

10 dangers of not having a business plan



1 The 7 P's

The US and British military have a well-known adage known as the 7P's. A slightly sanitised version is "Proper Planning, Preparation and Practice Prevents Poor Performance". This carries true for business too and the failure to plan will adversely affect business performance.

2 Stating your purpose

Making a written statement of intent is a powerful incentive to achieve an objective. What is it that you want your business to achieve? We all know that it is far easier to run five miles if you set your mind to it and prepare and plan your training, rather than running a mile without any planning training or preparation. What drives each of us may differ. It may be a personal ambition of earning a minimum income by a certain age or perhaps becoming the market leader in a certain product, but an absence of a clear objective makes it difficult to achieve.

3 Know the journey

How do you hope to achieve your objective? How much will it cost, what are the obstacles to growth and when do you plan to arrive at your stated goal? Are there easier and quicker alternatives? Who will help you navigate your way to that goal? Give the journey some careful thought and write it down. Putting ink to paper is a powerful tool to provoke thought!

4 Monitoring

Once you've stated your objective and you've plotted your route to success, it is critical to adhere to the plan. There is little point to investing time and thought into your plan and then ignoring it. Set regular interval checks to ensure that you are on track. It may be that a quarterly check for your type of business is a more realistic time frame to assess progress than monthly.

5 Flexibility

By monitoring progress, you will be able to assess whether your objective is realistic. Be honest with yourself and be prepared to adjust the plan if you can see that your plan is too optimistic or not. A good business plan is a live tool to measure achievement and give direction. It should be adaptable if conditions change. Stories abound of people blindly following satellite navigation systems and driving cars into rivers and other obstacles without thought. The same is true for business.

6 Don't over-complicate it

Whilst there may be many underlying projects and plans, it is far easier to focus on a few clear objectives. If you were to list no more than four reasons for setting up your business, what would these be? Start off by writing these down on a single page to form the most basic skeleton.

7 Prioritising

Time is precious in all aspects of life. Doing one thing prevents you from doing another. Ensure that you have picked the right thing to do. By having a plan with a clear but simple focal point makes it far easier to choose how best to use your time and eliminate unproductive tasks.

8 A shared plan is a stronger plan

As you grow your business, you do need the support of others in helping you achieve your goals. Having a clear plan to share with colleagues and external advisors drives those around you in a shared direction. If people understand the objective, ideas become unlimited and enhance planning. No plan should exclude the valuable input of others.

9 Return on investment and finance

Whether it is recruiting new staff, renting new premises, investing in it or other assets, does your spend fit in with your plan and will you get a worthwhile return on your investment? There is little point spending money where at best your business is breaking even or worse, loss making as a result. It may, however, be that with a plan in place, you can assess that an investment may be necessary for long term growth but may result in short term pain. More importantly, if you can demonstrate a clear plan, you are far more likely to persuade lenders or investors to fund your business through its cash flow needs.

10 Mergers, sales and acquisitions

Have you considered an exit strategy? Your business will be far more attractive to potential suitors be it through a merger or an acquisition of your business if you have a clear growth and continuity plan in place. A lack of understanding by others of what potential your business has will make it less attractive and may devalue what could otherwise be valuable business.

The commercial team at Francis Wilks & Jones works with a range of professionals and would be pleased to discuss your business plans with you. We can assist in a variety of ways to enhance your business planning from drafting or advising and negotiating a range of documents from shareholder agreements, sale and purchase agreements, security and finance documents and helping you better understand the terms and conditions of business from suppliers.

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