

IRONWORKER MANAGEMENT PROGRESSIVE ACTION COOPERATIVE TRUST



Understanding the Elements of a Successful Business Plan

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Continuum Advisory Group
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Objective & Agenda

▶ Objectives

- Identify the benefits of developing, and elements of a robust business plan

▶ Agenda

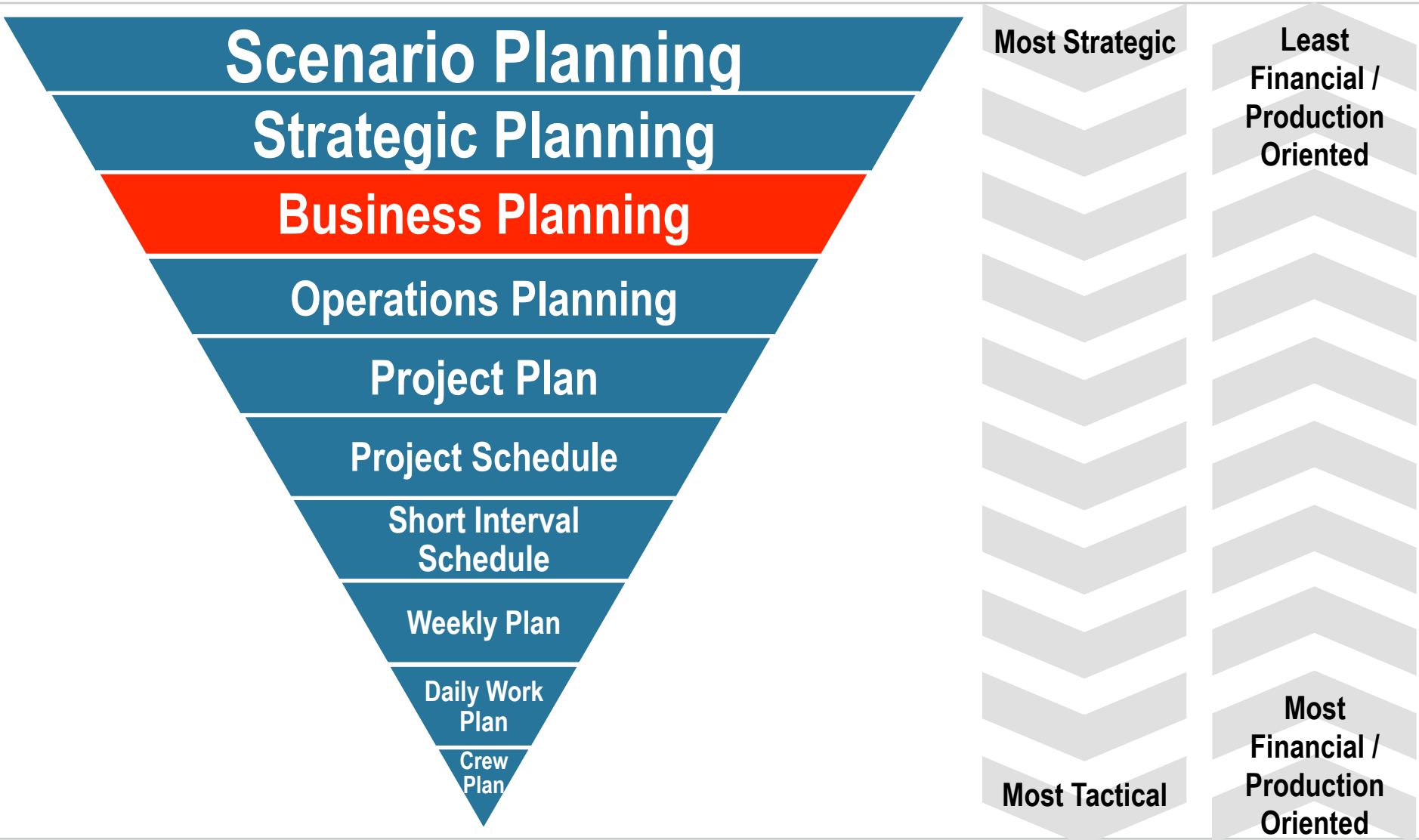
- A Business Plan Fable
- Elements of a Robust Business Plan
- Tools & Techniques
- Future IMPACT Webinars
- Question & Answer

A Business Plan Fable



Source: Adapted from Berry, Timothy, "Hurdle: The Book on Business Planning", Palo Alto Software, Inc., Eugene, OR, pg 4-5.

