

# **Developing an Entrepreneurial Small Business' Strategic Plan by Shortened Systematic Strategic Planning (SSP)**

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## **Abstract**

As many sources exhort managers to “*think strategically*,” only a few addresses how to make this happen. Where strategic analysis tools are explained, this is most frequently done conceptually rather than their actual application in strategic planning. Shortened systematic strategic planning (SSP) consists of a pattern of step-wise procedure for straight-forward planning, and the fundamentals involved in any strategic planning project. The use of shortened SSP is more suitable for the development of strategic plans for small- and medium-size businesses (SMEs). The intention here is to provide a new perspective and benefit for the strategic planners by introducing this new systematic methodology and demonstrating its implementation on an entrepreneurial and new business called CGA Tech. Accordingly, let shortened version of SSP easily understood and universally applied to any small- and medium-size businesses. The data that are used in this case are fictitious and only help for this study. Though, the given case does not cover all the sections of a typical strategic plan and use all the recommended techniques, it still reflects the basics.

## **Keywords**

Strategic Planning, Strategic Management, Systematic Strategic Planning, Strategy, Cases in Strategic Planning

## **1. Introduction**

Systematic Strategic Planning is the pattern of procedures by which an organization defines its status, opportunities, long-term goals, and the strategies for which to achieve them (Butuner 2015). SSP is based on the principles of Planning by Design (PxD) which is generated by (Muther 2011). When each step of a working model is supported by the form of output and key document leading to it, we have what is called High Definition PxD Working Model. A strategic plan includes the fundamentals, and the basis on which any strategic planning must rest are competitive advantages, scenarios and strategies (Butuner 2015).

The use of shortened SSP version is more suitable for the development of strategic plans for small- and medium-size businesses (SMEs). This paper is intended to briefly explain how each step of shortened SSP pattern can be applied on a given case.

The case study presented in here is an entrepreneurial and new business. The data that are used in this case are fictitious and only help for this study. Though, the given case does not cover all the sections of a typical strategic plan and use all the recommended techniques, it still reflects the basics.

## **2. Systematic Pattern of Strategic Planning**

Shortened SSP is a six-step methodology intended to identify the three fundamentals. Figure 1 illustrates shortened version of SSP (Butuner 2015).

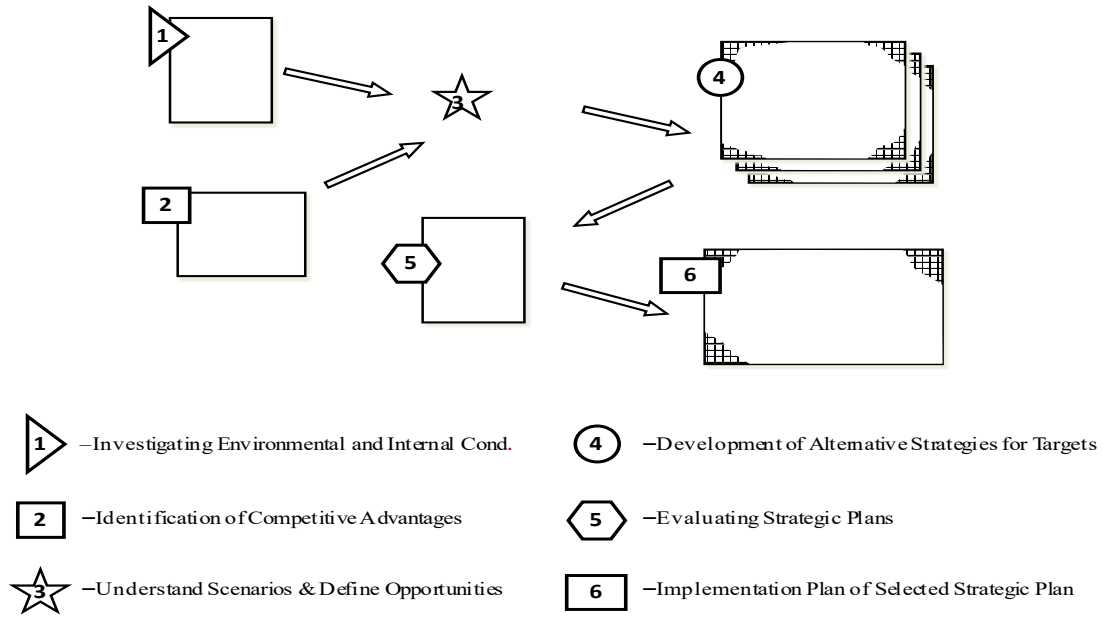


Figure 1. Shortened systematic strategic planning

### 2.1 Investigating Environmental and Internal Conditions – Clarification of Current Status

The aim of the first section of SSP is to answer the question “where are we?” This requires a comprehensive status analysis. During and after status analysis, the internal strengths and weaknesses of the organization, and the positive and negative developments originating from the external factors are identified.

