

## **The Strategic Plan**

The strategic plan provides the basic focus and guidelines that drive the business planning process. It covers a multi-year period and provides a long-term perspective for your business and furnishes the business with a decision support framework to be used year around.

Strategic planning is a fundamental requirement of any successful business. It establishes and communicates direction and vision for the organization to follow, and allows management to respond to unexpected opportunities in your market place.

Although no plan can detail every step along your future path, your plan can provide clear direction for the planning period. You should identify two or three strategic initiatives for the planning period. Success with these will enable you to achieve your business goals. To support your strategic plan, you will need a plan (operating plan) that describes how you intend to support the initiatives over the next 12 to 18 months.

Small businesses are not scale models of big businesses; they are characterized by resource poverty and dependence on a fairly localized market. Their greater vulnerability to the consequences of a lack of focus stresses the importance of their strategic plan.

### **Critical Success Factors**

Before we begin a Strategic Plan we should examine our objectives for the plan. Here is a set of suggested factors that are critical for success:

1. Developing a market-oriented customer focus.
2. Improving productivity at all level of your business.
3. Staying focused, following your plan, and re-evaluating your plan, as needed, to meet the changes in your business environment.
4. Staying close to your customers.
5. Maintaining recognition as a "Marker Leader" in your target market.
6. Providing a strategic vision and tactical focus that enable each team member to clarify their role in contributing to achieving your plan.
7. Valuing and supporting an environment that encourages and rewards risk taking, maintains high ethics, and supports personal development.

8. Having a plan for managing accelerated changes to ensure orderly business operations are maintained.
9. Striving for excellence in all aspects of your business.

### **Developing the plan**

The strategic plan defines the company's "competitive edge," that **collection of factors that sets the business apart from its competitors** and promotes its chances for success. It requires a clear evaluation of the competitive business climate and an intimate knowledge of the market for the entrepreneur's product.

The foundation for the strategic plan is a clear mission statement for the venture. Addressing the following questions can assist in developing this statement:

**What business am I in?** The answer to this question is not as simple as it seems. A good example of an industry group that failed to take a broader view is the railroads. If they had viewed their business as *transportation* rather than *trains-and-tracks*, then the airlines would be named *Union Pacific* and *Illinois Central*.

**Who is our service intended to satisfy?** What customer needs are being satisfied? How are these needs being satisfied, that is, by which of our methods or products?

An important strategic option is in how we **price our product** (as a price leader, value leader, or prestige product). Another choice can be the particular “**niche**,” or subset of the market, we seek to serve.

Once we have set internal objectives, we must examine the external and competitive environments in which we will be trying to achieve them.

The **external environment** consists of those factors that are largely outside our control, but affect the market for our product. Examples of these factors include general economic conditions, regulations, technological developments, and consumer demographics and attitudes. This environment is very dynamic, but some attempt must be made at projecting its changes.

Analysis of the competitive environment must begin with consideration of whether there are any **barriers to entry** of a new competitor into the market. How strong is consumer loyalty to existing brands? How important are economies of scale; can a small independent firm compete?

Barriers to entry include: Are capital requirements prohibitive? Is there some proprietary technology that puts prospective entrants in a serious competitive disadvantage? Is access to some materials or to distribution channels limited in some way? Are new entrants limited by permit restrictions or regulations?

The **competitive structure of the industry** is another important consideration. Are there a few dominant firms, or is the industry fairly fragmented? Will current competitors attempt to

"punish" new entrants, such as through a price war, heavy advertising, or exercising their clout with key suppliers? Is there some geographic niche we can serve? What factors create cost advantages or disadvantages? How important is a firm's position on the learning and experience curves? How are prices set? Is demand rising, even, or falling? Are there exit barriers that raise the risk of entry?

Can buyers perform the services themselves? Do they have a wide choice of vendors? Are there less expensive or superior substitutes to our service in some segments of the market?

These are certainly not easy questions to answer, but performing the research to make better informed decisions, and addressing these questions "head-on" can improve our chances of success.

## **Resources**

Within the briefs format all we can provide is an overview. For detailed information see:

*Free Management Library*

[http://managementhelp.org/fp\\_progs/sp\\_mod/str\\_plan.htm](http://managementhelp.org/fp_progs/sp_mod/str_plan.htm)

*The Strategic Planning Process*

<http://www.quickmba.com/strategy/strategic-planning/>

*If you would like to request a Cincinnati SCORE counselor please [click here](#), for a Dayton counselor [click here](#)*

## **Disclaimer**

The information contained in these briefs is for general information only. While we endeavor to keep the information up to date and correct, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to the information, products, services, or related graphics contained in the briefs. Through these briefs you may be able to link to other websites which are not under the control of SCORE therefore the inclusion of any links does not necessarily imply a recommendation or endorse the views expressed within them. Any reference from SCORE to a specific commercial product, process or service **does not constitute or imply an endorsement** by SCORE, SBA, SCORE Chapter 34, SCORE Chapter 107, or the United States Government of the product, process, or service or its producer or provider.