Planning Hierarchy



Business vs. Strategic Planning

Business Planning: A process where the planning team examines recent history, considers the current situation, identifies appropriate objectives, and determines how it will achieve those objectives. Emphasis is placed on facts, projections and objective information

Business Planning

- ▶ Product oriented
- ▶ Used to improve performance within existing areas
- ▶ Short or medium time horizon (2 or less years)
- ▶ Completed for a set planning period
- ▶ Emphasis on facts and projections
- ▶ Tactically oriented
- ▶ Corporate culture shapes business plans

Strategic Planning

- ▶ Process oriented
- ▶ Use to change business focus
- ▶ Longer horizon (3-5 years)
- ▶ Never finished – only current versions exist
- ▶ Emphasis on corporate vision, values and mission
- ▶ Strategy oriented
- ▶ Objective is to shape corporate culture

Elements of a Business Plan

Simplest Structure

- ▶ How we will get work? (Marketing/Sales Plan)
- ▶ How we will perform work? (Operating Plan)
- ▶ How we will keep score? (Financial Plan)

Robust Business Plan Structure

- ▶ Business description
- ▶ Market analysis
- ▶ Competitor assessment
- ▶ Marketing/Sales plan
- ▶ Operating plan
- ▶ Financial plan
- ▶ Management team
- ▶ Business system and organization
- ▶ Implementation schedule
- ▶ Risk assessment

Robust Business Plan Structure *(1 of 10)*

▶ Business description

– Describe the Business, including its mission and work activity.

Include limited information on the following:

- Business Overview
- Ownership
- Management
- Corporate Structure
- Financial Condition
- Present Situation

Robust Business Plan Structure *(2 of 10)*

▶ Market analysis

- Who are the targeted customers?
- What is the size and trends in this market?
- What are the trends in the industry?
- What are the economic trends?

▶ Tools & Techniques

- Porter's Five Forces
 - Porter, Michael E., *Competitive Strategy: Techniques for Analyzing Industries and Competitors*

Robust Business Plan Structure *(3 of 10)*

- ▶ Competitor assessment
 - Who is the competition?
 - What are their strengths and weaknesses?
 - How do we differentiate ourselves from them?

- ▶ Tools & Techniques
 - Objective analysis vs. opinion and speculation

Robust Business Plan Structure *(4 of 10)*

- ▶ Marketing/Sales plan
 - Create strategic marketing and sales objectives
 - Design a marketing plan
 - Differentiation strategy
 - Marketing strategy
 - Image in the Marketplace
 - Targeted customers (Preferred Project Criteria & Preferred Client Criteria)
 - Geographic Boundaries
 - Construct a sales plan
 - Lead pursuit (Project Descriptions & Client Groups)
 - Sales Effectiveness/Hit Rate
 - Pricing Policies
 - Capacity / Backlog
 - Supporting strategies
 - List the goals and objectives for the Marketing/Sales Plan
- ▶ Tools & Techniques
 - Multiple rate pricing and overhead recovery systems
 - Business development funnel

Robust Business Plan Structure *(5 of 10)*

- ▶ Operating plan
 - Address pre-construction phase processes
 - Estimate review process
 - Turnover meeting
 - Pre-construction planning
 - Develop best of class construction processes
 - Performance feedback
 - Daily and short interval planning
 - Safety
 - Equipment utilization
 - Initiate post-construction phase actions
 - Project closeout procedure
 - Post-job review meeting
 - List the goals and objectives for the Operating Plan
- ▶ Tools & Techniques
 - Short interval plans
 - Sharing of project and company performance versus bid/budget with supervision

Robust Business Plan Structure *(6 of 10)*

- ▶ Financial plan
 - Business Income Statement
 - Direct Cost Budget
 - Overhead Budget
 - Describe assumptions for:
 - Net income
 - Sales
 - Costs of sales and overhead
 - Capital asset purchases and sales
 - Acquisition and repayment of debt
 - Define measurable goals that might include:
 - Receivables collection period
 - Days of sales in underbillings
 - Gross profit as a % of revenues
 - Overhead as a % of revenues
 - Return on equity
 - Return on assets
- ▶ Tools & Techniques
 - Bottom Up Budgeting
 - Break Even Revenue & Targeted Revenue
 - Cash Flow Management

Robust Business Plan Structure *(7 of 10)*

- ▶ Management team
 - Define your company's values
 - Identify key players in the organization and their responsibilities
 - Outline the organization's structure

- ▶ Tools & Techniques
 - Monthly operational planning
 - Quarterly update of business plan
 - Every 2 years update strategic plan
 - Every 5 years revisit vision, values, mission

Robust Business Plan Structure *(8 of 10)*

- ▶ Business system and organization
 - Census of Employees
 - Schedule of Personnel Changes
 - Determine the management controls required:
 - eg. Timely and accurate financial statements will be available by the 12th of the month
 - eg. The status of outstanding projects will be reviewed each month
 - List the goals and objectives for the Business System and Organization Plan

