

---

# Business Direction Tutorial

# 1. Introduction

## Why are strategy and planning important?

When was the last time you stopped dealing with day-to-day stuff and thought about where your business is going?

Thinking ahead and having a clear direction for your business is vital. It's the best way to take account of changing circumstances, stay competitive, and grow your business. This tutorial will help you set the right direction and develop an action plan for growth.

To get the most from this tutorial you should download the growth action template and complete it as you progress through each section.

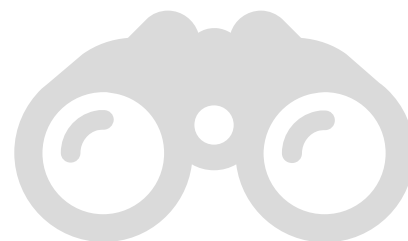
### Why is having a plan so important?

Developing a growth plan for your business helps you focus on the important issues. It's so easy to get bogged down in everyday operational challenges. Developing a plan shifts your attention to high-level, strategic concerns.

Research shows that the best performing companies are the most active in managing products and markets. As a business grows, more people need to be involved in the planning process. A growth plan helps you to share your vision with others. It provides a strategy that can be understood by everyone.

In the coming sections, we'll find out more about setting goals, self-assessment and how innovation can help grow your business.





## 2. Vision statement and objectives

### Where do you want your business to be?

You might answer this question by outlining your vision for your business and its long-term objectives. An effective vision statement focuses on the goals and aspirations of the business. It is designed to be positive and timeless. Your strategy may change, but your vision stays the same.

#### Example: Whale Pumps

Bangor-based specialist engineering company, Whale Pumps' vision statement doesn't mention pumps.

*"To build an outstanding, sustainable company, widely known for our innovative and principled approach in everything we do."*

#### Example: Lecky Group

Lecky Group design, produce, and distribute special needs equipment and programs from their base in Lisburn. Here's their vision:

*"We will be the leading company working with the special needs community to research, develop, and distribute life-changing, innovative products and programs for the children, their families and carers."*

### Write your vision statement

When drafting your vision, think about how what is different about your business. What do you do better than, or differently from, the competition? What values are important to you, your customers, and your employees?

**Take a moment to draft a vision statement now. It needn't be perfect straight away. You can come back to it once you've given it some more thought.**

The more you can differentiate your business, the stronger its strategic position. What is your point of difference? Do you offer something that no one else can?

Offering a "me too" product or service means that you will be competing on price. And you might find it harder to generate good margins.

### Point of difference

Real strategic strength comes from offering products or services that are truly different, in a way that's meaningful for your customers. How strong is your point of difference? What can you do to strengthen it?

**Take some time to fill in your answers in your growth action template.**

Now you've drafted a vision statement and identified your point of difference, let's think about your long-term objectives.

### Long-term objectives

Your long-term objectives are the concrete foundations that underpin your vision statement. They should be things you can measure. Every business is different, but good examples include:

- future turnover
- number of employees
- level of profitability
- number of customers

You should think about where you would like these, and other metrics, to be in a given time frame.

**Take a moment to list these in your growth action template.**

# 3. Assessing your business



You should now have some idea of where you want your business to go in the future. But where is it now?

## SWOT Analysis

One way of clarifying this is called a SWOT analysis. SWOT stands for:

- strengths
- weaknesses
- opportunities
- threats

As its name suggests, it helps you to build on your strengths, minimise your weaknesses, identify opportunities, and avoid threats. You can complete it yourself, but it can also be a useful team exercise. You can ask your team to complete it individually and then reconvene to discuss it together. This is a great way to achieve consensus on your business direction.

### Example: Aptitude Ltd.

Aptitude Ltd. was founded by two scientists who patented an alternative to a high-volume production process for the food and drink industry. They subcontract the manufacturing of their kit and they've made some sales to well-known food manufacturers in the seven years since the company's inception.

