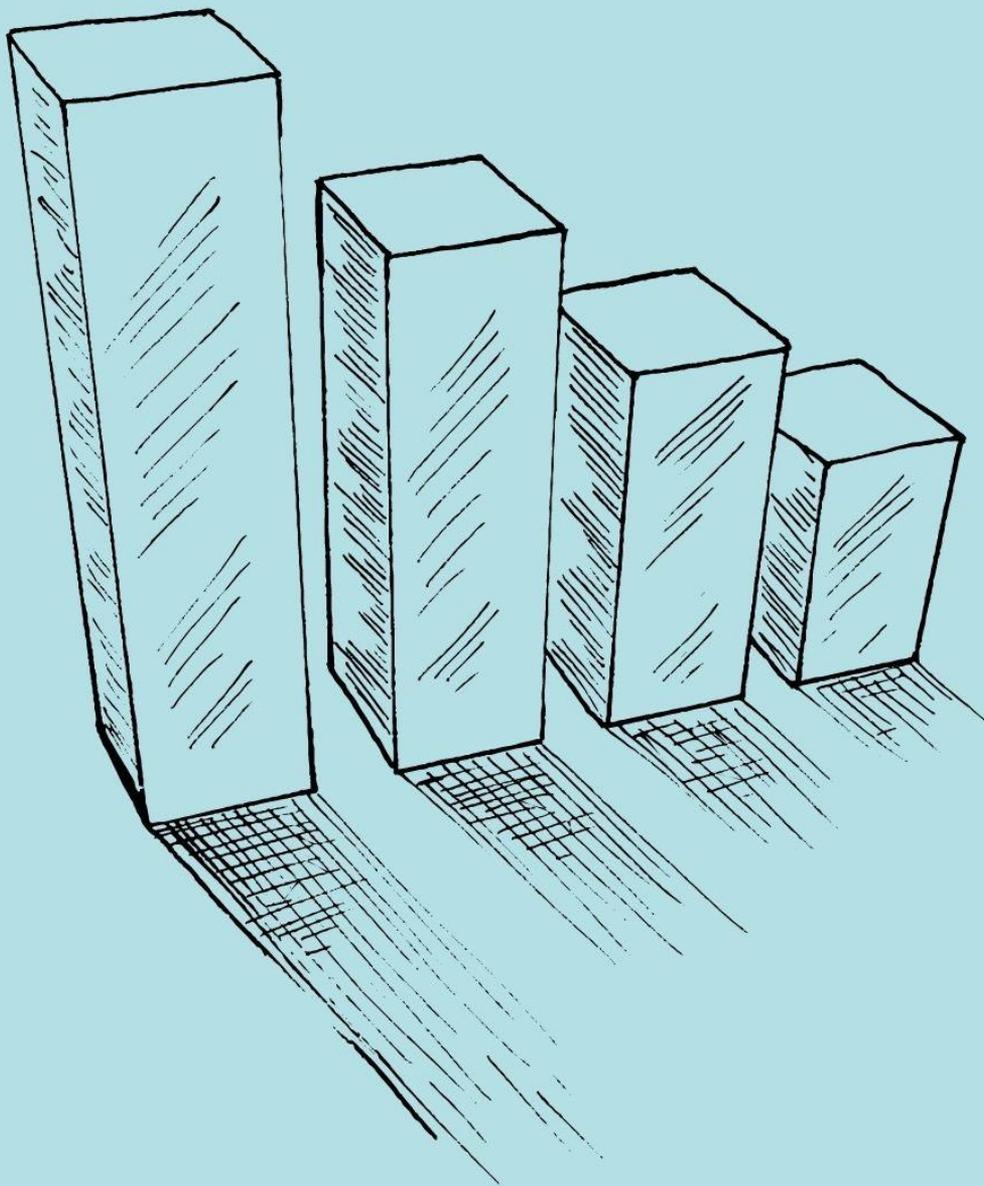


How To Construct A Strategic Plan



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There is an awful lot of confusion about what is (and what is not) strategy. Unfortunately, much of the coverage of strategy is way over complicated. In reality, it is simply a guide to how to get from A to B. I suggest that is something every small business needs. I provide a simple framework to follow to build your own small business strategy and plan.

What Is Strategy?

In essence, it's simple. Let's take an example. Let's suppose in the next year you want to publish your first book on Amazon. That is your goal.

To achieve your goal you calculate you will need to write 2,000 words per day, six days a week. That is your objective. It is quantifiable and time-limited.

