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Professional Remodeler

Shifts in Strategy

Kimberly Sweet, Editor -- 3/1/2004

Why would a remodeler with a business plan, a marketing plan and an operations manual need yet another stack of paper in the form of a strategic plan? And what's the difference, anyway?

"Without a long-term strategic plan, you feel like you're chasing a rabbit around, and you can't put a finger on what you're doing," says Mike Benshoof, vice president of SMA Consulting (formerly Steve Maltzman & Associates) in Colton, Calif. "I equate business change to someone who decides they want to run their first marathon. They run out and get shoes and shorts and run every day for a week. They say, 'That was too much' the second week. The third, it's a distant memory. It's the rocket-thrust approach. Strategic planning says, 'If I've never run a day in my life, I can be ready to run a marathon in 10 months.'"

A business plan typically includes a budget, a financial plan, an operational overview and the company's resources, from employees to equipment. A strategic plan focuses on big-picture, long-term issues and outlines realistic paths to achieving critical goals, including specific tactics, time lines and people and capital required.

Elements of a strategic plan

There is no one strat plan format, just as there is no one business plan format. SMA Consulting, which does financial and management consulting for remodelers and custom builders across the country, advises that every business have a long-term plan and a business plan as well as a strategic plan. Benshoof and Maltzman say the strategic plan should address the who, when and how of the goals set in the two other plans.

"The business plan should be a part of weekly or monthly reviews of your operational performance," says Benshoof. "The strategic plan keeps us constantly referring back to the business plan."

The Small Business Administration takes a broader approach. The SBA-sponsored paper "Strategic Planning for the Growing Business" outlines these components of strategic planning:

- Developing a mission statement
- Determining your firm's philosophy
- Determining your firm's goals
- Setting objectives for achieving goals
- Analyzing the present and forecasting the future of the economy, your competition and your industry
- Assessing your information and data needs
- Analyzing your internal business

The paper, written by professors Scott Safranski and Ik-Whan Kwon of St. Louis University, suggests that the business and strategic plans complement each other, with the business plan specifying the business mission, external and internal analysis, and any problems.

The common components of any guide to strategic planning are to base the plan on data, not instinct, and to be specific in developing tactics for executing your strategy and measuring their success.

Questions to ask

1. **What are my personal goals?** For many entrepreneurs, business and personal goals are inextricably linked. So are finances, at least when it comes to the owner's salary and retirement. "If you're going to own your own company, for heaven's sake, figure out what you want the company to do for you," Benshoof advises. "Too many people think about how much money they want to make next year, not how they're going to retire 20 years from now."

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- [Steady, Planned Growth: A Strategy in Progress](#)
- [Diversification and Fluctuation: Intuition Hits and Misses](#)

2. **What business am I in?** Do you create beautiful homes? Help homeowners live better lives? Find new uses for outdated buildings? The answer will help determine your company's vision, mission and values statements, if they aren't already written. These provide the foundation for all decisions. Goals, strategies, tactics, processes, systems and people all should be aligned with the company's mission, vision and values.
3. **Which key drivers make my business successful?** Identify in broad terms your company's essential success factors. Satisfied customers and profit growth should make every remodeler's list. Quality products, high-level craftsmanship, satisfied employees, efficient operations, fast production times and differentiation through design are other possibilities.
4. **What's our SWOT?** SWOT stands for strengths, weaknesses, opportunities and threats. Benshoof suggests doing a SWOT for business, strategic and long-term planning. It could be applied to the business as a whole or to a specific action: adding a 401(k) plan or hiring a new estimator. You can do this as a simple grid with four boxes (see matrix).

Getting Started on a SWOT Matrix

Strengths (internal)

- What are your advantages?
- What does your company do well?
- What are your existing capabilities and resources?

Weaknesses (internal)

- What does your company do poorly?
- Where do you lack or underuse resources (talent, knowledge, manpower, tools, equipment, software)?
- Which internal obstacles prevent the company from achieving its goals?

Opportunities (external)

- Which market and consumer trends offer new service, product or sales opportunities?
- Which technology trends can improve operations or service?

