

Where are you headed?

*How planning the trip can help
get you there*



If you remember National Lampoon's *Vacation* as well as I do, it's probably because the movie chronicling the misadventures of the Griswald family brought back a few painful memories. From cheap motels and tacky tourist traps, to unplanned detours and annoying relatives (who could forget Aunt Edna?), nearly everyone has had a journey that could have gone more smoothly.

If you've ever made the decision to take a trip with family, friends, or anyone else, you know how much planning it takes—and how many roadblocks can come between you and your vision of the ideal journey. Good luck trying to get more than two people to agree on restaurants, potty breaks, and seating arrangements (think three kids in the back seat—with only two windows to fight over), much less what to do each day. But when you look back at those trips gone wrong, you can probably think of at least a few details you didn't consider or at least think through. The fact is, it takes a lot of planning and preparation to come up with a trip that gets you where you want to go—and doesn't cause pain along the way.

Running a business is a lot like taking a trip. Both require lots of planning and attention to detail, the right equipment, budget and time constraints, the potential "detours," and more often than not, the aid or agreement of others. Most importantly, you need to know where you're going—what you're setting out to accomplish—before you even get started with your plan. Unfortunately, businesses sometimes go straight from neutral to fourth gear without a plan or destination, which can lead to finally arriving at WallyWorld, only to find it closed.

*"Only he that has traveled the road
knows where the holes are deep."*
Chinese proverb

*"Twenty years from now you will
be more disappointed by the
things that you didn't do than by
the ones you did do. So throw
off the bowlines. Sail away from
the safe harbor. Catch the trade
winds in your sails. Explore. Dream.
Discover."*

Mark Twain

Let's take a look at what an owner or key executive can learn and apply to running a successful business by examining the process of planning a vacation.

Hittin' the Road

Let's say you decide to spend the next year on a travel adventure across the United States. Your planning process would include answering the following questions.

Where are you going?

I doubt your first thought after deciding you're going on a trip would be how many miles you'll be traveling each day. If that was your most important criteria, I'd feel pretty sorry for your passengers. But more importantly, how could you even know how many miles you have to travel if you don't know where you're going? The place to start is by asking yourself, "What is my destination?"—and be sure to be clear about your answer.

Many people set out to run their business without a plan. They don't have a clear vision of their purpose and start off on the journey without even so much as a road map. They decide how much revenue they want to generate and how many people they want to hire before they have a clear sense of what the business will provide and what the end game will be. Are you in it to create a long term legacy? A short term lifestyle? Or a business that can go public? It's critical to know your destination so you can plan the details.

"To travel is to discover that everyone is wrong about other countries."

Aldous Huxley

"The traveler is active; he goes strenuously in search of people, of adventure, of experience. The tourist is passive; he expects interesting things to happen to him. He goes 'sight-seeing.'"

Daniel Boorstin

What will you see along the way?

Are you out to see as many national parks as you can during your year-long sojourn? Or do you want to visit all 50 of your relatives, wherever they might live? Maybe you want to see every Georgia O'Keefe painting in the U.S., ride every roller coaster, surf all of the best waves in the United States, or visit all the famous tourist attractions. So, what if you got half-way across the country and realized you'd missed the world's biggest ball of twine (which is in Cawker City, Kansas, by the way)? This tragic oversight might indicate that you hadn't taken your goal into consideration when planning your trip. The planning, preparation, and tools needed for any trip will be very different based on what you want to see or do along the way.

In business speak, what you do or see along the way translates to the goals that will get you to your ultimate destination. If you start a business where the goal of selling it after 5 years supports the "destination" of an early retirement, for example, your tactics would be very different from those of a person who sets out to build a lasting family legacy. The type of entity you form, the people you hire, and the other decisions you make in that business will also be influenced by this goal.

"I dislike feeling at home when I am abroad."

George Bernard Shaw

"Every exit is an entry somewhere else."

Tom Stoppard

"If you reject the food, ignore the customs, fear the religion and avoid the people, you might better stay at home."

James A. Michener

How will you get there?