Your strategy is how you are going to achieve that objective. Where are you going to work? What proportion of your time will you spend on research?

Crucially, a strategy is also about dealing with obstacles. How will you lockout distractions? If you know you are prone to procrastination how will you deal with that?

Finally, there are tactics. Will you use paper or a computer? Will you use a sign on your door when you are working to prevent the kids from breaking in?

A Starting Point

Let's assume you have an existing business. Rather than sit there and stare at a blank bit of paper, start with this - why do you do what you do? If you are a small business owner the alternative would be to work for someone else. It would be a lot more secure, less stressful and it may pay as much so why don't you do that - there must be a reason. Write it down. This is the why.

Next, what is it that drives you day to day? Is it family, is it a need to be recognised for what you do, is it self esteem, is it money or is it you have ended up in a position where you have no choice? Whatever it is, write it down. This is the driver.

Don't worry if there is some overlap between your why and your driver. All you are trying to do at this stage is to get a basic framework in place you can then build on.

The final step is to write down these four questions. Two on each side of a piece of A4 paper leaving plenty of space under each question.

1 What fundamental product or service do you provide? - *The Deliverable*

2 Who needs that product or service and why? - *The Need*

3 Who else delivers a product or service that meets that customer need? - *Competition*

4 Given question 3 why should anyone buy from you? - *The Core*

The deliverable is your core product or service. For example, your company could clean commercial and residential properties. If so the core service is cleaning services, there is no need at this stage to break it down any further.

If your product/services are more distinct then you need to perform a separate exercise from this point forward for each. For example, you could do house renovation work and mould remediation work. These services satisfy a different customer need.

The definition of your deliverable should be short and succinct. You need to get to the essence of what you do.

If answers to the four questions come to you immediately scribble them down. If not, it doesn't matter. Now fold up that piece of paper and take it (and a pencil) everywhere you go for the next week. As you go about your daily business ideas will pop into your head. Pull out your piece of paper and scribble them down under the relevant question.

At the end of the week take out your notes and try to pull them into some sort of order. You should have six headings. The why, the driver and the four questions. You may only have one or two bullet points under each heading. That is fine, you don't need fluff, you need focus.

If you intend to start a new business then the above should be the starting point for your research. The answers to the above questions plus your value chain should give you a strong indicator if you have a viable business concept (or not). Your deliverable (including pricing strategy) must be properly defined before you continue.

When finished, keep your key questions paper close. It is too easy for a strategy exercise to wander off track. You have to maintain a focus on the key issues. Keep referring to your key questions paper. It will pull you back to what is important. We will return to deliverable, need, competition and core - particularly the core.

Why Geography Is Important

It is important to define the areas you will cover. Do you only operate locally or nationwide? Specifically, what areas do you cover? If you are currently local but you aim to go national that is fine but that needs to be an input to your strategy. The way local firms operate is different from national firms.

Defining Your Goals

Remember your goal is your finish point. It is where you want to get to. Depending on your circumstances you may need to define long and short term goals. For example, your goal may be to sell your business and retire. But if you are in your early forties that goal is a long way off.

It is still the long term goal, but it is impossible to plan that far ahead. Therefore, you will also need some shorter-term goals. These should be staging points on the way to the long term goal.

Your 'Why' and your 'Drivers' feed into your goals. They limit their scale and scope. Check back to make sure your goals match your why and drivers. If they don't everything else that follows WILL fail.

Goals are more than statements and need some fleshing out. Your goal might be to sell your business but sell it for £1 or £1m? I guess it is the latter. Write your goals with sufficient detail so you can go back to them and immediately grasp what you are trying to achieve. You do not need lots of detail (that comes with the next stage - objectives) but you need enough to make it an identifiable target.

It is fine to be ambitious but your goals also need to be reasonable. Otherwise, all your goals will do is knock your motivation. Your goal could be to reach £2m turnover in two years. If in the first year you do £10k then all the £2m target will do is knock your belief system and self-esteem.

There might be good and valid reasons why you only do £10K in the first year. It might be part of the plan. Amazon made huge losses early in its history but they had a plan (and investors signed up to that plan). The point is your plan should match with your (quantifiable and time-limited) objectives.

Really term goals you will need to break into sub-goals. Standard practice ten years ago was to plan for the next five years. Now a realistic target is two to three years maximum. The world moves too fast to plan any further out. Sub-goals should be steps on the way to a long term goal.

With your goals in place, it's time to move on to your objectives.

What Are Your Objectives

In broad terms what are you going to need to do to achieve your goals? These are your objectives. They must be quantifiable (1000 of) and time-limited (by August 2022). It is best to start with your goals and cascade downwards, defining objectives as you go.