Robust Business Plan Structure *(9 of 10)*

▶ Implementation schedule

▶ Tools & Techniques

– SMART Goals

- S = Specific
- M = Measurable
- A = Attainable
- R = Realistic
- T = Timely

Robust Business Plan Structure *(10 of 10)*

- ▶ Risk assessment
 - Internal: Strengths & Weaknesses
 - External: Opportunities & Treats
- ▶ Tools & Techniques
 - SWOT Analysis
 - Traditional Risk Analysis & Mitigation
 - Non-Traditional Risk Analysis & Mitigation

Future IMPACT Webinars

- ▶ January 20, 2015 – Understanding the Elements of a Successful Business Plan – Mark Bridgers
- ▶ February 10, 2015 – Record Keeping & Documentation – Patrick Oullet
- ▶ March 10, 2015 – Quality – Tim Duke
- ▶ April 21, 2015 – Accounting for Construction Companies – Kathleen Baldwin
- ▶ May 12, 2015 – Safety Management, Injury Management, and Recordability – Mike Owens
- ▶ June 9, 2015 – Construction Contract Law – Frank Lieto
- ▶ July 21, 2015 – Working Capital Management – Kathleen Baldwin
- ▶ August 11, 2015 – EMR & Workers Compensation – Devin Pipkin
- ▶ September 15, 2015 – Strategic Planning – Mike Clancy
- ▶ October 13, 2015 – Marketing & Social Media - Don Davis
- ▶ November 10, 2015 – Surety Bonding – Kathleen Baldwin
- ▶ December 8, 2015 – Insurance, Indemnity, and Waivers – Devin Pipkin

Questions?

Thank you for watching and listening. What questions can I answer from the audience?

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Mark Bridgers

Mark founded and leads a Utility Vertical Market team team at Continuum Advisory Group. He works with gas/electric utilities, power generators, pipeline companies, and energy companies. As a recognized expert in capital construction and operational challenges, Mark was recently honored with membership in the Society of Gas Operators (SOGO).

Mark helps firms prepare for and successfully navigate “strategic transitions.” His passion is helping organizations achieve breakthrough innovations through collaborative or integrated relationships. He is the architect of an approach for integrated service provider management referred to as the “Extended Enterprise” among construction industry participants.



Mark is an avid educator, trainer, and writer with more than 20 years of industry expertise including financial performance analysis; development and implementation of tools to reduce construction cost, life-cycle cost, and operational friction; restructuring of processes and procedures - often times using LEAN Construction techniques; and leader development.. He is a recognized expert in capital construction and operational challenges . Mark is also author of over 150 articles and research papers published internationally in industry journals, including ENR, PE – The Magazine for Professional Engineers, Pipeline & Gas Journal, Utility Contractor (NUCA), Underground Contractor, Electric Energy (RMEL) and Electric Perspectives (EEI).

Mark holds a master’s degree in business administration from the University of Virginia’s Darden school of Business and a bachelor’s degree in financial management from Clemson University. In addition, he earned the designation of Chartered Property and Casualty Underwriter (CPCU) and Associate in Reinsurance (ARe).

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through revolutionary innovation.**

About Continuum

Founded in 2010, Continuum Advisory Group provides management consulting, training, and capital services to the residential, institutional, and energy industries supporting development and capital asset construction.

Continuum delivers innovative, customized solutions to production homebuilders and developers, institutional facility owners, and energy or utility owners who want to transform their development and capital asset construction processes. Service providers to these firms, including building products manufacturers, contractors, architects and engineers, are integrated into the transformation process, frequently forming what Continuum refers to as an “Extended Enterprise.”

Continuum’s experienced consultants can assist your business with Capital Construction/O&M Unit Effectiveness, Program Management Office Transformation, Risk Management/Mitigation for Capital Asset Construction, Project Management/Controls Installation, Process Analysis & Improvement, Management of RFI/RFQ/RFP/Procurement, Extended Enterprise/Alliance Formation, and Field Productivity Assessment & Improvement. Additional and specialized services include, Direct Cost Savings, New Product Development, New Product Commercialization, Market Strategy, Market Research, Cost Analysis & Savings, Cost to Complete Analysis, Cost to Convert to Best Purpose, and Cost to Restore Asset.

