

# The Year End Planning Process

Category: Planning

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Companies don't plan to fail, they simply fail to plan. Many of the small to medium sized business owners that I meet have traditionally paid very little attention to planning. It is difficult, the thinking goes, takes resources and is not necessary for their business. It is something that large companies do.

I'll put aside for now the question of whether those large companies got large by planning in the first place and start by taking a look at the validity of the other three objections and suggesting some techniques for overcoming them.

First, it need not be difficult. It requires a methodology, to be sure, but once identified that methodology can be quite easily implemented.

Second, it need not take resources. A plan is something that business owners do for themselves and their businesses. It can be as informal as they want as long as it is in writing.

Third, a plan is essential for any business. Running a business without a plan or regular financial information is like playing golf without keeping score.

I have been a franchisee for The Alternative Board (TAB) for a number of years and much of what follows reflects the tools and ideas they have created. Many of the ideas will be found in "The Business Builder's Blueprint" by Allen E Fishman, the founder of The Alternative Board.

## Creating the Plan

The plan needs to be in writing but putting it in writing is the step that many people find difficult. It is a document that exists solely for you, so it can be as informal as you like as long as it is written down. If it isn't in writing it doesn't exist.

The planning process breaks down into three easy steps that must be taken in sequence

- Articulating Your Personal Vision
- Review and Position Audit
- Looking Forward - SMART Goals and Action Plans

## Personal Vision Statement

Planning is all about deciding where you want to go, what goals you want to reach. Many business owners tend to plan in a vacuum because they only look at the business without considering how it fits into the larger picture of accomplishing their personal goals. If you don't know where you're going any road will take you there.

Think of it as a bicycle where the business is the back wheel and the front wheel is your personal vision. As you pedal, the back wheel turns, and the bicycle starts to move forward. If you have not aligned your business goals and personal goals your hands aren't on the handlebars and the bicycle will not go in any particular direction.

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If you have clearly defined your personal goals, then as you point in the direction you want to go the business will start to support those goals and you will be moving in a direction where the business can get you to where you need to go.

This is simpler than it sounds, and this is the year to take the effort to come up with a personal vision statement to describe what you want for your life. Then, as you go on to review your business goals you can see whether they support your personal vision...and change them as appropriate.

The personal vision statement is not a difficult document to create. It should be realistic and achievable, no more than 100 words long and should address the following areas:

- What are your wants vs. your needs? How much do you need to earn from your business? What would you do with your life if you won the lottery?
- What relationships in your personal and work lives are important to your happiness?
- What balance must exist between your personal and work lives to bring you happiness? How many hours a week do you want to work? How many weeks each year do you want for vacation?
- What values and psychic rewards are important to you? What values do you require from your company and yourself?
- What types of work involvement will give you the most pleasure?
- How do you eventually plan to exit your business? What changes need to be made to make your exit possible?
- If you plan to exit soon, how will you fill the time that your work once filled?

The Alternative Board has a process to help business owners through the creation of the Personal Vision Statement.

### Review and Position Audit

The second step in planning is to go through a systematic review of the year just gone and take an "audit" of where you stand in relation to your personal vision statement. This review and audit should cover the following areas:

#### 1. Financials

Financial numbers should be your servant, not your master. If they don't tell you what you want to know, they are useless and should be fired.

Identify and track about six things in your business that you think are key indicators (sales, gross margin, variable expenses, sales pipeline, cash, receivables etc). The list varies for different businesses and different industries, but figure out what you need to know and put in place a mechanism to deliver it.

Don't wait for your accountant to give you year-end financials. Your monthly numbers should be like a light in a darkened room, not something you produce just because the government and the bank want them.

## 1. Accomplishments

Look at what you have accomplished and don't be reticent about giving yourself credit. So many business owners fail to pat themselves on the back and what feels like a bad year may mask some significant achievements.

This is a more effective exercise if you set meaningful, written measurable goals at the beginning of the year. Naturally, your accomplishments should be reviewed in light of your personal vision statement.

- Open Items

Identify what you really wanted to accomplish last year and what you failed to do. Write those things down and rank them in order of importance for the coming year

## 1. Competitive Review

Year end is an ideal time of year to identify what has changed in your marketplace this past year. There are a variety of factors that may have a direct bearing on how you conduct business and the important thing is to develop a questionnaire that will direct your thinking.

## 1. Business Procedures

The more time I spend working with business owners, the more I realize that the key to success in business is being organized. As Michael Gerber memorably puts it owners must learn how to work "on" their business rather than "in" it.

