



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) 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.
- b) A **'Business Plan for a new business acquisition or significant new venture'** within your existing business.
- c) 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 by the end of November at the latest so that everyone can 'hit the ground running' before next year starts. If your Fiscal Year-End is different from the Calendar Year, you'll adjust your Annual Business Plan start date and completion date accordingly.

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

- 2. Defining the Annual Business Plan.** Many business people think that an Annual Business Plan is mostly, or entirely, a set of numbers (Financial Forecasts) for the coming year. But, those numbers are simply a 'Score Card' for the performance commitments and specific activities for the upcoming year in each part of the business. It's the performance commitments and the specific activities that are the real 'beating heart' of the Annual Business Plan. What will be done, by whom, by when, at what cost, with what outcomes, measured how...and rewarded how?
- 3. 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.
- 4.** 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** in your business by having all owners, leaders, managers, supervisors and a few of your 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 the **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 on our website. There are a total of 52 short, insightful and easy-to-use Business Assessment & management Implementation Tools to help you plan and 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 in your business.

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? If you don't want to become what you must become, you have a whole other set of challenges.

When looking at what **'there'** looks like in your business ask the important question, *"Will our industry and our market be a financially and emotionally healthy place to be in 3, 5 or 7 years? Is it now?"* If not, what will your business and life strategy be to deal with that?

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 for your future Vision for the business could be a combination of:

1. 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 and work / life balance improvements.
4. Increase in the market value for the business to a specific amount to facilitate a 'successful' sale or intergenerational transfer of the business for a specific dollar amount, in a specific number of years.
5. How the Business Model may have to change to achieve sustainability and your profit commitments for 3, 5 or 7 years from now.
6. Develop a strong and sustainable Management Team that will make #1, #2, #3, #4 and 5 above happen effectively and profitably.
7. Develop a Culture of clarity, commitment, empowerment, urgency and accountability...and a Culture of integrity, fairness, opportunity and respect that attracts, challenges and retains top-performers.

8. 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 the next-gen 'kids', partners or managers are not capable and interested 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 40-page '**Vision Critical Guide**' (available for \$40 at donaldcooper.com on the 'Store' tab).
 3. An honest 'conversation' with yourself and trusted advisors about the future of your industry, the sustainability of your market, how you and the business must change and grow, your career and life priorities, your life values and personal priorities, your health, the health of family members, family dynamics, hobbies, passions, financial needs and comfort levels, fears, relationships, management competency, business partner dynamics (if applicable), next-generation family business dynamics (if applicable) and your physical and emotional 'gas left in the tank'.
4. When you achieve clarity about what '**there**' looks like in 3, 5 or 7 years, you work with your Accountant to create a proforma P&L Statement, Balance Sheet, Free Cash Flow Statement and Org Chart for each of the future years covered by the long-term Strategic Plan to show what the business must 'look like' at the end of each fiscal year.
 5. Now that you have clarity about where '**here**' is and about what '**there**' looks like, you can create a Long-term **Strategic Plan** to get you from 'here' to 'there', in the agreed time frame. Once you have the 3, 5 or 7-year **Strategic Plan**, each year you'll create an **Annual Business Plan** that moves the business toward the outcomes committed to in the longer-term **Strategic Plan**. Each **Annual Business Plan** will contain a clear '**Commitment To Action**' stating specifically what will be done, by whom, by when, at what cost, with what measurable outcomes, measured how and rewarded how, to make your commitments happen. Failure to implement is one of the biggest problems in many businesses today.
 6. Your annual '**Business Plan**' is an umbrella term for a package of individual specific Documents and Plans.
 1. Since, as a leader and manager, your 1st job is 'Clarity', the 1st step in creating a comprehensive Business Plan will be to create:
 - a) Your clear '**Statement of Purpose**' which will consist of your '5 Whys' (purposes).
 1. Your Customer Purpose,
 2. Your Employee Purpose,
 3. Your Investor Purpose,
 4. Your Community Purpose...and,
 5. Your Environmental Purpose

Note: For help in creating your 'Statement of Purpose', see **Biz Tool #B-2**.

b) Your clear **'Statement of Values'**. This will be a 1-page statement in point form listing the values that will guide you in everything you do. For excellent examples of 'Statements of Values' to inspire you, Google 'Statements of Values' and study several of them.

2. **The 'Financial Planning' part of the Business Plan.** Working with your Accountant, create a proforma **'Profit & Free Cash Flow Plan and Balance Sheet'** for your Annual Business Plan and for each of the years in your longer-term 3, 5 or 7-year Strategic Business Plan.

Important Note re the 'Financial Planning' part of the Business Plan: For the 'numbers' part of the Annual Business Plan and for longer term Business Plans, most businesses take the previous year's sales and expense numbers and add a bit to them. Then, they start with next year's projected sales number at the top of the page, then insert a projected 'cost of goods sold', Gross Margin, Operating & Admin Expenses, then come up with a pre-tax profit number, minus projected taxes and, finally, an after-tax bottom line at the bottom of the page. Their approach to profitability is, *"We'll do our best...and hope for the best!"*

My belief is that our profit is something we plan for and commit to...not something at the bottom of the page that we hope for. So, I suggest using my **'Back-assward' approach to profitability**. Start at the top of your financial planning page with the after-tax profit number that the business must generate to meet or exceed your personal and business commitments, pay everyone well, generate funds to pay off debt, reinvest in the business and put some cash away as a cushion in the next downturn (there will always be a next downturn). Then, below that, calculate the pre-tax profit the business must generate, then insert the Operating & Admin Expenses, Gross Margin and, at the bottom of the page, the Sales number that you must achieve to make that profit happen.

This 'Back-assward' approach puts the focus on profit generation and leads to proactively and decisively managing every part of the business to generate that profit. This approach makes you the creator of circumstances rather than the victim of circumstances.

In addition to the 'Financial Planning' part of the Business Plan, you need these additional individual Plans that focus on each of the areas and functions of the business. They are:

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 each of your target customer groups). 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 Improvement and Cost Management 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 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? *'The best people have to work for someone...it's just that you have to deserve them!'*

Use Biz Tool #A-16, **'How to Create an Effective Team Culture'** and #B-18, **'17 Keys to Creating a Winning Culture'**.

Important 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. Replace them with one word that changes everything... 'Commitments'

Nobody cares what you 'aim' to do. They want to know what you 'commit' to do. When you change your language, you change your 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.'*

Key insight: The 10 simple words that change everything!

Every time you assign a task or project ask the simple 10 word question that creates a culture of commitment and gets things done, on . The magic question is, “By when can we agree that this will be completed?” Negotiate a reasonable, doable commitment, document that commitment and follow up. The world is run by those who follow up!

- 8. In Conclusion:** This may sound like a lot of work...and it is. But it's what management and leadership are 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