It takes time to complete this process and it is unlikely you will be able to complete it in one sitting. Make a start and draw out your objectives.

Keep editing until it all makes sense. Don't worry about how you are going to achieve those objectives, that comes next. Do not get drawn into writing down how you will achieve something, that is a tactic, not an objective.

As you move through the strategy process you will continually come back and revise the previous step until everything matches up. If you either get stuck or feel you are wandering off at a tangent refer back to your six questions sheet. This should give you the guidance you need on what is important.

Next comes the interesting bit. There will inevitably be roadblocks that could prevent you from achieving your objectives. How will you deal with them?

What Are The Roadblocks

Many of the standard texts on strategy gloss over this bit (or ignore it altogether). You have your objectives. All you need to do is diligently work towards achieving those objectives day by day and everything will be fine (not). If it was easy everyone would be doing it.

Before diving into the analysis stage. You need to take a hard (and brutally honest) look at what could stop you from achieving your objectives. Take a top-level view only at this stage as more roadblocks will drop out as you dig more into the analysis.

Many roadblocks will be obvious as you will bang up against them regularly. Again it can be useful to chew this over for a few days. Write down each objective and carry the list around with you adding notes on what key issues limit your progress as you go.

If you are starting a new business this step can be difficult as you don't have hands-on experience of the market. That said, you should try hard to identify potential roadblocks. Be honest with yourself. It could save you an awful lot of time (and money) later.

Of course, it is important to remain positive and not get despondent about apparently tough obstacles. Against that it is also vital to not gloss over obvious roadblocks to progress. Where you have limitations, accept them, note them and move on.

Match Roadblocks To Objectives

Knock your notes into a list with the most serious roadblocks at the top of that list. Now match roadblocks to objectives. Don't worry at this stage about how you will deal with these roadblocks, that comes later. Based on the analysis stages your roadblock list could change.

The Standard Strategy Process And Why It Fails

The steps in the standard strategy process vary depending on what you read but generally are:

- Market Analysis.
- SWOT (Strengths, Weaknesses, Opportunities, Threats) summary.
- Choosing the objectives to attack.
- Defining the strategies required to achieve objectives.
- Define tactics.
- Make plans.
- Measurement and review.

The last step includes a feedback mechanism to objectives and strategies so they can be modified depending on results.

So, you consider the issues, decide on which issues are important, set some objectives, decide how you are going to achieve those objectives, take action and measure progress. This all makes sense but it tends to collapse at the SWOT stage because:

- The analysis lacked focus.
- The analysis glossed over the real issues faced by the business.
- There are many possible ways forward. Choosing the best way is hard
- The world is not linear. You cannot predict what will happen.

The last point is the most important. If you intend to do 'A' you could reasonably expect 'B' to follow. But, in reality, it could be 'C', 'D' or 'E.' You make a plan today based on 'B' following on from 'A' but will that assumption be valid three months from now?

So what's the alternative? You can't sit around and wait for events to propel you forward (or sideways, or backwards). You do need to analyse the situation, that is essential. You do need to decide on what is important. You do need some sort of plan to achieve your goal but the key is flexibility. Rigid plans that do not take account of what might happen (scenarios) are useless.

The Market Analysis Process

An analysis is the most important part of the process. It is also the most time consuming and requires the most (thinking) effort. Please don't neglect it as even if you go no further it could give you some real insight that you would otherwise miss. That insight might deliver more cash through the door. It could identify the risk factor that could one day take your business down. It can show your great new business idea is not so great after all.

The problem with the analysis stage is it is easy to wander off track. This is where the work you prepared earlier is important. Reference back to your notes on the why, the driver, deliverable, the need, competition and core. This is your starting point.

Value Chain

Before discussing the analysis steps it is important to understand the concept of the value chain. Again, this is an issue often glossed over by marketing strategy guides. An example from history may help illustrate what value chain is and why it is so important.

At the battle of Crecy in 1346, the French army was devastated by English Longbowmen. At the battle of Agincourt sixty-nine years later the same result.

So the question is this. Why didn't the French decide in 1346, you know what we need some of those longbow things. Why at Agincourt was it not French longbowman against English longbowman. The French did have crossbowmen but their range and speed of fire were much lower than the longbow.

The answer is the French probably did covert the longbow but English archers were trained from childhood. Firing a longbow needed skill and strength. Remains of English archers show that years of longbow practice led to physical deformities. The French could not simply copy the longbow and put it into service.

