

Tactical Planning

According to Wikipedia, tactics are the actual means used to gain an objective, while strategy is the overall campaign plan, which may involve complex operational patterns, activity, and decision-making that leads to tactical execution. Now we start choosing tactics; in other words we undertake the planning necessary to accomplish your value goals and figure out how you will implement your decisions.

What must you do to accomplish your value building and exit goals?

Stuart Kimmerly (a fictional owner) knew he needed help to build business value but didn't know where to start. So we started by asking, "What do you not like to do in your business?" Stuart's list included: "Making collection calls, doing the books, paying bills, hiring and firing employees." Obviously, these tasks—and others that you and Stuart just don't like to do—are critical to any company.

To determine what tactics Stuart might employ, we suggested that he stop doing those necessary things that he just didn't like doing. "Do you remember," I asked, "when you wanted to own a business for the joy, happiness, a sense of accomplishment?" Stuart did remember and observed that because he dislikes certain tasks, "I either put them off until they are urgent or don't do them at all well."

My obvious follow-up questions were, "Which of these tasks could a co-worker do as well as you can? Or can you create a process or system to train and support an employee to do those things you want to avoid?"

Like all owners, Stuart has strengths, aptitudes and interests that he brings to his company. He also has areas of weakness, or lacks interest in certain areas. We suggested that Stuart find people to perform those tasks and create the systems and procedures to ensure that tasks are done well and in a timely manner. His alternative was to do it all himself, thus working harder and longer.

If that second option is as unappealing to you as it was to Stuart, we suggest that (as we've mentioned in previous newsletters) you complete a short questionnaire to determine exactly where you should focus your time and attention on growing value. From there, develop specific tactics to increase business value.



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We then suggest that you look at several areas (your business may require others) that may need attention:

- Diversify the customer base.
- Expand sales to current customers.
- Define and measure success: set goals and hold people accountable.
- Create a consistent sales and marketing message.
- Tax Planning (entity choice / prospect of increasing tax rates).

Customer Base. Do you know what percentage of sales or income is attributable to each of your customers? If one of your clients accounts for a disproportionate amount of total sales in the past 12 months, you may have difficulty convincing a future buyer of the value of your company's customer base. Understand that high customer concentration can prevent a third party sale of an otherwise attractive company.

Expand Sales to Current Customers. Are you selling all you can to each customer? What can you do to increase sales to existing customers?

Define and Measure Success. By what parameters do you measure your company's success: Consistent achievement of annual sales targets? Ability to penetrate a difficult market? Knowing the answer to this question is important as you grow value because it is the basis for measuring growth for purposes of incentive compensation and to establish interim targets the company must reach in order to grow at the pace needed to meet owner-based value and exit objectives.

Create a Consistent Marketing and Sales Message. Many owners assume incorrectly that most or all of their employees can accurately describe what the company does. If you have communicated to your employees your company's purpose, can most or all of your employees accurately describe its unique competitive advantage?

Tax Planning (entity choice / prospect of increasing tax rates). No discussion of tactical planning would be complete without raising the issue of taxes. As you work to increase your company's value, it is wise to do everything legally possible (and practicable) to protect the value of your company from unnecessary taxation.

Your advisors can make recommendations about: entity structure, using multiple entities for tax minimization, or choice of location based on state income tax rates.

The five aspects of tactical planning that we've outlined here are just a few that you might want to address in your business. We can help you organize and focus your efforts efficiently so your company can be the Best of the Best.

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