

THE TOTAL BUSINESS MANUAL

*A
Step-by-Step
Guide to Planning,
Operating, and Evaluating
Your Business*

E. James Burton W. Blain McBride

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A Step-by-Step Guide to Planning, Operating, and Evaluating Your Business

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PREFACE

This book is a product of more than 50 years of combined business, seminar, and teaching experience. It has been written in simple, practical language so that the average small-business owner can apply its principles to his/her business. While it has been written for practical application, it is firmly rooted in sound business theory.

Who will benefit from this book? Business owners with little if any academic training in the area of business may use it to understand concepts that are presented in business periodicals, newspapers, and seminars. He/she will find it a reference source that explains many things that have been heard but not understood for some time. Those with academic training in business will find theory applied to real contexts. Though the basic truths encountered here will not be new, an understanding of their applications will be greatly enhanced.

The authors have successfully implemented the concepts presented in this book in a variety of business situations. Mr. McBride has been an engineer, a plant manager for a large manufacturing firm, the owner and operator of a small-job shop operation, the owner and operator of a customs products operation, an inventor, a college teacher, and a seminar presenter. Dr. Burton is a Certified Public Accountant who has also owned and operated, or participated as a member of the board of directors of, an accounts receivable management firm, a real estate development part-

nership, a consulting firm, an equipment manufacturing firm, and a drapery manufacturing firm.

Perhaps the most effective way to use this book is as a reference source. We would suggest that you first read the book through once, implementing the concepts section by section; it is not casual reading but rather a manual, intended for a reading-doing-reading-doing approach. Then, when you have trouble or concerns in a particular area, consult the specific chapter addressing that problem to find solutions.

We express our appreciation to Mr. Bill Bilenky for his very able assistance with the preliminary compilation of these materials. Bill's legal perspective and expertise were quite valuable as we assembled the thoughts that resulted in this book. Also, both Bob Gilliland and Carol Corbett made major contributions to the process.

However, we reserve our deepest gratitude for the many clients who helped us to apply and to refine our thoughts and techniques in practical application. It is because we have seen these things work for these clients that we know they can work for you, our reader.

E. JAMES BURTON, PH.D.
W. BLAN MCBRIDE

INTRODUCTION

This book was conceived from hundreds of hours of seminars and consulting sessions with thousands of participants and clients. It was promoted by an intimate knowledge of what business schools teach, how they teach it, and what they fail to teach.

The book is *not* for everyone. It is written for a specific and targeted audience. Those who will benefit most from it will be:

Owners, operators, managers of manufacturing, multilocation wholesale/retail, or multilocation or multiservice service businesses. There will probably be three or fewer key decision makers in the business, who will want to apply more professional management techniques to their growing business.

The book has been arranged in three sections for your specific use. Don't let these section titles fool you: the book will be productive for businesses that are just being started as well as those with operational history already in place.

Section I, *Preparing to Operate the Business*, focuses on the proper preparation for beginning a new period of operations (tax year, budget year, new product introduction, etc.) as well as for introducing a new business to the world. The tools and techniques discussed are those which help establish standards and expectations for the operations.

Section II, *Operating the Business*, pays attention to key operational decisions that must be carried out on an ongoing basis. Each of the chapters deals with pertinent decisions critical to any type of business.

Section III, *Evaluating the Operations of the Business*, deals with measuring operations against the expectations generated in Section I. Not only will these tools help evaluate how well the business has been performing, but they will also serve as significant inputs for the next period's expectation-setting process.

Though not everything covered in a business school MBA curriculum is, or was intended to be, addressed here, the most relevant topics are; therefore the book serves as an update for those who have business school training and an introduction for those who haven't.

You certainly don't need to be a math wizard or a computer guru to understand the "quantitative" material presented here. We explain these approaches and use them as means, not as ends.

Best wishes for improving, implementing, and benefiting from your decisions—and for making lots of money.

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PREPARING TO OPERATE THE BUSINESS

Section I, like each of the remaining two sections, contains five chapters. The chapters in this section—

Planning

Forecasting

Breaking Even and Profit Planning

Investing in Long-Term Assets and Capital Budgeting

Budgeting for Operations

—are arranged in a progression from the general to the specific.

All of the information generated from the tools in Chapters 2 through 5 is part of the planning process. Planning is discussed first; subsequent chapters pick up on some of the more useful, if not always well-understood, tools available.

If this planning approach is new to you, read Section I in its entirety before attempting to implement any of the tools. If you are using this book as a refresher or reference manual, choose the area in which you are having a problem and begin there. In any case read at least the whole chapter before starting to implement so you will have all of the ideas in proper context.