### 2.2 Comparison of Status and Identification of Competitive Advantages

The organization’s strengths and weaknesses are compared with the key factors in the market development phases, capacities, and resources of main competitors and the industry’s success factors, to identify competitive advantages.

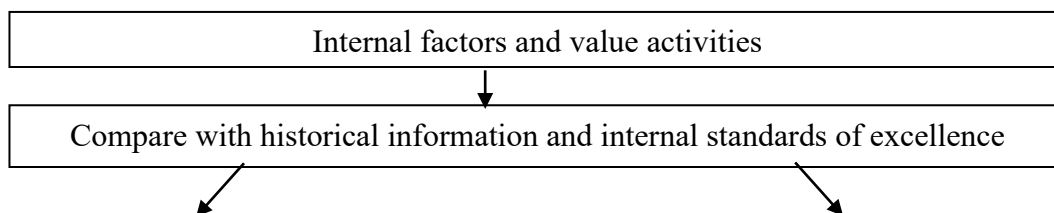
Figure 2 summarizes the development of a business profile (Pearce and Robinson 2011).

### 2.3 Understand Scenarios and Define Opportunities

Using the trends to be revealed by the environmental analysis, it is possible to anticipate how the field of business in which we operate or plan to enter will evolve in the future. See Figure 3. It is intended to find the factors that would affect and change the outlook mostly in the status and anticipated future, based on the results obtained from environmental analysis.

Then, the scenarios to be created by trends revealed by environmental analysis for the industry must be developed; that is, alternative scenarios must be developed for the future.

Finally, to identify the business’ potential opportunities, the organization’s competitive advantages need to be matched with the potential positive (attractive) scenarios in the industry. Besides market attractiveness of each scenario, you also need to take some view of the organization’s competitive position with respect to the scenario (Rasiel 1999).