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**Transforming the worldwide building and construction industry...
through revolutionary innovation.**

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Appendix I

Business Planning Resources & Bibliography

Resources *(1 of 3)*

► Consultants

- Continuum Advisory Group (www.ContinuumAG.com) – Mark Bridgers (919.345.0403 & MBridgers@ContinuumAG.com)
 - Management consultant specializing in the energy, utility, and infrastructure construction markets and in helping firms generate reasonable profits for the risks undertaken
- Construction Business Associates, LLC (www.constrbiz.com) - Peter Hessler – (910.400.3113 & PGHessler@ConstrBiz.com)
 - Management consultant specializing in the power generation market and dealing with construction management, project management, and project controls at the job site
- FireStarter Speaking and Consulting (www.FirestarterSpeaking.com) - Wally Adamchik (919.673.9499 & wally@beafirestarter.com)
 - Management consultant specializing in leader development and especially field leadership
- Magnus & Company, Inc. (www.magnus-us.com) - Teresa L. Magnus (205.912.8940 & tmagnus@magnus-us.com)
 - Management consultant specializing in the industrial and power generation markets and dealing with Contract Strategy, Labor Strategy, Program Planning, and Project Planning
- Red Rocks Advisors & Builders Campus (www.redrocksadvisors.com & www.builderscampus.com) - Eric Sanderson (970.215.6340 & ejs@redrocksadvisors.com or ejs@builderscampus.com)
 - Management consultant specializing in field productivity and the delivery of effective training to field forces that changes behavior and achieves superior performance
- Utility Construction & Contract Consulting (www.ucacconsulting.com) - Dan Campbell (630.258.7021 & dcampbell@ucacconsulting.com)
 - Management consultant specializing in underground and overhead utility construction and achieving higher production from union and merit shop labor
- Others Include: FMI, Stevens Construction Institute, Ted Garrison, and TBR Strategies among others.

Resources *(2 of 3)*

► Organizations

- Construction Financial Management Association (CFMA - www.cfma.org) - Stuart Binstock, President & CEO – 609.945.2429 & sbinstock@cfma.org
 - Organization supporting more effective financial management in the construction industry. They maintain a host of resources around general management and financial management topics. They host annual national and state level conferences along with training and webinar resources.
- Construction Management Association of America (CMAA – www.cmaanet.org) - Bruce D'Agostino, Executive Director – 703.677.3365 & bdagostino@cmaanet.org
 - Organization supporting more effective construction and project management practices. They maintain a host of training and education resources for construction firms.
- Construction Industry Institute (CII - www.construction-institute.org) - Wayne Crew, Executive Director – 512.232.3003 & wcrew@cii.utexas.edu
 - Organization supporting the use of best practices in the execution of large construction projects. They maintain a host of resources and research reports, conduct meetings and conferences, and train industry professional in the use of construction best practices.
- International Risk Management Institute (IRMI - www.irmi.com) Jack Gibson, President & CEO - 972.960.7693
 - Organization supporting more effective management of construction related risk, particularly insurable risk or risks that can be mitigated via contract bonds of various types. They host an annual conference along with training, webinar, and newsletter resources.
- PAS Inc. (www.pas1.com) - Jeffrey M. Robinson, President – 734.429.1199
 - Organization specializing in providing data on construction wage and benefit trends.
- Others Include: Construction Innovation Forum, Construction Users Roundtable, Associated General Contractors

Resources *(3 of 3)*

▶ General Information

- 12 Manage (www.12manage.com)
 - A website with a host of business administration and management tools along with descriptions of how to use these tools.
- Quick MBA (www.quickmba.com)
 - A website with a host of business administration and management tools along with descriptions of how to use these tools.
- Value Based Management (www.valuebasedmanagement.net)
 - A website with a host of business administration and management tools along with descriptions of how to use these tools..

Bibliography

► Books, Articles, and Research Papers

- Garrison, Ted, “Strategic Planning for Contractors - The First Building Block to Your Business Success”
 - How to book describing the strategic planning process and approach that works well for construction firms
- Berry, Timothy, “Hurdle: The Book on Business Planning”, Palo Alto Software, Inc., Eugene, OR
 - An older book with a practical and simple approach to business planning.
- Bridgers, Mark, “Beyond the Bell Curve: Managing Capital Program and Large Project Risk!”
 - A white paper addressing the management of construction risk using both traditional and non-traditional techniques
- Bridgers, Mark, “Life After Break-even: A Case Study of the Dual Overhead Recovery Method”
 - An article built around how to effectively price construction work and more specifically recover the overhead necessary to manage a project and earn reasonable profit for the risk undertaken.
- Bridgers, Mark, “Break-Even Analysis — A Critical Practice for a Challenging Construction Market”
 - An article that address effective budgeting and financial planning practices
- Jackson, Jerry, “Financial Management for Contractors”
 - A very practical resource for financial management tools and techniques necessary to effective manage a construction firm
- Miramontes, Louis P., Rice, Hugh L., “Construction Accounting Deskbook: Financial, Tax, Accounting, Management, and Legal Answer,
 - A detailed guide to financial, accounting, management, and legal issues contractors typically face