A ROAD MAP FOR STRATEGIC GROWTH

Without a commitment to action, a strategic plan is just a wish list. Follow these steps to go from plan to reality

By Mark Hodges

I overheard two builders commiserating the other day. It went like this:

"This market is really tough. I'm having trouble sleeping."

"Not me. I sleep like a baby."

"Really?"

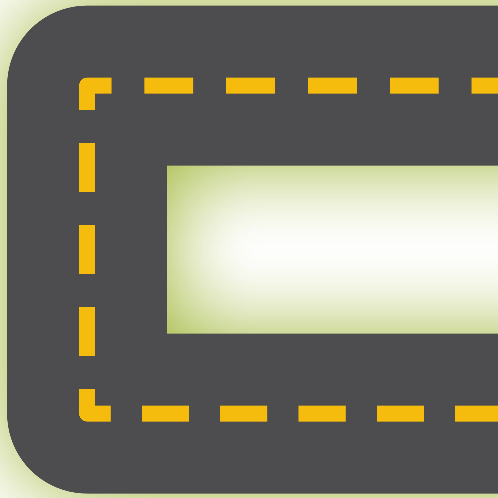
"Yep. I wake up every two hours and cry."

While recently talking with some other builders, I asked each to describe their strategic plan for growing their companies in the years ahead. One replied, "I need to buy 200 to 300 single-family fully developed lots within three years in infill locations." Another said, "We need to grow our top line by 10 percent year over year, and our bottom line by 15 percent over the same periods." A third offered, "My plan is to keep my bank happy by making my loan payments, period!" All seemed satisfied that their answers had articulated sound plans for growth.

Certainly, those replies address key elements of a strategic growth plan. Land is our most essential raw material, and setting acquisition targets is vital. Establishing financial performance goals and ensuring that funding is available are both important, too. But these alone don't comprise a strategy. Many home builders would benefit from developing the knowledge and skills necessary to create a more comprehensive strategic growth plan on which to act.

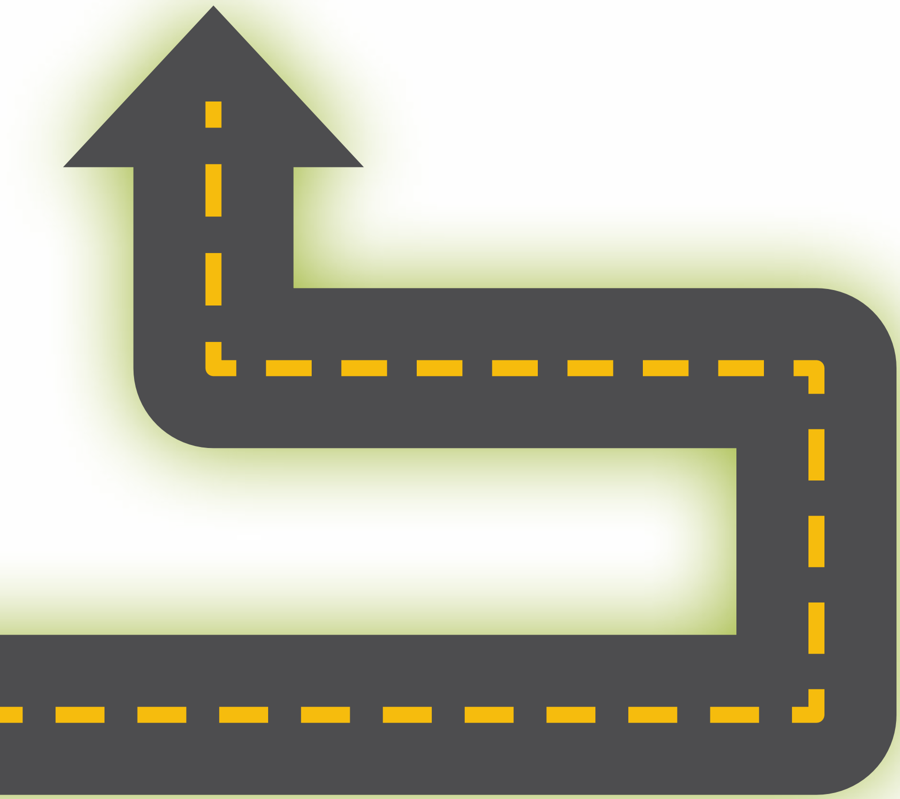
1. WHERE ARE YOU TODAY?

