

Tips for Better Strategic Planning in the Smaller Company

We get a lot of questions about how to adapt strategic planning to smaller companies. The model itself was initially developed for companies with 50-500 employees, but has been used with great success in much smaller companies as well as Fortune 500 companies. This being said, there are a few tips we can offer which will make the process work much more effectively in the company with under 50 employees (or one with a very limited management staff).

There are several key differences between doing strategic planning in a business with 10 employees and one with 100 employees. First, the team is likely to be smaller, and contain people with greater front line responsibility. The sales manager might be the only salesperson, and the operations manager probably does a significant part of the operation. Even the CEO in such an organization is likely to have a big chunk of time required for routine sales, operations, and financial functions. It's also quite likely that there is no distinction between sales and marketing in the smaller company, and that some overhead functions, like IT, finance and HR, are largely or completely outsourced.

The second key difference is that the smaller company obviously has less resources to invest strategically, in terms of both time and money. This limits the strategic options available, which is a negative, but also makes the necessity of focus easier to understand, which is a great positive.

The third important difference is the availability of resources for the planning process itself. While it might be a good choice, it is a significantly more difficult investment for a small company to invest a few days of management time and thousands of dollars in any process.

Given these three key differences, here are some important tips for making the strategic planning process effective in a smaller organization:

1. Keep the team small — while 6-8 people is ideal for a 100 person company, 3-5 is likely to be better for smaller companies. Make sure your team represents the three points of the Tension Triangle - the market, finance and operations. Also, of course, make sure the CEO (or in some cases, owner) is fully involved in the process.
2. Don't have too many market segments — we routinely work with 5-10 segments in most client companies, but 3-5 is a good number in smaller companies. Remember, while you lose some ability to focus on specific customer behaviors, fewer segments also means less time is necessary for the planning process. A benefit of reducing the number of segments you use is that you may end up forcing yourself to focus more.
3. Skip some of the less critical parts of the process — in past years, we have skipped some parts of the process with clients in order to focus on the most critical issues. While this can be dangerous, you might consider not doing the following exercises in a smaller company: Supplier Market Assessment (1.3), Significant Regulations (1.6), Other Assumptions (4.3), How Can We Shoot Ourselves in the Foot? (5.3), and Mission Statement (6.1). You can also save time by combining Measures of Success (2.3) with Goals (6.2), and reducing the number of Strategic Issues (5.2) you examine.

4. Understand you will have next year to tackle another set of issues — It's a good idea to do a great job understanding and dealing with a limited number of strategic issues each year. Some of the most successful smaller companies I know have a "theme" for each year - one year it might be sales, the next year it might be quality, margins, or employee development.

5. Push yourself — and your team — to keep the strategies as focused as possible. A two million dollar company CAN play in a billion dollar market, but it's much more likely to succeed in a ten million dollar market. Always ask the question "Can we realistically expect to dominate this market in five years?".

6. Don't have too many objectives — We often see 6-10 objectives in larger companies, but smaller companies will be well served to have 3-5 objectives. If you finish these off, you can always start to work on the next set of objectives earlier.

7. Pay much closer attention to implementation — Because there aren't resources dedicated to strategic activity, routine functions will always demand a higher proportion of your team's time in a smaller company. This means you will need to be very careful about allocating time to action plans, and must be highly disciplined about having monthly monitoring of action plan progress in order to keep the ball rolling.

8. Outsource as much as you are comfortable with in the process itself. It's hard enough to learn how to be the best at the things your company does, so consider outsourcing at least some of the planning process and possibly the market research to people who do those things professionally.

Remember, strategic planning should be viewed as a routine part of your year, rather than a separate event, so make sure the process fits into your normal business cycle with a minimum of hassle. If you use these tips, you should be able to get through the process described in our seminars in a reasonable amount of time and get tremendous benefit.

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