As they've grown, the two scientists have learned some key lessons that will allow them to accelerate the company's growth. Here are some of the findings from Aptitude's SWOT analysis:

Strengths:

- technology is unique
- learned a lot from trials and early installations
- proof that the technology works on a commercial scale
- motivated and skilled
- technology covers a broad range of applications
- healthy gross margin
- credible market valuation

They were also honest about their weaknesses:

- under-resourced
- reliance on subcontractors
- product represents a big investment for customers
- need to educate the market
- big customers are slow-moving and risk-averse
- equipment reliability

They also identified some opportunities including:

- exchange rate depreciation
- access to new markets
- companies pursuing lean manufacturing
- possible income streams from maintenance and licensing
- applications in other sectors

These opportunities were balanced by some threats:

- loss of existing market access
- difficult to protect intellectual property (IP)
- validation required in some countries
- competition is improving swiftly
- big players opposed to Aptitude Ltd.'s technology

**Take some time to complete your own SWOT analysis.**



## Strengths and weaknesses

Strengths and weaknesses are about factors that are internal to your business. Here are some questions to help you identify your business' strengths:

- What advantages does your business have?
- What do you do better than anyone else?
- What unique or low-cost resources can you draw on that others can't?
- What do people in your market see as your strengths?
- What factors mean that you get the sale?

Here are some questions to help you identify your business' weaknesses:

- What could you improve?
- What should you avoid?
- What are people in your market likely to see as your weaknesses?
- What factors lose you sales?

## Opportunities and threats

Opportunities and threats are about factors that are external to your business. Here are some questions to help you identify potential opportunities for your business:

- What trends are developing your industry?
- How is government policy changing?
- How are the demographics of your target market changing?
- What technological developments can you take advantage of?

Finally, here are some questions to help you identify potential threats to your business:

- What obstacles do you face?
- What are your competitors doing?
- Are regulations in your industry changing?
- Is changing technology threatening your position?
- Do you have debt or cash flow problems?
- Could any of your weaknesses threaten your business?

Now you've completed your SWOT analysis you need to consider:

- How you can build on your strengths to differentiate your business
- What strategic weaknesses are barriers to growth, and how might you overcome them?
- Which opportunities seem most attractive?
- What threats are imminent and pose a major risk?

**Add these to section 3 of your growth plan.**



## 4. Growth options

You have now identified the key strategic issues facing your business in your SWOT analysis. So now let's have a look at how you can use those insights to grow your business.

First, what are your growth options?

Every business is different, and your options will depend on the strategic issues you identified in your SWOT analysis. You might consider some or all of the following:

- increasing the number of customers
- increasing the size of the average purchase
- increasing the frequency of purchases
- increasing the margin you make on each sale

Before you answer, consider these findings from innovation systems company Eureka! Ranch.

### Existing customers or new customers?

They wanted to find out which was more effective in increasing business turnover. Was it increasing the loyalty of existing customers? Or getting new customers?

Well, perhaps surprisingly, they found that getting new customers is 2.8 times more potent at creating growth than deepening the loyalty of existing customers. Your existing customers are important, of course, but there is a limit to how much they will buy. You need new ones. This is the single best way to grow your business, and where you should focus your efforts.

### Attracting new customers

How can your business attract new customers? Here are some factors to consider.

- How can you improve your service to customers?  
How are you measuring this?
- Can you improve your offering?

- Have you looked at your capacity to meet increased demand?
- How effective is your marketing?  
Do you need to look for new markets?

As important as it is to get new customers, you can't neglect the other aspects of growing your business. Let's look at those now.

### Increasing the average purchase

How can you increase the average purchase that each customer makes?

- offer a wider range
- increase prices by adding value to your products
- increase the frequency by:
  - running a special offer on a certain product for a limited time
  - offering discounts and bonuses for extra purchases
  - communicating with your customers more effectively

### Increasing your margins

Finally, how can you increase the average margin on each purchase?

- increase the value of your brand
- consider a new business model
- make savings in your supply chain
- improve your production processes

What growth actions are appropriate for your business?

**Add these to section 4 of your growth plan.**



# 5. The need to be innovative

You've now identified the key strategic issues and some growth options for your business. In a competitive world, what strategic approach will deliver the highest margins? Lowest cost or highest quality? A fast turnaround on orders or being responsive to customer demand? Perhaps it is being first to market with new products.

**Take a couple of minutes to think through these approaches, ranking them from 1 to 5.**

How do you think you did there? Well, let's see how your answers compare with a survey of over a thousand Irish companies by InterTradeIreland. They said that being first to market with innovative new products and services—regardless of market demand—was the most potent driver of profitability.

