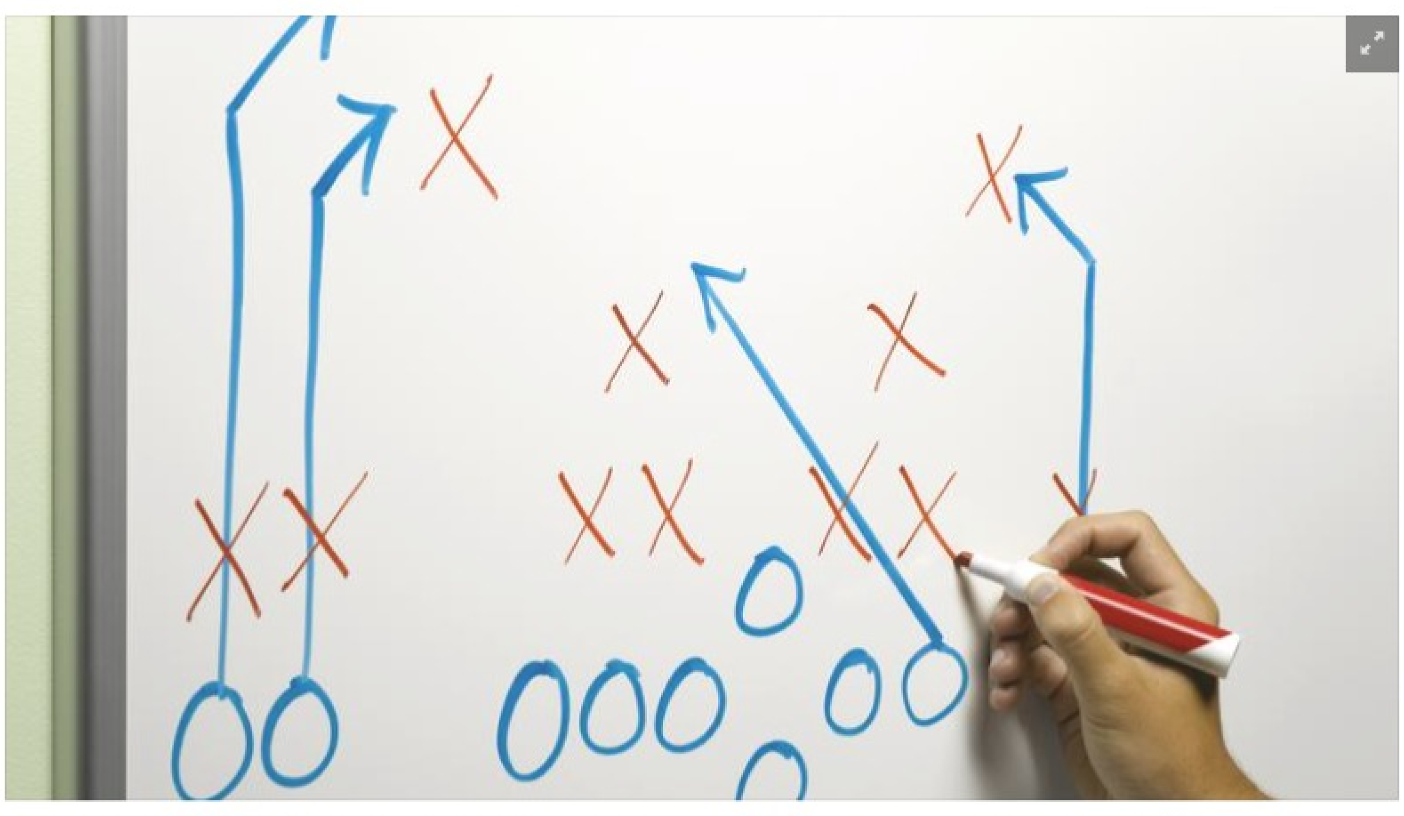
4 tips for small businesses developing a strategic plan



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As we enter the summer, many small business owners are concerned with what will happen to their business once they run out of their Paycheck Protection Program (PPP) funds especially given the economic impact that the coronavirus pandemic has caused to our local economy.

Based on my experience as an entrepreneur, as a consultant advising companies about strategic planning, and as an interim CEO when a rapid turnaround is required, the first step management needs to take is to develop a strategic assessment and plan.

