Map out Your FUTURE with a Strategic Plan

If you develop a plan that features realistic goals and methods, you'll chart a course for long-term success.

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All pest control operators (PCOs) have dreams and aspirations of what they'd like their businesses to become. The problem lies, of course, in how to get there.

Dr. James Budzynski specializes in helping companies realize their dreams. He is a strategic consultant with ABG Inc., Indianapolis, Ind. He recently imparted his thoughts on strategic planning at the National Pest Control Association (NPCA) Academy held in Scottsdale, Ariz., beginning with a definition of the concept.

"Strategic planning basically is a way to help you understand how the industry's changing, and, based on how it's changing, what to do about it," he explained.

Such a concept is needed, he states, because people tend to get into a pattern of thinking about the way the world is, based on a point of view formed by individual experience. Strategic planning is "genetic engineering," speeding up the "evolution" of the performance process. What it boils down to, Budzynski adds, is when looking to the future, do you have what it takes to succeed?

Because a strategic plan can benefit an entire organization by giving *efficiency, profitability and a better* sense of future direction, teamwork is crucial. At the beginning of the process, starting with a meeting to discover what issues your company faces and what to do about them, Budzynski advises PCOs to go as far down in their organization as they comfortably can, plus one more level. Having all those key people in attendance will bring out issues that may not be obvious in the higher ranks.

"The day you finish your strategic plan, you'll break from that room and one or more major things that you made an assumption about will be wrong," Budzynski advises. "The world you looked at Monday, when you made the plan, is different on Wednesday, when you leave. You should not look at strategic planning as an event. It is a long-term process."

There's a variety of ways to do strategic planning, Budzynski admits, and what's right for one organization may not be so for another. His company has worked out eight basic steps to go through when doing the process.

❶ **Identify Current Problems and Issues in Your Business**—"A lot of managers don't even want to get into that conversation, because it's uncomfortable. 'This brings up all these bad feelings, why would we want to mess up our strategic planning process with that?' " Budzynski reports. "The problem is, your team of people have got those two or three *issues in their heads, and if you don't* get them out of their head and down *on a piece of paper, it's going to be in* the way for the next day or so, and *keep you from having a good process."*

To keep a strategic planning meeting from becoming a shouting match, however, Budzynski advises keeping a positive, open atmosphere. Tell those in attendance that questions should be of the "Can we, should we, how can we" variety, not accusing or sounding off.

❷ **Review the Current State of Your Business**—"Really evaluate your business, and don't just say things are going well," Budzynski says. "If you can't understand how you're doing, *you can't manage how you're doing."*

Look at who your customers are, by demographics as well as by cost structure (who are your flea jobs versus fire ant jobs, for example).

Benchmarking is a very powerful tool to help you know where you're at, he adds, quoting a recent pest control industry study that showed payroll as the largest expense, overhead the second-largest and materials the third-largest.

"Our experience has been that people spend an awful lot of time, effort and energy trying to lower their material rate, but if you look at all the other things that contribute to their costs, it's really not the driver of income for your company," he says. "One of the things we did for an assessment a few months ago was say, 'What would it take to increase the profitability of the pest control industry by 50 percent?' "

What the results showed, without considering increases in capital or other variables, was a variety of choices. You could reduce your material costs 40 percent, decrease your overhead 15 percent, decrease salaries and benefits nine percent, increase sales 15 percent or increase revenues four-and-a-half percent.

"That isn't to say you shouldn't be thrifty shoppers, or that you shouldn't do other things to help put you into a better position—you should," he adds. "It is to say that if you're spending most of your time aimed at profitability trying to beat up your suppliers, you're working on the wrong things. The revenue side of the equation is where you have the biggest bottom-line impact the fastest."

Review profitability as well. Budzynski estimates that most PCOs operate on a six to nine percent profit margin.

"If you're much less than six, you better revise a few things, because over the long haul, companies that can't generate above-average returns are probably going to be under some pressure," he advises.

❸ Review Major Industry Trends—"If you look at your industry, there are things at the top about the business environment in which you operate that you don't have much control over," Budzynski notes, giving the Environmental Protection Agency (EPA) and consumer opinions as examples. "We sure have to be aware of them, though, because they can come and bite us if we're not."

There are other things you have a little control over, he continues, such as industry-specific technology like baits and insect growth regulators (IGRs), and general technology like the Internet. Then there are things you

Dr. Jim Budzynski

have no control over, but you must be aware of, like structural changes in the industry. He gives industry consolidation as an example.

"Probably the biggest single trend you're going to have to deal with is the maturation of the industry," Budzynski intones. "One of the things that happens when industries get mature is that pricing gets really ugly, because people start beating themselves up to get to the same group of customers, and try to take away each others' business. I think we are starting to see that in this industry.

"We also have a generational transition going on, and a lot of companies that have been around for a while are entering an era where there's going to be a lot of turnover," he continues. "A lot of people are making that decision of, 'Am I going to play this game for the long-term, or is it time to get out?' Particularly if they can get a really good price for their business."

Budzynski says he believes it's going to continue to move in that direction, and advises PCOs to think about what implications the trends have for their individual company strategies.

"That's not to say that anybody who's an independent operator doesn't have a future, because that's plainly not true," he states. "What it does mean is that anybody who's going to be viable long-term better have a plan if they're going to play the game, relative to bigger players who may have cost advantages, but other weaknesses that they want to exploit."

