


Strategic Planning and Management for Smaller Businesses

An exclusive presentation for the clients of



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By
Robert W. Starinsky

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Today's Agenda

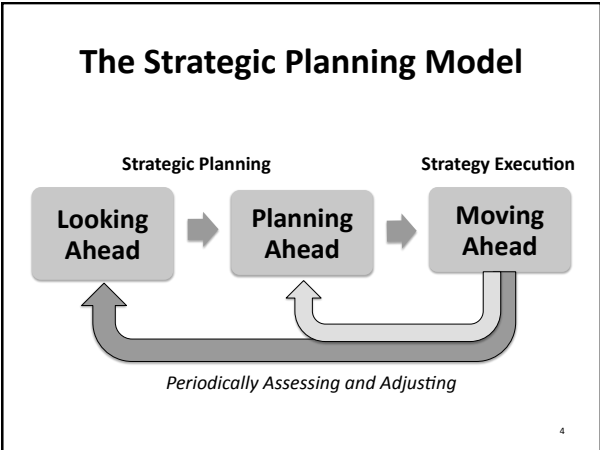
- What is Strategic Planning
- Why Strategic Planning is Important to *Every* Business
- Assembling the Strategic Plan: *A Step-By-Step Approach*
- Strategic Management: *Moving From Planning to Action*
- Final Thoughts and Wrap-Up

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What Is Strategic Planning?

- Strategic planning is ***the process of asking the right questions about your business***
- Strategic planning is both an *introspective* and *forward looking* process that creates a vision for the future of your business
- The strategic planning process results in *fundamental decisions and actions that will shape and guide* the future of your business
- The strategic planning process generates a **strategic plan** – an *action plan, or roadmap* – to the future for your business
- Strategic planning is a **self-assessment and self-diagnosis process**

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Business Planning versus Strategic Planning

- The terms *strategic planning* and *business planning* are often used interchangeably, however *they are conceptually different*
- Business planning and budgeting is *operational and short term* in nature while strategic planning is *visionary and longer term* in focus
 - *Business plans represent your tactics for implementing the strategic plan*

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Focus On The Future

- Strategic planning *requires a future orientation*
- The future orientation is about *taking a long-term process view* of your business
- Being future oriented *provides a measure of control* over the destiny of your business
- A future orientation allows you to *anticipate* potential problems and opportunities *and to act on them appropriately and strategically*

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Why Strategic Planning

- Sometimes business success happens by accident
 - More often, *sustained business success is the result of careful analysis and planning* – it is calculated risk-taking
- Many business owners believe that strategic planning is only for billion dollar corporations
 - *This is simply not true; any type or size of business can benefit from strategic planning*
 - *However, many of the strategic planning techniques used by the big guys aren't always appropriate for smaller or privately owned businesses*

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Why Strategic Planning

- Perhaps the most compelling reasons to engage in strategic planning can be found in the enduring wisdom of Peter Drucker:
 - *We have to manage our limited resources of people and money for maximum effectiveness. And we have to think through very clearly what results are for our organization.*
- As a renowned business author, educator and consultant, Drucker was a strictly a facilitator; *he did not offer up answers, only questions* that would guide self-assessment and home-grown answers

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The Future Ain't What It Used To Be

- Propelled by technology, fueled by economics, influenced by politics, demographics, cultural values and relaxing social norms, *change is tomorrow's common denominator*
- From the businessperson's perspective, almost out of nowhere, change *thrusts problems upon us and pressures us for quick solutions*
- What does it mean for you? ***It's imperative that your business is change-ready!***

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Anticipating and Shaping the Future

- **Change is inevitable!**
- No business can escape the need to periodically re-skill its people, reshape its product or service portfolio, redesign its processes, and redirect resources
- Thus, understanding what is changing about your business and competitive environments is key to making planned and deliberate responses that can most protect and grow your business despite industry disruption

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Confronting The Change Monster

- **Today, every business must really be in two businesses at once – their core business and the change business!**
 - Employing strategic planning and management techniques can *make your business change-ready*
 - Periodic reassessment of your business environment reduces risk and helps your business *stay relevant (and profitable)* in an ever-changing world

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Your Strategic Plan: What It Is

- Ultimately, your strategic plan document *tells the story of your business* past, present and future, in a clear, concise, sobering and actionable form
- It is both *a baseline document* – a starting point for the future – *and a forward looking, visionary document* that serves as *your go-forward action plan*
- Your strategic plan document *becomes merely an exercise in creative writing unless you actually follow through and do what you say you're going to do!*
- Your strategic plan document contains very sensitive information about your business, some of which may not be appropriate to reveal to a wider audience

