

Avoid Issues and Capture Opportunity with Your Strategic Plan

**BEST PRACTICES AND KEY FINDINGS
FROM PRIVATELY HELD BUSINESS OWNERS**



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Key Findings

Enterprise recently surveyed privately held business leaders about strategic planning issues and opportunities as part of our *Think Tank* series. Here's what we found:

- 1 70% of all respondents have a strategic plan in place for 2018. Larger companies are more likely to have a plan.
- 2 Among all respondents, the priorities for 2019 are operational efficiency, obtaining new customers and talent acquisition. Among all respondents, the top three areas of concern leading into 2019 are staffing, competitive pressure and succession planning.
- 3 Of respondents who have a plan in place, 78% have a long-term plan that they adjust annually, and 18% create a new plan each year. Distribution ranked highest with 92% reporting having a plan, with manufacturing (77%) and construction (73%) next.
- 4 Of those with a plan, 60% develop the plan with senior leaders, 33% plan with senior leaders and an outside consultant, and 7% rely solely on owners to develop the plan.
- 5 38% of companies without a plan say they don't need one because ownership makes decisions, 22% said their business is not complex enough to need a plan, and 22% say they don't have the tools and resources to develop a plan.
- 6 Most frequently heard strategic planning advice: Keep it simple, make it actionable, keep staff accountable and build in touch points to measure progress.

“Strategic planning for 2019 started in 2018 for us, so that our adjustments are market-oriented.” Mike Lofton, Founder & Chairman of Loftco Inc.

Planning in The Midst of Political and Economic Uncertainty

Heading into 2019, business is rife with opportunity – and political and economic uncertainty. With privately held businesses concerned about the competition for talent, competitive pressure and succession planning, having a well-constructed strategic plan in place helps guide many organizations through the turmoil.

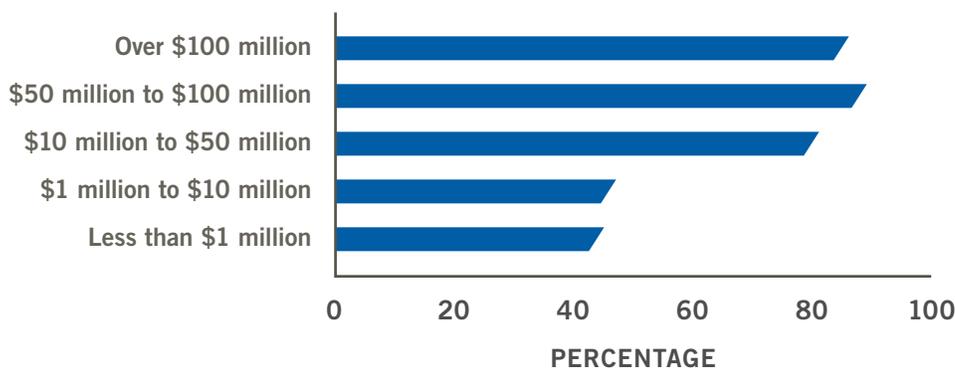
However, not all small and mid-sized businesses engage in strategic planning. Should they? Is a strategic plan necessary for everyone? And for those that engage in planning, what are the best practices, and how are they using strategic planning to help guide them through their issues?

This report shares insights from your colleagues, as well as the results of our recent Enterprise *Think Tank* survey of nearly 150 business leaders who were asked about their approach to strategic planning, and the issues they are most concerned about heading into 2019.

Is Strategic Planning a Necessity?

First, a definition. Strategic business planning is used by existing businesses to define strategy and make decisions about how to allocate resources to achieve those strategies. Some companies plan just a year or two out, while some strategic plans cover a period of three to five years or longer. A strategic plan should not be confused with a business plan, which describes how a business – usually a new one – will achieve its goals.

PERCENT OF COMPANIES WITH A STRATEGIC PLAN IN 2018 BY REVENUE



In our survey of nearly 150 organizations, 70% are operating with a strategic plan in place. Not surprisingly, the likelihood of having a plan diminishes as the size of the company gets smaller. Only 47% of companies with annual revenues under \$10 million report having a plan. The distribution and manufacturing sectors were the most likely to have a plan, while real estate and technology companies were less likely. Interestingly, each of the 10 nonprofit and association respondents report having a strategic plan.