The relationship to a business should be clear. Oh, that's easy, I will just copy what (insert competitor here) do. The problem is it is never that easy and the reason is their value chain. There is usually something about their systems, materials, purchasing power or the skills of their people that means they can do what they do and you can't. You might be able to copy but not quickly.

The important point to note is that the same applies to you. Your competitors cannot easily copy what you do. Why not? You need to know.

If you intend to start a new business it is important to identify your value chain. It is true there are some markets with lots of potential customers and unsatisfied demand. 'Me too' businesses can survive in those markets with no problem. If you do not intend to operate in one of those markets you need a value chain.

What is your value chain? Whatever it is, strengthen it and protect it. It might not be one thing, it might be the linkages between several things that are important. If you think your value chain is weak or (worse still) you don't believe you have one you need to work on it and fast.

There is a thought exercise to help known as VRIO. You can read more about it here <https://www.process.st/vrio/>

Analysis - The Key Steps

So you now have several lists. You should have:

- The Why
- The driver
- The deliverable
- The need
- Competition
- The core

You should know your geography and your objectives and you should have an understanding of your value chain. Even if you stop here you should have a much better understanding of your business and where you sit in the market than when you started.

The 'Why' and the 'Driver' we have dealt with as they feed into your goals. Your goals feed into your objectives. You matched objectives with roadblocks. It is now time to deal with the rest.

The Deliverable

Start with the core deliverable you identified earlier. You probably defined it in general terms rather than a specific product. How do you support that core deliverable? Again honesty is the key here. How does your customer service rate? Can potential customers reach you? Do you respond to all messages? What other elements support the core? How strong are they?

If you are delivering a product how is it packaged? What about your administration, your invoicing, your follow up, the way you deal with problems or issues, how do they rate? You are looking for the simple things you do that annoy the customer. They may seem trivial but they all add up.

With the minor annoyances out of the way, what can you improve? You can't improve everything overnight so what improvements will have the most impact. Put them in order.

Finally, take a look at how you rate against the 4A's (Awareness, Acceptability, Accessibility and Affordability). I recommend the book 'The 4A's of marketing' by Jagdish Sheth but in summary:

- Prospects need to be aware of your product or service.
- It must fit with their needs and values.
- They must be able to easily access your product or service when they want it.
- It must be affordable and remember affordability is different to price.

Keep your notes for future reference but summarize the key points. What are the positives and what needs attention? Your findings may feedback to your objectives. If you need to go back and make changes, that's fine. It is the way a strategy process should work.

Now dig into the details. Look at your numbers. What (product or service) have you delivered? Rank them by value and profitability. Are there some surprises (there often are) and if so do you need to modify the assumptions you made earlier in the process.

The Need

Again, start with your initial notes. Then look at the history of what you have delivered and to whom. Try to spot common needs then break down what you have delivered against those common needs. Take the highest value groups and analyse the profitability of each. The highest value/most profitable need groups are your key segments. Do these segments match with your original definition of need? Compare and re-think if necessary.

Check for rising stars. Is there a need group that has jumped in value or profitability in the past twelve months? The reasons behind that change are worth considering in more detail.

Try to think through what problems each of those key segments is trying to solve. Is that what you deliver? Could you tweak what you deliver to better satisfy the basic need? Again, it may be necessary to go back, change what you prepared earlier then go again. Constantly making changes is frustrating but it will also save you money. What are the costs if you take the wrong direction?

What else could your key segments need that you are capable of delivering. How easy would it be to deliver those extras? Feed this information back into your deliverable notes.

The Competition

Now for each of your segments who else satisfies their core need. Remember to consider more than your current competition. Concentrate on the need not the product or service. Who is satisfying that need? Refer back to your original list. Are there now more potential competitors that you need to consider.

When you have your competition, take the top two or three and analyse each of them against the 4A's. Also, analyse their value chain. Where are they weak? What are they good at that you should try to improve? Again, pick only the most important items from your notes.

Review the potential extra services you identified during the need exercise. Who is the competition for those and what is their value chain?

The Core

Now take your notes on the deliverable, need, competition and value chain. Take the notes you took on your first analysis of core. Pull those notes into order based on only the positives and you have why a customer should buy from you. This is what you will focus on to deal with roadblocks and achieve your objectives.

Now take the negatives and add them to your list of roadblocks. Finally, take everything you have learned from your analysis and update and refine your value chain. Now to deal with the last step, plotting a (flexible) way forward.

