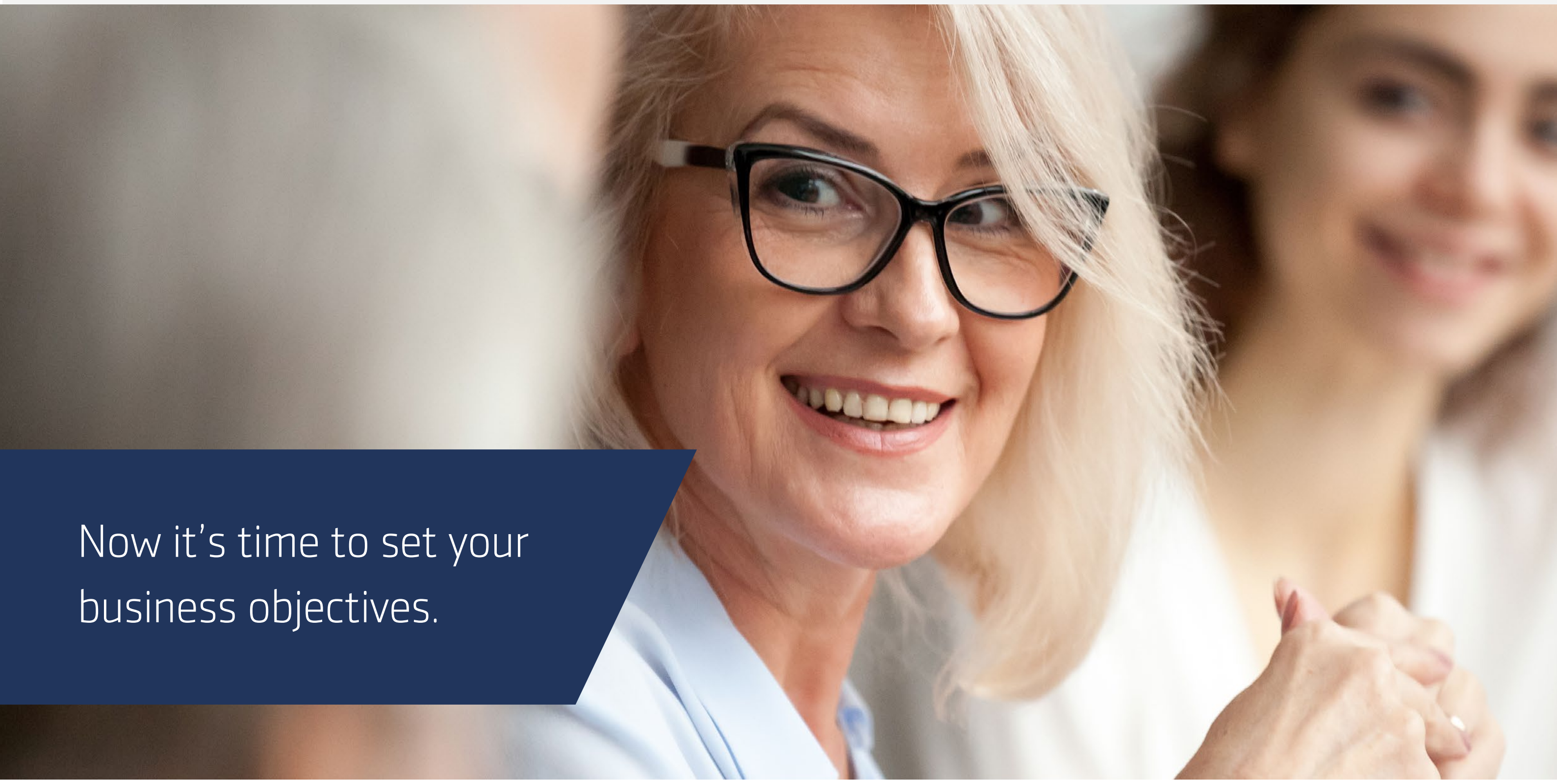
The SWOT matrix

Don't just focus on the most lucrative opportunities — sometimes, you'll have a better chance at developing a competitive advantage by matching your firm's strengths to upcoming opportunities. If you spot a particularly attractive opportunity, you might even be able to overcome a weakness to pursue it.

