Taking On Strategic Planning

People in industrial manufacturing companies do not generally communicate with long narrative reports or plans. In fact, technical people often communicate in spreadsheets, board drawings, and emails

By Mike Collins
Strategic planning has been a popular method of planning taught by business schools, but for all practical purposes, it has often not produced the results that are implied by the name.

Professor Brian Quinn from Dartmouth summarizes the problem best when he says, "A great deal of corporate planning is like a ritual rain dance. It has no affect on the weather that follows but those who engage in the dance think it does."

Before detailing my take on practical planning in next month's column, I will examine what I see as the weak points of the strategic planning process, in relation to small and medium manufacturers (SMMs).

Mission/Vision/Values Trap

In many cases, defining the mission, vision, and values of the company simply leads to generalizations that are not actionable. Statements about global leadership, valuing trust and integrity, and providing superior quality and service are simply platitudes that make people feel good.

What is missing are the short, goal statements that set the direction for the company and give the managers the specific direction to execute their part of the plan. These statements include those defining growth, sales, new customers, market share, cost reduction, new products, and profitability.

SWOT Analysis

The strategic planning process typically begins with a SWOT Analysis. SWOT means defining the strengths, weaknesses, opportunities, and threats, and originally was meant to include both internal and external information.

SWOT was designed to include information on customers, markets, and competitors gathered by external research methods. But more often than not, SWOT is an exercise that is internally driven. Based on the manager's perception of customers, markets, and competitors, SWOT often uses historical and internal information- not real, external data. It is subjective, and sometimes creates an inaccurate picture of what is going on in the market.

Financial & Internal Information

Reviewing historical financial information in the income statement and balance sheet can be very helpful but it is not enough.

For instance, what if a cursory review reveals that sales and profit are declining, and cash flow is awful? Should the plan be stopped until the reasons for these symptoms are totally explained?

A second, often-overlooked issue is cost and margin information. This point cannot be emphasized enough because smaller manufacturers often do not have good cost and margin information. Too often strategic planners accept the financials that are available without digging into the implications.

The third issue is knowing why the company is losing orders. Understanding why a company is losing customers or orders is obviously strategic to any growth plan. However, a "Lost Order Analysis" is seldom used as a strategic planning tool.

If the primary objective of a growth plan is to increase sales by finding new customers and markets, or creating new products, manufacturers must know where and why they are making or losing money on current customers, jobs and products.

Top Down Planning

Many strategic plans are developed by top management and as top down processes- meaning top management decides the major goals, the specific business objectives, and often the strategies.

The reality is that at this stage, the real planning that will lead to implementation of the plan should just be beginning. The detachment of top management from bottom management, and from thinking to doing, is what has killed off many good plans. When top management design the plan, they often don't get "buy-in" from the people who will execute the plans.

In his 35 years in manufacturing, Mike Collins has helped

companies make the transition from being defenders-focused on process change and cost-cutting-to prospectors-focused on finding new markets and profitable growth.

Developing Strategies

Before you can decide on new strategies for sales channels, new products, pricing, promotion etc., it is wise to first ask each department which obstacles or problems they must overcome before they can achieve company goals.

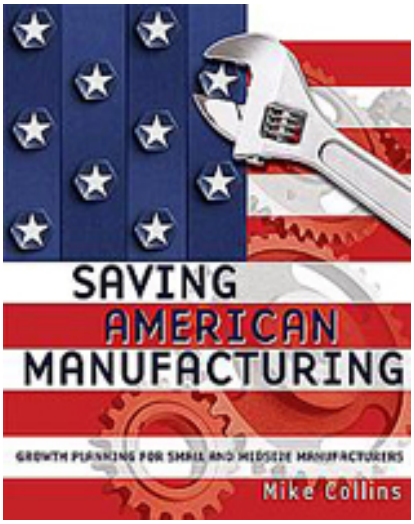
As obvious as this sounds, many strategic planners decide the strategies first and ask the managers last.

Implementation And Defining

Implementation is the step where even well conceived plans break down. Most strategic plans are devoted to "what" the company wants to happen and not to the details of "how" it will happen.

Implementation requires that the plan be shared and known throughout the company, and that problems and solutions are broken down into specific tasks.

Plans Are Written Reports



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Another serious weakness of some strategic plans is that they are written in narrative form. Process and paperwork can strangle the planning process and limit the company's ability to react to changes.

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long narrative reports or plans. In fact, technical people often communicate in spreadsheets, board drawings, and emails. Suffice it to say, the more succinct the plan is, the better chance you may have of communicating and implementing the planning ideas.

Next: A plan designed specifically for SMMs- The Quad Plan.

*Mike Collins is the author of **Saving American Manufacturing**, a comprehensive step-by-step strategy that demonstrates how to ultimately become an organization that will continuously find new opportunities in today's fast-changing global economy.*

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