Is Strategic Planning a Necessity? *Continued*

“It’s not surprising that distribution companies are focused on strategic plans. The whole supply chain has been disrupted and it has hit distribution harder than most industries,” says **Jim Mather, Partner in RubinBrown’s Assurance Services Group and Partner-in-Charge of the Manufacturing & Distribution Services Group**. “Industry leaders are looking for ways to add value and drive their business, and strategic planning is a great way to do this.”

The same applies, he says, to manufacturing. “One trend we’re noticing in manufacturing is the transfer in ownership from closely held companies to private equity. This could be the new norm for this space, as it makes these companies impacted by supply chain disruption much more competitive.”

Companies operating without a strategic plan report various reasons why. For 38% of respondents, there is no plan because company owners simply make key decisions. Another 22% say their business isn’t complex enough to need – or benefit from – a plan, and 22% said they do not have the tools and resources necessary to develop a plan.

“Strategic planning can be undervalued or misunderstood as to its value,” explains **Tara Kinney, owner of revenue operations company Atomic Revenue**. “That can lead to the process being done poorly so it is devalued or not done at all.”

To help make strategic planning effective and impactful on a business, **Kinney** recommends including an objective outsider to help guide the process – particularly if the company is new to strategic planning. Organizations with a mature, robust planning process can also benefit from the guidance of a neutral, third-party facilitator.

“You need someone asking questions you’ve maybe never asked yourselves, to bring up topics you’ve never discussed and present considerations that your team may not have thought of,” **Kinney says**.

Alan Witte, Senior Partner at law firm Polsinelli, believes everyone should have a strategic plan. “I remember going to a seminar titled “How do I know when I get to Denver?” The point was imagining yourself crossing the country and you only know you are halfway there if you know where you’re going. Business owners have two choices – hoping that good things are going to happen, or planning for them to happen.”

Is Strategic Planning a Necessity? *Continued*

There are many benefits to having a strategic plan that guides your business. Main advantages include:

- ☑ **Controlling costs**
- ☑ **Increasing profitability or market share**
- ☑ **Surviving economic downturns and unknowns**
- ☑ **Providing direction and focus**
- ☑ **Recruiting talent and key executives**

80% of respondents with a strategic plan in place report that they stick close – or very close – to it throughout the year. Some industries are more susceptible to fluctuations that may cause them to deviate from their plan. For example, in the construction segment only 60% of respondents said they stick to their plan, as compared to 92% of professional services companies and 100% of healthcare respondents.

“There is always uncertainty in business. We will always have recessions and bull markets, we’ll always have issues like supply problems,” **explains Mary Henry, co-owner of consulting firm Impetus Solutions.** “The key is to avoid being too rigid in your strategic plan – you need to build in flexibility to allow for fluctuations.”

Strategic Planning and Profitability

Most strategic plans address – either directly or indirectly – an organization’s profitability and financial well-being. They should help your business run better, more efficiently and more profitably. As such, your company’s financial advisory team – your bankers, accountants and lawyers – all have a vested stake in your ability to plan, and to execute against that plan.

In our recent paper, “18 red flags that can put your business loan at risk,” we outline some of the qualitative factors that impact how Enterprise Bank & Trust evaluates business loans. Some of those factors are commonly addressed in strategic plans. For example, operating in unstable environments with extreme highs and lows (housing, construction), excessive dependencies on things like raw materials or one large customer, and growth and expansion that is too fast are all examples of topics that some businesses tackle in their strategic plan.

“Addressing financials is table stakes in strategic planning,” **says Mary Henry of Impetus Solutions.** “It is critical to know where you are, the competitive landscape and what the trends are. Start with your dream financial goal, and then work your way backward from there.”

Emerging Issues: The Big 3

While a wide variety of potential business issues were brought up by your peers in our survey, three key issues emerged that many organizations are addressing in their strategic plans for 2019.

ISSUE 1

Economy is Robust; Recession Looming?



With the economy humming, many businesses are experiencing growth. Tax cuts, high consumer confidence and a strong job market have all contributed to an increase in the gross domestic product for the first half of 2018. Many experts predict that the economy will remain strong – at least in the short term.

