



"I hired American Business Advisors to assist us with accomplishing our business objectives and I was very satisfied with their services. I highly recommend you talk to them."

- John Bandimere Jr., President, Bandimere Speedway

The Strategic EDGE Newsletter™

November 2015



Wisdom Shared

"Building a business is like building a building..."

...the biggest difference is that your business is rolling down the street while you are building it."

- American Business Advisors, Inc.

Our Mission Statement

Our passion is to help small and mid-size companies grow and produce wealth with the hope that it will result in more humanitarian acts and honor to God.

In This Edition...

Featured Article - Strategic Planning: What is it, really?

Part I: What it is NOT!

Newsbreak - Merger & New Team Member Announced **Success**

Story - [Check out the success stories on our new website!](#)

Featured Article

Strategic Planning: What is it, really?

by Dennis R. Guse, Senior Vice-President

Part I: What it is NOT!

In the next few editions of The Strategic Edge Newsletter, we will discuss one of our favorite topics, Strategic Planning. However, before we talk about what it is, we will dispel the top 5 myths about what it is **not**.

Myth #1: Strategic Planning is completed at a "Strategic Planning Retreat"

In Corporate America, many companies have a "strategic planning retreat" with their top executives sometime in the late summer or fall. It is not uncommon to find the title "Strategic Planning Retreat" in the meeting invitation. However, a *Strategic Planning Retreat* typically lasts only a couple of days. A few days may be

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focused and full of intentional time spent talking about the business, it is nowhere near the amount of time necessary to discuss, ponder, and strategize for how your business should position itself for the long-term future. Typical results of these types of retreats include a list of tactical action items or, as we call them at American Business Advisors, **Business Action Plans**. While some of the actions seem strategic in nature, in general, a retreat-like setting is not sufficient to establish a true Formal Strategic Business Plan.

Myth # 2: A Strategic Plan is an “Exit Plan”

Most business owners think about how they will exit their business. Many of them create a plan to exit, and they surround themselves with the appropriate advisors to carry out the exit plan. However, the Strategic Plan of your business should by no means cross paths with your personal desire to exit the business. In fact, businesses with an enduring and solid Strategic Business Plan will invariably have greater value at the sale of the business than those businesses without a Strategic Business Plan. The Strategic Business Plan is actually an intangible asset that provides significant value and worth to your business.

Myth # 3: A Strategic Plan is a “Financial Forecast”

Finances are critical to the success of any business, however, according to Dr. Porter of Harvard University, only 50% of company profits and growth are tied to operational excellence and the other 50% are tied to strategic business planning and positioning. It is, of course, best practice to create a financial forecast to predict your profits and growth, and how you will fund that growth, whether through cash flow or capital. Just don't allow your financial forecast to take the place of the even more important Strategic Business Planning process which will allow you to tap into the other 50% of your profit and growth.

The Strategic Business Plan is actually an intangible asset that provides significant value and worth to your business.

Myth # 4: A Strategic Plan is a “program of the month”

Many times, employees don't take a business owner seriously because they have great ideas (a blessing given to entrepreneurs and business owners), however, they change their direction every time one of those great ideas becomes the next big thing. Your Strategic Business Plan should not change monthly--not even yearly for that matter. Occasionally, maybe every three to five years, you should review your Strategic Business Plan to see if there are parts of it that need refreshing. However, a Strategic Business Plan is not a “program of the month” and if it is treated as such, your team will not believe in it, and your business will suffer or at minimum, not perform to the levels it could.

Myth # 5: A Strategic Plan is something ‘we can do next year’

While many businesses do wait until next year or maybe even several years, those businesses are missing out on the power of a focused and clear Strategic Business Plan. As noted in Myth # 3, 50% of your profits are tied to strategic planning, therefore, your business may be missing out on half of the profitability that it could be generating. Every day or year that passes without a Formal Strategic Business Plan (the blueprint of your business) is lost opportunity.

If a business's profit is not in the top 25% of their industry, by definition it is underperforming and the reason is likely the lack of a formal Strategy Business Plan.

ABA Newsbreak

Your Team Just Got Bigger: American Business Advisors and Jon Hokama & Associates have merged!

We are thankful for your support of our firms over the years and we are delighted to announce new developments that will greatly benefit you.

