STRATEGIC PLANNING

Landscape Business Management Series

NATIONAL ASSOCIATION OF LANDSCAPE PROFESSIONALS

LEARNING OBJECTIVES:

The information provided in this publication is intended to help you:

- Complete a SWOT analysis.
- Understand and differentiate between competitors.
- Develop a mission and vision statement.
- Develop corporate goals and objectives.
- Work through the strategic planning process.
- Develop and implement a strategic plan.
- Develop a business plan model with all its components.
- Determine your corporate structure with organizational charts.
- Understand the need for succession planning and develop such a plan.
- Understand the importance of technology and how it impacts your organization and the entire planning process.
- Analyze your technology needs.

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CHAPTER 1: **STRATEGIC PLANNING**

INTRODUCTION

Strategic planning is the process by which an organization defines its vision and goals and defines its organizational structure, then establishes, and implements the processes to fulfill the vision and goals. Strategic planning focuses on the company's activities and, by considering current issues as well as in the long term, typically improves the overall production of the company.

In their book *The Strategy Concept and Process: A Pragmatic Approach*, Hax and Majluf suggest that several pieces make up the organizational architecture of a company and provide a foundation on which to build the leadership and capabilities of the company. These elements include the organizational structure, which facilitates the orderly assignment of the critical tasks of the company to its workforce; the business processes, which allow for an efficient and effective ordering of the work activities; the operating systems, which carefully monitor performance of the company; and the organizational culture, which establishes the firm's values and beliefs and defines the rules of the organization's behavior. This is all a part of the strategic process.

A strategic plan should be visionary, conceptual, and directional, unlike an operational plan, which is likely to be shorter term, tactical, and tightly focused. For example, consider the actions that occur when planning and preparing for a vacation.

+ Vacation Planning – the strategic plan
    » Consider the location.
    » Determine a budget.
    » Pick the dates.
    » How to travel.
    » Where to stay.
+ Pre-vacation checklist – the operation plan
    » Water the plants.
    » Inspect the yard.
    » Clear the refrigerator.
    » Stop the mail.
    » Gather passports.
    » Pack.

A strategic plan must be realistic and attainable to allow the planner to think strategically and act operationally.

It is not surprising that many managers and small business owners do not give strategic planning the attention it deserves. Consumed in the day-to-day operations of running a business, they may find it difficult to devote time and resources to planning for the future. However, planning is critical to the success of every company, regardless of size, and has substantial benefits.

THE BENEFITS OF STRATEGIC PLANNING

A strategy is a guide for the next three to five years. Once a strategy is decided, all questions that arise on a daily basis should be answered in the light of the strategy. For example, if the strategy is to pursue upscale commercial customers, then opportunities in residential work should be refused. If the strategy is to pursue broad-based, wholesale customers, then opportunities in retail should be refused.

Once the company's resources, products, and services have been fine-tuned to support the agreed-on strategy, any deviation may confuse employees, tie up financial resources, and generally weaken long-term performance.

A competitive strategy can be summed up as a plan that shows how you are going to do better than your competitors do by being different from them over time. Being different is doing the same thing your competitors do, only better. Creating greater value for your services than your competition. There are four generic strategies to create value for your organization, differentiation, low costs, focused, or broad. See Figure 1.

The concept of destructive competition states that where all companies do the same things the same way with no apparent differentiation to customers, failure is almost inevitable. We only need look at the fallout of many failed storefronts and Internet retailers to see this clearly illustrated. However, to see how being different can bring success; we only need to look at VRBO, Uber, Amazon, DoorDash and more. They all clearly disrupted their industry or created a new look industry.

A strategy is a guide for the next three to five years and should be updated on a yearly basis as market conditions evolve. Once a strategy is decided, all questions that arise on a daily basis must be answered with the strategy in mind. Once a strategy is used in this manner, its value and importance become clearer.

WHO SHOULD BE INVOLVED IN THE PROCESS?

Strategic planning must be an inclusive process and incorporate the thoughts and ideas of internal and external stakeholders.

Internal stakeholders include:

+ Senior management
+ Representatives from staff at all levels who have the respect of their peers and are seen by owners as key contributors

External stakeholders include:

+ Customers
+ Investors
+ Others in the community who could contribute to the process

Companies that use an inclusive approach benefit by:

+ Helping to build commitment within the company, especially with internal staff, for a strategic plan and its goals.
+ Ensuring that the plan truly reflects the internal and external environment that you work in.
+ Ensuring objectivity with external stakeholders.

Figure 1: *Generic Route to Value Creation Advantage*

GENERIC ROUTE TO VALUE CREATION ADVANTAGE

Differentiation		
Low Cost		
	Focused	Broad

One of the greatest threats to developing a good strategy is the temptation by the members of senior management to include only those who see things their way. This results in a strategy that's a predefined conclusion rather than the true consensus of interested participants in an open-ended process. Including someone in the process who sees things differently than most (who is not wedded to the status quo) challenges the likelihood of groupthink. In addition, the possibility that senior management will overwhelm the process is a good reason for having the process facilitated by a neutral party.

THINGS TO DO OR THINK ABOUT

+ Think about your corporate strategy and how it fits your corporate objectives and culture.
+ Determine who needs to be involved in the strategic planning process.

CHAPTER 2:
PRESENT SITUATION ANALYSIS

To establish a solid base for deciding on a profitable strategy, you must understand:

+ The environment in which your firm operates.
+ The opportunities and threats presented by your competitors and your own business.
+ The strengths and weaknesses of all aspects of your company.

Present situational analysis is the first step of the strategic planning process and tells you where your company is right now. This is important because it is difficult to establish a destination (strategic objectives) and a plan of how to get there (action plans) if you do not know where you are starting from.

The process of analysis is relatively straightforward: look at factors within your company and combine this information with all the external factors that could affect your company's performance. These elements in the strategic plan or environmental scan focus on internal and external environmental analysis. See Figure 2 below. This will provide strong indications of what your company can do or should do to improve its competitive position. Put another way, the process will highlight the critical issues that the organization faces, which its strategic plan must address. That is where the SWOT analysis comes in.

SWOT ANALYSIS

A rigorous analysis that will serve as a basis for discussing and developing your company's strategic plan should include a SWOT analysis — an examination of the company's strengths, weaknesses, opportunities, and threats. A detailed description of conducting a SWOT analysis is included in the *Management, Leadership & Corporate Culture* publication.

THE INTERNAL ENVIRONMENT

STRENGTHS

The strengths of the company are based on the core competencies that the company has developed within its competitive environment. Strengths differentiate you from the competition. Years of staff experience, accreditation, or certifications and awards are possible strengths. It may also include core values and corporate mission and vision.

WEAKNESSES

Weaknesses are those internal attributes that weaken performance. These could include undercapitalization, understaffed, lack of specialty staff, poor or inadequate equipment, and so forth. It is what

Figure 2: *Elements to Be Considered in Strategic Planning*

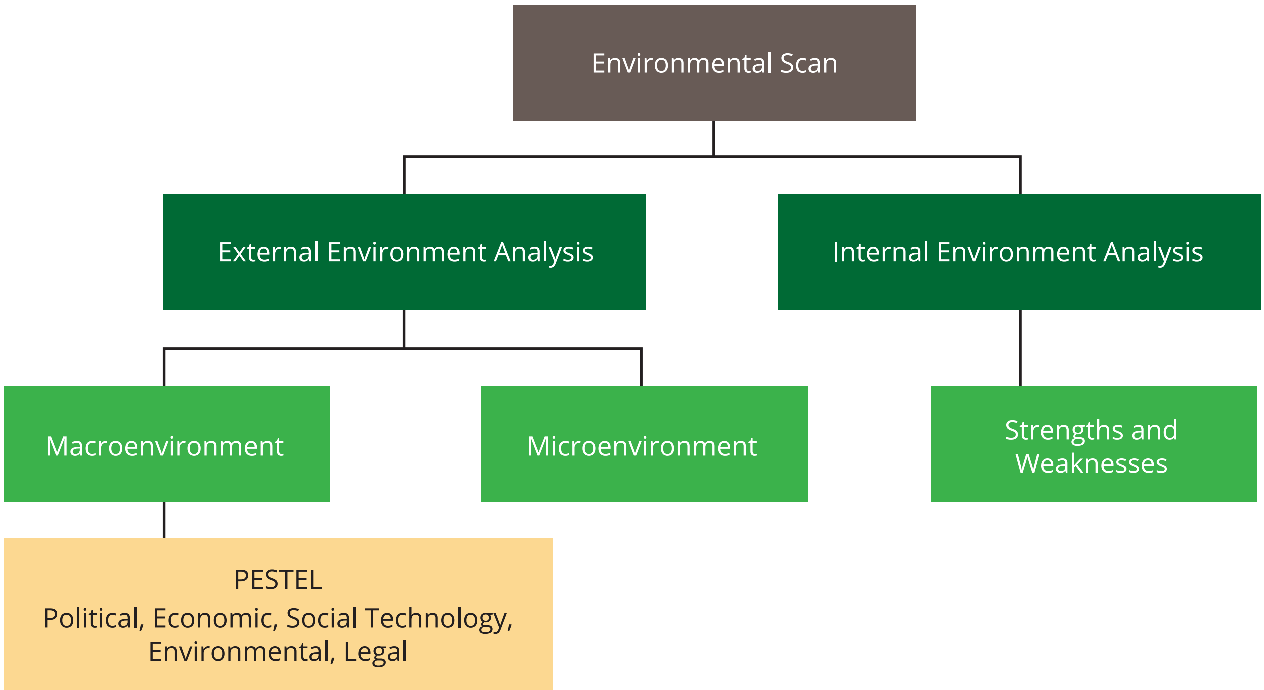
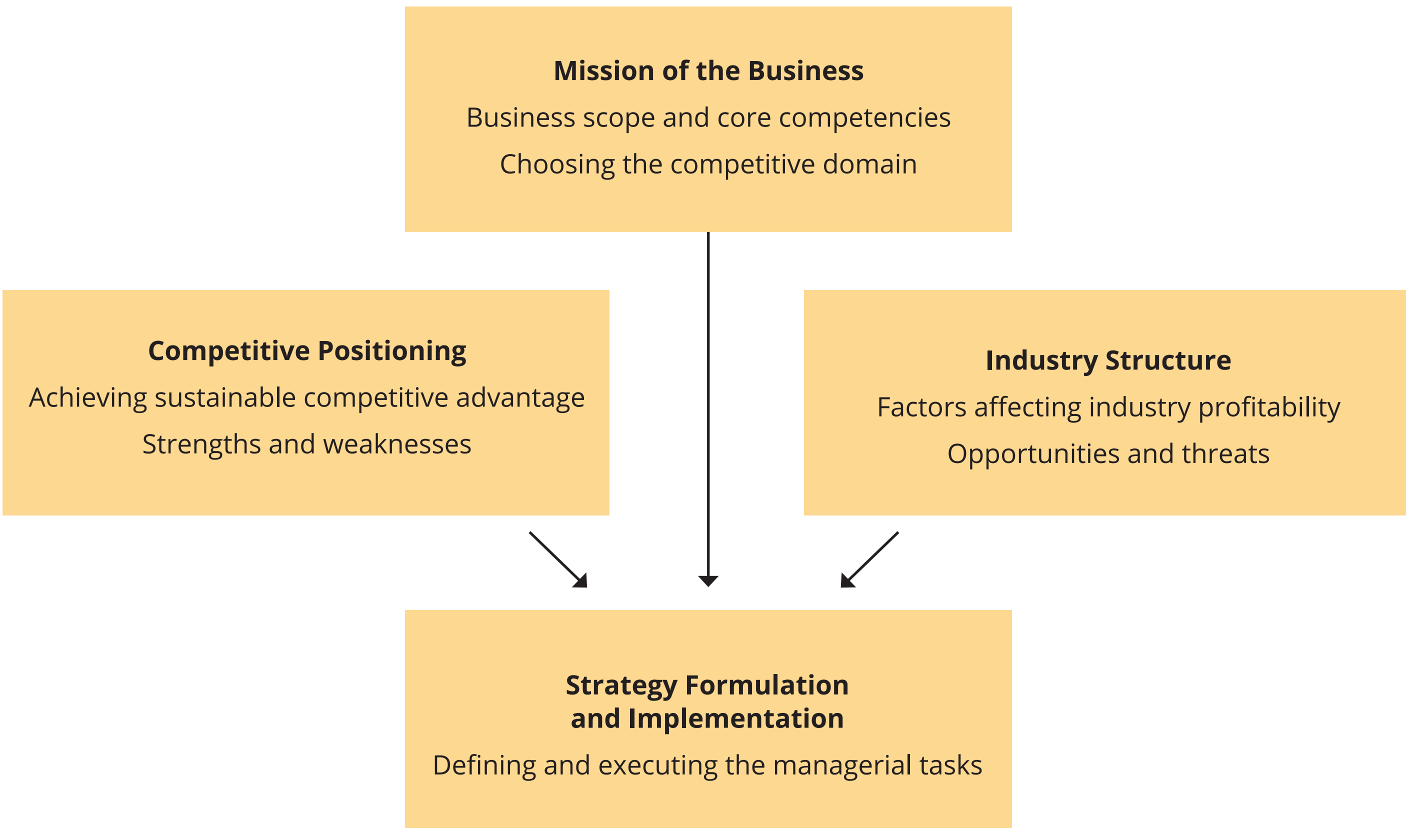


Figure 3: *Position of the Company Within Industry Structure*



makes it hard for your company to perform at the top of its game.

