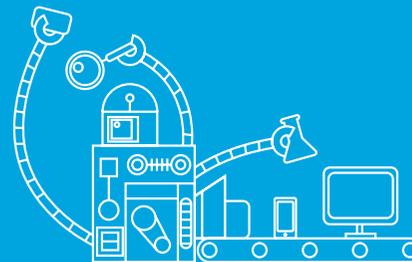
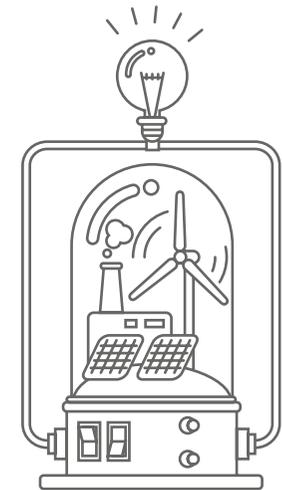


We exist to empower our clients to move forward with confidence



thinkBIG 2017



thinkBIG measures the pulse of the Australian SME, benchmarking business confidence and attitudes of business owners towards planning, growth, succession and the future of their SME.

BUSINESS PLANNING

FOREWORD

This year's thinkBIG report reflects general positivity and optimism among SME owners, following on from similar sentiment last year. Over 200 business owners participated in this year's study. Business growth, both actual and anticipated, stayed relatively high. The key barrier to achieving this growth remains access to the right skills. So talent management should be high on the SME owner's agenda. Whilst access to capital was not far behind this issue, more businesses are using bank debt to fund that growth. Family loans are on the increase but care needs to be taken that the paperwork around this debt is put in place. And we've seen the first instance of a business gaining finance through crowdsourcing in this year's survey.

There is an overall sustained acceptance that technology is a critical and indispensable tool in today's business climate, and most businesses are investing in various types of technology. However, cybersecurity remains a significant area that is overlooked by SMEs, who put themselves and their partners, suppliers, customers, and other stakeholders at risk by not taking adequate measures to protect their networks.

Planning continues to be underdone in SMEs. Despite strong evidence that business plans contribute to success, more than 30% of respondents are still failing to complete a business plan.

When it comes to an exit strategy, the numbers are even lower. Just 36% of respondents had an exit plan in place this year. With every SME owner destined to leave the business at some point, whether voluntarily or otherwise, an exit strategy is a neglected but important part of business planning.

The areas of digital implementation, cyber security, business planning and exit strategy are all fields of expertise for RSM. We see that the promotion of these areas to SMEs is important because they are key success strategies for owners. We trust that by highlighting them, it might move owners to take action where needed to shore up their future sustainability and ultimately their financial future.

2017 is the twelfth year that RSM has conducted the thinkBIG study. It measures the pulse of the Australian SME sector, and has been structured around five key areas:



- **Superannuation**
- **Business growth**
- **Business planning**
- **Exit strategy**
- **SME of the future**



I hope you find it valuable.

Peter Saccasan

National Head of Business Advisory
RSM Australia

OBJECTIVES

The key objectives of the research were to:

- Identify the impact of financial conditions on business sentiment
- Report on the business outlook over the next 12 months from the perspective of SME owners
- Benchmark business planning and critical areas such as an exit strategy and superannuation planning
- Assess the utilisation of self-managed superannuation funds by SME owners
- Report on work/life balance of SME owners
- Assess the impact and uptake of technology

OTHERS IN THE SERIES...

-  [Superannuation](#)
-  [Business growth](#)
-  [Exit strategy](#)
-  [SME of the future](#)



BUSINESS PLANNING

With many organisations looking for ways to access funding, writing a business plan could be part of the solution. Most lenders, banks or otherwise, want to see a well-developed business plan as proof of the business owner's credibility and the business's potential.

A business plan can range from a multi-page document to a single page. It should be a living document that key stakeholders in the business can access so they can understand the business's direction. Where possible, it can be valuable to seek input for the plan from others in the business; a different perspective can lead to a change in approach.

Completing a business plan

In previous years, thinkBIG has demonstrated that creating a strong business plan can be the difference between achieving growth and remaining stagnant. In 2016, 65% of respondents created a business plan; this year, 69% completed a business plan. Of those, 20% referred to their plan monthly, 26% quarterly, and 24% annually.

It is somewhat concerning that 31% of respondents still don't create a business plan, especially when there is such strong evidence that businesses with plans outperform those without plans. For example, this year's survey found that, of those companies that completed a business plan, 53% achieved growth and just 15% experienced a decline in revenue. Companies that did not complete a business plan were less likely to succeed, with only 38% reporting growth and 18% reporting a decline in revenue.

