



A Business Plan: The GPS for Your Business

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Sources:



- Sarah Simoneaux and Chris Stroud, *Best Business Practices: A Business Plan: The GPS for your Company*, Journal of Pension Benefits, 2010.
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- Graham Friend and Stefan Zehle, *Guide to Business Planning*, The Economist, 2004.

Introduction

ONE

- Many of us use smartphones' or navigation systems' Global Positioning System (GPS) to get us from point A to point B.
- We can input our preferences into the system (i.e., shortest distance, most use of freeways, etc.) and the system will then select the best route.
- When we use a GPS, we have the added confidence that we will not lose our way and that we will get to our destination as planned with few or no surprises.

Introduction

TWO

- ❑ It only makes sense that we should plan as carefully for our businesses so that we can be sure we are headed in the right direction.
- ❑ A well-documented business plan helps us map out the journey to take our business from where it is today to where we want it to go -
- ❑ -identifying milestones, obstacles, and desired routes along the way.

If We Fail to Plan, We Plan to Fail.

- ❖ With a multitude of issues competing for our valuable time, committing time to formally plan our business's future may seem like a daunting task.
- ❖ However, operating without a written business plan is even more difficult and probably more time-consuming in the long run.
- ❖ A good business plan helps us deal with changes effectively and can often mean the difference between long-term success and failure.

If We Fail to Plan, We Plan to Fail.

- Many entrepreneurial Third Party Administration (TPA) business owners might argue that they've operated for years successfully without a business plan (such as 7-Eleven branch owners, Franchisee business owners.).
- In a nutshell – that was then, and this is now! We live and work in a rapidly changing world.
- Our industry is directly impacted by the economy, tax legislation, regulation, and technological changes.

If We Fail to Plan, We Plan to Fail.

- It is extremely important to have a plan and a system to measure success.
- A business plan forces us to look inward with a critical eye and identify our strengths and weaknesses.
- It also requires us to look outward and perform an environmental scan, analyzing the industry, the competition, and identifying potential opportunities and threats.

If We Fail to Plan, We Plan to Fail.

- For example, how will the new fee disclosure rules affect our existing book of business?
- Have we developed a plan to ensure our proactively retain our current plan?
- Equally as important, have we thought about what we need to change in our operation to accommodate the new fee disclosure rules, and how we can use fee disclosure as a way to open doors and get new business?

If We Fail to Plan, We Plan to Fail.

- Kenneth G. Ingham of Ingham Retirement Group in Miami, Florida, had been in business for more than 30 years and knew he needed a business plan to get his firm to the next level.
- After going through the business planning process several years ago, Ken explains, “In most companies, people at the top know where they are going – but the employees who are struggling to get the work done are often in the dark about the company direction.”

If We Fail to Plan, We Plan to Fail.

- If we don't tell them where we want to go, we probably won't get there.
- The business plan helped us communicate our direction to the employee and also helped us find new ways to thank the employees for good jobs they were doing.
- As Ken points out, one of the most important audiences for our business plan is our company's employees.

If We Fail to Plan, We Plan to Fail.

- Remember that our business plan is our company's GPS – so use it to communicate our vision of where we want the business to go and the business's goals and objectives,
- Which will provide our staff with an understanding of the route to get there.
- Business plans are also essential for start-up firms, and they are an important element when trying to obtain funding or when buying or selling a business.

Core Questions a Business Plan Must Answer

- The primary purpose of our business plan is to define our business, identify our goals, and create a financially sustainable business.
- It is a means to keep us on track and help us make the right decisions for our business.

Core Questions a Business Plan Must Answer

As we develop our plan, we should carefully consider the core questions below.

- What business are we really in? What is the overall mission of our business and what are our corporate values?
- What products and services do we offer?
- Who are our potential customers and what are our target markets?
- What distinguishes us from our competitors?
- What motivates our customers to buy from us?

Core Questions a Business Plan Must Answer



As we develop our plan, we should carefully consider the core questions below.

- How will we reach potential customers and retain the existing ones?
- How will we structure our operation for success today and in the future?
- How will you achieve enough profit to sustain and grow our business?
- How will we ensure conformity to industry best practices?

Core Questions a Business Plan Must Answer



- This first question – what is our overall mission – may seem obvious, but the answer is not always easy.
- Are we in the business of administering retirement plans or gathering assets?
- Are we simply gathering as many plans as we can or are we really in the business of selling consulting hours?
- One can learn from the example of the jewelry and watches, but was spending most of his money carrying inventory and selling jewelry.
- He ultimately decided that he was in the repair business and discontinued the sales operations, and his profits greatly improved.

The Main Components of a Business Plan

One

- **Executive Summary**
- **Company Overview**
- **Description of Products and Services**
- **Market and Competitor Analysis**
- **Company Strategies**
- **Management and Personnel**
- **Financial Review**
- **Appendix**

- Many people think of their budget as their business plan, but it most certainly is not!
- We first need to specify our goals and determine what direction our company is headed before we can truly budget.
- An effective business plan serves as a tool to ensure that our financial decisions and our budget are in synch with our goals.
- A well-written business plan incorporates the following information:

EXECUTIVE SUMMARY

- Although this summary is typically the first item in our business plan (other than a Table of Contents, perhaps), it is usually the last thing to get written.
- It highlights all the major points from each section of our business plan.

COMPANY OVERVIEW

- This section should include information on the history of our company, type of ownership, and all locations and/or divisions.
- It should state why we are in business (our mission and values) and identify our primary goals and objectives.
- Just as our business plan serves as our firm's GPS, our mission and values provide the moral compass that help steer our decisions.

