**A STRATEGIC PLAN**

**Mission Statement**

The first step in the strategic planning process is an assessment of the market. Businesses depend on consumers for their existence. If you are facing a rapidly growing consumer base, you probably will plan differently than if your clientele is stable or shrinking. If you are lucky enough to be in a business where brand loyalty still prevails, you may take risks that others cannot afford to take. Before you begin to assess the market, it is important that you complete a careful assessment of your own business and its goals.

**Defining Your Business**

A primary concern in defining a mission statement is addressing the question "What business are you in?" Answering this may seem fairly easy: however, it can be a complex task. Determining the nature of your business should not be strictly tied to the specific product or service you currently produce. Rather, it must be tied to the result of your output--your social function--and the competencies you have developed in producing that output.

**Your Firm's Philosophy**

Once you have defined your mission statement, the next step is to define the firm's basic philosophy. Such a statement will help explain to your employees and associates how you would like to see the firm operate. Are you a risk taker, or would you prefer to build your business slowly from a solid base? How will you relate to customers, suppliers and competitors? What type of community involvement do you plan for your business, e.g., participation in recycling and volunteer activities? These questions, and many more, need clear answers to help your employees make operational decisions and conduct themselves in a manner consistent with your wishes. Much has been written about this concept in business literature under the term corporate culture. A clear explanation of your business's philosophy in the mission statement will provide a basis for the development of a consistent business culture.

**Your Firm's Goals**

The next step is to set clear goals to guide and maintain the business on a path consistent with its mission. Daniel Robey provides an excellent list of the key functions of business goals. To summarize his comments, goals serve to:

* Justify or legitimize the organization's activities.
* Focus attention and set constraints for member behavior.
* Identify the nature of the organization and elicit commitment.
* Reduce uncertainty by clarifying what the organization is pursuing.
* Help an organization to learn and adapt by showing discrepancies between goals and actual progress (providing feedback).
* Serve as a standard of assessment for organization members.
* Provide a rationale for organization design.

**Objectives to Achieve Goals**

Accomplishing a goal requires establishing and achieving several specific objectives, which must

* Be clear, concise and attainable.
* Be measurable.
* Have a target date for completion.
* Include responsibility for taking action.
* Be arranged according to priority.

An objective to the above-stated goal could require that the dispatcher develop a route structure capable of providing three-hour service to any area within 20 miles of the city's center, with the service beginning within six months.

* Adapt your objectives directly to organizational goals and strategic plans. Do not assume that they support higher level management objectives.
* Quantify and target the results whenever possible. Do not formulate objectives where attainment cannot be measured or at least verified.
* Test your objectives for challenge and achievability. Do not build in cushions to hedge against accountability for results.
* Adjust the objectives to the available resources and the realities of organizational life. Do not keep your head either in the clouds or in the sand.
* Establish performance reports and milestones that measure progress toward the objective. Do not rely on instinct or crude benchmarks to appraise performance.
* Put your objectives in writing and express them in clear, concise and unambiguous statements. Do not allow them to remain in loose or vague terms.
* Limit the number of statements of objectives to the key result areas (for your business). Do not obscure priorities by slating too many objectives.
* Review your statements with others to assure consistency and mutual support. Do not fall into the trap of setting your objectives in a vacuum.
* Modify your statements to meet changing conditions and priorities.
* Do not continue to pursue objectives that have become obsolete.

**Environmental and Industry Analysis**

In determining appropriate goals, you will need to consider the position of your business within its industry and the broader business environment. Several trends may affect your business prospects. Examples may include shifts in population (e.g., the purchasing status of "baby boomers"), trends in the economy, technological developments, legislation (e.g., safety or antipollution regulation) and the activities of special interest groups. As you clarify your mission and goals, you will find that some factors are important while others may not require your attention.

**Information Needs**

The most important consideration in developing an effective approach to forecasting and planning is the development of your information system. In the world of personal computers, you may equate information systems with microchips and programming, but the concept as used here is much broader, referring to the way you gather, screen, analyze and use information that may affect your business. This guide is part of your information system. You are using it to inform yourself of modern approaches to managing, improving and possibly enlarging your business.

**Internal Business Analysis**

Once you've begun to collect the necessary information about your external environment, you will be able to consider how to best fit your business into the situations that surface. To do this you must clearly understand the strengths and weaknesses of your firm. For a long time, people assumed that small businesses were always at a disadvantage because they were small. Today, there are few commercial areas that don't have room for smaller competitors if they are focused and efficient.

