

Business Planning Procrastination Busters

Studies show that over 60 percent of small firms do little or no planning, and the smaller the business the less likely it is to have a business plan. Why is it so important for a small business to have a plan? It helps everyone know where the business is going, what needs to be done to get there, and what it will look like once they've arrived.

Below you will find some of the reasons why business owners procrastinate when it comes to business planning. If you want to plan but have some reservations, you need to discuss the matter with your accountant – and soon! Here are some suggestions about how to overcome any genuine concerns you have.

1 'I just can't get started'. It can be hard getting started on any task you think is difficult. Once again the solution is – go for help. Otherwise, a good starting point may be to identify a serious and recurring

problem and work out how to solve it – and then how to prevent it. Build that prevention into a plan for future action. Then, do the same with another problem – and another.

2 'I'm too busy working on today to be bothered about tomorrow'. According to an anonymous philosopher: 'While it seems there's never any time to plan, there's always time to fix

'Business planning is achieving success by design, not by chance.'

things that go wrong!' This may be why you have done no planning in the past and therefore why you are so busy facing a never-ending barrage of tasks and problems today that you can't find the time you need now to plan for tomorrow. You are caught in the 'vicious cycle' and

you must break out of it. If not, you will go on and on not being able to work on your business future – and getting more and more frustrated and stressed. You will probably need to get help from your business advisor

3 'I need to get immediate results and feedback from whatever I do'. Although planning is done now, it relates to the future. The results of some aspects of planning may not appear for a few months or even longer, whereas a cash flow plan (i.e. a cash budget) should show results in a week. If you prefer to do only whatever brings immediate or short-term results, you need to be aware that some important actions only have longer-term outcomes. Being impatient –being controlled by the *urgency addiction* - usually means that many important things don't get done. Planning improves the probability that important things are done.

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Should we sell on credit

One of the dilemmas facing every small business is whether to make sales on credit. It is widely accepted that selling on credit – in effect, giving your customer more time to pay, or put another way, lending your buyer money – generally increases sales. But that benefit can come at a very high cost unless there is good planning and tight control over debt collection.

Recent studies have shown

that more than one in every five small business failures are directly attributable to sloppy use of credit – specifically slow collections, bad (i.e. unpaid) debts and increased costs. Unless you are careful, increased sales may come with the risk of having a slower cash flow – or even a negative cash flow!

A sale is only complete when the customer is happy with his purchase and you have been paid. Granting a customer credit is a privilege to be earned and re-

spected. You must be selective – allow credit only to those customers who are worthy of the privilege.

Before embarking on a generous policy of allowing credit, do some careful calculations with your accountant. Plan the whole thing and build in workable controls such as when and how to limit (or refuse) credit to slow paying debtors. You must eliminate (or at least reduce) bad

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Business Planning Procrastination Busters (cont'd)

'I don't have the time to do any planning'. Typically, small business owner/managers are busy - very busy, and this sounds like a valid reason. But - why are you so busy? What do you spend your time doing? If you are honest about it, you spend a lot of time solving problems - putting right those things that have gone wrong and which shouldn't have happened in the first place. Also, if you look carefully at those problems, you'll find that many are occurring again and again. Document what they are, why they occurred and what needs to happen to prevent them. Good planning can reduce errors and therefore prevent many problems recurring.

5 'I don't have the specialized know-how to do any planning'.

This is another reason why help is needed. If you use this as a reason (or excuse) for not planning, it may be that you lack basic understanding of how a well-run business operates. Rather than put planning into the 'too-hard' basket, you need to work at getting the specialized knowledge you need - both for planning and for the survival (and success) of the business.

6 'I don't want to have to trust others with my business ideas and secrets'. Good planning means committing things to paper and this means others will see what you write. Reputable consultants and advisers are committed to total confidentiality and can be trusted with any information you divulge.

7 'I'm not into conceptual thinking'. This is one reason why you may need help from a business adviser. However, once you start thinking about your business, the facts and figures that relate to it, and what sort of business you want for the future, the quality of your thinking will improve with practice. Try it, and see.

Hopefully, after reading this, you will be motivated to create a simple business plan. If you need some expert help with those matters that really cause you difficulty, feel free to give us a call. We would be delighted to help you develop a plan for success!

