

# Developing A Blueprint for Your Business

By Stephen A. Saenz, 1995

“When you HEAR something you forget it; when you SEE something you remember it.  
It is not until you DO something that you understand it.” — Ancient Chinese Proverb

In many ways, the process used to develop a blueprint for your business is similar to the investment consulting process you use with your clients every day. It can be broken down into five distinct steps:

**Step 1: Develop a Personal Mission Statement**

**Step 2: Assess the Status Quo**

**Step 3: Define Goals and Objectives**

**Step 4: Design the Plan**

**Step 5: Implement the Plan**

By following this process, investment professionals will significantly increase their chances of making a successful transition to consulting. The hard part, is finding the time to go through this process. Business planning, in and of itself, does not generate revenues (at least, not in the short run). As a result, most of us postpone this type of work in the interest of doing things that “put money in our pocket.” The problem is that most of us never get around to doing it at all. Another reason that many of us put off planning is that it requires us to think proactively about our business. This is something most people are not accustomed to doing either. The investment business (like most businesses) is constantly changing. The shift toward consulting is a classic example of this type of change. Our natural instinct is to react to change, not to anticipate it. Planning requires that we make conscious decisions about what we do and how we do it. In short, planning requires us to take control of our business, rather than letting our business control us. That is what planning is all about.

Taking control of your business is no easy task. The best advice we can offer is to point out that you must first have a strong incentive to do so. That is, you have to really want to do it. For some, that incentive is a financial one. They recognize the lucrative opportunity that lies in building a fee-based business and go for it. For others, it is a matter of finding a way to get rid of the pain. In this context, “pain” could be losing a large account to a competitor or simply feeling “burned out.” When the pain gets bad enough, people usually do something about it. A third group sees it as a personal challenge. Individuals in this group view their business as a means to an end.

Their business represents a vehicle that will provide them with the financial independence they need to do the things in life that are truly important to them. The key, here, is that they have identified a purpose in life which demands that they take control of their business. Examples of such a “purpose” would be spending more time with their families or serving others in some way. According to Stephen Covey (First Things First) people in this group possess an internal guidance system that resembles a compass, rather than a clock.

One of the best ways to take control is to write a personal mission statement. This is a critical first step because it serves as an anchor for the rest of your business plan. A personal mission statement articulates that which is truly important to you. It defines the principles that guide you and, in so doing, represents “true-north” for your internal compass. In order to write an effective personal mission statement, you must take the time to answer a few important questions. You must be willing to be introspective and, above all, honest with yourself. This is an exercise you must do alone because only you can answer the questions that have to be answered. It must be done in a quiet place where you will not be interrupted because this is one of the most important exercises you will ever do.

## **Step 1: Developing A Personal Mission Statement Key Questions to answer...**

- What are the most important things in life to you?
- Why don't you do more of these things?
- Who are the most important people in your life?
- Why don't you spend more time with these people?
- What impact do you want to have on their lives?
- What contribution do you want to make to mankind?

By taking the time to answer these important questions, you will begin to understand the power of having a personal mission statement. If you have never kept a personal journal, this would be a good time to start one. We suggest that you review your personal mission statement and make a few notes in your personal journal on a daily basis. By doing this, you will begin to internalize what you have written and the control you seek will come to you.

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## Step 2: Assessing the Status Quo

“If you have always done it that way, it’s probably wrong.” Charles Kettering

The second step in the Business Planning Process is to look at where you are today. Assessing The Status Quo is about analyzing your existing business to determine how and why everything is done. In conducting this analysis, it may be helpful to view your business as a set of systems. A system is simply a collection of elements that work together to produce a result. Your business is basically made up of two types of systems—client-based systems and practice-based systems. Client-based systems are those systems that directly or indirectly affect your ability to satisfy the needs of your clients. These would include activities such as marketing, portfolio management and client service. Practice-based systems are those internal systems that affect your ability to run your business. These would include information management, human resource management and strategic planning.

### The System Is the Solution

One of the greatest challenges of making the transition to consulting is finding the time to develop new business while maintaining your current production. The extent to which you systematize your business will ultimately determine how successful you will be at making this transition. This is because systems create efficiency. Without systems, you are forced to “reinvent the wheel” every time you (or someone on your team) goes to perform a particular task or activity. One of the distinct advantages of the consulting business is that it is process-driven. The investment management consulting process is actually a collection of sub-processes. Investment policy development, asset allocation, manager search and performance measurement are all processes in themselves. Each of them, in turn, can be totally systematized since the steps required to perform each process are identical for each client. Once a system has been created, it can be used to produce consistent and predictable results.

### Evaluating Existing Systems

In order to accurately evaluate your business you must first identify the “as is state” for each of your systems. This means sitting down with each person on your team and documenting

how things are currently done. The best way to do this is to use flowchart diagrams to map out each system. You should be as detailed as possible, breaking down each system into every identifiable step. You should also determine who is responsible for performing each step in the system and the length of time that elapses between each step. Finally, you should note any tools or outside resources that are being used to perform the work.

