



A management article by Donald Cooper, MBA, CSP, HoF:

The 'straight goods' on how to create an effective Business Plan:

There's real confusion and disagreement as to what a Business Plan should be...and how to create one that works. In this insightful article I deliver the 'straight goods' on how to create an effective Business Plan.

1. There are 3 types of Business Plans:

- a) Your '**Annual Business Plan**' for the next fiscal year. A Plan that should be completed one month before the beginning of that upcoming fiscal year and, most likely, worked on in the 2 months prior.
So, for example, if your fiscal year is also the calendar year, you should work on your Business Plan in October and November so that it's complete and ready to go by December 1st and can be fully communicated to all Team Members during early December so that everyone can 'hit the ground running' before the next year starts.
- b) A '**Business Plan for a new business start-up**' should be a Plan for the first 3 to 5 years of the business because it typically takes at least 3 years for a new business to become profitable...and you want to make sure that you don't run out of money or passion before profitability arrives.
- c) A '**Business Plan for a new business acquisition or significant new venture**' within your business.

Note: In this article, we're focusing on a) 'The Business Plan for the upcoming year', but most of the elements also apply to the other 2 types of Biz Plans.

2. Who should be involved in the Business Planning process? Your entire Management and Supervisory Team should be involved in and committed to the process. Their perspective and input will be hugely valuable. And, if they're not involved, they won't be committed. If they're not committed, the Plan will fail and you can't hold them accountable. *'Imposed from above'* Business Plans don't work.

3. Your 'Annual Business Plan' should be a part of a longer 3, 5 or 7-year strategy and Plan. This process needs to start with a realistic assessment of where you are now and where you commit to be in a specific number of years. Simply stated, every business is just trying to get 'from here to there'. The problem is that many businesses are in denial about where 'here' is and they lack clarity about what 'there' looks like. So, they're stuck.

To get 'unstuck', start with a reality check on **what 'here' looks like** by having all owners, leaders, managers, supervisors and a few of the front-line Team complete 4 or 5 of my Biz Tools, individually, no peeking. There are no right or wrong answers. Just their impressions.

1. Biz Tool #A-1, '**The Business Key Challenge Audit Sheet**'.
2. Biz Tool #A-2, '**The Service Challenge Audit Sheet**'.
3. Biz Tool #A-4, '**Our 1st Job is Clarity...the Clarity Score Card**'.
4. Biz Tool #B-18. '**17 Keys to Creating a Winning Culture**'.
5. Biz Tool #A-11, '**The Partnership and Family Business Audit**' (if applicable).

This group of 5 Biz Tools shown above, takes about 30 minutes to complete.

Note: All **Business Tools** referred to in this article are available as a downloadable 'package' at donaldcooper.com for \$60, plus applicable tax. Just click on the 'Store' tab. There are a total of 52 short, insightful and easy-to-use Biz Tools to help you manage more effectively in every part of your business.

Collect, recap and analyse the completed Biz Tools. Through this process, you'll develop a clear understanding of the management and organizational strengths and challenges, and partnership and family dynamics (if applicable) in your business...and if everyone is 'on the same page', which they typically are not. You should now have a much clearer picture of what **'here'** looks like.

Next, you work to get clarity about what **'there'** looks like. What do you commit to become in 3, 5 or 7 years...and what must you become to be a sustainable and profitable market leader? **Note:** The number of years (3, 5 or 7) depends on what specific outcomes and timelines are most realistic for you and your business. Specific outcomes could be a combination of:

1. To achieve a specific sales volume and profitability level through internal growth, or acquisition.
2. Total annual income for the owner(s) / leader(s) and a competitive ROI for the shareholders.
3. Specific number of weekly hours worked by the owner(s) / leader(s) and vacation time taken...or other lifestyle adjustments.
4. Increase the market value for the business to facilitate a sale or intergenerational transfer of the business for a particular \$ amount, in a specific number of years.
5. Develop a strong and sustainable Management Team that will make #1, #2, #3 and #4 above happen effectively and profitably.
6. Develop a Culture of clarity, commitment, urgency and accountability.
7. Develop a 'Succession & Exit Strategy' (if applicable). Mentor the next-gen 'kids' or Management Team to effectively take over the business and to develop a process by which they will pay for it. This includes an assessment as to whether the next-gen 'kids' or current managers are actually interested and capable and whether they get along...and whether they'll be able to take the business to the next level. Maintaining the 'status quo' is not acceptable. The 'status quo' is just a fancy term for a slower rate of dying.

Note: If there are not capable and interested next-gen 'kids', partners or managers to take over the business, develop a 'Succession & Exit Plan' involving a 3rd party sale as the likely option.

In determining what **'there'** looks like you will use:

1. My Biz Tool #A-8, **'The Defining Success Template'** .
 2. My article on, **'The Truth About Vision & Mission...they aren't what you think they are!'**
 3. My 40-page **'Vision Critical Guide'** (available for \$40 at donaldcooper.com on the 'Store' tab).
 4. An honest 'conversation' with yourself and trusted advisors about your career and life priorities, values, health, health of family members, family dynamics, hobbies, passion, financial needs and comfort levels, fears, relationships, management competency, business partner dynamics and physical and emotional 'gas in the tank'.
- 4.** When you achieve clarity about what **'there'** looks like in a specific number of years, you work with your Accountant to create a proforma P&L Statement, Balance Sheet and Org Chart for the specific future year to show what the business must 'look like' at that point to generate the bottom line, organizational and business model sustainability and market value that you have committed to.

