BUSINESS STRATEGY 101

getting it right means success!

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and
Assisting the US Forest Service’s Wood Education And Resource Center

Web at www.cnr.ncsu.edu/woodworkshops
North Carolina State University
Wood Products Extension

Since 1950 has supported the wood products industry in North Carolina in the areas of wood education, training, troubleshooting problems, research and overall assistance in making a large variety of wood products.

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Wood Education and Resource Center

- Is the focus of the US Forest Service effort of support of the hardwood forest industry in the states east of the Great Plains
- WERC project’s websites = www.cnr.ncsu.edu/woodworkshops and www.cnr.ncsu.edu/usalocalwood

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Business Strategy

Definition of business strategy—a long term plan of action designed to achieve a particular goal or set of goals and objectives.

Core function of management is to create a successful business strategy and carry it out.

Typically is the key element of a written business plan.
Linking Strategy to Business Configurations

Configuration choices determine how your company interacts with prospects, customers, vendors, employees, etc.

Strategy - The definition of business strategy is a long term plan of action designed to achieve a particular goal or set of goals or objectives.

Alignment of your business configuration and strategy will determine the success or failures of your business.
Example Configuration Choices

Business location, rent or own plant and equipment, choices of equipment, management organization, investor and ownership, customer base, inventory management, purchasing, information technologies, human relations, design and product development methods, etc.

A control panel for your business would have dials and controls for marketing, management, finance, operations, etc.

See handout for list of 16 configuration items
Business Strategy Definition

A long term plan of action designed to achieve a particular goal, set of goals or objectives that improves the status of the business

Strategy is management’s game plan for improving the business

Business strategy is a process for deciding what needs to be done and how accomplish success. No business strategy usually ensures failure.
Four Steps to Create a Business Strategy

1. Create a vision statement
2. Create a mission statement
3. Perform a SWOT analysis—strengths, weaknesses, opportunities, threats
4. Take the information learned in the SWOT to create a business strategy
Creating a Vision Statement—seeing the future

- Describes the company’s future, the direction of the company and relates to a focus on the customer and where the company should be in the industry
  - Answers where the company will be in the next 3 to 5 years
  - What the company will try to accomplish
  - What customer needs will be addressed
Creating a Mission Statement-purpose

- What business the company is involved
- Customers groups and markets
- Customer needs
- Special abilities of the company
SWOT-understanding your special place

- Strengths-Internal-issues that lead to success
- Weaknesses-Internal-issues that limit our success
- Opportunities-External-outside places where we can succeed
- Threats-External-outside forces that can harm us
SWOT—everything is a plus or a minus

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Creating the Business Strategy

• Take advantage of strengths where we have them—no company has all strengths

• Limit effects of weaknesses

• Take advantage of opportunities in every area

• Be sure we can cover potential threats to our success
Setting Goals and Objectives

• Goals are the higher level aspirations

• Objectives fill in the details, are measureable and outline specific actions needed for success

• Need goals and objectives in every phase of the business

• Action plans follow setting goals and objectives

• The whys behind the goals and objectives is important
Success Depends Upon the Business Strategy and Its Implementation

- Strategies always relate to the vision and the mission
- Opportunities always exist in the market-up or down
- Image having poor eyesight trying to aim a rifle
- Must be able to see the target to hit the target
- Question today is how to identify targets?
Good Targets Abound Because Most Don’t See the Opportunities

- Actually more targets than you can shoot!
- New housing is in a slump with little construction now built on speculation
- See statistics on new versus existing housing-Harvard handout
  - Now at historic lows for starts
  - Vacancy's are at historic highs-homes and rentals
  - 2010 Owners spending = builders
  - Buyer demographics shifting to older Americans
  - Existing home sales > new home sales by a wide margin
Writing the Business Plan

- See handout on example business plan outline
- Lots of variety in writing the business plan
- Often used as a tool to obtain financing
- Needed even if you are not wanting to borrow $
Potential Targets for Cabinets, Furniture and Millwork

• Look to grow your market at the expense of others
• Look to replace work that homeowners are doing
• Look at non residential home projects
• Look at the early creation stage of projects-help create the project, not be the low bidder
• Be a leader in the creation of new styles that offer $ savings, being “Green”, energy savings, new images
Likely Successful Business Strategy Elements

- USA made versus imports
- Faster delivery
- Multiple functions and special features
- Lower cost
- New USA styles
- Whole home packages-coordination of interior wood elements
Phase I of Reinventing Hardwoods
WERC Market Grant Project

• Metro regions cannot produce the volume of wood products consumed = lots of opportunity for local and regional manufacturers
• Replacing imports can supply lots of orders to domestic firms
• Almost no local furniture manufacturer in Charleston, WV, Charlotte, NC or Atlanta, GA is trying to sell furniture to retailers
• Room in the metro regions for design/build shops
• Metro region wood shops should cluster for increasing the size of their presence and image