

Preparing a business plan

Every business, from start-up to an established multinational group, should prepare a business plan which is regularly updated. Each business plan should be tailored to the particular circumstances of the business concerned and often may be targeted at potential investors.

Benefits

The benefits of having a business plan include:

- providing a framework where cohesive decisions can be made and action taken;
- focusing ideas from a wide variety of groups with the business;
- the plan can be used to communicate ideas, decisions and actions to people within the business;
- providing a basis to raise finance through a professional document which can be presented to banks and venture capitalists;
- financial backers to the business (e.g. shareholders and bankers) draw confidence from a business plan, thus making it easier to raise future funding for expansion, new projects etc;
- identification of action which will improve profitability and cash flow;
- providing management with a benchmark by which to monitor actual performance against target set in the business plan;
- identification and reconciliation of conflicting objectives (e.g. between major shareholders, partners, divisions, or product lines); and
- the very process of preparation concentrates the minds of key executives on where the business is going – an issue which is often overlooked in the day to day management of business.

As a **management tool**, the business plan should be a living document used first and foremost by management. However, it may also serve a specific additional purpose – it is one of the key means by which the finance provider will make a decision about lending funds and in these circumstances it should aim to convince potential investors of the company's ability to exploit its potential.

A provider of finance will not know the background of the company. The business plan will be the initial guide as to whether the proposals are viable and whether there will be sufficient rewards for the risk involved in providing finance.

Thus, in preparing a business plan, the following fundamental points should be addressed:

- the strategic aims of the business;
- how business intends to implement initiatives to achieve its strategy;
- the financial consequences of these actions;
- how to set targets, such as financial projections to measure achievements; and
- how to monitor the results of implementing these strategies.

The business plan is a direct reflection of you and your business – do you understand your market place, do you have the vision and skills to take your business forward, have you evaluated the risks you face and taken steps to minimise them?

Who should produce a business plan?

A business plan should reflect the strengths of the business and the abilities of the management. It will therefore almost always be most effective as a working document if the management are closely involved in its production.

However, the business planning exercise will involve taking stock of where the business is now before deciding on where it is going. It is often in this area that management find that they are too closely involved in the everyday running of the business to be objective.

Grant Thornton has helped a diverse range of owner/managers to prepare credible business plans. We understand what is important to both the management and to finance providers – what they need to see and what they don't; how to present the information to help them reach a decision quickly. Ultimately, any finance provider's lending decision will be based on an assessment of the quality of the management and the strength of the proposal. A good business plan will ensure you communicate the basis of your proposal succinctly and effectively.

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