Understanding the strengths and weaknesses with respect to the company's competency allows the company to position itself to maintain a sustainable competitive advantage.

THE EXTERNAL ENVIRONMENT

Understanding the external business environment allows owners and leaders to identify potential opportunities and threats.

OPPORTUNITIES

Opportunities are those new areas of activity identified as having the potential to reinforce the company's competitive advantage. This could include trends in the market, new government regulations, new technologies, or demographic changes. It could also be the opportunity to open new divisions or new locations.

THREATS

Threats are those forces identified as having the potential to greatly reduce or undermine the company's competitive position. Therefore, it is necessary to analyze the industry structure with respect to overall industry potential and how to position the company to maximize profits within the existing industry structure. The diagram below shows this process.

A company can carry out a SWOT analysis with or without the assistance of an external strategic consultant. If a company is conducting the analysis on their own, an effective strategy is to list the strengths and weaknesses along with potential actions to address them on one chart, and the opportunities and threats with actions on another chart (see Tables 1 and 2).

When conducting a SWOT analysis, the company should keep in mind the limitations of the analysis to ensure it remains a strategic tool. For example, the SWOT analysis should not create a laundry list of items that have no priority, nor should it list strengths that are not relevant to a competitive strategy.

Most companies hire an outside consultant to help them through a strategic planning process. It is an investment that typically provides great return.

PORTER'S FIVE FORCES MODEL

To be successful within an industry, the leadership team must have a clear understanding of the external forces that affect the industry. One of the best analytical tools for this process was developed by Harvard Business School Professor Michael Porter

Table 1: *Examples of Strengths, Weaknesses, and Actions*

STRENGTHS	WEAKNESSES	ACTIONS
Well-capitalized		Maintain active capital reinvestment program
	Lack of trained professionals	Develop in-house training program

Table 2: *Examples of Opportunities and Threats*

OPPORTUNITIES	THREATS	ACTIONS
Major multifamily housing development being planned in your area		Build relationship with developer and landscape architect
	Large out-of-town landscape firms may bid on the project	Build relationship with developer and landscape architect

and described in his book, *How Competitive Forces Shape Strategy*. Porter argues that five fundamental forces represent the key sources of competition within an industry:

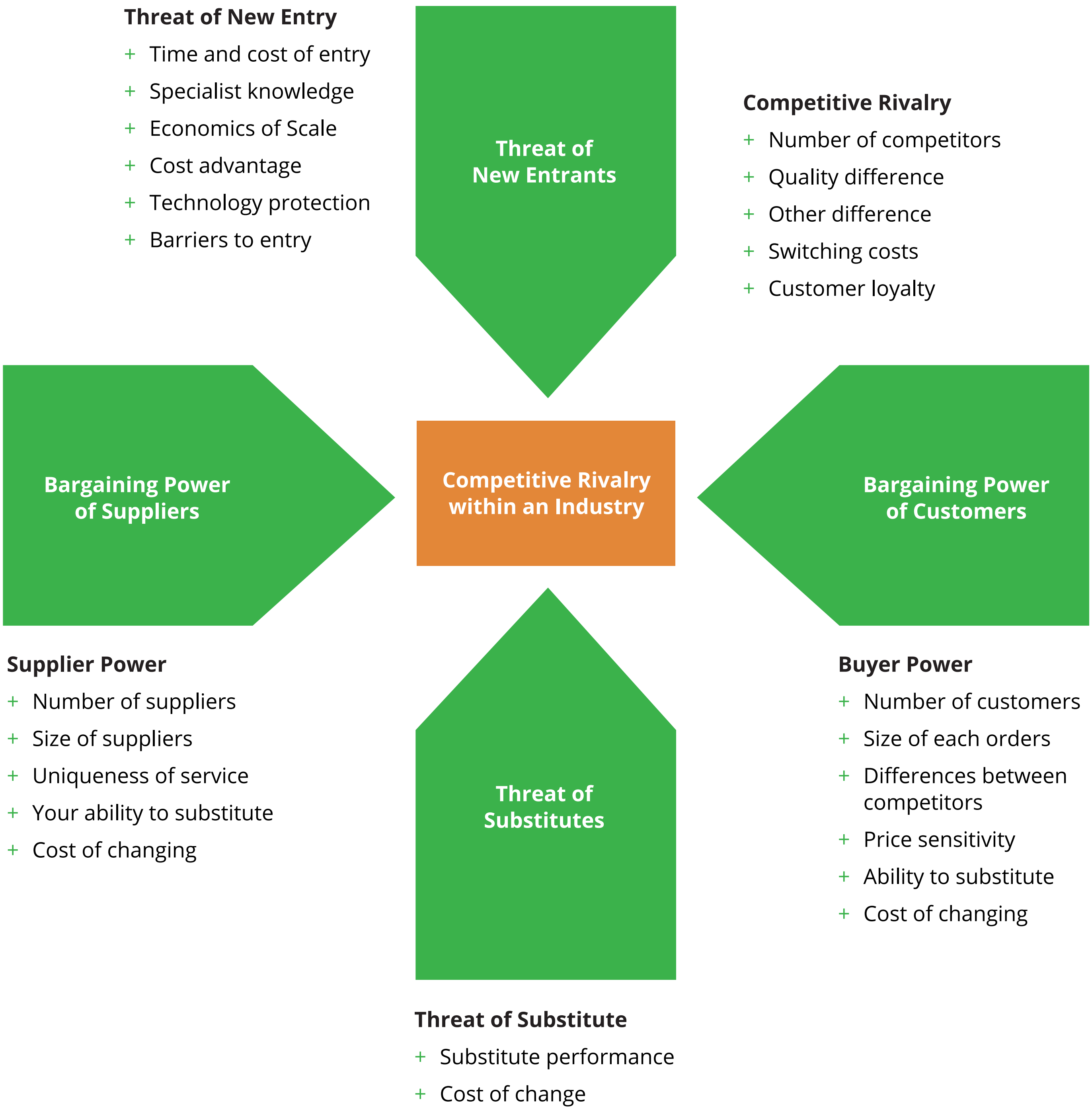
+ Threat of New Entry
+ Competitive Rivalry
+ Buyer Power
+ Threat of Substitute
+ Supplier Power

SUPPLIER POWER

In Porter's model, a small number of powerful suppliers will lead to an unbalanced industry, where the suppliers have too much power over the buyers of their goods or services. According to Porter, suppliers have power if:

+ Suppliers are not dependent on our industry for their sales.
+ We would incur high costs moving to a different supplier.

Figure 4: *Porter's Five Forces Model*



+ The products are specialized, making it unattractive to switch to another supplier.
+ No substitutes are available.
+ Suppliers have a credible threat they could integrate into our business.

In the landscape industry, there are few situations where suppliers have an unbalanced amount of power. In most of North America, there are numerous suppliers of both hard landscape goods and green goods. In niche markets, there may be limited suppliers, such as suppliers of specialty stone or newly introduced plants; however, in most of these cases, the increased prices demanded by the suppliers can be passed on to the customer who is requiring these higher-priced goods.

In the modern business environment, it is often advantageous to create strategic partnerships with reliable suppliers. This may mean paying slightly more than if you always bought from the low bidder, but the degree of service, product quality, and reliability may outweigh the higher price. The disadvantage of having a single supplier is that if they have a supply or financial problem, your company may be affected and have to scramble to find another supplier.

BUYER POWER

If your company is the dominant buyer in the marketplace, there will be significant inherent power to force suppliers to reduce prices. The best example of this situation is the power of the large "box stores" such as Wal-Mart and Home Depot. Their huge buying power allows them to force suppliers to have significant price reductions as compared to what suppliers would charge less powerful buyers. There are very few situations in the landscape industry where one company is so dominant that it can force prices down compared to all other competitors in the field.

THREAT OF SUBSTITUTES

The threat of substitutes comes from firms outside the industry that offer substitutes that your industry's customers see as competing for their available dollars. Many argue that the landscape industry competes for leisure dollars. If this is the case, then the industry faces potential substitutes such as golf, skiing, family vacations, and so on. Other potential substitutes in the residential landscape industry include investing in other home improvements versus landscape improvements or doing the landscape improvements on their own.

BARRIERS TO ENTRY

To assess overall industry profit potential, one of the most important areas of the industry to understand is barriers to entry. Barriers to entry are determined by a wide number of factors including:

+ Amount of capital needed to enter the business.
+ Intellectual capital needed (i.e., experts in the trade).
+ Ability to differentiate within the market.
+ Legal requirements to start a business.

High barriers to entry in general lead to long-term sustained profitability within an industry. Purchasers of landscape services in North American who need certified landscape professionals by the purchasers of landscape services within North America would create an example of generating a barrier to entry for firms that do not have certified personnel.

Low barriers to entry lead to poor long-term profits. If many firms can easily enter the industry, there will be significant competition and, therefore, lower prices. An example of low barriers to entry in the landscape industry is illustrated by a landscape maintenance contractor going into business by purchasing a lawnmower and a used pickup truck. Many of these

Table 3: *Entry and Exit Barriers*

	LOW EXIT BARRIER	HIGH EXIT BARRIER
HIGH ENTRY BARRIER	High and stable profits	High but unstable profits
LOW ENTRY BARRIER	Low and stable profits	Low and unstable profits

so-called “fly by night” operations charge low rates due to the minor capital and intellectual investment they have made and, therefore, push down overall industry profits. The table below outlines the different profit combinations of entry and exit barriers.

COMPETITIVE RIVALRY

The following points illustrate the biggest factors that drive competition among firms that are already in the industry:

+ **Overall industry growth.** If the industry is in an expansion phase, there is usually work for all the existing firms and profits remain strong.
+ **Competitive advantage.** How easy it is to copy or match your competitive advantage.
+ **Percentage of fixed costs to the total value of the business.** When companies have high fixed costs, the break-even point relative to the total revenue-generating capacity of the firm is high. Firms in this situation, who are not operating at full capacity, often bid lower or offer more favorable credit, which intensifies rivalry and lowers profits in the industry.
+ **Mature or contracting industry.** When the overall industry is no longer expanding, existing firms can grow only by displacing competitors and, in the short term, this often erodes margins. The exit barriers are high; the firm has specialized expertise that is not easily sold in other industries.

