

Factsheet: Business planning

Why have a business plan?

Businesses evolve and are constantly subject to change and progress. Business planning is therefore an essential process that helps you to react to challenges, and adapt to new circumstances.

Having a good business plan will enable you to identify not only where you want your business to be but also how you are going to get there.

A business plan is a working document that should be re visited at regular intervals and whenever any changes occur or are planned. It is also a document that will be used to sell your business when approaching potential sources of funding.

Your business plan

The process of producing the plan is as important as the plan itself. It will tell everyone involved what needs to be done, why, when and by whom.

Before you start writing the business plan you must consider who is going to read it and what they need to know.

The business plan as a minimum must contain an executive summary, background information, market research, marketing plans, pricing details, financial planning and prospects.

Executive summary

The executive summary needs to contain all the information necessary for the reader to understand what your business is and what your plan is for the future, but without the evidence and detail that you will include in sections which follow.

It is the first, and sometimes the only, section that people read. For this reason it is the most important, and will be written last, after you have completed the rest of the document.

Mission statement

This is usually a statement of your business, highlighting what your business does. Anyone reading the statement should be able to tell what your business does and a view of what it aspires to do in the next three years.

Background

Provide a brief history of the business containing details of legal status, the main activities of the business and an explanation of the structure of the organisation, including key staff. A summary of income and expenditure from the last financial year should be included.

If your business is already established you may want to see whether the legal status that you have chosen is still the most appropriate for your business. If your business is a new venture you will need to consider a number of factors before deciding on your status, including your objectives, details about your service, legal obligations, your work programme and staffing.

Your objectives

You need to identify your aims and objectives. Your aims outline what you want to achieve as a business. An objective breaks down the aims into the steps you need to take to reach your goals.

For example you may want to increase occupancy and need to identify what steps you will need to take to achieve this. These steps are your objectives.

When considering your objectives you should try and make them SMART:

- **Specific** - They should be set down in a way that clearly describes what the objective is.
- **Measurable** - You must be able to measure your objectives.
- **Achievable** - It is pointless creating an objective that cannot be achieved, so realistic targets are important.
- **Relevant** - Objectives must be related back to the aim of your business.
- **Timed** - You should add a timescale to your aim i.e. within three months we will have fill all vacancies.

Your service

Describe in detail the childcare services you will offer. Market research will help you to identify the potential gaps in the market and you will be able to decide exactly how you might tailor your services in the future. A SWOT analysis is a useful tool here to help you to decide on the detail of your operation. The factsheet titled 'Market research' gives further information about carrying out a SWOT analysis.

Legal obligations

You will need to ascertain that all legal requirements are met. These might include Ofsted registration, public liability insurance, employer's liability insurance, lease or premises agreement, planning permission, registration with Inland Revenue.

Work programme

Explain the daily operation of your business and set out a programme of the key tasks you need to deliver your service. This should include both the financial and human resources required. When considering the work programme remember to set realistic time scales and allocate each job to a specific person. You should also set down how you will monitor progress towards the aims and objectives.

Staffing

The recruitment and retention of appropriately qualified, high quality staff is essential to the success of your childcare business.

You will need a strong management team who will bring a range of skill sets that complement one another.

Things to think about:

- **Who are the management team?**
- **What experience have they got in the childcare market?**
- **Has anyone run their own business?**

Market research

In this section you should paint a picture of the local childcare market in terms of both your potential customers and also your competitors. This information will enable you to plan effectively with a clear idea of where you fit in to the existing market.

The factsheet titled 'Market research' gives further information on finding out about the local childcare market.

Marketing

Effective marketing is one of the essential tools that will help you to become a sustainable childcare business, fill current childcare places and continue to attract new customers in the future. The factsheet titled 'Marketing' gives more information on planning your marketing effectively.

Financial analysis

To stay in business you need to be making a decent profit. If you are not making a profit you have to question why you are running a business at a loss. There are a number of financial tools that can help you manage your business such as a cash flow forecast, profit and loss account and a balance sheet. The factsheet titled 'Financial planning' gives more information on forecasting income and expenditure.

Prospects

Describe your goals for growth and expansion.

Some areas of growth may include:

- **Expansion of services and/or facility**
- **Hiring of employees**
- **Professional development**

Contingency planning

This is a risk assessment process, which should highlight anything that might go wrong and a brief summary of how you would deal with this. This is your opportunity to identify any possible problems that might affect your plans. This could include the possibility that expenses might be higher than predicted or that fewer children will take up places. You should also consider what would happen if your personal circumstances were to change.

SWOT analysis

A SWOT analysis can be useful tools to help you to focus on challenges or decisions that are facing your business. By identifying the strengths, weaknesses, opportunities, and threats, you can gain insight into which direction your business might take.

A SWOT analysis may help you to see how you can change your weaknesses into strengths and if you are aware of potential threats you can take action to counter them. It can also be helpful to give this exercise to others to gain a different perspective. Staff and colleagues are often more supportive of plans if they have been involved in their development. The subject of the analysis can be anything that is relevant to your business.

Strengths	Weaknesses
Opportunities	Threats