But without question, there are economic and political uncertainties that make strategic planning particularly important for 2019. Trade tensions, midterm elections and the availability of – and competition for – talent are just a few examples of conditions that pose risk to continued economic growth. Other common indicators, such as productivity growth and the housing and manufacturing markets, show some signs of a cooldown.

Is there a recession looming? While no one has a crystal ball, there is some history to suggest a recession could happen sometime in the next three years, **says Enterprise SVP and Senior Portfolio Manager, Patrick O’Neil.**

“We’re in the second longest expansionary growth period, with 111 months of growth,” he says. “The longest record was 120 months, and the average expansionary period is 47 months. Economies simply cannot remain in growth mode forever.”

Credit issues, **O’Neil** says, are the most likely culprit for the next recession. Telltale signs of credit issues include when banks begin limiting lending, consumer demand for loans declines, corporate earnings show significant drops and you begin to see an inverted yield curve.

One strategy that makes the cut for some seasoned business owners is recession-proofing their business. While it’s impossible to completely recession-proof a business, there are steps that can be taken before and during a recession that help guide decision-making and pivots that can spell the difference between a downturn and disaster.

O’Neil suggests that privately held businesses’ 2019 strategic plans incorporate plans to manage inventory levels, control overhead expenses and plan capital spending with the worst-case scenario in mind. All these issues are important to discuss with your banker, he adds.

“Recessions last an average of 15 months. During a recession, adjust your expectations on goals and growth,” **O’Neil says.** “Shift your paradigm and see if there are unconsidered opportunities that you can capitalize on. For example, can you buy or invest in a company that is affected by a recession but will weather the storm and rebound? Challenge yourself to view the recession as a way to think differently about your company and how it can prosper.”

ISSUE 2

Customer Acquisition



TOP STRATEGIC PRIORITIES FOR 2019



Our survey revealed that, across all industry segments, obtaining more customers (55%) and operational efficiency (57%) are the top two strategic priorities in 2019, followed by talent acquisition, growing current customers and technology enhancements.

With acquiring new customers – and growing existing customers – ranking high, many companies are looking for ways to boost their competitive intelligence and harness the power of data and technology to help them grow.

There are a number of market research practices that can help in this effort, **says Lisa Richter, Managing Principal at research firm Stakeholder Insights**. One option, she says, is “secret shopping” – going undercover as a typical shopper to learn how competitors talk to prospects, how they explain their advantages and how they price products or services. This helps unearth their competitive points of differentiation, as well as opportunities to effectively sell against them.

Richter says another approach gaining increasing traction is “journey mapping” – documenting and analyzing the whole process of customer acquisition and retention. The research involves debriefing your sales and new business teams about the business’s internal customer acquisition process, mapping that, and then interviewing real customers and prospects to understand how and why they decide to do business with one company over another.

ISSUE 2 CONTINUED ON NEXT PAGE >>>

Emerging Issues: The Big 3 *Continued*

“The process allows businesses to identify pain points or unmet needs that neither they nor their competitors are meeting, allowing them to be more competitive by addressing those issues,” **Richter says.**

Jenny Bristow, CEO of digital marketing firm Creative Anvil, encourages companies of all sizes to be sure they are taking advantage of all the data and insights available through digital means such as their website.

“Using analytics processes such as conversion rate optimization and usability and behavior analysis really harnesses the power of data that is available,” **Bristow says.** “Measuring things like how a visitor flows through your website helps you understand how to improve the user experience and drive increases in the number of people who complete a desired action like purchasing a product or submitting a lead request.”

ISSUE 3

Customer Growth and Retention



Without question, acquiring – and keeping – customers is a critical issue that will be addressed in most 2019 strategic plans. 63% of survey respondents said customer growth is their top priority next year, and 51% reported that growing current customers was also a priority.

One way to help maximize growth opportunities is to ensure that your company has a clear differentiator from competitors, **says Angela S. Quinn, Chief Client Officer of survey partner Husch Blackwell.**

Not long ago, law firm Husch Blackwell identified that one way to maintain high standards for client service was to provide a more consistent service level across the entire client experience. To achieve that, they created **Quinn's** role of Chief Client Officer (CCO). In this role, Quinn drives greater client satisfaction across all client-facing touch points – including business development, billing, account management and IT collaboration, as well as the delivery of legal services.

