

Chapter 1

Time to ditch the business plan?

Sometimes it's hard running a business. Where are all the good people to be found? When you do find them, why are they so expensive? Who to trust? Why aren't we making any money again this month? How on earth have we just lost that key customer?

It might be understandable to feel bogged down from time to time as the obligations and issues pile up, but a successful business needs a real plan. That's what this book is about.

Question: when is a plan not a plan? Answer: when it's a business plan.

Don't worry, no more riddles of any sort, we promise. But every business has stories to tell and many of these stories find their way into – or are created for – business plans of one sort or another. But are they really plans that are actively used and followed? Very rarely.

Just stop to think for a minute. If your company has been around for even a few years, you are sure to have such plans sitting on your company's servers somewhere:

- **A business plan** you wrote in order to raise some bank money, complete with sales projections and growth plans that you've not necessarily looked at since.
- **A financial plan** you created to pitch to serious would-be investors somewhere along the way. Likely this plan is something you've looked at and acted on in small ways since, for all the detailed financial modelling that was included, and the careful business case that was made at the time to present a really investable company.

Be honest, though: neither these plans nor any others that you've created are live working documents, are they? They are written looking forwards, maybe, but most – or all – were created to fulfil a particular need at a particular moment in time, and their usefulness doesn't usually extend very far beyond that.

There are other ways to think about your plans though, and it's the creation of and commitment to a different sort of plan – a genuinely strategic, lived and acted-upon plan – that is at the heart of our thinking.

Now, we know that talk of strategy makes plenty of business leaders wary. After all, the world is full of high-charging management consultants who like to talk about 'strategy' a lot – and then send through a prettily produced document and bill.

But strategy does matter – and it mustn't be allowed to become a dirty word in business. In fact, it matters so much it's worth saying what it means: one useful definition describes it as the effort to align external opportunity with internal capability. And you should add to this our belief that the right kind of strategy is also something for a business and its

leaders to follow and swear by, so it becomes nothing less than a living, breathing inspirational framework that guides day-to-day activities and behaviours.

Get inspired

Is that too high-minded for you? For some it might be. But we think it's time you put aside any world-weariness or cynicism and started to look for ways to get inspired again – for your sake and the sake of your company.

Without doubt many owners of smaller businesses think that strategy sounds like something that's nice in theory but a bit corporate – and a bit irrelevant to the daily juggling and distractions of the reality of keeping the lights on and the show on the road.

But it's a fact that every company, large or small, needs a proper strategic plan in order to grow and evolve. If you accept this point – and you are reading this book, so we reckon you do – the next question is the biggie: how do you get there?

That's what the book you are holding is all about. If this is our scene-setting chapter, those that follow take a step-by-step approach to the challenges of building and growing a business to achieve a vision that manages to align the personal aspirations of the leadership of a business with the real-world, day-in and day-out plan for that business.

Where exactly does inspiration or passion fit in? Right at the beginning no less: we think it's the starting point for everything. Companies are started by passion and belief. The point about creating a new strategy for the business as it looks

now – however many years in you are – is to reignite that passion and belief for the business and where it is headed, and apply it in a structured way every day.

Harnessing all that know-how and enthusiasm anew is not something that's achievable in one giant, transformative leap. But by making lots and lots of small changes in many areas you will soon find you are in fact doing something big anyway. Once the journey is embarked on, with real enthusiasm and passion for where things are headed, you might be surprised how quickly positive change follows.

Clarity not complication

Here's a statement for you: many businesses start out relatively simple and get more complicated – and more challenging to run.

Fair enough – or not?

Sure, when you are busy juggling the priorities of business, things can FEEL complicated, but that's not the same thing as true complexity.

Business is usually pretty simple – and when it starts to feel like there is too much happening and things are out of control then it's time to make things simple again.

How? By getting on with creating that real-world strategy that starts with your passions and looks in detail at the business from all sides – at its strengths and weaknesses, at its products or services, at its customers and their needs, at its people, at the competition out in the marketplace, at your aspirations as a leader, and so on.

The purpose of this sort of analysis is not just to create an up-to-date list of headline points but to start drilling down into the detail and then to take some big calls on how things need to be – and to make the necessary changes.

We'll look at the nuts and bolts of this approach in the chapters ahead, but first here's another way to look at the opportunity you need to take.

No death by chocolate

Imagine you own a chocolate business. In the early days life is sweet. You bring out three luxury chocolate products and start selling them through a network of high-end gift and chocolate retailers.

Buoyed by your early success you later invest in selling direct – through a dedicated ecommerce website and through a network of retail outlets you establish across the UK. You also branch out from your luxury chocolate range into some middle-market and mass-market products, eyeing the prospect of supermarket sales and more.