ABILITY TO DIFFERENTIATE BETWEEN COMPETITORS

The ability to differentiate between competitors is critical in ensuring profits. The lowest profits are generated by “commodity” industries, where the goal is to be the low-cost producer. Differentiation in products and services within the landscape industry can come from providing:

+ High-quality service
+ High-quality design
+ Unique plants or hard landscapes
+ Advanced technical services — knowledge of current environmental issues that will affect how your company is able to perform

As long as owners and managers are creative, there are many ways that differentiation can be achieved within the industry.

One of the best ways to differentiate your company from your competitors is to understand their strengths and weaknesses, what market segments they address, what product/services they offer, and their level of quality and value. This will require owners and managers to be aware of what is happening in their industry and in their marketplace.

With as much information as can be gathered, a SWOT analysis should be done for each competitor you feel has a definite impact on your marketplace. By doing so, identifying your opportunities and threats will become much easier and they will be much clearer.

For example, if your major competitors are doing exactly what you do, but they do it better, it is time to change your strategy. Conversely, if none of your competitors is addressing a perceived market need, you can jump in and set your company as the leading-edge expert for that need.

The presence of numerous equal competitors leads to intense competition and low profits. It is better to differentiate your business to compete in a field with a few larger players with similar philosophies on corporate profitability.

PESTLE ANALYSIS

Another tool to use in understanding the external environment at the macro level is the PESTLE (Political, Economic, Social, Technological, Legal, Environmental) analysis.

POLITICAL FACTORS

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Examples include:

+ Tax policy
+ Employment laws
+ Pesticide regulations
+ Environmental pressure from nongovernmental organizations
+ Government environmental regulations
+ Noise laws
+ Social license
+ Political stability
+ Government’s position on labor issues
+ Government’s position on building permits/construction
+ Position on government spending

ECONOMIC FACTORS

Economic factors affect the purchasing power of potential customers and the firm’s cost of capital.

Examples of factors in the macro-economy are:

- Mortgage interest rates
- Recession
- Inflation rate
- Job growth

SOCIAL FACTORS

Social factors include the demographic and cultural aspects of the external macro-environment. These factors affect customer needs and the size of potential markets. Social factors include:

- Home ownership rates
- Population growth rate
- Income distribution in your business area
- Age distribution
- Education levels

TECHNOLOGICAL FACTORS

Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Technological factors include:

- Research and development activity
- Automation, robotic mowers
- Technology incentives
- Battery-operated equipment
- Rate of technological change

LEGAL

The legal environment can have an impact on the business. This includes current and upcoming legislation such as:

- Health and safety regulations
- Advertising
- Labor law
- Regulations affecting industry such as those related to noise, environmental, etc.
- Taxes

ENVIRONMENTAL

The environmental impacts that can impact the business include climate change, weather, or environmental regulations. This section may see some overlap with the other factors, as it may include considerations about green technologies, changing consumer preferences, or legal requirements regarding green environmental practices or regulations.

THINGS TO DO OR THINK ABOUT

- Complete a SWOT analysis for your company.
- Review your mission and vision and determine how it all fits together.
- Understand Porter's Five Forces Model and its relationships to your organization.
- Understand your competitors and how they differentiate from your company.
- Use a PESTLE analysis to further analyze your company.

CHAPTER 3:
STRATEGIC PLANNING DEVELOPMENT

Classic strategic planning development covers the following key areas:

+ Vision
+ Mission
+ Values and beliefs
+ Strategic goals and objectives
+ Strategic action plans

The goal of strategic planning is to develop a long-term (3-5 years) plan that maximizes profits through building a sustainable, competitive advantage over other companies that compete in the same market.

Because the market and competitors constantly change, this plan should be reviewed and updated every year (if business conditions have changed); it is not something forever cast in stone. The strategy must be implementable and fit with the corporation's organizational culture.

Additional planning may set goals for 5-10 years. Those businesses that are at the top of their game will make every attempt to think 10 years out.

The chart below demonstrates the process by which to conduct the strategic review.

Typically, a company will use two types of plans to map out its future, the first flowing logically into the creation of the second.

Strategic plans describe the overall direction required to achieve the company's mission. Generally, these have a 3-5-year perspective. We can think of this as the 10,000-foot view of the company.

Tactical or business plans describe the overall activities, measurable outcomes, responsibilities, and targeted completion dates required to succeed during a relatively short period (usually one year). This includes sales goals, revenue goals, retention rates. We can think of this as the 1,000-foot view of the company.

Figure 5: *Strategic Review Process*

+ SWOT or PESTLE can be used to identify opportunities.

+ Does our strategy do a good job at aligning our company-specific SW with OT?
+ Can our strategy withstand threats?

+ Identify the weaknesses that need to be overcome to successfully implement a strategy.

+ Use SWOT to help identify things that are changing.

STRATEGIC PLANNING PROCESS

The strategic plan of a company lays out the long-term plan for the company. Typically, strategic planning starts with the development of a vision statement and a mission statement. These are discussed in more detail in the *Management, Leadership & Corporate Culture* publication.

VISION STATEMENT

The vision statement is a prerequisite for strategy. If we do not have a vision, what is our strategy attempting to achieve? It presents a mental picture of what the organization should look like in the future and how the organization will look, feel, and interact with its stakeholders. A vision statement should be concise, easy to remember, and describe what the company hopes to become.

MISSION STATEMENT

The mission statement is the most critical piece of the planning exercise, as all activities in the company must support the mission. Mission statements have been defined in many different ways by various authors and practitioners of strategic planning. The following is a summary of the points critical to the strategic planning process:

+ A mission statement is a formal statement describing the future direction of the association, consistent with the values, goals, and objectives of the stakeholder groups.
+ A mission statement must answer the questions, "Why does the company exist? What will the company ultimately accomplish?"

A mission statement provides a picture of what the company wants to achieve.

+ A mission statement is not written in process terms.
+ A mission statement is as brief and to the point as possible, so it is easy to remember. Peter Drucker writes in *Managing in a Time of Great Change* that a mission statement must have a vision, measurement, and theme (see Table 4).

Think about the following questions and write down your perception when formulating a mission statement:

+ What business or services should we be in? Why do we exist? What is our basic purpose? (Vision)
+ What is unique or distinctive about our company? (Theme)
+ What should the results be? (Vision)
+ What standards should we use? (Measurement)
+ How do we benefit stakeholders? (Theme)

SAMPLE VISION STATEMENTS

To be one of the world's leading producers and providers of entertainment and information. (Disney)

To craft brands and choice drinks that people love; to refresh them in body and spirit. And done in ways that create a more sustainable business and better shared future that makes a difference in people's lives, communities, and our planet. (Coca Cola)

To build happy relationships with our clients, community, and employees while we improve the environment and preserve the planet for future generations. (AAA Landscape)

SAMPLE MISSION STATEMENTS

Is to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world premier entertainment company. (Disney)

Table 4: *Mission Statement Components*

VISION	Describes what the organization needs to accomplish, what products and services it will (or intends to) provide, and what significant contribution it expects to make.
MEASUREMENT	Identifies ways in which progress can be measured.
THEME	Describes how the organization intends to achieve its goals. This helps distinguish your organization from others by defining its unique characteristics.

To refresh the world, to inspire moments of optimism and happiness, to create value and make a difference. (Coca Cola)

AAA Landscape is a company dedicated to excellence. Guided by spiritual and moral values, we provide responsive, profitable, professional landscape services with integrity. (AAA Landscape)

Our mission is to create and maintain unique, quality environments for the benefit of our clients and community. (Bobs Landscape Company)

VALUES AND BELIEFS

Most strategic plans include the development of a values or belief statement that enunciates the corporation's core values. Values are beliefs that your organization's members hold in common and endeavor to put into practice. The values guide your organization's members in performing their work. Ask yourself, "What kind of company do we want to be?" and "What is the desired future we seek?"

GOALS AND OBJECTIVES

Goals put the strategic plan into an action-based document. The specific goals flow from the vision, mission, and SWOT analysis and they lay out what needs to be accomplished in a one- year to three-year period.

Goals should always be Specific, Measurable, Achievable, Relevant and Time-framed. These are referred to as SMART goals.

Examples of SMART goals could be:

+ Increase market share in our geographic area by 20 percent over the next three years.
+ Ensure that 30 percent of all employees are certified (Certified Landscape Technician CLT) within two years.
+ Become one of the top five design/build firms in the geographic area within five years.

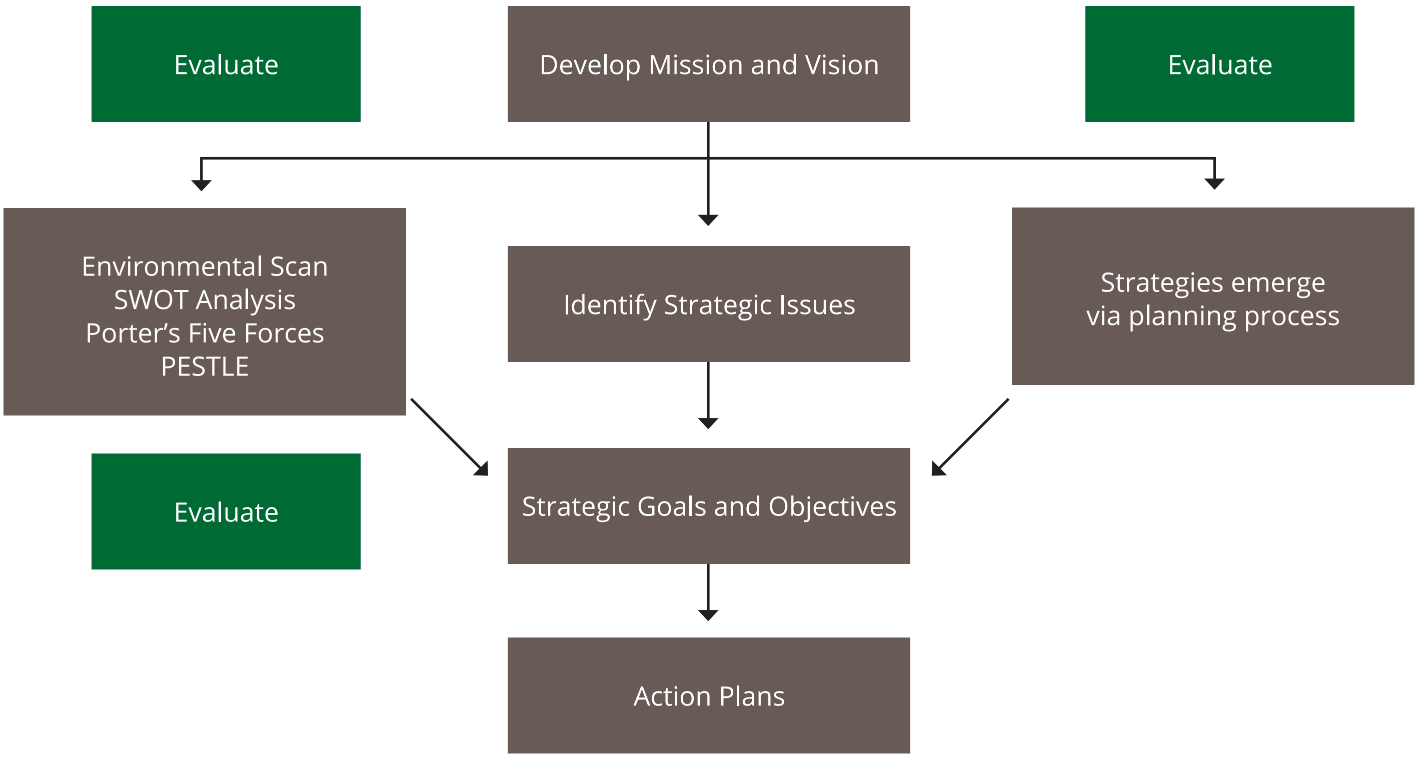
ACTION PLANS

Action plans lay out, in a broad sense, how the goals and objectives will be met and develop a time frame for the actions. These actions are then incorporated into the detailed business plan.

SUMMARY OF STRATEGIC PLANNING STEPS

1. Develop vision, mission, and values.
2. Assess the current and future environment (SWOT analysis).
3. Develop strategic goals and objectives.
4. Develop specific action plans to ensure goals and objectives are met.

