

By Jacquelyn Gernaey

# STRATEGIC PLANNING

A SMALL BUSINESS NECESSITY

## STRATEGIC PLANNING BENEFITS

In a recent survey of 2,500 small business owners across the United States, only 4% had a strategic plan. Most small business owners think strategic plans are only for large public companies. Their reasons for not planning include, “I have my plan in my head,” and “I don’t have time to develop a strategic plan.” But the fact is that small business owners can reap big rewards when they develop a strategic plan and put it in writing.

We are in an age of rapid change and economic uncertainty where every organization needs a roadmap. A strategic plan helps you:

- Gain more control over your company’s future
- Respond successfully to internal or external threats
- Expand your marketplace or market share

- Take advantage of an opportunity or introduce a new product or service while defining and controlling your risks
- Measure and track your progress

Putting these challenges into perspective through a well thought out plan allows your business to modify its environment and gain control of its future by developing a total solution. Since strategic planning culminates in goal setting, when done correctly, it can help a business operate better and therefore dramatically increase the chances of its long-term success. Without a strategy, a business has no direction and therefore little chance of achieving its goals. Strategy tells you where to go and how to get there. Strategic planning for the small business is a simple four step process.

## STEP 1: ORGANIZATION

Once you make a commitment to begin the strategic process, you need to decide who belongs on the planning team. The team should be a combination of “visionaries” (individuals who recognize the potential of the company) and “actionaries” (those who are cautiously optimistic about the company’s resources, yet are also objective about the reality of the projected goals and tasks).

The team should include individuals with varying levels of power, while not making the group too large—a few key employees will suffice. Once you select the participants, appoint a facilitator to be in charge of organizing the planning meetings, developing timelines, and creating probing questions in order to begin the planning process. If you need help, a professional facilitator can help you achieve your goals and lend objectivity.

**Alice:** Which way should I go?

**Cheshire Cat:** That depends on where you are going.

**Alice:** I don’t know where I am going!

**Cheshire Cat:** Then it doesn’t matter which way you go!

- Lewis Carroll, *Through the Looking-Glass and What Alice Found There*, 1871

## STEP 2: COMPANY AND ENVIRONMENTAL AUDIT

The next step is to complete a performance audit of your organization. Using the team, identify the company's current internal strengths and weaknesses, along with its current and future external opportunities and threats.

When addressing the organization's internal strengths and weaknesses, the facilitator should develop thought-provoking questions in some or all of these categories:

- History and reputation of the company and its products and services
- Human resources and compensation programs
- Financial status
- Facilities and location
- Current products and sales by product
- Risk aversion or tolerance
- Current and past strategies

By defining an organization's strengths and weaknesses, you answer the question: "What is the true nature of the organization and what can it accomplish?" For a mature

organization, addressing the internal strengths and weaknesses is usually the easy part. When addressing the organization's outside environment in the form of opportunities and threats, "facts" may be more difficult to obtain, trust, analyze and incorporate into a strategic plan. To help, the facilitator should again formulate questions to address the following categories:

- Economy
- Competitors
- Government regulations
- Products, market share, geographic market, and product positioning within the market
- Clients/Customers and distribution channels
- Suppliers and strategic alliances

Defining the opportunities and threats an organization faces answers the question: "What is the possible future environment in which the organization will operate and what actions can it take to be successful?"

## STEP 3: SELECTING LONG- AND SHORT-TERM GOALS

From the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, the team can create a specific number of goals that serve as positive action-oriented responses to the opportunities and threats identified. Each goal, whether it's a short-term goal (one year or less) or a long-term goal (two to five years), needs to be challenged by the company's vision and mission statements. Goal development ties strategic planning with implementation, which is the action necessary to produce change; therefore, each of the goals needs to have established measures.

For example, if your year one goal is to differentiate your company as a regionally focused, low-cost manufacturer, you need to establish efficiency measures and customer analysis measures supporting the strategic position. You also need to specify exact levels of the performance

desired for each measure. To ensure each of your goals meet these requirements, challenge them to ensure they are considered SMART: **S**pecific, **M**easurable, **A**ction-Oriented, **R**ealistic and **T**ime-Constrained.

Some examples of year one goals would be:

- Increase gross profit from 21% to 23%
- Reduce delivery costs by 10%
- Reduce bad debt percentage from 3% to 2%

Some examples of long-term goals would be:

- Add 20 new clients for a \$250,000 increase in annual sales by year two
- Open second location in a neighboring city by year four

### STEP 3: (CONTINUED)

#### Application Strategies

How you define your strategic goals is a direct function of the goal complexity, the status of goals being considered, the financial benefit of completing the goal and the company's strategy for change. Some examples of strategies for an organization are:

- Concentrated growth of a single product or service
- Increased sales by adding new customers, expanding geographic market, entering new market segments or developing new products or services
- Increased efficiency and retrenchment to reverse negative trends
- Divestiture of a poorly performing portion of an organization or liquidation of the entire organization

- Joint ventures or strategic alliances
- Horizontal integration by acquiring or merging with similar organizations; concentric integration by acquiring or merging with organizations that produce compatible products or services; or vertical integration by adding everything needed to develop a product from raw materials to finished products

#### Developing Focused Actions

To further define how you will achieve each goal, define each task required to reach the goal. These actions are the essence and the culmination of the whole planning process. Each action must have a start and completion date, identify the responsible person(s), and estimate the cost of the completion. By defining actions this way, managers can ensure each task is easily implemented.

### STEP 4: THE IMPLEMENTATION PROCESS

Implementation is the final phase of strategic planning wherein the specific tasks or actions are completed, resulting in the achievement of the company goals. The role of the facilitator is to work with each planning team member to ensure each department integrates and

internalizes each action the planning team identified. The facilitator also needs to track the progress of each of the actions and goals and report the status to the business owner and the management team.

### ALL BUSINESSES NEED A STRATEGIC PLAN

Many small business owners resist the concept of strategic planning, but all business, even successful ones, benefit from a carefully constructed strategic plan. Strategic planning serves as a tool to analyze and collate the massive amount of information associated with any challenge or opportunity that you business faces. It will allow you to synthesize and prioritize a range of possible tasks for implementation.

Until you commit a plan to paper, you may never know the missing vital issues that may pose a serious threat to your business' success. With a good plan, management

stays focused. Periodic assessments to re-examine employee roles and responsibilities help focus efforts, leverage resources, reduce organizational redundancy and ensure accountability within a business.

An effective strategic plan is a "living" document that, with ongoing monitoring and revision, serves as a compass to guide the business through inevitable change. It charts a business' direction, shapes its future and secures its growth and prosperity. No privately owned business should be without one.

**ABOUT THE AUTHOR**

Jacquelyn Gernaey, Independent Owner of the Alternative Board TAB® , Suffolk County, Long Island, and President of HyTech Consulting, has more than twenty-five years experience leading both entrepreneurial and large corporations. She now focuses on helping CEOs, presidents, owners and partners create, execute and exceed their personal and business goals. She has extensive experience facilitating the development of strategic plans for small businesses and is a Certified

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