

Does your business have purpose and direction?

The Plan's the Thing

By Steve Wilson

Great businesses know the importance of putting it on paper

Jf you want 2005 to be a great year, spend a few minutes working on your plan.

Do you, as your company's leader, have a clear sense of purpose and direction for 2005? Do the people around you understand and share your purpose and direction?

Many years ago, an employee stopped me in the office and said, "This morning I realized that what we do here is really pretty simple. I just had to get past the million little details."

While this might not sound like a profound statement, it became the basis for a complete redesign of our company. Everywhere I looked, people were so tied up in the details that they were forgetting the fundamentals. People sought answers in policies, procedures and instructions, rather than good old common sense. Sales were flat. Several people quit. The company wasn't going anywhere because we were mired in the details.

At about this time, I met Jack Stack and read his book, "The Great Game of Business." When you look at business like a sport, you see that success is about the fundamentals. Golf is about posture, grip and alignment. Football is about blocking, tackling and ball handling. I began searching for the fundamentals of a good business. I found my answer, not in the fundamentals of a good business, but in the characteristics of a great organization.

Great organizations have:

- A clear sense of purpose and direction.
- The free and open flow of information among the members.
- Mutual trust and respect among all the members.

Over the years I've studied and reorganized dozens of businesses. Generally, the first thing I detect is broad level of distrust and lack of respect among the people. It's caused by an extended period of sporadic and contradictory

information, resulting in a strong and disruptive "rumor mill." And all of it is traced back to a broad lack of understanding about the purpose and direction of the company.

Quite frequently, I talk with owners who admit that they don't have a clear vision for their company. More often, the owner has a good vision for the future, but can't pass the vision along to the rest of the group. This was exactly what I was seeing in my own company. I knew where I wanted the company to go, but it sure didn't seem like the rest of the people were looking at the same map. I knew that open-book management would help us repair the "information" problems, and allow us to rebuild trust and respect.

Create measurable goals in five key areas: sales performance, financial performance, operational performance, quality and employee development.

However, without a clear sense of purpose and direction, shared by everyone, I knew the improvements would only be temporary. We needed a straightforward plan that everyone understood and followed.

Like most entrepreneurs, I was not much of a planner. I was too busy "doing" to do much "planning." For me, long-range planning was where to go for lunch!

I researched the planning process and read a lot about "bottom-up" and "high involvement" planning. I just didn't see how I could create a bottom-up planning process when I hadn't been able to produce a simple top-down plan. If you aren't clear about your vision for your company, or you don't believe your people clearly understand your vision, I'll share with you some of the things I did to create a clear sense of purpose and direction for everyone.

The first thing to do is write a brief history of your company. There are several reasons to do this. First, going back to the early days of the business will help you recall your initial vision for the company. Over the years we forget why we got into this business in the first place. Second, it's important for your people to know where the company came from, so they can fully share the vision for the future. You want to build pride in what has been accomplished. Third, you want your customers to know your history, accomplishments and reputation. That's why so many company Web sites have a "history" page. If you're proud of your history, your customers will be proud to do business with you.

Our company was five years old when I wrote our history, but more than half our employees had been with the company for less than two years. When I reviewed the history with all the managers, I was surprised at how little they really knew about the origins and early days of the operation. We had a good discussion about how events in the past shaped our current operation. Managers then conducted a similar history lesson for their people. From then on, we included a historical review at the beginning of every annual operations review.

What's your vision?

Now that we know where we came from, let's look to the future. Before you write the "vision statement" for your business, you must write your "personal vision statement," as it relates to the business. What is it you want from your business? Is it independence, wealth, recognition? What is it that sets you apart from other people? If you don't know what you want, how will you know if you're successful?

Owning and managing a business is really a means to fulfill your personal vision. You don't have to share your personal vision, so be honest with yourself and reach for the stars!

For some, this may be the most difficult part of the plan. For me, it was the easiest. I started my own business because I wanted to be able to retire at age 44, and I knew it wouldn't happen if I went to work for someone else.

With your personal vision statement in front of you, next write a vision statement for your business. How will the business help you fulfill your personal vision? What will set your business apart from the competition? Describe the business as it will look 10 years from now.

My vision: Take a technical service that is widely available in large cities and use the latest technology to make the same service available, at a reasonable price, to companies in scattered rural areas. By the time I started this planning process, the vision had enlarged a bit, to include being the primary supplier of technical services to rural companies across seven states in the Midwest.

