TRENDS / SOLUTIONS

Strategic Business Planning

Without a solid strategic plan, a company could become a house of cards overnight.

by Mark Stromberg and Randy Hunt

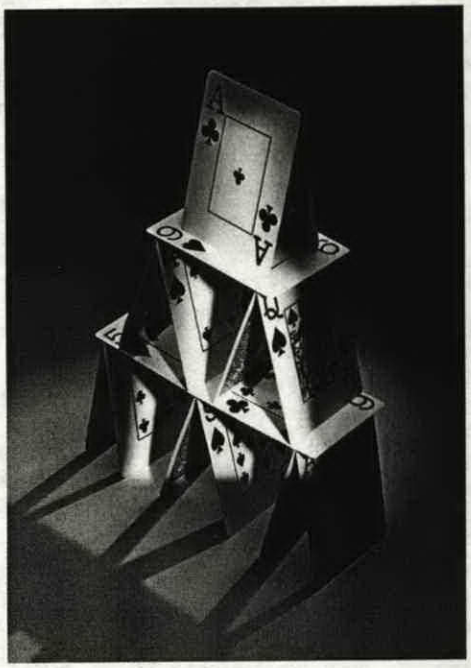

PHOTO BY TIMOTHY THIMMES

Over the past 20 years, corporate America has spent enormous amounts of resources on passing off hot fads like total quality management, 360-degree feedback and employee empowerment. Attention has been given to downsizing, resizing, re-engineering, restructuring, consolidation, acquisitions, mergers and global expansion. E-commerce has also been a major topic in recent board meetings.

Value has been gained in implementing these initiatives at select times. However, without first creating a strategic plan, all of the key business cards a company might lay down first — establishing hiring policies, training methods, best practices' standards, purchasing policies, distribution tactics, expansion plans and exit strategies — could come tumbling down. Without a solid strategic plan, a company could become a house of cards overnight.

What A Strategic Plan Should Provide

Overall, a strategic plan should provide you with a coherently designed blueprint for your organization. It should be simple enough that both managers and employees can easily follow it. And it should be defined by a set of long-term goals and broad action programs supported by short-term goals and specific action initiatives.

An effective strategic plan should also help you determine where your business is going by asking questions like: What business(es) are we in? What business(es) should we be in? What is our competition?

Also keep in mind that strategic business planning should become the single most important management issue for the next several years of your business.

Key Components in Strategic Planning

There are several major components that make up an effective strategic business plan:

1. Formulation of a Business Strategy

The best business strategies are developed only after several hours of detailed discussion and debate by key company persons on the scope of your business. In this discussion, include a comparison of your existing products, markets, geographics and unique competencies to your vision of what you want those to be in the future. Look at any potential challenges in shifting from your current business scope to your envisioned future business scope.

2. Broad Action Programs

Once you have identified your current and potential business scopes, and the possible challenges in shifting from one to the next, create a set of broad action programs to overcome those challenges. Broad action programs span the life of the overall strategic business plan and outline solutions to overcoming certain challenges. There are steps that can further help you in creating your broad action plans.

First, create a segmentation matrix, or chart, to help you outline your final product, market and geographical strategies. Having these elements in a strategic matrix allows you to quickly and easily identify your business goals.

Then, conduct an environmental scan, which examines outside market trends that your company has little control over, but that could impact your business success. Some of these trends might be government and environmental regulation-related.

Next, a meticulous evaluation of your internal business systems can help you measure your company's capabilities against its competitors. Scrutinize both your company's strengths and weaknesses. In the evaluation, also remember to include management, planning, finance, quality control, sales and marketing, customer service, operations, logistics, technology, human resources and procurement systems.

Creating your broad action programs so they span the life of your strategic business plan will make the plan flexible enough to respond to changes in your business scope and help realize ultimate business goals. Effective broad action plans will also counteract external threats and exploit external opportunities, correct internal weaknesses and capitalize on strengths, and suggest priorities for allocating valuable resources.

3. Strategic Budgeting

Once you have developed a solid business strategy, and designed broad action programs to help you meet the challenges in implementing that strategy, it will be necessary to set up budgets to prioritize and allocate funding to the plan.

The power of strategic business planning is in allocating resources to the areas that have the most promise. Very few companies can afford to do everything they would like to. The ability to effectively allocate resources is the primary result of strategic budgeting.