### Core Business Systems

One of the immediate benefits of assessing the status quo is realizing just how unsystematic your business is today. This realization, alone, can be a strong incentive to begin working on your business in a diligent way. However, this type of assessment can also reveal a reengineering project that may seem daunting at first. In order to make this a manageable undertaking, you should only work on one core system at a time. For a consulting practice, these core systems consist of developing new business (marketing), managing client assets (portfolio management) and managing client relationships (customer service).

### A Case for Action

Reengineering a transaction business into a consulting business often involves significant change in the way an investment professional does business. In assessing the status quo, they often find that existing systems need to be completely overhauled. In many cases, they find that some systems need to be designed from scratch. Before embarking on this type of project, you should make sure you have established a strong rationale for making the transition in the first place. One of the best ways to do this is to develop a written “case for action” for your business. An effective case for action has three key elements. The business context describes what is happening (or changing) in the current business environment. The business problem (or opportunity) describes your primary motivation for making the transition to consulting. Finally, your case for action must also address the price of maintaining the status quo (i.e., for not taking action).

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## Step 3: Defining Your Goals & Objectives

“Free men must set their own goals; there is no one to tell them what to do.” — John Gardner

### Vision: The Fundamental Source of Success

The first and most important step in defining your business goals is to develop a clear vision for your business. Essentially, a vision is a picture of what your business will look like when you have achieved your long-term goals and objectives. It answers the question, “Where is my business headed?” Vision development is the work of a strong leader. Having a vision implies an understanding of where you are now and where you have come from. Most importantly, it offers a road map for where you are going.

Your vision captures the essence of your values, aspirations and goals. It is an appeal to the hearts and minds of your employees and, in some cases, your customers. In developing your vision, you should begin by answering three questions:

- What are the fundamental beliefs I stand for? (Values)
- To what do I aspire to be? (Mission)
- To what am I committed? (Goals<sup>1</sup>)

Your values, mission and goals are the primary elements of your vision. Once you have developed your vision, you must communicate it effectively with everyone on your team. A clearly defined vision can become the fundamental source of your success by motivating you and the people around you.

### Values: Your Core Beliefs

Values are the rules or guidelines by which an organization (indeed, a society) exhorts its members to behavior consistent with its order, security and growth<sup>1</sup>. Tom Peters and Bob Waterman (In Search Of Excellence) identified seven dominant beliefs that were shared by the companies they studied:

- A belief in being the “best”
- A belief in the importance of the details of execution
- A belief in the importance of people and individuals
- A belief in superior quality and service
- A belief in innovation
- A belief in the importance of good communication
- Explicit belief in and recognition of the importance of economic growth and profits<sup>2</sup>

Your values make up the foundation of your vision. They represent the principles that guide you and your business. In today’s rapidly changing world, your values are what keep you grounded. You should prominently display your values in your office and share them proudly with your clients and prospects.

### Mission: What You Aspire To Be

Once you have clearly identified your values, you are ready to develop your mission. Your mission statement should answer two questions: “What am I today?” and “What do I aspire to be?” Defining what you are today allows you to understand what you need to do, or how your business needs to change, in order to get where you are going (i.e., to realize your vision). In answering the second question, you are really identifying your dream. Like the famous “I have a dream” speech by Dr. Martin Luther King, a powerful mission statement captures the imagination of people that hear it.

### Goals: What You Are Committed To Achieve

The third element of your vision consists of your long-term goals. Your goals should support your mission and values. They should be simple and limited in number. Goals must also be measurable. “Increasing my fee-based business,” for example, is not nearly as effective as “I will have \$100 million in fee-based assets under management by the year 2000.” If possible, you should include your team members in the goal-setting process. By sharing the “ownership” of your goals with the people you work with, you will significantly increase the likelihood of achieving them. Finally, you must be able to develop clearly defined business strategies and specific tactics that will enable you to achieve your goals. This will be the subject of next month’s column, Designing Your Business Plan.

### NOTES

<sup>1</sup> Joseph V. Quigley Vision: How Leaders Develop It, Share It and Sustain It, McGraw Hill, 1993.

<sup>2</sup> Thomas J. Peters and Robert H. Waterman, Jr., In Search Of Excellence, HarperCollins, 1982.

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## Step 4: Designing the Plan

“The preparation of an annual plan is in itself the end, not the resulting bound volume. To prepare and justify a plan, people go through a lot of soul searching analysis and juggling, and it is this mental exercise that is valuable.” — Andrew S. Grove

### The Old Reality

To most brokers, a business plan consists of putting their production goals in writing. These goals are usually expressed as annual goals and are often broken down into monthly goals. Many of the industry’s “top guns” will even tell you that their success can be attributed to having daily production goals. The best ones actually reach their daily goals by noon eastern time! Unfortunately, this idea of a business plan is inconsistent with today’s marketplace realities. Some might even argue that it has been inconsistent with marketplace realities (at least from the customer’s perspective) from the beginning.