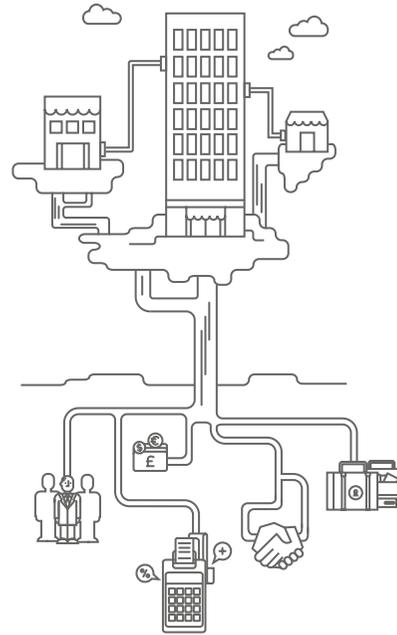
These results reflect the 2015 thinkBIG report, which found that, of those companies that completed a business plan, 56% achieved growth and just 13% experienced a decline in revenue. Companies that did not complete a business plan were less likely to succeed, with only 36% reporting growth and 24% reporting a decline in revenue.

Furthermore, in this year's survey, 61% of SME owners who did not complete a business plan say they still anticipate achieving growth in the coming year. Based on the evidence of previous years' results, the absence of a good business plan may reduce the ability to bring that growth to fruition and suggests that many SME owners still don't understand the relationship between developing a plan and achieving growth.

Often, small business owners do operate according to a plan but the plan is not formalised or even written down. This is dangerous, since it relies on that one person being present and capable of working in the business well into the future. This reliance on a single person makes long-term growth and sustainability difficult. Furthermore, a written plan ensures everyone in the business understands its goals and milestones, making them more likely to be fully engaged and lessen the workload of the principals in the business.

Planning

31% of respondents still don't create a business plan



These results reflect the 2015 thinkBIG report, which found that, of those companies that completed a business plan,

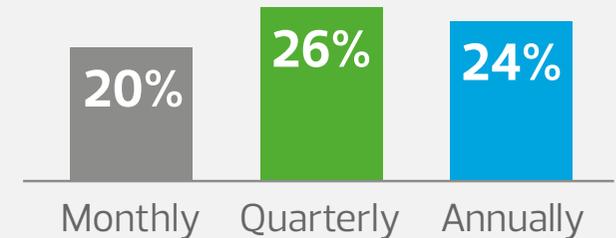
56%
achieved growth

13%
experienced a decline in revenue



Many SME owners still don't understand the relationship between developing a plan and achieving growth.

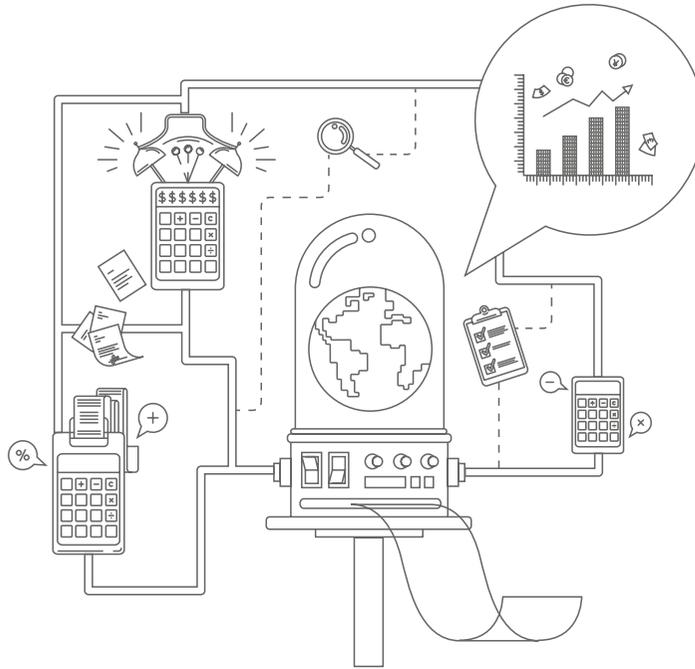
Business owners referring to their business plan in 2017



69% respondents created a business plan
(An increase from last year's 65%)



Creating a strong business plan can be the difference between achieving growth and remaining stagnant.



A written plan

ensures everyone understands its goals and milestones and lessen the workload of the principals in the business.



5

KEY STAKEHOLDERS IN A BUSINESS PLAN

1. FINANCIERS

Before lending money to a small business, financiers including banks need to know certain things about the business and its operations. This includes: the history of the business; how revenues are generated; the management team's credibility; the marketplace conditions; historical financials with debt coverage ratios; earning projections; collateral; and the purpose of the loan.

2. UNIONS

When negotiating with unions, a comprehensive business plan can provide evidence of the business's good faith and genuine regard for workers' rights. Especially when bargaining for specific pay or other conditions, the business plan can demonstrate the business's ability (or otherwise) to meet those conditions and still remain viable.

3. MANAGEMENT AND STAFF

Business owners rely on their managers and workers to enact the business plan, especially where decision-making is decentralised. The business plan helps each person understand the role they're expected to play, while also giving individuals confidence in the business's future direction.