Consider what would happen on the journey if you didn't have a clear sense of your goal but started by purchasing your means of transportation. Should you drive or fly? Would you want a motorcycle or an RV with a trailer hitch? Should you drive a convertible or a minivan? If your goal is to see all of the national monuments on your journey, traveling by plane would not be a wise choice. It is impossible to make the decision about how you'll get to your destination unless you know more about the trip.

If your business plan is intended to create an excellent lifestyle and offset taxable income in other ventures, then your tactics might be very different from someone who wants to produce a quality, yet cost effective product that leads to a secure future. A rigid corporate structure would not work for a lifestyle business, any more than an RV would work for an off-road adventure. You need to be clear about your aims so you can create the right kind of vehicle to support your business for the long and short term.

What will you pack?

If your goal is to surf your way across the country, remembering to pack a bathing suit and a surfboard would be pretty important.

If you're building a lifestyle business, then manual records and outsourced accounting might allow you to travel light, while a business heading for sale might consider well-designed processes and state-of-the-art technology to be a big piece of the value of what is being sold. Your software, processes, and training approach should be considered critical tools that support you in your journey.

"Thanks to the interstate highway system, it is now possible to travel from coast to coast without seeing anything."

Charles Kuralt

"It is not down in any map; true places never are."

Herman Melville

Who will accompany you?

Now you're ready to have others join you on your trip. You invite a group of your friends. You've figured out your plan and know what you want to accomplish, but you're not going to share this information with any of your fellow travelers. Instead, you tell them to show up by 8:00 tomorrow morning—fully packed and ready to go. Not knowing anything about the trip, one friend shows up with beach attire, one with skis and a parka, another with hiking boots—and you've planned a theater trip to New York. You're now surrounded by several peeved traveling companions.

This is a common business problem. Businesses hire a team of professionals and expect them to show up every day, dedicated to a plan they've never seen. They might have a short-term sales goal, and they might have an idea of the brand message, but they often don't know where the business is heading. Without this understanding of the big picture, they aren't truly invested in the success of the business. And if you don't have a plan, you can't communicate it to them. The team you build to support a business designed to be sold is very different from the team you need to support a "lifestyle" business. Share your plans with current and prospective team members so they can help you achieve your goals.

"I travel not to go anywhere, but to go. I travel for travel's sake. The great affair is to move."

Robert Louis Stevenson

"Anywhere is walking distance, if you've got the time."

Steven Wright

"Walking ten thousand miles of the world is better than reading ten thousand scrolls."

Chinese proverb

What are your milestones?

Every journey, regardless of the destination, will have milestones to measure progress. Your method of measuring progress will depend on the purpose of your journey. If your plan is to visit popular tourist attractions, you might plan how many you will visit within the allotted time, or you might plan to pick up a souvenir or take a picture at each stop. If your goal was to get to a destination by a certain date, you might choose to measure each day's progress based on number of miles covered. Regardless of your reasons for taking the trip, you will want to have a way to tell that you're making progress and are moving in the right direction.

Businesses often create high-level measurements that don't provide meaningful indicators of progress to either the owner or the team. Rather than having front-line workers focusing on their individual goals, companies assign them annual sales targets that aren't relevant to their daily jobs. Take a cue from the personal trainers who sell club memberships: they convert monthly investments into a daily rate that seems far more doable. So, for example, giving each member of a sales team a goal of selling 10 cases of wine per day for the next month is much clearer—and much less intimidating—than telling them to contribute \$72,000 of revenue for the next month or \$864,000 for the next year.

“Never go on trips with anyone you do not love.”

Ernest Hemingway

“People travel to faraway places to watch, in fascination, the kind of people they ignore at home.”

Dagobert D. Runes

Your Travel Guide: How the Destination Impacts the Journey

Now that you have thought about the importance of each step in successfully planning a trip and running a business, let's take a look at how businesses might operate differently based on the type of trip they've planned. We'll examine 6 different business journeys:

- The RV Excursion
- The Gold Rush
- The Side Trip
- The National Monument Tour
- The Mission Excursion
- The Adventure Quest

Note that every business journey could include aspects of more than one trip.

