Strategic Planning – Missed Opportunity During Tough Economic Times

By Michael Haessly and Michael Raftery

During these tough economic times companies are faced with a myriad of challenges, ranging from changing markets and lower customer demand to higher operational and supplier costs. To address these issues many companies are taking drastic actions such as laying off employees, reducing hours, etc.

All of these actions appear to be the right things to do based on the current economic situation. However these actions are reactive and only impact the business bottom line in the short term. They do not focus on future-based activities such as how to build the business, improve market share or take advantage of the current or future markets.

The purpose of this article is to identify proactive actions that can be taken to plan for future economic growth and reduce the impact of poor economic times on the business in the future. This is the time where strategic planning is the most useful.

The basic tenants or goals of strategic planning are to provide leadership, set direction, enable resources, remove roadblocks and execute the plan.

Provide leadership

It can be very stressful in the current business climate to pull back from the daily tactical responses to your business and initiate an un-scheduled strategic planning session. In fact, it's probably the last thing your key managers want to do. History shows how companies that grew significantly after business down-turns planned for future growth and sustainability during the slow times. Such planning can have a highly motivating effect on the company. It sends the message that management is not going to react to the current business conditions by sitting on the sidelines. Rather they are going to act proactively and protect and build the business.

As you begin the planning process, make sure you involve all key personnel. This should not be just a positional involvement but include all thought leaders in all roles within the company. This process encourages two very positive reactions: It provides a real self esteem boost to the employees and it starts the buy-in of future outcomes and action plans by these individuals. One can never predict where or from whom the next "big" idea will originate.

When working through the "who" to be included in the planning process, also think about the "how" of collecting the individual ideas and feedback. A simple survey with questions of relevance and importance to your company can be used. One-on-one or focus group sessions with an outline for leading the discussion and feedback can also be effective. A key point is to match the method and questions with the culture of your company. Bottom line output is the collection of relevant, concise information on the condition of the enterprise and valid ideas and feedback from the employees.

Depending on the size of your company or division, you may end up with a large amount of information. In order to use this information effectively during the actual planning session, organize the data into categories. Use a simple spreadsheet or document table for this process. The end result is a quick reference document of the current collective wisdom that will be useful during the planning process.

One last and most important suggestion, invite one or two key non-senior staff personnel to the strategic planning session. Think of it as succession planning in action. As you grow your company you should be growing your future leaders also. It also sends a very strong message of trust and cohesion to rest of the employees. The included individuals will become the go-to people for questions and comments about the action plans. They can also become champions for specific projects developed during the planning process which spreads the strategic plan execution workload.

Set direction

Setting the proper and possibly new direction for a business is critical to follow the ever changing direction of the market in these turbulent times. A company who stays along the same course as it did before the economic downturn may find itself moving in a direction not in tune with the market when the recovery takes place. It is critical therefore to read and interpret the changes in the market so that the company can be poised in the right direction at the beginning of the recovery.

During these tough economic times the markets are dramatically shifting from what they were prior to these economic hardships. What used to be highly profitable markets and industries are now resulting in significantly lower profits or are totally unprofitable. Therefore continuing to pursue the same market that you did prior to these economic times doesn't make good business sense.

Revisiting the company's strategic plan at this time will allow the executive management to evaluate their market strategy and determine if the existing markets continue to remain profitable or have the potential for growth in the future. It also follows that strategic planning will identify markets that should be abandoned totally. As existing markets are downsized or abandoned new market opportunities must be identified and pursued.

A SWOT analysis of the businesses core strengths, weaknesses, opportunity's and threats should be performed to identify both the best opportunities for growth and where the greatest competitive threats are present. During this phase a thorough analysis of the competitive landscape needs to be performed to identify both existing competition as well as new competition from companies also seeking to improve their market share.

Once the directions of the external markets are identified, the capability of the internal Sales, Engineering, Operations, Quality/Regulatory and Supply Chain departments to meet these new markets needs to be evaluated. Sales needs to be evaluated to determine whether or not the sales force has the expertise and contacts in the new market to both understand and address the customer needs and get in contact with the key decision makers to close the sale. Engineering needs to be evaluated to determine if they have the necessary expertise and knowledge and resources to design, develop and implement the product that the new market customer needs. Operations needs to be evaluated to determine if the current production capabilities, (i.e. capacity, equipment and manpower resources), are sufficient to meet the needs of the new market. Quality and Regulatory needs to be evaluated to determine if there are any specific industry quality or regulatory requirements that need to be addressed prior to release to market. For example for medical devices one needs to be compliant with FDA regulations to sell a product in the United States. Additional regulations apply to Canada, the European Union as well as other parts of the world. Supply chain needs to be evaluated to determine if they have the necessary expertise to develop the appropriate supply chain for the new business.

Finally, as part of the strategic planning process the entire company focus may be affected and need to be updated. This could involve the development of the new company mantra, company mission statement and totally new business model. Once this new business model has been finalized the entire company needs to be both informed as well as trained in how the changes effect the day to day operations of each and every individual within the company.