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Your Strategic Plan Audiences

- **Full Content Disclosure**
 - Business Owner/ Business Partners
 - Business Owner/Partner Family Members
 - Trusted Business Advisors (e.g. Attorney, CPA)
 - Financial Intermediaries (e.g. Bank, Silent Partner)
- **Limited Content Disclosure**
 - Non-Owner Business Executives, Managers and Staff
 - Customers
 - Suppliers and Business Partners
 - Community Organizations and Public Agencies

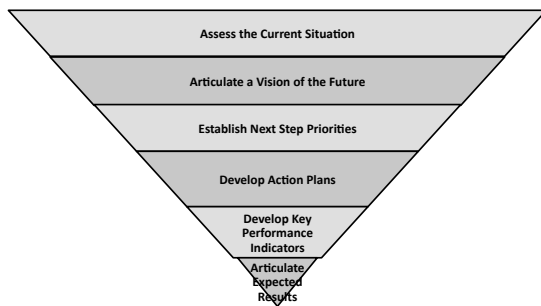
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The Strategic Planning Process

- The best approach to conducting strategic planning is **self-assessment**
- Why self-assessment?
 - *No one knows your business as well as you and your management team do!*
 - No one else can better assess what's possible and what's not possible when it comes to making changes to, or investments in your business
- Self assessment requires sobering objectivity
 - *There can be no sacred cows!*

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Assembling The Strategic Plan



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Factor Analysis

- Strategic planning for smaller businesses *must take into consideration a combination of internal and external factors that will impact the business over the planning horizon*
- **Factor Analysis** takes an *outside-in approach* to scanning and assessing both external (outside) and internal (inside) factors or **driving forces** that affect your business

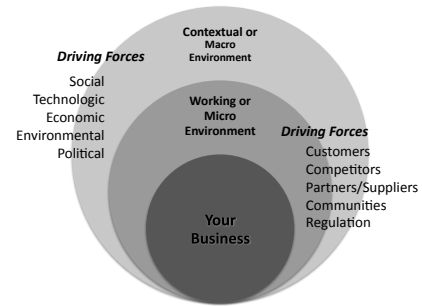
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Factor Analysis

- A major outcome of Factor Analysis is the *identification of the specific strengths, weaknesses, opportunities and threats that envelope your business*; this is often referred to as a **SWOT Analysis**
 - **Opportunities** are situations that exist but must be acted upon if your business is to benefit from them
 - **Threats** are external conditions or barriers that prevent your business from reaching your goals

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Your Business Environment



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Step 1: Assemble Current Data

- Current or Previous Strategic Plan
- Current Mission, Vision and Values Statement(s)
- Current Business and Marketing Plans
- Financial Statements for the last three to five years
- Detailed information about your customers and the products or services sold for the last three to five years

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Step 2: Identify Personal Goals

- One purpose of every privately-held business is to *achieve the personal goals of the individuals involved in the business*
 - *Personal goals are unique to smaller and private-held businesses*
- Although the primary goal of the business may be creating cash for the individuals involved, people are complex and as such, each individual involved in the business has their own agenda of personal goals beyond their mere monetary interest in the business

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Step 3: Identify Business Goals

- Business goals *represent what is desired* from the business
- In smaller and privately held businesses, personal goals provide the foundation for business goals
 - *This is how individual owners collectively impose their wishes on the business*
 - Example:
 - Some individuals may want more cash flow from the business while other individuals may want more time away from the business

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Step 4: Describe Core Business

- The **core business** is defined as the business definition of *where and how you compete*
 - A core business represents the set of products, capabilities, customers, channels and geographies that defines what your business is
- If you are in different businesses, you have *multiple core businesses*
 - *Consider how complex farming can be; Dairy Production is a separate and distinct core business from Pork Production*

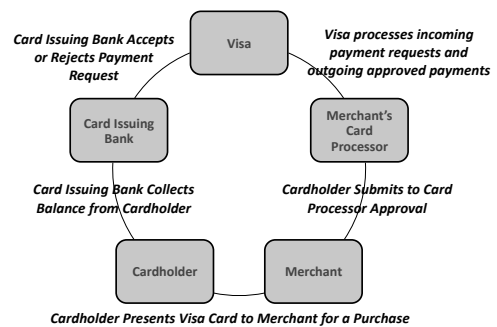
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Describe Your Business As A Model