Instead of simply extending past budgets into the future, develop an intelligent budget — one that allocates funds necessary for the development and deployment of new initiatives. This is distinct and separate from the operational budget, which allocates funds for maintaining the existing business base. Many strategic plans fail to include the vital component of an intelligent budget.

Once your strategic budget has been developed, have it approved by key persons in your organization. Approval ensures the plan will actually be implemented, and not shelved.

4. Specific Action Initiatives

A specific action initiative is an action taken to meet business goals. Another vital component of strategic business planning that is often overlooked is the assignment of specific initiatives to specific managers.

No matter how good your overall strategic plan is, if you do not assign specific action initiatives to specific managers for execution, the plan will be wasted.

Specific action initiatives should actually support the broad action programs outlined during the development of your business strategy, but be shorter in duration than the life of your strategic plan.

Items to include in developing specific action initiatives are a description of the action; statements of priorities, costs and benefits; a scheduled completion date for the action; the manager responsible for executing the action; a procedure for controlling the execution; and a statement defining the performance and goals to be achieved by the manager.

5. Implementation

Once the overall strategic business plan has been completed, budgets approved, and managers assigned to their specific duties, present the plan to employees, suppliers, clients and shareholders. A viable strategic plan is very impressive when presented properly. It can provide a sense of security to key parties. Investors and shareholders will become more assured that their money is being correctly handled, while employees, suppliers and clients will gain a new sense of security and professionalism by being exposed to the plan.

6. Annual Review and Update Schedule

Since most strategic plans cover a time period longer than one year, it is essential that major reviews take place on the plan's anniversary date to ensure that even minor adjustments can be made. Regardless of the industry, annual, semi-annual or even monthly reviews should take place. Companies that do not have strategic planning departments might even enlist a third party to assist them in this vital process.

7. Navigating the Plan With Passionate Leadership

Finally, an effective strategic plan can only be successful when navigated by passionate leadership, and supported by employees' commitment. At the end of the day, it takes people to carry out the plan.

Business fads come and go, but a good, solid strategic business will help you meet your short- and long-term goals. It will ensure that your marketing plans, best practices, policies and systems — all the necessary business cards you'll need to play — will operate more effectively. The results will be a solid business, built to withstand the winds of change and sustain competitive advantages, increased revenues and profits, and higher shareholder value. UB

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Financial Windfalls

HOW TO HANDLE UNEXPECTED WEALTH

by Bryce E. Olson

ILLURATION BY GREG RAGLAND

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1 for Uncle Sam's Share

Before you start spending or investing
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dentify your options and to determine
potential tax bite on your money.
re's no income tax on gifts or inheri-
es, but lottery payoffs and other wind-
s come with important tax implications.

Should you have the option to take your windfall in a lump sum or in a series of payments, a CPA can help you select the right alternative. For example, by rolling a 401(k) lump-sum distribution into a self-directed IRA at a bank, brokerage firm, or mutual fund company, you can remain in a tax-deferred situation until you start taking distributions. And although you may not be able to shelter lottery winnings, with professional advice, you can lower the tax bite on the money your windfall earns for you. In any case, a large windfall is likely to push you into a higher tax bracket and intensify your need for tax planning.

Invest Wisely

After you've established short- and long-term financial goals, you can begin to develop strategies for putting your money to work. Your objective should be to devise an investment plan that preserves your capital. If you're not experienced in managing a large sum of money, seek advice from an investment advisor or financial planner who is well qualified and trustworthy, such as a CPA who is accredited as a Personal Financial Specialist (CPA/PFS).

Working with this individual, your first step will be to create an asset allocation plan that includes not only your new fortune but also your home, your retirement plans and other existing investments. Then work with your advisor to build a sound portfolio by diversifying your assets among a variety of appropriate investments. To minimize risk, don't treat your windfall as an excuse to ignore the basics of prudent investing and the need to diversify your investments. Finally, using your financial goals as a basis, your advisor can tell you how much you can prudently take each year from your financial windfall.

Just Say "No"

It's likely that friends, relatives and charities will make it important for you to learn how to say "no," or at least "not yet." Don't allow yourself to be pressured by those looking for a handout until after you have identified your goals and have a financial plan in place. If your winning is public knowledge, you also should be prepared to deal with a deluge of "can't lose" scams.

Review Your Estate Plan

Proper estate planning is critical for

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