Business plan basics

Your easy-to-follow road map for building short- and long-term success in the Green Industry

BY ROGER MONGEON

Most owners of a small enterprise will tell you they understand their business. They'll tell you that they've filled every position and performed every task. They think they have a clear picture of how to continually improve their business. While this sort of talk might convince the owner that he knows his business, it doesn't necessarily mean that he does. The world is filled with intelligent, hard-working and committed people who are prepared to perform essential tasks for their business, yet fail to build a successful one.

Understanding your business isn't easy. Instead of "winging it," formalize the methodology by which you look at your business. In the book, "The Book of Survival," author Anthony Greenbank wrote: "To live through an impossible situation, you don't need the reflexes of a Grand Prix driver, the muscles of Hercules, the mind of Einstein. You simply need to know what to do."

Involve all key people with your plan.

Build your own plan

"Knowing what to do" is called a business plan. It's a process that allows owners and managers to understand how to deploy the business's capital, labor and intellectual property in the most efficient manner to ensure its short- and long-term prosperity.

A business plan:

▶ provides owners and employees with a clear sense of purpose and direction. Objectives are better defined and understood within the context of the total business. We've all heard of the manager who, in his quest to increase production, forgoes customer service, or vice versa. It's difficult to motivate employees when an objective isn't defined within the context of the total business. You'll be amazed by your employees' positive response to objectives they might not agree with when those objectives are defined within the total business.

▶ provides a yardstick for future performance. This helps the manager better identify strengths and weaknesses. During execution, that yardstick will form the basis for determining success and providing critical feedback to employees.

▶ allows owners and employees to turn the page on past performance and makes them focus on the future, while using past performance as a guideline. After a bad year, there's nothing better for your employees' moral than the establishment of new objectives coupled with a solid plan to achieve those objectives.

It's okay to be aggressive when formulating a long-term plan.

Remember that a business plan isn't a budget, but all business plans should have a detailed budget. This will allow the owner to understand the financial performance of his business by providing month-by-month profit and loss and cash flow projections crucial to the survival of the business.

Also, a long-term plan should be included in a business plan. While a short-term business plan should be realistic, it's okay to be aggressive when formulating a long-term plan. This will crystallize the business's vision and show long-term com-

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5 steps to a business plan

1. Allow for a minimum of three consecutive days of intense discussions.
2. Involve everybody who has direct responsibility and accountability for the business's performance.
3. Prepare well. Appoint the appropriate persons to ensure that all of the information required in your business plan, including past company performance, is available prior to the start of the meeting.
4. Evaluate alternatives, discuss new ideas, and get consensus or, more importantly, "buy-in" from everybody.
5. Stress the process's importance. Participants need to be focused, so, except for emergencies, there should be no interruptions, including phone calls.

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mitment by its owner, which may increase a company's employee retention rate and its ability to attract strong leaders.

Here's how you do it

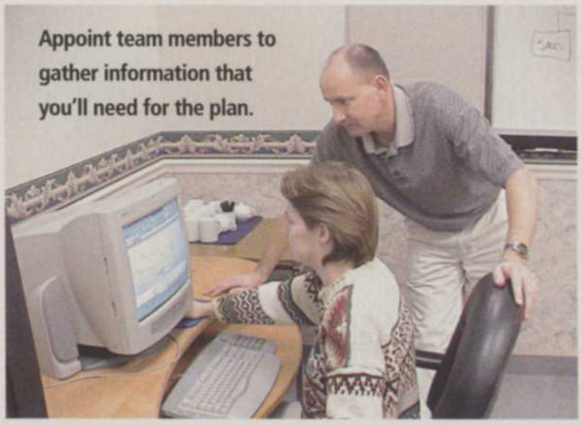
How do you build a business plan?

Select a date and time to talk about it. Allow for a minimum of three consecutive days of intense discussions. Choose a period near the end of your fiscal year when there's not as much going on at your business.

