



# ENTREPRENEUR'S CORNER

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## Strategic Planning Enables Entrepreneur to Respond Quickly to Market Changes

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For an entrepreneur, nothing is as certain as uncertainty-and the most important tool available to deal with the discomfort that uncertainty creates for us is a strategic plan. Now all entrepreneurs plan to some degree, but a strategic plan is a little different. It attempts to identify and describe courses of action the entrepreneur should take in response to changing conditions in the marketplace.

What kind of changes? That's what makes strategic thinking a challenge-it means you have to anticipate events before they happen. Maybe one reason this is so hard is that it is frightening to think of some of the challenges the business might face. But it's absolutely essential, and I'll tell you why.

Business is a chess game. No matter what move you make today, your competitors are going to make counter moves, and you have to react. Not only that, but you could be

blind-sided by new technology that will compete with yours head on. So now what are we going to do? And you have to move fast.

In a fast-growing business, the need for a strategic plan is even greater. One of the results of rapid growth is that there always seems to be a fire somewhere, and your first inclination is to put it out. But the reality is that it's physically impossible to put them all out. And I can tell you for a fact that you won't be able to put them all out, nor should you even try. Some fires are best left to burn themselves out; they are just not that important. On the other hand, some may be company killers. A strategic plan should help you to quickly know which is which.

Strategic planning also gives you the big picture, it helps you see your strengths and weaknesses over the long term. Believe me, events in business come fast and

furiously. There is a tremendous pull to react immediately to every one. For instance, your competitor lowers his price to gain market share, and you have this knee jerk reaction to lower yours. Maybe that's the right move, but maybe not. If your product is feature rich or your emphasis is on technical support, then maybe you should counter-attack with a service campaign.

A strategic plan also helps you decide where you want to take your business and which route to take to get there. It enables you to sit back and say, "Is this really where we want to go? Can we get there? And if so, how are we going to get there?" So in this way it forces the issue of positioning: "Where do we want to be five years from today, and what do we have to do this year to get there?"

Suppose you decide to increase business. A strategic plan can help you decide such

basic issues as whether you should put the emphasis on getting new customers or on selling more to old customers.

A strategic plan is a model of the company, especially in its financial aspects. What are your sales going to be, what is your return on investment? What's your return on sales? Your return on equity? What things are you going to do to improve your current ratio, inventory turnover? Those kinds of things are used to measure a company, and when you have them you can do what-if scenarios. That's another essential tool- especially if you are considering growing the company.

And there is one other reason for a strategic plan that is as important to a business as it is to individuals. It forces you to clarify where you want to go and who you want to be. Some people are comfortable not identifying those things. They say it is too restrictive. I don't agree. I know that in order to end up doing what I want to end up doing, then I better do certain things right now. And which things I choose are determined by working backward from my destination. A lot of people are confused about day-to-day decisions because they haven't clarified where they want to end up.

Remember Alice in Wonderland ? If you don't know where you're going, then every road will take you there. That was okay for Alice, and you may get away with it as a lifestyle choice, but don't try to

sell it to a board of directors or to sophisticated investors.

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