Threats (external)

- What obstacles do you face?
- What is the competition doing?
- Which market trends threaten your company's position?
- Are changing customer needs threatening your position?

Data to gather

Without a clear picture of company history and current status, it is difficult to determine realistic strategies and short-term goals to get the company to its ultimate goals. Researching market trends and the competition could require telephone calls, Internet surfing and library time. Seek input from trusted clients, subcontractors, suppliers and noncompeting peers. Various experts suggest a wide range of data to compile; common recommendations follow.

1. **Financial history, current status and forecast.** Ideally, this is already a part of your business plan. Items to include: revenue, margin, net profit, labor costs, material costs, marketing costs. You should be able to make accurate short-term financial predictions based on indicators such as incoming leads or changing costs. Other resources can help provide insight: for example, economic forecasts from the National Association of Realtors and the NAHB, quarterly earnings reports of major local employers or existing home sales reports for the region.
2. **Revenue and profit by service or project type.** Again, this already should be part of your business plan because it helps identify the most profitable projects, the loss leaders and the true losses. For each service or project category, look at its growth potential as well as the historical and year-to-date figures for the key metrics mentioned in No. 1.
3. **Customer analysis.** Who are your clients? Potential clients? Clients responsible for the most profit? Clients responsible for the most referral and repeat business? Good lead tracking will provide this information and allow you to identify new opportunities as well as segments where you might be wasting effort. Items to include: age, income, profession, location and other demographic factors; commonalities; current and future needs of existing clients; current and future needs of prospects; and broader behavioral and purchasing trends on local and national levels.
4. **Market overview.** Factors that define a market include industry, region, client base

and business model. Items to include: your company's market share, economic drivers affecting your market, national remodeling trends, local or niche remodeling trends, trends in consumer demand or behavior, labor trends and supply chain trends.

5. **Competitive analysis.** Keeping an eye on the competition will help you identify threats to your business and areas where you can really set yourself apart. Items to include: each competitor's brand positioning or value proposition, its market share, its strengths and weaknesses, and any trends.

Putting it all together

In their 2002 best-seller, *Execution: The Discipline of Getting Things Done*, authors Larry Bossidy and Ram Charan stress the importance of linking people, strategy and operations. Strategic planning, they write, must focus heavily on "the hows of executing the strategy," and the resulting document must serve as an action plan. For the plan to be realistic, they add, you must have the right people in place (or figure out how to get them), and the people who will own and do the work should be responsible for developing the plan.

Draw on employees in critical positions across departments. For a small staff, you might include all employees or a combination of key employees and outside help such as accountants or marketers. The team can help gather data as well as participate in strategic planning meetings to hash out the details of the plan. Sometimes using an external consultant or a member of an advisory board can spark creative thinking.

You'll want to discuss the data and the problems and possibilities that have cropped up in everyone's mind as a result. Which immediate obstacles need to be eliminated? What low-hanging fruit do you want to pursue? Make a list of these major issues and ideas, and prioritize them. You'll need to develop strategies for each of these issues, including short-term, midrange and long-range goals and tactics. These form the guts of your action plan. Remember to keep each item in the plan specific, realistic and measurable.

For each initiative, include its goal; its owner; how the strategy relates to company success drivers and the mission, vision and values; milestones with due dates and assigned responsibilities; measures of success (quantitative and qualitative); and estimated cost, revenue and profit.

Executing the strategy is often much harder than creating the plan. That's why it's so important to assign responsibilities and hold everyone accountable, including yourself. Regular progress reports against the plan, whether monthly or quarterly, will help in identifying new obstacles and opportunities that arise, and allow the company to adjust accordingly.

For more information

- *Execution: The Discipline of Getting Things Done*, Larry Bossidy and Ram Charan, Crown Business
- Small Business Administration, www.sba.gov/managing/strategicplan/splanning.html
- SMA Consulting, www.smaconsulting.net/presentations.html
- *Strategic Business Planning*, Ron Huntington, BuilderBooks.com

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