I suspect that you and your fellow executives are extremely frustrated, and perhaps even unsure of what to do. Your employee morale is probably dipping along with a significant drop in the company's sales. In addition, the firm's daily outstanding payables as well as receivables are most likely increasing. No matter how unique your product or services, this trend is simply unstainable. It is important that you not worry about the firm's original vision. Your firm is probably in survival mode. Preserving cash must be your top priority, along with fixing the systemic problems facing your company including, if necessary, adapting your business model.

Additionally, as counter intuitive as it may seem and as difficult as it may be to hear for founders, entrepreneurs, and investors, the company culture must also change very quickly for your firm to survive. What worked in the past simply is not as effective today and certainly will not be as effective tomorrow.

Chances are that your firm's culture has been product or service oriented, personality driven and impulsive, masked as creative. The faster the firm can change to a customer- centric, process-oriented and metric-centric culture, the faster the firm will start to adjust its business model to succeed in this current environment.

You and your senior management don't need to work any harder, but rather smarter. The first step to doing this is to step out of the box and do an objective assessment of what is working and what is not. Although your firm may have been doing fine prior to the shelter in place, realistically it is not going to get back to normal as there is going to be an ever-changing new normal and your firm must quickly develop a plan or you can plan to be out of business.

Every aspect of your business must be re-evaluated. As far-fetched as it may seem, your goal should be not to just survive, but also to thrive. Here is what not to do: panic. Since earning my MBA from The Wharton School more than 30 years ago, I have been through three recessions and have been involved directly with several startups and dozens of companies that were facing the very problems that many firms are facing today.

Most of the issues I have learned over the past three decades were not taught in business school; rather I learned them from the school of hard knocks.

Turnaround: Simple, but not easy

Every company's financial and operational situation, culture, and dynamics are different. However, the fundamentals of operating any business and the problems to which many companies are vulnerable are not that unique.

First, you need to get your finances in order. This does not mean you have to solve all your financial problems; it means you must understand how big your problem is and where and why you are losing money.

There is a high probability that your sales will not bounce back to where they once were for the foreseeable future. Hence, you need to consider focusing on selling your higher- margin products and services and discontinuing high-volume, low-margin products that require too much of your precious working capital.

Second, you need to get your operations in order. It is critical that you determine where in the firm you are getting value for your expenditures and where you are simply wasting money.

Your management team is going to have to develop a discipline of understanding what expenditure you must have to run your business and what are nice-to-haves during the initial phases of turning the company around. The latter point is especially important given your limited working capital. Leveraging technology for cost savings and impact is critical.

Third, you need to improve your marketing and sales. Understanding which products and/or services sell the best to whom, and which ones make the best margins is critical before planning marketing and sales efforts.

Now is the time to better understand your clients' needs, your competitors' strengths and weaknesses, and the impact the pandemic and looming recession is predicted to have on your industry trends. Having a better understanding of these variables will enable your firm to better position itself more effectively in the marketplace.

Fourth, and last, you need to manage yourself, your fellow executives and staff, your board, your investors, and your vendors more effectively. This old cliché is trite but true: the most valuable resource your firm has is its people.

It is critical that you find ways to better manage your team and yourself. Spending the appropriate time building your team and leveraging its strengths is critical to getting your company back on track. This is an area in which CEOs in trouble tend to put the least amount of effort. The main emphasis in this part is on the importance of transparency and maintaining ongoing communications with those stakeholders who ultimately may be your greatest asset in turning around your firm should not be taken lightly.

Every company's financial and operational situation, culture, and dynamics are different. However, the fundamentals of operating any business and the problems to which many companies are vulnerable are not that unique. The key is to work through these four tips with the ability to make good judgements under pressure while servicing your clients, keeping your team focused and motivated. This will not only enable your firm to survive but also to thrive.

For a free phone consultation, please reach out to jlack@roiventures.com or 713-539-7978.

ROI Ventures ("ROI") is a business advisory practice based in Houston, Texas with ties to the San Francisco Bay Area. ROI is focused on strategic planning and interim management for growth companies facing challenges getting to the next level of their development and for mature companies trying to adjust to new market realities.

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