

## **Strategic Planning For Contractors Comes of Age** ([Back to Table of Contents](#))

Throughout history, men engaged in business have always planned. From ancient hieroglyphics we know of plans for the great structures of our earlier counterparts.

Perhaps in the building process we are so involved in the planning of the work that we have been distracted from, or have lost sight of, the importance of planning for the business entity. We certainly would not attempt the construction of a building, bridge cooling system, or pipe line without preconceived drawings plus a schedule for the timing, manpower loading and procurement of the work. With the amount of time and effort that we contractors put into planning our work and as familiar as we are with the necessity and value of good planning, you would expect that we would be among the first to understand and utilize comprehensive strategic planning in managing our business enterprises. It is simply not the case in the construction industry.

In a recent informal study of several thousand contractors of all sizes and type throughout the country, less than 10% claimed to do any type of corporate planning at all and less than half of them formalized their planning process with anything in writing.

The most common reason given for not planning was size. A belief that smaller businesses either don't need to plan or that it doesn't matter is a serious business error.

Smaller companies often have limited resources and cannot afford a trial and error approach. There are over a million separate contracting companies in the U.S. and the largest percentage of them are small businesses. In this tough and competitive industry, many contractors succeed by personally and aggressively driving their business forward. The importance of effective and efficient comprehensive corporate planning and its impact on the success or failure rate of construction businesses has been understated within the industry. It has been underestimated by contractors for too long.

The construction industry is undergoing some dramatic changes, not the least of which is a realization among constructors that the "tried and true" old ways of running their contracting business are for the old days.

There's always been a painful weeding out process in the construction industry by which companies that don't keep up fail. Others take their place and some of them fail.

Many assume that this is simply a fact of life in a high-risk, high-stakes business. After ten years of working with distressed and failing contracting businesses, I've determined that the causes in 99% of the cases were management decisions alone.

In "A Contractor's Survival Guide", a book on this thesis, I describe the three primary functions of a construction business: getting the work, doing the work, and accounting for the work. I suggest that once your business and technical activities are broken down into these functions, and once your time and energies are budgeted to treat them separately and properly, you will be

organized and this will enable you to properly manage the organization. That refers to managing the day-to-day activities of your business.

The next step is to address the responsibility of top management for the longer range goals of the corporation; the wellbeing and success of the business. Properly managing and important day-to-day marketing, production and administration areas of the business is not enough to assure success—short term success in no way implies longer range prosperity.

Without some forecasting and planning our businesses can be driven in the wrong direction. To carry the driving analogy further, our contracting businesses have no reverse gear. If we drive too far in the wrong direction, we can't simply back up and restart. Once we have committed our resources, our company, in a certain direction, changing that direction drastically can be difficult, expensive and maybe too late.

I don't wish to imply that planning is just an effective defensive tool. However, even smaller businesses should embrace corporate planning for that reason alone. In addition to identifying future opportunities and threats to be exploited or avoided, effective planning provides a framework for better decision making throughout the company.

It gives guidance to the managers of a company for making decisions in line with the goals and strategies of top management. It helps prevent piecemeal decisions and provides a forum to test the value judgments of decision makers within the organization. Perhaps the most significant value of the well-organized planning process is the improvement in communications among all levels of management about goals and objectives, strategies to achieve them and detailed operational plans.

The planning process properly performed creates a communications network within even the smallest of companies that gets people excited about what's right for the company and how to achieve it.

Planning also addresses an area that is sadly lacking in most small businesses today and that is the "measurement of success."

Establishing just this fundamental level of corporate planning in smaller contracting businesses has had profound effects on the outlook, attitude and performance of employees and business owners alike.

One of the greatest selling points for comprehensive corporate planning is that it allows the contractor to simulate the future—on paper. If the simulation doesn't work out, the exercise can be erased and started again. In an exercise, decisions are reversible. Ideas may be tested without committing resources to them or betting the entire company on them. Simulating various business scenarios encourages and permits management to evaluate many alternate course of action. This could not happen in the real marketplace. Picking the "right" course of action becomes more apparent. There is also the possibility that the larger number of alternatives may produce ideas that would otherwise have been missed. If nothing else, the planning process brings more and better factual information to the table for management to make decisions with.