### The New Reality

As more and more brokers attempt to make the transition to consulting, the need for real business planning becomes paramount. This is because investment management consulting is a real business. In the consulting business model, revenues are driven by fees and portfolio values which means that the owner of such a business (the broker-consultant) is actually building something for the future. We acquiesce that for those clinging to the old (commission-driven) model, the need for business planning is debatable. But, then again, so is the survivability of the model itself.

### The Real Value

One of the deliverables of the business planning process is the business plan document itself. Like the client’s investment policy, the business plan document serves as a road map, or blueprint, for the consultant’s business. However, the real value of business planning lies not in the document, but in the process used to prepare it. As Mr. Grove of Intel correctly points out, it is the mental exercise (soul searching) that makes the difference. Apparently, he is qualified to comment on such matters, considering the fact that his company grew from \$3.5 billion to over \$62 billion in market capitalization in just ten years.

### A New Level of Thinking

To use the term ‘soul searching’ in the context of running a business implies a new level of thinking about that business. It suggests that the owner of that business should take a hard look at everything his/her business does and how it does it. It probably means discarding old beliefs (paradigms) and embracing new ideas. It certainly means taking the time to work on the business, as opposed just working in the business.

One of the many insights gained by broker-consultants who actually take the time go through the business planning process is that the organizational structure used to support the commission-driven business model does not (cannot) work for a consulting practice. This is primarily due to the fact the consulting business requires that more time be spent building and managing relationships. This, in turn, can be explained by the larger account size (\$100,000+) as well as the reluctance of affluent investors to do business with the Cold Calling Cowboy/girl or the Guerrilla Marketer. In other words, today’s consultant has to have an infrastructure in place that will support this relationship-intensive business model.

To further complicate matters, the consulting business itself, requires more time to conduct than the transaction business. Investment planning, policy development, asset allocation proposals, manager searches and quarterly performance reviews consume an enormous amount of time (and that’s just for one client!) By taking the time to think through each of these activities (and ascertaining what needs to be done and how much time it takes to do it), broker-consultants begin to realize that they must completely re-evaluate their current organizational structure. Along with that realization, comes the wake-up call that in order to successfully make the transition to consulting they must also be willing to invest in their business.

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## Step 5: Implementing the Plan

“You should know that a man of knowledge lives by acting, not by thinking about acting, nor by thinking about what he will think when he has finished acting. A man of knowledge chooses a path with heart and follows it.” — Carlos Castaneda

### Preparing For Implementation

One of the greatest benefits of applying the business planning process is that it provides consultants with a blueprint they can use to build and manage their practice more effectively. Unfortunately, even the most well-designed plans are of little use unless they are implemented. In preparing for plan implementation consultants should take a long-term view. This is especially true if the newly designed plan calls for major changes in business processes. The reason for this is that tackling too many changes at one time can cause a high level of frustration on the part of those responsible for implementing the new processes. It is not unusual for a reengineering project to take a full year to implement. As such, the implementation process should be phased in over a reasonable period of time.

### Elements of an Effective Implementation Plan

A good implementation plan will outline specific actions that will be taken in the first 30-60-90 days of the restructuring project. These activities could include installing new practice-based systems (e.g., computer hardware, software, etc.) or initiating client-based strategies (e.g., service or marketing). The plan should also contain six-month and one-year goals. An effective implementation plan must also have benchmarks. Benchmarks, or standards, establish the guidelines that will be used to measure the effectiveness of a system or strategy.

### Establishing Accountability

At the end of the day, nothing gets done unless everyone in the organization knows exactly what they are supposed to do and how they are supposed to do it. It is equally important to make sure that everyone is accountable for performing their particular responsibilities. The most effective way to accomplish this is through the use of position contracts. A position contract is a document that outlines the roles and responsibilities of a particular position within the organization. It also establishes quality standards which should be met by the person(s) performing each function.

Each team member should sign their position contract(s). This confirms their understanding and acceptance of the responsibilities and standards associated with their particular position. Position contracts effectively convey “ownership” of the essential functions within an organization. Everyone in the organization, including the principals, should execute and sign position contracts.

### Staying On Track

It is important to reiterate that the business planning process is an ongoing process. This is especially critical during the implementation phase of the reengineering project. In order to keep the project on track, team members should plan to meet on a weekly basis to establish objectives and review their progress. An effective approach to conducting these sessions is to use the “board meeting” format where each team member reports back to the rest of the group. A standardized “project management” form should be used to keep these meetings as focused and productive as possible.

### Connect With Your Vision

Unfortunately, many good business plans fail to live up to their expectations or produce the desired results. In most cases, however, the problem lies not with the plan but with those responsible for implementing it. Sadly, many organizations invest a significant amount of time and money in developing a business plan only to have it “sit on the shelf.” Another unfortunate situation occurs when members of the reengineering team begin to implement the new plan in earnest but find that everyone slips back into the old way of doing things within a short period of time.

The business planning process can only succeed if the leader of an organization makes a strong commitment to a clearly defined vision. A strong leader knows that it is his/her responsibility to choose that vision with heart and to follow it. Ultimately, it is this knowledge that represents the key to a successful transition to consulting.