



## *Business Ownership White Paper*

# **BUSINESS PLANNING**

## *A Very, Very Simple Approach*

© 2011 John F. Dini

CMBA, CExp, CBI



### *Why a White Paper?*

A white paper is an authoritative report to educate and assist people in making decisions. I issue white papers when the subject matter is important to business owners, but it is too technical or complex to address in the length of an article or blog posting.

Please feel free to download, copy or distribute this document in its entirety.

A handwritten signature in black ink, which appears to be "John F. Dini". The signature is written in a cursive, flowing style.

## **Business Planning: A Very, Very Simple Approach**

The idea behind a business plan is to make your business more successful. Many business owners approach annual planning as a waste of time. “We can’t control what happens, so why put the effort into something that won’t do any good?”

Nothing could be further from the truth. The process of thinking through the coming year, of playing it out in your head, is the most impactful thing you can do to be more successful. Every professional organization, every survey, every study, says that small businesses that have a plan are much more successful than ones that don’t.

Many entrepreneurs are intimidated by the planning process. Mission, Vision, Values, Strengths, Weaknesses, Opportunities, Threats, Critical Success Factors, Key Performance Indicators... the jargon is overwhelming. This white paper focuses on two things; figuring out what you want to have happen, and figuring out how to make it happen, without spending a lot of time on the figuring part.

The process is intended for the small business owners who really do no planning, which is the majority. It is a start. In a couple of hours, you can begin to cross the chasm between the have-nots and the haves (a business plan). Once you’ve seen the impact, you are likely to spend a bit more time and effort on it next year.

### **Do Goals Make a Difference?**

To start this discussion of simple planning, let me tell you a true story about a goal. It was a little goal; or at least it started out that way. It certainly wasn’t a goal that was intended to be life changing; although it looks like that will be the result.

For the next few weeks my morning workout at the gym will be tougher, as I'll have to get to machines around all those folks who will disappear by mid-February. It's a new year, and millions of people will make tens of millions of "resolutions" that have no resolve behind them at all. A very few will still be at the gym in the summer. They will have changed their lives. But that's not my story.

Last year I was working with a business owner on his seven questions (we'll get to those in a bit). We got to the last one, "What is your personal scorecard?" Most clients pick something in the New Year's resolution motif. They enunciate an objective to spend more time with family, lose some weight, or spruce up their golf game.



This client worked 70 hour weeks. His kids are grown, and he makes plenty of money. He probably only needs about 25% of his take-home pay to live very nicely. Most of the rest gets saved. Yet he was complaining about feeling guilty every time he didn't put in a 70 hour week.

*"This year, I am going to go out of the country for my first full two week vacation."* He was ready, he said, to start working on his guilt by making a big step. He had never left the business for more than a week, ever.

Sometimes it's the job of a coach to be a pain in the butt. I was clearly in P-I-T-B mode that day. "Why not go for three weeks?" I said. "Surely if the company can survive without you for two weeks, it will make it for three?"

He hesitated, and then plunged forward. "You are right. I am going to take three weeks off!"

“Why not four?” I was pushing the limit now. “What would it feel like to *not* schedule your vacation around month-end, or the management meeting? What if the company had to begin, execute and end an entire monthly cycle without you?”

He wasn’t ready to go that far, but he promised to consider it. When we met again the next month he had an announcement. “I’ve just bought the airline tickets,” he said “I’m going for *five* weeks!”

If I didn’t hint at it before, he is a very competitive guy.

The vacation was scheduled for the fall. As it approached, he kept debating whether he should shorten it, split it, find places where he could use an office while traveling, and a variety of other tactics to make it less of a vacation. In the end, however, he and his wife went, without dragging the business along.

The company had a record month.

When he returned, he went to each manager to whom he had delegated new duties, and offered to “relieve” them of the extra work, and take it back himself. They all turned him down.

In his time away, he did plenty of thinking. He had been considering squeezing more time into his schedule for community service. Now he realized that he could offer that time freely, without keeping a perpetual all-seeing eye on the business.

He has since taken an office nearer to his home, which is quite a distance from the office. (He used to claim the long drive was necessary to help him think through what he had to do.) He’s arranged to be at the main business location only periodically. He has some great ideas about how he can apply his



skills to improving the community. He is starting a whole new life, and he is excited about it.

And it all began a year ago with a simple goal to take a two week vacation.

A friend said the other day, “I made a resolution 15 years ago to stop making resolutions, and I’ve stuck to it this whole time!” That’s funny, but maybe it isn’t the best way to go.

Before you take the first step on any journey, you have to decide your destination. Yogi Berra said “If you don’t know where you are going, any road will take you there.” A goal is more than a wish, but it should be less than a guarantee. It is an aspiration.

