

# THE ASPPA Journal

ASPPA's Quarterly Journal for Actuaries, Consultants, Administrators and Other Retirement Plan Professionals

## The Business Plan: Your Company's Roadmap for Success

by Sarah E. Simoneaux, CPC, and Chris L. Stroud, MSPA

Think about it. You wouldn't plan a trip across the country without a roadmap, so it makes good sense to have a roadmap for the "trip" your company will be taking over the next few years. One of the critical tools for ensuring success in today's rapidly changing environment is an up-to-date written business plan. A business plan creates a pathway to get your company from where it is today to where you want it to be—identifying milestones, obstacles and desired routes along the way.

**A**n effective business plan helps you address expected and unexpected changes in all aspects of your business. Developing the plan requires you to think about your business and express your ideas in a systematic way. Thus, having the finished product in hand is not the only advantage—the act of planning itself helps you to think things through thoroughly, to study and research areas to determine the relevant facts and to give your ideas and goals a fresh review.

### Do I Really Need a Business Plan?

If you've been operating a profitable business without a business plan, you are probably saying to yourself: "I've done fine without a business plan in the past, so I certainly don't need one now!" Before you close your mind to the possibility, ask yourself these questions:

- Can I clearly state the vision of why our business exists?
- Do our employees share that vision?
- Do our customers understand our vision?
- Do I (and our employees) have a clear picture of where I want our company to be in three years and how we are going to get there?
- Do I (and our employees) understand the strengths and weaknesses of our operations?



*Your plan should communicate your vision and your strategies, what things you intend to do and how you intend to do them.*

- Do I (and our employees) know how our business stacks up against the competition?
- Do I (and our employees) know what motivates our customers to buy our products and services?
- Have I adequately considered what opportunities in the marketplace we could pursue and what threats we might face?
- Am I certain that our business conforms to the industry best practices established for businesses similar to ours?

If you answered "No" to one or more of the preceding questions, a business plan would bring clarity to the issue(s). The last bullet is especially

interesting. The ASPPA task force, working in conjunction with CEFEX to establish best practice criteria for ASPPA's new recordkeeper certification, has determined that having a written business plan is a best practice that must be complied with in order to achieve ASPPA's recordkeeper certification. The argument for having a business plan just got even more compelling! (Refer to articles in the Fall 2007 and Winter 2008 editions of *The ASPPA Journal* for more on the new firm level ASPPA recordkeeper certification.)

A business plan can serve many purposes. In addition to serving as the roadmap for your business, a plan contributes to the success of your firm in many ways. For example, developing and maintaining a business plan:

- Helps you and your employees get more involved in setting goals and objectives;
- Encourages you to learn all you can about your customers;
- Requires you to take a close look at your competition and determine your own competitive advantages;
- Prepares you for the uncertainties of the future by giving you a means to formulate and communicate alternative strategies;
- Provides a framework for you to create and analyze financial projections;
- Helps you create a culture that supports your vision and helps your employees feel more a part of the company; and
- Provides a forum for brainstorming and generating ideas so you can get even better at what you do best!

### What are the Main Components of a Business Plan?

Many people think of their budget as their business plan, but it most certainly is not! In reality, a major portion of your business plan should contain all the work that you need to do *before* you prepare your budget. It should document the upfront analysis to ensure that your financial decisions and your budget are in synch with your goals.

Think of your business plan as a means to help you "*Begin with the End in Mind.*" (Habit 2, *The 7 Habits of Highly Effective People*, Stephen R. Covey) You know where your company is now—and most likely you know where you would like your company to be in the future. How you plan to get there is the "heart" of your business plan. Your plan should communicate your vision and your strategies, what things you intend to do and how

you intend to do them. Many formats have been used over the years for business plans, and typically one format is just as effective as another. A typical business plan runs 20 to 30 pages (excluding the Appendix) and incorporates the following essential elements described below.