1

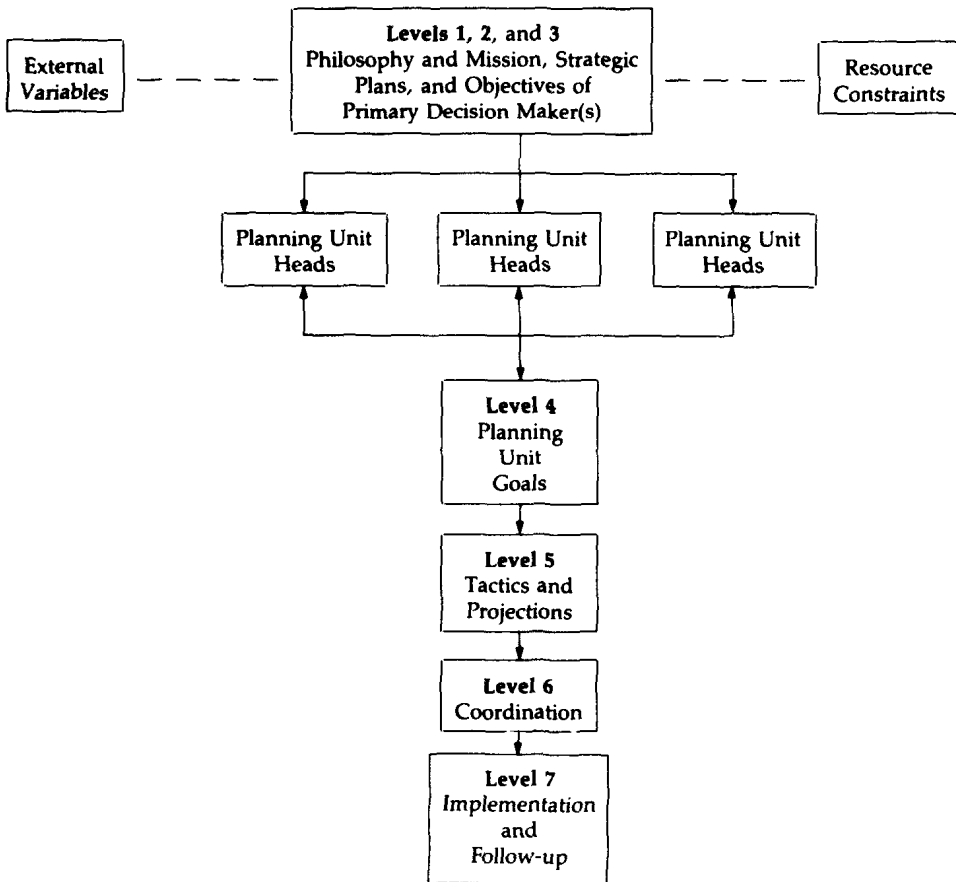
Planning

Everyone plans! Every business person looks forward in time and has in mind those things that need to be accomplished for the betterment of the business. These thoughts are specific and personal to the planner; they focus on the areas of major interest to you, rather than cover the whole business (marketing people focus on marketing, finance people on finance, etc.). Such plans are often based on "guesstimates" rather than on factual data. Unless communicated, your thoughts as the planner will not be of much use to other people in the business, or serve as motivating tools for others.

Planning, which has as its prescribed end a business plan, should be practical rather than conceptual. When a business plan is written, it is available to all potential users both inside and outside the business. The process of recording thoughts causes the planner carefully to develop schedules to support any estimates or projections being made. The plan becomes a goal-setting device for the rest of the business as well.

The process of writing also spurs you to consider all areas of the organization and integrate them into the plan. The plan is available not only for internal users but also for external users, who may be considering funding the business, or for other external needs such as regulation.

*Note: A major part of the material contained in this chapter is abbreviated from *Total Business Planning: A Step-By-Step Guide With Forms* (Revised) by E. James Burton and W. Blan McBride (John Wiley & Sons, 1991). You may wish to consult this book for a fuller discussion of various points.*

THE PLANNING COMMUNICATIONS PROCESS**Figure 1.1**

There are at least six good reasons why you need a business plan.

1. A business plan is an effective management tool for making major decisions. It sets out in detail what you intend to do and how you intend to do it, and serves as the framework for making decisions on how to accomplish the established objectives.
2. A business plan is an effective means for measuring actual performance. By comparing periodic measurements of accomplishment with expectations, you can determine how effectively the business is performing.
3. A business plan is a basis for rewarding performance. If individuals have been assigned responsibilities, and the accomplishment of those responsibilities can be measured, then appropriate and effective rewards can be determined.