You have listed the reasons (positives) a prospect should buy from you. You identified your strengths (value chain) and those of your competitors. You identified your goals and objectives and the roadblocks (negatives) that could stop you from achieving those objectives.

It is now time to develop your strategies. That is, armed with your positives how are you going to deal with the roadblocks (negatives) that could stop you from reaching your objectives. Strategy is simply the way you decide to overcome the roadblocks that stop you from moving forward.

That is why the roadblock section is so important. If you are not honest with yourself and identify the real roadblocks to progress you will not make any progress. You have not dealt with the problem.

It is important to write down your thought process. Record the strategy you decide upon and your reasoning. You will need to refer back to it as the situation unfolds. The important point to note is you never have a finished planning document, it evolves over time.

If everything works out as you expect, great. If not, rather than get despondent it is helpful to refer back to why you made a decision. What happened that you did not expect? Identify it, fix it and move on.

You should try to pick up on evolving threats at an early stage and deal with them. Continue to review and build your value chain.

Your Position In The Marketplace

You need to use your analysis to define your place in the market (positioning). You need to always keep this in mind when considering your strategy and tactics.

There will be many that hold a stronger position than you. To attack them head-on would be foolhardy but you might be able to exploit a weakness. Re-visit their value chain and compare it with your own.

You need to be realistic and understand your current place in the market. You might be able to improve that place over time but you need to be aware of your starting point.

Your Customer

Your analysis should lead you to identify specifically who your target customer is and (even more important) who they are not. It sometimes helps to write down a description of your perfect customer.

Focus only on your target customers and what you will offer those customers. Do not try to be all things to all prospects.

Your position in the market (see above) may prevent you from accessing some customer groups. Or, there could be something that blocks your access to some customer segments. Find a way around a roadblock (a strategy) or if that is not possible accept it and move on.

Some customer groups might seem attractive as they are an easy win. If they are low value and/or high maintenance it is often better to target your effort elsewhere. Giving up short term turnover (not necessarily profit) for medium term to long term gain is always hard but it is something you should consider.

Your Focus

You cannot address all your objectives at once. You don't have the resources for that and it is way too complex. The world is not linear B rarely follows naturally from A, things change. You need to pick an objective and deal with that one first. When you have dealt with it, move on to the next.

When you reach a natural stop, start on the next objective, then the next. All the time things will move and change. If you set them correctly your goals should not change. Although they may need minor tweaks, the same should apply to your objectives. Everything else will change.

You cannot expect to achieve objective A, then move on to objective B, then C until your goals are magically achieved. Instead, you pick an objective, develop a strategy, deliver on that strategy then re-evaluate the situation.

You may have planned to deal with objective A, then B. But circumstances could dictate it is best to move to objective D. It is possible to juggle several strategies (and the tactics to achieve those strategies) at one time.

Developing A Strategy

You know what you have to achieve. You know what tools you have in your armoury and you know what stands in your way. You should have some gut feel on the best way forward and you should not ignore it.

A strategy is a best guess (a hypothesis) on the best way forward given the information available to you. You don't have perfect information and the environment will constantly shift around you so all you can do is decide on a way forward, record it, act on it and measure the result.

Tactics

Tactics are the tools you decide to use to deliver on your strategy. For example, if your objective is to increase sales by 'X'% by 'Y' date and the roadblock is you don't have enough sales leads you will need a strategy to overcome that.

You might decide your website is so convincing all you need to do is drive traffic to the site and prospects will get in touch. There are several possible ways to drive traffic including paid ads and SEO. These are your potential tactics. You choose one (or more) tactics, set expectations, deliver them and measure the result.

You could find out you were wrong. You might drive lots of traffic to your website but it does not convert. Why not, what happened? Find it, fix it, and try again.

Digital marketing could be a complete waste of time and effort for your business. If so you need a different set of tactics. Perhaps direct mail will work for you or local advertising or networking. The principles remain the same - select, deliver, measure, adapt (or not), repeat.

Evaluate Success

The detailed analysis work you carried out will not remain valid for long. You need to constantly re-evaluate what is happening in the market and the environment. Combine this information with what you learn when delivering your tactics. Learn your lessons, modify your tactics (if necessary) and go again. Strategy and planning is not a one time exercise, it grows and develops over time.

Business and Marketplace - Summary

WHY

DRIVER

DELIVERABLE

NEED

COMPETITION

CORE

GEOGRAPHY

GOALS

OBJECTIVES

ROADBLOCKS

VALUE CHAIN

VALUE CHAIN - Competitors

POSITION IN MARKETPLACE

IDEAL CUSTOMER DEFINITION

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