"The road of life twists and turns and no two directions are ever the same. Yet our lessons come from the journey, not the destination."

Don Williams, Jr.

"Success is not a place at which one arrives but rather the spirit with which one undertakes and continues the journey."

Alex Noble

The RV Excursion

This trip is all about enjoying the ride. It's about creating a business that supports the owner's lifestyle. The owner taking this trip will be more interested in cash flow, profitability, and a stable customer base than long-term equity.

The View. The view on this trip will be primarily focused on the short term. Travelers will be looking to see what's happening from month to month and year to year. Investments will be tied to sales or cash flow improvements rather than longer-term results. This company is likely to be focused on packaging and distributing, rather than growing and processing its own products. Profits generated are likely to be withdrawn at year end rather than reinvested in the business.

Luggage. The key for this journey is to pack light; travelers won't want to load up the business with too much debt or weigh it down with too much property or equipment.

Vehicle. You want room to breathe without too much fuss. The ideal vehicle for this journey is likely to be a sole proprietorship or Limited Liability Company.

Passengers. Space will be limited on this trip, so you'll want to have as few employees along for the ride as possible. Look for the owner and possibly one or two other players to be involved.

Milestones. Progress will be measured based on amount of ground covered over time. Efficiency and miles per gallon (revenue per customer) will be important. Monthly cash flow will be important to an owner on this trip. Creating a high quality, unique experience for a small number of customers will be more important than setting up processes or expanding into new markets. Establishing a small but loyal following will be the plan.

"He who does not travel does not know the value of men."

Moorish proverb

"A journey is like marriage. The certain way to be wrong is to think you control it."

John Steinbeck

"What people forget is a journey to nowhere starts with a single step, too."

Chuck Palahniuk

The Gold Rush

This trip is all about making a profitable investment and creating a golden opportunity. It's about growing a business with positive equity and sustainable value, which eventually leads to a sale or a public offering.

The View. This journey will be in search of the big win. Sellable value and return on investment will be important as will the customer list and repeatable processes. Appreciating assets will also be a big part of the view for this business.

Luggage. Since this traveler is likely to be flying first class, you can expect to find a heavier balance sheet, with equal parts income-producing and appreciating assets. Mortgage debt is likely to be used to fund asset purchases, and automated solutions will be encouraged.

Vehicle. You want a vehicle on this journey that can go off-road and supports your desire to sell interests in the business. You would want to consider a more formal structure like a C Corporation or a Limited Liability Company, rather than an S Corporation or Sole Proprietorship—as these vehicles could hamper your ability to bring on investors.

Passengers. A qualified team will be an important part of the overall plan. Seasoned executives will be asked to apply their knowledge to producing sustainable revenue growth. High expectations will be the norm as will accountability for results.

Milestones. Revenue trends will be an important indicator of success on this journey as will long-term equity growth. Smart investments in appreciating assets and brand equity will be important to the owner.

“No one realizes how beautiful it is to travel until he comes home and rests his head on his old, familiar pillow.”

Lin Yutang

“The World is a book, and those who do not travel read only a page.”

Saint Augustine

The Side Trip

This trip is for the owner seeking to diversify his business empire. Having been successful in another industry or venture, the owner starts a business in a new industry, which will be managed by someone else. Financial goals can vary from generating losses to producing high net income.

The View. This journey will be about balancing short- and long-term priorities. Owner expectations are likely to vary as his other businesses fluctuate. The goal for this business is to be self-sufficient—generating enough income to adequately cover operating costs.

Luggage. Efficiency is the key to packing for this trip. The business should have sufficient assets to generate income for the business without building excess reserves.

Vehicle. Think economy car. You want a vehicle that gets you where you want to go without too many bells or whistles. The S Corporation or LLC might be the right choice for you.

Passengers. Having the right team, especially qualified managers, will be critical for this business. Reporting and communication will also be important for both owners and employees.

Milestones. Gross margins and operating cash flow will be critical metrics for this business. Owners will want to closely monitor their return on net assets.