On July 1, American Business Advisors and Jon Hokama and Associates merged and added a third partner. Going forward, we are collectively called American Business Advisors® (ABA). Originally founded in 1984, ABA is proud to introduce the new ownership team comprised of **Robert C. Benson, Jon K. Y. Hokama, and Dennis R. Guse.**

These changes have positioned us to serve more clients in more markets. ABA now has offices in Colorado, Arizona, Florida, Minnesota, and Hawaii.

How we at ABA help business owners:

We empower our clients to:

- significantly increase profit and cash-flow;
- build an effective team of leaders and engaged employees;
- grow to their next level;
- create time for significance;
- experience successful successions.

ABA continues to provide its complete proprietary and proven package of Developmental Consulting Services™ using ABA's 14 Dynamics of Building a Cash Cow™ to galvanize owners to grow their businesses to their next level.

To explore a complete list of our Building Cash Cows® and Improving Quality of Life® services, please visit our new website at www.ABAdvisors.com.

In the future we will keep you informed of our actionable insights into the rapidly evolving business world through our social network communications, weekly ABA Journal posts and monthly *The Strategic Edge Newsletters*.

We look forward to serving business owners through our passionate support of their desire to grow and produce wealth to successfully pursue their dreams, become market leaders, and fulfill their business and personal objectives.

Help us help you!

Let us know how you prefer to stay in touch with us! Please update your profile and message preferences [HERE](#) so we can best serve you.

Thanks for doing business with us.

Sincerely,

Robert C. Benson, President

Jon K. Y. Hokama, Senior Vice President

Dennis R. Guse, Senior Vice President

AMERICAN BUSINESS ADVISORS, INC.

www.ABAdvisors.com

Success Story

Situation

This second-generation manufacturing company had a good market niche in a very competitive worldwide industry. They were highly respected for quality service and had exceptional potential to grow. However, their financial performance had been weak, resulting in a (\$286,000) loss the year before, and negative equity resulting in the inability to get the capital they needed to grow and realize their potential. The company hired ABA to establish positive cash flow and profits, establish formal business planning, understand the numbers from a business perspective, refinance and consolidate company debt, and obtain objective business coaching and take the company to the next level.

Developmental Services™

ABA performed a series of Developmental Consulting Services™ to accomplish the company's goals and objectives, including:

- > Performing a Strategic Financial Analysis.
- > Developing annual Strategic Financial Forecasts of their profits, cash flow, and capital requirements.
- > Determining their capital requirements and assisted them in recapitalizing the business -without giving up any ownership.
- > Developing a formal Strategic Business Plan to strengthen their Competitive Position and Strength, Strategic Structure and Financial Structure.
- > Preparing a Vision/Mission/Purpose Statement and strategies to accomplish it.
- > Preparing a five year financial business plan to assist in financing and long-range planning.
- > Business coaching to effectively move through the phases of business growth.

Results

By the end of their first year of engagement with ABA, the company increased their Net Income Before Taxes by \$390,000 over the prior year. In the second year of working with ABA their Net Income Before Taxes increased \$552,000 over the base year and they had a debt-to-equity ratio of 1.7:1 and a current ratio of 2.75:1 after we helped them do a recapitalization of the business. Currently the company is effectively competing with small, mid-size, large and huge companies while doing business across the U.S. and internationally. Revenue has increased 480% and profits are running at 8% of sales. The company has a debt-to-equity ratio of about 1.35:1 and the company contributes 10% of its pretax net income to charities. They are now making new plans to go to the next level.

Endorsement

“Although successful, we were always putting out fires prior to working with American Business Advisors. We didn’t have a clear strategy for contending with national competitors to grow the company and we were always worried about cash flow. Your effective business planning services have given us a clear picture of where we are heading and the confidence that we can accomplish our business objectives. Our profits and cash flow have increased significantly and we have obtained the capital and financing we needed to get to the next level of growth. Our entire management team is focused on high payoff activities and they know what to do to reach our goals.

The most valuable thing ABA has given us is a knowledgeable outside perspective and forcing us to think outside our box in order to grow the company, improve profit and cash flow, and respond to changes in the industry and economy as we grow. We are very pleased with our relationship with American Business Advisors and highly recommend other small and mid-sized businesses use your services to help meet the challenges they face.”

-President and CFO, Owners

The Strategic Edge newsletter is published monthly by American Business Advisors to provide business and financial planning information and ideas. All material is presented to provide general and broad information only. The information found in this publication does not constitute business, tax, financial, or legal advice and should not be acted upon without seeking the counsel of a professional advisor. Comments and questions can be directed to Dennis R. Guse at dguse@abadvisors.com.

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