Business leaders from history agree. Henry Ford said, "If I had asked my customers what they wanted, they would have said 'faster horses'." Lewis Duncan said, "Innovation is the ability to convert ideas into invoices."

## How innovative are you?

Innovation is about thinking up new and different ways of doing things and applying them to your business. It may be adding new features to an existing product, or developing a completely new one. You might introduce a new process, adopt a new technology, or rethink your business model. Doing so can reduce costs, improve profitability, increase sales, and grow your business.

Remember, at Invest NI we can help you with all of this.

## The Ansoff Matrix

You'll need to think through what innovation choices are appropriate for your business. The Ansoff Matrix can help you think about your innovation choices and devise suitable product and service strategies.

	Existing	New
Existing	Market penetration	Product development
New	Market development	Diversification

**Product development**, in the top right quadrant, is challenging. It means introducing a new product into your existing market. **Diversification**, in the lower right quadrant, is the most challenging. It means introducing a new, unproven product into an entirely new market that you may not fully understand.

Perhaps you already have a large share of your existing market, but growth is limited. Do you try to increase your share of the market you're already in? Or do you explore new markets elsewhere?

## Thinking through your options

The Ansoff Matrix can help you think about your options.

**Market penetration**, in the top left quadrant, is the safest of the four options. You focus on expanding sales of your existing product in your existing market. You know that the product works and the market holds few surprises for you.

**Market development**, in the lower left quadrant, is riskier. You put an existing product into a new market, perhaps by adapting an existing product to a new application, or adding new features to it.

Let's recap. What innovation choices are best for your business?

- Existing markets and existing products and services?
- Existing markets and new products and services?
- New market and existing products and services?
- New markets and new products and services?

**Take some time to review the questions in section 5 of your growth plan template.**



## 6. Write your growth plan

It's time to bring together everything we've learnt.

You have clarified your vision, point of difference and the long-term objectives of your business. You have considered your strengths, weaknesses, opportunities and threats. You've decided how to generate growth and considered the role that innovation can play in your plans. Now it's time to write your growth plan.

### Implementation

Remember that having a growth plan is just the beginning. It's important that you think about how you're going to implement it.

- Your leadership will be critical in making it happen.
- Your team will need to be accountable, to ensure that they deliver on the plan.
- Your plan should be measurable, so you can monitor progress and see when your goals are being achieved.
- Make sure you engage with your team, to be sure they understand and own the plan.
- Make sure that the plan lives as part of the business by creating a process for regular reviews and updates.

Here are some growth measures you may like to consider:

- Are you growing the business? This can be measured by the number of new customers.
- Where should you focus your growth? Measure your growth potential in your existing market.
- Are you generating sales opportunities in a cost-effective way? Measure cost per lead.
- Are you converting opportunities into sales efficiently? Measure sales conversion.
- Are you marketing the business effectively? Measure the opportunities that you're generating.
- Are you delivering products and services in a way that satisfies your customers? Measure your referral rate.

- Are you innovating? Measure the percentage of sales from products or services that you have introduced in the past two years.
- Are you increasing the value of the business? Measure earnings before interest, tax, depreciation and amortisation.

### Look at section 6 of your growth plan template.

Start by adding your current year overall sales objective and long-term sales objective from section 1 of your growth plan template in line A. Based on this, add overall sales objectives for the intervening years. Complete the current year column based on your existing plans. Think about the innovation choices you made in section 5. Use these to complete lines B, C, D, and E. You have now decided on your sales growth objectives.

### Complete section 6 of your growth plan.

Summarise the increase in sales from existing markets, new markets and new products. What are the implications for other activities and resources in your business?

### Finally, move on to section 7 of your growth plan.

You need to allocate a time horizon to the relevant sections—now, soon, or later. Now is for urgent items that need to be addressed immediately. Soon is for less pressing, but important items, that will take you a long way to achieving your objectives. Later is for items that will require some exploration or consideration first.

List the action that you will take and the intended outcome. Identify the people and resources that will be required, and set out an expected completion or review date.

You should now have a completed growth plan that you can put into action in your business.

**If you have any further questions about growing your business, you can contact Invest NI.**