This simple approach to planning is written or those business owners who do not plan. It is a start on the road to a destination. Planning isn’t an accomplishment in itself- it’s merely the recognition of what you want to accomplish, and a process of thinking through how you can get there.

## **Getting Smart about SMART**



At the beginning of each year, you need to take some time to assess how far you’ve come, and where you are going. In our groups of The Alternative Board, we ask each member to state their sales and revenue objectives, along with just a couple of things that they want to accomplish in the coming year.

We all know that goals are supposed to be SMART, the acronym for setting a goal that is

well...smart. When I ask an owner whether he or she sets SMART goals, they usually reply “Oh sure. That’s Specific, Measurable, and uh...uh...”

Not knowing the acronym past the first two words isn’t all that surprising. Many goals really address only the first 2 points. “We will increase revenues by 10% in the coming year.” That is both specific and measurable. Unfortunately, it doesn’t say anything about *how* those revenues are supposed to be generated. Is it coming from price increases? Does it include new stores or new lines, or it is an increase of legacy business? Who is responsible for the increase?



The most popular definition of SMART when Googled is Specific, Measurable, Attainable, Realistic and Timely. I have always had an issue with that. In practical terms, how could something be attainable and unrealistic? Or could it be realistic, but unattainable? Using 40% of an acronym to say the same thing twice makes it pretty dumb, in my opinion.

There are several widespread variants. One swaps “attainable” for “accountable.” That is clearly better. Anyone who has managed a team understands that you can’t expect an objective to be accomplished unless *someone* is given responsibility for doing it.

There is an adage in management that says “If you say *anybody* can do it, *everybody* will know that *somebody* will do it, so *nobody* will do it.”

Another variant of SMART trades out “realistic” for “relevant.” That addresses the redundancy issue, but I’m not sure why we need “relevant” as a critical point in formulating a goal. Is that because so many people go through the planning process to develop *irrelevant* goals? What would they look like? “As the largest

widget maker in our market, we will become known for having the nicest employee lunch room?”

One definition uses “results-focused.” Besides the problem with loading any acronym with hyphenated words, it also seems redundant. SMART is supposed to be how you make goals results-focused. Saying we will make a results focused goal by using a mnemonic that says it should be results-focused seems just a bit obvious.

Most folks get the last one, or at least some of the approximations of it. “Timely” is easy to remember, but grammatically vague. Does it refer to a goal that is being set at the right time? A goal that recognizes market or industry conditions as favorable? “Time-bound,” “Time-sensitive,” and “Time-framed” are all common variants. They all are somewhat stretched to mean basically the same thing, which is “deadline;” but SMART just doesn’t have the same ring to it. We will leave the time reminders alone. Pick the one you like. I’m using “Timed,” since it encompasses the idea of a schedule, not just a deadline (and it isn’t hyphenated).

So we can generally accept three of the five. The fact that people remember them, and they are generally consistent, indicates that they are worthwhile. It is the middle ones, the A and the R, that people forget, or keep changing in attempt to improve on the acronym.

Here is my change. Keep the “A” as attainable. Every good goal conversation should engender a discussion about whether we can do it or not. That follows specificity and measurability. It then leads to the discussion of “How?”

The “how” part of the acronym is Resourced. No goal makes sense unless you are committing human and physical assets to it. Resourcing a goal requires that you assign responsibility, allocate budget dollars, and tell those accountable for it what its priority is in their work plan.

So when the sales department is given a goal of 10% increase in revenue, Resourcing builds in the process of “how?” Do they get to hire more reps? Does marketing buy more advertising? Does the incentive plan change? Is purchasing bringing on a new product line? Once you determine “how,” then you can progress to “when.”

So my definition of **SMART** is:

**Specific:** What *exactly* do we want to accomplish?

**Measurable:** How will we know that we accomplished it successfully?

**Attainable:** Is this within our capabilities?

**Resourced:** What human, financial and other assets will we apply to this objective?

**Timed:** When is this going to happen?

This SMART follows a logic process, avoids duplication, and should be more easily remembered.





# The Seven Questions of Simple Planning

## The Creation

- In the beginning was the plan
- And it sprang from the assumptions
- And the assumptions were without form
- So the plan was void of substance
- And darkness fell upon the face of the workers
  
- And the workers spake unto their supervisors, saying
- “This is a crock of shit, and it stinks!”
- So the supervisors went to their managers, and told them
- “This is a pail of dung, and none can abide the odor.”
- So the managers went to the division heads, and said
- “This is a container of excrement, and its odor is very strong.”
  
- And the division heads went to their vice presidents, saying
- “This plan contains the ingredients to make things grow, and it is powerful.”
- And the vice presidents went to the director of operations, and said
- “This will result in rapid expansion, and it is potent in its effect.”
- And the director of operations went to the CEO, telling him
- “Our people agree that this is robust, and will accelerate our capabilities.”
  
