

Top tips on business planning

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Unsure what the future holds for your business?

Business planning involves looking at all possible scenarios and making sure you're prepared for whatever the future throws at you.

1. Your business plan should be the road map for your business

It shows where you are now, and how to get to where you want to go. Don't just prepare a business plan and file it away – you need to constantly update it as the economy and market place change, ready to take a detour or change your route altogether to stay on track to reach your destination.

2. The business plan needs to forecast the future and budget for it

Forecasting means looking for data outside of your organisation – industry trends, economic indicators, changes in customer or supplier behaviour – and trying to predict how these will affect you. Budgeting spells out in financial terms how you are going to manage under the forecast scenario.

3. Cash flow planning is fundamental these days

Never has the saying “cash is king” been more relevant. Your business plan needs to work out where the cash is coming from and how and when you're going to need to spend it. Make sure you know at all times what your liabilities are going to be at least six months ahead.

4. Successful planning and budgeting require good management information – both financial and non-financial

Remember the three R's – the data on which you base your decisions must be recent (i.e. timely), reliable and relevant. A good management accounting system, kept up to date on a daily basis, is essential. Good accounting software can deliver this economically and effectively.

5. KPIs or Key Performance Indicators can give you advance warning when things start to go wrong

Well presented, maybe graphically, they can be assimilated in seconds. Many accounting software packages provide a snapshot overview of your finances on the start page. Work out which KPIs you need to monitor to keep your finger on the pulse of your business. For a retailer it might be footfall or sales value per customer, for a manufacturer it might be debtor days or stock turnover.

6. SWOT analysis is a useful tool to use in your planning

Get together with your management team and brainstorm a list of your business's Strengths and Weaknesses and the Opportunities and Threats facing you. How can you play to your strengths? What do you need to do to overcome or compensate for your weaknesses? What opportunities have the current economic conditions thrown up that you need to grasp? What are the major threats to your success or survival that you need to plan for now?

7. Business continuity should be a specific part of the business plan

Think of the worst case scenarios and work out how you would cope. You can insure against many risks, but will a lump sum from the insurers get your business up and running again soon enough? Imagine the day after you are flooded or the factory burns down - what would you do with your workforce? How will you supply your customers? You may have a backup of your computer data (held off-site, of course!), but how quickly can you get hardware to get it up and running? Disaster recovery requires an assessment of both the solution and the timescale within which you need to implement it.

8. Diversify. Don't overlook less dramatic but equally disastrous scenarios

How would you cope if – or perhaps WHEN - a major customer or supplier goes bust? This is not a good time to have all your eggs in one basket! Your SWOT analysis should reveal the key threats you need to address and your business plan should include the steps you are going to take to minimise these risks.

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