#### Executive Summary

Although this summary is typically the first item in your business plan (other than a Table of Contents, perhaps), it is usually the last thing to be written. It highlights the major points from each section of your business plan.

#### Company Overview

This section should include information on the history of your company, type of ownership and all locations and/or divisions. It should state why you are in business (your mission and values) and identify your primary goals and objectives.

#### Description of Products and Services

Describe your current products and services and indicate any future products and/or services you are anticipating. Explain briefly the type of customers you serve and how your products and services benefit them.

#### Market and Competitor Analysis

Define your business environment. This section should include an industry overview, a description of market segments, market trends and information on your competition.

#### Company Strategies

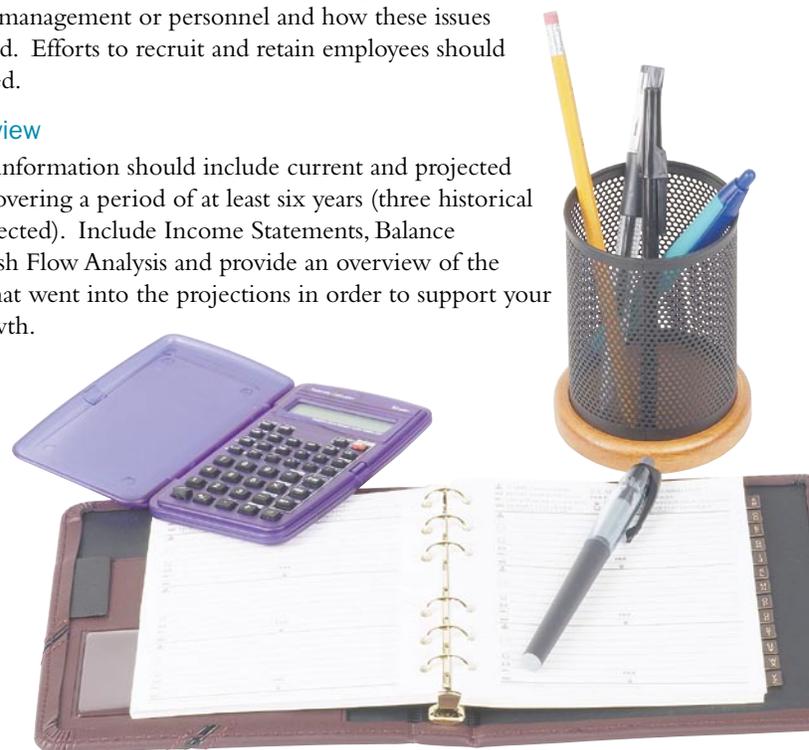
This section should outline the various strategies that your company will use to carry out your plan. At a minimum, it should address the positioning of your products and services, as well as strategies for marketing, sales, technology and business continuity. Don't forget to point out your competitive advantages.

#### Management and Personnel

The key personnel and management team(s) should be identified. This section should also include information on the overall organizational structure, as well as any gaps in management or personnel and how these issues will be resolved. Efforts to recruit and retain employees should also be outlined.

#### Financial Review

The financial information should include current and projected information covering a period of at least six years (three historical and three projected). Include Income Statements, Balance Sheets and Cash Flow Analysis and provide an overview of the assumptions that went into the projections in order to support your projected growth.



## Appendix

The appendix serves as a tool for you to place important information that does not belong in the main body of the business plan. Common items include biographies of key personnel, company accreditations, news articles, etc.

## Who Will Read My Business Plan?

Before you begin the business planning process, it is important that you identify all the reasons *why* you are creating a business plan so that you can anticipate your potential audiences. Who are the “stakeholders” who might have an interest in what your company does and how it operates, and which groups are likely to have the greatest impact on your success? Different audiences might be looking for specific things to be outlined in your business plan, and you will want to address those individual needs. (It is not uncommon to create different versions of a business plan for different audiences.)