But as the company grows and the opportunities keep popping up, you find that the challenges multiply too. Cocoa prices and the cost of other raw ingredients keep on rising, squeezing margins, while the complexities of producing dozens of confectionary products from a single manufacturing site for a growing number of customers with different expectations and cultures, and of overseeing dozens of retail branches across the country, with all of the staffing and property-related challenges that go with that, starts to take its toll. There is competition now coming from all directions, too, as others have

moved in on the market niche you first identified and have undercut you on price. Suddenly things are not so rosy.

What to do? While most might just carry on working with the logic of the business that's been created, distracted by cash flow and staff and customers and all of those other things it is hard to plan for in business, really what's needed is a root-and-branch rethink.

Perhaps some data-crunching shows that nearly half of revenues are coming from just 4 products out of 24, or that web profits are sharply rising while the majority of the company's retail outlets are barely in the black. Or maybe it's the factory that needs to go as the economics of outsourcing manufacture to more sophisticated and efficient production facilities elsewhere make perfect sense. Or perhaps much of the value in the business really lies in the strength of its brand name and certain products and what's needed is a marketing campaign that makes the most of that feel-good brand to drive mass-market sales.

Whatever the challenges that are identified, and whatever the strategy that's ultimately adopted, the other point is that any change that's brought in has to be applied with clarity right across the business. Senior directors, middle managers, those running the retail operations, the marketing team, the accounts department, those on the floor in the factory – lasting change will only come if everyone understands the ultimate objective and the part they are playing in its delivery. Getting people involved creates accountability but fosters commitment too, particularly if individuals are being given real ownership and responsibility for their contribution. It's a theme we will explore in detail later in the book and it goes to the heart of creating a truly successful strategy.

Make your strategy come alive!

Getting started with any strategy can often feel overwhelming. What's the best first step to take? What questions should you be asking yourself and the rest of the board?

If this fills you with any kind of dread, we've good news: in our experience the main resource you need to get things moving in the right direction is **TIME** – just enough of it to set aside all the operational issues so you can stop and think.

Start with a day

How long will it take? Well, a committed day is a great first step. When was the last time that all the company's stakeholders came together for a whole day to look at the medium- to long-term plans for the business? In all likelihood it was a while ago or has never even happened. Even if it is something that does happen on occasion, are such 'away days' really focused on strategy or do they see everyone involved talking shop and getting mired in operational issues?

One way to ensure that a day of talk isn't time wasted is to bring in an outsider to facilitate it and make sure it stays on track. Just as non-executive directors can bring fresh perspectives to some boardrooms, having someone at a strategy away day who is detached and focused on the objectives of the day could prove the difference between more chat and real strategic change.

A facilitator like this doesn't have to be an expert on your particular business and market either. In some ways involving someone who isn't an industry insider, with no particular

understanding of the market or sector, works best. You just need someone with a good business brain, an objective view on the issues being raised, and a willingness to stick to the day's agenda.

What else will make the day work well? It needs to involve only the really key decision-makers, for starters. Some of those you ask to come might not be thrilled at the idea of taking time out like this, with operational issues to worry about, but if they are true decision-makers for the business they need to be there and put aside any reservations.

You also need to be clear about the agenda and how things are going to work. If you want to start work on a plan that will build the business over the next three to five years, say, everyone who's coming should understand that and realize that immediate operational issues won't be covered. Some might baulk at that suggestion, but it's important to remember that day one of even a five-year plan is the next working day. This isn't just blue-sky thinking but a chance to take important calls that will have an immediate impact.

Structuring the day

OK, so you've got everyone's buy-in and the day is in the company calendar. How can you maximize the chances of it being useful and even transformative for your business?

Step one is to set aside all the 'now' chatter, maybe by emphasizing ahead of the meeting just what's up for discussion – and what isn't. Change causes disruption and won't be embraced by everyone, particularly in a company where profits are being made and there are reasons to see the company as

a success. Equally if a company is not doing so well the dynamic can be awkward too: some won't feel comfortable confronting things, frightened of what they may find out. Perhaps a company was strong once but is now in decline – if so, it's not an easy thing to face up to and some may prefer to treat the current predicament as 'a minor blip' and nothing more.