Figure 6: *Summary of Strategic Planning Steps*



5. Put the plan into a written document and implement it.

(See Figure 6.)

DO YOU NEED A CONSULTANT TO ASSIST IN THE PLANNING PROCESS?

Many companies are unfamiliar and uneasy about carrying out a strategic planning process with in-house expertise. If this is the case with your company, you may want to bring in a consultant with strategic planning expertise.

THE ROLE OF THE CONSULTANT

When considering whether or not to include consultants in the strategic planning process, your company management should first have a clear understanding of what they really want from a consultant and what assistance a consultant can actually provide. Peter Block's *Flawless Consulting: A Guide to Getting Your Expertise Used* describes three main roles that an effective consultant should play.

1. As "a pair of hands," a consultant can do tasks that a client's organization knows how to do itself but does not have the staff to accomplish (e.g., organizing meetings, drafting documents, conducting interviews with clients, and other such hands-on work).
2. In the "expert" role, a consultant provides knowledge or skills that the organization does not have in-house (e.g., doing an evaluation of a program or management function, providing an analysis of the implications of environmental trends in funding or service delivery, etc.).
3. In the "collaborative" role, the consultant works as a partner with the organization, contributing process knowledge but leaving the rest to the client, who has the expertise and staff to accomplish tasks once the approach is determined (e.g., providing guidance on the planning process and facilitating planning meetings and retreats, while clearly leaving the content debate to the client).

Typically, a consultant proves most helpful to a company when they offer a combination of all three roles. With the emphasis on the collaborative role, the consultant can significantly add to the productivity and continuity of the planning process. If no one in an organization has experience with strategic planning, then a consultant's assistance with designing and managing an effective planning process will help focus the planners' energy where it is most needed and preclude their wasting time reinventing the wheel.

Additionally, an outside person working with the group offers objectivity and neutrality. Sometimes it takes an outsider to ask the hard questions, and a skilled facilitator will surface disagreements about important issues as well as manage potential conflicts in a constructive way. Still, the reality is that it can be expensive to pay a consultant to do work that staff could do. This cost needs to be balanced against lost productivity of personnel who are assigned to lead the process.

In choosing a consultant, an organization must also look for "fit." A consultant may have all the expertise one could ask for but still should not be hired unless management truly has confidence in the person.

The consultant must be a good listener and not afraid to speak honestly. Many important issues will be discussed in the planning process, perhaps including delicate issues that demand discretion or could arouse conflict. For this reason, an excellent, trusting work relationship between the consultant and the planning committee is crucial to a successful strategic planning process.

CHECKLIST FOR WORKING WITH A CONSULTANT

The following list outlines many of the issues described above and is a helpful reference for managers as they consider establishing a working relationship with a consultant. This list has been adapted from Barbara Davis' article "How & Why to Hire a Consultant."

+ Clarify your broad expectations of what the consultant will do.
+ Decide roughly how much you want to spend.
+ Talk with at least two consultants and check the references they provide for you.
+ Ask each consultant whom you are seriously considering.
+ Submit a written proposal summarizing the work to be performed, the timeline, and the cost.
+ Make sure you feel comfortable working with the person you select.
+ Develop a clearly worded, written contract that includes the following:
    » A list of deliverables
    » A projected completion date
    » A schedule for payment
    » Checkpoints along the way so the consultant and client can evaluate progress and resolve any problems that may have arisen

- A mechanism by which either party can terminate the contract before it is completed
- Identification of the person in your organization who has the authority to agree to expenditures or approve the consultant's work
- An understanding of who will do the actual consulting work

REVIEW

Every business, no matter what size, should have a strategic plan. Not just in someone's head, but well documented on paper.

The key steps in the strategic planning process are:

1. Determine your strategic position.
2. Prioritize your objectives.
3. Develop a strategic plan.
4. Execute and manage your plan.
5. Review and adapt as necessary.

(See Table 5.)

I highly recommend that you use an outside consultant to guide you through the strategic plan process. The final result will be worth the investment.

THINGS TO DO OR THINK ABOUT

- Review your corporate mission, vision, values, and beliefs.
- Develop SMART goals for your organization.
- Develop action plans to achieve your goals.

***Table 5:** Detailed Strategic Planning Process Chart*

DETERMINE POSITION	DEVELOP STRATEGY	BUILD PLAN	MANAGE PROJECT
Strategic Issues: Identify issues that need to be addressed	Mission: Your purpose	Use SWOT to set your priorities and stick to them	Rollout: Publish strategies internally
Identify opportunities and threats	Vision: Your success in the future	Identify your SMART goals	Set calendar for progress updates and reviews
Assess current and future demands	Values: Your beliefs	Set key performance indicators	Train all to company standards of excellence
Determine strengths and weaknesses	Competitive Advantage: What makes you unique	Set department and division goals	Hold progress reviews and adapt as necessary
SWOT: analyze data	Strategies: How you will succeed	Set team and individual goals	Update plan annually
	Long Term Objectives: Three-year plan with at least five objectives	Determine a one-year budget	
	Forecast: Three-year financial projections		

CHAPTER 4: BUSINESS PLANNING

A business plan is a document that lays out the short-term (1-3 year) plan of how the business will meet its goals and objectives. If done properly, the business plan provides a clear and concise visualization of what the business owner plans to do over the next several years. The process of developing the business plan is often as important as the final plan. The process forces members of management to carry out a critical analysis of their areas of responsibility and commit on paper to specific results.

+ Business plans should be simple and easy to understand and act on.
+ They should have specific, measurable objectives, achievable goals, realistic or relevant goals, and time-based including dates and responsibilities (SMART goals) (see Figure 7).
+ They must have all the information needed to critically assess success and to implement changes.
+ A business plan is a process, not just a snapshot in time. It must be alive, reviewed regularly, and acted upon. The business environment changes constantly, and therefore your business plan must change to account for the environment that your business is operating in.

NOT ENOUGH TIME FOR PLANNING

A common excuse that small or medium-sized businesses have for not doing a business plan is they do not have enough time. The most common refrain is, "I have it all in my head, so why should I waste time putting it on paper?" In fact, the opposite should be true, the busier you are, the more you need a business plan since it provides direction, focus for the business, and allows you to measure specific results.

Not having a strategy is like heading off on vacation without knowing what your destination is. The vacation may be fun, but the chances of success are much greater if you have prepared to travel to a known destination. Keep in mind that, like a vacation trip where bad weather and detours may slow you down or force you to alter your route, market conditions rarely are such that a business plan gets implemented exactly as written. However, by keeping your eye on your destination, you will find that you can compensate for and adapt to the unforeseen obstacles that show up in your path.

Business plans are typically formulated to:

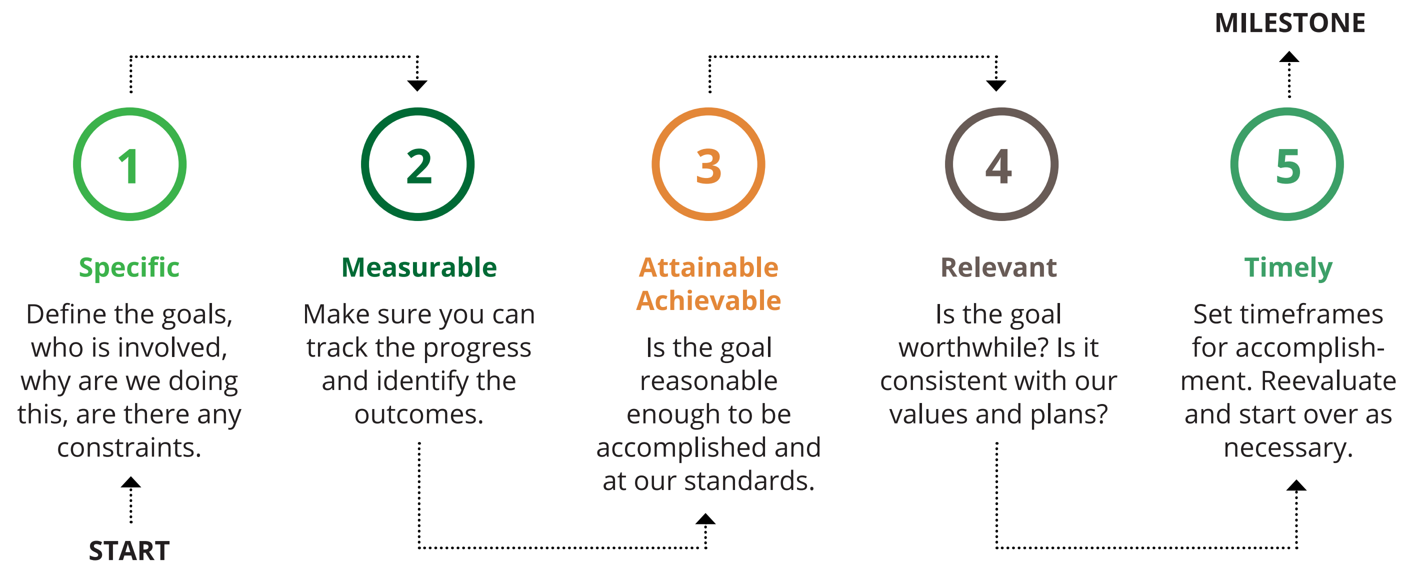
+ Provide a precise road map and measurement tool for internal management purposes
+ Describe in detail a new business
+ Evaluate business expansion
+ Function as a selling document for outsiders to the company, including:
    » Bankers for loan purposes
    » Outside private investors
    » Customers of the company
    » Suppliers to the company

Preparing a formal written plan, including financial, marketing, operational, and human resource plans, imposes discipline on the management of the company.

OVERVIEW OF THE STRATEGIC PLAN

The plan should include sections on the following topics:

Figure 7: *The Business Planning Process Using SMART Goals*



COMPANY SUMMARY

This section provides a summary of the company, the business segment it operates in, its corporate ownership, and location. Mission, vision, and core values are also included here.

MARKETING AND PROMOTION PLAN

Development of the marketing plan requires that some level of market research be carried out. This tests the business owner's and management's assumptions.

The promotion plan puts the marketing plan into action. More details in the *Sales & Marketing* publication.

OPERATIONS PLAN

This section describes the organizational, facilities, and equipment infrastructure required to implement the plan. More details in the *Exterior Production & Operations* publication.

TECHNOLOGY PLAN

This section describes new technology and upgrades to existing technology required and any associated costs. More information is available in the *Leveraging Technology* Publication.

HUMAN RESOURCES PLAN

The human resource plan outlines the training, skill, and wage issues that impact the success of the company. Specifically, it:

+ Provides information on the organization's human resource structure (i.e., reporting structure)
+ Provides details on management and their qualifications
+ Provides information on training of personnel

More details on this are in the *Human Resource Management* publication.

FINANCE PLAN

This section provides detailed financial projections and identifies cash flow and financing needs.

The financial plan provides detailed financial projections for at least one year and often attempts to project three years in the future. The financial projections include projected income statement, cash flow, and balance sheet; it should also include projected capital needs.

Business owners are often overly optimistic in the financial plans, and thus it is important to estimate pessimistic, normal, and optimistic scenarios. This allows management to determine best- and worst-case scenarios. The optimistic scenario can often identify if rapid growth can be supported by the cash flow and financing arrangements. The pessimistic scenario identifies if the company can survive an unexpected drop in revenue.

The *Corporate Finance* publication provides details on income statements, cash flow, and balance sheets.

Projected Income Statement. All business plans must have projected income statements or budgets.

The revenue section of the income statement is based on revenue projections from the marketing and sales plan. On the basis of forecast revenue, the cost of goods sold, and expenses are predicted.

Cash Flow. Cash flow projections are the most critical piece of the plan for small business success. Many companies have failed for lack of cash, even though their business is making a profit. Cash flow statements are generated on the basis of your income statement projections, with payment terms and collection terms factored in.