Potential audiences include:

- You;
- Your management team(s);
- Current employees;
- Prospective employees;
- Bankers;
- Lenders;
- Accrediting entities;
- Current and prospective customers; and
- Potential business partners and strategic alliance partners.

Earlier in this article, we indicated that one audience might be auditors for the ASPPA recordkeeper certification, in which case you will want to ensure that your business plan outlines relevant details about your business practices that might otherwise be difficult for them to determine. If you are seeking financing from a bank, you would want your plan to outline how the funds would be used. Alternatively, you might be looking for investors, who have a different perspective from bankers. Investors will focus more on expected growth and return on investment, so focus on the financials and how the funds will help the company achieve growth.

One of the most important audiences for your business plan is your company’s employees. Remember that your business plan is your company’s roadmap—so use it to communicate the company’s goals and objectives. Generate some excitement when you present the plan to them so they will want to “hop on the bus” and help your company get to its destination.

## How Do I Get Started?

### Step One

Assemble your planning team. Select a group of owners, managers and/or employees to help with the project. The group should include at least three and no more than eight people. You can bring in others later as needed for specific sections.

### Step Two

Decide if you want to hire a planning consultant. There are many factors to be considered in the decision of whether or not to hire a consultant, but the three most relevant factors are time, energy and money. Many business owners would never tackle the job of creating a business plan if they did not have a

consultant to guide them along the way. However, if you choose to take on this task yourself and you have the time to do all the research and the energy to keep the project moving, there are numerous resources available for business planning ideas (books, magazines, Web articles, Chamber of Commerce resources, SBA resources, etc.). If you choose to use a consultant, be sure that the consultant clearly defines what services are included in the agreement and what the estimated fees will be. An additional advantage of using a consultant is that he or she will view your company through fresh eyes, with a perspective more like that of your customers – from the outside looking in. The consultant will help you describe and clarify new ideas as well as things you already know.

### Step Three

Set up a framework for strategic discussions. Outline the basic steps you will go through, including research, meetings, drafts and reviews and set a timeline with milestones for completion. Gather all collateral materials currently in use, as these should be reviewed as part of the planning process.

### Step Four

Put one person in charge to organize and keep things moving. If you are using a consultant, the person you assign will be your “point person” for all activities and will coordinate with the consultant and with the others on the team as needed.

### Step Five

Appoint a note taker to take notes during business planning meetings. Also appoint a wordsmith to fill in the fine details and to make your document readable and interesting so that you do not spend valuable time in meetings trying to choose the perfect words to express your thoughts and ideas. If you are using a consultant, the consultant will typically fulfill both the note taker and the wordsmith roles. Note, however, that the final wording of the business plan should always be approved by the owner and/or the senior management team.

### Step Six

Get started, have fun—and reap the benefits once you have completed your business plan!

## Are We Done Yet?

A business plan is never “done”. Even if your business is on track, you still need to review your plan periodically and make modifications

as necessary, usually at least once a year. If you experience any significant changes in your business environment, you should immediately review your plan and strategize to determine what impact the changes might have and how you should prepare accordingly. Then update your plan to revise your goals and objectives and alter the relevant sections as needed to pursue the alternative strategies you have identified.

Once you have a business plan, it is your job to create a culture that recognizes your company's vision, values, and the goals and objectives in your plan and ensures that they are implemented. Refer to your business plan and goals often—in business strategy meetings, sales and marketing meetings, company meetings, employee reviews, etc. Include your mission and vision in company newsletters, employee handbooks and your Web site. Use your plan as a tool (your “trip odometer”) to measure and evaluate your programs and initiatives. Solicit feedback from everyone when you are ready to review and update your plan. If you keep the energy surrounding your business plan at a high level, then your plan will naturally stay “alive and well.”

### Lessons Learned

Kenneth G. Ingham, MSPA, MAAA, EA, AIFA®, of Ingham Retirement Group in Miami, FL, recently went through the business planning process for the first time. We asked Ken to share some of his thoughts regarding the business planning process and what effects it has had on his company.

