

Common Benefits of a Business Plan: Get a Head Start on the New Year

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As you approach the start of another year, you need to project a positive attitude for your business. One way to get things off on the right foot is to draw up a business plan for 2011 and make sure it is properly executed.

Essentially, a “business plan” is a blueprint for running the company on an annual basis. But a comprehensive plan can do much more than that. Here are several benefits you may typically realize from a business plan:

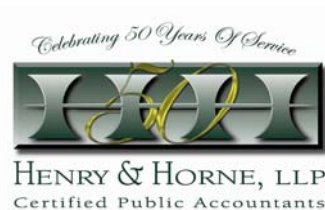
- The plan can provide a needed sense of direction. It will show you where you are, where you’re going and how to get there. Of course, the plan does not have to be “unchangeable.” For instance, new developments may require slight deviations from your original plan. However, your business decisions probably will be more solid if they are made within the framework of the original plan. If something is way off base, it should raise suspicions.
- A plan forces management to be proactive instead of reactive. Frequently, business managers in small companies tend to “put out fires” as problems arise. Committing a business plan to writing requires a great deal of discipline, but going through the process is worth it. For example, you can poke holes in a hastily conceived plan once you see it in black and white.
- Advance planning usually leads to better communication. For one thing, the process will force you to crystallize your vision of the company. For another, it encourages input from the personnel involved with the planning. This kind of dialogue may be particularly vital, especially in small firms. The employees have a chance to engage in valuable give-and-take with management.
- A business plan may give you instant credibility in your industry or profession. It can be especially impressive to creditors and the lending officers of the banks you deal with. And it may satisfy a psychological need for you and your company to be taken seriously.
- The plan may be used to help raise capital for the company. For instance, by focusing on accounts receivable in your business plan, you may be able to free up additional funds. Furthermore, a lender will likely require you to present a business plan plus cash projections to obtain a loan.

How do you construct a business plan? In general, most plans include the following: a statement of objectives, strengths and weaknesses, position in the marketplace, future direction, critical issues and so forth.

Generally, it helps to obtain the assistance of an experienced professional. However, there is no magic formula. It's your plan, so you can shape it into a format that seems right to you. In fact, you probably will make changes in the plan's format from year to year. The important thing is to touch all the bases essential to your particular line of work.

Use your business plan as guidance—but do not treat it as the “bible.” Feel free to modify the plan regularly during the course of the year as circumstances dictate.

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