

Special Edition

Establishing a Business Plan- Part 1

If you're a trucking company, you know that it's critical to have a business plan:

- Many trucking companies have business plans for 1 to 3 years, and 5 years.
- They have specific goals and objectives.
- They make their goals and objectives clear to all of their employees;
- Then, they adjust, based upon market conditions and hope to achieve a desired result.

However, I've worked with many business owners who simply don't plan. In some instances, no matter how long they've been in business, they don't have a solid business formula for success. It's critical that, if you want to;

- Expand your business, or;
- Re-energize your business; you need to start by having a plan.

For many, that seems very time consuming and frustrating, but that's why many trucking companies, today, are facing financial challenges:

- They don't understand their cost.
- They don't operate their business utilizing cash flow management.
- They don't review or receive their financial data on a weekly and monthly basis.
- They don't monitor truck utilization the way they should, and;
- Then, they wonder why they're in trouble.

When you start a business, there are normally many things that go through your mind. However, one of the goals is to obtain financial security. To reach that end, you need to know exactly where you want to go, how long it's going to take you to get there and what obstacles you may encounter along the way.

A business plan provides a detailed "road map" to turn your desires into a reality. Granted; business plans take a lot of time and energy to write, but the time is well worth the efforts. Particularly if you're;

- Expanding, or;
- You need to borrow additional working capital for your business.

A business plan walks you through every aspect, every question mark, helping to make sure that you have considered every important factor and not overlooked anything significant. When you're developing a business plan, some details may seem insignificant, but they are not.

Trucking is a pennies business. Trucking is a cyclical business. There are many factors that trucking companies can't control such as;

1. Fuel cost;
2. Accidents;
3. Insurance premium increases.

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4. The weather, and;
5. The economy.

However, knowing that you have numerous variables that can directly impact the success or failure of your business, you need to plan for both the highs and lows of our industry – yet, many trucking companies do not. They wait until it's too late, or they simply bury their heads in the sand and figure that, if they work hard, the rest will take care of itself; **a great philosophy, but not a reality.**

Many people ask me, “How can a business plan help them succeed?” My answer; it forces you to take a close look at your business and yourself and set specific goals and objectives.

Not every idea makes economic sense. Business plans also set a time line for results and it forms a basis for a company to hold their employees accountable, for their respective jobs. **One of the things that I've noticed in my consulting practice;**

- Employers expect their employees to perform, but;
- **They do not provide them with specific goals and objectives.**
- They do not provide them with specific time frames in which to accomplish the goals and objectives, and;
- **If the employee doesn't perform or meet their expectations, it is assumed it is the employees fault; maybe yes, and maybe no!**

In this economic environment, it's imperative that employees become assets and not liabilities. Trucking companies have enough liabilities and they certainly do not need more liabilities with their employees.

In essence, a written business plan acts as a resume of your company, a tool for introducing your business to bankers, customers, vendors and it defines who you are or who you want to be. For many companies, it's very difficult to differentiate profits from cash. Believe it or not, you can have a profitable company that's going broke. **I know it sounds crazy but it's true and very common.** Just because a company is making sales and creating orders, doesn't mean that the cash is coming in.

When you look at the financial condition of the trucking industry today;

- Shippers are extending credit terms whether you like it or not.
- **You may dispatch a truck and not get paid for 45, 60, 90 days.**
- That's 45 – 90 days after you've created the invoice and sent it to the customer.

Meanwhile, you still need to pay all of your overhead. The idea of a business plan is to have more cash flowing in then out of the business, and at the same time, planning for the inevitable financial challenges.

To ensure your company's future survival, you need to be prepared for anything. Changes occur all the time and a business that keeps up with the economy is the one that will survive.

However, before you can figure out how to deal with upcoming challenges, you first have to identify what they could be and where they may come from. This task requires some insight and imagination, but it also takes experience. If you don't believe that you have the expertise to be able to determine market conditions, get help and talk to some of your “mentors” in the industry.

One practical way to address potential challenges so you can adjust to them, most easily, is to perform an analysis of;

- The company's strengths.
- Weaknesses.
- Opportunities, and;
- Threats!

The first two, strength and weaknesses, describe your company's internal state of affairs. The last two, opportunities and threats, define what potentially exists for your company to grow and potential pitfalls that can cause failure.

If you want your business to succeed, in a highly competitive world, you must define and separate it from all your competitors. That means taking an honest look at your strong points and weak points, and recognize the factors outside your direct control that can influence your business.

To perform a successful analysis, you need to look at your business with a detached, realistic mind. Keep your points brief, use phrases not paragraphs, and come up with specifics for each category that define why your trucking company or logistics company differentiates you from your competitors.

A business plan is the beginning of the process, and over the next several weeks, I will discuss in greater detail.

In the meantime, as you are preparing to analyze your business, be realistic about you as an individual:

- **Review** your strong points.
- **Review** your weak points.
- **Recognize** that no person is perfect, no company can do all things perfectly, and;
- **Define** your weaknesses.

Once you've accomplished this task, it is the beginning of "the process".

QUOTE OF THE WEEK: "It is the true nature of mankind to learn from mistakes, not from example".