Involve everybody who has direct responsibility and accountability for the business's performance, especially the president/owner whose participation is essential to showing commitment to the business and the process. It will also allow for final decisions to be made.

Evaluate alternatives, discuss new ideas, and get consensus or, more importantly, "buy-in" from everybody. Because past performance is a key component to the discussion, prepare well. What a waste to have four or five managers sitting in a room watching somebody spend 10 minutes calculating last year's closing rate on quotes; this will de-energize and frustrate the participants. Highlight the information required in your business plan and appoint the appropriate persons to ensure that all of the information is available prior to the start of the meeting.

Stress the process's importance. Participants need to be focused, so, except for emergencies, there should be no interruptions, including phone calls.



Appoint team members to gather information that you'll need for the plan.

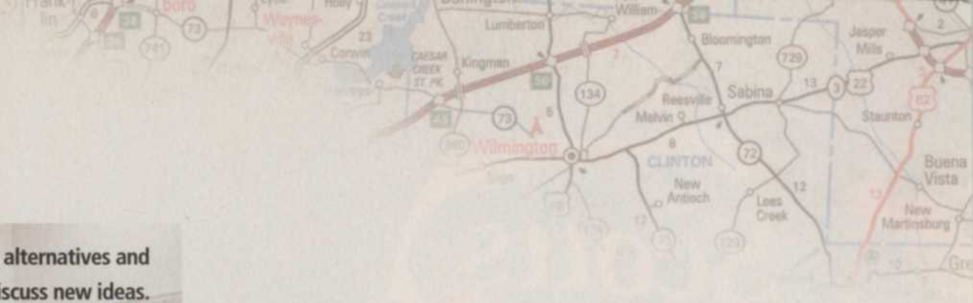
A plan to drive your company

One mistake many companies make is to assume their budget is their business plan. They tend to go through the process to generate numbers, which puts more emphasis on generating numbers as opposed to encouraging discussion, generating ideas and understanding their business. A business plan isn't a budget, but use the business plan to generate a budget to create a solid foundation for your business's financial performance.

Take this example: Some companies project their current year revenue by applying the percent increase of last year's revenue. If a company generated sales of $500,000, a 15% increase over the previous year, it would assume it would maintain its growth rate and generate sales of $575,000 the next year. This methodology will do nothing for your business. In fact, it could harm your company. The reason is that objectives in this example are generated from projections based on accounting, not ideas. It's difficult to get employees to buy in to this approach, and the result may be lower moral.

> Get a consensus or, more importantly, a buy-in from everybody.

A better way to go about creating a business plan is to use a systematic method, which my company, Weed Man, calls zero base planning. In this example, I'm assuming that your company has already established its target market. Once you identify your target, look at how you generate customers. Examples are renewing existing customers, soliciting old customers and old leads, generating new leads from a direct mail campaign or a telemarketing campaign, and others. Then, look at each category individually and understand how you can affect performance.



Evaluate alternatives and discuss new ideas.

Scrutinize your data

When Weed Man chooses to tap in to its old customer file to generate customers, we look at three indicators: the number of files, contact rate percentage and closing rate percentage. You need to have systems in place to provide historical data of your company's performance in relation to those indicators.

In your formal business plan, you should keep four years of data. That data will allow you to answer questions like, "Why is last year's contact rate 10% lower than the previous year's?" The answer could lead to a plan to increase the old customer file's integrity or to review the sales staff's performance.

After reviewing each indicator and making sure you have a solid execution plan, you can calculate the number of customers that will be generated from tapping old customer files. A company with 2,000 old clients, an 80% contact rate and a 10% closing rate will generate 160 customers.

You also need to discuss your pricing for both basic programs and add-on services. Make sure you understand market pressures and your position within that market in relation to your target market. Once you've established pricing, you can calculate income from sales for each category. This process needs to be applied to every cost category. LM

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