Strategic Planning A Decisional Path

Decisional Path Toward Selecting A Growth Strategy

Understanding the dynamics and challenges of business growth
How and why do business grow?

Building a foundation for growth
Is your business ready to grow?
What needs to be in place?

Determining growth objectives
Do you want to achieve growth in terms of sales, profits, employees, customer base or geography?

Understanding growth strategies
An overview of the ways that fast-track companies typically grow:

- Internal strategies
- External strategies
- Capital formation
- Franchising
- Mergers and acquisitions
- Licensing
- E-commerce
- Joint ventures
- Global business
- Strategic alliances

Growth strategies audit
Self-assessment and decisional matrix for help in selecting a given strategy.

Selecting a growth strategy
Which growth strategy or strategies are most appropriate for meeting these objectives?

Implementing a growth strategy
How to develop a business-growth plan.

Seventeen Foundations for Growth

1. A clearly defined mission statement
2. A proven prototype
3. A strong leadership-oriented management team
4. Sufficient capitalization
5. A distinctive and protected trade identity
6. Proven methods of operation and proprietary processes
7. Comprehensive training programs for employees
8. A commitment to, and genuine understanding of, your customers
9. A demonstrated market demand for the products and services
10. A genuine understanding of the competition
11. Research and development capabilities
12. A proven system
13. A strong set of external advisers
14. A capital and ownership structure
15. A passion and devotion to creating, protecting and leveraging
16. A commitment to using all available technologies
17. A little bit of luck

Defining Your Growth Objectives

Effective growth management involves:

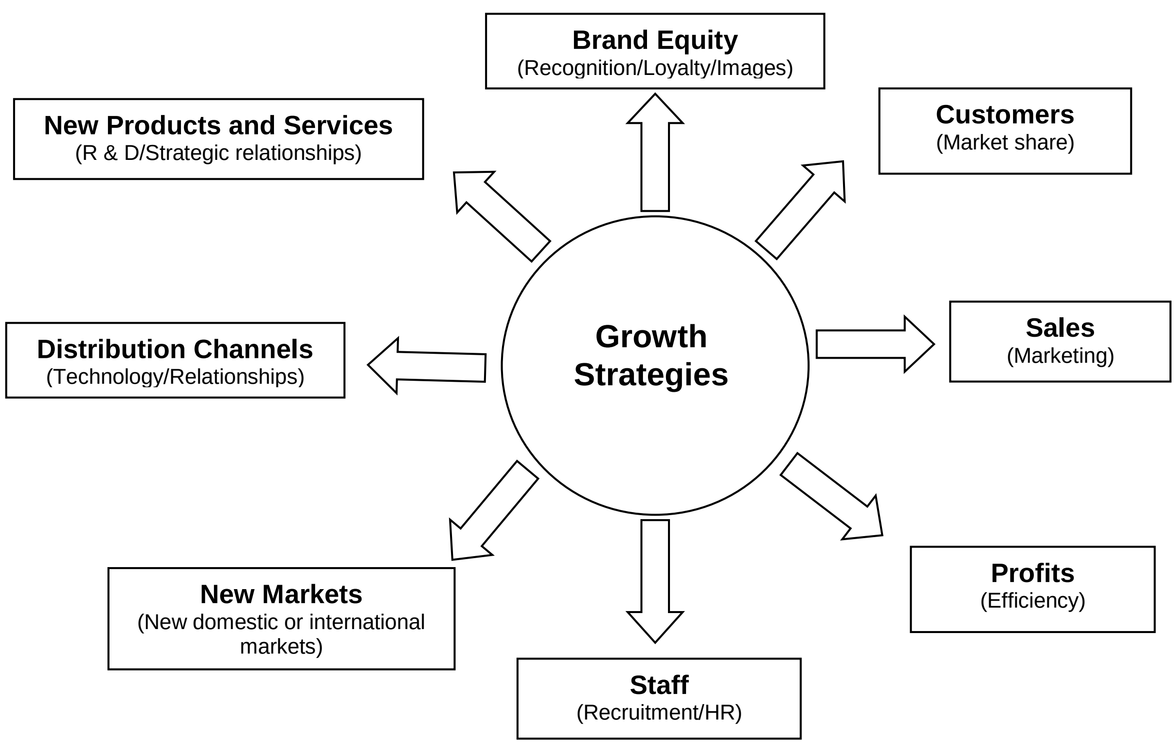
- Understanding Why
- Clearly Defining The Objectives
- Management's Understanding
- Understanding The Various Phases Of Growth

Implementing A Growth-Management Process

The Strategic Audit. A customercentric focus on business growth requires that you conduct market research before you execute your growth strategy in order to prove that a promising niche really exists.

Categories of Growth. The strategic audit should also help your company define which specific categories or aspects of your business you've targeted for growth.