COMPANY OVERVIEW

- ...
- The mission and values statements allow us to promote a corporate culture that supports our vision.
- The goals and objectives are the milestones, or waypoints, along the journey.
- Tying corporate goals to employees' individual goals helps our employees understand how their roles fit into the bigger picture.

DESCRIPTION OF PRODUCTS AND SERVICES

- Describe our current products and services and indicate any future products and/or services we are anticipating.
- Identify the type of customers we serve, our target audience and how our products and services benefit them.

MARKET AND COMPETITOR ANALYSIS

- Define our external business environment and identify opportunities and threats.
- This section should include an industry overview, a description of market segments, market trends, and information on our competition.

COMPANY STRATEGIES

- This section should outline the various strategies that our company will use to carry out our plan and accomplish our goals and objectives.
- At a minimum, the plan should address the positioning of our products and services, as well as strategies for marketing, sales, technology, and business continuity.
- It is important to articulate our competitive advantages and identify our strengths and weaknesses.

COMPANY STRATEGIES

- The planning process prepares us for the uncertainties of the future by giving us a framework to formulate and communicate alternative strategies.

MANAGEMENT AND PERSONNEL

- Identify the key personnel and management team(s),
- This section should include information on the overall organizational structure, as well as any gaps in management or personnel and how these issues will be resolved.
- How we will recruit and retain employees is another important part of this section of the plan.

FINANCIAL REVIEW

- The Financial information should include current and projected information covering a period of at least four years (two historical and two projected).
- Include Income Statements, Balance Sheets, and Cash Flow Analysis, and provide an overview of the assumptions that went into the projections in order to support our projected growth.

FINANCIAL REVIEW

- The business plan provides a framework for us to create and analyze financial projections, and the projections should take into account the financial impact of all identified goals and objectives.
- (Note: Although the financial section is critical to management, some firms choose to omit this section from the business plan document they share with employees.)

APPENDIX

- The appendix serves as a tool for us to place important information that does not belong in the main body of the business plan.
- Common items include biographies of key personnel, company accreditations, list of credentialed employees, company press releases, community service awards, etc.

The Main Components of a Business Plan

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- To begin the process, assemble our in-house planning team. Select a group of owners, managers, and/or employees to help with the project.
- Most firms utilize an outside consultant, ideally one who knows the industry, to lead the project and provide insight as to how other similar firms are operating.
- A consultant offers a fresh objective view, with a perspective more like that of our customers, from outside looking in.
- The consultant can facilitate strategic planning sessions, brainstorming sessions, **“SWOT” (strengths, weaknesses, opportunities, threats)** analysis,

The Main Components of a Business Plan

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- ..., and ultimately provide us with a well-documented business plan.
- A consultant will keep the project moving and establish timelines and milestones so that we and our management team can focus on what we do best – running our business.
- A consultant can also help filter out some of the more subjective elements of our analysis, helping us to see our business and its prospects more clearly.
- We should appoint an in-house “point” person to coordinate with the consultant as needed.

The Main Components of a Business Plan

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- Developing a business plan requires us to think about our business and express our ideas in a systematic way.
- We can expect the process to take two to three months if it's our first plan.
- Having a well-documented business plan in hand is not the only advantage – the business planning process itself requires that we spend quality time focusing on our business, considering all external and internal factors as we develop our plan.
- We will “know” our firm much better as a result, and we will be much clearer on the direction our firm should take.

A Living Breathing Document

One

- ▶ A business plan is never “done”. We must work to keep it alive by reviewing our plan periodically (at least annually) and making modifications as necessary.
- ▶ If we experience any significant changes in our business environment (e.g., fee disclosure regulations, acquisition of another firm, etc.), immediately review our plan and strategize to determine the impacts on our firm and adjust our plan accordingly.

A Living Breathing Document

Two

- ▶ Revise our goals and objectives and alter the relevant sections as needed to pursue the alternative strategies we have identified.
- ▶ Ken Ingham's experience underscores the momentum that a business plan can generate.
- ▶ He notes, "As a result of establishing the written business plan, we were one of the first firms to achieve the Professional certification, which strengthens our competitive edge in the marketplace. In addition, our business continues to improve in other ways."

A Living Breathing Document **Three**

- ▶ We held a company meeting to share the plan with our employees and to reinforce the culture we wanted to cultivate.
- ▶ We set up a marketing team to work on a detailed marketing plan, we strengthened our brand and updated our collateral materials, we created a new employee reward system, we refined our budgeting process, and we increased responsibilities to our mid-managers for carrying out the plan's action items.

A Living Breathing Document **Four**

- ▶ We feel we now have an even better chance at success and growth than we've enjoyed in the past.
- ▶ We understand that our plan is a living, breathing document that we will change and update as we grow.”

AND FINALLY...

- A business plan helps us create a culture that reorganizes our firms' goals and objectives and ensures that they are implemented.
- Generate excitement when we present the plan to the employees so they will want to make the journey with us and help our business get to its desired destination.
- The employees will provide the “energy” that will bring power to the GPS, keeping our business plan alive.
- Refer to our business plan and goals often – in business strategy meetings, sales and marketing meetings, company meeting, employee reviews, etc.

AND FINALLY...

- Include our mission and vision in business (company) newsletters, employee handbooks, and our Web site.
- Assign accountability to goals and objectives and use metrics to measure and evaluate our programs and initiatives.
- Solicit feedback from everyone when we are ready to review and update our plan.
- If we keep the energy surrounding our business plan at a high level, then our plan will naturally stay “alive and well”.