You can use a matrix of the SWOT factors as follows:

	Strengths	Weaknesses
Opportunities	S-O strategies	W-O strategies
Threats	S-T strategies	W-T strategies

- **S-O strategies** follow opportunities that are a good fit for your company's strengths.
- **W-O strategies** overcome weaknesses to follow opportunities.
- **S-T strategies** identify ways your business can use its strengths to make it less vulnerable to external threats.
- **W-T strategies** aim to prevent your company's weaknesses from making it vulnerable to external threats.



The direction you want to take

A good business plan has clear goals and objectives. Here we look at setting your objectives correctly.

What's an objective?

It's important to be clear of the difference between a goal and an objective. Goals are about your aspirations, purpose and vision. Objectives are your plan of action, the stepping stones on the path to achieving the goals set out in your business plan.

Key elements of an objective

An objective should:

- be a specific, measurable description of a defined action;
- describe the intended result — what, how much, by when;
- be jointly agreed and prioritised between all parties involved;
- be set at the beginning of the business planning process;
- be reviewed regularly to make sure it's still relevant, and
- provide a measurable performance standard for the business to work towards within an agreed timescale.

The SMART system

The SMART system is the best-known way of setting objectives. It means that all objectives should meet these key criteria:

The SMART system

S	Specific	Make sure there's no ambiguity — the objective should have a specific, clearly defined outcome to be accomplished.
M	Measurable	Is there a form of measurement in the objective? It's hard to assess your progress if you can't measure it.
A	Achievable	Is it actually possible to achieve the objective given market conditions, time period, resources etc?
R	Relevant	Does the objective meet the long-term activities of the business?
T	Time-bound	This means clearly stating when the objective will be achieved.

Tips for successful objective-setting

These brief guidelines will help you set effective, SMART objectives.

Be specific

If your objectives are vague, people will have trouble interpreting them and measuring their achievements.

Be realistic

Unrealistic or poorly-defined objectives will demotivate everyone.

Involve everyone

Don’t impose your objectives on other people — everyone concerned should agree on them and be happy to take responsibility for making them happen.

Keep it simple

Don’t make the objective-setting process too complex or bureaucratic — it should be easy to follow and focus on what’s relevant.

Check in regularly

There’s no point setting objectives if you don’t look back at them, check they’re still relevant and review your progress.

Strategy and tactics

Your business plan should consider the following ways in which you could grow and develop your business:

- Change the products or services you deliver.
- Change the markets you sell to.
- Combine the two.
- Do what you already do — but improve it, speed it up or be cheaper and more effective. This is called market penetration.

The four key strategic choices are:

- Market penetration.
- New product development.
- Market extension.
- Diversification.

There's a tried and tested model used by small, medium and large businesses to develop market strategies for growth. This was developed by the management guru Igor Ansoff. The Ansoff Matrix offers a common sense framework to plot each identified strategy for growth.

Ansoff Matrix	**Existing products**	**New products**
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

Increasing risk

Increasing risk

The **Ansoff Matrix** allows you to review the opportunities you've identified in your strategic review. In the vast majority of cases, the most successful strategy is relatively uncomplicated. The highest risk strategy is diversification — introducing new products or services into new markets.

Your marketing strategy

A key output of your business plan is to build your marketing strategy.

Any marketing activity should take into account your:

- market situation, including your customer profile and descriptions of changes affecting your customers, competitors and the business climate;
- marketing goals and objectives;
- company's positioning and brand values;
- product and solution portfolio;
- marketing budget, and
- long-term plans.

We go into more detail about building a marketing strategy in our guide Marketing your business

Measuring success and financials

Having completed the strategy phase of your business plan, it's vital to decide how you'll monitor its execution. The final section of any business plan incorporates your ongoing budget.

The importance of measuring success

Measuring success plays a key role in your business plan, as you need to be able to continually assess your goals, the market you're operating in, and your competition.

