

STRATEGIC PLANNING: Something Every Progressive Fastener Company Should Be Doing



by Laurence Claus, NNi Training and Consulting, Inc.

Authors Don Peppers and Martha Rogers wrote in their book **Extreme Trust**: “When your headlights aren’t on, the best rearview mirror isn’t likely to improve your driving.” Although this quote was likely intended to address the idea that past experience isn’t a guarantee for future success, it also speaks to the idea of operating a business without a strategy. If you don’t have a vision and strategy of where you wish the business to go, it is sort of like driving at night without your headlights on.

In the late 1990s and early 2000s, during my “former life” as an executive with a fastener manufacturer, I recall each year setting aside time to develop our company’s Strategic Plan. Months of preparation would culminate in a multiday offsite meeting with our executive team where we would formulate “The Plan.” We would emerge from these sessions thinking we had our future well in hand and that our competitors had better beware.

In reality, our great plans would soon find their way onto our bookshelves, not to see the light of day again until the following year’s strategic planning cycle. Regrettably, our failure to see these plans through to completion is an all too common but universal tale of inattentiveness in the business world. However, the exercise was not without some positive outcomes. In fact, I learned that organizations should review the way they approach and consider the following four strategic activities.

Understanding Your Organization and the Competition

Without fail, during our Strategic Planning Weekend, we would gather for a session to discuss our competition. These discussions would normally be loaded with metaphor and unsubstantiated stories and be short on facts and substantiated competitor actions. The famed Chinese military strategist Sun Tzu once said, “If you know the enemy and know yourself, you need not fear the

result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.”

The truth behind this quote has played itself out many times throughout history, but perhaps in modern times never so poignantly as the American war in Vietnam. As one looks back at history, it is clear that the United States did not understand its enemy or their tactics, and likely only had a vague understanding of their own purpose in the war. The result of this misunderstanding of the enemy and themselves will forever be seared into U.S. history.

In a similar fashion, companies should really understand themselves and the com-

petition. They should be very careful to make judgements or take actions from unsubstantiated and partial information. They should work hard to gather as much factual-based and objective information as possible. A couple of observations and thoughts:

- Seek to truly understand your own strengths and weaknesses. Be careful not to rely too much on your own perspectives. Social psychologists have demonstrated time and again a form of cognitive bias known as “primus inter pares effect” or “illusory superiority” where individuals consistently rate themselves better than others.

This same phenomenon occurs when evaluating the strength of one’s organization. I can recall multiple discussions I participated in evaluating our responsiveness to customers’ needs. We always judged ourselves higher than average, even when all the evidence seemed to point to a contrary conclusion.

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Therefore, efforts should be made to access and evaluate external, unbiased feedback. This can come from customer report cards, customer surveys, or feedback gleaned from social media. This could also come from direct feedback from your customers, which is why participation and feedback from your sales force, customer service, and quality departments is inherently more valuable than from individuals further removed from the customer.

- Engage market intelligence sources. These include market research and data gathering/analysis entities, which generate market intelligence in many different areas. There are several organizations that perform these sorts of studies for the fastener industry as well as multiple sources for specific customer market segments, such as automotive, aerospace, and construction. Although these can supply a treasure trove of market intelligence, for many small companies these sorts of resources may be beyond their means to purchase. In such instances they may be able to get access to some of this expertise through trade associations or consortiums that they belong to. For example, I know that many trade associations regularly arrange to have economists and analysts attend their annual or regional meeting to share insight with their membership.
- Keep abreast of press releases and announcements in trade publications to stay informed with significant happenings at your competitors and in the industry.
- Use your sales force and other individuals who have regular contact with your customers to keep abreast of what is happening with your customers, the market, and your competitors.

Learn What to Say “No” To

Michael Porter, the Harvard professor and proclaimed expert on competitive strategy, once said, “*The essence of strategy is choosing what not to do.*” This is truly profound. When planning strategy, we seem to spend a lot of time and effort on trying to come up with the best activities to do and rarely spend as much, if any, time on what to say “no” to. However, if we could exclude activities, it likely would assist us in developing concrete and actionable activities in the things we want to do.

Although on the surface this may seem

LEARN TO SAY “NO” TO BUSINESS AND CUSTOMERS THAT ARE NOT STRATEGIC TO WHERE YOUR ORGANIZATION IS HEADING.

like both a commonsense and easy piece of advice to follow, it is not. It is counterintuitive to our established way of thinking and truly takes a disciplined individual or organization to pull off successfully. I can no longer count the number of times that I have seen organizations wrestle with decisions related to winning or keeping “bad business.” It is simply not in our nature to turn away sales or customers, even if they are not a good fit or eventually destructive to our business.

Learn to say “no” to business and customers that are not strategic to where your organization is heading.

Consider Strategic Fit

For years, Southwest Airlines has performed better than any of its competitors. For as many years, it has been subject to one case study after another. Why? What is the secret ingredient that has made Southwest Airlines so successful?

Although I have set this up to suggest that there is a simple explanation to these questions, there is not. The answer to these questions is certainly complicated and multi-level. However, Southwest Airlines does provide an extraordinary example of what Michael Porter calls “Strategic Fit.” Strategic Fit is about combining individual activities, which on their own may provide little competitive advantage, together into one group of bundled and intertwined activities, which become exceedingly difficult to copy. This is exactly what Southwest Airlines has done and done well. It has combined multiple activities like the reservation experience, aircraft model choices, route choices, airport choices, seating procedures, flight attendant training, and many others to form a “well-oiled machine” that is very difficult to copy. If there is any doubt on that score, just look at the number of traditional airlines that have tried and failed to create a similar low-cost and successful operation.

The Southwest example provides us with a lesson. For all practical purposes, whether

a fastener manufacturer or fastener distributor, the processes and activities we do are similar. However, how can they be combined and customized just a bit to set one organization apart from another? As an example, if it was considered strategic to be able to provide the shortest lead times in the industry, what activities could be “fit” together to accomplish this outcome?

Execute Effectively

American businessman Morris Chang proffered a wise insight regarding execution of one’s Strategic Plan. He said, “*Without strategy execution is aimless. Without execution, strategy is useless.*” All too often, plans are made and never followed up on. The only way, however, that a strategy is going to take shape is to execute actions against it. This can be tough, though, especially if the strategy is taking your organization in a new direction or requires a significant amount of risk or change. Therefore, the best tactical plans are made up of small, reasonably achievable steps.

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The bottom line is that every organization should be thinking about strategy and have a Strategic Plan. It doesn’t need to be voluminous. In fact, the simpler and more straightforward the better, as a simpler plan will have much better chances of actually getting implemented. Case study after case study illustrates how companies that have adopted a Strategic Plan and stayed the course have been successful, while those that have not have floundered and struggled. So, resurrect your strategic planning, but not to create a beautiful icon that will stay on the bookshelf but rather to be something that is at the heart of what your company does and helps pave your way to success. ■