How you play things up front depends on your particular dynamic, but it's crucial to be explicit at every step. When Business Doctors gets involved in these kinds of days, the broad agenda often looks something like this:

1. Why are we even doing this? Understanding stakeholders' *personal* aspirations.
2. What's important to us? Core values and your business DNA.
3. What business are we in? (Clue: it's not what we sell but what our customers buy.)
4. What's the vision? What does *Breaking Big* look like for us?
5. Understanding the big picture and future proofing your business.
6. Market opportunities for growth.
7. GIVE analysis (Great, Improve, Vulnerable, Edge). Understanding our capabilities and what makes us different.
8. Strategy: defining a clear focus for growth.
9. Making it happen: critical success factors and an action plan.
10. What gets measured gets done.

That's a ten-point plan that should provide a solid basis for the day's activity – and those points also go the heart of the vision we've set out in this book. If you flick back to the contents page you'll see there's a close match between the chapter headings and the notional agenda for the strategy day that's such a first important step in making the necessary change.

What you might find out

No two company strategy days will be the same, of course, but many of the moments of realization and clarity that punctuate the day may look similar.

Starting at the top, that first point on the agenda – **shareholder aspirations** – is a big topic in its own right, and one we will cover in depth in Chapter 2. In the corporate world it might sound quite neutral, but for smaller, privately owned companies it's anything but. Really the question couldn't be any bigger. Why are we in business? Why are we doing this day in and day out? What do we all want personally from running and having a stake in this business?

It makes sense to start here because you can only begin to work on a strategy for the business once the personal aspirations are known: the two sides of the equation – the people and the business – really have to be aligned if a strategy is going to work.

And what kinds of issues come up? Well, for some it might prompt reflection on a work-life balance that has become skewed out of all recognition; for others it might lead to other kinds of soul-searching; for others still it might be the

simplest thing in the world to articulate some business-related and personal aims and where the two intersect.

One thing we've noticed is how rarely business is primarily about the bottom line. In fact, plenty out there are happy to say these days that they simply want a profitable company that is growing and provides a liveable income. For others, the dream may be a little bigger in terms of financial rewards, and maybe a little simpler in terms of balancing priorities, but in most cases there will be some complications or tensions that need to be worked through and resolved.

The next two points on our list take us back to basics and are all about understanding the core values, goals and purpose of the business – why it was started, what its purpose is now – as seen through the eyes of its directors and stakeholders. Here you sometimes get some extraordinary insights emerging once those involved start to open up and get to grips with what's being asked, not least when differences emerge between stakeholders over the values and trajectory of the business. Remember, often businesses are started because an individual or individuals did not share the values of their employers, so this is often a fundamental area to explore.

Beyond that point about values, the simple-sounding question of what the purpose of the business is can also generate surprising revelations and insights. For example, we once sat down with the directors of a company that billed and promoted itself primarily as a security firm. In the course of the session, however, it became clear that the real business of the company went far beyond security, into every aspect of the site services and local services support it offered to its customers (in the case of this company, usually construction companies working on building sites). Once the penny dropped,

the MD was straight on the phone to the marketing agency that were poised to send the latest glossy company brochure to the printers. He called a halt to the print run because he now saw the story it delivered – with ranks of gleaming security vehicles lined up on the cover – was way off target.

The question of a company's vision and goals comes up under that **business vision: destination** heading and also under the next point on the strategy day checklist, **future-proofing**. The first exercise, about visionary goals, is a chance for everyone to get excited and think about where the company might end up in an ideal world – how big it might become and what new opportunities it might grab if everything worked out perfectly. This can be quite cathartic, just giving all involved the permission to put aside mundane realities for a moment and share their dreams. Some of it might not even turn out to be all that far-fetched or unrealistic, which is when things can get seriously exciting.

By contrast **future-proofing** is grounded more firmly in reality and the known. This is a chance for a step-by-step walkthrough of the social, economic, technological and political factors that could potentially impact on the business. And of course it's still a chance to ask some important questions and swap insights. Are there any opportunities or threats we need to explore together? What do they look like? How speculative or tangible are they? How do we progress the opportunities and avoid the threats? Clearly there's plenty of potential for something really important and exciting to come out of this part of the day, too.

Next up on the list – the part of the day we like to call **your market**, moving into the related area of **opportunities for growth** – is in many ways similar, in that it's a discussion

grounded in the here and now of the business and in the known and the knowable. What does the current products-and-services mix in the business look like? What financial value attaches to each market opportunity? Who are our top ten customers and what do we know of their needs? Who are our suppliers and strategic partners? Are they the right ones and are we getting out of them what we should?