It allows you to adapt your plan to a changing world and customer needs, meaning you can stay relevant and at the forefront of your customers' minds. Plus it also helps you control how your business operates. Here's a couple of ideas on how to measure the success of your plan:

Create plan review dates — this is important if you're adding a new service, reaching new customers or expanding your business. Add regular check ins to your calendar to review your plan, align these dates to when your short and long-term goals are due.

Develop a tracking system — as your goals should be SMART, tracking allows you to know where you are regularly, and gives you beneficial comparisons.

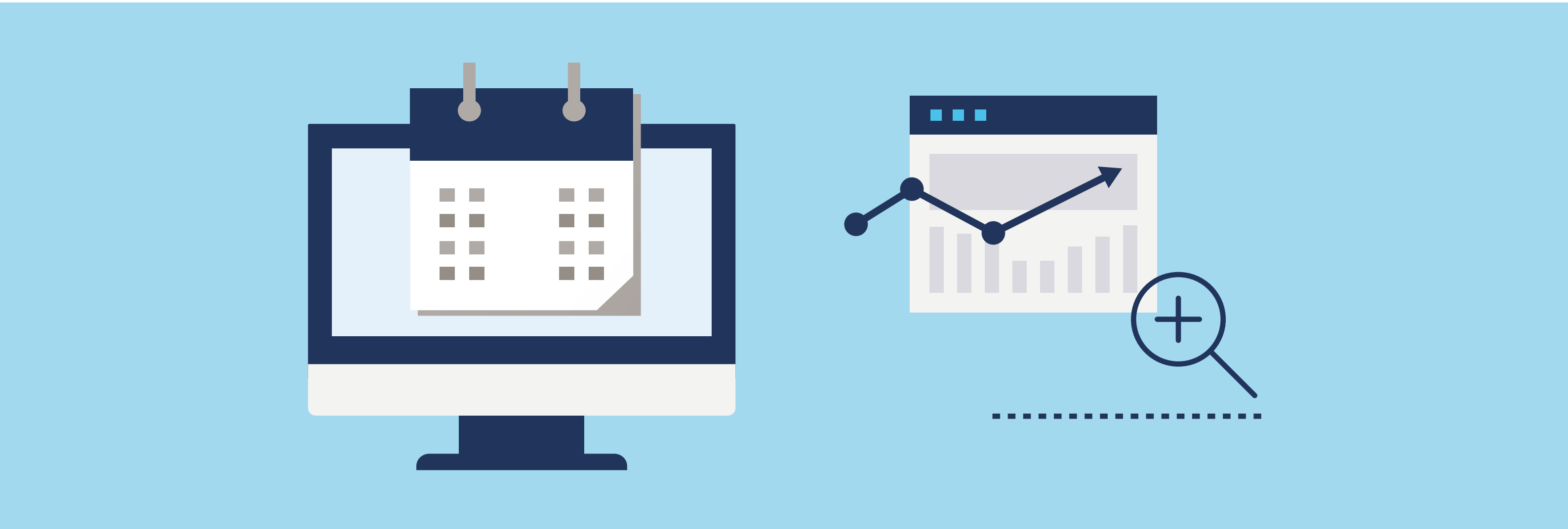
For example, if you're aiming to increase customer retention then you may want to track calls into your business from existing customers, or if existing customers are taking out new products with you.

Financials

If your business has agreed financial reporting structures, you should build these into your plan. Some financials you should include are:

- any forecast sales targets you need to achieve;
- sales by distribution channel — such as direct advice, execution-only;
- profit and loss statements by customer segment;
- direct marketing or development budgets;
- research budgets;
- administration budget, and
- spending by quarter.

You should monitor and review these at least on a quarterly basis, if not monthly.



Example business plan tracker

Business plan tracker		
Stage of plan	Owner	Date due/progress
Company mission and goals		
Strategic direction		
Situational analysis		
Market opportunities		
Tactical opportunities		
Objectives		
Strategy and tactics		
Marketing plan		
Financials and measurement		

Take a look at our our guide Marketing your business to find out how to build a marketing strategy and tips on using digital tools to connect with your customers.

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