Balance Sheet. The final projection is the balance sheet, which shows assets, liabilities, and equity. With the projected income statement and balance sheet in hand, you can calculate key financial ratios. There often are industry benchmarks for various ratios, and by completing the financial plan, you can compare your projected financials against industry standards.

MARKETING AND PROMOTION PLAN

The marketing and promotion plan reports the results of any market research and analysis that the firm has carried out to support its decision making. It should also provide a detailed industry analysis and a description of industry participants (competitors). Detailed information on marketing management is provided in the *Sales & Marketing* publication; however, a short description of this area is provided here.

Typically, a marketing plan covers the following subject areas.

INDUSTRY ANALYSIS

Macro-analysis of the industry

+ Industry trends
+ Industry participants/competitors
+ Distribution patterns in the industry

MARKET ANALYSIS

+ Market research
+ Determination of market segments
+ Sales forecasting

MARKET MIX

+ Product or service
+ Promotion
+ Price
+ Place (location) or distribution

COMPONENTS OF AN INDUSTRY ANALYSIS

An industry analysis provides a detailed description specific to the industry, including a macro-overview and industry trends, industry participants, and distribution patterns.

MACRO OVERVIEW AND INDUSTRY TRENDS

Macro overview and industry trends provide an overview of the state of the landscape industry in your business area and uncover historical trends. For example:

The landscape industry is driven by building starts, which have been increasing at 5 percent per year over the last five years. We, however, expect this trend to slow with the economic downturn. Since mortgage rates are predicted to remain low, we expect the residential landscape industry to remain strong.

Overall, there have not been any new competitors entering the market in one of the market segments we have targeted (i.e., large commercial landscaping). There are, however, a large number of new entrants in the residential sector, which are forcing prices down.

INDUSTRY PARTICIPANTS

This section outlines who the main participants are and the companies you see as your competitors. The following is an example of identifying the competition.

Historically, the commercial landscape industry in our area has supported three companies including ours, Jones Landscaping and Construction, and New Plant Landscapes. Jones is normally the low bidder in the spring until its crews are all busy. Our company and New Plant tend to bid higher and are successful in bidding once Jones is no longer bidding on projects.

On negotiated contracts (non-bid), we have a high success rate because of our quality of work and high level of customer service. None of our competitors in the area has the number of trained and certified staff that our company has, and this allows us to provide exceptional service.

DISTRIBUTION PATTERNS

In a service business, distribution patterns are usually not relevant since this typically refers to the physical distribution of the product. For example, if you had a business that combined a landscape company with a nursery operation, then you would have to describe the channels of distribution that are relevant to the nursery side of the operation.

COMPONENTS OF MARKET ANALYSIS

A market analysis includes data regarding the actual size of the market you want to serve, what potential customers are willing to pay, projected revenues, and customer values. It starts with market research.

MARKET RESEARCH

Many small business owners make marketing decisions on the basis of "gut feeling" or "intuition." Making business decisions in any size business without some analysis of the marketplace can lead to disaster.

Before carrying out any type of market research or market assessment, one needs to determine the following:

1. **What is the objective?** What do you need to know to make the most informed decision?
2. **Is the research really necessary?** Some business-people are well informed, attend industry seminars, talk to their competitors, and have a good grasp of the marketplace. In these situations, the owner/manager's "best guess" may be as good as a decision based on extensive research.
3. **Can my company carry out the research in-house?** Many times, small research projects can be carried out with existing staff. For example, if you were considering expanding your residential landscaping company into a nearby community, your own office could determine the number of existing competitors, the trends in building permits, the city requirements for new home landscaping, as well as other factors.
4. **Is there a benefit of the research above the cost?** Will the amount of time and money expended on carrying out the research be less than the expected increase in profits? If the research costs $50,000 to carry out and the expected profit increase is only $10,000, then the research is not worth doing.

If research is carried out or if the market assessment is made by "best guess," this information needs to be included into the Market Analysis section of the business plan.

Even if it is a best guess, include a logical description of how the best guess was made. For example, as a landscape contractor, you have decided to invest in additional equipment for next spring and the bank asks you for a business plan, including your reasoning for expansion. Your best guess could be based on the following information that you have "in your head" from various sources.

+ Interest rates are predicted to remain low.
+ You read an article in the local newspaper reporting that housing starts were up 25 percent this year, and you know this will translate into more houses to landscape in the upcoming year.
+ You were at an industry meeting last month and most of your competitors were fully booked for next year. Most stated they did not intend to increase the number of crews they had working for them.

This is all critical information and is part of a market analysis you used for decision-making, although you did not obtain it through a formal market analysis process! Put it in your marketing plan.

MARKET SEGMENTS

Market segments refer to what "group of customers" you are targeting your business toward and in what geographic area they are located. Typically, in the landscape industry, companies look at the following broad segments:

Landscape construction

+ Commercial
+ Residential
+ Design/Build

Maintenance

+ Commercial
+ Residential
+ Single Family
+ Multifamily

Interior landscaping (construction and maintenance)

+ Commercial
+ Industrial
+ Residential

Irrigation

+ Commercial
+ Residential

Lawn Care

+ Commercial
+ Residential

Arborist

+ Commercial
+ Residential

Within each of these market segments, there will obviously be more sub-segments that a company can focus on.

SALES FORECAST

In this section of the marketing plan, the final piece is the sales forecast. This is a prediction of the amount of business you have determined you will carry out in a specific target market. Details of how to prepare a market forecast are provided in the *Sales & Marketing* publication.

COMPONENTS OF THE MARKET MIX

The market mix includes the primary areas of focus for your comprehensive marketing plan.

PRODUCT/SERVICE DESCRIPTION

In this section of the business plan, you describe the product and/or service that you are offering. For example, you might want to include something like the following sample.

"The company specializes in the installation of water gardens, including all associated products. This includes excavation, installation of pond and pumps, water plants, and statuary."

PROMOTION PLAN

This portion of the marketing plan outlines how you intend to create customer awareness of your company. This may include a description of specific advertising media, a description of the use of personal selling, or a combination of both. If your company only carries out bid-tendered work on commercial sites, then this should be outlined in this section.

DISTRIBUTION PLAN

As was noted earlier, for service companies, a distribution plan is not normally developed.

PRICING PLAN

This section of the plan outlines what your pricing strategy will be for the company. For example, if your company is targeting high-end residential build and design, your pricing plan will be significantly different than if you are only bidding on commercially tendered projects. Even if your company carries out the majority of its work by way of the tender process, you still need a pricing plan, since your pricing must reflect costs, overhead, risk, and profit.

OPERATIONAL PLAN

The operational plan explains how you propose to run your business. It is not done to the level of detail that an operations and procedure manual would be; instead, it should provide an overview of the operation and key components that give the company a competitive advantage. The operational plan should cover the following material:

+ Information that is critical to the type of business you run and that is essential for your profitability.
+ Operational details that give you a distinct competitive advantage.

For landscape operations, you would normally prepare the plans detailed below.

FACILITIES PLAN

For larger landscape operations, determining if your facilities are adequate for your expected growth is a critical component of the business plan. For example, you need to have space to store equipment, supplies, and possibly a repair facility.

EQUIPMENT PLAN

Equipment is a key component for most landscape companies. This portion of the plan evaluates the cost effectiveness of existing equipment, planned replacement equipment, and additions to equipment, and evaluates the best equipment to purchase as well as how to finance it.

CAPACITY PLANNING

This section evaluates how much capacity you presently have in terms of equipment, facilities, and labor. This will determine the maximum amount of work you can feasibly carry out and will act as a check to your revenue projections in the marketing plan.

INVENTORY CONTROL

Depending on how large your company is, you may wish to have a section that evaluates your inventory control procedures. Larger landscape companies often carry inventory of machinery spare parts, plants waiting to go to job sites, and hard landscape materials.

TECHNOLOGY PLAN

A component of most business plans is the technology plan. In the modern business environment, almost all businesses must plan to upgrade or add technology. This can be as simple as replacing personal computers on a planned basis or upgrading software. It can also be much more complex if your company uses sophisticated technology for tracking on-site job costs, using remote input devices, or inventory control. In modern businesses, almost all companies use technology for the following purposes:

+ Accounting
+ Bidding

+ Monitoring project cost and cost control
+ Managing databases
+ Managing a company website
+ Communicating with customers (telephone, email, fax, Facebook, Twitter, Instagram, and other social media)
+ Communicating with suppliers
+ Making presentations to customers
+ Doing landscape design (various AutoCAD programs)
+ Marketing on the Internet (company website and others)
+ Managing personnel
+ Gathering on-site real-time data

With the degree of technology integration in most companies, it is important to have a well-thought-out plan for technology. Such a plan should consider the following issues when adding or upgrading technology:

+ Cost
+ Ability to service upgrade and expand
+ Integration with existing technology
+ Ease of use and ability to train staff
+ Security

Having a well-thought-out technology plan allows for logical decision-making on technology issues and allows you to realistically budget appropriate funds for technology. An example of the type of worksheet that can be used in the technology portion of the business plan is shown in Table 6.

More information on technology is included in the *Leveraging Technology* publication.

Table 6: *Technology Plan Worksheet*

DESCRIPTION	COMMENTS	UPGRADE FREQUENCY	COSTS
Hardware			
Personal computers			
Laptop computers			
Notebooks			
Tablets			
GPS devices			
Telecommunication			
Telephones			
Smart phones			
Internet			
Software			
Accounting			
AutoCAD			
Database (customer)			
Estimating			
Job/cost tracking			
Other			
Website			

Table 7: *Example of an Employee Plan*

JOB TITLE	FUNCTIONS
Owner/Manager	Has overall corporate management/bidding responsibility, oversees accounting, carries out market development and promotion.
Bookkeeper	Carries out day-to-day bookkeeping functions, including management of accounts receivable and payable and project costing summaries. Provides up-to-date financial information for management.
Landscape Construction Supervisor	Oversees daily activities on all landscape construction projects. This includes managing logistics of supply and labor. Ensures that project costing information flows to office.
Landscape Maintenance Supervisor	Oversees the daily activities on all landscape maintenance projects. This includes managing logistics of supply and labor. Ensures that project costing information flows to office.
Landscape Construction Foreperson	Responsible for the on-site operations of specific landscape construction projects.
Landscape Maintenance Foreperson	Responsible for the on-site operations of specific landscape maintenance projects.
Labor	Carries out planting, hard construction, and maintenance duties as directed by supervisor.

HUMAN RESOURCE MANAGEMENT PLAN

The human resource plan outlines your anticipated human resource needs over the term of the business plan. It should include an employee plan, organizational chart, compensation and benefits, labor and training goals, recruitment, retirement, and replacement needs. More information is available in the *Human Resource Management* publication.

EMPLOYEE PLAN

Your employee plan includes staff positions, responsibilities, training, and experience requirements for each key position. You should have a detailed job description for each position within the organization (see Table 7). See the *Human Resource Management* publication. for more information.

ORGANIZATIONAL CHART

Include an organizational chart that shows the reporting and responsibility structure of the firm (see Figure 8). For small firms, this is usually a clear and simple chart as shown below. For larger firms, it includes interrelationships that may become more complex.

COMPENSATION AND BENEFITS

A human resource plan should have a chart or description of the compensation and benefits for each position. An example is provided in Table 8.

Wages will vary greatly based on geographical regions and economic forces within the region.

LABOR AND TRAINING GOALS

Most business plans also include information about how the company plans to upgrade skills within the corporation. Typically, this includes a training target or goal, details of what the barriers are to achieving the target, the company's response, and ways that you will measure success. For example, see Table 9.