“The market for sophisticated legal services is very competitive – almost all of the top law firms have excellent lawyers. Therefore, firms have to differentiate themselves,” **Quinn says.** “Industry research tells us that client service – particularly responsiveness, collaboration, efficiency and innovation – is what clients desire most from outside counsel. So for us, the CCO position is a measure of the seriousness with which we approach client service and satisfaction.”

Survey Reveals Other Top Concerns

TOP CONCERNS FOR 2019



When asked to rank areas that concerned you the most looking toward 2019, staffing/talent ranked at the top, with 79% of respondents ranking it as one of their top three concerns. Competitive issues such as pricing pressure on labor and suppliers ranked a close second at 68%. Other concerns such as succession planning, uncertainty about tax policy and fraud ranked lower.

“Talent acquisition and retention is the number one concern we’re hearing from our clients,” **says Susan Conrad, Executive Director of the Barry-Wehmiller Leadership Institute**, an international leadership development and business consulting firm.

“Most companies are building in strategies to address how they will attract and retain talent in a highly competitive market with low unemployment numbers.”

Our last *Think Tank* survey on recruitment and retention issues reflected the same concern about staffing. The data revealed how low unemployment is making recruiting tougher, how the arrival of millennials has shifted how some employers attract and retain staff and how salary and bonuses, more training and focusing on company culture are the top solutions to this problem.

Strategy and goal tracking are essential to addressing a broad range of competitive threats, according to **Peter Siegel, CFO at data-focused management consulting firm Sense Corp.**

“The important thing is to have a plan that is agile enough to respond when new obstacles come up,” **says Siegel.** “We set ‘Wildly Important Goals,’ or WIGs, and the executives meet weekly to assess our progress in reaching them.”

Survey Reveals Other Top Concerns *Continued*

Industry breakouts from the survey offer interesting insights about business concerns. For example, all respondents who selected tax policy as their largest concern are companies with under \$50 million in revenue.

In the construction category, only about half of respondents report sticking closely to their strategic plans. Additionally, operational efficiency was by far their most important priority for 2019.

44% of all respondents ranked succession/leadership planning as a concern moving forward. While it ranks third to staffing and competitive pressures, its third-place finish indicates that it's on the radar of many companies. But is it as high a priority as it should be?

"The larger the company, the more important succession planning is," **Mary Henry says**. "For smaller businesses, many owners are simply there until they sell, so succession planning may not be a critical issue for them. It's important for businesses to understand whether it's important, and if so, to get a plan in place."

Bill Lavidge, President and CEO of marketing firm Lavidge, says the key to a strong strategic plan is ensuring it is executed effectively.

"It took us a while to get good at it," he says. "We'd spend two days on it, create lofty goals, and then we'd get caught up in deadlines, voicemails and a backlog of emails. Therefore, not much of what we planned for was accomplished. Now we focus on accountability and how we're going to get the plan accomplished – and we've built in touch points."

One thing nearly all our experts agreed on is the importance of consistent and transparent communication with employees, both during planning and throughout the year.

"Employees on the front lines need to hear about the plan regularly," explains Josh Rogers, SVP and Partner at FleishmanHillard Talent & Transformation. "Be candid and honest, and remember that your people are what make everything you do possible. Demonstrate that you value them by keeping them informed regularly and rewarding those who help achieve the plan."

What Makes a Strategic Plan Work? Here's Some Advice from Colleagues

We scrubbed the open-ended *Think Tank* survey questions for nuggets of advice straight from your fellow business leaders, many of whom have learned hard-fought lessons over many years of strategic planning. Here are some highlights:

“This year we boiled our plan down to one overarching goal: ‘Create opportunities for people to thrive.’ We want everyone in our company to know the goal and be able to quote it. The more goals you have, the more likely you are to throw it into your desk drawer and forget about it. If you have one overarching goal, it is easy to have everything else focus on just that. But definitely no more than five goals.”

- **Doug Hall, CEO of Kansas City-based contractor Musselman & Hall**

“The use of a good outside facilitator every few years is very helpful in maintaining consistency in your strategic planning. Outside perspective is very useful and beneficial to the process.”