There's the potential for some genuine revelations to emerge from this part of the day, partly because it can often serve to highlight issues such as contradictions between the public face of the company and what it's known for, and some of the financial realities that often lie buried under the surface. Over and over again we see companies whose reputation has been built on a product or service that is no longer profitable, for example. One case that illustrates this nicely is a law firm we sat down with that had a huge reputation in criminal law but actually made its profits from personal injury cases. In fact, the criminal side of the firm was actually loss-making and being propped up by the profits coming through from personal injury work. It's a binary sort of example and demonstrates perfectly the kinds of tensions that crop up – but also the clarity that can emerge about what needs to happen next.

The top ten customers question is another from this section of the strategy day that is liable to get minds racing once explored. Experienced though we are at teasing these things out, for us it's still quite startling the extent to which companies fail to make the most of their customer base. The nascent potential just sits there untapped, year after year, with a circumscribed, transactional, often passive relationship that never gets moved on. But the potential to sell more and do more with your leading customers can be extraordinary.

An example, this time from a design agency we worked with that had a contract for the packaging designs for a major chocolate manufacturer. It was a nice slice of work from a company that was a lot bigger than many of the agency's other clients, and the directors were very proud of holding the contract. But it didn't take much effort to find out that only a small fraction of the chocolate company's total design spend – less than a fifth of its overall design budget – was going on packaging design. There was spend going into web design, point-of-sale, supplier brochures, you name it. But the agency had never ever tried to pitch for any of that work: it had just stuck with what it had. When it did ask, it was immediately right in the mix and started to win other pieces in the pie too – all because it asked and got the ball rolling. If you look at it from the customer's perspective, having six or eight or ten different design agencies on the slate was probably less appealing than having two or three really trusted agencies doing all the work between them – and wanting desperately to deliver in order to keep it that way.

There are lots of examples we could give to show the value of talking to customers and trying to meet their needs, but one of the best that's worth retelling now was the time that our strategy day reached the point where we started talking about the need to ask customers for meetings to find out their needs. It drew an instant negative response from one company director, who insisted his customers wouldn't be interested. So we challenged him on the spot: call one of them now and ask. He picked up the phone, put the question (this was his key customer, remember) and was amazed when the company instantly and delightedly accepted his invitation of an agenda-less meeting to get to understand each other better.

The **your market** section of the day covers much more than customers, of course – it might be your sourcing strategies and costs that come under the spotlight, say. Equally the **opportunities for growth** follow-up could head off in myriad directions. For now, though, let's move on. GIVE analysis is next on the list – and it needs a little explaining.

GIVE is an acronym that comes from these headings: Great, Improve, Vulnerable, Edge. In essence, it's a chance to be analytical and take a long, hard look in the mirror. Do we as a company understand our capabilities? What are we great at? Where can we improve? How and why are we vulnerable? What's our edge on the competition? What makes us different? Are we really distinct or is some of what we do or offer pretty forgettable and ordinary?

It's a crop of important questions that all aim to get to the root of what makes the company offer distinct and special. If a company has aspirations to take business away from others and to grow beyond the market through innovation it needs an advantage. What is that advantage, then? For smaller businesses it's unlikely to be based on cost as being cheap by doing things at scale is what many corporates are good at. What is the value being added, then? Why is what the company sells worth paying something extra for? The point here is that there will be things that make you uniquely attractive to your customers for various reasons – **BUT YOU REALLY NEED TO KNOW WHAT THOSE POINTS OF ATTRACTIVENESS ARE!**

Put it this way: many companies shout about the wrong stuff or go after the wrong customers – and often make both mistakes because the two things are connected. So this part of the day is an attempt to avoid that trap: to focus on what

makes the company different or better; to sell to the right clients, rather than being scattergun; to get strategic. It should be a moment of clarity and insight.

The final three points on the ten-point list for the day will often take a lead from that GIVE analysis and what has already gone before, as the headings suggest: **strategy**, **making it happen** and **what gets measured gets done**.

If **strategy** sets out the beginnings of a way ahead in broad terms, the question of implementation – **making it happen** – is a first try at identifying the elements that will be needed to deliver, with **measurement** at the heart of things.

It starts with the people and with the suitability or otherwise of the current management and reporting structures. It will usually also look in detail at things like sales opportunities and strategies and at performance indicators for individuals and for the business. There will be a lot of work to do here beyond the big picture stuff, and much of it will have to wait for another day, but it's still possible to make headway and get some real clarity of purpose. It's amazing how often, when companies reach a certain size but haven't evolved a top-level management structure to manage them, the same needs end up being identified – someone to take on the role of managing director, someone else to become operations director, someone to take charge of finance, and a sales and marketing head too. There will be many variations on this pattern, but for a surprising number this kind of starting point gets things moving.

So there you have it: the whistle-stop tour of where we will take you over the rest of the book. From here onwards, we'll be rolling up our sleeves and getting down to some of the detail.