Figure 8: *Simple Organizational Chart*

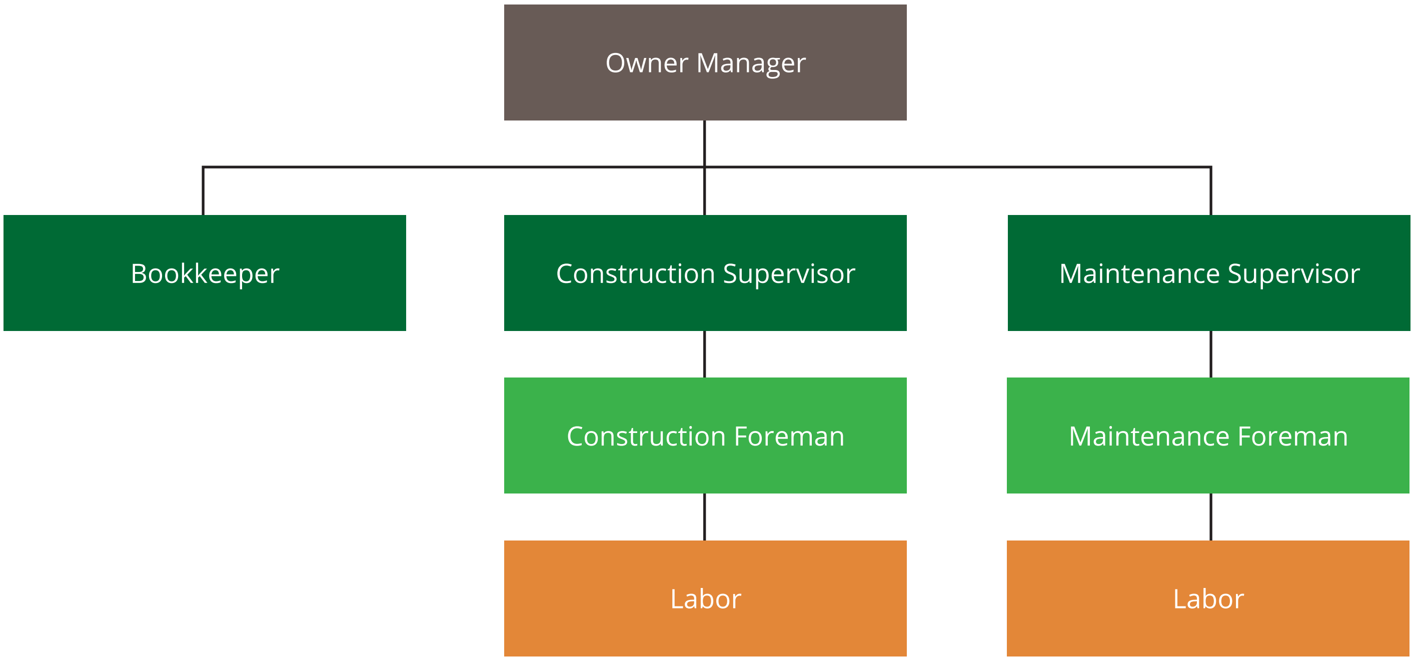


Table 8: *Compensation and Benefit Table*

JOB TITLE	SALARY AND BENEFITS
Manager	The pay range $60,000 to $80,000 per year plus full employee benefits. Share of distribution of profit by way of dividends to shareholders if manager is an owner. Otherwise, 5% of pre-tax profit.
Landscape Construction Supervisor	Pay range $45,000 to $65,000 per year plus full employee benefits
Landscape Maintenance Supervisor	Pay range $45,000 to $65,000 plus full employee benefits
Landscape Construction Foreperson	Pay range $35,000 to $40,000 plus full employee benefits
Landscape Maintenance Foreperson	Pay range $35,000 to $40,000 plus full employee benefits
Full-time Labor	Pay range $15.00 to $23.00 per hour plus full employee benefits

Table 9: *Training Goals*

TARGET	BARRIER	RESPONSE	MEASUREMENT
All foreman to be CLT/ CHT certified	Lack of training	Develop in-house mentoring program to provide training in weak areas	Within 3 years, all foremen to be certified
Supervisors obtain their CLM within 2 years	Lack of training and time	Provide time off in winter for management skill upgrading	Within 2 years, supervisors to have CLM designation
Have an accident-free workplace	Lack of safety training for general labor	Foreman to attend safety training workshops Toolbox safety talks each week by foreman with crews	150 accident-free days

RECRUITMENT, RETIREMENT, AND REPLACEMENT NEEDS

All companies need to plan for their employees' changing needs. These changes can be due to known retirements, expansion, and contraction in the industry, or from employees quitting or being terminated. Table 10 summarizes the anticipated needs of the company.

More information is available in the *Human Resource Management* publication.

THINGS TO DO OR THINK ABOUT

+ Develop or review and edit your company's
  - Marketing Plan
  - Operations Plan
  - Technology Plan
  - Human Resources Plan
  - Financial Plans

Table 10: *Retention and Replacement Chart*

WHAT YOU HAVE NOW	REPLACEMENT	EXPANSION	CONTRACTION	NEEDS
2 Supervisors	1 plans to retire next year	Anticipated expansion will result in need for 3 supervisors	-	Need to hire 2 new supervisors
4 Forepersons	1 to be promoted to supervisor 1 to be terminated at end of the season	Expansion will result in need for 6 forepersons	-	Need to hire 4 forepersons

CHAPTER 5:
CORPORATE STRUCTURE

Part of the business planning process is to review the present corporate structure and make suggested changes on the basis of the structure that is needed to implement the strategic and business plans. This can be done in the organizational or the human resources section of the business plan.

Corporate growth requires that the structure of the organization must evolve to manage within the parameters that the organization identifies to be its new operating environment. Alfred Chandler originally described the theory that structure follows strategy in his book *Strategy and Structure*. He suggests that there is no definitive best way for companies to structure themselves and that organizations should evolve to fit their strategies.

IMPACT OF EXTERNAL ENVIRONMENT ON ORGANIZATIONAL STRUCTURE AND STRATEGY

Uncertainty in the external environment in which a firm operates makes obtaining solid information needed for decision making and for predicting changes difficult. This typically leads to the following outcomes in the organization:

+ Increased differences and lack of communication between departments as each department focuses on its specific tasks. Each department starts to work more autonomously and, therefore, barriers are raised between departments. This is often referred as working in “functional silos.”
+ In a rapidly changing environment, organizations actually need more coordination between departments rather than less. Thus, management must place more emphasis on lateral coordination and ensure separate departments work together and are focused on corporate goals. This can usually be initiated by placing emphasis on the use of cross-functional teams, task forces, and lateral information processing.

In a more stable external environment, organizations should have a mechanistic structure with significant vertical control; a loose, organic, or matrix-type structure would waste significant resources. A structure with hierarchal vertical control will have wide spans of control and low administrative overhead.

The wrong structure for any given environment will lead to reduced efficiency and performance.

Companies often evaluate their corporate structural design for the following reasons:

+ Significant change in the strategic focus of the company, such as change from a commercial-bid-only landscape company to a design/build company. Significant growth that leads to a simple corporate structure becoming nonfunctional.
+ Deterioration in financial performance and/or customer satisfaction
+ New technology or equipment, which can have a significant impact on business processes, leading to evaluation of jobs, skills, and the structure of the organization.

- Merger or acquisition by another company, which often leads to the need to examine overall corporate structure.

When determining the most appropriate structure for your company, you have a number of principles that must be considered in the design. At a technical structure level these include:

- Specialization of labor
- Departmentalization
- Span of control
- Chain of command
- Unity of command

SPECIALIZATION OF LABOR

The starting point in understanding structure is specialization of labor. In a landscape operation, labor may be specialized into pest management, arboriculture, horticulture, water features, and so on. Each specialist performs a certain range of duties. If the overall task is too large for any one specialist to handle within a reasonable period of time, then the company needs to identify the separate tasks, identify the specialist who will perform each of different tasks, and then hire the specialists necessary to carry out the task. This is called "specialization of labor."

Specialization of labor helps managers determine the content of each identified job. The direct result of the specialization-of-labor principle is the development of job descriptions. This development helps determine how jobs should be grouped together, which, in turn, leads to the development of departmentalization.

DEPARTMENTALIZATION

Often departments or divisions are formed within most companies according to their internal operations. These are usually formed using either process or functions as the delineation.

INTERNAL OPERATIONS DEPARTMENTALIZATION

The two ways of grouping jobs according to internal operations relate to process and function.

1. **Process**. Process departmentalization is the grouping of jobs according to technical operations. The criteria for grouping jobs in a landscape operation are typically by area of specialization on the basis of the technical operations of the department. For example, a company may have construction, maintenance, spray, and arborist departments. Another way companies can departmentalize is by geographic area. Your company may operate in three states or provinces, with authority delegated to the manager of each geographic region.
2. **Function.** Functional departmentalization is used when organizations are designed based on the operations performed by a unit. For example, recruiting and selecting staff might be assigned to a personnel department, purchasing activities to a purchasing department, and field operations to the operations department. Functional departmentalization is used extensively in governmental and intergovernmental organizations.

DEPARTMENTALIZATION AND DESIGN OF THE STRUCTURE

As soon as jobs have been grouped, the manager must decide what type of organizational structure to establish. Two common structures are the conventional pyramid design and a matrix structure. The pyramid is normally used when tight control is wanted; a matrix is used when flexibility and greater group participation are needed.

A pyramid design is an organizational structure with one leader at the top and increasingly larger levels of management below them. Each level of management is responsible for the level directly below them.

A matrix organization is a hierarchical organization that is modified for the purpose of completing a special project. It can be used in projects where a variety of technical specialists are grouped together with nontechnical personnel and work along with the people from the operational area.

In a matrix organization, it is possible for an individual employee to have two managers. However, proponents of a matrix organization believe that it provides an agency with the flexibility to work on critical projects. A matrix organization also brings together the specialized talent that is often necessary to complete a project. It preserves the strengths of the vertical structure while adding the strengths of a horizontal or cross-functional structure.

SPAN OF CONTROL

Span of control refers to how many people report to a specified manager. Span of control is a critical principle in designing an organization, since it:

- Determines the complexity of a manager's job.
- Determines the shape or configuration of the organization.

SPAN OF CONTROL AND MANAGERIAL WORK

As the number of subordinates reporting to a manager increases, the number of potential interactions between manager and subordinates increases dramatically. Research indicates that managerial effectiveness declines as the number of subordinates increases.

Most studies on span of control have examined business organizations where work is routine, and managers and subordinates are dealing with situations whose parameters are known. In routine conditions, span of control can be greater than in situations where non-routine operations predominate. This is based on the employees' knowing how to carry out routine tasks with minimal supervision versus higher levels of supervision needed for non-routine tasks.

SPAN OF CONTROL AND ORGANIZATIONAL STRUCTURE

The optimum span of control is important in organizational structure, since it will control the number of managers/supervisors that the organization must employ. For example, if it was determined that the maximum number of laborers a supervisor could manage was 10 (1:10 ratio) and you had 50 laborers, then the company must have five supervisors. Further, if it was determined that a manager could manage three supervisors, then you would require two managers. If, however, you could widen the span of control ratio to one supervisor per 17 laborers (1:17 ratio) by better training your labor, you will need three supervisors and only require one manager.

This is a simplistic example, since crew size is determined by a number of factors. The critical point is that widening the span of control reduces the number of supervisors and managers that the company needs to employ.

Wide spans of control lead to flat organizational structure. This, in turn, shortens the communication channels between the top and bottom of the company. It also fosters generalized supervision since managers are not able to devote as much time to each individual employee. In contrast, narrow spans of control foster close supervision, but at the cost of lengthened communication channels and increased salary costs.

The optimum span depends on several considerations:

+ The training and competence of the supervisors and the subordinates.
+ The degree of interaction needed between the units or personnel being supervised.
+ The extent to which the supervisor must carry out non-managerial responsibilities and the demands on his or her time from other people and units.
+ The similarity of the activities being supervised.
+ The incidence of new problems regularly encountered.
+ The extent to which standardized procedures are used to handle new problems or situations.
+ The degree of physical dispersion of subordinates.

