

The Keys to Strategic Business Planning

Following the principles of military strategy, brokers can achieve success in business

By **Gary Opper**, president, Approved Financial Corp.

ALL BUSINESSES AND INDIVIDUALS should have a strategic business plan. To start, it helps to examine what that term means.

Strategy can be defined as employing political, economic, psychological and military forces to achieve the maximum support to adopted policies in peace or war. Adopting this language to business, strategy is the science and art of employing all available resources to accomplish your goals.

Business often is compared to war, and certain principles of war can apply to business. With a plan, you can accomplish your goals. And by understanding some principles of military strategy, you can develop your business plan and achieve success.

Maintaining the objective

In warfare, successful commanders understand the objectives of the battle and never lose sight of the goals. They are not sidetracked.

Likewise, a business must have clearly stated goals. The goals should be concrete and not vague. Examples of vague goals are, "I want to make a lot of money," "I want to close a lot of transactions" or "I want to be happy."

Your goals will vary depending on where you are in your business. A new business, for example, may have specific goals such as:

- **To increase net income by 25 percent in each of the next three years;**
- **To break even in operations in the first year of operations; and**
- **To have losses of less than \$50,000 in the current year of operations.**

A growing company, on the other hand, may have the following goals:

- **To develop procedures to encourage each of the company's mortgage brokers to have 10 closings a month six months from now;**
- **To send 80-percent more direct-mail pieces this year as compared to the past year; and**
- **To diversify into hard-equity mortgages.**

A company that is downsizing may have goals like:

- **To ask each vendor to reduce prices by 10 percent;**
- **To consolidate operations into one office; and**
- **To retain only its five best mortgage brokers.**

Finally, an individual mortgage broker may have the following goals:

- **To close 40-percent more mortgages this year as compared to the past year;**
- **To develop a network for expansion into other business and personal areas; and**
- **To earn 60-percent more income this year as compared to the past year.**

Economy of force

No army has enough forces to accomplish everything. Neither Alexander the Great, Julius Caesar, nor Kublai Khan had enough men, weapons, ammunition, food and reserves to achieve all objectives. In addition, in business, Sam Walton, Andrew Carnegie and John D. Rockefeller never had enough resources to accomplish all their goals. And you don't either.

Economy of force compels you to choose how you will dole out your forces. Your forces

are your resources: your time, your employees and your money. For some operations, you must deploy many resources, which means few resources will be available elsewhere.

For example, if you want to expand into two new niches this year, you might first want to spend four months intensely developing the first niche with your time, money and staff. After that, you could determine if the niche is on autopilot, if you need to move staff to this area or if you need to hire someone to manage this new profit center.

Next, you would continue with the second niche in the same fashion. Ultimately, you probably wouldn't have enough resources — primarily time — to attempt to move into two niches simultaneously.

You also need a reserve (cash) for slow times or for the times you really want a "push" with your marketing. A cash reserve to cover three to six months of operating and personal expenses is probably enough.

Flexibility

Being flexible allows an army to avoid wasting valuable assets by not following the maintenance of the objective blindly.

Mortgage brokers also must be flexible. For example, as interest rates rise and refinancing business dries up, brokers must adapt to this new market. Development and expansion into the following areas may be appropriate.

- **Because fixed rates are increasing, offering more ARM products may be wise.**
- **Because fewer borrowers qualify at higher rates, hard-equity loans may look attractive.** Additionally, the difference in interest rates between B/C loans and hard-equity loans will lessen.
- **People continue to buy homes regardless of the interest rate,** and establishing relationships with Realtors could help you reach your objective.

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Initiative

Initiative is the element of surprise in battle. There is a tremendous advantage to getting to a battlefield first with the most assets. This leaves the other side with less opportunity to respond.

In our industry, being the first to send direct mail to a specific mailing list is a great advantage. Additionally, some lenders may give you the exclusive right to market their product in an area.

An intensive program of soliciting a group of the top Realtors or real estate offices for a period of time may pay off handsomely. Alternatively, you could solicit to your "sphere of influence." You may want to develop relationships with affinity groups and offer your services exclusively to them.

Security

Spies, secret agents, code-breakers — these are needed to gather good information about the enemy's troop strength, movement and plans. With proper information, a commander could be flexible to react to an enemy's plans.

I'm not suggesting that you infiltrate your competition, but at least read your local newspapers and trade publications to find out what your competition, other brokers and lenders are doing. Attend mortgage meetings, seminars, trade shows and conventions to learn about the latest products, techniques, trends and programs.

Simplicity

Armies are large, complex organizations. Complicated plans can crumble quickly with the stress of combat. A simple, well-developed plan may allow a smaller force to defeat a numerically superior force.

In business, simple, concrete goals are important. Your goals and procedures should be simple enough for everyone in the organization to understand and help you accomplish your goals.

You should do something each day toward accomplishing your goals. Don't let "emergencies" constantly control what you do. Stay calm, even under the stress of business combat.

Entropy

After the beginning engagements and surprises, the battle often will settle down to a constant grind. The troop movements and losses will be predictable.

In business, the daily grind can be monotonous. Try to spice things up with rewards for

reaching each step of a goal. For example, you may want to close 100 loans this year. Make a chart and after every 10 closings, enjoy dinner at one of the top 10 restaurants in your area.

At least once a year, try to have an extraordinary closing that puts you over the top. For example, work on a tough loan, project or new niche. These can make a good year great.

Victory

An army without a strategy can only win by chance. Likewise, a business that fails to plan plans to fail.

Without a strategic plan, you will succeed at a much lower level than you would with a plan. Get started today with your goals. There are hundreds of ways to create a business plan, and every one of them can be right. **!!**