



January 2020

## Past Issues

December 2019

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October 2019

[\*8 Things to Consider When Selecting an M&A Advisor\*](#)

July 2019

[\*Monetizing Your Corporate Reputation: Corporate Social Media Policy\*](#)

May 2019

[\*A Secret Way to Forecast the Future Profitability of a Business in Determining Value\*](#)

March 2019

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## Is Your Business Focused on Business?

By: Doug Robbins

When visiting with potential clients who are considering selling their business, we get excited when they show us a business plan. Few companies take the time to prepare a business plan and measure their actual results.

Imagine yourself as a potential buyer of a business and the owner gives you the business plan for the next year along with the plans from the last five years and the results so that you can compare it.

Results are seldom right on plan, but when you compare a number of them, you can quickly determine the forecasting skills of the writer, and it gives you confidence in the management of the business you are looking at. The results and a plan show a management team that is focused on their business.

A business plan outlines the focus or roadmap for your business, provides direction for employees, advisors, shareholders and other stakeholders, such as your customers, suppliers, creditors and even your bank. Everyone touched by a business with a clear focus of where it is going will have a higher level of confidence in the success of the business.

Your business plan should identify the goals for the immediate future as well as long-range strategic objectives. When preparing your plan take into consideration any activities that occur outside of your core business strategy.

Every business has a primary business strategy and many have secondary strategies that add to the bottom line or make full use of employees' skills and time. For example, many road maintenance firms that are at maximum capacity during good weather will supplement their income throughout the slower winter months with snow removal.

It makes good business sense to have a backup strategy when there are fluctuations in your business cycle. The secondary focus should promote business towards your core strategy. Is the secondary strategy using time and energy that could be better directed to your core business? Does the income generated add to your profitability? Are your employees aware that it is not the primary focus of your business? Do you maintain equipment that otherwise would not be required? Etc.

Whether you are considering selling your business or looking at how to improve it, be aware of the potential detriment of a secondary business strategy and whether it is diverting valuable resources and revenue away from the principal focus of your company.

Developing a business plan takes time, energy and research. There are three distinct parts involved which we refer to as the **10/5/3 planning program**.

The first activity is setting a **10-year vision**. What will the company be doing in 10 years; what products/services will it be selling; what products/services will its customers want/need; how many locations will it be operating from; how large will the ideal facility be; what will the employee makeup look like; etc.?

Next, you must develop a set of goals that will need to be accomplished during the next 5 years in order to achieve the 10-year vision.

## The Robbinex Mission

To provide our clients with experience-based knowledge to maximize the value of their companies, to help them make:

...the **right** decision at  
...the **right** time for  
... the **right** reasons™

A member of



The **five-year goals** and objectives need to be expressed in distinctive activities, including supporting documentation with respect to capital equipment acquisitions, marketing initiatives, product development, territory expansions, employee development, etc., all put onto a timeline that is expressed in financial projections summarizing how the company will achieve the five-year goals.

The third step is to complete a **three-year business plan** showing how you are going to achieve those 5-year goals including financial projections. The first year of the business plan should be completed on a month-by-month basis, line by line, with years two and three being done on a quarterly basis.

The first time a 10/5/3 planning program is initiated, you should allow sufficient time to cover all aspects of the process. An important part of this process is to be detailed oriented and to be forward-looking. You must remember that this is a learning process as well as a planning process. You will be learning about your business and its potential and opportunities, consequently the first-year business plan needs to be reviewed monthly; actual results against plan; and it is quite likely that at three or six months, it will be necessary to revise the plan to reflect what is actually occurring.

The real value of the 10/5/3 planning program can only be realized with annual updates. As you move into years three, four and five, you will recognize that the 10-year vision is actually changing, albeit very gradually. Your efficiency in planning will improve and you will be surprised at how accurate your forecasting will become.

It is highly likely that a 50-year-old will have a different vision of where they will be in 10 years that they will have when they are 60 or 65. There is no doubt there will be changes in technology, competition, markets, products, and employees, to mention only a few. **The only constant today is change**, and these changes need to be identified and incorporated into each of the three parts of the 10/5/3 program.

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## The Bottom Line

*Sharing your 10/5/3 program with members of your advisory board will bring forth dozens of questions, thoughts, ideas, and alternatives for you to consider.*

*We have a client whose sales 6 years ago were \$800,000 and had hovered in that range for almost 10 years. Today, after implementing a 10/5/3 strategic plan with help from an advisory board, sales have grown to almost \$4 million.*

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## About the Author

### **Doug Robbins, President and Founder of Robbinex Inc.**

Doug is an internationally renowned Canadian Business Intermediary and Business Broker. He is a seasoned businessman having completed more than 1,000 assignments relating to advising clients on Mergers and Acquisitions (M&A); valuations; transferring businesses to the next generation; partnership resolutions; refinancing; along with numerous other consulting activities.

He has completed more than 400 business sales; and invested in 32 businesses. As a licensed Real Estate & Business Broker in the Province of Ontario, Doug has always actively supported the M&A profession through investing significant time and energy by way of memberships, lecturing, and presenting workshops for numerous M&A organizations.



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