

Don't Waste Time on Strategic Planning

Contributed by Administrator
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You want to grow and you see opportunities all around you. How do you choose the right path? What can a CEO or managing Partner do to ensure that the firm's resources are focused on the growth opportunities that offer the best chance for success. Moreover, how can the CEO be sure of adequate follow-through and implementation? As more A&E firms start strategic planning activities in the first and second quarters of the year, it is important for them to be certain that the process is done right. Strategic planning is a major undertaking for most firms and a large consumer of resources. Yet, most firms fall far short of getting a strategic plan that really meets their needs even when they spend tens of thousands of dollars in time and financial resources to develop a plan. There are at least four reasons why this is so: 1. Many CEOs delegate the process to Vice President or Partner. Strategic planning is The CEO's responsibility. The CEO needs to take the lead. Delegating the responsibility can signal that the activity is not a high priority. 2. The planning process is often a fragmented one of making assignments to participants for developing different sections independently. While assignments are often used to divvy up the work outside of the planning meetings, most firms spend too little time brainstorming ideas, analyzing issues and developing strategies as a group. 3. Most strategic planning by design firms is done using an internal facilitator. Usually to save money. Nothing will kill the creative process faster than having an internal facilitator or the CEO facilitate his/her own planning meetings. Skilled outside facilitators bring objectivity and fresh ideas. They stimulate discussion, are non-threatening and can ask the really tough questions that often don't get asked. Yes they cost money, but they also add experience to ensure that you have a successful planning process. 4. Strategic plans often end up focusing on non-strategic issues. Strategic planning is long-range, usually covering 3-5 years in the future and 90% of the content deals with marketing issues. Yet well over 90% of the plans I've reviewed over the years spend too much effort dealing with operating (day-to-day) issues. Some even get down to the detail of training, quality programs, policies/procedures, client assignments, etc. 5. Too much focus on the numbers. Many plans start with earnings or profit projections needed over 3-5 years and then proceed to figure out how to achieve them. When these numbers are "driven down" through the organization, the planning process can become one of filling in the blanks and making sure that everything adds up. This process may make for a neat plan that may warm the hearts of the accountants and bankers but will do nothing to ensure that the firm is properly positioned in the right markets with the right mix of services. 6. Too little time is spent on planning. It's not unusual for a firm to schedule a two-day retreat to develop its strategic plan. I hear it all the time from A&Es asking if I would you be available to facilitate their two-day planning retreat..? To do the job right requires from 4 to 10 days of planning meetings over a 3 to 6 month period depending on the size of the management team and the complexity of the organization. This is in addition to other analysis assignments that may be worked on between meetings. This is no small task and demands a well-coordinated effort. In general, a good strategic plan should consist of four elements: a narrative, a financial analysis, action programs and a results management process. The Narrative Outlining your objectives, strategies and assumptions, contrary to what most people think, is the most important part of the plan. After all, the numbers grow out of your ideas, not the reverse. In general, it addresses the following concerns and provides a timetable for your actions: # Why are growth and geographic expansion appropriate? How will the firm benefit?# Is the expansion logical, given your corporate goals?# Why is it a good time to grow?# What effects will the expansion have on your core resources - financial, people and technical? # Why is growing worth the cost? Strategic Analysis. Your objectives and strategies are only as good as the analysis and information on which they are based. A strategic analysis should include information like: # What is the economic outlook for your markets? Are the industries and markets you serve facing higher or lower costs in the coming years? Where are those industries or markets in their life cycle? Are they mature markets, emerging markets or growth markets? Do economic indicators signal a trend? # What are your core competencies? Strengths, weaknesses? How will you build your market share? What is your competitive advantage? Where are the opportunities in the markets? What are the threats you need to be aware of? # What about your competition? Who are they? Are they investing heavily in market development, new services, new locations? What are their competitive advantages? How are they perceived by their clients in these markets? # Is there any existing or potential legislation that might affect these markets, ie. : GATT, NAFTA, national health insurance, environmental legislation, transportation and infrastructure funding? What is the possible impact of legislation on sales? # Based on these key indicators and legislation, why do you think your sales will be higher or lower? # How will your new services fare against competing services? On what do you base your sales projections? # Do economic indicators signal a trend? # If you're entering a new market like health care municipal, environmental or industrial, how will you take away market share from those in it? How long will it take for you to establish a competitive advantage? Evaluate barriers to entry in these markets, such as market saturation or client commitment to local engineers.Objectives. In this section, identify four to six opportunities worth pursuing. Objectives should be clearly stated. They must be specific, achievable, measurable, have a completion timetable (date), and someone accountable for their accomplishment. What gets measured gets done. Without accountability and timetables for completion, poorly stated objectives will become merely good intentions or worthwhile wishes. Action Programs. Show clearly, step-by-step, how and why you will achieve the dollar sales growth and volume you expect to. For each objective you should include the logical action steps necessary to accomplish the objective. Each action step requires a start date and a completion date for that step; a responsible person designated; resources required in time or dollars; and a feedback mechanism such as a report that tells you when you have completed that step. Table A is an example of a strategic action program. Financial Analysis Follow the action programs with an analysis that is a numerical representation of your objectives along with any assumptions. Include income statements, balance sheets, cash flow projections, and

any key ratios or numbers such as ROI, EBIT, etc. Every dollar of growth requires a corresponding amount of working capital. How will you finance the growth? Equity? Debt? Also, every dollar of growth means a corresponding amount of growth in accounts receivable. How will you finance these? If you don't know, you may grow too fast and fail.

TABLE A Objective: To have a minimum of 20% of our sales in new services by 1998.

RESULTSTIMETABLERESOURCESACCOUNTABILITYFEEDBACK MECHANISM

1. Complete market research to identify 3 new services opportunities
2. Review opportunities to acquire capabilities/expertise to perform new services ie: merger, acquisition, de novo, etc?
3. Identify potential sources of expertise to acquire.
4. Contact sources and negotiate acquisition of expertise.
5. Initiate and complete acquisition of new capabilities or expertise.
6. Complete marketing plan for new service(s)
7. First year sales results for new services

Year 1, Quarter 1

Year 1 Quarter 1

Year 1 Quarter 2

Year 1 Quarter 2

Year 1 Quarter 3

Year 1 Quarter 3

\$100,000

\$20,000

40 hours

200 hours

250 hours

75 hours

400 hours

VP Marketing

VP Marketing

VP Marketing

VP Marketing

CEO

CEO

VP MARKETING

Marketing research report

Long list of possibilities

Short list of sources

Contact reports and summaries

Contract, new hire, or merger agreement

Marketing plan Results Management Nothing ever goes as planned. Take your strategic plan through different scenarios so you're not caught by surprise. For example, what if national health insurance legislation should have a negative affect on new hospital design and construction? How will additional military base closings affect your business? What if sales are slower than expected? Use a spreadsheet to show, for example, how a drop of 10 percent in gross margin would affect the bottom line. Results management means that you need a process involving concise reports and., regular meetings to review progress, modify the plan, and make adjustments to meet the changing needs of the market. Strategic plans should be reviewed quarterly and in detail. Clare G. Ross CMC is a Certified Management Consultant to A&Es, specializing in Strategic Management and Marketing.(928)-776-4760