5. Now that you have clarity about where **'here'** is and about what **'there'** looks like, you can create a **Business Plan** to get you from 'here' to 'there', in the agreed time frame. Once you have the 3, 5 or 7-year Business Plan, you will divide it into Annual Mission Statements and a 'Commitment To Action' for each year stating specifically what will be done, by whom, by when, at what cost, with what measurable outcomes, measured how and rewarded how, to move the business toward your Vision (what you commit to become). My 40-page **'Vision Critical Guide'** guides you, step-by-step, through this important process.

6. Your **'Business Plan'** is an umbrella term for a package of individual specific Plans.
 1. Since your 1st job is 'Clarity', the 1st step in creating a comprehensive Business Plan will be to create:
 - a) Your clear **'Statement of Purpose'** (your 5 'Whys'). Your Customer Purpose, your Employee Purpose, your Investor Purpose, your Community Purpose and your Environmental Purpose (see **Biz Tool #B-2**).
 - b) Your clear **'Statement of Values'**.
 2. Working with your Accountant, create a proforma **'Profit & Free Cash Flow Plan and Balance Sheet'** for the end of the 3, 5 or 7-year period that you're committed to. From this you create proforma 'Profit & Free Cash Flow Plans and Balance Sheets' for each of the individual years leading up to your 'final year' of the forward planning period.
 3. The Plan for any **changes to your Business Model** required to keep the business relevant, competitive and profitable. There's no point fine-tuning an irrelevant Business Model.
 4. Your **'Sales Plan'**, consisting of your sales number commitment, sales strategy (market positioning, pricing & distribution channels, sales activity and Sales Expense Budget) for the 'end year' (3, 5 or 7 years out) and for each intervening year. A Sales Plan that will get you to your profit commitment.
 5. Your **'Customer Value & Experience Differentiation Plan'** (How you will be the extraordinary and clear 'wise choice' for your target customers). Every industry and every market is over-served and under-differentiated. You need to create clear and compelling value and experiences that will 'grab' your target customers, clearly differentiate you from your competitors, make you 'famous' and grow your bottom line.
 6. Your **'Marketing / Branding / Communication Activity Plan and Budget'** (how you will consistently and effectively tell your value & experience story, including your Brand Commitments, Brand Values and Brand Personality, in everything you do).
 7. Your **'World-class Operational Efficiency and Cost Management & Improvement Plan'** (specifically, what will you do to achieve world-class operating efficiency in every part of your business?).
 8. Your **'Systems & Process Improvement Plan'**. **Note:** This could be a separate Plan, or part of the 'Operating Efficiency Plan' described in #7 above.
 9. Your **'Machinery & Equipment Improvement Plan'**. **Note:** This could be a separate Plan, or part of the 'Operating Efficiency Plan' described in #7 above.
 10. Your **'Premises & Facilities Improvement or Relocation Plan'**. **Note:** This could be a separate Plan, or part of the 'Operating Efficiency Plan' described in #7 above.

11. Your '**Org Chart**' for the 'end year' (3, 5 or 7 years out) and for each intervening year.
12. Your '**Staffing Plan**' and '**Talent Development, Training & Employee Acquisition Plan**' for each part of the business. Use Biz Tool #A-17, '**Evaluate Your Talent Pipeline**' to determine who on your existing Team is sustainable, promotable, toxic, in the wrong job, or retiring soon.
13. Your '**Business Culture Improvement Plan**'. Specifically, what needs to be done to create a Culture that the best people are attracted to, want to contribute to and stay with? Use Biz Tool #A-16, '**How to Create an Effective Team Culture**' and #B-18, '**14 Keys to Creating a Winning Culture**'. *'The best people have to work for someone...it's just that we have to deserve them!'*

Note: In all parts of your **Business Plan**, and in all conversations about it, you and your Team will talk about '**commitments**', not about 'goals, targets, aims and objectives'. 'Goals, targets, aims and objectives' are weak and wishy-washy words that leave way too much wiggle room to NOT perform.

Nobody cares what we 'aim' to do. They want to know what we 'commit' to do. When we change our language, we change our culture. Create a culture of 'commitment' and accountability.

7. There's absolutely no point having a Business Plan without a clear and specific **Action Commitment**, timely follow-up, performance measurement and 'course correction' when required. *'The world is run by those who measure and follow up.'*

For every commitment made and 'action to be taken' stated in your Business Plan...

- a) Specifically, what will be done, by whom, by when, at what cost, with what result, measured how and rewarded how?
- b) Will the Team members charged with each responsibility be given the resources, empowerment and support to 'get it done'?
- c) Who will follow up, when, to measure progress, encourage the Team, remove roadblocks and intervene when necessary?

This is the process by which things actually get done. Remember, *'Businesses don't die from a single shot to the head. They die, slowly but surely, from a thousand uncompleted tasks.'*

8. **In Conclusion:** This may sound like a lot of work...but it's what management is all about. It's why you get the big bucks! Stop retreating to the familiar, doing the 'easy day-to-day stuff' and hoping for better results. *'We get what we commit to and work for...not what we hope for.'*

Note: If you'd like help in creating an effective Business Plan for your Business, I'm easy to find at donald@donaldcooper.com