- Each core business is defined in terms of its **business model**
 - Business models answer two key questions:
 - *What business are we in?*
 - *How do we make money?*
- Defining your business (or businesses) accurately will help you to establish clear boundaries to help make future business investment or divestment decisions

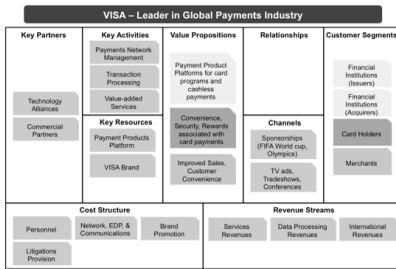
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What Visa Does *Visually Speaking*



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The One-Page VISA Business Model



Business models identify what your customers are willing to pay you to do

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Business Models Guide Action

- A business model is a *blueprint for how the business strategy will be implemented through people, processes, systems, business partners and markets*
- Why are business models so important?
 - Disruptive, new business models are emblematic of our generation
 - Business models help us visualize and connect with the business and the micro-environment in which it operates

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Step 5: Complete External Scan

- Identify and assess the **macro-environment or contextual forces** that impact your business
 - What external changes will affect your business?
 - What plausible scenarios can you see emerging that are likely to have a profound impact on the way you do business?
 - *The goal is to arrive at a deeper understanding of the world in which your business operates and to use this understanding to make informed decisions about the present and future states of your business*

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Identify and Assess External Threats and Opportunities

- **What environmental opportunities can your business capitalize on?**
 - *What developing economic trends will benefit your business?*
 - *What emerging cultural, demographic, political and social trends benefit your business?*
- **What environmental threats do you need to mitigate?**
 - *What are the negative economic trends?*
 - *What are the negative political and social trends?*
- **What is the consensus on how these trends will impact your business?**

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Step 6: Competitive Analysis

- Identify and analyze *the competitors in each of your core businesses* in order to assess the opportunities and threats you face from other businesses competing for the same business you do
 - Stratify competitors into major groupings
 - (e.g. local, national, international, factory direct, retailer, value-added reseller)
 - Identify specific threats each group poses to your business

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Identify and Assess Competitive Threats and Opportunities

- What to consider:
 - *What market niches or opportunities have your competitors missed?*
 - *What new needs of customers could you meet?*
 - *What do competitors offer that you don't?*
 - *Where are competitors about to bite you? Who are they?*
 - *Do you really have the competitive advantages you thought you had?*

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Step 7: Complete Internal Scan

- Internal scanning is a sobering look inside your business aimed at identifying and assessing your specific **strengths and weaknesses**
- **Strengths:**
 - *Why do your customers buy from you?*
 - *What do you do better than your competitors? What makes you stand out?*
 - *What are your core competencies? What's unique to you?*
 - *How can you leverage your strengths?*
- **Weaknesses:**
 - *In what areas or in what ways do your competitors have the edge?*
 - *What resources do you lack?*
 - *What can you do better internally?*
 - *Where are you losing money, why?*
 - *How can you minimize the impact of your weaknesses?*

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Step 8: Identify Strategic Issues

- What is the planning horizon of the business?
 - *How long will the business exist?*
 - For smaller and privately-held businesses the answer is often tied to lifecycle of the owners, partners or the interest expressed in continuing the business by the next generation
- Where is the business going?
 - *Is there a desire to grow, or expand?*
 - *Has the business been in decline, or is it in imminent threat of decline?*
 - *Has the business encountered a **strategic inflection point**?*

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Strategic Inflection Points

- A strategic inflection point is *a time in the life of a business when its fundamentals are about to change*
 - When a business encounters a strategic inflection point, *it is time to wake up and listen!*
- Strategic inflection points represent *full-scale changes in the way business is conducted*
 - If left unchecked, a strategic inflection point can be deadly

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Business Strategy Scenarios

Growth	Focus on expanding the business
Stability	Focus on maintaining the current size of the business
Retrenchment	Refocus the business for improved performance
Succession	Prepare the business for transfer to the next generation
Exit	Prepare for exiting (retirement or sale) or ending the business

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Factor Analysis Checkpoint

- As noted earlier, strategic planning is really about *asking yourself questions – the right questions – about your business*
 - What trends do you see in your data?
 - Are there areas of obvious strength or weakness?
 - Have you been following a plan or just going along with the market?
 - Going forward, what is your plan?
 - *How will you specifically address your business threats and opportunities*

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What's Going On In Our Business

- Where has our growth come from over the past 24 months
- Is our current strategy the right one?
- Where have recent plans fallen short or exceeded expectations?
- Are we experiencing unusual levels of attrition amongst customers?
- Are our competitors prospering or struggling?
- Are new or unconventional competitors emerging?

