

Strategic Planning: The Path To Competitive Advantage

Written by Tom Northup December, 2005

CEOs of small to medium sized companies often do not plan effectively. If they have a vision for the future, it is poorly defined and is not the product of the best thinking of the management team. Their plans all too often change on whims.

Successful CEOs understand that strategic planning using the combined experience, education and perspectives of the management team is a highly effective means of developing focus in management and competitive advantage in the marketplace.

Organizations managed by a specific plan significantly out-perform less well managed organizations. In one study of small to mid-sized companies of equal capabilities, companies with strategic plans were 40% larger than those without such plans, had slightly fewer workers and thus, 45% higher revenues per employee. (Figure 1)

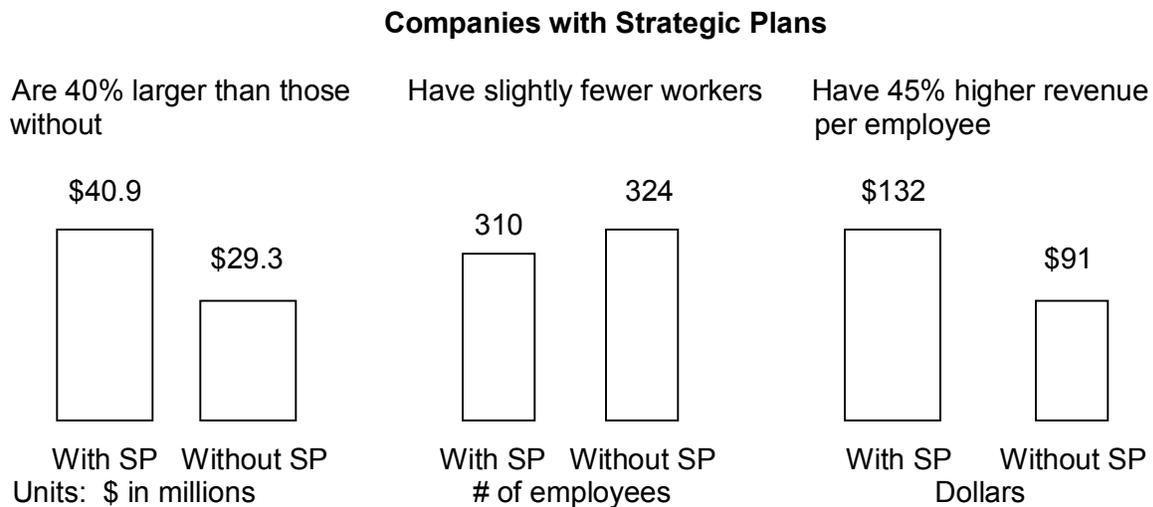


Figure 1

The message is clear: Strategic planning and focus is fundamental to creating a significant competitive advantage.

Strategic Plan

A strategic plan is the basic foundation of the company, providing a concrete frame of reference for making decisions about how to compete in the market place. It includes a clear outline of the functional and financial assets and system requirements needed to achieve the plan.

Strategic thinking leads the company to consider the business from the point of view of the customer's reasons for buying products or services. A strategic plan identifies the key success factors the company needs to implement to achieve plan goals and identifies how to develop these into core competencies.

Strategic planning isn't about tactics. It is the fundamental thinking behind other plans and must not be confused with an operational plan, which states where the company is now and where it is going.

For example, in 2002 a residential construction framing business had about 50 employees and revenues of \$2.0 million per year. Management studies isolated three key industry success factors: pre-planning projects, enhanced customer service and high quality training of framers. The company developed a strategic plan to develop these into core competencies.

The plan implementation resulted in outstanding project efficiency and quality. Four years later the company expects revenues of \$34 million with over 250 employees. The company's industry reputation now precedes them with primes calling them with jobs.

Best Thinking

Successful CEOs understand that effective strategic planning draws on their employees' wealth of knowledge gained from differing professional interests, experiences and perspectives. Organizational best thinking works at a far higher level than individual best thinking because group interaction enhances creative thinking, causing individuals to rise above personal limitations and biases. When many individual gems of wisdom and experience combine, they form a creative base of high level experiential knowledge.

Outside Facilitators

Most CEOs have little experience leading strategic planning sessions. Those who do have such experience find it difficult to develop true team best thinking because the natural tendency of the team is to follow the CEO's direction.

For best results, high-level strategic planning requires use of an outside facilitator. Skilled facilitators know how to bring out the best from all participants. As neutral parties, they stand outside the political and hierarchical environment, giving them the ability to help fragile thoughts blossom to the highest level. Using proven systems, they ensure that the company's plan is the product of the team's best thinking and that the team has complete buy-in.

Benefits of Strategic Planning

In a world with compressed business cycles, new technology, international competition and lightning information availability, running a business is ever more difficult and challenging. To remain competitive, leaders, without the luxury of time to think, must react quickly to outside influences or be left behind.

In this environment proactive strategic planning is fundamental to the overall success of the organization. Strategic planning:

- Develops strategic understanding and focuses company direction. Focus drives performance, performance drives results.
- Raises the company's competitive advantage in its market place.
- Builds personal motivation among management by allowing them to personally contribute both emotionally and intellectually.
- Brings members of management teams together so that they become change agents, not change critics, working together for the good of the company.

Summary

Strategic planning is fundamental to developing competitive advantage.

In today's challenging business environment companies must proactively react to change or be left behind.

These changes are often not just directional but transformational. For example, international price competition can cause companies significant problems or even failure. Most CEOs don't have experience in dealing with such challenges.

Using outside experts to facilitate strategic planning will lead to the greatest results. Effective CEOs understand their personal limitations so they build alliances with experts who can help them navigate the path to the future. By establishing these alliances they create the results and success they desire. They ensure that they have available best thinking based on the experience, education and perspective of the management team.

The effective CEO doesn't look at strategic planning as a discrete event to be accomplished periodically. The CEO's highest payoff activity is to embed strategic thinking into everyday management thinking. He asks, "What can I and my team do to think more strategically every day?"

Since successful CEOs want to generate sustainable results over time, they use effective planning to focus their efforts on the right activities, which greatly improves the opportunity for success.

"There is nothing more wasteful than becoming highly efficient at doing the wrong thing." Peter Drucker