

# DEVELOPING A STRATEGIC PLAN FOR THE BUSINESS

# INTRODUCTION

- ◉ SP refers to the process of developing a business strategy.
- ◉ Strategic planning provides a systematic way of asking **key business questions** and is **designed to create insights into the company and the environment in which it operates**
- ◉ The result should be a well-prepared strategic plan that **spells out specific steps to better satisfy customers, increase profit and revitalize the company for the next generation.**
- ◉ To accomplish these goals, the plan set forth the chosen mission of the business, the direction of future growth & various programs to achieve that growth.

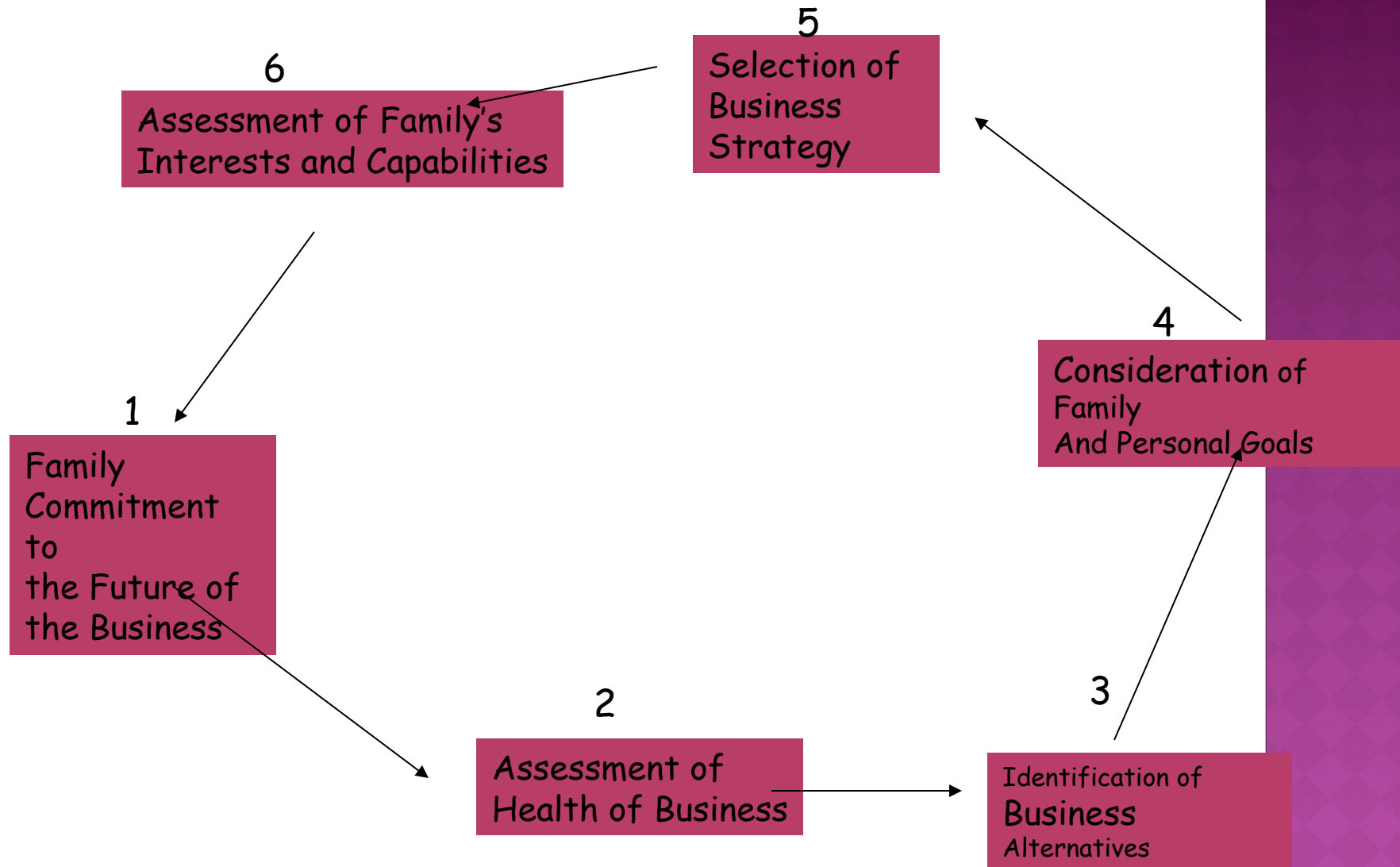
# INTRO

- ◉ SP is practiced by most large as well as small companies.
- ◉ Their approach is similar with family business -preparation of family SP together with Business Plan.
- ◉ The business & family plans are absolutely interdependent.
- ◉ The BP requires the family to determine their commitments to the company; that commitment in turn, depends on the prospects for the business. The BP seek to choose the best several alternative strategies; but the choice must reflect the offspring interest & family attitude toward investment.