- And the CEO looked upon the plan, and saw that it was good.
- And the plan became policy, and was implemented throughout the organization.

That joke (or one much like it) is so old that I remember getting it for the first time on our newly installed fax machine. I had to copy it immediately on one of those new-technology “plain paper copiers” because the thermal fax paper would fade.



Unless I’m just hopelessly behind the times, it’s still funny. The tools may have changed, but the people haven’t. Why are so many small businesses forever trapped in the no man’s land between the excruciating pain of a “Comprehensive Strategic Plan” (it just *has* to be capitalized) and no plan at all? Isn’t there an easier way?

Our clients all use our “Seven Questions” approach to planning. For some, the answers are the starting point for developing a detailed plan. For others, they are the culmination of their entire planning process, and just summarize the results. For many, it is the total “long-range” planning they will do this year.

We have used the same seven questions for fifteen years. Other consultants around the country have expanded on them, made them more detailed, and added more questions. In the spirit of KISS (the acronym, not the glam band) we have stuck with the originals. We find them quite sufficient to make people focus on what’s important.

Here they are, with accompanying explanations.

**Question 1:**

***What will your revenues be for the coming year, in dollars and as a percentage of this year’s revenues?*** Just the exercise of deciding what you want to accomplish in the coming year starts you off in a planning mode. Saying you will increase by 7% doesn’t give you a number. Picking a number doesn’t give you a comparison. Doing both makes you look at it with a bit of context.

### **Question 2:**

***What is the single most important factor in making that prediction come to pass?*** It's easy to pick a number out of thin air. The trick is to figure out how to do it. Do you have to expand product lines or territory? Add a salesperson? Improve marketing? Just saying that you'll work harder isn't a plan. Saying you will work harder doing a particular thing starts becoming one.

Questions one and two together become your first SMART goal. How much growth do you expect? (Measurable) What will you sell achieve it? (Specific) How does this objective fit with your internal capabilities, in comparison to your track record, and under current market conditions? (Attainable.) What are you going to do to make it happen? (Resourced) This year is already your Time frame.

### **Question 3:**

***Our profit margin (gross or net) will go from \_\_\_% to \_\_\_%.*** OK, so it's not phrased as a question. Shoot me. The reason we say "gross or net" is because your plans may affect one or the other differently. Just targeting a bottom line may ignore pricing, cost of goods, or a quest for volume customers. This is the safety valve for question one. Just setting a revenue goal does nothing. Deciding how much you will make from it is vital.

### **Question 4:**

***What is the single most important change you can make in your company in the coming year?*** This is your internal focus. Every company needs to grow, develop and improve. Pick one thing you can do. Is it an upgrade to your technology? Improved systems? Developing middle management? Cross train? Certify in Lean or ISO?

Questions three and four together are the development of your second smart goal. Improving sales is one thing; doing it a way that adds to the bottom line is something else. Are you planning on growing the top line, but keeping your profit margin the same? Will you realize economies of scale and grow your margin? Will growing the top line come at

the expense of the bottom line through discounting? (Not necessarily a great idea, but it is one strategy.)

**Question 5:**

***How will your personal role in the company change in the coming year?*** As the owner of the business, you need to grow in order for the company to grow. Unless you develop new skills, and take on different responsibilities, you are dooming your company to a business version of Groundhog Day.

**Question 6:**

***What is the ONE THING that has to be accomplished in order to realize your goal in question 5?*** It is easy to say “I will delegate more and do less.” or “I will become more of a strategic thinker.” How will that happen? What specific steps will you take?



This is your third major SMART goal. Frequently, it has a lot to do with the internal improvements you make. You are determining your personal role in the accomplishment of the first two goals, and the personal benefit you'll receive from them. Remember, it is your company. It is supposed to be there for you.

**Question 7:**

***How will the ability of my business to provide the quality of life I seek be indicated as a personal scorecard?*** Running a business can be serial insanity. It's easy to put off your personal life a week at a time. Weeks grow into months, and the next thing you know another year has gone by. How will you know that you are taking care of yourself? Our clients pick many different goals (exercise, sports achievement, weeks of vacation or nights home with the family), but what they all have in common is that they must be 100% personal, and completely measurable.

You don't have a plan for the coming year? Start by answering the seven questions. It's a lot better than nothing.

## **Turning Plans into Realities**

We've discussed some simple steps to getting started on your annual business plan. Once you have the questions answered, you can begin moving towards the actions that transform your plans into realities.

