

Advisory Alert: A well-developed business plan can become a management tool

Every business, from start-up to an established multinational group, should prepare a business plan which is regularly updated. Each business plan should be tailored to the particular circumstances of the business concerned and often may be targeted at potential investors or process re-engineering.

Potential benefits

The benefits of having and maintain up-to-date a business plan include:

- providing framework where cohesive decisions can be made and actions taken;
- focusing ideas from a wide variety of groups within the business;
- the plan can be used to communicate ideas, decisions, and actions to people within the business;
- providing a basis to raise finance through a professional document which can be presented to banks and adventure capitalists;
- financial bankers to the business (e.g. shareholders and bankers) draw confidence from a business plan, thus, making it easier to raise future funding for expansion, new projects, among other related subjects;

- identification of action which will improve profitability and cash flow;
- providing management with a benchmark by which to monitor actual performance against target set in the business plan;
- identification and reconciliation of conflicting objectives (e.g. between major shareholders, partners, divisions, or product lines); and
- the very process of preparation concentrates on the minds of key executives on where the business is going – an issue which is often overlooked in the day to day management of business.

As a **management tool**, the business plan should be a living document used first and foremost by management. However, it may also serve a specific additional purpose – it is one of the key means by which the finance provider will make a decision about lending funds and in these circumstances it should aim to convince potential investors of the company's ability to exploit its potential.

A provider of finance will not know the background of the company. The business plan will be the initial guide as to whether the proposals are viable and whether there will be



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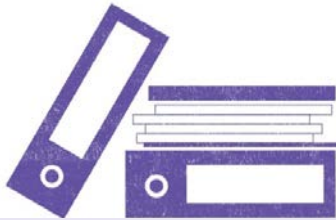
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sufficient rewards for the risk associates in providing finance.



Business Plan fundamental key points:

- The strategic aims of the business;
- How business intends to implement initiatives to achieve its strategy;
- The financial consequences of these actions;
- How to set targets, such as financial projections to measure achievements; and
- How to monitor the results of implementing these strategies.

The business plan is a direct reflection of your business and yourself – do you understand your market place, do you have the vision and skills set to take your business forward, have you evaluated the risks you face and taken steps to minimize them?

Who should produce a business plan?

A business plan should reflect the strengths of the business and the abilities of management. It will, therefore, almost always be most effective as a working document if management is closely involved in its production.

However, the business planning exercise will involve taking stocks of where the business is now before deciding on where it is going. It is often in this area that management find that they are too closely involved in the everyday running of the business to be objective.

We understand what is important to both, management and the finance providers – what they need to see and what they don't; how to

present the information to help them reach decision quickly. Ultimately, any finance provider's lending decision will be based on an assessment of the quality of management and the strength of the proposal. A good business plan will ensure you communicate the basis of your proposal concise and effectively.

We are committed to keep you updated of all developments that may affect the way you do business in Puerto Rico. Please contact us for assistance in relation to this or any other matter.

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