

Good Planning Seeds Business Success

Unless you can afford to take major financial risks, a ‘seat-of-the-pants’ approach to decision making does not sit well in business.

On the contrary, to run a successful business, good planning cannot be over-emphasised.

But despite the risks of ‘flying blind’, many small business owners do not understand the need for writing a business plan and then working to it. Unfortunately a lack of planning has been attributed to the failure of many small businesses.

Most public companies, on the other hand, engage in detailed planning at the beginning of each financial year. They analyse their industry, determine their goals and plan the action for the following year.

So too must the small business - in fact, perhaps more so. Like any business, the small business operator needs to be constantly aware of, for instance: strategies for growth, potential opportunities and threats, responding to customers’ needs and human resources issues.

Focus on the thinking

A big part of making a business successful boils down to the business owner working on the ‘business of the business’. You need to be able to remove yourself from the day-to-day business operations and focus on the thinking behind the business.

If you’re one of the many small business owners who feel you don’t need a business plan, can you honestly say you are taking all those strategic issues, like growth, opportunities, threats etc, into account? Unlikely. For most people it’s just not possible to methodically plan, strategise, and action tasks out of your head!

The business without a plan is a bit like a dog chasing its tail - hell-bent on trying to reach something but never quite getting there.

What does the business plan do?

The business plan does three things:

- By thinking through your current and proposed business operations, you then commit your decisions to writing - that’s very powerful
- The business plan becomes an operating tool to help you compare current performance against what you wrote in the plan - regular monitoring will quickly show up any deviations
- Banks and financiers want to know you have a business plan and are operating to it; that you know where the business is going and that you know how the loan is going to be repaid - the business plan is an essential aid in securing financial support



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Good Planning Seeds Business Success (cont'd)

The thinking is the critical part and is the power behind any business plan. What you're trying to do is consider all aspects of your current operations and future plans, for example:

- Objectively analyse what's going well and where you need to improve performance
- Analyse the industry you're in and look carefully at your business' strengths and weaknesses and what opportunities and threats it faces
- Set realistic targets and financial goals for the period being covered by the plan
- Establish regular monitoring periods to compare actual performance against planned targets, and determine any deviations from the plan
- Prepare action plans, specifying the work to be done by whom and by which date



Seek help

Ask your accountant for a list of questions to focus your analysis of the business. Once you know what changes you need to make and goals you need to reach, you work out what strategies you'll have to put in place to meet these targets.

Lots of books have been written to help you prepare a business plan. For example, *Business Plans for Dummies* by Paul Tiffany and Steven D. Peterson, takes the reader through a step-by-step process, whether you are completely new to business planning or a little more experienced.

The authors make the point that writing a business plan does not guarantee success but does give you a much better chance of making it happen:

"...business planning is a process that gets you ready for what's to come. And making a plan increases the likelihood that down the road, your company will be in the right place at the right time," they say.

Make time

Many business owners tend not to write a business plan because they never have enough time, or they think it's too difficult or they just can't see the point of it.

It's important you make time for planning. As a business owner this is a crucial part of your job description. You benefit from the process of business planning because you have thought about what's coming up and what solutions you may instigate.

In the long-term your aim is to have less worry and stress, higher productivity, a growing business and more time left for other activities away from the business. You'll only get that if you plan for it!

Next Steps - Plan to succeed

- **Should you bother with planning?** - If you're still grappling with this question, you need to take a while to think about your business, talk to others and read some books. Most of us have plans for the future and financial goals but we don't always know how we'll reach them - that's why you need to start planning right now
- **Talk to your accountant** - he or she will be able to help you prepare a business plan or provide a list of questions to focus your thinking and subject headings to cover
- **Just do it!** - Good planning means removing yourself from the day-to-day business operations and for many people this may be the hardest part. Whether you are in business alone or manage a small team you need to plan your week to include time for thinking



Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.

Review Prices Regularly to Optimise Profitability

Price setting is a moving target. You have to be careful not to undersell, as this will reduce profits, and by overpricing you could lose customers.

The important thing to remember is pricing is a complex strategy and needs to be reviewed *regularly* to optimise profits.

Ultimately you'll price your goods and services at what the market will bear, but there are lots of variables to take into account.

Inflation is an important variable, but you can't raise prices on inflation alone. You also need to know what your competitors are doing. And what are the variable production costs or importing costs? At the end of the day, what is the customer prepared to pay?

Price is definitely a big part of a customer's buying decision, but it is not the only thing they consider. It would help enormously if you understood why your customers choose to buy from you and not your competitors.

Competitive Advantage

For example, can you offer uninterrupted supply, back-up service, high quality, convenience, fast-turnaround or easy ordering? These may be critical factors for the customer in choosing to buy from you, even if you do charge more for the goods or services than your competitors.

If you can offer a competitive advantage - that something extra that nobody else is doing - then having to increase prices to maintain profitability is unlikely to cause major disruption to these customers.

As customers we're likely to be accepting of price increases if the business has a track-record of fair and honest trading, fantastic customer service and consistently high quality goods or services.



The Tipping Point - Great Read!

Every now and then you come across a business book that is so well written and stimulating that, like a good novel, you can't put it down. *The Tipping Point*, by Malcolm Gladwell is such a book. Extremely readable, *The Tipping Point* is about social marketing - in particular, how social epidemics 'tip'. How does a new fad, craze or product take off? In fact, in the case of Hush Puppies shoes, how does a fashion 'has-been' suddenly become extremely fashionable again? What is the trigger that makes it go global?

Gladwell says it's a combination of factors. He takes the reader on a fascinating journey, giving us plenty of real life examples and introducing us to actual 'connectors', 'mavens' and 'salespeople' he has met - types of people whom he sees as critical to an epidemic taking off. Life can 'tip' the other way too. For example, what factors led to the New York crime rate reducing dramatically in the mid 90s? The ideas will surprise you.

Through his numerous and often funny examples, Gladwell has a great deal to say about how people are influenced and the huge importance of the word-of-mouth phenomenon. Business people and marketers will find the discussion of new ideas and themes enlightening.

"A business plan works because it forces you to stop and think about what you're doing. It prompts you to figure out what you want your company to be in the future and how you intend to make the future happen. Then your plan acts as a template, guiding you through the steps required to meet your goals."

Business Plans for Dummies by Paul Tiffany and Steven D. Peterson.



Advertising Needs Planning

If you're gearing up for an ad campaign make sure you've done your planning behind the scenes.

Like any business activity, a 'seat-of-the-pants' approach to decision-making is not a prudent attitude to have if you want a successful result. For an ad campaign to be successful it needs to be carefully planned ahead of time.

So, before you decide to advertise think about:

- What you want to achieve by the advertisements?
Are you trying to break into a new market, launch a new product, expand your market or just maintain the slice of the market you already have?
- Budget
You should put aside a set amount of funds for advertising. The advertising budget can then be reviewed at the end of the budgeted period
- Cash flow
Extra sales from the advertising are likely to mean extra outlays to begin with. You need to budget for these
- Sales and staff
If sales shoot up make sure you can handle the extra sales by having enough stock on hand or have it easily accessible. You will need to brief your staff and rally their support. You might even need to employ extra staff, or spend more on overheads such as storage and distribution costs
- Profit
Advertising is designed to stimulate sales but make sure in the first place that you are making a profit on that particular product or service, otherwise you won't be doing yourself any favours at all by increasing sales



An important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only

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