

The Return of the Business Plan

PLOTTING A GROWTH STRATEGY IS EVEN MORE RELEVANT IN TODAY'S ECONOMY

BY PERRY BARNETT

In this brave new world faced by building contractors, the old ways of running a company have been shoved aside, making room for the return of a growth strategy often overlooked in the construction industry: the business plan.

Perhaps no other industry has as many third parties looking over its shoulder as construction. Contractors must answer not only to lenders, project owners and shareholders, but also to insurance firms and surety companies. And standing close behind these entities are government regulators, which have raised the bar of accountability even higher during the recent economic downturn.

If a construction company is still standing in today's economy, chances are that a committed leadership team has demonstrated the flexibility to adapt to change—whether through cost cutting, downsizing or major restructuring. But moving forward, contractors likely will need to revisit and rewrite their existing business plans in response to a construction environment that looks nothing

like the past. Some contractors may even need to develop their first real business plan.

ANATOMY OF A BUSINESS PLAN

The primary purpose of a business plan is to develop a roadmap for the organization's future. The process of formulating the business plan is most important—not the end result.

Begin by bringing together a team of employees representing all departments: marketing, bidding, estimating, project management, accounting and personnel. Not only will this ensure that all viewpoints are shared, but it also will assist in securing a broad base of support or “buy-in” from the various divisions.


First, develop a mission statement that reflects why the company is in business—in

three or fewer sentences. This step is critical because every company goal in the business plan must tie back to the mission statement.

Next, the planning team should conduct an analysis of strengths (capabilities and resources), weaknesses (potential and existing problem areas), opportunities (potential new markets, services and products) and threats (events that could impact the company's future profitability or even its existence). This exercise may sound a bit outdated, but it's a tried-and-true way to paint the most accurate picture of where a company has been, where it stands and where it needs to go.

This assessment also makes it much easier to establish short- and long-term goals for the company. These goals should be measurable and set within a timetable so progress can be monitored regularly.





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SET YOURSELF APART

In writing a business plan, the best rule of thumb is to tailor the content to the person or parties who will review it. For example, in presenting a business plan as part of a loan request, the contractor should stress information that is most important to a banker, such as cash flow, receivables, future growth strategies and a succession plan.

More so than in the past, contractors must carefully position the business plan to help banks feel comfortable about lending. In addition, contractors must realize that loan approvals are rarely made at a local bank with a handshake across a desk. Consequently, the business plan must be comprehensive and geared toward a decision-maker who likely is based outside the contractor's community and is unfamiliar with the firm's reputation.

It's also important for a contractor's business plan to set the company apart from its competitors. What makes the company different from other construction firms?

Try to make the business plan stand out in other ways by including testimonials from customers and objective third parties.

Openness and honesty are important as well. Don't be afraid to point out areas where the business has had difficulties. (Remember, few companies have not suffered in this recession.) Showing the bad with the good in a business plan will engender trust and credibility.

Finally, keep in mind that the business plan must go deeper than a simple description of end goals. It must explain how the company plans to achieve each goal, and in what time frame.

A sound business plan raises the odds for survival and long-term success. If the leadership team constantly revisits and tweaks the business plan, it will serve to keep management moving forward and striving toward continued improvement.

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The following areas (if applicable) should be evaluated and tied to specific goals in the business plan:

- image and identity;
- customer/industry concentration;
- capital growth and availability;
- research and development;
- organizational structure;
- employee relations;
- key performance indicators;
- profitability;
- marketing and sales;
- diversification;
- volume;
- physical facilities and fixed assets;
- personnel development;
- expense control;
- quality control; and
- cash flow.