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# Inc.

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## The 6 Best Business Planning Tips I Ever Got

Your company will face weak links and unexpected turns. Don't get caught flat-footed.



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Soon after I bought my company, I learned that I had a major problem with a key vendor. Whatever money we paid him, he'd take it down to Atlantic City and bring back double--or nothing. This contractor was an important contributor to the quality product we were trying to offer customers, and I hadn't grasped how weak a link he was.

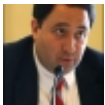
I should have done greater due diligence on that relationship. Perhaps someone would have had an inkling of something amiss. Fortunately, we were able to find a replacement for our supply chain before anything terrible happened. My point is that in business you're going to confront unforeseen stumbling blocks, and you have to be able to hurdle them--quickly and effectively.

One of the smartest people I've ever met is someone named Martin, whom I call the real estate guru. One of the best pieces of advice Martin ever gave me was about crafting a business plan that can absorb shocks to the system. His advice also applies to setting budgets--and expectations.

Inspired by Martin, here are six important steps to creating a budget for the new year:

1. Craft a well-conceived list of assumptions. Spend most of your time here. This is where the heavy thinking happens. What do I think the economy is going to do? Will I need additional help? What product lines are apt to grow? Which aren't? What kind of raises should I give my employees?
2. Lay these assumptions into three scenarios: a bad year, a good year and a great year. The purpose of this exercise isn't just to create a game plan for all the bad things you could conjure up. It's also to shape aspirations and to set high goals for the best scenario you can envision.
3. In building your budget, use the conservative scenario. It's obvious why. You have to make sure that you can handle surprises, that your assumptions aren't too optimistic. Even in good times, there are challenges to manage: a key employee retires or leaves for another opportunity. An important account goes away. Something affects a relationship with a vendor--gambling problem or otherwise. You're more vulnerable when you overestimate positives that never arrive. That said, you're trying to be aggressive as possible in order to grow your business and flourish.
4. When you're done with your plan, go back and reduce the revenues by 10%. And the increase the costs by 10%. This was probably some of the best advice that Martin offered. You're going to face surprises along the way, he cautioned. A 10% cushion on both sides of the equation will help you through those.
5. Create a balance sheet: an income statement and a cash-flow statement. They will help provide a full picture of your assets and liabilities, your financial operations and of the flow of cash in and out of the business. Some small businesses wrongly forgo this exercise, assuming they're too tiny to bother. They shouldn't suppose that. Plugging your assumptions for the coming year into a financial framework helps validate them. It holds them to a higher standard of rigor. They're not just pie in the sky.
6. Review your assessments with your accountant and your trusted mentors. And it especially helps if you have a guru like Martin.

<http://www.inc.com/drew-greenblatt/6-best-business-planning-tips.html>



***Drew Greenblatt** is the president of **Marlin Steel**, a U.S.-based manufacturer of wire baskets and sheet-metal fabrications. Marlin has grown 25% over the past three years and has a record of 1,422 days without a safety problem.*

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