

# STORY RELEASE

## STRATEGIC PLANNING How to Get it Going

**It is important to understand that all contractors can gain a significant strategic advantage with planning that will impact the bottom line.** The results may not be immediate, as a lot of planning is about future positioning. Strategic planning provides direction for annual business planning, and also for marketing, as strategy drives marketing.

Strategic planning is also all about opportunity. When an opportunity comes along, what do you do with it? One way to determine what level a company's planning is at is to take a close look at how a company makes decisions as to a new opportunity. Is it a gun shot reaction like, "Do It" or a reaction like "That doesn't make any sense."

Or, is the new opportunity put through different filters based upon their strategic plan. Is the opportunity actually evaluated within the scope of their existing business framework, their ability to perform, manage the project or opportunity, and/or the actual potential profitability when compared to an alternate investment? Every company will have a different outcome. The reason being is that companies are looking for a different fit. One construction company may be niche driven, and looking for synergy between their niches. Another company may market the way they deliver construction services and look at ways as to how an opportunity can be leveraged.

### **Types of Plans**

Before I go further, let me distinguish the differences between a strategic plan, a business plan and a marketing plan.

A strategic plan provides direction for a company and its employees for three-to-five years based upon developing a company strategy of where your company wants to be in terms of positioning in your market place. It's a reflection of a corporate vision for your company coupled with a strategic analysis of your market, your strengths, your key factors for success, and how you deliver construction services. A strategic plan may or may not be driven by company growth in terms of dollars. It might be driven by being positioned as an expert in a market niche – such as restaurants. Or, you may want to differentiate yourself as to how you provide construction services. This could lead you into an area referred to as branding. The strategic plan is developed through conversations, as your management team is lead through a strategic process.

The plan includes pro-forma financial statements projected from three-to-five years out, and an implementation plan of the activities that need to be accomplished.

The business plan says, based upon the strategic plan, this is what we are all going to do this year to work toward accomplishing the strategic plan. The implementation portion of the plan is much more detailed and can provide a backbone for performance reviews. A business plan, used properly is a management tool – it's meant to be used throughout the year as a guide for managing the business. The financials are one-year proforma financials month-by-month.

A marketing plan is what you are going to do this year to support the business plan, and in turn, support the long-range objectives of the strategic plan. You can't stop marketing because there is not a business plan or a strategic plan in place, but a well thought out strategic plan will change in subtle ways the marketing of your company.

### **Planning Model**

In the course of developing different plans, I developed a model that shows how these different plans relate to each other. I tie them all together with something I call Market Positioning. It's all the "stuff" in a plan such as Missions Statements, Vision Statements, SWOT Analysis, Issue Analysis, Descriptions of Board members, etc. In this way, all of the plans draw off of the same core information. This is very important part of planning. Many companies have independent plans prepared by independent groups of people, or individuals, and as a result, lose an incredible opportunity for developing cohesive company plans. For example, it's just as important for marketing to know what Operations is doing, because it will make a difference as to how the business is presented.

The model shows that starting with a strategic plan, and then preparing an annual business plan and then a marketing plan makes a lot of sense. As a company's strategy will change and influence marketing, it should really be done first. However, by using and developing the plans the way the model shows, you could develop a marketing plan first, and then later come back and develop a strategic plan or a business plan. But the advantage is you would be using the same core information that will serve to tie together the plan into one unified statement.

### **Strategy Development**

Strategy is all about growing a business or maintaining a certain level business, or a certain percentage of market share. There are only seven ways to grow a business:

- **Market Penetration; current services, current markets**
- **Market Development; new markets, current services**
- **Niche Development; become the expert**
- **Service Development; new services, current markets**

- **Backward Growth; acquire suppliers**
- **Forward Growth; acquire the competition**
- **Concentric Growth; marketing synergies with existing services**

Developing a strategy is the guided process of sifting through all of the growth possibilities, and then determining what is going to dominate or what you "are" as a firm. What makes one contractor different from another contractor is the areas where you concentrate your resources.

