



# Charting a Course to Work on Your Business, Not in It, in a Post-COVID World

## PART 2: DEVELOPING A STRATEGIC ROAD MAP

By Peter Emerling and Mike Ferraro

Welcome back to part two of our three-part series discussing the importance of recurring strategic planning and the development of road maps to help you work on your business and not in it. As we discussed in our previous article, which was published in the September issue of the Lumber Co-operator, the COVID-19 pandemic forced many business owners to shift their focus from strategic planning and initiatives to keeping their businesses afloat. Now it is time for business owners to get back on track, working on their businesses and developing a road map for achieving the goals and success that they deserve. In this article, we focus on the strategic planning process and how business owners can develop a strategic road map to guide the future of their business.

So, why develop a strategic road map? Many business owners have an excellent vision and plan for the future of their business. The problem is that, for many business owners, these visions and plans exist solely in their heads and not on paper. As a result, they lack the clarity that a well-developed and thought-out plan can provide. Surprisingly, this trend is common among small business owners. According to a 2020 survey by Clutch, only 15% of small business owners had recorded their full strategic plan for the previous year, while another 27% failed to document any of their business strategies. The lack of a formal strategic planning process and a fully documented plan limits the ability of management teams and employees to make business decisions and restricts the organization's ability to maximize the return on limited investment resources (i.e. time, capital, etc.).

A well-executed strategic planning process includes business owners, managers, and subject matter experts who are critical to the operation and growth of the business. These individuals are often the closest to the business, its customers, and its vendors. They carry critical insight that will help shape the strategic road map, identify methods for measuring success, and provide feedback throughout the planning and execution process. By involving these individuals in the process and providing them with a clear vision of the strategy, they are able to execute the strategy without constantly having to defer to the business owner. This is a critical element to enabling the business owner to work on the business and not in it.

This process is not a one-time, "set it and forget it" exercise. The strategic planning process should be performed on an annual basis, in advance of the upcoming fiscal year, and be continuously reviewed and updated throughout the year. The

timeline for the completion of the process varies by company, but typical timelines range between three and four months. Progress on the strategic plan should be measured monthly, and re-evaluation of the plan should occur on a quarterly basis, if not more frequently. We'll review the process in more detail below.

### **The strategic planning and road map development process can be broken down into four primary steps:**

1. Current state analysis
2. Strategy development
3. Plan development
4. Execution and evaluation

## **Current State Analysis**

The foundation of your strategic plan requires an unbiased, holistic analysis of the current state of your organization. This analysis answers the question of "Where are we now?" and focuses on your business holistically, both internally and externally. From an external perspective, traditional SWOT analysis is a great place to start and will help highlight areas requiring further review. This analysis will not only help business leaders to understand the position of the company in the market, but the underlying discussions in the process of completing this analysis will ensure alignment with the current state of the business.

From an internal perspective, it is important to answer the questions of "Do we have the right people and are they in the right places?," "Does our technology stack, and the information/data contained within it, effectively support our business, and is it capable of supporting future growth?," and "Are our business processes well understood, efficient, and scalable?" It is important for business leaders to be brutally honest about the internal assessment

of their business. Oftentimes, this task is clouded by personal pride, limited understanding of best practices in sub-functional areas (i.e. finance, IT), and limited bandwidth to really dig into the state of the business.

An advisory board can be an invaluable resource in helping business leaders think through the current state of internal and external analysis based on what they've seen with other similar businesses. The advisory board is not there to complete the analysis, but instead exists to ask questions during the process that hadn't been thought of, opening up the conversation with an unbiased strategic lens and providing valuable insight.

As the company works through the current state analysis, especially in the COVID-19 pandemic world, it is important for the company to consider key themes and trends that are impacting the industry in which they operate.

**As we discussed in our previous article, we identified the following four key themes from our discussions with several New England-based retail lumber organizations that should be considered as part of this process:**

1. Talent challenges dominate the concerns for retail lumber companies
2. The timeline for succession/exit planning has significantly accelerated
3. Technology and facility investments are critical to accommodate changing customer preferences and addressing talent shortages
4. Advisory boards can be invaluable when providing strategic guidance, but they require continuous evaluation and enhancement.

