



Briefing Note for CLA members

Business Planning (5)

Date: 7 February 2022

CLA Briefing Note Reference: BN05-22

In order to assist members during the agricultural transition, the CLA has produced a series of briefing notes on business planning. These provide information on what members need to consider when they are either developing their existing business or are considering a new business venture.

The aims and objectives of the business plan

The vision

All businesses need a vision which, in effect, is a mission statement. This needs to include what the business is, what it has to offer, why it will succeed and what market opportunities exist.

Any overview of the business needs to include:

- when the business started trading or will start trading and what progress has been made;
- the level of investment already made;
- the type of business and the sector it is in;
- any relevant history (for example, if the business was bought, who owned it originally and what was previously achieved);
- the current legal structure; and
- the business vision for the future.

The vision also needs to set out the products or services on offer, defining as simply as possible:

- what makes the product or service different;
- the benefits that are on offer;
- how the business plans to develop the product or service;
- whether the business holds any patents, trademarks or design registration;
- the key features and success factors of the industry.

It needs to be stressed that the person reading the business plan may not know or have an understanding of the business or the products and services that are on offer. Therefore, the business plan needs to avoid jargon and the use of industry specific wording. In fact, it is a good idea for someone not associated with the business to read the vision to make sure that it is understandable to the lay person.

Creating a strong company vision and accompanying mission statement is a crucial element of the business plan. However, in order to ensure that the business can achieve the longer-term vision, the business plan also needs to include a series of objectives that are measurable.

Realistic business objectives

The business plan should set out the primary goals in terms of profit, turnover and business value, particularly if outside investment is required. The business plan needs to include SMART objectives, these being:

- Specific – relates to specific tasks and activities, not general statements about improvements;
- Measurable – it should be possible to assess whether the objectives have been achieved;
- Attainable – it should be possible for the staff to achieve the desired outcome;
- Realistic – within the capacity of the business;
- Timed – to be achieved by a certain date or timescale.

It also needs to answer the following questions:

- Where does the business want to be in five years' time?
- Will it be the same management team running the business if it has not significantly increased in size?
- Is the business seen as a short-term gain or is it likely to grow over a longer period of time?

Those who tend to be more optimistic and idealistic often believe that sales growth will take care of everything and that the growth of the business will be funded by generating profits. However, this is rarely the case for one main reason: the business will usually have to pay its own suppliers before customers pay the business. This cash flow issue is the reason why so many fast-growing companies have to seek bank financing or equity sales to finance the growth of the business. In short, the business is growing faster than it can afford.

Questions to consider

If the business is unable to set out its goals and objectives initially the following questions and answers to them will be helpful:

- How determined is the business to succeed?
- Are those involved in the business willing (and able) to work with little or no money and long hours?
- What happens if the business project does not work out?
- If the project does succeed, how many employees will the business eventually have?
- What will be the annual revenues, in five years and in 10 years?
- What will be the market share in these time frames?
- Will the business be a niche marketer or will it sell a broad spectrum of goods and services?
- What are the plans for geographic expansion and will this be local, national or global?

- Is the business going to remain independent and privately owned or will it eventually be acquired and become a public company?

For further information please contact:

Charles Trotman
Senior Business & Economics Adviser, Land
Use
CLA, 16 Belgrave Square
London SW1X 8PQ

Tel: 020 7235 0511

Fax: 020 7235 4696

Email: charles.trotman@cla.org.uk

www.cla.org.uk

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