Figure 9: *Narrow Span of Control*

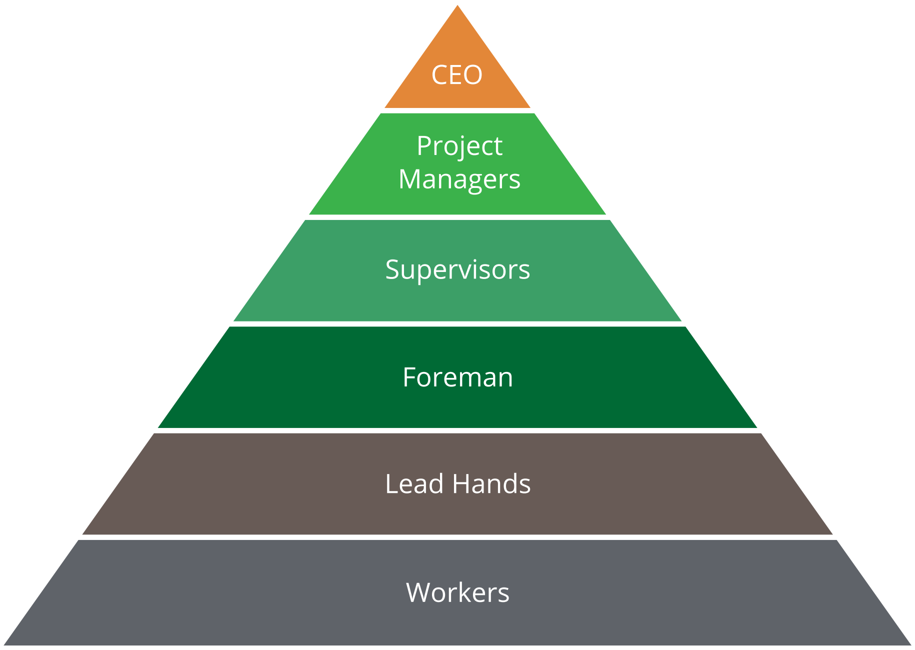
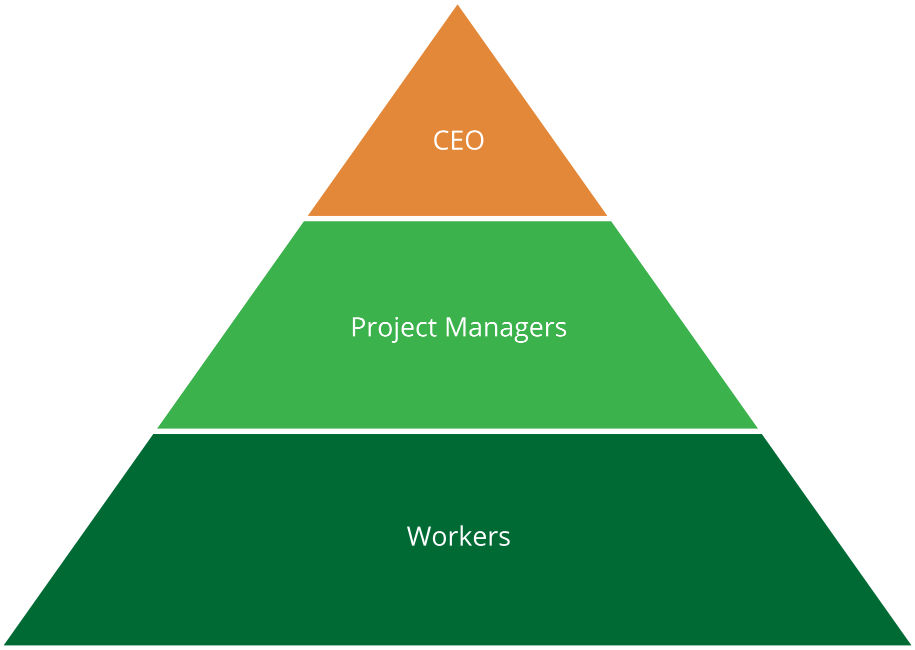


Figure 10: *Wide Span of Control*



Depending on the relative importance of each of these factors, the optimum span of control could vary considerably.

With a narrow span of control (see Figure 9), you get a very "tall" bureaucratic structure with many layers of management, as shown below. This compares to the flat structure that is typical of wider spans of control as shown in Figure 10. Matrix organizational design is discussed later in this chapter.

CHAIN OF COMMAND

The chain of command is the formal channel that determines authority, responsibility, and communications and can be seen as a series of superior/subordinate relationships. Similar to the pyramid organizational structure, starting at the top of the organization and progressing down to the field, each individual is (or should be) subject to the direct command of only one superior.

UNITY OF COMMAND

The unity-of-command principle specifies that an unbroken chain of command and communication must be established from the manager to each worker. This chain must be seen as a two-way system, with communications moving as easily up as down the system.

With unity of command, managers must ensure that they do not create a "silo" effect where peers who report to different managers do not communicate with each other. It is important in most organizations that communication takes place within the chain of command and laterally between managerial units.

Other factors to consider with respect to designing an effective structure include:

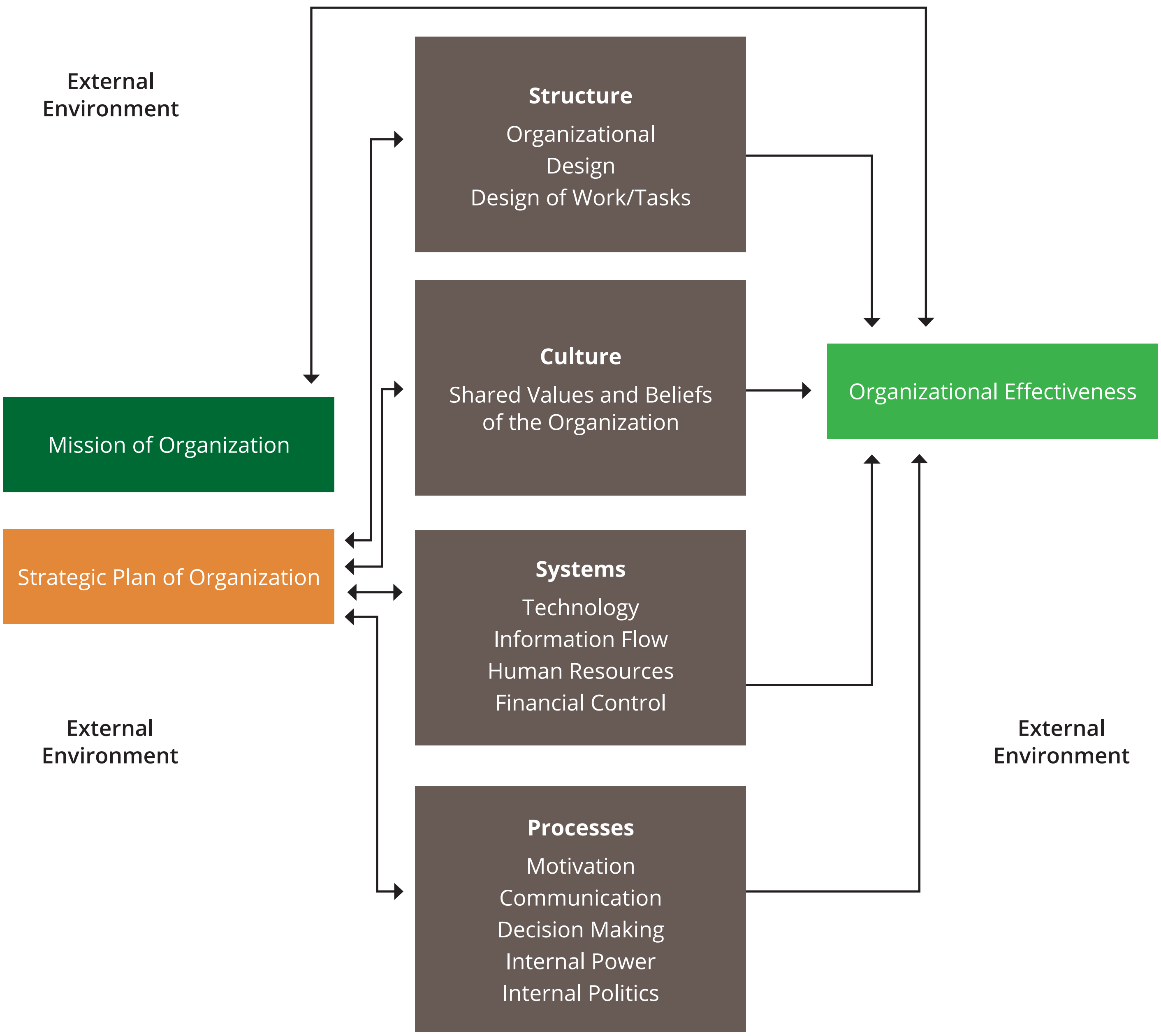
+ The external environment that the firm operates in.
+ The company's mission and strategic plan.
+ The culture of the organization.
+ Systems that are in place or that could be implemented.
+ Processes that are common in the company.

(See Figure 11.)

PRINCIPLES REGARDING ORGANIZATIONAL STRUCTURE

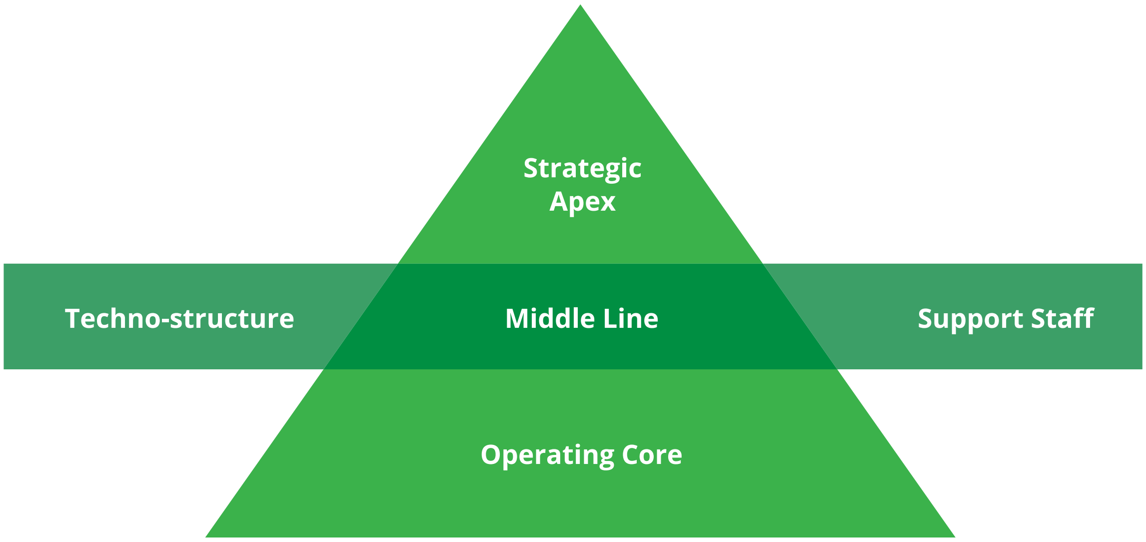
When revising your organizational structure, consider the following principles. These were modified from *Structure in Fives: Designing Effective Organizations* by Henry Mintzberg and "Organizational Structure and Employee Morale" by James C. Worthy.

Figure 11: *Factors Affecting Organizational Design and Effectiveness*



- Overly complex organizational structures lead to a higher probability of poor management/subordinate relationships.
- Dividing work into fewer and fewer units and dividing departments into sub-departments often results in low output and low morale. Those groups that contribute consistently to the organization and display the highest morale are those that complete entire tasks.
- Over-functionalization requires close and constant supervision. A consequence of closely supervising personnel is rigid control systems that have a negative effect on morale and productivity.
- Over-functionalization does not allow personnel to operate except in the closest coordination with others, and the system is often so complex that this coordination cannot occur spontaneously.
- Organizations with fewer levels and wider spans of control yield a less complex organizational structure. The wide span of control literally forces management to delegate authority. Widening the span of control requires a trained management

Figure 12: *The Five Basic Parts of the Organization*



team. It shortens both communication networks and the administrative distance between levels of management.

