

Business planning toolbox – some basic techniques.

Failing to plan is the same as planning to fail – an old cliché but often accurate, especially in business, but where should you start, either as a new business or an established company? This short article gives a brief introduction to some widely used tools to help create your business plan, helping you ensure that your business develops the way you want it to.

Aims and Objectives

A key first step is to make time to write down your aims and objectives, doing that helps you to think about what you understand about your business and the general business environment you operate in. Remember that aims are intentions, things you want to achieve in broad terms, objectives are more specific and measurable. Under ISO standards terms this part of what is called the 'Context of the Organisation'. It also means looking at the internal and external factors that can, or might, impact on your company – once you have these recorded, you can then move to making plans to deal with eventualities and risks identified – i.e. starting to develop a strategy. There are many ways you can do this type of analysis, but it helps to have some structure to the exercise - so here are three useful tools you can use to organise your thoughts.

SWOT analysis

First used in the 1960s, the origin of the technique isn't clear but it's a simple, very useful way of assessing your position in a competitive landscape, the acronym stands for: -

- Strengths – factors or characteristics of your business that give you an advantage, relative to others
- Weaknesses – factors where you feel you are weaker or less competitive, relative to others
- Opportunities – factors or circumstances you may be a position to exploit
- Threats – factors that could put you at a disadvantage

Looking at this it's easy to see that some things may come up in more than one category, for instance you could have very able staff, which is a strength, but they could be nearing retirement age or at risk of being head-hunted, which are a weakness and a threat respectively, so your planning has to take account of all three, depending on the likelihood of each circumstance changing. A block diagram along the lines below is a good way to start.

	Positive	Negative
Internal	Strengths	Weaknesses
External	Opportunities	Threats

Usually Strengths and Weaknesses relate to internal factors, whereas Opportunities and Threats tend to be external, but not always. This simple 2x2 matrix can easily be expanded to make it more detailed, for instance for each factor, what is your evidence? What would the consequences of change be? Is there a risk you can mitigate against?

PEST analysis

Another simple tool you can use for more work on external factors is PEST analysis - again, the origins of the techniques aren't clear but it has been used for many years as a strategic planning tool, the acronym is as follows: -

- Political – what impacts could government policies have on your business, for instance taxation, labour laws, environmental regulations, trading standards, positive promotion of health benefits – the list could get quite long, dependent on your type of business.
- Economic – e.g. general growth rates, exchange rates, interest rates and availability of capital.
- Social – changing habits, health trends, population growth rate and changing demographics
- Technological – disruptive change due to new technology, the rate of technology change, research & development, automation

PEST can also be expanded still further – adding Legal and Environmental headings (i.e. PESTLE).

Circumstances can change greatly according to the nature of a business and the market it serves but SWOT & PEST are easy ways of getting it all down on paper. Once you have a thorough understanding of these factors, you're in a much better position to set meaningful objectives and realistic plans to achieve them, using facts rather than assumptions.

Business Model Canvas - BMC

A way of producing an analysis of a business developed by Alexander Osterwalder et al around 2008. It's a very useful way of expressing what a business is about. It's especially good when developed in a joint session involving several people (indeed, all these tools are better for varied input). There's a downloadable template on the originators' website* which looks like this: -

The Business Model Canvas		Designed for:	Designed by:	Date:	Version:
<p>Key Partners</p> <p>Who are our key partners? Who do our key partners do? What key resources do we acquire from partners? What key activities do we perform for them?</p> <p>Channels</p> <p>How do we reach our customers? How do we reach our customers? How do we reach our customers? How do we reach our customers? How do we reach our customers?</p>	<p>Key Activities</p> <p>What key activities do our value proposition require? Our business model depends on: What key resources do we need? What key activities do we perform? What key activities do we perform?</p> <p>Key Resources</p> <p>What key resources do our value proposition require? Our business model depends on: What key resources do we need? What key resources do we need? What key resources do we need?</p>	<p>Value Propositions</p> <p>What value do we deliver to the customer? What value do we deliver to the customer? What value do we deliver to the customer? What value do we deliver to the customer? What value do we deliver to the customer?</p>	<p>Customer Relationships</p> <p>What type of relationship does each of our customer segments expect us to establish and maintain with them? What type of relationship does each of our customer segments expect us to establish and maintain with them? What type of relationship does each of our customer segments expect us to establish and maintain with them?</p> <p>Channels</p> <p>How do we reach our customers? How do we reach our customers? How do we reach our customers? How do we reach our customers? How do we reach our customers?</p>	<p>Customer Segments</p> <p>For whom are we creating value? Who are our most important customers? Who are our most important customers? Who are our most important customers? Who are our most important customers?</p>	
<p>Cost Structure</p> <p>What are the most important costs of doing our business? What are the most important costs of doing our business? What are the most important costs of doing our business? What are the most important costs of doing our business? What are the most important costs of doing our business?</p>		<p>Revenue Streams</p> <p>How do we make money? How do we make money? How do we make money? How do we make money? How do we make money?</p>			

Sheffield City Region Growth Hub

- Value proposition – what exactly do you do for your customers that represents value to them?
- Customer Relationships -what do your customers expect from you? For instance, is it a simple transaction or something more complex?
- Customer segments – e.g. is your product mass market, niche or perhaps multiple. i.e. different things to different people
- Channels explains how you reach those customers – advertising, direct contact, networking etc.
- Key partners are individual or organisations whose contribution is an essential part of your value proposition
- Key Activities – which activities are vital to improving/maintaining your value proposition
- Key resources – the assets you need for your value proposition, they could be physical, human, financial, intellectual etc
- Cost structure – and understanding of factors like fixed costs, variables, economies of scale etc
- Revenue streams – how is your product/service paid for? E.g. one-off outright purchase, rental, lease, on demand etc.

These are just 3 examples of commonly used tools, there are many others and variations. No single one presents a total solution to planning and strategy development - there is no 'magic tool' which encompass all possibilities. They do, however, represent straightforward ways to start the process, all are better in groups and all are best done regularly. Details for all are easily found the internet.

The Business Model Canvas was produced by Strategyzer, available at:
www.strategyzer.com/canvas/business-model-canvas.