4. GRANT BOARDS AND REGULATORY AUTHORITIES

Like other financiers, grant boards need evidence of a business's viability and intentions for the grant before providing funding. The plan should address the eligibility criteria for that specific grant and demonstrate how the grant will help the business achieve its goals. In most cases, grant boards demand that candidates have a strong business plan in place. Similarly, regulatory authorities demand to see business plans in many industries to confirm businesses are complying with their legal obligations.

5. KEY SUPPLIERS OR CUSTOMERS

Suppliers need to know that companies they do business with will be able to pay on time, and a solid business plan can give them peace of mind. Similarly, customers, especially those that intend to spend a significant amount of money, may want to see a business plan as evidence of the business's likelihood of long-term viability so they can be sure they will get full delivery of the services or products they need rather than being left out of pocket if the business closes unexpectedly.



CASE STUDY: Peel Scape Solutions – Western Australia

Peel Scape Solutions is a residential and commercial landscaping and irrigation company based in Mandurah. Operating for the last 12 years, owner Paul Holdom and his wife Carolyn, have been running the business with seven full time staff. Supplying all types of irrigation and landscaping work, including maintenance and installation, in Mandurah and surrounding suburbs.

“It’s good to get answers from guys who have seen and helped other business grow – their advice is invaluable.”

Paul Holdom
Owner



Click to play case study video



Invaluable advice

Due to the seasonal nature of work and the multiple services offered, both maintenance and landscaping, it was important for the business to know which parts were most profitable. It was time for change when the team at Peel Scape Solutions approached RSM as they had been experiencing issues with their previous Perth-based accountant who had limited understanding of the local business' needs. The convenience of working with a locally-based accountant such as RSM in Mandurah was the reason Paul reached out to Vernon Davey, fast discovering the personal approach the team has with clients. “RSM are approachable, helpful and want to help grow our business.”

After an initial meeting to assess accounting needs, Paul was introduced to Matthew Robinson to discuss business planning and growth for the future. Over the next 12 months, the team at RSM worked with Peel Scape Solutions to understand what made them tick, analysing data from the setup of financial models to craft the right plan. The results of this engagement were clear. The strategic plan was formulated to navigate the future growth plans of the business, actively building

business for both divisions of the company. "It's good to get answers from guys who have seen and helped other business grow – their advice is invaluable," Paul says.

Since then, Peel Scape Solutions has stayed focussed on monitoring business performance, making positive adjustments in the day-to-day business processes. In what is a seasonal business, they have been able to leverage off a stable team of employees by undertaking more jobs through internal efficiencies, identified new markets in the commercial sector that are less cyclical and introduced an estimator to keep the quotes up to ensure there is always work in the pipeline.

Planning is essential to any business and the advisors at RSM understand that in order to help a company succeed in the long term, you need to partner with the client throughout the entire process. Since consulting with RSM, Peel Scape Solutions has experienced growth in every area of the business and Paul is confident in the success, development and continuous partnership with RSM into the future.



Headquarters: Mandurah, Western Australia

Industry: Reticulation Systems and Landscaping Solutions

www.peelscape.com.au

SUMMARY

Key findings for business planning in 2017:

- The number of businesses creating a regular business plan, having declined from a high of 76% in 2012 to 65% in 2016, has seen a slight resurgence in planning with a four per cent increase to 69%. Of those, 20% referred to their plan monthly, 26% quarterly, and 24% annually.
- 31% of respondents don't create a business plan despite strong evidence that businesses with plans outperform those without. For example, this year's survey found that, of those companies that completed a business plan, 53% achieved growth and just 15% experienced a decline in revenue. Companies that did not complete a business plan were less likely to succeed, with only 38% reporting growth and 18% reporting a decline in revenue.
- Often, small business owners operate according to a plan that is informal or not even written down. This can pose problems if the business owner becomes unable to work in the business without time to pass on their plans. Consequently, the successors are left to create a new plan, which requires additional work and can cause the business to falter.

PROFILE OF PARTICIPANTS

Location

- 51% capital cities
- 28% rural areas
- 21% regional areas

Size of team

- 11% sole trader
- 19% 1-2 employees
- 22% 3-5 employees
- 21% 6-19 employees
- 17% 20-49 employees
- 6% 50-99 employees

Age group

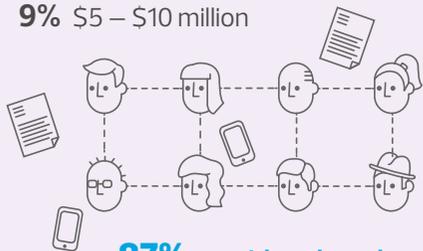
- 21% aged over 65
- 65% aged between 45 and 65
- 15% aged between 25 and 45

Top industries represented

- 23% Agriculture, forestry and fishing
- 19% Professional services
- 18% Other services
- 8% Construction
- 7% Retail
- 5% Technology

Turnover last year

- 34% Up to \$1 million
- 17% \$1 – \$2 million
- 22% \$2 – \$5 million
- 9% \$5 – \$10 million



87% are either the sole or one of the owners of the business

NEXT IN THE SERIES...

 [Exit strategy](#)

 [SME of the future](#)

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

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