

## Getting Started With Strategic Planning

by Joe Stoddard

It's almost 2012 and time again for annual planning. Last December we talked about establishing your financial goals for the coming year, including the number of jobs you were planning to sell, start, and finish ("Use Excel to Budget Next Year's Project Mix"). The plan revolved around five types of projects: remodeling, repair, new homes, commercial, and "other" (such as design-only jobs). Putting together a sales and income plan is critical to your success, so I hope you'll download that spreadsheet and put it to work again this year.

But what about those project types? How do you know what kinds of jobs you should be pursuing? Do you have a clear vision for what your company is and should be, or — like many contractors — do you just take whatever work walks through the door? How do you see your company fitting into your market, and — just as important — how do you want your customers to view it? If you keep getting calls for exterior painting when you're trying to concentrate on high-end kitchens and baths, there's a disconnect somewhere.

Answering these questions is the goal of another type of annual planning called "strategic planning." Strategic planning forces you to think through your company's most important issues, set goals for the year, and establish benchmarks to measure how well you're meeting those goals throughout the year. This process starts with the big-picture questions:

- Why are you in business in the first place?
- What are the best services for your company to offer?
- What are the most important improvements your business can make?

### The Top-Down Method

The top-down method is widely used by businesses big and small for strategic planning and important decisions they face throughout the year. It's a logical approach to planning in which you begin with the "big picture" and work your way down to specific action items. You can certainly think through the strategic process by yourself, but you'll get better results if you organize an annual group planning session with key people in your company. If your company is small, or consists of just yourself, you should include a handful of people whom you trust and who will give you good input —

your accountant, a past client, a key supplier. Some companies also find it helpful to use an experienced facilitator to guide the process.

### Strategic Planning Steps

Strategic planning follows a logical sequence of six steps. As you go through the process, you should never move to a lower, more detailed step until your planning group is 100 percent clear and in agreement on the previous, higher step. Some of this is common sense: You can't identify your objectives for improvement until you know what you're trying to improve. But be especially careful at the beginning to fully flesh out your "unique selling proposition" and mission/goals. Knowing who you are and why you're in business should drive the rest of the process. The steps follow, in order of sequence.

#### 1. Define your company's unique selling proposition.

In a nutshell, your USP answers the question "Why would a customer do business with us rather than our competition?" Maybe it's because your company is green-building certified, or because you offer a guaranteed delivery date. Or your houses exceed the state energy code or feature award-winning designs. Just make sure to avoid the usual clichés — "no job too small," "we do it all," "the best quality for the lowest price," and the like.

If you don't define a USP for yourself, you will be defined by default. In practice, that means someone will hire you over the competition because your price is the lowest or because you just happen to be available when he or she wants the work done. You will be competing on price or availability — not the way to build a successful business.

**2. Determine your company's mission/goals.** Every company should have a mission statement. This describes your big-picture reasons for being in business, including your company's role as a "good citizen" in the community and your personal aspirations for it. The mission statement is the litmus test by which all other company decisions are made. Examples: promoting green or sustainable building practices, or being a strong advocate for affordable housing.

**3. Identify key issues and opportunities.** Key issues are the challenges and constraints that could prevent your company from achieving its goals. Key opportunities are

advantages that could help you meet those goals. A key issue could be a lack of skilled labor in your area, or a large employer that just closed its doors. A key opportunity could be a recent influx of professional people needing housing, or the availability of properties you could remodel and resell to those professionals. Your time and resources are limited, so it makes sense to seek only those jobs that will give you the biggest bang for your buck.

**4. Establish objectives.** Once you've identified who you are, why you're in business, and what issues and opportunities are facing you, it's time to form some objectives for the coming year. Objectives are what you want to accomplish — not just off the cuff, but in response to the key issues and opportunities you've identified. Your objectives should be challenging but achievable. It's better to identify the three or four most pressing issues and actually make progress on those than to identify dozens of objectives and not act on any.