## CONTINUE...

- ⦿ Family & business plan requires family **not** separate strategic business planning from family planning.
- ⦿ They must take both in a connected and simultaneous way.
- ⦿ Sometimes it may take several years for the plan to fully interconnected and for the goals of each to become fully harmonious.

# Interdependence of Family and Business Planning



# FAMILY COMMITMENT

- ◉ **Family need to establish its commitment to the future of the business and to planning as a way of securing that future.**

This commitment may be secured at a family meeting.

- ◉ The content of the discussion should determine whether the family is willing to make a general commitment to the business, the depth of that commitment, the willingness to sacrifice certain material gains in order to invest money back in the business. The family willingness to work together and the leadership capabilities offspring possess, etc.

# FAMILY COMMITMENT

- ◉ If all reach consensus, managers can write a preliminary statement of commitment. (please refer to page 101).
- ◉ Once the initial agreement of the family is secured, the rest of the planning will flow from it.
- ◉ The family's statement of commitment provides a good opening sentence that the planning process is about to begin.
- ◉ Made known the planning to the employees so that employee can openly speculate what is really happening.
- ◉ A statement of commitment that made publicly reassures employees and family members, together developing the best possible fambiz.

# BUDGETING

- Budgeting-involves setting business goals for the coming year; developing a 1 year budget for sales, costs, profits & cash; identifying what task are necessary to fulfill budgeted expectations & identifying whose job it is to complete those tasks.
- Businesses should have working budgets in place before undertaking other planning efforts.
- Most businesses require 2 to 3 years to successfully integrate the budgeting process into other mgmt process.
- They begin at early stages of growth when they need to ensure themselves of sufficient cash flow and begin to delegate management tasks.



# BUDGETING

- ◉ Then, once the business has grown accustomed to budgeting, businesses need an even more sophisticated tool to ensure that it does not come up short on financial, physical and human resources.
- ◉ Then the company is ready to undertake long-range planning

# LONG RANGE PLANNING

- The result of long range planning include budgets that cover the next three to five years; reasonable goals for sales, profit and cash over that period; & the assignment of tasks this year possible to reach those goals later.

# CONTINUE...

- ◉ To successfully complete long range planning businesses must consider potential threats & opportunities in the external environment (shortage of raw materials, rising interest rate, etc)
- ◉ The business must determine its growth goals demand at that point of time.
- ◉ Reaching the goals may require building new warehouse, training new salespeople or replacing a-soon-to-retire key executive. Funds must be provided for these projects now, even the payoff may come later.

# CONTINUE...

- ◉ Typically business pursue long range planning for several years before embarking on strategic planning but not always the case.
- ◉ Some companies simply include long range planning as 1 portion of strategic planning.

# STRATEGIC PLANNING

- Strategic planning does not assume that business growth will automatically occur. Instead, strategic planning assumes that growth will occur only if specific steps are taken to encourage it.
- The purpose of the planning process to determine what steps are necessary.
- The awakening to the need for planning emerges when one of several circumstances occur:
  - The market stop growing
  - Competition heats up
  - New competitor enter the industry with new ideas
  - The industry's technology changes dramatically, etc.

- ◉ Strategic planning thus defines what kind of company its owners envision & what owners must do to achieve their goals.

# STRATEGIC PLANNING

- Specifically, strategic planning addresses 3 main issues:
  1. Where do we want to compete-in what markets?
  2. How can we compete effectively in those markets?
  3. How aggressively do we want to reinvest our corporate and family resources?

# CONTINUE...

- ◉ Answering the questions *where to compete* and *how to compete* will provide insights into the marketing & operating strategies necessary for competitive success.
- ◉ The question *how aggressively to reinvest* will suggest the direction of growth and the broad goals that are most appropriate for the future of the business.



## CATEGORY ONE: WHERE TO COMPETE?

- ⦿ This question involves more than geographical considerations.
- ⦿ It involves determining the market segments that are most worth the company's time and effort.
- ⦿ The case here is that different market segments composed of different type of customers that have different requirements.
- ⦿ Company cannot satisfy all of these requirements.
- ⦿ So, managers must determine the customer groups that their company can best serve.
- ⦿ So they must answer the relevant question.

# ☀ Category 1 :The question involved:

- ➡ what market segments exist for a particular company?
- ➡ What makes a segment generally attractive?
- ➡ which market segments should be emphasized in the future?
- ➡ what will it take to succeed in these segments?
- ➡ What should the general marketing strategies be for attractive segments?