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What's Going On In Our Business

- Is our core business gaining or losing momentum?
- What is our point of view on the future of our industry?
 - Does our current operations and future plans align with this view?
 - Has this point of view been validated or justified through competitive and environmental analysis?
- Should major new growth initiatives be pursued inside, next to, or outside our current core business?
- Is our current business model outdated compared to our peers?

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How Are We Limiting Our Potential

- Are we achieving the full potential of our core business?
- What customers and customer needs *aren't* we serving?
- Could profits be extracted at a different point in the **value chain**?
- Might customers needs be better served by an alternate configuration of our skills and infrastructure?
- What is our vulnerability to disruptive forces in our industry or markets?

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Step 9: Define Business Identity

- Over four decades ago Peter Drucker enunciated *five timeless questions every business owner must answer* about their businesses:
 - What is our mission?
 - Who is our customer?
 - What does the customer value?
 - What are our results?
 - What is our plan?
- Answering these kinds of introspective questions are used to *define your business identity*

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Your Business Identity



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Who You Are, What You Want To Be

- Develop your **value proposition** statement
 - *A value proposition expresses how your business creates value for your customers*
- Identify and express your **business values** in terms of fulfilling **stakeholder commitments**
- Identify and codify your **business mission** as as holistically as possible
- Develop and codify a succinct and clear **vision** for the future of your business – *it should be bold and audacious, but not ridiculous!*

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Stake Out Your Position

- What do you do better than anyone else?
- How does this advantage translate into benefits for your customers?
- What proof can you show to support your claim?

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Step 10: Define Your Customer

- The most robust form of market power is derived from building high levels of customer loyalty in a well-defined market segment
 - *How well do you know your markets and your customers?*
- You must know who your customers are and who your customers' customers are!

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Who Is Your Customer?

- Build a **persona** of the *ideal customer for your business; you must answer:*
 - *What they need?*
 - *Why they buy from you?*
 - *When and how often do they buy?*
- Compile a list of your best customers
 - *Do they fit the definition of your ideal customer; why or why not?*
 - *Are they are really profitable for your business?*
- Have customers weigh in by asking:
 - *How effective are you at meeting or exceeding customer needs and value delivered?*
- There's a story behind every lost customer or opportunity; *Do you know what those stories are?*

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What Does *Your* Customer Want?

- You must know what your customers want from you and what they are (and aren't) willing to pay for
- What is your performance record with your customers?
 - Don't wait to bleed away customers; *ingrain into your business a culture a climate of understanding customer needs and of exceeding customer expectations as your everyday way of doing business*

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Step 11: Choose Your Strategy

- What issues will you address:
 - It's time to bring all of the analysis together and to prioritize your strategic business issues
- How will you address these issues:
 - Given your priorities, you must now develop specific business strategies to address your strategic priorities
 - *How will you grow, stabilize or retrench the business?*
 - *How will you diversify your revenues to reduce dependence on a major customer, or a declining market segment?*
 - *What must be done to improve your cost structure to stay competitive?*
 - *What innovations (changes) must be made to products and services that will enhance customer value (and lock-in) so we lead the market, or remain competitive?*

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Strategy is Differentiation

- The essence of strategy is differentiation—*the unique characteristics that give your business an edge over competitors*
- However, complexity is the enemy of differentiation and is the mortal enemy of profitable growth
- You can avoid this trap by *building a reusable business model that you can adapt to new products, markets and ways doing things*

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Step 12: Set Your Game Plan

- To move forward, you need a game plan; *it's time to get specific!*
- Ask: What are we trying to accomplish and why?
 - Define and align objectives using if-then thinking
- Ask: How will we measure success?
 - Clarify each objective with specific measures of success
- Ask: What other conditions must exist?
 - Identify outside risk factors, specify as assumptions, then test for validity and impact

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It's time to name names!