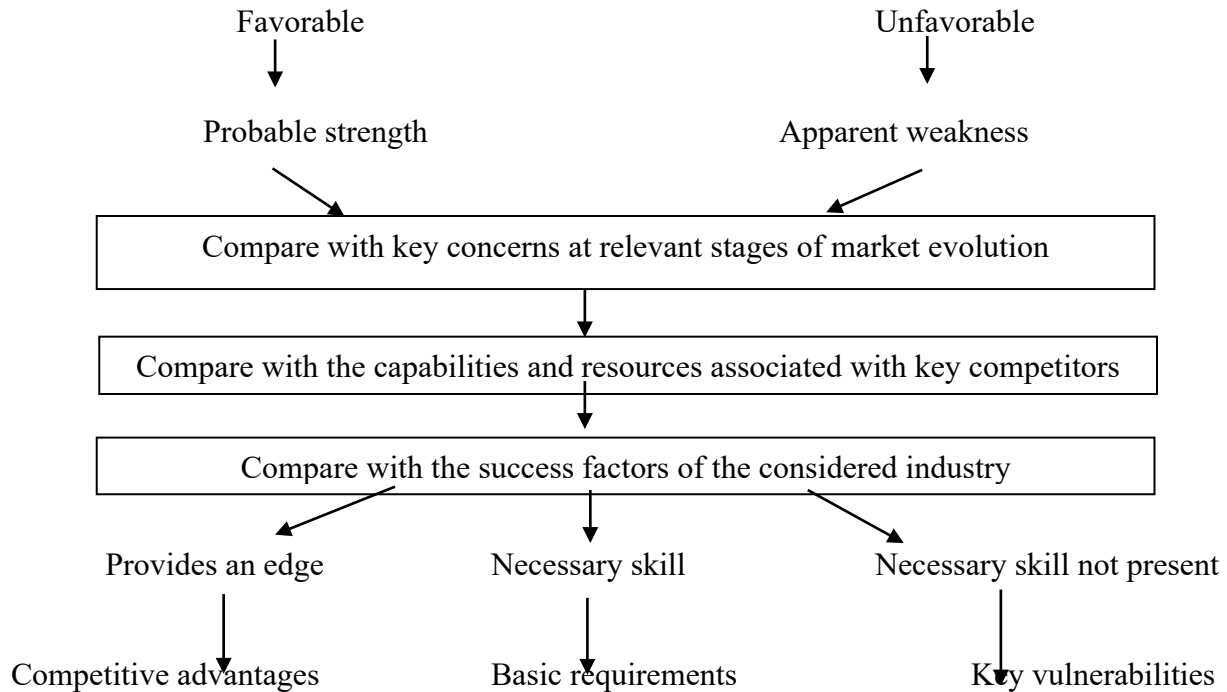


Figure 2. Competitive advantages and success factors

## 2.4 Identification of Strategic Objectives and Main Goals and Development of Alternative Strategies

The parameters constituting the assumed opportunities need to be laid down as strategic objectives and main goals. Strategic objectives are the conceptual results that the organization aims at achieving within a certain timeframe. Strategic objectives and main goals answer the question “what do we want to achieve?”

It is necessary to analyze what should be done and how should they be done to attain opportunities and thus achieve goals, as well as to identify alternative strategies. Determination of a suitable strategy for a business begins in identifying the opportunities and risks in its environment.

Based on using both the techniques of Generic Competitive Strategies (Porter 1998) and Components of Strategy (Ansoff 1970), the corresponding Grand Strategy(ies) can be identified (Pearce and Robinson 2011).

## 2.5 Evaluating Strategic Plans and Selecting the Best

Here you select the strategic plan most suitable for your organization. To do this, you make an evaluation of the alternatives based on qualitative factors (Muther 2011).

Even if the best strategy is selected, contingency plans are still necessary for the selected strategy in a risky environment. A sensitivity analysis needs to be conducted (Keown and Martin 2001), taking into consideration the possibility that basic assumptions and parameters do not come out as expected and the measures considered to be taken in this respect need to be identified.

