

## Strategy Pointers for the SME

Small and Medium Sized Enterprises (SMEs) are constantly confronted with critical strategic challenges from changes in market conditions, new technologies, larger competitors, and more. The advantages of the SME – such as flexibility and ability to execute rapidly – can be neutralized by an absence of infrastructure, a failure to read change, and the lack of strategic planning. This article discusses 10 strategic steps a SME can take to secure its position and strengthen its capacity to compete and thrive in a marketplace filled with large companies and fast paced changes.

The definition of SME is so broad – companies doing \$1 M annually and companies doing \$50 M annually are both classified as SME in the United States – that it needs to be stated that not every SME will be able to engage in the process we detail in this article. Other companies may be able to engage in some steps, although the efficacy of these steps in the absence of the others may be questionable. Even if your company is too small to engage in this process, the understanding of the process and the pieces that compose it will be useful in constructing the strategic thinking patterns you need to begin to engage.

The idea that SMEs should be strategic in their approach to the market, as opposed to just intensely focused on customer service and price, is perhaps a bit radical. Traditionally SMEs have not been ambitious enough to require a strategy, as they saw themselves as local (or at best regional) and were not seeking wide growth. The changes in the business environment, and the way larger companies compete (not only against one another but also now against the SME) means that the SME needs strategic thinking not for growth, but for survival.

With this in mind, here are 10 strategic things the SME can – and should – do:

**1. Audit Your Company** – you cannot know where you want to go if you do not know where you currently are. An audit will assist you in getting a true and clear picture of your current situation and will help you identify areas for improvement and inefficiencies that are costing you money you don't need to be spending. The traditional financial audit is appropriate and necessary, but so too is a marketing audit to determine whether you are saying the right thing to the right audience at the right time and through the right channels, and an operational audit to determine if your processes and procedures are as effective and efficient as you need them to be. Once you have the outcome of your three pronged – financial, marketing and operations – audit, you will have a blueprint of things you can do – and things you must do – to strength your business.

**2. Understand Your Financial Situation** - once you have your audits and you have a good understanding of what you need to be doing you need to make certain that you have an excellent understanding of your financial situation. While it is marketing that drives your business and makes sure the sales are happening, it is your financial health (cash flow, operating capital) that fuel the operations. If you have a good understanding of your costs and your margins, you'll be able to engage in some forecasting that will let you know what strategic steps you can take and which ones will need to wait until more cash is accumulated. Keep in mind that SMEs have less access to lenders and therefore cannot afford to get into cash crunches or risk capital that is uncertain. The better you understand what you can expect to be generating and earning, the better you can apply the funds you have strategically.

**3. Stop Wasteful Practices** – many small businesses have amazingly wasteful practices not because they are uninterested in making more money but because they either never took the time to determine what they are, are unable to replace them with more effective practices, or are stuck on the traditional ways of doing things in spite of their greater costs. You need to overcome whatever reasons you may have for continuing to engage in processes that are wasteful. Your devotion to employees or to the way your grandparents did things is admirable, but extremely harmful to your company. The glory is in perpetuating the company, not its practices. So you need to make the strategic decision to cease – as quickly as possible – all practices your audit demonstrated are wasteful.

**4. Change Your Processes** – once you understand the operational changes you need to make be certain that you make the corresponding changes to your processes so that the new operational standards can be met efficiently. This includes workflow processes, changes in communications channels, and any changes in authorities you may have introduced. Without these changes you will have a huge gap between the strategic changes you are making in your office and their actual execution across the company – in other words, without the changes in process, nothing will get done.

**5. Start Introducing Efficiencies** – once you have the company operating on its enhanced footing you can build upon the momentum of the improvements you initiated by gradually introducing additional efficiencies, including technologies that enhance management, process tracking, marketing, and more. By planning out how you are going to continually be improving your processes – both internal and external – you will place the company on a strategic track toward optimized performance.

**6. Pay Attention to the Market** – while you are engaging in all this internal review it is critical that you measure the consequences of the changes you are introducing as they relate to your customers. For example, if one process you engaged in reduced the level of customer service because it introduces a CRM technology that allows you to lower your employee headcount, this may seem on paper a great idea, but be viewed by your customers as a reason to look for an alternative to your company. You need to make sure that the changes you are implementing are consistent with the needs and demands of your customers, or they will stop being your customers.

**7. Strengthen Your Management** – all the upgrading you are doing will mean little if you have not accompanied it by strengthening your management. Many SMEs are family owned and some are family operated, and this is not always the recipe for the best person getting the leadership jobs. Controlling shares and controlling decisions are two very separate things and if you are not the right person to be making the decisions, step aside and bring in professional management so that the shares you hold will retain (or grow) their value. Management determines strategy and sometimes it requires falling on the grenade when the strategy under development is management itself.

**8. Establish Intelligence & Feedback Mechanisms** – you cannot formulate strategy in any meaningful way without a basis of knowledge upon which to build your assumptions. You need to have the ability to gather market information about competitors and feedback from your customers. The easiest way to do this is to engage the market by joining industry associations, reading industry press, monitoring competitor websites and press releases, engaging in scheduled customer surveys, and providing customers with

a way to present opinions and feedback whenever they wish. By having this information you will be able to coordinate the strategies you initiate with the direction of the market.

**9. Review Your Vendors** – just about every major vendor and retailer has somewhere in their marketing strategy the positioning of their company to meet the needs of the SME market. With over 90% of all enterprises in the U.S. categorized as an SME it's no wonder. Yet, how well these companies actually meet the needs of the SME is subject to review – by you. Make sure the companies supplying you with equipment, supplies, technology, raw materials, etc. are offering you the best deal in town – including pricing and terms. If they aren't, switch. And the sooner, the better.

**10. Consolidate Gains** – Strategic planning and execution is all about making advances in your quest to improve performance and enhance profitability. As you make headway be certain to consolidate your gains by embedding them into your operational processes and your workflow formulas. By consolidating the gains as you move forward you are able to create a new status quo inside your organization, moving forward incrementally perhaps, but always moving forward.

The SME is the backbone of the U.S. economy and yet big business spends a great deal of its time intruding on its space and taking away its business. The entrepreneurial spirit of the American people is such that new SMEs pop up all the time, using new strategies and tactics to ward off the 800 pound gorillas. By recruiting strategic planning as your ally and instituting a program of strategic review and decision making, you will find that your SME is better positioned to meet the challenges the market presents.