If a key issue is, say, "Uninsured com-

petitors who make it difficult to compete on deck and roofing jobs," a worthy objective might be "Identify five new 'green' products or services we can offer profitably." Note that this objective is consistent with the USP and mission examples above (USP: green-building certified; mission: promoting green building practices). Also note that the objective of identifying five new products is quantifiable and challenging but achievable. Ten might be too ambitious, while one or two would have little impact.

Objective statements should have an achievement verb, like "identify," "increase," or "establish." Objectives outline what it is you want to accomplish — not how you're going to do it, which is the next step.

**5. Devise strategies.** For every objective you write, you'll need to develop one or more specific strategies to accomplish it. Since your strategies explain *how* you are going to accomplish your objectives, they should be written with action verbs, like "begin," "implement," "hire," and "learn."

Companies often come up with overly general objectives, such as "Increase gross profit margin by 5 percent to 33 percent total across all project types." Sounds good, but how would you actually accomplish that? Here are four doable strategies:

- **Strategy 1.** Raise prices 5 percent across the board
- **Strategy 2.** Negotiate 5 percent lower costs from current suppliers
- **Strategy 3.** Investigate changing building products used (less-expensive products)
- **Strategy 4.** Meet with subcontractors to streamline construction methods for 5 percent savings

Your team should brainstorm a number of potential strategies for each objective. It never hurts to get all your options on the table, examine the possibilities, and then decide which strategies you want to actively pursue. Just because

you can do something doesn't mean you should. In the example above, you may decide that your prices are already at the top of the market, so you'd be better off skipping Strategy 1 and trying to negotiate better rates with suppliers (Strategy 2) or finding new ones.

**6. Develop action plans.** How many times have you left a conference or webinar with great intentions of implementing all the stuff you heard — but a year or two later little had changed? Without a plan of action, a strategy is nothing more than another good idea. Sooner or later, somebody has to actually *do* something. An "action plan" is just another name for a project — something that should be familiar to everyone reading this.

For each strategy you pursue, set up a "mini-project" that includes the following:

- **Resources:** The people, supplies, or equipment necessary to get the job done
- **A schedule:** A time line for completion
- **Tasks:** Specific assignments to yourself or others to move the action plan forward

Every action plan should have an assigned leader or "coach." In a larger company, this person is responsible for selecting his or her team and setting up the schedule and task list. If your company consists of just you, try to identify outside resources you can depend on to help you.

An action plan may be as simple as one or two items written into your personal calendar, or it may require a detailed checklist with assignments and deadlines. For instance, to make Strategy 2 in the example above a reality, your action plan might look like the list shown at left.

Finally, be realistic with your action plans. You wouldn't schedule your one-man electrical sub on four jobs at the same time, so don't do that to your planning group, either. Remember that everyone, including you, already has a day job.

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**Action Plan Name:** Vendor Price Negotiation  
**Objective Addressed:** Increase gross profit margin by 5%  
**Strategy Addressed:** Negotiate 5% lower costs from current suppliers  
**Action Plan Due Date:** Feb. 1, 2012  
**Coach/Leader:** John  
**Team Members:** Jane, Bob

**Task List**

- 1) Make a list of the targeted vendors: John - Due 01/14
- 2) Determine the correct contact person at each vendor:  
Bob - Due 01/15
- 3) Schedule a meeting with each key contact by phone or email: Jane - Due 01/16
- 4) Internal meeting for progress team: 01/20
- 5) Discuss potential for price lock
  - a) Faster payment terms for longer price lock
- 6) Meet with individual vendors: John, Jane 1/21-1/23
- 7) Change estimating database to reflect new product cost
  - a) Revise budgets for Work In Progress

An effective action plan lays out the tasks needed to implement a particular strategy — in this case, negotiating with suppliers for better prices. The plan leader chooses a team, makes assignments, and creates a schedule.