

Strategic Focus : Why you Need one in your Business, and how to Create it

By Mark Munday

Most of us have heard the term, Strategic Focus. But it is not very well understood. The general perception is that having a strategic focus is doing all the *right* things in your business. And that this is a good thing, because it makes you successful.

This is quite right, in that a Strategic Focus is a very powerful tool for building business success. But the reality is, a Strategic Focus will only *really* work for you if the concept is fully embraced and applied to every aspect of your business.

So, Just What is a Strategic Focus ?

I am sure you agree that, if you are absolutely clear on the *long term goals and objectives* of your business, you have a crystal clear understanding of how *current issues* are affecting business performance, and you know precisely *how* to make the difference that gives you a winning edge, you can't lose. Well, that's what having a Strategic Focus is all about!

Don't be intimidated by this challenge. It is not something that only MBAs and business gurus can do. *You* are the expert in your business. You know it better than *anybody* else. In fact, most of us know all we need to know about our businesses. The challenge is to *organise* those thoughts and ideas in a way that gives you strategic direction and focus.

Having a Strategic Focus means that achieving your strategic objectives is the dominant consideration for you and your team. When faced with a choice or decision, you automatically relate the situation to your business strategy. And you automatically consider how the best strategic advantage can be realised.

Creating and embracing success focussed insights in your business, is really not hard. When you get down to the basics, most businesses are pretty simple. But for most business owners, actively driving success into their businesses is an elusive ideal.

So what gets in the way of a clear Strategic Focus? And how do we go about creating one?

What's in that Forest ?

Running a business gets so demanding, that we often can't see the wood for the trees. We become preoccupied with ensuring that everything in the business works the way it is supposed to. In other words, we spend most of our time working *in* the business.

The problem with this *operational* focus is that it is easy to lose sight of what could be done in the business to make it run *better*. The business will only prosper in the long term if you devote a lot of attention to improving *how* the business works and increasing its *capacity*.

Spending a lot of time working *on* the business, makes it grow in the *long term*. Business growth is sustainable and things just keep on getting better. If necessary, get *other* people to work *in* the business. Working *on* the business should be your top priority.

Failure to work on the business causes it to become trapped. It is almost like the business gets stuck in a box. The business is unable to dynamically take advantage of opportunities. And it fails to adjust to a rapidly changing environment. Eventually, the business starts losing its *competitive edge*. A one-way downhill trip becomes almost inevitable.

According to world-renowned Small Business expert Michael Gerber, most businesses fail or *underperform* because business owners spend too much time working *in* their businesses. And not enough time working *on* their businesses.

The graph shows the appallingly high business failure rate. The biggest fallout is during the first year. 29% of new businesses never make it into their second year. And 65% of businesses close their doors within the first 5 years. These figures are for New Zealand. But the experience is similar all over the world.



Research at Cornell University shows that the biggest cause of business failure is the lack of a *Strategic Focus*. People who start businesses tend to be very focussed on operational issues. The preoccupation with working *in* the businesses causes an almost exclusively *Operational Focus*.

The lack of a *Strategic Focus* means that little attention is paid to laying the foundations that business success is built on. Because Strategic Action is not taken in the business, it stagnates. And gradual decline follows.

Even if you get through the first five years, you aren't home and dry yet. Many businesses that manage to get through the first five years, also lack that all- important strategic focus. For them, a different set of problems arise.

Do you Ever Feel like you are Running out of Steam?

A typical complaint of established small to medium sized business owners, is that business performance seems to grow up to point and then just stop. No matter what you do, performance stubbornly resists improvement. It is as if business growth hits a ceiling, which it can't break through. The harder you try, the more frustrated you get.

The graph on the right shows what happens. Profit increases steadily until it reaches the first ceiling (the red horizontal line at P1). For the next few years, profits bounce along at this level.

If you are finding that attempts to improve performance beyond this point yield meagre returns, your business is probably running at close to *full capacity*. It means you need to take *strategic action* in your business.

Taking *Strategic action* increases the capacity of the business. It could mean employing another person, buying a new machine, moving to bigger premises, introducing a new product, or any one of a host of business building actions.

