

Small business management

Evaluating your business idea

Preliminary environmental analysis

SWOT analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Evaluating your business idea

- PEST analysis
 - Political
 - Economic
 - Socio-cultural
 - Technological

Defining your business idea

- What is your business activity
- Who are your target clients or customers
- Where will your business be located
- What is your competitive advantage/ unique proposition

Ready to assess specific business opportunities – the business plan

Business Plan

What is it?

- A written description of the business
- A “living” document
- A tool for keeping the business on track

Business Plan

When do you need one?

- Starting a new business
- Buying a business
- Raising finance
- Selling your business
- Need strategic direction in your business
- Need to document goals and objectives in order to achieve them
- Developing a new product or service
- Exploring a new market

Business Plan

What is the purpose of the plan?

- Identify the direction of the business
- To raise finance
- To record the business owner's intentions
- To record the market research undertaken prior to start-up

Planning

- Strategic plan
- Tactical plan
- Core values

Strategic planning

- The future vision for your business
- Longer term planning – 2 to 3 years for SMEs

The aims of the strategic plan are to:

- create a competitive advantage
- Facilitate the matching of strengths and weaknesses to the opportunities and threats in the environment.

Zimmerer and Scarborough (2002)

Strategic Planning Process

1. Develop a clear vision and translate it into a mission
2. Define the firm's core competencies and target markets
3. Assess the firm's strengths and weaknesses
4. Scan the environment for opportunities and threats
5. Identify key success factors
6. Analyse the competition

- 7. Create firm goals and objectives**
- 8. Formulate strategic options and select appropriate strategies**
- 9. Translate strategic plans into action plans**
- 10. Establish accurate controls**

Zimmerer and Scarborough (2002)

Tactical Planning

- The practical steps to achieving the vision
- Shorter time frame – 12 months
- Focuses on what you are doing in your business day to day
- Should be result oriented ie measurable outcomes

Business Plan Outline

1. Summary
2. The past
3. Management
4. Product or service
5. Marketing
6. Operational details
7. Financial analysis
8. Prospects

Higham and Williams (2001)

Business Plan Outline 2

1. Introduction
2. Executive summary
3. Industry analysis
4. Description of the venture
5. Production plan
6. Marketing plan
7. Organisational plan
8. Financial plan

Hisrich and Peters (1995)

10 Characteristics of a successful business plan

1. Clear, realistic financial projections
2. Detailed market research
3. Detailed competitor research
4. Descriptions of key decision makers
5. Thorough summary
6. Proof of vision

Elkins(1996) as cited in Coulter (2001)

7. Good formatting and clear writing
8. Brief and concise
9. Writing that demonstrates an understanding of the bottom line
10. A plan that captures "you"

Elkins(1996) as cited in Coulter (2001)

Why some business plans are weak

- The goals set are unreasonable
- The goals are not measurable
- The entrepreneur lacks sufficient experience
- The plan fails to identify threats and weaknesses
- No customer need was established for the service

Hisrich and Peters (1995)

Benefits of business planning

- Time spent researching and developing the plan can allow the business owner to look objectively and critically at the venture
- It aids the development of operating strategies
- The plan quantifies goals and objectives. These can be used as a means of comparing forecasted with actual results
- The plan is a tool for communicating with potential sources of finance and other external parties

Kuratko & Hodgetts (1989)

Further Resources

- www.nzte.govt.nz – has free “starting a business” guide and “planning for success”
- www.business.govt.nz – has free business plan template
- www.creativehq.co.nz – Wellington business incubator

Coming up

- Next week – Financial lecture and introduction of project 1