

Planning ahead: tips for tough times

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"New York-- Dun & Bradstreet, Inc. said business failures in the first six months of 1982 exceeded the total in all of 1980 and were 45 percent ahead of the 1981 first half."-*Wall Street Journal*, July 9, 1982.

Sounds pretty gloomy. How can your business survive these tight times? Management is the key element and one of the most important functions of a business owner or manager is planning. Neglecting any of the following five areas can cause a business to go "belly up."

- **Management experience.** Know your product. Price fairly and for a profit.

Few small business people develop a plan for their company.

Promote and advertise. Practice the art of purchasing and accounting. Hire good people and involve them in decisions. Follow a budget.

- **Cash management.** Hold on to cash. Stay liquid. Keep debt service low. Avoid borrowing. Keep inventories and capital equipment outlays low. Massage your banker regularly. Monitor operating costs daily and constantly seek ways to reduce them. Ruthlessly collect accounts receivable. Pay your bills on time. Stick to your budget.

- **Time management.** Learn to delegate. Control your business; don't let it control you by not budgeting your and your employees' time. Plan your day in advance. Prepare agendas. Hold Meetings on time. Cut lunch to an hour. Make tough decisions first, the easy ones follow. Stick to your budget.

- **Record keeping.** Hire a good bookkeeper Post daily. Know exactly where you are financially every day. Systematize. Buy a small computer to control data. Get chummy with CPAs. Make tax payments on time. Control your spending.

- **Business planning.** Survival during



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What you need to pull your small business through

tough times requires well-defined goals and a plan to reach those goals. Know exactly where you are going. Be realistic. Initiate an on-going planning process with employees. Keep good records so you can analyze and adjust your plan regularly. If you are weak in planning, get hold of someone who is strong and learn.

Planning is critical, yet business plans are one of the elements most ignored by small businesses. A recent survey of small business managers and public company executives revealed that the most critical concerns were cash management, internal control systems and pricing. The public company executives also cited long-range planning as critical, ranking it fourth. But, the small business manager placed this subject ninth, a compelling reason for Dun & Bradstreet's gloom.

Why don't small business managers plan? Maybe it's because they see planning as something only the big guys do. Not true. Planning is the initial step in management. The management process involves planning and controlling.

In planning, you determine objectives and strategies, and develop the means for implementing them. In controlling, you implement your plan and analyze your actions. The controlling process includes: a) actions such as opening a new territory, introducing a new product or closing a warehouse; b) monitoring and control-methods used to see if plans are on course-examples are budget reports and sales analyses; c) analysis and evaluation, which show why an activity is deviating from a plan. If, for example, sales increases projected at 10 percent are actually two percent, you may wish to revise your plan, or get a job.

The plan

In developing a business plan, you must determine...

- Where are we now? (Analyze and evaluate.)
- Where do we want to be? (Establish objectives and strategies.)

- How do we get there? (Delegate responsibility.)

Questions to be asked during each of these three phases are:

Where are we now?

1. What is our mission or purpose?
2. What is our financial history?
3. What external factors affect us? Who is our competition? Our suppliers? Our customers? Who isn't our customer? Do we blame the economy for our lack of management skills or direction?
4. What internal factors affect us? What are our strengths? Our weaknesses? Are we able to control our internal (in house) controls?
5. Where are we?

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Where do we want to be?

1. What are our goals?
 - a. How fast do we want to grow?
 - b. What geographic coverage do we want?
 - c. What product lines do we want?
 - d. What is our target market?
 - e. What rate of profitability do we expect?
 - f. What organizational and management approach do we want?
 - g. What image do we want?
 - h. How liquid do we want to be?
 - i. What kind of reward system do we want? (Don't be greedy at this stage.)
2. What are the alternatives? Which ones should we select? (What are the reasonable paths leading from where we are now to where we want to be? Which alternatives best meet our competence and resources? What new problems could each alternative cause? Will we gain a competitive advantage? How?
3. What events do we think will occur? Allow for slumps and emergencies.
4. What are the key variables that will

- make or break our company? (Management and planning.)

How do we get there?

1. What are the steps necessary to reach our objectives?
2. What are the priorities? (Which are most essential to the overall plan? Which are next?)
3. What are the required commitments of people and funds? Can our people do it?
4. What should be accomplished within one year? Two years? Three years?
5. Outline the direction for the next year's results; the second and third years'. Use past performance as a guide or a prod.
6. Is the plan realistic?
7. How will we monitor the results of the action on the plan?
8. How will we monitor internal and external changes?
9. Stay flexible. Plans will change. But, don't lose sight of your specific objective.
10. What help do we need and where can we get it? Network.

The plan should take into account all factors-men, money, machines, methods, materials and markets. The plan should consider the effect of a strategy or action on all factors. For instance, a plan to add a sales region has an effect on logistics, working capital and productivity. An accrual-based pro forma or projection of income and expenditures can be used to see what effect on capital and profitability an action now will have next month, next quarter, next year and in three years.

The best plan will also include control-a method of monitoring whether the objectives are being attained.

Planning is the smart way to meet the challenges of the tough times. Nothing can replace hard work and just plain luck. But nothing is what you'll get if you don't plan. ^{BJ}