Planning

Strategy-mapping process can differ with size of company

By Jay S. Mendell
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Do you need a strategic planning process? Or do you need a strategy? There is a difference, and the difference is most apparent in the small or medium-sized company.

If you are in a small or medium-sized company, you probably cannot afford a complicated, formal, strategic planning cycle, and you probably don't need it, especially if you already have reasonably good internal communications.

But for those of you who have escaped studying formal strategy, here is a summary of what the biggest companies do:

Big companies need a strategy-making process that is spelled out in advance and proceeds according to schedule. Such a process is called formal planning, because there is a plan for planning.

As the process unfolds, care is taken that none of the right steps is omitted and that not too much latitude is provided for improvisation.

A flow chart of planning steps often lurks in the background to explain what must be done before the next step is undertaken, and of course, a schedule of milestones must be met in order to deliver a formal planning document on schedule to the CEO.

Data are collected and analyzed according to economic and technological models. Committees are convened. Outsiders are heard from. Reports are requested on schedule, and from these, other reports are generated.

Substantial amounts may be spent in forecasting. Additional time and money are spent in executive retreats where details are hammered out.

Many firms have a director of planning, an M.B.A. or an economics Ph.D., who speaks in (and thinks in) the special language of formal strategic planning.

Planners talk about strategic business units, "cost sharing" among products, "climbing the learning curve" and "milking the cash cows," R&D strategy, financial strategy, human resources strategy, and the paramount importance of "integrating" the various substrategies.

Integration is a big issue, as if strategy were not worthwhile without integration.

As we said, you probably don't need all of this. Much of the activity of formal strategic planning consists of coordinating and negotiating, i.e., of coping with the sheer size and complexity that threaten to sink every big entity from the whale to the conglomerate.

A good deal of the sophisticated technique and language can be explained away as responding to one of the following perceived problems:

- Identifying events in the external environment that might have an impact on the company; discovering which company operations will be affected by the impact and how strongly they will be affected; and formulating a response.
- Conducting a similar identification-discovery-formulation process for competitors' actions.
- Analyzing information about your company's internal en\1ronment, and searching for new insights into its strengths, weakness, and critical success factors.
- Stepping back to look at the company from a distance, to determine if its parts fit together harmoniously and if the company itself seems to fit well into its environment.
- Conducting various forecasts to discover if, should events run their course, the company will get stronger and stronger or weaker and weaker.

These five factors are just as necessary for a small or medium-sized company as for a large company, but the analysis may be carried out informally, since communication is less of a problem and formality is therefore less of a necessity.

Further, smaller companies are sometimes able to be more daring in their planning, since they are more flexible.

Consider this admittedly extreme comparison of the large with the small: General Motors cannot convert to a computer company, but an auto mechanic can become a computer repair technician.

That's the kind of flexibility that makes up for modest resources. Size used to be an asset. Now it is frequently a liability.

The immense resources that large companies have expended during the last 15 years in learning how to plan has finally trickled all the way down. Here's what has happened:

The high-priced consultants have written $25 volumes on how to plan. (Check the American Management Association's book on service for a representative sample.)

Low-cost information (detailed demographic data, for instance) is available through information services connected to databases. Even detailed forecasts in highly specialized fields may be bought "off the shelf."

Venture capitalists are looking for sexy small companies and are providing some coaching in planning.

Planning is part of the M.B.A. curriculum even for operational managers. So many companies can turn to their non-planning executives for participation in planning.

How can you **get** started? Go away for the weekend with the top executives, and answer the following questions:

- What is the single greatest opportunity your company will face in the next 24 months?
- What events outside the company will affect your CEO's ability to respond to the opportunity? If the events will be external, who is responsible for monitoring their course?
- What resources will your company have to make to exploit the opportunity, and what changes will have to be managed?
- Do barriers exist that will prevent your competitors from exploiting the opportunity?
- What actions are your competitors likely to take during the next two years, and what should you do to respond?
- What outside events or trends might devastate your company during the next two years, and what can you do now to protect yourselves?

These are just a start, of course. Since most of the questions refer to the specific nature of your own company, answering these questions will require some dedication and fearless analysis.

But your long-term future is in doubt if you can't address the best and the worst that might happen to you.■ .

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