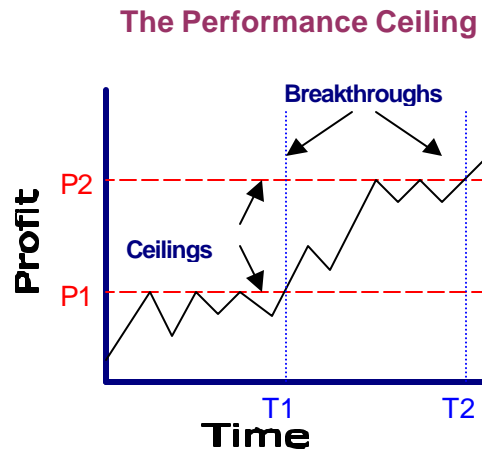
Strategic Action allows the level of activity in the business to increase sharply. And it generates much more profit. In the graph, *strategic action* creates *breakthroughs* at T1 and T2. In both cases, the ceiling on Profit is lifted.

This is what it means to *take your business to the next level*. Suddenly, you are playing a new ball game. Limitations and restrictions on what you can and can't do, disappear. Business performance improves and you get the rewards you have worked so hard for.

Managing the process properly is critical. After the breakthrough at T1, there is a period of growth and consolidation. During this time, increased business activity absorbs surplus capacity, and Profits increase.

All this means that, if you want your business to prosper, you need to plan taking *Strategic Action* *very carefully*. You need to be very aware of where your business stands in relation to *ceilings* on your financial performance. And you have to be clear on how you are going to achieve the kind of *breakthrough* you need.

The need for strategic action in your business means, not surprisingly, that you have to do carefully considered *Strategic Planning*. Next, we look at how you put together a Strategic Plan that makes your business dreams come true. And how to ensure that you take the *right Strategic Action*.



So How do you work on the business ... ?

Working on the business is what *Strategic Planning and management* is all about. It is an approach to running your business, that focuses on delivering the *long term outcomes* you really want. Strategic management transforms your business, so that it satisfies your *top priority desires*. They could be a capital gain, a passive income, more time for yourself, better teamwork, or just having more fun!

The Strategic management approach builds your business into what you want it to become. Its like building a house. You start with laying a foundation. And you build on it, from the bottom up.

The *Strategic Planning Model* on the right, illustrates the process. It is a layered model and you start at the bottom. It is shaped as an inverted triangle, because the process starts with a few key thoughts – what you want your business to become. Each of the 5 steps that follow, expands on the step that precedes it. Ultimately, a comprehensive *Action Plan* emerges.

In his book, *The 7 Habits of Highly Successful People*, Stephen Covey captures the essence of *Strategic Thinking*. Covey's second habit is *Starting with the End in Mind*. Before you start doing anything, make sure that you are absolutely clear on what *outcome* you really want.

Strategic Planning Model



How do we Define Our Success ?

So your first step in the planning process is to build a **Mission** for your business. Your Vision is a detailed mental picture of what you want your business to become. This is your *ultimate reason* for being in business.

Your business will only give you what you really want if your **Mission** becomes the driving force behind it. Which is why getting clear on your **Mission** is a good place to start.

With your **Mission** under your belt, you have clarity on where you are going with your business. The next step is to understand, in detail, where you are *coming from*.

So, What is happening here ... ?

In other words, you have to systematically analyse your **Current Situation**. *Strategic Planning* is like reading a map. Before you can plan a route, you first have to locate your *destination* and *current position* on the map. Without these reference points, you are lost. But with them, you are able to choose the most *effective route* for making the journey.

Analysing the **Current Situation** is all about understanding what happens *inside* the business to add value for your customers. And how the rules of the game are set *outside* the business. Organising these issues and thoughts gives you pointers on what you have to do to become (or remain) a winner.

When you are clear on where you are going with your business (your **Mission**) and where you are coming from (your **Current Situation**), you start to get a good idea of what the *strategic gap* is. And you are well placed to develop a **Business Strategy** that will bridge that gap. This is the next stage in the process.

What Makes this Business Tick ?

Developing a Business Strategy is often hyped up in the media as something that only expensive specialists and business fortune-tellers can do. In fact, it is fairly straight forward and can produce spectacular results for anyone. As long as you use a systematic approach and follow through to the end.

Business Strategy is all about the **how** of building a business. You know where you are going to – you spelled it out in your **Mission**. And you are clear on all the issues affecting the business (your **Current Situation**). Creating a **Business Strategy** explains how your business is going to make the exciting voyage from where it is to what you want it to become.

The temptation, when developing a **Strategy**, is to focus on marketing, sales, and the generation of income in the short-term. But it is very important that you take a balanced view of the whole business. In addition to *Financial* returns, you must also consider *Customer Satisfaction*, *Business Processes* and *Learning & Growth* areas in the business. Most importantly, you must understand the *interdependencies* between what happens in these business areas.