Growth Strategies



Characteristics of Leading Growth Companies

- Brand recognized by customers and respected by competitors
- Strong channel relationships and market partners
- Business and revenue model is durable and stable but also adaptable to rapid-moving market conditions and quick to react when changes or shifts in trends are identified
- Sophisticated technology deployment and adaptation strategy that balances the need to stay current against the temptation to grossly overspend
- Management style is innovative, flexible and responsive
- Focused on building and strengthening customer interactions from a quality and quantity perspective
- Clear and annual goals for increasing market share
- Culture that encourages innovation but also tolerates failure (as long as lessons are truly learned)

Some Management tips to Sustain Business Growth

Think in many directions. Business growth is not always linear and you need to see and manage the many linkages in the networks you build. Understand the interdependency of the relationships you manage.

Get everyone at all levels involved in the growth-planning process. Seek the input of employees at all levels in your organization as well as the advice of outside professionals, vendors and customers.

Think big, act small. Big dreamers and broad visions match well with the need to be nimble, pay attention to detail and adapt quickly to changes in demand, trends, or market conditions.

Focus on progress in bite-sized increments. Growth will often be fast-paced, but that does not mean it will always be in giant leaps forward. Appreciate and reward the incremental progress that moves the company toward its growth objectives.

Avoid being penny-wise and pound-foolish. Successful growth companies are not afraid to spend money and devote resources to information technology, research and design, which bring new products and services to markets faster. They are also not afraid to invest in training to make sure they have a human-resources infrastructure capable of sustaining business growth.

Creativity is the engine of growth. Companies that successfully sustain growth are not afraid to experiment, not afraid to fail, reward innovations by employees and strategic partners, and understand that risk and the possibility of failure are part of the growth game. Growth companies may make more mistakes than others, but they also learn from those mistakes more quickly and use this knowledge to identify new opportunities.

Understand that the management of business growth is hard work. Very few worthwhile endeavors are accomplished easily, and this is certainly true of rapid business growth. Be prepared for bucket-loads of stress, financial pressures and extended periods of loneliness, but stay focused on the prize, which can be quite significant if your growth objectives are achieved.

Have fun. If you are not enjoying the ride, leave the business-growth amusement park.

Understanding the Inhibitors to Growth

Some companies really want to grow but often have internal or external barriers that get in the way of adopting and implementing creative and aggressive growth plans. The first step in removing the growth "handcuffs" is to identify whether the problem is external or internal and then determine its cause. Examples of typical inhibitors:

External Growth Inhibitors
- Economic conditions
- Competitive threats
- Broken distribution channels
- Poor selection of market partners

Internal Growth Inhibitors
- Traditional/cultural challenges
- Internal politics/red tape
- Resource scarcity
- Education and training deficiencies

Internal Versus External Growth Strategies

Internal and external growth strategies focus on organic strategies and can be driven by the establishment of independent strategic relationships.

INTERNAL
Resources
- Board of Directors
- Leadership team
- Middle-level management

Capital
- Current resources without dilution of ownership

Strategies
- Organic growth of customers, Markets, revenues, and profits
- Informal expansion of channel relationships
- Mergers and acquisitions
- Expansion of current distribution models via e-commerce or international markets

EXTERNAL
Resources
- Outside advisers
- Strategic partners
- Outsourcing

Capital
- Infusions of equity
- Debt financing
- Hybrids

Strategies
- Formal expansion of channel relationships through franchising, licensing, etc.
- Formal joint ventures
- Strategic alliances
- Federation, cooperatives and networks

The Six Habits of Highly successful Emerging-Growth Companies

To develop and maintain a highly successful organization, the leadership of an emerging-growth company must examine its procedure, relationships and culture. The following six habits of the highly successful growth company can be achieved by carefully examination of the questions that follow.

An ability to Adapt to challenges and Changes in the Marketplace
- How do we react to inevitable and constant changes in the environment?

- How well do we plan in advance, anticipate change and face the reality of what's really happening in the trenches?
- Do we really listen to our customers?

A genuine Commitment to the Success of Every Employee/Franchisee
- A chain is only as strong is its weakest link. Have we mended weak links in our organizational chain?
- How is this commitment demonstrated?
- Is this how our employees/franchisees truly perceive our commitment?

A Culture Committed to Overcoming Complacency
• Are we committed to research and development?
• What steps are in place to constantly improve and expand our systems and capabilities?

A Team Ready to Break Old Paradigms
• Are we committed to thinking outside the box?
• What recent examples do we have where creative thinking solved a problem or created a new opportunity?
• Are we using computer and communications technologies such as e-mail, intranet interactive computer training and private satellite networks to help us support and communicate with our market partners?

A Total Devotion to Excellent Customer Service
• What systems do we have in place to ensure excellence in our interactions with targeted home and business customers?
• Do we have a procedure for gathering feedback and reacting to problems in the field?
• When is the last time we spoke directly with our customers?
• What are we doing to educate our targeted customers on quality and product/service differentiation issues?
• How can we set the standards for quality by achieving “Good Housekeeping Seal of Approval” type status with our customers?
• How can we enhance the customer’s experience to promote and enhance this image?
• Do we treat our employees, franchisees and market partners as customers?

A Commitment to Taking the Time to Truly Understand and Analyze the Economics of the Core Business (by all key players in the organization, Not just the CFO!)
• Do our current pricing and sales models make sense?
• What steps can we take to improve our profitability?

