

APC SEMINAR - BUSINESS PLANNING

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INTRODUCTION

Business Planning is a mandatory competency (Level I).

APC requirement: *‘To demonstrate knowledge and understanding of how business planning activities contribute to the achievement of corporate objectives.’*

It includes several topics:

- Legislation and principles of law
- Types and essential elements of Business Plans
- Short term / long term strategies
- Market analysis
- Organisational structures / Staffing levels – recruitment / turnover
- Business support services – administration, secretarial, HR, IT etc.

DEFINITION

Definition: 'A continuous process of making entrepreneurial decisions systematically and with the best possible knowledge of their futurity, organising systematically the effort needed to carry out these decisions and measuring the results against expectations through organised systematic feedback.' (Peter Drucker, Business Management author)

- Logical decision making process
- Market analysis / Forecasting
- Business plan = Goals + Action plan
- Feedback system / information loop
- Measure of performance

In simple words: It is a logical decision making process based on market analysis and forecasting to set a company's goals and objectives. The plan is continuously updated using a feedback system and measuring performance.

LEVELS OF PLANNING

Business plans are usually devised for 5 years but it depends on the nature of the business.

The business plan is typically declined in 3 levels:

- Corporate level: affects the entire company, is long term and in fairly broad terms.
- Management level: affects each area of an organisation, is broken down into monthly or quarterly periods and quite detailed.
- Operational level: affects individuals in the organisation, can be broken down into days or even hours and will be very detailed.

ELEMENTS OF THE BUSINESS PLAN

- **The Vision / Mission**

A general statement such as;

To be regarded as the market leader in construction consultancy.

- **Objectives and goals**

The key objectives that will lead to achieving the Vision, such as;

- *Realise people's potential*
- *Create sustainable solutions*

- **Strategies and actions**

The steps that are required to achieve each goal or objectives such as;

- *Create an environment that attracts the best people founded on development opportunity, empowerment and access to both our knowledge/experience and the best processes for the delivery of our projects.*
- *Continue to develop the services that will help deliver the best projects in our industry.*

Can you list the key elements of your company's current Business Plan?

What are its core values?

MARKETS AND INDUSTRIES

- The industry and the market context are the basis of business planning but confusing market and industry leads to poor strategies.
- Market: a group of customers with a specific set of requirements (needs and wants) which may be satisfied by one or more products. (Kay, 1995) (plane, car, bus, train = transport)
- Industry: a group of businesses whose products are close substitutes (Porter, 1980) or businesses which are similar in terms of resources and conversion process. (cars, buses and trucks = motor industry)
 - **Market = Demand side** **Industry = Supply side**

What are your company's market(s) and industry(ies)?

PRODUCTS

- Product: anything offered for sale (goods, services or a mixture).
- Kotler's 5 levels of product benefit (1997) applied to a car:
 - Core benefit (means of transport)
 - Basic product (a car: engine, seats, body...)
 - Expected product (heating, CD player...)
 - Augmented product (sat nav, DVD player...)
 - Potential product (what the product might become in the future)

What are the expectations of your current and potential clients?

How can you add value? How can you generate additional business?

MARKET ANALYSIS

SWOT Analysis

- Used to formulate strategies that support the vision.

Internal analysis

- Strengths
- Weaknesses

External analysis

- Opportunities
- Threats

- It is a structured analysis of the market (demand side). It is used to analyse internal strengths and weaknesses and external threats and opportunities.
- The strategies should exploit strengths and opportunities and mitigate weaknesses and threats.

MARKET ANALYSIS

PEST analysis (or STEP, STEEP, SPENT...)

- It is a structured method of analysing the key factors influencing markets (the demand side). These factors are;
 - **P**olitical and legal influences
National (parliament), subnational (councils), supranational (Europe).
 - **E**conomic influences
Fiscal and monetary policies have an impact on costs of production and on customer's buying power. (eg. VAT at 15%)
 - **S**ocio-demographical influences
Culture, demography and social structure has an impact on people's interests and the size of markets.
 - **T**echnological influences
Impact on products and processes (think of impact of CAD, BIM, SAP...)
 - (natural) Environment

ANALYSIS OF THE COMPETITIVENESS (INDUSTRY)

Porter's Five forces model (1980)

They are used to analyse the competitiveness of the industry. (the supply side)

- Barriers to entry

How easy is it to set up a business in this industry? (Role of RICS?)

- Substitute products

What are the alternative products? (not necessarily from same market)

- Bargaining power of suppliers

This includes staff, IT equipment, support centre, etc.

- Bargaining power of customers

How dependent are you from your customers?

- Rivalry among existing firms

How are competitors doing? How intense is the competition?

eg. Accountancy practices and purchasing departments are an alternative to QS

DEVELOPING THE BUSINESS PLAN

- The analysis of the market(s) and industry(ies) are inter-connected and form the basis of the business plan.
- The market and industry analysis enable to identify:
 - Business opportunities (Clients / products portfolio)
 - Critical Success Factors (CSF) in the organisation's markets and industry.
- The organisation should focus its resources on developing competences that contribute to these CSF.
- Some organisations can even have a competitive advantage which is difficult for competitors to imitate (a rare technology, highly qualified staff, reputation, quasi-monopole...). But it is only temporary as others can acquire it in time.
- All these elements lead to the development of goals and objectives with their associated strategies and actions.

HOW DO YOU ACHIEVE THE OBJECTIVES SET OUT IN THE BUSINESS PLAN?

- **How do you contribute to your company's goals? (examples)**
 - Focus on safety
 - Excellence in my work
 - Sharing knowledge
 - Keeping up with new technologies
- **What tools does your company use to manage its business? (examples)**
 - Timecards
 - Project appraisals / client satisfaction surveys / lessons learnt workshops
 - Service management tools / systems
- **How do you think an up to date business plan can help an organisation in the current economic climate?**
 - to seek funding;
 - to gain new instructions, new clients, new customers;
 - to help focus on key priorities;
 - to allow the organisation to respond to change;
 - for budgeting;
 - for setting targets for staff.

(Source: i-surv)

SUMMARY

- Market analysis = the demand
 - SWOT analysis
 - PEST analysis
- Competitiveness / industry analysis = the supply
 - Porter's 5 forces model
- The business plan
 - The vision
 - Objectives and goals
 - Strategies and actions
- Further reading: RICS Practice Management Guidelines