Let me explain. Getting good financial returns from your business *depends*, in the long run, on how satisfied your customers are. In turn, how satisfied your customers are *depends* on how good your *business processes* are. To take it one step further, how good your business processes are *depends* on how good your equipment is, how skilled your people are and how well your systems have been set up (*Learning & Growth*).

All these interdependencies work together to produce the ultimate business outcome – the performance, or lack of it, of your business. Which is why **Strategy** is the key to the growth engine in your business.

Without a focused, pro-active business strategy, the business won't go anywhere. There are **three key steps in developing a strategy**. And you must go through them in this order:

1. Understand *interdependencies* between different areas of your business
2. Figure out the *critical success factors* in these business areas
3. Identify *tactics* that support the critical success factors

A *Tactic* is a group of related activities that support achievement of a *Strategic objective*. For example, if the *objective* is to get more clients, a *tactic* could be getting referrals from existing clients. The activities are all those things you have to do to implement a referral campaign.

When you are clear on *how* you are going to achieve your objectives, you move on to figuring out what you have to do to make it all happen. This is where the *planning* starts.

First, you Scope all the Work that Has to be Done

Your **Strategy** consists of a whole lot of *Tactics*. Your next step is to organise these tactics into an outline. At this stage, don't worry too much about the detailed actions involved. Prioritise your tactics and decide which ones you want to start working on.

It is important that you do this. It means that, instead of using a piecemeal approach, you are able to take a helicopter view of what has to happen in the business. Seeing the *big picture* enables you to make sense of all this strategic action, and prioritise what you have to do.

When you know what tactics you want to implement, you can start to **Make Action Plans**. Simply break your tactics down into detailed actions, and schedule them over a period of time. Don't think too far ahead. Planning for the month ahead works best in small businesses. At the end of the month, you review what you achieved and plan for the next month.

If a Business Plan is going to fail, this is where it usually happens ...

The final step in the Strategic Planning model is **taking Strategic Action**. This is where the rubber hits the road. And this is where strategic management efforts often falter. It goes almost without saying. If you don't take the action, all the planning you did beforehand was a waste of time!

Many businesses never manage to *implement* their strategies because key stakeholders were never fully committed to the process in the first place. And they failed to re-arrange the way they work to ensure that *strategic action* gets taken.

To avoid this happening to your business, you *must* ensure that key stakeholders buy into the process. And that an effective, *action* focused ongoing *Strategic Management process* is used.

The Only Constant is Change itself ...

Note that the Strategic Planning Model has a *Feedback Loop* – **Review Strategy**. This is because your business operates in a constantly changing environment. While, your **Mission** may stay the same, your **Strategy** has to constantly adapt to changing circumstances, both inside and outside the business.

It is as if the goalposts are moving the whole time. Ongoing change is often a harsh reality in business life. And the rate of change is increasing all the time. Failure to

constantly review and refocus your Business Strategy means that it will quickly become out of date.

Implementing a strategy that has been overtaken by the course of events, won't get you anywhere. So you need to **Review your Strategy** regularly. This is why a monthly *planning cycle* works best. It serves as a reminder for you to *scan the environment* and re-focus your **Strategy**.

What will Happen if you **Don't** develop a Strategic Focus ... ?

The short answer is, **not much** ! If you don't use a focused, cohesive strategy in your business, you will probably survive, for a while at least. But your business won't be transformed into the success you know it can and should be.

Without a Strategy, a business is like a rudderless boat. It continues to float. But the boat is carried by prevailing winds and currents. And it usually ends up at the wrong destination.

The same thing will happen to your business if you don't plan for it's success. Ultimately, you will *lose control* of your business. You are forced into reaction mode. And that is how you miss opportunities. Ultimately, your competitors will take the initiative. And you will be left behind.

Rapid and sustained growth in any business *has* to be launched from a strategic platform. Failure to create and maintain a strategic focus, means that growing the business is really hard work. And the results don't last for long.

It also doesn't matter how big the business is. Whether you work alone, or are supported by a large team, the challenge remains the same. Developing a balanced business strategy, and making sure that all that strategic action is taken.

Please pass this report on to any who you think will find it interesting

As a Business Strategy Coach, Mark works with business owners, helping them make the most of their businesses. He uses a powerful system, based on the model described above, to unleash vigorous business growth. Clients are delighted with the results. For more information and to subscribe to Mark's **free** newsletter, visit www.small-business-planning.com. Or phone 476-5510 and ask for a **free** Strategic Review.