*“One’s destination is never a place,
but a new way of seeing things.”*

Henry Miller

*“The real voyage of discovery
consists not in seeking new
landscapes but in having new
eyes.”*

Marcel Proust

The National Monument Tour

This trip is about building a legacy. On this journey, the owner wants to create a successful business that will last from one generation to the next. Look for a focus on productive assets and brand recognition.

The View. This trip will include the long view. The owner who is focused on the horizon will invest in growing his brand and maintaining his reputation. He will want to expand his reach over time to support successive generations.

Luggage. With plenty of hands to help carry the luggage, there is no need to pack light. This journey will require ample appreciating assets, including land and buildings, to help secure the family position for the long run. You might see side trips occur periodically as new generations weigh in with their opinions.

Passengers. Travelers will include seasoned executives who can mentor the next generation of family members. Next generation family members will occupy other key roles as they are groomed to assume the reigns of the business.

Vehicle. You might want to consider a minivan for this ride. You'll need plenty of room for the family to travel in comfort. You might consider forming multiple entities to make it easy to share business assets with different generations. You will also want to consider estate and gift tax consequences in choosing the right vehicle.

Milestones. Cash flow will be important in the short term. Brand reputation and customer service will be of critical importance in the long term as will standardized methods and processes. You are likely to see plenty of asset acquisitions on this journey.

"A man travels the world in search of what he needs and returns home to find it."

George Moore

"We must go beyond textbooks, go out into the bypaths and untrodden depths of the wilderness and travel and explore and tell the world the glories of our journey."

John Hope Franklin

The Mission Excursion

This trip is all about generating funds to be used in the service of others. The business is designed to support a worthy cause through the owner's business efforts.

The View. This business will balance the short- and long-term view, by making conservative investments and managing administrative costs. Revenue is important, but so is the expenditure of funds. The business is most likely structured as a charitable organization which is exempt from tax.

Luggage. Portability and reliability are critical for this journey. Income-producing assets will be the focus of the balance sheet. Tools and processes will focus on efficiency and minimizing administrative overhead.

Vehicle. You'll want to consider forming a 501(c)(3) to support you on your journey to serve others.

Passengers. A skilled team with operational expertise will help drive this organization toward its goals. Communication and alignment with the cause will be important to the board.

Milestones. The number of constituents served will be an important indicator of success for this business.

"You got to be careful if you don't know where you're going, because you might not get there."

Yogi Berra

"The fastest way to travel is to be there already."

Terry Pratchett

The Adventure Quest

This trip is all about allowing an owner to apply his passion to a business. Similar to the RV Excursion, this trip is less about generating financial rewards and more about giving an owner an opportunity to be hands-on in a business he cares about. Any financial rewards are secondary to the thrill of living and working in that industry.

The View. Primarily long-term focused, this business might be willing to forgo short-term profits in favor of living the dream.

Luggage. The balance sheet is likely to be heavy with assets and debt. Sentimental investments may exceed rational ones.

Vehicle. Maneuverability is key for this vehicle. You don't want to have cash tied up in a corporate entity when the owner is ready to make a change. Consider Sole Proprietorships or Single Member LLCs, depending upon your tolerance of risk and expected potential liabilities.

Passengers. Minimal staff is needed to support this primarily hands-on business.

Milestones. Success is measured by the quality of the product produced. Innovation is valued.

All Aboard!

Now it's time to move from planning to execution. You've packed your belongings, gassed up the vehicle, and brought along the provisions. You've gotten everyone seated, and now it's time to fire up the engine. Thanks to proper planning, you can head towards your destination, confident you're prepared to navigate bumps in the road or detours that might arise. With the right plan, you won't have to worry about anyone asking, "Are we there yet?"

About BDCo

BDCo is an accounting and advisory firm with deep knowledge about the wine and hospitality industries, and a passion for putting people first. Grounded in knowledge of financial measurements, the firm's services help companies achieve their goals and objectives by increasing the knowledge, awareness and understanding of everyone on their team.

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