

# people in focus

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Grant Thornton 

In this edition of **People in Focus**, we consider the story of Mr Grant, a business owner...

...who is looking to take his business to the next stage. Ordinary businesses are transformed into extraordinary businesses by effectively engaging in and committing to the fundamentals of strategic planning. Consider the following example of a company that makes the transition from being a small business to becoming a growing business.

Mr Grant started business like many do - seeing an opportunity and taking a leap of faith. He worked hard building the business, chasing new customers and sales volumes. Drawing just enough cash to live on, he "reinvested" every spare cent in the growth of the business. Truth was, the high volume, low margin approach left very little to "reinvest".

The business continued for a number of years, struggling for space, capital, staff and time. It wasn't a bad business, but equally it hadn't gone far in the first five or so years of its life.

#### **Seeking a Vision for the Future**

Then some unsolicited advice from an experienced person in the same industry got Mr Grant thinking about the future - about value adding to his products to gain a better gross margin. In his mind he started to form a picture of what he wanted his business to be. Unbeknown to Mr Grant, these thoughts were the very early stages of his first strategic plan.

Having talked with a handful of his best customers, carrying out a kind of informal feasibility study, Mr Grant sought help from his

bank to try some new machines and products. They weren't wholesale changes but they had an impact. Sales and margins were up and most importantly profits were up. Business grew quickly and it wasn't long until the current leased premises were becoming unsuitable.

In looking for the new premises, Mr Grant was forced to think again about what the likely business requirements for the future were going to be. He considered two options: to continue the business as it was, or take the business to the 'next level'. The 'next level' required a major investment in machinery as well as the new location.

#### **Defining the path and the plan**

The complexity of his expansion ideas and the contingencies that needed to be put in place caused Mr Grant to do something most unnatural for his personality - he put pen to paper. He budgeted and planned requirements, costs, and additional income. This wasn't a 'back of the envelope' plan, but a formal, comprehensive budget and plan. With a little outside help, it covered feasibility, strengths, weaknesses, opportunities and threats, projected income, gross margin, stock requirements, financing costs, cash flow and 'likely' and 'worse case' financial budgets.

Mr Grant invested a lot of his time and some money to produce this document, but the value of the document was even greater.

## A working document...

Mr Grant's strategic plan was first put to use when applying for bank finance and it made the funding process a whole lot easier. With new finance from the bank, Mr Grant ordered the new machines, built the new factory and set out to achieve his plan.

Things didn't always go perfectly to plan, and Mr Grant realised two weaknesses that need to be overcome in order to achieve his goal: capital, and the limits of his own ability.

His solution was to try to attract some investors and to establish a broad management team or board of directors. In both of these endeavours, the strategic plan was very useful as it spelt out in detail what the business could do, what the competition was like, and very importantly, how he and any investors could get their money out of the business in the future (something many businesses fail to consider).

Mr Grant was successful in getting some investors to buy a portion of the business, invest some additional capital and become directors. In buying into the business, the investors placed a large value on what the business could potentially achieve, not what it had already achieved - they effectively paid to be part of the strategic plan.

And what of Mr Grant's business now? Performance is running ahead of budget. In the future, as part of the exit strategy, the strategic plan will once again be of value in giving the eventual

purchaser greater value and confidence in the business' ability to achieve its potential.

This real life example shows how strategic planning can take an ordinary business, focus its attention toward a destination and then (with work) achieve its goals. A strategic plan doesn't have to be a 100 page document - at first it may only be ideas in your head.

What might follow is a brief 'business plan on a page' which may then develop into a fully articulated business plan. For Mr Grant, his plan helped others (staff, banks and investors) to see, share and achieve his vision.

Strategic planning won't guarantee success. What it will do is set a destination and then help map out how to get from 'here' to 'there'. In the end, the final document is simply the summary of a useful process of thinking about the business in a different way.

Grant Thornton has a number of professionals experienced in the delivery of strategic planning sessions for their clients. The feedback received from clients who have undertaken the process has traditionally been very positive.

Should you wish to discuss your strategic ideas, how to turn the ideas into executable plans or how to monitor achievement of the plans, contact your Grant Thornton business adviser.

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