### **Strategic Planning Checklist**

- Develop a "Core Management Team" that represents all areas of your business
- Target an off-site meeting for strategic planning
- Develop a 'homework' assignment, as everyone should put some thought into the
- Develop a meeting agenda and follow it
- Use a facilitator
- Review Goals and Objectives
- Review Financials
- Discuss SWOT and Issues
- Discuss and review Strategic Options
- Discuss the competition as they represent work you are not doing
- Think in terms of future positioning, not tomorrow
- Discuss implementation including responsibility assignments and time line
- Document everything in your strategic plan

As an example, design/build is a popular way of delivering construction services, and is the reason there are so many design/builders around today. This group of contractors has decided that the way they deliver construction services is where they are going leverage themselves into the market. They have decided that by participating in the design process early-on will get their foot in the door before others, and give them the best shot at building the project. They have also determined that the market is favorable for this type of delivery system, that they have the expertise and knowledge, and therefore spend their resources promoting this to the target audience that will use this service. That is strategy – a chosen course of action that provides significant competitive advantage.

### **People always make the difference.**

Now, the next step is a bit more difficult. Once you have selected that component that makes you different, you compete head on with all those contractors who have also chosen the very same strategy. In construction you will find that most contractors combine the different growth strategies in ways that other contractors can't duplicate, and then promote those differences in an effort to gain a competitive edge.

For example, three design/builders are short listed in a negotiated work project. They are all about the same sizes, have presented a number that are all about the same, and all represent firms that are about the same size in staffing and annual revenue. In the final phase, all are interviewed and one comes out the winner. Why?

There are two important reasons why one contractor is the clear winner. First, going back to the seven different growth areas, the winner may have combined the way they deliver construction services with being a niche player, or one who is considered an industry expert; i.e., expert in food processing and manufacturing. Now, if everything is an equal, and they are the only ones that have a clear expertise in food processing and manufacturing, they are without question going to get the project.

Second, people make the difference. It's people who grow your business. Many times, people are actually what makes the difference between one company succeeding and another failing. I asked one CEO what he did and how he spent his time, and his reply was "I find good people and let them do what their good at." People always make the difference.

What's so important to understand is that planning becomes a constant check and balance system as you figure out the different growth areas and where you are going to spend your resources that will give you that one competitive advantage. And in order to implement, you have to have good people.

### **Company Culture**

The wrong reason to do a strategic plan is to do it because a consultant says it's the thing to do. The main reason why strategic planning works is hidden in the strategic planning process. The origin of many business challenges often is deeply rooted in a company's culture. Strategy, marketing, operations, finance, project management, human resources, and other areas of a construction company often are only reflections of that company's culture. There is always resistance to change. The dynamics of a true strategic process is that people began to understand what the company culture is all about, and take ownership of their own areas of responsibility. When this happens an immediate transformation takes place, and as a result, the company is suddenly much more productive. The result is bottom line improvement.

This company renewal can only happen within a strategic process guided by someone who knows and understands the construction environment, understands the dynamics of the planning process, and can actually produce the plan that will lead to implementation. This transformation leads to enhanced communications by everyone.



### **Other Reasons for Strategic Planning**

There are other reasons why a strategic plan should be considered:

- It's a management tool that is used to manage the business
- It's an employee motivation tool as their participation motivates them to accomplish the plan's goals
- It's a source for solving problems
- It's a well tested refined business methodology
- It provides a framework for all the departments to work out internal conflicts
- Your competition is doing it

Construction companies usually compete using the same sets of values, i.e. on time and on budget, and this is a losing situation. Companies need to create advantages so the prospect seeks you out well before other contractors even know about the project. This strategic advantage must be marketed – sometimes in very subliminal ways.

**Construction Peer Group Corporation is a national peer group management company that creates competitive free environments for construction professionals to meet and exchange ideas and seek solutions for improvement.**

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