“We’ve been in business for 35 years and we knew we needed a business plan to get to the next level. We also wanted to pursue the ASPPA recordkeeper certification, so having a business plan became a priority. We knew we didn’t have the time and wouldn’t stay focused long enough to do it ourselves, so we hired a consulting firm. Going through the planning process with the objective advice of the consultant provided the framework for us to grow up and formalize our ideas. The consultant also enlightened us to new ideas we should consider and provided valuable insight as to what other firms similar to ours were doing.”

“In most companies, people at the top know where they are going—but the employees who are struggling to get the work done are often in the dark about the company direction. If you don’t tell them where you want to go, you probably won’t get there. The plan helped us communicate our direction to the employees and also helped us find new ways to thank the employees for the good jobs they were doing.”

“As a result of establishing the written business plan, we were among the first to achieve the ASPPA recordkeeper certification, which strengthens our competitive edge in the marketplace. In addition, our business continues to improve in other ways. We held a company meeting to share the plan with our employees and to reinforce the culture we wanted to cultivate. We set up a marketing team to work on a detailed marketing plan, we strengthened our brand and updated our collateral materials, we created a new employee reward system, we refined our budgeting process and we increased responsibilities to our mid-managers for carrying out the plan’s action items. We feel we now have an even better chance at success and growth than we’ve enjoyed in the past. We understand that our plan is a living, breathing document that we will change and update as we grow.”

### Conclusion

With a multitude of issues competing for your precious time, committing time to plan your company’s future may seem like a daunting task. But operating without a written business plan is even more difficult and probably more time-consuming in the long run. A good business plan helps you deal with changes effectively, which can often mean the difference between long-term success and failure. Equally as important, your business plan will help you share your vision and create excitement, inspire your employees and create and articulate an advantage in the marketplace that you can sustain. Remember: “If you fail to plan, you can plan to fail.” 



*Chris L. Stroud, MSPA, is president of Stroud Consulting Services, Inc., located in Marco Island, FL, a firm offering consulting services to for-profit companies providing retirement services and to non-profit organizations. Chris also provides consulting through Simoneaux & Stroud Consulting Services, specializing in business planning, business consulting, professional development, industry research and customized skill building workshops.*

*She has worked in the employee benefits industry since 1978. Prior to setting up her own consulting firm, she was a vice president at Financial Data Planning Corporation (FDP), which was purchased by SunGard. Chris has volunteered her services in various capacities to assist ASPPA, and she served as the 2006-2007 ASPPA President. She is the Editor of The ASPPA Journal and a member of the ASPPA Benefits Council of South Florida. Her professional designations include Member, Society of Pension Actuaries (MSPA), a Member of the American Academy of Actuaries (MAAA) and Enrolled Actuary (EA). ([chris.stroud@scs-consultants.com](mailto:chris.stroud@scs-consultants.com))*



*Sarah L. Simoneaux, CPC, is president of Simoneaux Consulting Services, Inc., located in Mandeville, LA, a firm offering consulting services to for-profit companies providing retirement services and to non-profit organizations. Sarah also provides consulting through Simoneaux & Stroud Consulting Services, specializing in business planning, business consulting, professional development, industry research and customized skill building workshops. She*

*has worked in the employee benefits industry since 1981. Sarah was formerly vice president of Actuarial Systems Corporation (ASC). Prior to her position at ASC, she was a partner in JWT Associates, a qualified plan consulting firm in Los Angeles, CA. Sarah has volunteered her services in various capacities to assist ASPPA, and she served as the 2005-2006 ASPPA President. She currently works with the ASPPA Education and Examination Committee and she authored a book for the Qualified Plan Financial Consultant credentialing program. Sarah earned her Certified Pension Consultant (CPC) credential from ASPPA in 1988. ([sarah.simoneaux@scs-consultants.com](mailto:sarah.simoneaux@scs-consultants.com))*