

# Xero Signals

Turns data into powerful insights, uncovering trends and unlocking new ways small businesses can work to achieve their goals.

## Importance of planning

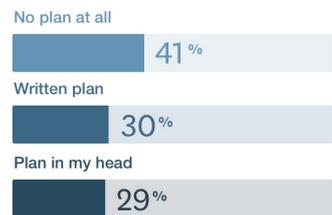
“Give me six hours to chop down a tree and I will spend the first four sharpening the axe.” – Abraham Lincoln

This month, Signals looks at what proportion of small businesses spend time planning, why they do it, and why it’s important. We also provide helpful templates, hints and tips on business planning.

## Many New Zealand small businesses don’t have a plan

We all know from experience that planning is important and our research shows that 83% of small businesses are hungry to improve the way they do things to be more efficient.<sup>1</sup> So why is it that 41%<sup>2</sup> of small businesses don’t have any kind of plan, either written down or in their head to make these improvements? Why aren’t we taking the time to sharpen the axe?

Many New Zealand small businesses don’t have a plan



## Too caught up in the daily grind

One of the key reasons small businesses don’t plan is that they’re simply too busy. In fact, 28%<sup>3</sup> of small business owners say they just can’t find the time. Oneman bands in particular feel pressured and are the least likely of all small businesses to have a plan.<sup>4</sup>

“I can’t get out of this business to actually do something about it”

“I am too busy to plan”

New Zealand small business owners

## Many don't plan because they don't know where to begin

Despite knowing the importance of planning, another key reason that small businesses don't plan is that they don't know how.

"I'm not confident to fill out a plan because I'm kinda winging it"<sup>5</sup>

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## Planning doesn't make you more money

An underlying factor for not prioritising planning is that small businesses can't see how it will make them more money. They feel there's more benefit in investing their time generating revenue in the short term than thinking about what to do in the long term.

If you feel that pausing to create a plan doesn't help you generate more revenue, you'd be right. Our recent analysis of UK small businesses using Xero shows that having a plan is not linked to revenue growth.<sup>6</sup> However it is associated with revenue stability: businesses with a plan mitigated the risk of going backwards.<sup>7</sup> Revenue stability can help increase your profit when coupled with taking actions to reduce your expenses.

"A man who does not plan long ahead will find trouble at his door." – Confucius

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## An incentive to plan is the need to get a loan

Any time you apply for a bank loan, the bank will need a transparent view of in your financial health and future intentions. Even if you're not after a loan approval, it's worthwhile having a clear plan. It's important to think about what you want to achieve and how you'll get there. A deliberate planning exercise will help you prioritise where you spend your time and other resources – and if you have staff, it will motivate and empower them to know how to help you get there.

## It's not the plan that's important, it's the planning

It doesn't matter if, at the end of the day, you don't stick exactly to the plan. The real value is in the thinking because it helps the business owner be clear about:

- what they'd like to achieve
- areas causing problems that need improving
- how they're going to do it
- which experts to tap into for best practical advice
- "It is not the strongest of the species that survive, not the most intelligent, but the one most responsive to change." – Charles Darwin

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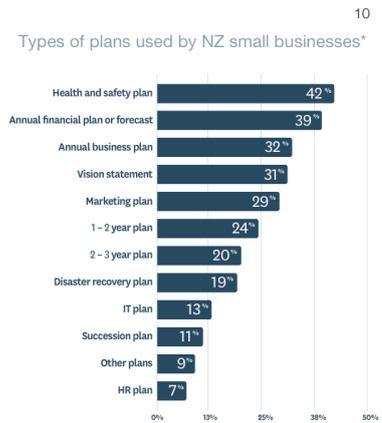
## 69% of striving businesses have a plan<sup>8</sup>

Reflection and planning are activities typical of highly effective business owners. Our national survey of small businesses found that the majority of strivers were planners also. These businesses were in better shape, not only in terms of their financial health, but also in terms of their emotional wellbeing. They were more confident, optimistic, progressive leaders who were actively focused on growth and profitability. They were also more likely to leverage expertise and technology tools to achieve their goals.<sup>9</sup>

Small businesses need to stop thinking of planning as a time drain, but as a thought provoking exercise and essential tool to drive efficiency.

## Those that plan are quite thorough

When business do plan, the most common plans they have are a [health and safety plan](#), an [annual financial plan](#) and an [annual business plan](#). Click on the plan types to open a templates to use for developing one of your own.



## Planning is linked to profit growth

Recent analysis of UK small businesses using Xero shows that planning is a good practice to get into as it's linked to positive profit movements. Those with a documented plan grew their net profit approximately 5% faster than those that did not.<sup>11</sup> It pays to invest your valuable time in thinking about your longterm goals and figuring out how to achieve them.

## Let the experts guide you on what to include in your plan

It's a good time to sit down and identify the key pain points in your business and seek out experts to help you come up with the most effective solutions to them. This may involve investing in new technology tools to streamline processes, and eliminate slower and error-prone 'man' handling.

It can feel scary to open your business to the scrutiny of other people and takes quite a bit of courage. We know your business is your baby – 43% of you say you don't trust business advice from any key business advisor like business mentors, IT advisors, accountants, or lawyers.<sup>12</sup> However, it's worth actively seeking business consultants with proven experience to support you in developing and actioning your plans.

# Plan for your success with these helpful planning tips

If you need a hand knowing what to put into your plan, here are some helpful tips.

Tip 1: Here are some ideas on [what to think about before you start your plan](#).

Tip 2: This is a great template to help you [create the perfect business plan](#).

Tip 3: Most small businesses (83%) would like to improve their efficiency.<sup>13</sup> A great place to start is by thinking about what causes you pain, what processes don't work, and what you'd like to be able to achieve faster or more cheaply.

Tip 4: Don't be afraid to dream big. Sit down and work out how you'd get there one small step at a time.

Tip 5: Making things run more smoothly is a big small business need, but what else is there? For inspiration on what you may want to focus on in your plan, here are some stats on small business goals and pain points.

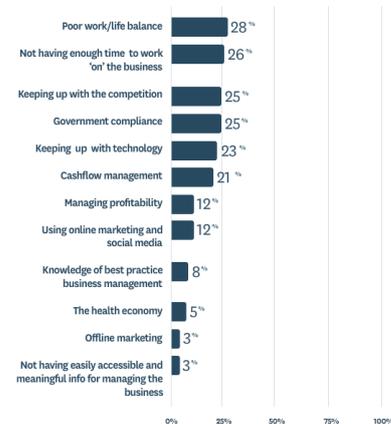
Tip 6: Collect as much information as you can about your business so that you can focus your efforts on the areas that will make the biggest difference. Here are some examples of useful info sites and tools to get you thinking:

- [New Zealand economic outlook](#)
- [Industry and market trends](#)
- [SWOT analysis templates](#)
- [Your financial business performance reports](#)
- Your customers' profiles and their feedback to you

Small business goals



Small business pain points



## Sources

1, 2, 3, 7, 8, 9, 10, 12, 13 – Xero Small Business Market Study, May 15, n=503

4, 5 – Xero Small Business Panel, May 15, n=45

6, 11 – UK Xero Signals, Nov13-Oct 15, n=317 (matched data)

For more info on these findings go to “About Signals”