



Every Business Needs Strategy to be a Winner

by R. Thomas Stocker

There are those who would like you to believe that your financial statements are the most important thing in your business next to having a game-changing product or service. But that is just not true. Having and using a strategic plan is more important, especially in the current economic environment. Getting *timely* financial statements is very important, but your financial statements are the score. They are a trailing indicator of your business; you can't change them, only react to what already happened. Your financial statements should be the indicator that confirms what you already know. What makes your strategic plan so important is that it is the roadmap vital for you to reach your goals and it reduces business risk.

You see strategies unfold in every sporting event you watch. The teams that win the most are the best prepared. You will not find a team in a championship game that hasn't spent countless hours building their game plan beforehand. They didn't get there by chance. They are able to anticipate and adjust to conditions that affect their planned tactics as the game progresses. Obviously the team with the best execution of their planned tactics wins.

Like the best professional sports teams, "A" companies of all sizes use strategic planning as part of their normal business process. They actively use and update their strategic plans to build annual tactical plans and use their financial results to measure their effectiveness. This proactive approach allows them to anticipate when conditions change and make necessary adjustments to their tactics in order to reach their strategic goals. Those that are good at the process don't wait

for their financial results. They keep moving forward and use the results as an affirmation of their progress.

Unfortunately, a very disturbing fact is not all companies have them. The less sophisticated or informal your company is, the less likely you use strategic planning. And even if you do have a plan, is it written down, how often is it used, updated, shared or followed? I see many business and strategic plans in my work. Unfortunately, many are done poorly. Strategies are more tactical than strategy, unclear and the financial projections, (if there are any), don't reflect the same results as the words.

Not having a strategic plan is analogous to jumping in your car to go somewhere far away you've never heard of before without consulting a map, planning a route or even taking a map or GPS with you. (And if you are a guy, you WON'T ask for directions along the way). What are your odds of arriving there with the least amount of effort and cost or arriving there at all? It would be a whole lot easier if you planned first and took a map or GPS with you.

You probably built a business plan when you first started your business to get funding or because an advisor suggested you needed to. You may not have thought about the internal benefits it provided, but it helped focus your thinking about what you wanted to do and what the results would look like for the next three years or so. It helped you figure out what to do first and provided a basis to measure your success. I suspect as you started executing, whether you looked at your plan again or not, it influenced your initial actions as conditions changed or progress didn't

happen for you as soon as you would have liked.

Recently, there has been a fundamental shift in outsiders' perspectives on what is most important in order to understand how healthy and risky your business is, whether you are talking about your banker, investor, potential acquirer, vendor or customer. They all want to know how risky your business is. Until September 2008 strategic plans rarely emerged in the top five evaluation factors. Since that time a new order has emerged. Comfort with the management team is now at the very top, followed by the strategic business plan.

What does this mean to you? A lot. Confidence in your management team is important for obvious reasons. Have they been through a downturn before and what were the results? Does the outsider know and trust them? What is the team's plan to drive the business forward? Is the plan credible?

If the outsider evaluating you believes in your team and that you were on the right track financially before this recession, your current and future plans only make that outsider more

comfortable that internal business risk is under control. But if the outsider is someone not familiar with you or your business, your strategic plan becomes significantly more important for them to understand your thinking and to trust your ability.

Internally, strategic plans will help make your business stronger and your personal workload significantly easier. When your employees are part of the planning process they understand the roadmap and goal. As a result they can help devise the tactics to reach the goal and can help make new or additional goals that can enhance your company's value. Unfortunately, this is a ready, willing and able resource many private business owners do not take advantage of. (If you do not have these resources, that is a serious and different problem).

Whether you don't have a strategic plan, have one that is out of date or keep it under lock and key, reconsider that decision. You are the coach and owner, and like professional sports teams, a coach without a plan can't prepare, won't attract top talent, build a winning team and can't win. The score will always reflect that.

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About the author; Tom is a Principal of Boardroom Advisory Group, LLC, an owner advisory and consulting firm. Tom serves on the Board of Directors for the RI Economic Development Corp's Small Business Loan Fund Corporation (SBLFC), the finance arm of the RI EDC. He writes a monthly article for the RI EDC's Every Company Counts initiative. His articles focus on topics that are of practical value to business owners. Contact Tom directly at 401-451-9799 or tstocker@boardroomadvisorygroup.com.

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