Should we sell on credit (cont'd)

debts, increase the time lag between sale and payment, and not allow escalation of the various costs (e.g. extra office costs such as more records, stationery, postage, etc., and (possibly) overdraft interest) associated with granting credit.

Some of the risk inherent in allowing buyers credit can be reduced or even eliminated if you follow a few simple but important guidelines.

1. Decide whether you can afford to give credit. Work with your accountant to prepare a cash budget to show the effects of extending credit. Then compare this with your likely cash flow from cash sales only. It may be better to stick to cash sales only.
2. If you decide to go ahead, devise an acceptable credit-management process and set up specific trading terms. Matters to be decided must include:
 - What criteria should be used to determine if a buyer is worthy of credit?
 - Should we ask for trade

references from applicants?

- How much credit should we give each applicant?
 - How long will we give our customers to pay?
 - Will discounts be offered for prompt (or early) payment?
 - Will interest or fees be charged on overdue accounts?
 - How shall we deal with 'slippery customers' (who use delaying tactics)?
3. Your sales staff must know and follow your policies - no credit to any customer unless and until they conform to your trading conditions.
 4. Determine exactly how you intend to collect each and every debt owed to you.

Poor credit management is business inefficiency at its worst. Among the more common practices that can lead to a blow-out in accounts receivable (i.e. unpaid debts) compared to the volume of credit sales are:

- granting credit to buyers who are credit risks

- failing to run credit checks
- disorganized, incomplete and out-of-date files and records
- failure to keep updated age-of-debt records (for every credit customer)
- lack of persistence in chasing debts
- errors on documents (e.g. prices) leading to delays and arguments
- poor interpersonal and collection skills leading to customers being antagonized
- failure to apply sanctions (such as COD only) on overdue accounts
- shipping wrong goods
- not knowing who to deal with in a debtor's business

Do you monitor your accounts receivables and actively manage the amount and days outstanding? If not, contact us to discuss the potential impact this is having on your business and how you can gain more control with a few simple strategies.



What are Feasibility Studies and why do them?

If you have to decide whether some intended activity is more likely to be a success or a failure, you need to do a feasibility study - collect and analyze data relevant to the issue being considered. For example, if you're thinking of expanding your operations by adding a new product, opening a new branch or moving to larger premises, a feasibility study could help you decide whether such a move would be wise. It will give you an idea of the risk involved with taking whatever action you are thinking about. It will help you avoid 'flying blind', making decisions purely by guess-work and making bad investments.

The most obvious time to do a feasibility study is when you are planning and setting up a new business, but (as indicated in the above paragraph) they can be done at any time for an

existing business. Because the two most fundamental requirements for business survival are: (1) sales, and (2) profit/cash flow, two different but related feasibility studies are essential.

The question 'Can we make enough sales (i.e. capture a big enough market share) to create, build and sustain a good business?' can be answered by doing a market feasibility study. 'Will my business be financially viable?' can only be answered by doing a financial feasibility study. Ask us about how to do a financial feasibility study. We may also be able to help with the market feasibility study, or put you in touch with a marketing consultant.

From a 22-year study of more than 45,000 small firms it was found that at least half of them failed to do any sort of feasibility study prior to start-up, and

nearly two thirds of these failed within two years. Over two thirds of the failed firms gave 'inadequate sales' as the major cause of their failure. Either they located where there wasn't enough demand for their product(s) or service(s), or where the competition was too great - the result ... inadequate sales.

In that same study, a sizeable majority of small business owners had *no idea* whether their net earnings were adequate to provide a fair and reasonable return on their investments of money, time and effort. You may be in (or going into) a business for any of a variety of reasons, but if it can't make enough profits or cash surpluses to be worthwhile, it has no future; hence, the need to carry out a financial feasibility study.

'The general who wins the battle makes many calculations in his temple before the battle is fought.'