## **Strategy Development**

Once the current state analysis is done, it's time to move on to developing the future state business strategy. This

process will help answer the questions of “Where do we want to be?,” “How will we get there?,” “What financial resources will we need?,” etc. While most business strategies focus on the future state of the business, it is extremely important to also focus on the future needs of the business owners. Understanding the end goal for the owners, whether it be selling the business or passing it down to the next generation, lays the overall direction and foundation for the future state strategy. These needs are flushed out through the process of revisiting and updating the company’s mission, future state vision, and values.

Once the mission, vision, and values are fully understood, leadership should seek to define the business goals and objectives for the next three to five years. In order to define these goals and objectives, the company must analyze and identify the gaps between the updated mission, vision, and values, and the current state analysis. These gaps will help leaders identify the necessary goals and objectives needed to achieve the desired future state. It is important as part of this process to gain unity from leadership and owners on these goals and objectives, as they will ultimately serve as the road map for management teams and employees as they make day-to-day decisions without having to constantly defer to the owner or decipher the owner’s vision.

As part of this process, it is important to consider the financial resources needed to achieve these goals and objectives. Building a long-term

financial forecast, understanding capital requirements, and calculating return on investment are necessary to rationalize the investment needed to achieve the future state. The outcome of this exercise will also help provide clarity to the process of prioritizing key initiatives.

An advisory board can help an organization work through the alignment of goals and objectives with the overarching strategy of the business, prioritize initiatives, and help rationalize financial forecasts. In addition, an advisory board can help to identify financial resource options and connect business owners to external providers to help achieve the desired objectives.

### Plan Development

Plan development is where the rubber meets the road and answers the question of “Who must do what?” in order to achieve the strategic vision. In this phase, the strategic plan is finalized and broken down to create tactical plans by setting SMART goals and key initiatives at multiple levels within the organization. As part of this process, goals and tasks are typically defined and organized at the organizational, departmental, and individual team member levels. The output of this exercise will serve as the road map for the entire organization.

It is important for leadership to be realistic about the timeline and resource requirements needed to achieve these goals and consider how success will

be measured. The identification of key performance indicators (“KPIs”) is critical to this process, including an understanding of how these indicators will be reported, the source and quality of underlying data, and the frequency of measurement. These KPIs should be incorporated into the company’s monthly financial and management reporting processes and reviewed accordingly.

In addition to developing the necessary reporting components, leadership should develop a detailed one-year budget that aligns with the tactical plan. This budget should be prepared at a level of detail that supports monthly budget vs. actual reporting, which is typically at the general ledger account level. The budget should primarily be focused on the income statement and cash flow, and should include detailed capital expenditure and head count planning components. Surprisingly, more than 50% of small businesses have no formal budget. Much like not having a strategic plan, not having a formal budget greatly restricts the ability of managers and leadership to evaluate the performance of the business and limits decision-making activities.

One question we often get asked about this process is when to involve employees below management. Your employees are some of your most critical assets and have a deep understanding of the day-to-day operations of your company. They know what works and they know what doesn’t. The decision of when and whom to involve in



the strategic planning process will vary based on your company, your relationship with your employees, and what role each employee plays. An advisory board can help you think through involving employees in this process, including how to manage communications and resolve conflict; typically, employees who are involved in the process are provided with a greater sense of ownership, are more likely to accomplish the goals and objectives, and are more willing to provide regular feedback to leadership.

### Execution and Evaluation

The rollout and execution of the outputs of the strategic planning process is the most critical component to success in achieving the goals and objectives defined during the process. In our experience, we've met many companies that have completed the strategic planning process only to put the plan on the shelf to collect dust. Given the critical nature of this phase, we've dedicated our third article in this three-part series to the rollout, execution, and adjustment of strategic plans.

### An Invaluable Exercise

While the strategic planning and road map development process may seem daunting and require an investment of time away from day-to-day operations, the process opens creative discussions, identifies areas of opportunity and risk, and provides business owners and their employees with a road map for navigating the business into the future to achieve continued growth and success. This process is invaluable to the organization and is a critical component of your business. It is never too late to develop a strategic plan. **LC**

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