- For each strategic objective, you need to create a detailed action plan
 - List the actions/steps/tasks, identify resources needed, timeframes and deadlines and the responsible parties
- Make sure each strategic objective is framed as a **SMART** goal
 - *Specific*
 - *Measurable*
 - *Achievable*
 - *Resourced*
 - *Time Boxed*

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Step 13: Establish Metrics

- How will you know your strategy is working?
 - For each strategic objective, you must identify appropriate metrics that can be used to benchmark your strategy
 - Most new strategies won't be overnight sensations
 - Look for month-to-month or quarterly performance changes

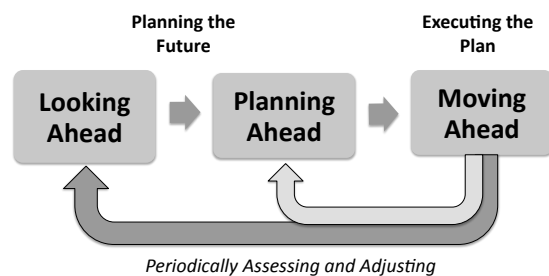
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Step 14: Execute Your Game Plan

- Going through the effort of preparing a strategic plan isn't the endgame
 - *A strategic plan requires implementation!*
- **Strategic Management** is the execution of both the overall strategic and subsequent business plans
 - *Strategic Management is a planned, deliberate way of managing your business for the future – it's about working your plan toward achieving your strategic vision*

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The Strategic Management Model



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Step 15: Assess and Adjust

- Periodically, you must assess performance – perhaps monthly or quarterly – identifying which goals are being met, and which ones are falling short
- When goals aren't reached, ask:
 - Why wasn't the goal reached?
 - If the goal was too ambitious, going forward do we need to adjust our goal, or our business strategy?

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Some Final Thoughts . . .

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Create Buy-In and Ongoing Learning

- The only chance any new business strategy has at being successful is when **everyone** in your business understands, accepts and participates in making that strategy happen – it's call buy-in or alignment
- Communicate your strategy continuously; promote your successes, reflect and learn from shortfalls

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Strategy In The Digital Age

- Both the Internet and wireless mobile technologies have changed the way we interact and transact business with our customers and business partners
- In today's connected world *every business needs a digital business strategy*
 - **You must have an online presence!**
 - Old forms of advertising no longer suffice
 - For B2C, social media is replacing word of mouth
 - Product oriented businesses *must have* online stores
 - Search has replaced the yellow pages
 - For B2B, content marketing is growing in stature
 - In many instances, online has replaced or will replace brick and mortar
- A digital business strategy *defines how you will conduct business and interact online* with customers and business partners alike
- Although the Internet is overloaded with freebies, **the digital business strategy itself is not free!**

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Who's Up Next?

- It can be said that *businesses endure while individuals move on*
- Generally speaking we want our businesses to thrive, prosper and grow forever, or least as long as we choose to be involved in the business
- That said, closely tied to both personal and business goals is the need to **prepare for the next owner through both succession and exit planning**; such planning should be an integral part of the strategic planning process

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When Bad Things Affect Good Businesses

- Strategic planning is most often associated with how we will grow or sustain our businesses
- However, it is also imperative that smaller and privately held businesses **maintain clearly established action plans for dealing with sudden, unexpected business interruptions** that might interrupt normal operations for a short or extended period of time
 - *The goal is to always to resume normal operations as quickly as possible; make your problems as transparent as possible to your customers*

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A Second Set of Eyes May Help

- *An advisory board can add an external perspective to the ongoing debate about the health and well-being of any business and in setting strategy*
- An advisory board often consists of a small group of close, trusted non-competing business colleagues and trusted business advisors
- Depending on the nature of the business, an important customer or a community member may be a helpful addition
- Remember to choose carefully, you'll be sharing your most important business information with these individuals

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Wrap Up

- **Strategic planning is about:**
 - *Asking the right questions*
 - *Anticipating the future*
 - *Being ready, willing and able to change*
 - *Leveraging strengths*
 - *Minimizing weaknesses*
 - *Capitalizing on opportunities*
 - *Mitigating threats*
 - *Making even bigger things happen!*

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***Thank you for
attending today's
session and for your
kind attention!***

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What About Bob . . .

- Robert W. Starinsky is a Business Management Consultant, Twice-Published Author, and College Educator with over *Thirty Years of Hands-On, Professional and Managerial Experience*, including stints in the Construction Trades, Financial Services, Retailing, Distribution, Manufacturing and Professional Services
- Bob has a Broad-Based Educational Background:
 - A.A.S., Marketing and Merchandising, Wright College,
 - B.S., Organizational Behavior and Personnel Management, Northwestern University
 - M.B.A., Finance, Dominican University
 - M.S., Accounting, DePaul University
- Bob currently serves as the Accounting and Finance Professional for several small businesses and a non-profit organization



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Contacting Your Presenter

Robert W. Starinsky
Management Consultant
rwstarinsky@tradewindsgroupinc.com
312-301-1629
Tradewinds Group, Incorporated
www.tradewindsgroupinc.com

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