- **Robert Guest Jr., Member Attorney of St. Louis-based Affinity Law Group, LLC**

“Talk to your people in all areas, one-on-one, prior to doing your strategic planning. Get their view of the company and recommendations. Let them do 99% of the talking, and listen to them.”

- **Mike Lanning, Manager of Accounting at St. Louis-based Nooter/Eriksen, Inc.**

“Involve as much of your leadership team as possible, and hold them accountable to meeting the goals that support the plan. Be sure your departmental plans support the overall plan.”

- **Mark Concannon, CEO of Kansas City-based Traders Insurance**

“Focus on what we call the ‘big rocks’ – the top 2-3 most important goals. Also, don’t ignore the low-hanging fruit. Don’t spend a ton of time on it, but you should do things that are quick and easy – things like employee perks.”

- **Bill Lavidge, President and CEO of Arizona-based marketing firm Lavidge**

“Devote the time and energy to the planning process that it deserves. Involve your key decision-makers and operational personnel. And don’t forget to listen to the voice of your customer.”

- **John Gloss, Chairman and Administrator at Shriners Hospitals for Children in St. Louis**

“Strategy is more than a budget. It’s just as much about what not to focus on as what to focus on. And limit your key strategies so that focus is possible.”

- **Dan Nahom, CFO of Phoenix-based SmartHealth**

“Just do it, whether it’s formal or informal. Involve the whole team, and track your progress.”

- **Nancy McCullough, CEO and Founder of Kansas City-based e2E, LLC**

“Plans can’t come ‘just’ from the boss. Employees need to understand how they fit in and how they impact the plan. If they don’t feel connected, there is no real operational benefit. Make sure it’s not part of the daily noise that they hear. Make sure they know they are invested.”

- **Alan Witte, Senior Partner at law firm Polsinelli**



10 Key Takeaways: A Checklist

The act of addressing issues through strategic planning is the most effective way to plan for unknowns. If your business is relatively new to strategic planning or you are refining your current process, here is a checklist of best practices from experts and your peers to get you focused on the right actions:

- Start with the end in mind - your business goals. Discuss where your business is now and where you want it to be. The natural next step is determining how you'll get there.

- Review or create your business purpose, vision and mission statements.

- Stay focused and realistic. That's why most focus on a one to three-year time frame. As you grow and evolve, you may begin planning three to five years out.

- Conduct frequent check-ins on your most important goals so you don't lose sight of big impacts in your day-to-day actions.

- Conduct a SWOT analysis (strengths, weaknesses, opportunities and threats) and, if possible, use customer and market data to support your analysis.

- Develop quantifiable Key Performance Indicators (KPIs) to measure progress toward your objectives. An example: Increase online sales by 10%; track year-over-year trends.

- Identify initiatives and tasks that enable you to meet objectives. Manage the tasks and milestones; ensure there are accountable owners for each.

- Communicate the plan throughout the organization. Buy-in is essential, and employees responsible for implementation must be invested – especially on the front line.

- Conduct frequent check-ins on your most important goals so you don't lose sight of big impacts in your day-to-day actions. Periodic reviews should be considered with the larger teams – quarterly is a good place to start – to ensure that progress toward goals is maintained.

- Never forget – more important than planning is executing on the plan. Hiring an outside consultant to guide strategic planning isn't always necessary, but it could be a good option when accountability and follow-through are concerns.

Enterprise Bank & Trust, RubinBrown and Husch Blackwell can help guide you throughout your strategic planning efforts. If you are new to strategic planning, or are seeking outside help for planning or advice, we can connect you to people who are experts in facilitating your planning process.

About This Survey

This report summarizes key findings from our most recent *Think Tank* survey, which was distributed in August 2018 to Enterprise Bank & Trust board members as well as other privately held business leaders via partners RubinBrown and Husch Blackwell. The survey yielded 144 responses. Industries with 12 or more respondents are cited in the report.

About *Think Tank*

Enterprise *Think Tank* is an ongoing series in which privately held business owners are surveyed about key issues facing their businesses. The survey is distributed to a community of more than 200 business leaders across multiple industries and markets. The findings are then published in a comprehensive report to provide both the resulting data and key best practices from survey responses. To explore other *Think Tank* report topics, visit enterprisebank.com/resources/thought-leadership.



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