

*By Daniel M. Isard*

## *You Need a Business Plan, Part 2*

In last month's issue, I explained what a business plan is and laid the groundwork for why you need to have one. This month, I want to take you deeper, so, instead of more theories, I asked two industry veterans to contribute their thoughts.

The first is Steve Shaffer, CEO and president of Homesteaders Life Insurance Company. Shaffer didn't start at the top of this company; he spent the past two decades in public accounting, joined a national acquirer as its CFO and then founded one of the top acquisition companies before leaving it to join the preneed world.

I also spoke with Chris Cruger, managing partner at the company I founded, The Foresight Companies. He had a major background in finance and operations within the funeral business before joining Foresight. Today, he influences some of the most successful funeral and cemetery businesses.

Now, there is a long-established military-ism, "6 Ps," which stands for "Proper Prior Planning Prevents Poor Performance." (Yes, anyone from the military knows this as the "7 Ps," but my editor is too strict.) Anyway, the "6 Ps" is the military's way of explaining why a plan is required in order to get the optimal results.

In the case of your business, you need the same thing, i.e., each step of your business should have a plan, which includes:

- At-need case count
- Staffing
- Capital assets
- Marketing.

As Shaffer explained, "I have had the chance to look at many businesses and see how they operate, long term and short term. To me, a business plan is important to make sure your business operates well for the short and long term."

Shaffer entered his adult employment with an accounting background and, as a CPA, he joined a funeral acquisition/operating company. Ultimately, he and his partner, Jim Price, went on to originate Foundation Partners Group. While both are no longer with that company, the footprint of their design was created from a business plan. Said Shaffer: "In funeral service, it is important that we focus on the day-to-day service to families. However, the development of a business plan helps us sit down at least once a year."

Cruger is of like mind: "A business plan is a road map. It makes sure we are going in the right direction. It's easy to get off track when running a small or large business, but the business plan reminds us of where we should be going and at what speed. That is why the plan should be in writing because those goals, strategies and objectives could be forgotten."

Added Shaffer: "Periodically throughout the year, it is crucial to stop and compare where we are to the goals of those medium- and long-term strategies."

Reviewing the plan versus year-to-date performance is an important way-stop, said Shaffer. "This pandemic was a great example of that. If you had a business plan going into 2020, as we did at Homesteaders, you had to revamp that whole plan and adjust accordingly."

Cruger also noted the effect of the pandemic: "[It] changed everything in funeral service and in operating a funeral business – from what we do and how we charge for it to how we market to and communicate with families. The Foresight 2021 and 2020 consumer research reports showed the instantaneous change consumers wanted. To win at operating your business, therefore, required a change on the fly."

Stated Shaffer: "Having a plan gave you a basis for seeing the change and then making changes going forward. If you didn't have a plan, you were just going without a direction."

“A good plan,” he added, “is both checking against your plan and looking at the landscape to see if and what you need to change. A pandemic is one big lesson, but often you have a change within your market that should be adjusted to.”

I then asked both men about the use of a business plan to conceive and fund a business. Stated Shaffer about the initial funding of Foundation Partners: “You don’t go to get funding in the financial markets without having a very robust business plan.”

Cruger has experience financing large and family businesses, and he commented, “Different bankers will want to see a more formal or less formal business plan as you go for financing to start or acquire a business. If you are looking to secure financing to alter your existing business, a lender or investor is going to want to see how their money will be put to use and how their loan or investment is going to be repaid.”

“The business plan gives the financial partners confidence in where you are headed and that you are guiding their investment in the right way. It also allows you to align your team around your strategies,” added Shaffer.

Obviously, both of these experienced leaders know that a business plan must be put in writing and reviewed periodically. Shaffer hit on a third necessity of a business plan, however, when he talked about using it to share the vision with the company’s team. Both men, then, are aware that the business plan is also something to communicate effectively to all involved.

“It gives everybody a lot of confidence in where you are headed and inspires your team,” he said. “You communicate your short-term and long-term objectives that the team is working on for the benefit of your company, your employees and the community you serve.”

Sharing his thoughts about placing the focus on the team, Cruger offered, “No one operates a business by themselves. Even a 30-call funeral home owner has people who help serve their community. This gives you a chance to share

that pride of service and business operations with every stakeholder.”

Added Shaffer: “At Homesteaders, we use our business plan to set the direction for our medium term and long term with our team. As a preneed company, the long term is very important for us. We need to make sure we are doing exceedingly well in 30 years! Our team must be aligned to make sure we are doing the best we can do for our funeral home partners.”

**“THE BUSINESS PLAN GIVES THE FINANCIAL PARTNERS CONFIDENCE IN WHERE YOU ARE HEADED AND THAT YOU ARE GUIDING THEIR INVESTMENT IN THE RIGHT WAY. IT ALSO ALLOWS YOU TO ALIGN YOUR TEAM AROUND YOUR STRATEGIES.”**

Cruger took a slightly different view on the business plan: “We know that we bring value and profit to our clients. The more they allow us to guide them and monitor their results, the more value and opportunity we help them accomplish. This is true of clients with one location or many locations.” Again, both know that a business plan should be communicate effectively to everyone involved.

Shaffer went on to talk about using the business plan from the preneed perspective, saying, “Preneed is a great example of where you need to make good decisions for the long term. The choices a funeral home makes as to who to entrust as its preneed partner will have long-term implications. It affects their revenue as preneeds mature to at-need cases.”

Cruger had a similar observation: “In the area of preneed, we have seen funeral homes choose the wrong carrier and then suffer the consequences for many years as they service those cases and



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**“REVIEWING THE PLAN VERSUS YEAR-TO-DATE PERFORMANCE IS AN IMPORTANT WAY-STOP. THIS PANDEMIC WAS A GREAT EXAMPLE OF THAT. IF YOU HAD A BUSINESS PLAN GOING INTO 2020, YOU HAD TO REVAMP THAT WHOLE PLAN AND ADJUST ACCORDINGLY.”**

get less revenue than had they chosen a different funding partner.”

I remember clearly when the phrase “losses from preneed” entered the standardized chart of accounts we used in the 1990s. It happened as many preneed companies faltered or left the business, or state associations learned how little they understood about preneed trusting, leaving

funeral homes with poorly funded accounts.

If you have been around this business for any amount of time, you realize that preneed is a liability. The goal is to ensure that there are assets greater than liabilities when the account matures. But, said Shaffer, “Funeral homes need to choose their preneed partners carefully. We have seen companies make promises to owners they could not keep. It gets the attention of an owner for a short period as to commission rates or growth rates.”

Cruger closed the thought for us all: “And the funeral home is left to service the family after these companies fail or leave the business.”

It’s clear that every funeral business needs a business plan. It must be in writing. It must be monitored. It must cover every aspect of the busi-

ness. A business plan helps you protect the investment you have and can help you build value if you do it correctly. So, if you don’t have time to do it, employ someone to do it for you.

Moreover, the preneed aspect is critical as it covers both marketing and financial/revenue perspectives. There is no dynamic of this business with a longer-lasting effect on it than preneed, and the quality of the decisions made today might not be realized or understood for quite some time.

Yes, there are the “6 Ps” (or 7), but there might actually be 8 if you add “preneed” to the mantra.

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