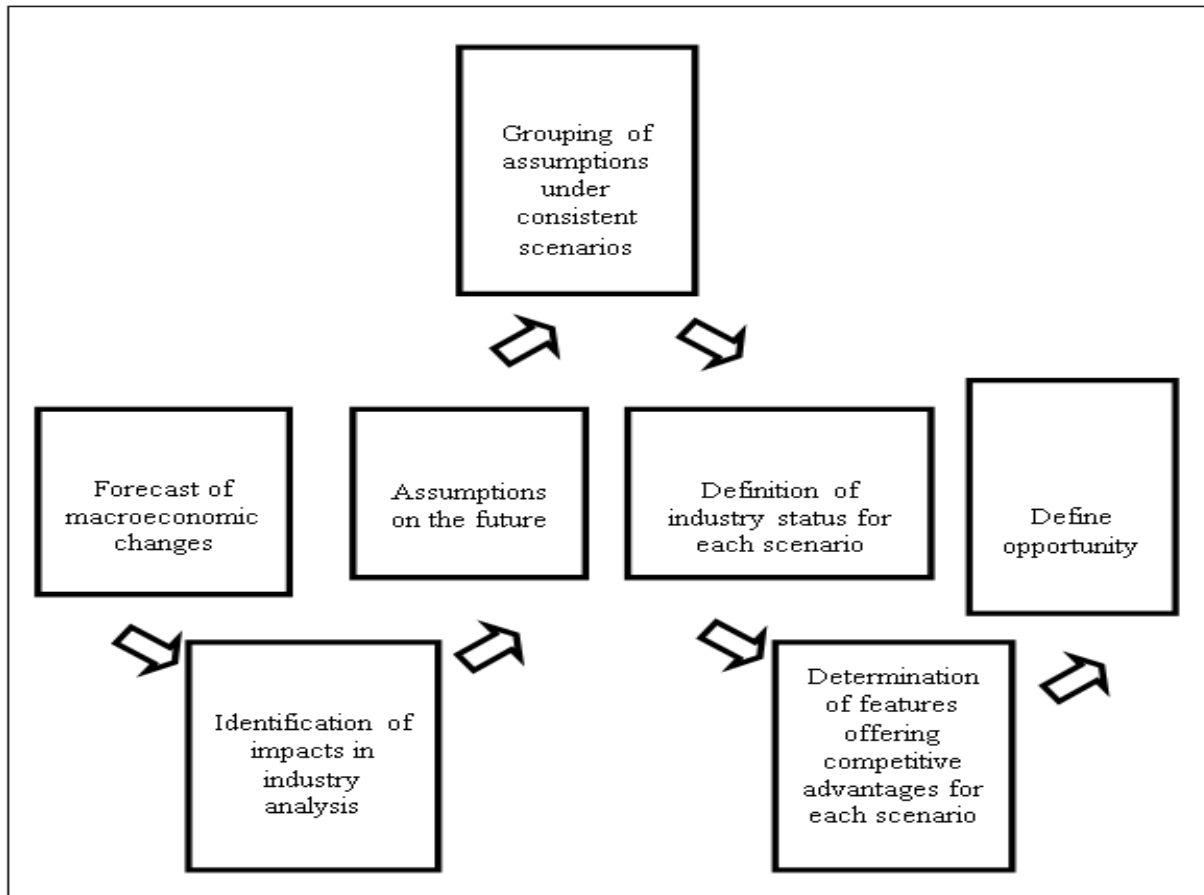


Figure 3. Procedure of identifying opportunities (Source: Butuner 2015)

## 2.6 Implementation Plan and Control

The implementation plan is a tool that gets strategic plans underway. The implementation plan required to be created to answer the question “how can we reach our target destination?” in the systematic of strategic planning must be coherent with the whole of strategic plan. This step also involves the preparation of budgets for utilization of resources required for the realization of action plans.

## 3. CGA Technologies

CGA Technologies vision is to make technology invisible for providing total satisfaction for its customers and opportunities for its associates to grow and contribute. Its mission is to enhance its customers’ businesses by providing consultancy on software and hardware development for telecom companies in the field of information technology (IT) with its international experience to move to a superior position in the market.

It provides a full range of consultancy services and support to help remove the hassles out of its IT projects.

### 3.1 Clarification of Current Status

#### 3.1.1 Internal Analysis

It is assumed that considering the functional capabilities of CGA Tech., the following results are determined as its strengths and weaknesses.

Strengths:

- Firm's products/services; breadth of product line
- Ability to gather needed information about markets
- Product/service mix and expansion potential
- Channels of distribution: number, coverage and control
- Product/service image, reputation, and quality
- Pricing strategy and pricing flexibility
- Procedures for digesting market feedback and developing new products or services
- After-sale service and follow up
- Ability to raise short-term capital
- Ability to raise long-term capital: debt/equity
- Cost of entry and barriers to entry
- Price-to-earnings ratio
- Effective cost control, ability to reduce costs
- Economies of scale
- Effective use of subcontracting
- Degree of vertical integration, value added, and profit margin
- Effective operation control procedures
- Research and development/technology/innovation
- Management personnel
- Employees' skill and morale
- Efficient and effective personnel policies
- Employee turnover and absenteeism
- Specialized skills

Weaknesses:

- Concentration of sales in a few products or to a few customers
- Market share or submarket shares
- Imaginative, efficient, and effective sales promotion and advertising
- Goodwill/brand loyalty
- Corporate-level resources
- Tax considerations
- Working capital; flexibility of capital structure
- Financial size
- Inventory control systems; inventory turnover
- Cost and technological competencies relative to industry and competitors
- Labor relations cost compared to industry and competition
- Experience
- Firm's image and prestige
- Use of systematic procedures and techniques in decision making

### **3.1.2 Environmental Analysis**

#### **3.1.2.1 Macroeconomic analysis**

Macroeconomic analysis summarizes the status of the variables with respect to customers', governments', financial institutions', suppliers', shareholders' and employees' points of view.

On the demographic side, population growth rate has a minimal impact on the IT business environment.

On the economic side, growth rate, interest rate, exchange rate and inflation rate are the factors that have a high impact on the IT business environment.

On the political side, government regulations and policies that have an enormous impact on IT operations may include trade and labor laws, tax policies, environmental laws and regulations, trade restrictions, commercial tariffs, and infrastructure and development policies. The degree of political stability also has an important impact on the IT business environment.

On the technological side, R&D activities, automation, technology incentives, and rate of change have a high impact on IT operations.

On the social side, changes in social trends such as health consciousness, career attitudes, emphasis on safety, and change in life styles have a normal impact on the demand for IT services.

**3.1.2.2 Competition analysis**

Table 1 shows the competition analysis form that helps us to analyze the status of the existing firms, threats of new companies, and the competitive power of customers and suppliers.

**3.1.2.3 Industry life cycle**

IT outsourcing industry is in the growth stage, as shown in Figure 4.

