

Develop Your Strategic Plan



You may not like looking into the future beyond jobs you already have secured, but someone has to do the planning for your business. A strategic plan will help you achieve your goals and prepare you for industry changes.

By John Mulligan

If you've ever had to secure funding from a bank, you've probably written a business plan. But does your company have a strategic plan? Many contractors don't realize there's a difference.

Of the approximately 450 electrical contractors he has accounts with, Geoff Murphy, president of Brockton, Mass.-based electrical distribution firm Columbia Electric, says that maybe 10 percent have a strategic plan.

"A business plan is a financial document only," says Perry **Daneshgari**, CEO of Flint, Mich.-based MCA Inc., a management innovation company. "A strategic plan is more of a market positioning. It takes into account your market, your people, your tools and equipment, your processes and procedures, and your finances."

Why a Strategic Plan?

Planning is one of the most common problems for electricians, Murphy says.

"I have a lot of respect for contractors' skill levels, but most struggle with the business management side of it," he adds. "More

prudent planning leads to better long-term results."

Murphy says this is apparent in how most electricians line up jobs. Many times, contractors accept any job that comes their way just to have work, without any thought as to the kinds of projects that suit their business, or the profit margin the job might deliver. A contractor with a good strategic plan will know what profit a job must deliver to make it worth the company's while, and will have a structure in place to ensure that criterion is met before accepting any job. Murphy sees far too many contractors who perform a job and then have trouble getting paid for it. Part of your strategic plan should address problems such as this and have processes such as background checks in place to solve them, he suggests.

Another problem of operating without a strategic plan is that you react to the market, instead of anticipating shifts in demand that, like it or not, have a large influence on your business, **Daneshgari** says. "If, for example, the local industrial market is dying, how are you going to get into the commercial market?" he asks. Those are the types of questions a strategic plan prepares you for.

Even if you're happy with the status of your business, you should have a strategic plan for the future. **Daneshgari** uses as an example a Las Vegas electrical firm he worked with. At the time, the company was bringing in \$5 million in revenue and was satisfied with its current size and hoped to maintain that level of revenue. Strategic planning revealed the rate of growth in the Las Vegas market wouldn't allow the firm to keep its profit margins if it continued at its current size, **Daneshgari** says. Without that planning, the company might not have realized it needed to grow until too late.

Create Your Strategic Plan

Creating a strategic plan involves looking at sales and growth percentages and then building a sales plan to achieve that growth, Murphy says.

To get started, he suggests looking at the gross margins you want to obtain. From there, break down how you plan to achieve those goals by figuring out what you need in terms of people, equipment, what niche you are want to target, etc.

It needn't be a formal, written document, according to **Daneshgari**. "It's not a big, thick book collecting dust on a shelf," he says. "It's more of a road map. It could be a diagram on one page."

Make sure your goals are realistic, though. "If the market will not support your projected growth, then it is not a plan, it's a pipe dream," **Daneshgari** says.

Who Should Create the Plan?

As the head of the company, you are responsible for the plan's content. Make sure you solicit input from management, accounting and labor when putting your plan together, **Daneshgari** says.

If you think about bringing in a business-consulting firm for help, make sure the company has worked in your industry before. "The main benefit to an outside company is the knowledge they bring in," **Daneshgari** says. "You can get a sense from them of what everybody else in the industry is doing." A company that offers only generic planning advice using a lot of management jargon won't help you nearly as much as a company that has experience specific to the electrical industry, he adds.

After the plan is created, your work is not done. A strategic plan has to be dynamic and evolve with your company and the market. Murphy says the five-person management team at Columbia Electric meets quarterly to review the company's goals and whether they are being met, a policy **Daneshgari** approves of.