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## Best Practices

By *Garrett Sullivan*

### Running a Business with No Plan is a Plan for No Business

If you're a savvy contractor, you've already spent some time developing a ten-year vision for your company. So now is a good time to create a business plan to support this long-term goal. A business plan for 2015 should be a key component of your ten-year target and deserves attention sooner rather than later.

A contractor's business plan should follow the KISS concept: Keep It Simple (Sweetie!). You don't need a long, drawn-out document; a two- to three-page plan will do just fine.

If you are just starting or, have been in business for a while and have never taken the time to develop a business plan, here are some tips on what should be included:

#### **Business Description and Vision:**

- Company Vision – Where are we going?
- Mission Statement – Why does my company exist?
- Business goals for the coming year – I recommend selecting six “big rocks” for the year. Each rock would be a two-month endeavor with everyone focused on achieving the objective.

#### **Marketplace Analysis:**

- Describe your industry and outlook.
- Define the critical needs of your existing market and a market you might enter.
- Identify your target market.
- Develop a profile of your target customer.

#### **Organization and Management:**

- Create or update your organizational chart. Include positions which are not filled but are *anticipated* to be filled in support of your ten-year vision. Include the individual accountabilities for these positions.
- Draft a brief biographical profile of key members of your team. For the unfilled positions, write a description of the ideal personnel that would help you create a standalone company.
- Consider including a flow chart to visualize how your company operates or how you intend to have it operating by the end of the year.

#### **Marketing and Sales:**

- Formulate your strategy. Will you concentrate on finding new, more competitive subcontractors?
- Will you seek out new technology to give yourself an edge?
- Will you undertake an in-depth study of your costs in an effort to reduce them?

## Financial Management:

- Set planned revenue and planned profit targets.
- Establish a company budget for 2015, distribute it, and discuss it. The budget should depict both the company's estimated numbers and actual numbers. It needs to show positive or negative variance as well as line items for each source of revenue and expense. Including your monthly, weekly, daily, and hourly overhead will add a necessary sense of realism to the budget.
- Review and update your breakeven point. After you do so, be sure to adjust the overhead percentage in your cost estimates going forward.
- Create a Score Board which includes your financial and operational Key Performance Indicators (KPI's).
- Create a Playbook which you should carry around on a daily basis, just like any great coach. Your Playbook should include the following: company Score Board, business plan, annual budget, accounts receivable log (organized into 30/60/90 days), cash flow log/report, weekly job cost report, debt log (including how much and to whom), interest rates and amount of monthly payments, and insurance cost analysis by year.

When you finalize your 2015 business plan, don't just file it away and forget it. Find a way to review it on a weekly basis to ensure you and your company stay on course. Think of your business plan as a fluid document in the same way that the conditions of a job might transform as work progresses. Don't hesitate to revise it as the year goes on, always with your ten-year vision in mind.

Think back to the goals you set out to accomplish when you first started your business. Whether or not they were completely realistic, those early dreams helped grow your company into what it is today. But dreams alone aren't enough to sustain established firms year after year. A well-developed business plan will put you on a laser-like path to success. When properly synced with your long-term vision, your business plan is what will enable your business to reach its full potential.

Note: Visit [www.SullivanHi.com](http://www.SullivanHi.com) to download a sample business plan, budget format and cash flow analysis forms.

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