Sun Tzu

How to do a Market Feasibility Study

'What sales potential does my business or new product/service have? Is that enough?' In a start-up situation, a market feasibility study should include the following steps:

- 1 Decide on the type of business you want to start (i.e. define exactly the product(s) or service(s) you intend to sell).
- 2 Identify your proposed target market (that part of the population to which you intend to sell - e.g. retirees, under-18 females, young families, vehicle owners).
- 3 Select a 'suitable' location. Don't sign a lease or purchase

agreement yet. Your location may have to be changed if your study indicates it isn't appropriate (see 5 below).

4 Determine the physical size of the trading area relevant to your proposed location. Your primary area should provide about two thirds of your potential customers.

5 Estimate the likely total sales of your product or service within that trading area, using data about population (and trends) average income levels, expenditure patterns, and buying habits.

Don't forget to factor in your competitors to get your likely

share of total trading area sales - your market share. Make enquiries about any future council plans and the overall economic potential of your geographic/economic region. If things look gloomy, look for another location and start again.

You now need to back up this market study with a financial feasibility study to work out whether your estimated market share and sales will be adequate to make the proposed business financially worthwhile.



How to manage your time

Time is an essential business resource. It must be used efficiently (getting more done each day = activity) and effectively (getting done whatever is important without getting caught up in the 'urgency addiction' = results).

To manage time as a resources you must realize that:

- 1 Each of us has exactly the same amount of time as everyone else.
- 2 Time can't be stored up to be used in the future. You must use it as it comes or lose it.
- 3 Time is totally inelastic – it can't be expanded or contracted.
- 4 Time can't be stopped or reversed. Time stops for nobody.
- 5 Time can't be replaced – an hour or day wasted is gone forever.

To improve your use of time at work try the following:

Step 1 Get serious about breaking old habits.

Step 2 Find out how you use your time. Keep a time log for 3 or 4 'normal' working weeks using 15-minute blocks. Then summarize how you spent your work time and show the results as percentages.

Step 3 Establish a list of work priorities – decide what *must* be done each day, week or month as a matter of utmost importance for reaching your personal and business goals. Your list

should not exceed about 5 or 6 priority tasks, but these can change over time.

One simple way to do this is the ABC priority method:

A = the highest value tasks (the most important, not necessarily the most urgent)

B = tasks of medium importance and value

C = jobs of low value (of least importance)

If you have trouble ranking your work tasks just ask 'What is most important for the survival

'Time is the scarcest resource; unless it is managed; nothing else can be managed.'
Peter Drucker

and success of my business?'

Step 4 Compare the time log (Step 2) with your work priorities (Step 3). Don't be surprised to

find you've been spending most of your time working on B and even C level tasks.

You've been using the 80/20 rule – 80% of your time achieves 20% of the results you want – grossly ineffective!! You are also likely to be addicted to doing whatever is urgent, whether or not it's important. This is why setting priorities is so vital.

Step 5 Identify your main time

wasters.

Step 6 Sort out these time wasters into two groups:

- delegate* those that need to be done but can be done by someone else, and

- eliminate* those that do little or nothing to help you reach your goals.

Step 7 Repeat this exercise in about six months ... and persevere.

Poor use of valuable time is costly and is a factor in business failure. You need to work on the following major time wasters in small business:

- 1 telephone interruptions
- 2 meetings
- 3 'drop-in' visitors (the 'open-door' policy)
- 4 poor delegation of tasks and accumulating trivial jobs
- 5 failing to plan out each day's activities
- 6 the 'urgency addiction' – e.g. unable to resist answering the phone
- 7 being unable to say 'No' – don't promise then fail to deliver
- 8 sloppy communications leading to errors, wasted effort and time
- 9 ignoring Murphy's First, Second and Third Laws
- 10 ignoring new technology such as email and computing

About our consulting services

We're not your average advisory firm. Far from it.

Our membership in the Principa Alliance means you have access to the collective knowledge and expertise of an international network made up of hundreds of professionals who specialize in consulting to small and medium-

sized businesses, just like yours.

When you add to that our experience, support and guidance, you can be confident you'll have all the help you need to make your business truly extraordinary.

We can and will do so much more for you than just 'keep the score'.

Our goal is to help you build a stronger, more profitable business, so you can enjoy greater financial freedom and a higher quality of life as a result.

Contact us today to discuss how we can help you build a business that delivers on its promise—to you, your team, and your customers.



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