

Special Edition

Establishing a Business Plan- Part 2

In my last article, I discussed how critical it was, in the trucking business, to have a business plan. I indicated that;

- Many business owners, I've worked with, don't have a plan.
- They feel it's too time consuming and frustrating, but;
- A business plan, in today's economic environment, is crucial for survival.

I stated that a business plan walks you through every aspect and it helps you make sure that you have considered every important factor and have not overlooked anything significant. I also discussed ways to address potential challenges and how to adjust to them, and I provided an overview of what each company should do to begin the process.

This week, I want to focus on dealing with challenges before they occur and why a business plan is so crucial to a company's growth and profitability. It's important to recognize that you have to have a realistic picture of your expected cash flow cycles to help you carry your company through lean times. It's always important to have more cash flowing in then out, and you have to plan accordingly to make sure you have enough excess cash to draw upon.

As I stated in my last article, you can have a profitable company that's going broke. If you buy a computer for \$100 and you sell it to a customer for \$150, you've made a \$50 profit, but until that customer sends you a check, you have zero cash flow.

To ensure your company's future survival, you need to be prepared for almost anything; particularly in trucking. Changes occur all the time and the business that can keep up with the challenges are the ones that will survive. However, before you can figure out how to deal with upcoming challenges, you have to identify what the challenges are, or could be, and where they might come from. This task requires you to "think out of the box". It requires;

- Imagination.
- Experience.

If you're relatively new to the trucking industry, consider talking to someone more knowledgeable like a "mentor". One way to consider potential challenges and what you can do to deal with them more easily is to determine your;

- Strengths.
- Weaknesses.
- Opportunities, and;
- Threats.

The first two----strengths and weaknesses, describe your company's internal state of affairs. The last two; opportunities and threats, define what's lying "outside" your door.

It's very important that you utilize this process, in your business planning. This forces you to identify possible opportunities that may arise and possible threats that your company may face. Upon completion, you can start developing your business plan. It's also important to recognize that investors and lenders want to know that you have a vision for the future and that you're not assuming that the status quo will remain unchanged.

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Establishing a Business
Plan -Part 2



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In your business plan, you should outline:

- a. The risk.
- b. The obstacles, and;
- c. The opportunities that you anticipate.

This should be followed up with ways to handle each potential challenge, good or bad, to keep your business from being negatively impacted – or at least minimize any unavoidable negative impact. While you're outlining these things, you will be solidifying your response plans and increasing your company's ability to negotiate the obstacles that are inevitable in our industry.

Once you establish a plan, the plan helps you answer the most common questions asked by virtually every business owner in the world:

1. How will you know if your business is operating as expected?
2. It provides a quick and easy mechanism to check your progress.

Too many business owners simply look at cash as the only item when judging success. That severely limits your thought process and only points to a tiny portion of your company's overall performance. **What you need to do is look, instead of the differences between your original plan and your actual results which can help you track progress and also tweak the areas that need fine tuning before they get too far off track.** Without tracking your information, your business cannot run smoothly and without understanding what the challenges are, it's very difficult to make adjustments.

One of the major areas that a company loses control of is their cost of "purchased transportation":

- They get so wrapped up in the day to day challenges of running a business, and;
- They're constantly challenged, so;
- They don't treat each truck as a profit center.
- They don't treat each independent contractor as a profit center, and;
- They don't understand their total cost before they dispatch a truck.

Only after that truck has delivered the load, do they then recognize that they've lost money on that specific load. If you're looking for a business mentor and you don't want to talk to someone in your general area, **there is a service available called SCORE? SCORE stands for---Service Corps of Retired Executives and they've been around since 1964;**

- The organization has over 10,000 volunteers.
- Nearly 800 offices around the United States.
- **They've assisted more than 7 million entrepreneurs to start and grow their business, and;**
- Their entire focus is to further the great American dream of opening, operating and successfully running a business.

The group is made up of former executives and owners who have been through many of the challenges that businesses face on a daily basis. They also offer seminars, workshops, and one on one mentoring service. Their website is; www.score.org and it's full of helpful business advice, including direct access to "mentors" online.

Many times, I provide advice to my readers and through my video podcasts on business planning, and the comments I've received are;

- Business plans are great, but;
- How do I begin the business plan?
- What does the business plan consist of?

There are various components to writing a business plan. The business plan is broken down into the following components;

1. **Table of contents** –a guide to the key sections of your business plan and is helpful if your plan.

2. **The executive summary** – Summary of the key points in your business plan. You should incorporate it if your plan runs particularly more than 10 pages and you want to convey important information up front. **Lenders and customer (in many instances) dig no deeper than your executive summary, you want to keep it clear, captivated and brief and to be quite honest, you want to keep it to two pages or less.**
3. **Company overview** – this describes your company and the nature of your business. It may include your company's mission and business statement, as well as your values, services, ways your company is unique, and what business opportunities you plan to seize.
4. **The business environment** – this is the tough part, because it forces you to look at the trucking industry as it actually is, not as you perceive it to be and the forces working your market; providing an in depth description of your direct and potential competitors; a close review of your customers, who they are, what they want, and why they buy your services. **Think of this section as an overview of everything that can affect your business beyond your control.**
5. **Company description** – this includes information about your management team, organization, new or proprietary technology, products and services, company operations and marketing potential. You need to focus on where you believe you have advantages over your competition.
6. **Company strategy** – this begins your roadmap to the future. This section brings together the information about your business environment and the company's resources, and lays out a strategy for going forward. Included is your analysis of opportunities, threats, uncertainties that your business faces, along with ways to avoid pitfalls and take advantage of opportunities.
7. **Marketing plan** – this is where you describe how you plan to reach your prospects, make sales and develop a loyal clientele. Because customers and sales are essential to your company's success, this should be a major component of your business plan.
8. **Financial review** – this represents a detailed review of dollars and cents, including your current financial situation and what you anticipate your financial picture to look like in the future. **It typically contains financial statements, including an income statement, balance sheet and a cash flow statement.**
9. **Action plan** – this details the steps involved in implementing your business plan, including the sequence of actions and how they align with your goals and objectives.
10. **Appendix** – this includes detailed information that supports your business plan. Analysis, reports, surveys, legal documents, product specifications and spread sheets that deliver a "rounded" understanding of your business plan, of which are of interest to only a small party of readers.

The above represents the major components of a business plan and these should be incorporated in the structure of your plan.

It's important to recognize that creating a written plan forces you to face tough issues that you may otherwise ignore such as;

1. How big is your market?
2. Why should customers chose your company and not your competition?
3. How much money do you honestly need to get the business moving in the direction you want?
4. When can you realistically expect to see a rate of return?
5. What other opportunities can you take advantage of?
6. What threatens your business?

By putting your thoughts down on paper, you give each question the attention it deserves.

In my next news article, I will discuss the process of establishing clients time frames.

(Excerpts taken from Business Plans)

QUOTE OF THE WEEK: **“Realism is a corruption of reality”**

(Wallace Stevens)