❹ Identify External Drivers—Consumers are an important external driver, according to Budzynski. There's a definite difference between the "haves" and "have-nots," for example.

"Both of them have needs, but both of them are going to buy very differently," he acknowledges. "They're going to have to be approached very differently."

The fear of pesticides, as well as regulatory policy, are two issues that are in the forefront of external drivers. The pre-emptive battle continues, and integrated pest management (IPM) has gone from a buzzword to greater acceptance.

"For the first time, IPM is becoming an interesting concept, because the tools are becoming available to make it real, usable and profitable, as a way of running your business," Budzynski notes. "What that's going to dictate is a lot of things that I hope your business strategy includes, such as how you're going to educate consumers, when and how you're going to do inspection and monitoring, the whole attitude, frankly, on when and how you apply pesticides, because they're going to become much less routine and much more prescriptive as you move forward."

❺ Identify Internal Drivers—"If you take a look at where you are today and where the world's going to be at in 10 years, you need to ask yourselves very fundamental questions," he suggests. "Who are the customers going to be? What channels are products going to be distributed through? Which competitors are going to be in the market? What's going to be the basis for competitive advantage in the future? What are the sources of profit margins in business? What unique capabilities and skills are going to be required to use which end-use products?"

Trends can be positive or negative,

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Budzynski says. They can be an opportunity or a threat. Opportunities make way for offensive strategies, capitalizing on your company's strengths, while threats should be handled with defensive strategies, deflecting your company's weaknesses. A lot of people sort out opportunities and threats after they write up their mission, and that's backwards, according to Budzynski.

"Your mission, and what you're going to be as an organization, gets driven by where you want to go to play this game successfully and what those opportunities you are uniquely positioned to take advantage of," he adds.

Critical success factors are found by looking at the pieces of the market that you've decided to participate in, and thinking outside just your company, saying "So, what's it going to take to do that? What are the companies that are going to be successful in that segment going to be able to do?"

"You do this without any regard to what you're able to do, because it's easy to get kind of fuzzy on that," Budzynski warns. "You need to say, 'What's it going to take that's outside our company?' "

❻ Develop Vision and Mission—"An outline on how you're going to be different and how you're going to win others in the marketplace doesn't have much energy. It's kind of, 'So what?' " Budzynski points out. Instead, he advises, "Think about it in terms of what you're going to do that's unique, beneficial and going to position you better than anybody else in your marketplace. Use this little exercise: 'To be successful, we have to. . .' Get out your chart with your team and lay it out. When you get done with that, come back and put them in some groupings. Have a conversation about how you think you all win this game. That will be your basis as a vision for your organization."

The mission is distinctly different from the vision. Instead of future planning, the mission states what you are going to do today, for whom and for what reason.

"Over time, your mission may change," Budzynski notes. "It's unlikely, unless there's a major event, that your vision over the future is going to change."

❼ Develop Business Initiatives—"I can't tell you how many organizations I have had the opportunity to work with that did a pretty good job getting right up to that mission and vision statement, and then they stopped," Budzynski recalls. "They come back a year later, you say 'How's it going?' 'Well, it's going okay.' 'So, how it's going toward your mission and vision?' 'Well, uh, we got really busy and the phones started ringing, so we kind of went back to what we were doing.' Nothing happened."

To avoid spinning your wheels, Budzynski advises PCOs to take the theme they put on paper and find some way to put it into action. He organizes the plan by initiatives.

"An initiative is a major goal and a supporting core strategy, kind of like 'What I want to get done and the major things I think I'm going to need to get it done,' " he explains. "Keep them in a bundle you can manage. It's very easy in the course of business—particularly if you have a great strategy session and you come out with all this stuff—to come up with a laundry list of 12 things you really have to do."

You won't get all 12 done in a year, he promises, or at least not done well.

"What you've got to do is say, 'How can I bundle these into initiatives and define a limited number of mandatory missions that are going to move me over to the next year?' " he states. "If I have nine of those, I'm going to work on the first three, then next year we'll get around to No. 4. We say four to six, but depending on the size of your company, two or three might be a better answer."

Assign people to certain tasks to carry out the initiatives, and give them deadlines to meet. "Someone's going to do this soon" kills an initiative quickly because there's no commitment, Budzynski says.

❽ Identify Challenges to Implementation—"If you lay out what you're going to get done and aren't clear about what's going to get in the way of doing it, you often will come back and say, 'Those were great things we said we were going to do, and somehow, it didn't happen,' " Budzynski warns. "So, you have to be fairly candid."

He has found three things usually get in the way of implementation, including not enough time, not enough money or not enough skills to carry it through.

Time and resources are solved simply enough, he says. You must quit doing something else, hire extra people or outsource another project in order to free up your staff.

"If this is about the future of your company, is there anything else they're doing that's more important?" he asks. "Because if there is, you've got to ask yourself, 'Are we really committed to doing what we said we wanted to do?' "

On the issue of competency, PCOs must take the time to train their staff to be able to do what the new initiative requires, get people in who are skilled in the area, or do a combination of the two.

In conclusion, Budzynski says, don't let the day-to-day routine of ringing phones, breaking equipment and other pitfalls cloud your implementation of a strategic plan.

"You ought to, in your market to the extent you can, try to 'drive the bus,' " he adds. "At a very minimum, figure out which way the bus is going, find a way to get on it and be a passenger. If you don't, the future doesn't look too bright, but if you do, you will find ways to compete, position your company, your products and services, and be very successful." **PC**