The first two of the Seven Questions ask what your revenue goal is, and what needs to happen for it to be reached. Let's say the target is a 10% increase, and the "need to happen" is expanding to a new geographic territory. For most business owners, once you have decided to do something, the action items are pretty plain. You just need to write them down.

For a new territory you could make a simple bullet point list of the things that need to be done. It doesn't have to be complex or detailed. Your staff can get a lot from just reviewing the boxes to be checked off. So it might look like this:

- Define the territory
- Develop a list of prospective customers
- List competitors
- Analyze competitor prices
- Hire a sales representative
  - Create job description
  - Determine incentives
  - Place want ads
  - Review resumes
  - Hire and train
- Prepare marketing materials
- Launch

You now have a rudimentary sales and development plan for your 10% growth goal.

The third question is about your expectation for profits as a percentage of sales, and the fourth is about improvements in your company. Those can be two separate goals (remembering SMART, Specific, Measurable, Attainable, Resourced and Timed) or they can be related. If your increased profitability is going to be as a result of more effective operations, as it usually is, then the steps to your profit goal are likely to be the improvement steps for the business.

The fifth and sixth questions are about your role in the business. Again, the first of the pair is about “what” is going to change, and the second is about “how.” Avoid being duplicative in your answers. “I am going to be less involved in day-to-day operational decision-making” shouldn’t be followed by “I am going to delegate more.” That is redundant, one being another phrasing of the other.

*How* are you going to delegate? What duties will become someone else’s? Which departments, functions or responsibilities will you hand off? When will you do this? Who is going to take them on? Again, a list of your duties with notations on the changes next to each item is sufficient to start.

The final question of our simple seven is to develop a measurable goal for your personal scorecard. Don’t think this is a throwaway. Remember the story that began this essay about how that one answer changed a client’s life. For now, just decide what is most important to you in your personal life. What are you going to do about it?

Now ask “How?” If you are going to improve your physical health, what is that going to entail? Are you joining a fitness class? When? If you



are vowing to be home for dinner with the kids three nights each week, which nights are they? Specific is the first condition of SMART.

Now you have four goals for the next year (three business and one personal), and four outlines of the steps you need to take to achieve them. One business goal is for growth, one is for improved profitability, and one is for developing your role as a CEO and owner.

You are starting with a basic plan of action. Is it comprehensive? Of course not. Unless you have a management team more than two deep below you, however, it is probably enough to move forward.

You have something you can share with your employees. There is a target that is known by all. You've created a definition of what constitutes success.

Is it more than 80% of your competitors have? It certainly is.

# AUTHOR'S BIO

## JOHN F. DINI

*Business Ownership Expert*

John F. Dini is widely recognized as one of the nation's leading experts on small business ownership. He is a consultant and coach to hundreds of business owners, CEOs and Presidents of companies. John is an outlier in coaching business owners, having achieved the rare feat of delivering over 10,000 hours of face-to-face, personal advice to entrepreneurs.

Mr. Dini is the author of *11 Things You Absolutely Need to Know About Selling Your Business*, now in its second edition. He is a serial entrepreneur currently operating his 9<sup>th</sup> company, and has conducted business in all 50 United States, Canada, South America, Europe and Asia.

John founded and operates the most successful peer group franchise in North America, overseeing 15 monthly meetings of business owners' groups under the auspices of The Alternative Board®. He holds a Bachelor of Science in Accounting from Rutgers University, a Master of Business Administration from Pepperdine University, is a Certified MBA, and holds six additional certifications in exit planning, business brokerage, behavioral analysis, medical practice management, facilitation and coaching.

Mr. Dini writes numerous articles on business topics for newspapers and magazines, in addition to his weekly column on business ownership on this website [Awake at 2 o'clock in the morning?](#) and his opinion blog at [Awake at 3 o'clock](#). He speaks frequently to business groups and national associations, and is a 10-year member of Jim Blasingame's "Braintrust" appearing regularly on "The Small Business Advocate" nationally syndicated radio program as an expert in the issues of business ownership.



## CONTACT INFORMATION

John F. Dini  
President, MPN Incorporated  
12015 Radium St., Suite 100  
San Antonio, TX 78216  
P: (210) 615-1800  
F: (210) 615-1865  
M:(210) 643-2015  
[jdini@mpninc.com](mailto:jdini@mpninc.com)

Company: [www.mpninc.com](http://www.mpninc.com)

Author: [www.johnfdini.com](http://www.johnfdini.com)

Boards: [www.TABSanAntonio.com](http://www.TABSanAntonio.com)

Exit Planning: [www.exitmap.com](http://www.exitmap.com)

Weekly Column on Business Ownership: [www.awakeat2oclock.com](http://www.awakeat2oclock.com)

Blog from an Owner's Point of View: [www.awakeat3oclock.com](http://www.awakeat3oclock.com)