Enable Resources

The next tenant or goal of strategic planning is to enable resources. These resources can take the form of manpower or FTE's (Full Time Employees), money, equipment and time.

Manpower must be evaluated to identify both areas where additional resources are needed and also where excess resources exist. In the process of changing the company's market focus , business plan changes, resources and where those resources are applied is a given. If there are opportunities for growth, where higher profits or more business stability can be achieved, personnel should be assigned to those areas. In addition, areas where the market has significantly decreased or where strategic planning has indicated no future business exists resources in those areas either needs to be reduced or assigned to those areas where resources are necessary.

Money or more specifically the flow of money needs to be evaluated to determine if there is sufficient projected cash flow and is there sufficient internal allocation of revenue to foster the growth in the new markets the company is attacking. This is analogous to a farmer ensuring there is sufficient water to supply his crops and redirecting the irrigation network to the field where the water is most needed to foster the growth of new and profitable crops. It does no good to keep funneling money into a shrinking business than it does to continue to pump water into flooded fields; that is unless you're raising rice or cranberry's where flooded fields are a necessity.

An equipment resource, with regards to type, capacity and capability, is the final resource that needs to be enabled. As the markets change the company may find that the equipment that it currently utilizes does not meet the needs of the new market. The equipment may simply be the wrong type and no longer needed. If it is needed somewhere else in the company, move it to where it is needed. If it is no longer needed convert the Equipment resource in to the Money resource and get the correct equipment. If the equipment is the correct type but just doesn't have enough capacity then some Money resources need to be converted into some Equipment resources to raise the capacity up to a level to meet the market demand. Finally, if the current equipment is not capable of producing the product to the necessary precision and/or quality requirements then the need for improving or acquiring new equipment needs to be evaluating; again converting money into equipment.

Finally the last resource is Time. Unfortunately, Time flows forward at a constant rate and no amount of planning will change the level or flow of time. *If anyone figures out how to change this law then the authors would like to partner with that person in the development of a new business.* However, all is not lost. What can be managed is the use of that Time by the application of the other three resources in this section of this article. Simply put the amount of Time required to complete a task is usually inversly proportional to the amount of other resources applied to the problem. Obviously, there comes a point where excess resources cause gridlock and bring the project to a grinding halt. This rarely occurs now since most companies do not have excess resources to cause this phenomenon. In that case you probably wouldn't be reading this article.

Overall the resources; Manpower, Money and Equipment need to be balanced and optimized to meet the demands of the new market. In addition to be balanced the resources also now need to be more flexible today than they were for past markets when a company set up a machine and an operator and let them make the same part for the next few decades. Today's markets demand flexibility of resources and hence the development of cellular manufacturing and one piece flow.

Remove Roadblocks

One of the last steps prior to executing the plan is to identify and remove roadblocks which, by definition, will adversely impact on the successful completion of the strategic planning process.

One of the first roadblocks is negative thinking which tries to derail the strategic planning process by highlighting all the reasons why the plan won't work. This is not to say that all reasons for the failure of the plan have been eliminated. On the contrary, there may be valid reasons for a plans failure, however these are recognized by the plan and managed throughout the execution of the plan,

Roadblocks may range from the opinion that the proposed plan will "never work" to "we tried that before and it did work then". Both of these opinions may stem from past history or possible bad experiences caused by poorly laid or executed plans. Negative opinions may also be due to the "not invented here" or "not invented by me" syndrome. In either case all ideas need to be evaluated based on their merit and not on past history or who came up with the idea. Some of the best ideas are those that have been tried before and failed due to different market and business factors at the time or have been proposed by the lowest level of the organization which has direct day to day experience with the operation or processes needing improvement. Another reason for these negative opinions may just be a simple fear of change (i.e. it's better to stay with something we know, even though it is less than optimal, rather than take a risk on something new)

Another roadblock is continuing to maintain and carry unprofitable businesses or operations. Many times these are sacred cows which cannot be killed due to either past customer history or who decided to pursue this business or implemented this process long, long ago. (*See previous roadblock*). The author has seen problematic product designs which were maintained even though the rest of the industry had made improvements and moved on. This resulted in the waste of millions of dollars. It was only after the retirement of the senior executive that the design group was free to pursue the best practices of the industry. As a result of this design freedom, quality went up, costs went down and there was an overall increase in customer satisfaction. Again, base the decision to eliminate unprofitable processes or businesses based on sound economic data and not on ancient history or what executive made the decision to pursue this path long ago. To be fair with senior executives, many of the strategic plans and the resultant processes or businesses may have made sound strategic sense, one, five, or ten years ago. But with the dramatically changing markets and global economy those that no longer make economic sense need to be jettisoned.

Perhaps one of the more difficult roadblocks to deal with is the unprofitable customer who may have a long history with the company. This customer may have started out as profitable and either through market changes or other effects has become unprofitable, where unprofitable may mean no net cash flow or a business that is running below the desirable profit margin that the company has targeted for customers. In these instances, part of the strategic plan needs to deal with the divestiture of these customers in order to support the new business direction. This does not mean to summarily drop the current customer and as a result negatively impact their business. As part of this plan, the company must consider the needs of the customer and work with the customer in transitioning to a new supplier. This additional effort will pay off in good will and also leave the door open to possible future business with not only this customer but other customers as well. Word of this type of transition support will go throughout the industry as fast as the new of poor supplier service but will lead to future opportunities within the industry.