The best way to start putting the necessary procedures in place is to identify what you lack and to build from there. There are a number of ways of doing this but The Alternative Board has a proprietary process that does precisely that. TAB's Business Diagnostic is a part of the Business Builder's Blueprint, a strategic planning tool that is used by TAB members to help them create a strategic plan.

Specifically, the Business Diagnostic is an essential step in the Review and Position Audit piece of the yearly planning process. It looks at businesses under the following ten different categories and benchmarks them against similar-sized businesses:

- **Internal Communications**
- **Customer Service**
- **Corporate Finances**
- **Human Resource Procedures**
- **Marketing**
- **Operations**
- **Employee Development**
- **Planning**
- **Sales**
- **Computer Technology**

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Any proper review of the year must start by reviewing the quality of your systems. TAB's diagnostic asks 350 questions about your business procedures and is a key element in looking at what you need to change to improve your business. We benchmark our boards to see what members do well and where they can learn from each other to make real improvements in their businesses.

## Looking Forward- SMART Goals and Action Plans

### 1. Three Year Goals

Look at your Personal Vision statement and identify in very broad terms where you would like to be in three years time.

- What would you like your revenues and compensation to be?
- How many hours would you like to be working?
- What management will you need to accomplish this?
- How many employees will you have?

### 1. Financial Goals

Using the key indicators you developed during your position audit, set financial goals for the coming year that will propel you towards your three year goals. They should cover the following areas:

- Revenues
- Margins
- Net profit
- Cash flow
- New customers
- Strategic Goals

To be effective, you should adopt no more than four strategic goals that you want to accomplish. Don't get into detail yet about how you will accomplish them but make sure that they support your personal vision and three-year business vision.

They may cover areas as varied as entering new markets, making acquisitions, hiring key staff, balancing life and work, personal health and so on and should be capable of being accomplished in the coming 36 months.

Any goal adopted must be couched in terms so that you know unequivocally at the end of the year whether you accomplished it or not. Some examples of strategic goals are as follows:

- Acquire a company with service revenues of at least \$500,000 by the end of quarter 3
- Close sales of at least \$50,000 each with five major prospects by the end of quarter 4
- Hire VP of operations by the end of Quarter 1
- Lose 30lbs by the end of Quarter 2

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## 1. Action Plans

This is the section where you identify how you will meet your goals and it is really the meat of the plan. Each goal should have one or more strategies that you will adopt to ensure that you are on track to accomplish the goals you have set.

Each strategy in turn will have an action plan that identifies specifically what actions need to be taken, by when and by whom. This plan can be kept in excel format with dates and accountability for action sorted by date and responsible party so that everybody knows exactly what their responsibilities are.

The criteria we use in The Alternative Board are that they must be SMART:

- **S**pecific so that there is no chance of being misinterpreted.
- **M**easurable so that you can tell whether the task has been achieved
- **A**ttainable within the time period you have set – though still a stretch
- **R**esponsible party is identified for each action
- **T**imeline is set for the completion of each action.

The key is to monitor the goals and action plans throughout the year and that is how the goals stay in front of you constantly and enable you to manage your company proactively towards what you want rather than reacting as challenges and opportunities present themselves.

By way of example, here is how the main Strategy and Action Plan for the first Strategic Goal above might look:

Goal: Acquire a company with service revenues of at least \$500,000 by the end of quarter 3

Strategy 1: Send out mailing to prospects in batches of 20 a week to identify targets and have third party follow up by telephone

Strategy 2: Send mailing to Trade Association asking for help to identify prospects

Strategy 3: If the above do not produce targets by the end of Quarter 1, retain M&A firm to identify targets.

### Action Plan for Strategy 1

<b>Task</b>	<b>By Whom</b>	<b>Due Date</b>
Identify prospect criteria for list	JS	1/31
Develop letter	JS/MR	1/31
Identify who will follow up mailing	JS	1/31
Negotiate terms for follow up	MR	2/15
Buy List	MR	2/15
Develop mailing schedule	MR	2/21
Start mailing	MR	2/28

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Monitor results of mailing and report to JS	MR	3/31
Decide whether to continue mailing or start strategy 3	JS	3/31

There will be an Action Plan for each Strategy. The best way to handle this is to create a template in Excel that you will be able to sort by date and responsible party and use to manage the accomplishment of the goal.

### The Payoff

Companies don't plan to fail, they simply fail to plan. It is all very well to run the company by the seat of the pants, but for most people it is the biggest asset they have and failing to plan is simply not to take it seriously enough.

In my view, the single most important thing in business is to raise your horizon and look to the future instead of being stuck in the present.

With this process you can figure out how to tackle the elements in your business that really need work and use the New Year as a deadline to figure out how to move your business forward in a structured way that will help you to accomplish what is important to you in your life.

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