# **Category 1 :The question involved:**

- How well does the company perform in each segment relative to the competition?
- What market share does the company have in each segment? And what share do competitive attack?
- what generally makes for an attractive customer?
- Who are the most attractive potential customers in the most attractive segments?
- For these target accounts, what selling strategy is most likely to work?

# THE QUESTION OF STRATEGIC PLANNING

- ◉ The question 'Where to compete' includes:
- ◉ What market segments exist for a particular company? - 'Segments' didefinisikan sebagai perbezaan agregat di kalangan individu dan segmen boleh diklasifikasikan berdasarkan pengukuran yang berbeza termasuklah keputusan pembelian, geografi, kaedah jualan dsbnya.
- ◉ What makes a segment generally attractive? - A segment is generally attractive if it is growing and profitable and offers reasonable odds that a company can outperform the competition.

# THE QUESTION OF STRATEGIC PLANNING

- ◉ Which market segments should be emphasized in the future?
- ◉ What will it take to succeed in these segments? - Success depends on knowing what the customers in these segments want.
- ◉ What should the general marketing strategies be for attractive segments? - In marketing, company can choose to use undifferentiated strategy, differentiated or concentrated strategy.
- ◉ .

# THE QUESTION OF STRATEGIC PLANNING

- ⦿ How well is the company now performing in each segment relative to the competition? - Managers should make a list of the company's top 3 to 5 competitors in each segment.
- ⦿ What market share does the company have in each segment? What share do competitors have?- Managers should review the list of competitors & estimating their strengths & weaknesses by knowing who has the greatest market share & the strongest competitive advantage.

# THE QUESTION OF STRATEGIC PLANNING

- ◉ Who are the most attractive potential customer in the most attractive segments? -Consider the range of potential buyers, managers should make a list of names in each of the most attractive segments and assigned to the company's sales people to concentrate on them.
- ◉ Etc

## CATEGORY TWO: HOW TO COMPETE?

- ⦿ All business owners want to beat the competition.
- ⦿ To do so, they must offer a product or service that is significantly better, cheaper and most attractive to the customers.
- ⦿ The essence of knowing ‘how to compete’ is crafting a competitive advantage for a particular company that will withstand all challenges.
- ❖ Mestilah mahir dalam mewujudkan kelebihan persaingan.
- ❖ Secara tidak langsung memberikan kekuatan kepada perniagaan kita.



# THE QUESTION OF STRATEGIC PLANNING

- ◉ The questions involved in 'How to compete' are:
- ◉ What are the possible sources of competitive strategies? - Competitive advantage should be based on unique cost or service advantage that is difficult for others to imitate. Or use others as competitive advantage such as strong and cheaper source of raw material, more efficient process, etc.
- ◉ On what does each of our competitors base his strategy? -
  - kenal pasti kekuatan @ senjata pesaing.
  - kebiasaannya lihat kos dan harga yang ditawarkan oleh pesaing.
  - selidiki mengapa pesaing memilih strategi tersebut

# THE QUESTION OF STRATEGIC PLANNING

- ◉ Is there any strategy competitors cannot use? -
  - kenal pasti strategi tersebut
  - kejayaan boleh dicapai dengan membuat sesuatu yang tidak dilakukan oleh pesaing.
- ◉ What strategic weapon is the company using?
- ◉ What is the company's sustainable competitive advantage?

## CATEGORY THREE: HOW AGGRESSIVELY SHOULD WE REINVEST?

- ⦿ Business owners typically depend on personal effort to overcome challenges.
- ⦿ They come to think that the fate of their companies lies completely within their own hands.
- ⦿ There are numerous factors that influence the question of whether or not to reinvest in a business.

## CATEGORY THREE: HOW AGGRESSIVELY SHOULD WE REINVEST?

- ◉ Before making decision to implement new strategy, managers should ask the following questions.
- ◉ The more positive the answers to these questions, the more aggressive business owners can be.

# THE QUESTION OF STRATEGIC PLANNING

- ◎ The question 'How aggressively should we reinvest' includes:
- ◎ How attractive is the general environment in which we operate? - Managers should examine economic, demographic, technological trends, social currents & political and legal developments and ask themselves what is the impact of these trends & developments on demand, on key customers, on market, competitors, industry and etc.

# THE QUESTION OF STRATEGIC PLANNING

- ◉ How healthy is the industry?- Recognizing the trend of profit margins and sales growth rates as the industry's product life cycle evolves.
- ◉ How much opportunity is present in the market?
- ◉ How strong is the company itself?- Figured out the company's strength and weaknesses, learn them.