



are you financially well organised?

Business Plan

business context



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The forgotten gold mine!

Most businesses are capable of being sold; it's just a matter of how much they are worth. Even for those businesses that are rarely sold (such as specialist medical practices), the same principles apply.

It is a matter of developing strategies and solutions to maximise the value of your business. After all, your business is the only asset you can control the value of.

Businesses are valued in many different ways. A potential purchaser is likely to pay more for your business if the risk to their return income is less. The purchaser will then retain their capital and increase their income. This is referred to as earnings multiple.

To explain earning multiple using some figures:

If a business is earning \$200,000 profit and the purchaser considers there is a higher risk that the income won't be maintained for the long term, they might apply an earnings multiple of 2 to 3, which values the business at \$400,000 to \$600,000.

When looking at your business value you need to consider the following two factors:

1. Increase the earnings multiple by reducing business risk; and
2. Increase the earnings

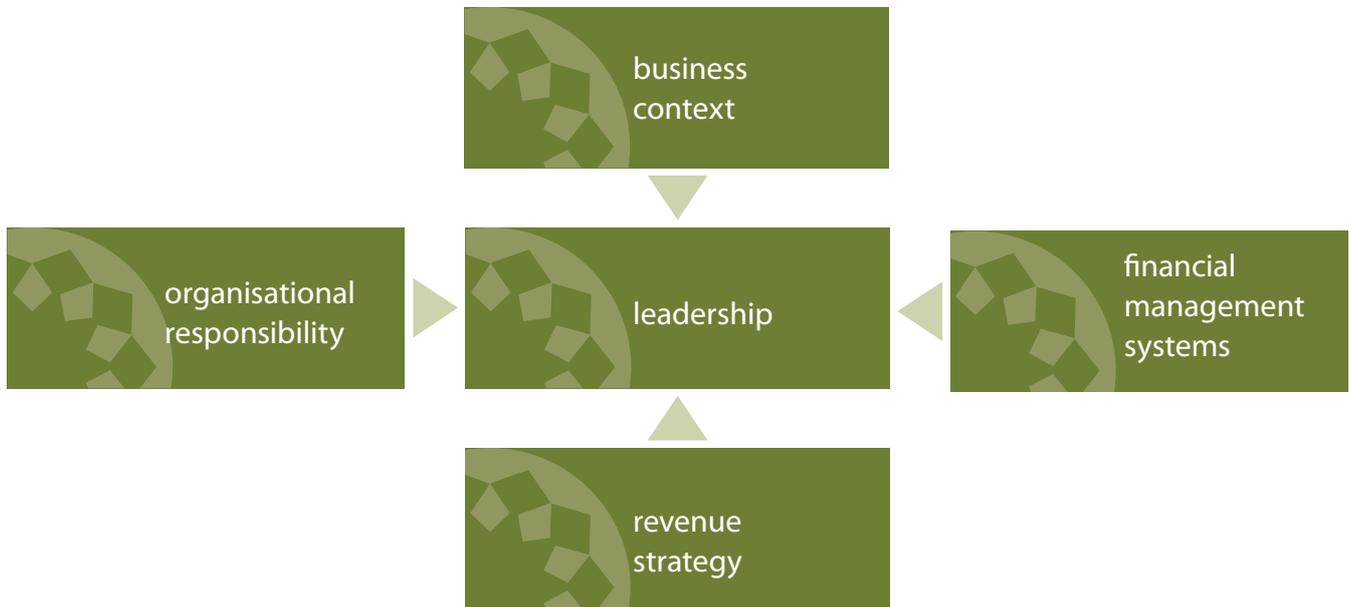
Regardless of wanting to sell your business or keep it, you need to consider the above key factors. You can then develop strategies to lower your business risk and increase your earnings.

The first place to start is setting your business goals and objectives. You need to think about where your business is now, where you want it to be, and how you are going to get it there. It's important to make sure your business goals align with your personal and financial goals.

Then you need clear action plans – implementation is the key.

Following the 5 Drivers to Business Success will ensure you focus on increasing profits and reducing business risk.

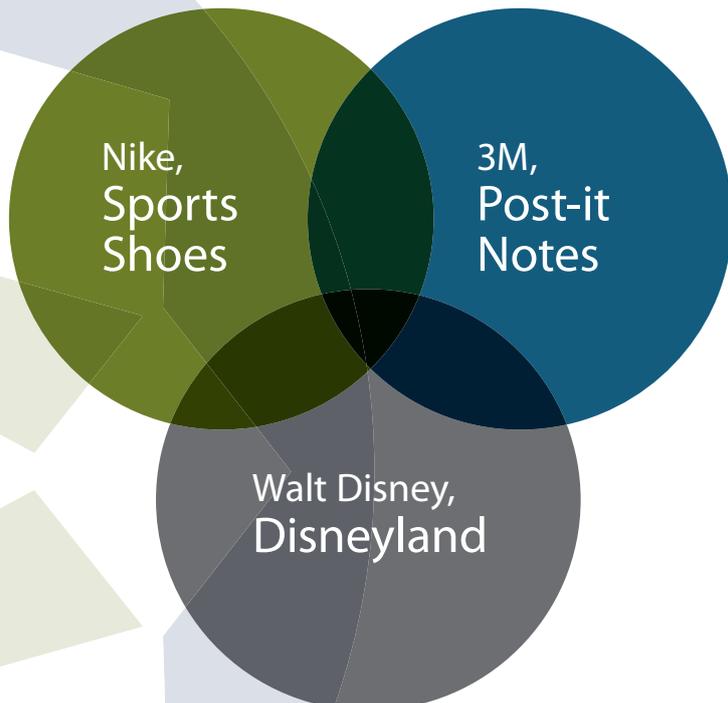
The 5 Drivers to Business Success are:



Business Context

Context gives meaning to the content

Your business will make sense if you make sure you are clear on why your business exists, its contribution to the community and society, the important role it plays, and the solutions and opportunities it provides to people. Some famous corporate contexts are:



When you think of these companies and the products they produce, they just make sense. It's because we understand why these businesses exist, what they stand for, and the contribution they make. We understand their context. It can be called a Mission Statement, or a Vision Statement, but most people confuse this with what they want to achieve, not why their business exists.

So, how do you develop your business context?
Start with the following exercise...

Write down the word to describe "blue"

Your answer may have been: colour, sky, sad, depressed, aqua, light, extent to which a steak has been cooked.

Each person will have a different answer to this question, dependent on your own experiences and interpretation. In every respect your answer will be correct, but does it describe the word blue in the way you were asked to describe it? Were you clear on the context? Did you have to stop and think, "I wonder what you mean by blue?"

Because the context was vague and broad, the meaning of the content became difficult to understand. So, let's try it again:

Write down a word to describe the "colour of blue"

Aqua, navy, sky, light, royal...

This time it was much easier to understand what was being asked. The context was clear and descriptive, and the content made sense. Your business should be exactly the same. If you are clear on the context of your business and can articulate what this context is, your business will make sense to those involved; your clients, suppliers and the public.

Business Plan Checklist

Business owners who are Financially Well Organised™ view the asset value of their business as an integral part of their wealth accumulation.

The 5 Drivers of Business Success are: Business Context, Organisational Responsibility, Financial Management Systems, Revenue Strategy and Leadership.

Business context provides meaning for your business.

become financially well organised.

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