Variables Likely to Affect the Implementation of Your Plan

No matter how well you plan, things can and will change. Your business-growth plan includes hundreds of variables, which means that thousands of unexpected events could affect your company’s actual performance. Among the factors that could affect your company’s actual growth results are the following:

• Increased or reduced demand for your products and services;
• Actions taken by your competitors, such as new-product introductions and enhancements;
• Your ability to scale your network and operations to support large numbers of customers, suppliers and transactions;

- Your ability to develop, introduce and market new products and enhancements to your existing products on a timely basis;
- Changes in your competitors' pricing policies and business model;
- Integration of your recent acquisitions and any future acquisitions;
- Ability to expand your sales and marketing operations, including hiring additional sales personnel;
- Size and timing of sales of your products and services, including the recognition of a significant portion of your sales at the end of the quarter;
- Success in maintaining and enhancing existing relationships and developing new relationships with strategic partners, including systems integrators and other implementation partners;
- Compensation policies for sales personnel based on achieving annual quotas;
- Ability to control costs;
- Technological changes in your markets;
- Deferrals of customer orders in anticipation of product enhancements or new products;
- Customer budget cycles and changes in these budget cycles; and
- General economic factors, including and economic slow-down or recession.

Some Final Thoughts on Effective Business-Growth Planning

You can see that effective business-growth planning is not an easy process. In working with hundreds of companies of all sizes in many different industries over the years to develop business-growth strategies, Management 2000 has gathered the following tips, thought and observations that should govern your planning process:

- Have the right mix of talent to develop and maintain your plan. The wrong planning team will yield the wrong planning decision, leading the company down a path of disaster.

- Think long-term but act short-term. Be ready to modify the plan based on changes in market conditions but without taking your eye off the long-term goals.

- Understand your company's strategic velocity and capacity. In other words, how quickly can new strategies be implemented? How quickly can you align everyone's interests to make things happen, and do you have the right team in place to execute the vision?

- Effective business-growth planning is an ongoing process, not a stand-alone task. Spending thousands of hours developing a thick five-year plan that collects dust in an oversized three-ring binder while praying that market conditions will fall into place as expected is not a rapid path toward building share-holder value.

• Don’t buy in to the mantra that planning is a thing of the past. There are some who believe that market conditions are too dynamic and uncertain to make long-term business-growth strategic planning possible. This is simply not true! In fact, fast-moving business conditions make the need for strategic planning more critical than ever, provided that the plan is monitored and modified as conditions may warrant. As your focus turns from strategy toward execution, this commitment to careful monitoring to keep a close watch on changing market conditions, the emergence of new and disruptive technologies or shifts in consumer-demand patterns becomes a critical step in the planning process. Poor execution will kill even the best-prepared business-growth plans.

• Invest in systems that will gather competitive intelligence. Information rules. If you don’t have good data on the trends affecting your competitors and customers, you are dead in the water. The competitive intelligence you gather should become a key component of your plan and a trigger point for changes to the plan or strategy selected.

• Protect your key assets. You can develop business-growth plans until you are blue in the face. But if the success of your strategy depends on your ability to keep and leverage your key intangible assets, such as intellectual property and employees, then you must first work to protect those assets.

• Learn to recognize the market forces that affect your business. A well-drafted business-growth plan understands and anticipates how all of the market forces and players fit together, taking into account social, environmental, political and economic influences and figuring our how these factors come together to affect your growth plans. And because these market conditions are never static and

the relationships that connect them are always changing, you need to constantly review each of these components and how they fit together. Be prepared for strains in the relationships with your existing market partners as you experiment with new distribution channels- but do not let these tensions stand in the way of an overhaul if necessary.

• Build an organization that has a deeply rooted commitment to growth. The commitment must begin with the leader or founder of the company, whose mission and passion become contagious. Then, everyone in the company will focus his or her efforts on meeting business-growth objectives. To achieve this, your company’s leadership must clearly communicate and reinforce the company’s growth plans, objectives and strategies; reward those who contribute to the achievement of these goals; and monitor the company’s progress, changing its course as necessary. If the course does need to change, these shifts in direction must be regularly shared with your company’s employees, together with an explanation of the need for the change. Employees at all levels will resent a change in direction if they don’t know or understand the reasons for it, especially if the change affects their roles within the company.

• Don't be afraid to measure and monitor performance. It is critical to develop an objective set of metrics for each key area of the business-growth plan that can be continuously monitored and periodically measured against your key goals. The metrics may include sales, profitability, the number of new customer relationships added, the growth-market partners, the number of new employees, customer satisfaction, the level of employee turnover, inventory cycles, the number of new offices or sites opened, warranty returns, or even the number of new rounds of capital raised at favorable valuation rates. Regardless of the specific metrics selected, the growing company must build systems to track and measure these performance indicators and have the expertise in place to understand, analyze and properly react to this data once it has been reported.

• Develop high quality products and services. As veteran entrepreneurs and professional advisers you will always tell you, a business-growth plan will be completely ineffective if the "dogs will not eat the dog food." Ultimately, all business-growth plans must revolve around a set of high-quality products and services that customers want and need.