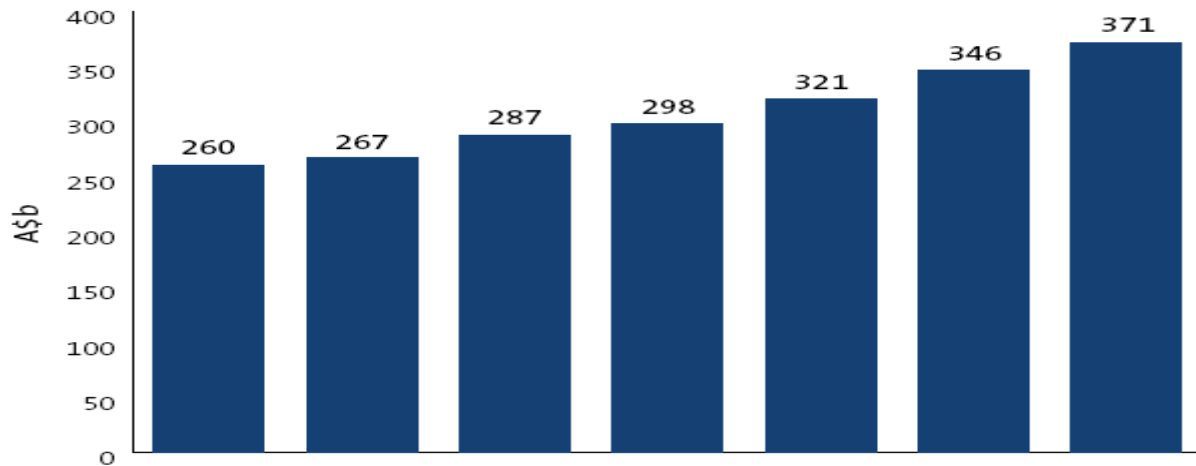


Figure 4. Growth of worldwide IT outsourcing

**3.2 Competitive Advantages, Success Factors, Weaknesses**

Table 1 compares the competitive advantages, success factors, and weaknesses of the firm, defined as follows:

- Competitive advantages: Factors providing the business with an edge compared to its main competitor and industry average, that is, the ones that have plus sign only on the CGA Tec. column.
- Success factors: Factors that are important capabilities for the business to have but are also typical of every viable competitor; do not represent a potential source of any strategic advantage.
- Key vulnerabilities: Factors on which the business currently lacks the necessary skill, knowledge, or resources to compete effectively and shown as minus sign on the CGA Tec. column.

Table 1. Competition analysis form

FIRMS IN THE INDUSTRY	THREATS OF NEW COMPANIES	COMPETITIVE POWER OF CUSTOMERS	COMPETITIVE POWER OF SUPPLIERS
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MARKETING	INDUSTRY																		CGA	MAIN		
																			TEC.	RIVALRY		
	Quantity of firms in the industry	Growth rate of the industry	Differences and the specialities of the products	Fixed costs	Cost to leave the industry	Costs of the companies in the industry related with the company size	Firms which have the customer-firm loyalty	The equity needed to enter the industry	Ability to reach channel of distribution	Cost advantage related with experience	Barriers to enter the industry	The share of the customer in the whole sale	Potential of production of the products by integration	Alternative suppliers	Cost of the change of the suppliers	Flexibility in the prices	The importance of the service for the customers	Quantity of firms in the industry	Providing unique products/services	Substitute goods in the market	Potential of production of the products by integration	The share of the sale of the supplier
High	0	1	1	0	0	0	0	0	0	1	0	1	1	0	0	0	1	1	1	0	1	0
Avg.	0	0	0	1	0	1	0	1	1	0	1	0	0	0	0	1	0	0	0	1	0	1
Low	1	0	0	0	1	0	1	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0

