

Planning

BY: DOUG ROBBINS



(I have got a business to run and don't have time to waste; I'll get my accountant, controller, bookkeeper or somebody to do it for me)

It is often said that if you do not have a destination in mind when you begin a journey, then **"any road will take you there"**.

Owning and operating a business is much like that. Each business needs a business plan that clearly sets out the goals and objectives of the owner and the details of how those goals and objectives are to be achieved. This is one of the most critical steps an entrepreneur must take in order to become highly successful. The most surprising thing is that few entrepreneurs have a detailed business plan, and most of those that do, have someone else prepare it for them ... "I just need it for the bank". In my opinion, they need it for themselves or 10 or 15 years later, their business will have not even begun to reach its potential.

Operating any business today is far more challenging than even 10 years ago. The world as we know it is changing at such a fantastic rate that it is just too much for any one person to keep up with.

One of the most effective and inexpensive ways to address the huge changes affecting businesses today is to establish **a board of advisors**. Every business owner knows the meaning of **"it is lonely at the top"**, and one way to deal with that feeling is to have an advisory board. Most advisory boards comprise of 4 to 7 people from like sized businesses, that meet from 4 to 12 times annually. The advisors, drawn from many different disciplines, can bring much intelligence to a small business making the difference between success and failure.

When creating a business plan I like to break the planning process into three distinct activities. I refer to this as the **10/5/3 planning program**.

The first activity is setting the **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?

Once the 10 year vision is clearly established, we then sit down and develop a set of goals that will need to be met during the next 5 years if we are to have any opportunity to be successful in achieving the 10 year vision.

The **five-year goals** are goals and objectives that will be expressed in distinctive activities, with 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 will 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 someone initiates a 10/5/3 planning program, they should allow a sufficient amount of time to be sure 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 months or six months, it will be necessary to revise the plan to reflect reality of what is actually occurring.

The real value of the 10/5/3 planning program will 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 accuracy in planning will also improve and you'll be surprised at how accurate your forecasting will become.

It's highly likely that a 50-year-old will have a different vision of where he will be in 10 years that he will have when he is 60 or 65. There's 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 worked into each of the three segments of the 10/5/3 program.

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. It is exactly this process that creates the strategic plans of highly innovative and successful businesses. I had lunch recently with 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 his advisory board, his sales leaped to almost \$4 million.

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