

# STRATEGIC PLAN VS. BUSINESS PLAN

The process of creating a plan is as important as the resulting plan.

BY CHARLIE CARR

Family businesses and family offices often passively resist our prodding to create a strategic plan. A strategic plan is important for any business or organization, at any stage of its life, but it often becomes critical as a business transitions from one generation of leadership and/or ownership to the next.

A *strategic plan* is a plan for the next three to 10 years. Let's contrast that with a *business plan*, which is a one-year plan describing the investments, initiatives and growth that you anticipate for the coming year and often is encoded in your general ledger as a budget. The strategic plan encompasses the initiatives for this coming year but goes much farther, laying out how you will grow the business, prepare for succession and achieve the family's and business's vision for the next three, five or 10 years.

## Why the resistance?

These are real answers; I didn't make them up!

- *We already have a strategic plan — in fact, here's the envelope [or cocktail napkin] where I wrote it down.*
- *We created a strategic plan in the past and it didn't work. Staff didn't buy in, we got busy with other things, and we lost track of it.*
- *We don't know what will happen in the future, so we can't create a plan. We're impacted by the economy, government, weather, pandemics etc. That may work for somebody in a more predictable industry, but not us.*
- *We've grown the business just fine over the last 40 years without one; why change now?*
- Frequent reason, but not stated out loud: *If I convene a group to create a plan, then I may not be able to control the output, or someone may discover that I don't know where we will be in five years.*

## Benefits of strategic planning

Our not knowing the future is a perfect reason to create a strategic plan. Let's convene a group of people, think about what we do and don't know, and try to grow or improve this business. There are many benefits to such an effort:

- Creating a strategic plan prompts leadership (family members and business leaders) to be proactive rather



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## CREATING A STRATEGIC PLAN PROMPTS LEADERSHIP (FAMILY MEMBERS AND BUSINESS LEADERS) TO BE PROACTIVE RATHER THAN REACTIVE.

than reactive as they think long-term about the business and economy.

- The process challenges the team to think about aggressive or seemingly impossible goals and come up with ways to achieve them.
- It facilitates gathering team members with different thought and work styles and creating solutions for operating differently —we're better together!
- Once you begin the planning process, your eyes are open to new opportunities in the market or industry around you. It's amazing how many opportunities that might have been missed otherwise arise while we are doing strategic planning.
- Family and staff regain enthusiasm for what can be created in the future.
- Next-generation leaders get an opportunity to rise up through participating in the process.

## Strategic planning guidelines

The process of creating a plan is as important as the resulting plan. We work with businesses across industries. While we'd love to take credit for the benefits they receive from such planning, we're certainly not telling farm clients when to plant or harvest, or manufacturing clients what changes to make in their processes or product features, or real estate clients how to improve their properties. Here are some general guidelines to think about:

- Who is involved? The larger the team, the better. We worked with a group in recent years who named 18 people to the strategic planning committee. It worked great, and we got broad buy-in to the resulting plan. Smaller teams, perhaps five to eight people, are easier to work with and usually create the plan in less time, but they have to work harder to get buy-in.

- That person who has strong feelings and critiques your business? Get them involved — make them integral to the plan. If they're not part of the process, they are likely criticizing it (or the resulting plan), undermining your effort. Get them engaged in the process and owning the end product.
- Ensure you use a cross-functional group — look across business lines, services or functions.
- Those on the team must communicate constantly with those who are not. Make sure everyone in the business feels their voice has been heard. This is not a “black box” where everyone sees the output only when it's fully baked.
- How long does the process take? Most often, four to 12 months, or commonly around six months. That is a small price to pay for something that may transform your staff and business over the next five years.
- The committee obviously can't predict a major pandemic or black swan events in the economy or technology. While it is important for them to do the best they can, the team needs to be able to change or shift the plan if major opportunities or challenges arise. No plan sits in concrete.

### What is the process?

There are variations for each family and business, and likely each consultant has their own twist on how to do this. Here is an overview of the process:

- Where are we today? Start with a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of the current business. For smaller organizations, we've done a series of interviews and created the SWOT for them. For larger organizations, we've separated them into teams or functions and facilitated the teams in creating separate SWOT analyses for each function.
- Define the goals. There certainly are financial goals (and let's make sure they are challenging, not just what we expect the business to do with its current momentum). But also consider the culture of the business, succession plans (for leadership and other key positions), next-generation

development, community impact, governance, the family's roles, etc.

- Create success measures — not just for the goals, but also for the strategic plan itself. When the plan is finished, how will the family and leadership decide that it was successful?
- Working with the strategic planning committee, review the SWOT analyses and identify key initiatives to address weaknesses, capture opportunities or mitigate threats. We've typically done this with monthly in-person meetings and homework assignments between meetings.
- As you define the various initiatives that will comprise the plan, identify the key steps within each initiative — perhaps two to five such steps. This often helps ensure team members define the initiative the same way and helps determine sizing and timing. Create rough cost and time estimates for each one.
- After you flesh out the initiatives, have the committee put them on a calendar. You will want to analyze the results, as there is a tendency to have all of the initiatives run concurrently starting next month. Think about who will execute on the initiatives and make sure those staff members won't be overwhelmed.
- Finally, create a process for keeping the plan in front of your team to ensure it stays on track. Consider holding quarterly meetings to talk through the initiatives and change course if necessary.

You might consider having the imminent next-generation business leader head up the strategic planning committee, with a consultant facilitating the process. This can serve as a great way to test and demonstrate that person's visioning and leadership skills, while building excitement for the future of the business. Stop making excuses — let's engage your team to move toward your family's future legacy. **FB**

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