	Market share or submarket shares	+	-	+
	Product / service mix and expansion potential	-	+	-
	Channels of distribution: number, coverage and control	+	+	+
	Effective sales organization: knowledge of customer needs	-	+	+
	Product / service image, reputation and quality	+	+	+
	Imaginative, efficient and effective sales promotion and advertising	-	-	-
	Pricing strategy and pricing flexibility	-	+	-
	Procedures for digesting market feedback and developing new products, services	+	+	+
	After-sale service and follow up	+	+	-
	Goodwill/brand loyalty	-	-	-
<b>FINANCE AND ACCOUNTING</b>	Ability to raise short-term capital	-	+	+
	Ability to raise long-term capital: debt/equity	-	+	+
	Corporate-level resources	-	-	-
	Cost of capital relative to industry and competitors	+	+	+
	Tax considerations	-	-	-
	Relations with owners, investors and stockholders	+	+	+
	Leverage positions	+	+	+
	Cost of entry and barriers to entry	+	+	-
	Price-earnings ratio	-	+	+
	Working capital; flexibility of capital structure	-	-	+
	Effective cost control, ability to reduce costs	-	+	-
	Financial size	+	-	+
	Efficient and effective accounting system for cost, budget and profit planning	-	+	+
<b>PRODUCTION/ TECHNICAL</b>	Inventory control systems; inventory turnover	-	-	-
	Economies of scale	-	+	+
	Effective use of subcontracting	-	+	+
	Degree of vertical integration, value added and profit margin	+	+	+
	Efficiency and cost / benefit of equipment	+	+	+
	Effective operation control procedures	+	+	+
	Cost and technological competencies relative to industry and competitors	-	-	-
	Research and development/technology/innovation	-	+	-
Patents, trademarks and similar legal protection	-	+	+	
<b>PERSONNEL</b>	Management personnel	-	+	+
	Employees' skill and morale	+	+	-
	Labor relations cost compared to industry and competition	-	-	-
	Efficient and effective personnel policies	+	+	+
	Effective use of incentives to motivate performance	+	+	+
	Ability to level peaks and valleys of employment	-	-	+
	Employee turnover and absenteeism	+	+	+
	Specialized skills	+	+	+
	Experience	+	-	+
<b>ORGANIZATION AND GENERAL</b>	Organizational structure	+	+	+
	Firm's image and prestige	-	-	+
	Firm's record for achieving objectives	+	+	+
	Organization of communication system	+	+	+



Overall organizational control system	-	+	+
Organizational climate, culture	+	+	+
Use of systematic procedures and techniques in decision making	-	-	-
Top-management skill, capacities and interest	-	+	+
Strategic planning system	+	+	+
Interorganizational synergy	+	+	+

### 3.3 Scenarios and Opportunities

#### 3.3.1 Positive and Negative Scenarios

Based on the outcome of environmental analysis, the concluded positive and negative scenarios for the IT outsourcing industry are shown in Figures 5 and 6.

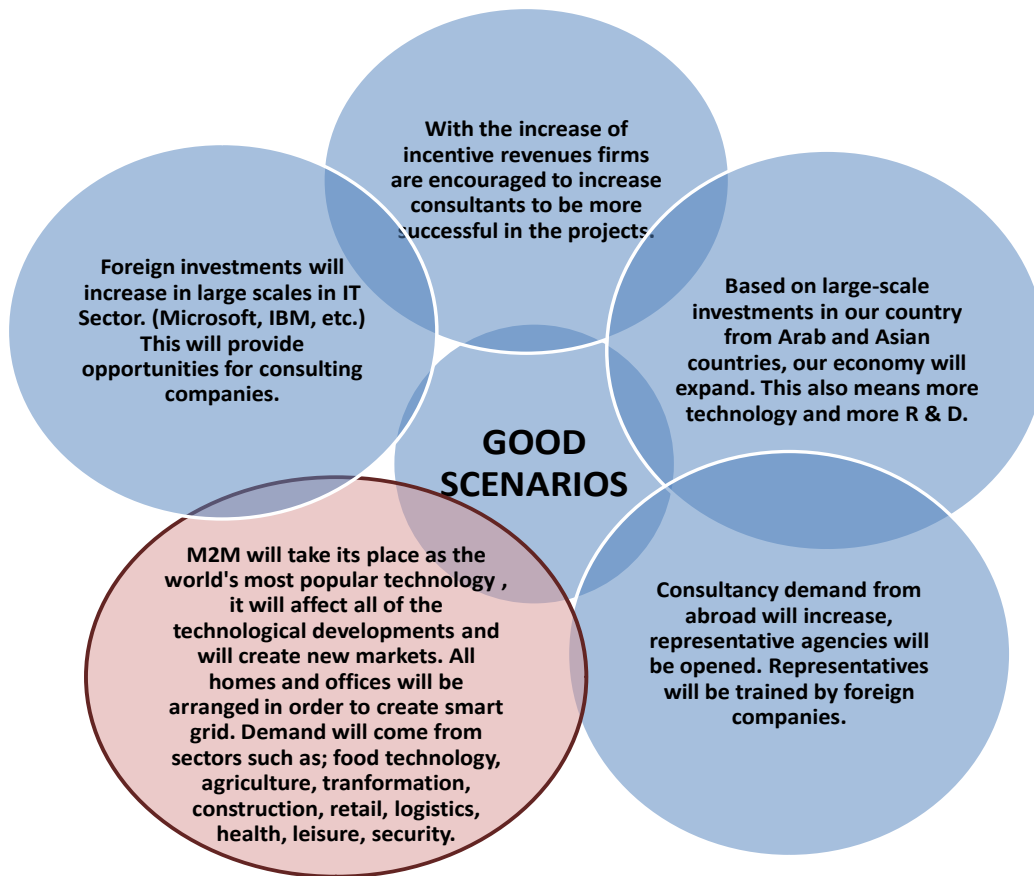
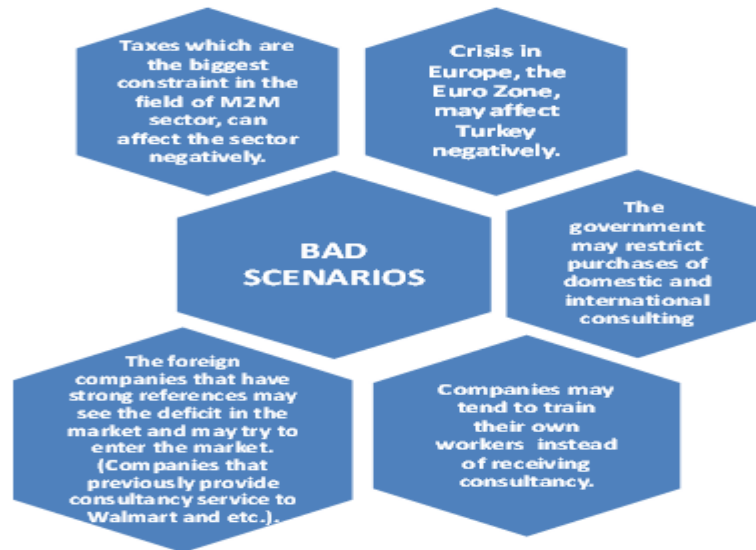