With the vision complete, it's time to build a plan to achieve the vision. I've found that the best bridge from where you are today out to your vision is a three-year time frame.

Remember, we aren't trying to write a step-by-step action plan. Instead, we want to create direction and purpose for the company with a few key targets.

Create measurable goals

We're going to create a measurable goal in each of five critical areas: sales performance, financial performance, operational performance, quality and employee development. These goals, or "drivers," will give direction to your business.

I always begin the plan with sales performance. There's a reason why sales is the first line on the financial statement. Without sales, you don't have much of a business. In most cases, the goal is expressed as a percent growth in sales.

For example, you might want to double (100 percent growth) your sales over the next three years. Quite often, the goal looks at a particular area of sales. It might involve increased sales of a new product or service, while holding sales of current products constant. Perhaps you want to increase your "per customer" sales.

Look at your vision statement and decide what you need to sell to achieve the vision. In our case, we actually slowed our sales growth. For five years, we more than doubled sales every year. We were growing too fast. We wanted to be the best, not the biggest.

The new plan called for reducing sales growth

to 25 percent per year for three years, while we focused our resources on other issues.

I rarely see "profit" as a financial performance goal. Like sales, you'll want to focus your effort on one of the components of profit. Reducing your direct costs, labor costs or overhead should result in greater profit. Instead of a profit problem, you may have a cash flow problem. That was the case for my company.

We were growing so fast we constantly were running out of cash. We borrowed money to service a customer, and then had a long delay until the customer paid us.

Print your vision statement and five strategic goals on a single sheet of paper. When you face an opportunity or a challenge, look to the plan.

For three years we focused on reducing the time it took to get paid from 30 days to 15 days. With the shortest payment cycle in our industry, we saved a lot of money on loan interest and significantly increased our profit. In what area of financial performance do you see the greatest opportunity for improvement? Your accountant can help you compare your financial performance to that of your competitors to identify possible improvements.

While financial performance looks at money, operating performance generally looks at time. How can we make our people more productive? How can we service our customers better? One of the most common goals I see in this area involves "wait time."

None of us like to wait for service, especially when we have scheduled an appointment. Most of us are willing to pay a little more for prompt service. If we see a crowd waiting, we often go somewhere else.

The same was true for our business. Our customers wanted prompt service, so we set our target at a one-day response. We built our reputation by submitting our proposals and having people ready to go to work before our competitors had even responded to an initial inquiry. If your vision includes great customer service, you might consider "wait time" for your operating goal.

Quality is frequently included in operating performance, but every company should also have a separate quality goal. In manufacturing,

quality is usually related to product defects. In the service sector, it usually involves customer satisfaction. Because our company performed a wide variety of technical services, we needed a broader quality goal.

We invest more than a year in developing our first project with a customer, so our goal was to convert more than 50 percent of our single projects into long-term support contracts. We couldn't afford to make mistakes, and we needed constant dialogue with the customer to exceed all their expectations.

The last area you want to look at is employee development. Your business is only as good as your people. To grow the business, you must grow the people. Are all of your employees licensed or certified in their skills? Are people cross-trained in other skills? Are you training future team leaders?

Our employees were technically skilled, most commonly in a specialized area. In order to achieve our operating and quality goals, our people needed to be more versatile. Our three-year plan included the requirement that all technical people become qualified in two specialty fields on two different software systems.

Print your vision statement and five strategic goals on a single sheet of paper. The vision statement should be descriptive, painting a picture of how the business will look someday.

The strategic goals should be tangible and measurable. This one-page plan doesn't address every issue in your business, nor does it explain what steps need to be taken to achieve the goals.

What it gives you is a clear sense of purpose and direction for your business for the next few years. You can share it with your staff and they can understand it. When you face an opportunity or a challenge, look to the plan. If the challenge isn't related to your goals, minimize the problem and keep your resources directed at the goals. If the opportunity doesn't support your goals, accept that you aren't really missing an opportunity. Don't pounce on every opportunity or you'll wind up chasing rainbows.

Make a plan, share the plan and make it a great year. ■

Steve Wilson is president of Willow Creek Consultants, which specializes in teaching companies how to use a seven-step system to build a high performance organization. He is also the founder of Mid-States Technical, an INC 500 engineering services firm in the Midwest. For further information, e-mail him at steve@willowcc.com or visit www.willowcc.com.