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Strategic Business Planning—Not Just Another Pretty Plan

By: Robert C. Benson III, CMC

You may have heard the statement “we do business planning” by many; including company owners, attorneys, insurance agents, financial planners, accountants, marketing consultants, human resource consultants, systems consultants, manufacturing consultants, bankers, business coaches, personal coaches, and others. Most of the people named above are involved in business planning in one form or another. They add important value in their respective areas of planning and expertise. However, if you want to improve your profits and cash-flow, *you need more*. If you want to build wealth with your small or mid-sized company, *you need more*. If you want to be an industry leader, *you need more*. If you want a life, *you need more!* Eventually you will discover the need for a complete business plan consisting of a Strategic Business Plan and a Business Action Plan.

What is business planning - really? And how is Strategic Business Planning different?

We've all heard “vacation horror stories” resulting from a lack of competent planning. But even more basic, how many of you would take your family on a vacation without a destination in mind and a plan to get there? Yet statistically, over 90% of small and mid-sized companies take their employees on a journey every year with no destination in mind and no plan. And of the 10% that do prepare a business plan, about 90% of them don't include a complete Strategic Business Plan and Business Action Plan.

You may believe that because you are a small or mid-sized company it is a waste of time and money to have a Strategic Business Plan. If you do, chances are you are missing out on a lot in life. Perpetually trapped by an action bias, you are probably running an under-performing business, making just enough money to keep you and the business afloat—working long hours, missing out on your children growing up, or living in a stressed relationship with your spouse. Or, perhaps your business is making a lot of money, but it is so dependent on you that you still have no life - also trapped in an action bias resulting in working long hours, missing out on your children growing up, or living in a stressful relationship with your spouse.

Did you know that running your business operations very well only determines 50% of your profit potential? Dr. Porter at Harvard says the other 50% is determined by formulating the right strategies! Yes, as they say, “working smart.” I am not inferring you are not smart. Honestly, I have never met an entrepreneur who was not smart. True, some are smarter than others, but they are all smart – and that is part of their downfall. Many entrepreneurs believe one or more of the following:

- “No one can do the job as well as I can”
- “Planning is a waste of time and money because nothing works out according to plan”
- “Anyone can prepare a business plan”
- “The only reason I need a business plan is to get money”

If you have such beliefs, you are missing out on at least 50% of your profits. And chances are, you are missing out on a great deal more! Most of the time proper business planning can improve the profits and cash-flow of a small or mid-sized company by 300% to 1,000% per year.

Check out the three examples below of businesses that made a difference by doing strategic planning. The first is a sub-contractor who did \$10 million in business in 2004, yet attained a profit of only \$30,000 although they enjoy a 50% market share. This year we assisted them with the preparation of a Strategic Financial Plan and a Strategic Business Plan and they have already made over \$600,000 through September. The second company is a service company we began working with three years ago. The company had built an impressive reputation, but was unsure where to go next. The year before hiring us to assist them with Strategic Business Planning and Business Action Planning, they grossed \$500,000 and experienced a loss. This year they will do \$2.2 million gross and make a pre-tax profit of about \$200,000. Although experiencing compounded growth of 64% per year, they have attained profits in the top 25% of the industry every year. The third company, a highly respected \$5 million business that we began working with last year, made \$500,000 in pre-tax profits. The business, however, was totally dependent on the two owners, so they hired us to help them “get a life.” This year, after assisting them with selected Strategic Planning and Action Planning, they are not only on their way to achieving balance in their lives, but much to their amazement, will do \$7 million in revenue and make about \$1.5 million pre-tax profits this year. So, what is the secret? Good Strategic Planning and Action Planning makes a difference!

Pieces of Strategic Business Planning include such things as Industry Forces, Competitive Strategies, Grand Strategies, Driving Forces Strategies, Financial Structuring Strategies, Product/Service Strategies, Market Segmentation Strategies, Financial Leverage Strategies, Operating Leverage Strategies, Pricing Strategies, Marketing Strategies, Sales Strategies, Strategies for Distribution Channels, Motivation Strategies, Capitalization Strategies, Operating/Production Strategies, Staffing Strategies, Organizational Design Strategies, and Tax Management Strategies. The appropriate strategies must be considered, “engineered,” and applied in the right priorities for your specific business and set of circumstances. Like engineering building materials for a new home, these strategic components can be engineered in the best way for you to produce greater profits, cash flow, and growth in your business. This is your Strategic Business Plan (What you are trying to accomplish and why.)

Once you have engineered your strategies into a suitable Strategic Business Plan, including a Mission Statement (Where your destination is), the next step is to create a Business Action Plan (How you are going to get to your destination and who is going to do the various things that have to get done.) A good action plan starts with the short-term and long-term goals and then sets out the specific action steps to accomplish each goal. Add who is going to perform each step and the target date to complete each step and you have your Business Action Plan for the year.

In summary, if you want to have a business with greater profits and cash-flow, accumulate more wealth for retirement, improve the standard of living for you and your family, or have a more balanced life, start preparing your Strategic Business Plan and Business Action Plan now—2006 is the first year of the rest of your life. And if you start the rest of your life with a Strategic Business Plan, the rest of your life will be so much better it will amaze you!

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