Figure 5. Positive scenarios



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Figure 6. Negative scenarios

### 3.3.2 Business Opportunity

The concluded business opportunities for CGA Technologies, by matching its competitive advantages with the potential positive scenarios of the industry, are shown in Figure 7.

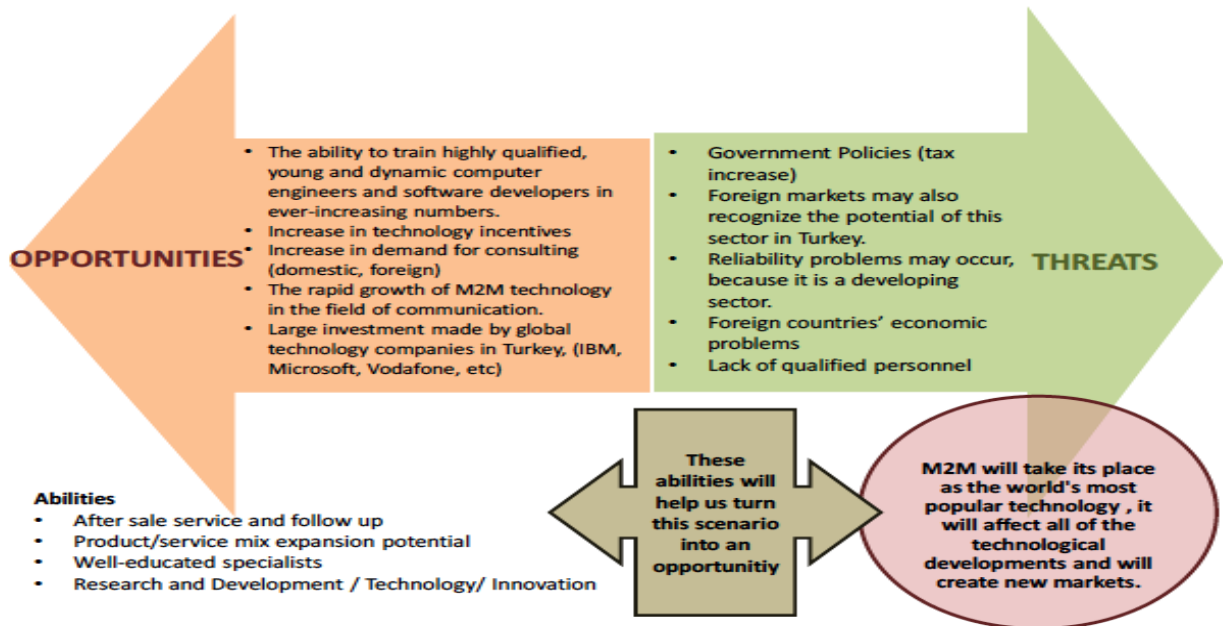


Figure 7. Business opportunities for CGA Technologies

### 3.4 Main Goals and Main Strategies

Based on the determined opportunities of CGA Tech., the following main goals are set.