**Finalizing a Plan**

When you have a clear grasp of the competitors, customers, suppliers and situations you face, and you combine this with a realistic understanding of your own strengths and weaknesses, you can develop a strategic plan with a strong chance of success. You may decide that you have the strengths to compete with other businesses "head-to-head" in their best markets. You may choose to target a market that has not been touched by your competitors. You may see opportunities to influence local or state legislation in a way favorable to your needs. Or you may realize that you are constrained by a combination of circumstances that severely restrict your opportunities and leave you only limited chances for success. You should, however, under any of these scenarios, be able to make better choices.

**The Business Plan**

The business plan is a succinct document that specifies the components of a strategy with regard to the business mission, external and internal environments and problems identified in earlier analyses. A business plan is not written each time a modification to a strategy is made. It should be written when you develop a new venture or launch a major new initiative. The business plan serves several important purposes:

* It helps determine the viability of the venture in a designated market.
* It provides guidance to the entrepreneur in organizing his or her planning activities.
* It serves as an important tool in helping to obtain financing.

**Implementing The Strategy**

Implementation is usually thought of as something you do at the end of the strategic planning process. "Okay, now we have this strategic plan; let's do it." If you think about what has been discussed in this guide, it becomes apparent that you will be considering the practical problems of implementation throughout the planning process. Frequently, a suggested alternative will be rejected because it would be difficult to implement. Or a preferred approach to marketing or production would be beyond the financial means of you or your investors.

**Standards**-These are your specific operative goals. The need to carefully set clear and measurable goals was emphasized earlier. (The processes of planning and controlling are most closely related for this reason.) Cautiously interpret how well your business performs relative to your goals. It is too easy to assume that, if you are not meeting your goals, the business simply is falling short. You also must reassess your original goals. Are the goals reasonable? Is it possible that you overestimated the firm's capabilities? Has something changed in the environment--a new law, a new competitor, an economic downturn that has completely changed the playing field? If, for whatever reason, your goals are now too high, your employees, if forced to continue to pursue them, will become exasperated rather than motivated.

**Measurement**- control systems must include quantifiable measures for monitoring performance. The lack of effective measurement systems is where control systems often fail. If you can set performance standards for profits and units produced, if you can tie standards directly to the goals of the plan, then building an effective measurement system is less difficult. Unfortunately, there are many tasks, particularly in management, that are difficult to assess. The output of these tasks, while critical to the overall success of the plan, is not usually measurable in clear units. Payoffs often only come after a long interval.

**Corrective measures** - corrective actions must be carefully directed at the cause of discrepancies between planned and actual results, and the cause of problems is often very difficult to identify. It is fairly easy, for example, to blame an individual worker for goal failures. However, in complex business systems, where labor and sophisticated technology interact, production systems require careful coordination by managers who must deal with vast amounts of information. In the modern business world, it is becoming harder to identify the source of problems with one agent.

**Summary**

Strategic planning has become more important to business managers because technology and competition have made the business environment less stable and less predictable. If you are to survive and prosper, you should take the time to identify the niches in which you are most likely to succeed and to identify the resource demands that must be met. In larger businesses the steps outlined in this guide may be carried out by teams of experts or may involve the interplay of ideas among hundreds, even thousands, of managers. These guidelines are equally applicable to the entrepreneur sitting down with several key employees to discuss what can be achieved in the next two to three years, and what it will cost. The amount of time spent on each step and the resources devoted to this process will vary greatly from business to business, but it is vital to understand and employ these steps. The questions in the self-assessment questionnaire below will help you recall the steps involved in developing a strategic plan.

**Self-Assessment Questionnaire**

* Have you developed a clear sense of direction or mission?
* Have you clearly defined the nature of your business?
* Do you have a clear philosophy for conducting your business affairs?
* Are your business goals obtainable?
* Are your objectives logically related in a hierarchy that will lead to goal achievement?
* Are your objectives clear, measurable and tied to goal achievement?
* Do you periodically reevaluate your objectives to be sure they have not grown obsolete?
* Have you developed a logical and planned approach for collecting data on your environment?
* Are data stored or filed in ways that allow easy retrieval of useful information?
* Are reports produced that are seldom or never used?
* Do you periodically review your information system to make certain it is useful and up to date?
* Can you list four or five key strengths of your business?
* Are you aware of key weaknesses in your business?
* In developing your final strategy, did you consider three or four possible alternatives?
* Are you involving your employees in planning decisions?
* Did you take time to communicate the final plan to employees and deal with their concerns?
* Is your timetable for implementation of the plan realistic?
* Have you scheduled definite checkpoints for assessing progress toward goals?
* Have you developed effective ways of measuring progress?