Unproductive/unqualified personnel are another internal roadblock to executing the strategic plan. As new markets, processes and businesses are pursued by the company there may be some personnel who are no longer capable for supporting that plan and direction. In many cases retraining is possible to bring personnel up to speed with new technologies and new practices. However, if there is a significant shift in strategic direction, there may be a need to identify and recruit new personnel who are capable of supporting the vision and the plan and divesting those whose capabilities and strengths do not support the plan.

One final roadblock is conflicting business priorities. An example is a plant with two supervisors. One supervisor is in charge of raw materials and subassembly manufacture. Their goal is to reduce inventory. The second supervisor is in charge of finished product assembly and delivery. Their goal is to maximize manufacturing efficiency and improve on-time delivery. In other words, the first supervisor is rewarded by reducing inventory and is not rated on their effect on finished product delivery. In effect, the first supervisor is successful when they impact the second supervisor's goal and the overall performance of the company. This is an example of conflicting business priorities which pull in opposite directions and adversely impacts the business. Another more sinister example of conflicting business priorities is when there are two or possible three number 1 priorities. In these cases there is a constant battle between the multiple number one's, and sometimes, multiple two's and three's. Although it appears to be obvious, there should only be one number one priority, one number two and so on for each business group, individual, etc. In this way the allocation of resources becomes very clear and unarguable and the projects move forward in priority order.

Execute the Plan

At this point in the process, you should have a list of projects and initiatives that will propel your business over the next months. The real key to successful execution is prioritizing the planning items into a chronological list that will provide maximum impact for the enterprise. The first rule of strategic plan execution is to only pick the top three to five items on the list. Three is better and five is the maximum any company can hope to complete within an effective time frame. Remember, less is more. If you have large or complex initiatives, it's best to break them into manageable sub-projects so you can assess just how much time should be allocated to their completion. This exercise leads to the second rule of execution: prioritize the initiatives, projects or sub-projects into quarterly time buckets. Determine what needs to be completed in the next 90 days in order to successfully execute the strategic plan. In today's fast-changing business world, the three month window provides the company with a series of quick, planned successes and the opportunity to make strategic course corrections in a disciplined manner. At the beginning of each quarter the team reviews the last quarter's projects and results and sets the next quarter's strategic path by establishing the next set of projects to complete. The third rule is to not over-extend your available resources. It's safe to assume the usual "go-to" personnel are already quite busy with the tactical running of the company. If you had the opportunity to invite key non-senior staff personnel to the planning session, they could be part of the talent pool you will need to complete the projects. Or they may be able to offer insight into identifying other associates who are capable and willing to take on an extra project.

"*You get what you measure. Measure the wrong thing and you get the wrong behaviors*." - John H. Lingle.

Before releasing your three to five projects or initiatives to the prospective leaders, make sure you have answered: What is the number one measurable result you need to achieve from this plan that will drive all the other desired outcomes? Or what is the key weakness in your business model that must be fixed? After determining what this result must be, decide how each of the quarterly initiatives or projects will contribute to attaining this desired result. What is the key result that each must provide to make the plan successful? If a key result is not in alignment with the number one measurable result, why not? Has the team defined the correct outcome for the initiative or project (measured the right thing)? Is it a stand-alone key project or initiative? If yes, does it need to be included in the strategic plan in order to be completed? Could it place strategic projects at risk by tying up finite company resources? Do not allow scope creep to devour precious company resources. This process of aligning the projects with the number one measurable result provides a framework for departments and personnel to define and execute appropriate tasks or small projects that will support and enhance the strategic plan.

Now you have your plan, you have your initiatives or projects and you have your corporate alignments in place. All that's left is to complete it right? Statistics say it probably will not go as planned. So you need to set up one final and essential framework to ensure success. Set up weekly and monthly feedback sessions where the individuals responsible for each initiative or project give progress reports to senior management. It should be presented in person and should include concise information on each project. The weekly report-out should include progress made to milestones, budget update and requests for assistance for anything that is blocking the anticipated progress of the project.

This weekly session provides timely opportunities to make appropriate course corrections by senior management and/or the project leader. The monthly session should include the same report-out information with the addition of a strategic review of the initiative or project. The senior team should assess the current business conditions as they pertain to a specific project and make any appropriate course changes. With today's ever changing conditions, it would not be too surprising to find a very viable initiative or project become non-essential or even non-value-added to the company. Bottom line is not to let any initiative or project become misaligned with where the company needs to be to in order stay sustainable and competitive.

At the end of the quarter, the senior team reviews the completed initiatives and projects and utilizes this data along with review of the strategic plan to identify which projects should be executed in the next quarter. The execution process described above then becomes iterative and dynamic.

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