Financial goals:

- Exceed \$5 million in the next 10 years
- Increase revenue by 15% annually
- Increase gross profit by 15% annually
- Increase contracts with companies by 10% annually

Operational goals:

- Continuously improve operational processes
- Capitalize on physical facilities (location, capacity, etc.)
- Improve organizational structure
- Restructure available resources
- Decrease expenses by 5%

Main strategies:

Product development will be the main strategy, as shown in Figure 8. This involves investing heavily in research and development for developing modern technologies for existing telecom companies.

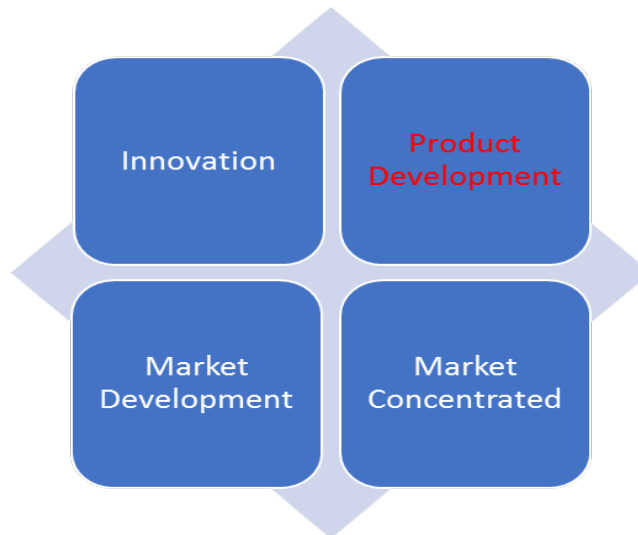


Figure 8. Components of strategy

CGA Technologies aims to utilize its differentiation advantage for a few selected number of segments in which existing competitors could not meet their requirements. Figure 9 shows the selected strategy. CGA Technologies will offer specially tailored software and hardware consultancy to its customers for a premium price.

#### 4. Conclusion

The aim of Systematic Strategic Planning (SSP) is to force a consider the future and therefore provides an opportunity to influence the future, or assume a proactive posture, to provide better awareness of needs and environment, to help define and focus on the objectives of the organization. SSP—shortened version consists of a pattern of six steps for straight forward planning, and the three fundamentals (competitive advantages, scenarios and strategies) involved in any strategic planning project. The use of shortened SSP version is more suitable for the development of strategic plans for small- and medium-size businesses.

Here, we have provided a new perspective and benefit for the strategic planners by introducing the shortened version of SSP and demonstrating its implementation on an entrepreneurial and new business called CGA Tech. This will help SSP users to easily understand and apply this new methodology to any small- and medium-size businesses' strategic planning project. Though, the given case did not cover all the sections of a typical strategic plan and use all the recommended techniques, it still reflected the basics.



Figure 9. Generic strategies

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#### Biography

**Hakan Butuner** is an Associate Professor and Director of the Executive MBA Program of TED University, in addition to the running of IMECO (Industrial Management and Engineering Consulting – which is the affiliates of well-known US consulting companies.) Additionally, he is the Founder-President of Institute of Industrial & Systems Engineers – Turkish Professional Chapter; and the Board Member of Institute of High-Performance Planners, Kansas City. He has received his B.Sc. in Industrial Engineering from Middle East Technical University;

MBA from Bilkent University; and Ph.D. in Engineering Management from the University of Missouri-Rolla. During his long career path, as an industrial engineering and management professional, consultant, academician, and trainer, he has completed and participated in above 100 professional projects (especially in Strategic Planning, Facilities Design, Operations Improvement, Process Reengineering) and developed and deployed many training programs and workshops to over 200 corporations and universities. During the same periods, he has lectured in the Business Schools and/or Industrial Engineering departments of worldwide known universities. Also, as a Planning-by-Design based developer of Systematic Strategic Planning (SSP) and Results-Based Systematic Operations Improvement (SIP) methodologies, he has several books (sixteen) and papers published by the world-wide known publication houses (such as Taylor & Francis, SAGE) and journals.