The strategic planning process begins with a thorough examination of your company as it exists today and the business environment in which you operate. Ask: What are you good at? What makes your company unique? What are your particular competitive advantages? Who are your competitors and what advantages do they possess? How do you differentiate yourself from them? What's happening in your market and how will you take advantage of any changes? What are the threats that imperil your company's future growth?



Until you can answer these and other questions, and can articulate your strengths, weaknesses, opportunities, and threats, you're not ready to begin planning your strategy for the future. But most companies completely skip this step and consider only where they want to go, without understanding where they are now. Begin planning by conducting an honest assessment of your company and your market(s).

The Walmart phenomenon is a classic example. Once just a small regional discount retailer competing against industry leader Kmart, Walmart catapulted to the top in just 10 years, leaving Kmart in its wake. And it got there by understanding its business and the competitive landscape. With just 230 stores in 1979, compared with Kmart's 1,900, Walmart knew it had to find a way to compete on price without the economies and powers of scale that Kmart enjoyed as the industry Goliath.



3. HOW WILL YOU GET THERE?

The third step in the planning process is the most difficult and demands the most discipline. Here, you need to determine, in precise terms, how you're going to achieve the goals set in Step 2. What resources will you need to achieve your plans? What financial investment will be required? How will you attain the new skills you'll need? Who will take on the big projects? And how long will they take to complete? How long will it take to get your organizational structure in place? What will you improve about your operation, and how will you go about it?

Without this step—and the intensive oversight needed to ensure that you can achieve your plans—your strategic plan will simply be a wish list.

The real work begins when you've thoroughly and compellingly articulated where you want to go. Figuring out exactly how to get there and then doing it is the biggest challenge. You'll need to create a disciplined follow-up oversight regimen to monitor progress. How are the projects coming along? Are project leaders meeting time targets and milestones? Do you need to change course or add more resources? Are you beginning to see the results you were hoping for?

Walmart developed a clear, compelling strategy and the organizational mechanisms to support it once the company fully understood its competitive environment and agreed on an objective of global domination in its business. The retailer settled on the principle of "Everyday Low Prices" and then created the processes to achieve it. Walmart mastered the distribution system by heavily investing in a fleet of trucks and distribution centers, allowing it to fill depleted shelves four times faster than Kmart does. It engaged its vendors in a comprehensive shared strategy to streamline product delivery processes. It invested in complex sales data systems, allowing store managers to effectively track sales and inventory. It added profit-sharing incentives and achieved a revenue-per-square-foot metric that was more than double Kmart's flagging performance. Walmart's wild success and ultimate dominance was the result of targeted strategies and investments that no one could match.

If you don't yet possess the skills for strategic planning, know that they can be developed. The key lies in understanding the process outlined above and crafting a detailed road map to follow. Otherwise, you may find yourself in the same position as so many others: thinking that strategy is nothing more than finding the next great land deal. **PB**

2. WHERE DO YOU WANT TO GO?

The next step in the planning process involves defining, in specific terms, where you want your company to be in one year, three years, and five years. Will you expand into new markets? Will you broaden your product array? Will you change your competitive position? Will you change your organizational structure? Will you develop new business processes? What will be your growth trajectory? What performance metrics will you use to monitor operational execution?

At the end of this step, you should be able to spell out where you plan to take your company; define your specific financial, growth, and performance targets; and describe in detail what your company will look like and how it will operate in the future. You should be able to describe, in specific terms, the unique competitive advantage you'll create or expand upon and how you'll develop the core competencies and operating processes to enable that advantage.

Walmart decided that it would become the world's largest discount retailer by perfecting distribution and inventory management processes through long-term partnerships with its supply-chain manufacturers. Effective application of this strategy would lower costs and allow Walmart to offer the best pricing every day while achieving profits more than twice those of its nearest competitors. (Walmart consistently achieves 8 percent profit margins as compared with Kmart's 4 percent.)

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