+ The larger the organization, the more elaborate its structure; that is, the more specialized its tasks, the more differentiated its units, and the more developed its administrative component.
+ The larger the organization, the larger the average size of its units.
+ The older the organization, the more formalized its behavior.
+ The larger the organization, the more formalized its behavior.
+ Generally, a flatter organizational structure with maximum decentralization develops self-reliance, initiative, and decision-making abilities.

In understanding the principles noted above, our next task is to understand how the basic parts of an organization work. Henry Mintzberg described the basic structure of all organizations as consisting of five parts (Figure 12):

+ Strategic apex
+ Operating core
+ Middle line
+ Technostructure
+ Support staff

STRATEGIC APEX

The strategic apex is at the top of the organization and consists of the people who have overall responsibility for ensuring the company carries out its mission in an effective and profitable way. Mintzberg describes the duties of those at the strategic apex as follows:

+ Direct supervision of direct subordinates. Normally, this level of management allocates resources, issues work orders, authorizes major decisions, resolves conflicts, designs, and staffs the company, monitors employee performance, and motivates and rewards employees.
+ Inform influential people about the company's activities. This level of management develops high-level contacts for the organization and taps these for information, negotiates major agreements with outside parties, and serves as a figurehead for the company.
+ Develop the company strategy. This level of management is charged with formulating strategic plans for the organization.

OPERATING CORE

The operating core of the company encompasses those members who perform the basic work directly related to the production of products and services. In the landscape industry, this would be all the employees who work in the field in the installation or maintenance of landscapes.

MIDDLE LINE

Connecting the strategic apex with the operating core is generally a middle line of managers. The chain of command runs from managers at the apex to the first-line supervisors who have direct authority over operational personnel. The extent of this middle line will depend on the size and complexity of the company. The flatter the organization, the less need there is for middle-line managers.

TECHNOSTRUCTURE

In larger organizations, analysts (and their supporting staff) serve the organization by shaping the work of others. These people are removed from the operating flow of the company, though they may be involved in the design, planning, and training of others who function in the operating core. In a landscape operation, these would be employees such as estimators, the controller, schedulers, and so on.

SUPPORT STAFF

Almost all organizations (except the very smallest) have support staff who are specialized and are there to provide support to the organization outside its operating workflow.

MINTZBERG'S FIVE BASIC STRUCTURES

Mintzberg argues that all organizations will develop into one of five basic structures. These are:

+ Simple structure
+ Machine bureaucracy
+ Professional bureaucracy
+ Divisional form
+ Adhocracy

In each of these structures, different coordinating mechanisms within the organization have the dominant influence, different parts of the organization play the most important role, and different levels of decentralization are predominant, as shown in Table 11.

The correspondence between the prime coordinating mechanism, key part of the organization, and level of decentralization can be understood by considering that the organization is being pulled in five different directions. Most organizations experience all five pulls; however, to the extent that conditions favor one over the others, the organization is drawn to structure itself as one of the configurations.

The dominant pull and resulting configuration can be summarized as follows:

1. Strategic apex pulls for centralization (especially of decision making), leading to a simple structure.

Figure 13: *Examples of the Basic Parts of a Landscape Organization*

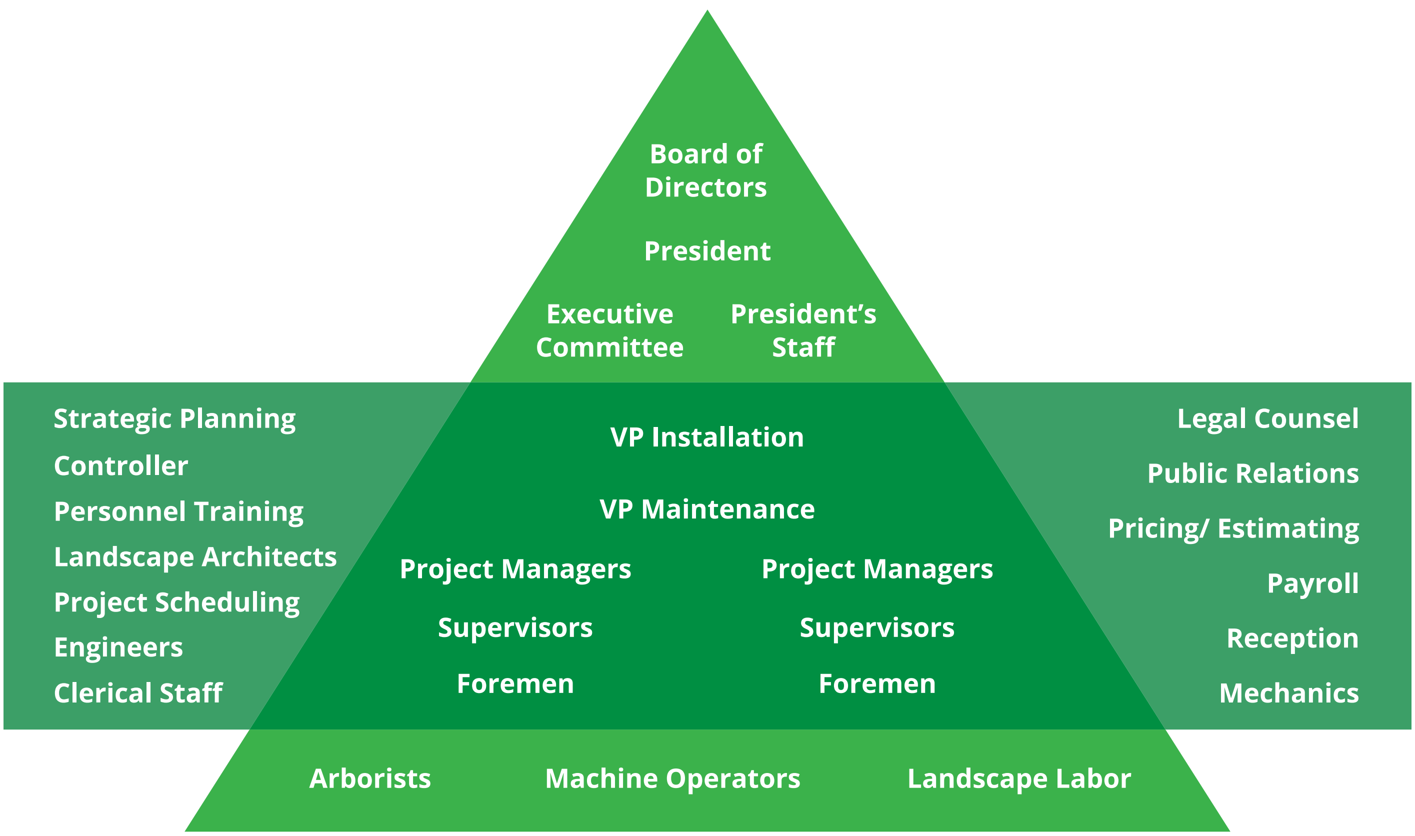


Table 11: *Structural Configurations*

STRUCTURAL CONFIGURATION	PRIME COORDINATING MECHANISM	KEY PART OF THE ORGANIZATIONS	TYPE OF DECENTRALIZATION
Simple Structure	Direct supervision	Strategic apex	Vertical and horizontal centralization
Machine Bureaucracy	Standardization of work processes	Technostructure	Limited horizontal decentralization
Professional Bureaucracy	Standardization of skills	Operating core	Vertical and horizontal decentralization
Divisional Form	Standardization of outputs	Middle line	Limited vertical decentralization
Adhocracy	Mutual adjustment	Support staff	Selective decentralization

2. Technostructure pulls for standardization (especially of work processes), leading to a machine bureaucracy.
3. Operating core pulls for professionalism (especially through standardized outside training), leading to a professional bureaucracy.
4. Middle line pulls for Balkanizing (i.e., the breaking up of the business into geographical units), leading to the divisional form.
5. Support staff pulls to collaborate (with all other departments or groups during decision making), leading to the adhocracy style.

SIMPLE STRUCTURE

The simple structure outlined in Table 12 has little or no technostructure, few support staff, loose division of labor, and minimal differentiation. There is generally little planning or training. Coordination is through direct supervision and the power is in the hands of the owner/manager. This structure is typical of new firms. In these companies, the strategic apex consists of the owner/manager and an operating core.

These firms have little or no middle management, support staff, or technostructure. Firms with this structure are simple and dynamic, led by the influences of the founder. Typically, communication and technical systems are unsophisticated, there is little formalization, and employees rely on the leader to get things done.

Almost all companies in all environments start with this type of structure. The flaw in many companies is that as they grow, they maintain this simple structure far too long. The key to the transition from a small simple structure is for the leader/owner to be able to adjust to delegation of authority to the management team.

MACHINE BUREAUCRACY

Mintzberg describes the machine bureaucracy as an organization with standardized responsibilities, qualifications, communication channels, and work rules as well as a clearly defined hierarchy of authority (see Table 13).

Within a classic machine bureaucracy, there is an obsession with control. The obsession with control is a result of the need to eliminate uncertainty associated with the "bureaucratic machine."

Table 12: *Summary of Simple Corporate Structure*

Prime coordinating mechanism	Direct supervision
Key part of the organization	Strategic apex
Main design parameters	Centralization, organic structure
Situational factors	Young, small, non-sophisticated technical system; simple, dynamic environment; possible extreme hostility or strong power needs of top manager

Table 13: *Summary of Machine Bureaucracy*

Prime coordinating mechanism	Standardization of work processes
Key part of the organization	Technostructure
Main design parameters	Behavior formalization, vertical and horizontal job specialization, functional grouping, large operating unit size, vertical centralization, little horizontal decentralization
Situational factors	Old and large, often regulated (e.g., regulated monopolies like utility companies, post offices), simple stable environment, external control, not fashionable in the modern business world

Table 14: *Summary of Professional Bureaucracy*

Prime coordinating mechanism	Standardization of skills
Key part of the organization	Operating core (the professionals who serve the clients)
Main design parameters	Training, indoctrination, horizontal job specialization, vertical and horizontal decentralization
Situational factors	Complex, stable environment, unsophisticated technical systems, outside certifying (professional) bodies

Table 15: *Summary of Divisional Structure*

Prime coordinating mechanism	Standardization of outputs
Key part of the organization	Middle line (management)
Main design parameters	Typically, market grouping, performance control systems (must meet sales), limited vertical decentralization
Situational factors	Diversified markets in either products or services; typically, older, large manufacturing firms; power resides with middle management

PROFESSIONAL BUREAUCRACY

The professional bureaucracy relies on the skills and knowledge of the professionals who work for the organization to produce standardized products or services. This form of structure is common in universities, hospitals, and large consulting firms such as accounting firms. Unlike the machine bureaucracy, the professional bureaucracy relies on standardization of skills, training, and indoctrination. It hires trained and indoctrinated professionals for the operating core and gives them significant control over their own work. Table 14 provides a summary of the characteristics of a professional bureaucracy.

DIVISIONAL STRUCTURE

The divisional form of corporate structure is one of the most widely used structures in large corporations. The major difference with other forms lies in the fact that it does not represent a complete structure from the strategic apex to the operating core. Instead, the divisional structure is superimposed over any other operating structures of the organization. The divisional form is discussed in more detail in the next section on other organizational models. Table 15 provides a summary of the characteristics of the divisional form of an organizational model.

ADHOCRACY STRUCTURE

Henry Mintzberg, in his *Structure in Fives*, states: “An adhocracy has a highly organic structure with little formalization of behavior; high horizontal job specialization based on formal training/a tendency to group the specialists in functional units for housekeeping purposes but to deploy them in small market-based project teams to do their work; a reliance on the liaison devices to encourage mutual adjustment, the key coordinating mechanism, within and between these teams; and selective decentralization to and within these teams, which are located at various places in the organization and involve various mixtures of

Table 16: *Summary of Adhocracy Structure*

Prime coordinating mechanism	Mutual adjustment
Key part of the organization	Support staff
Main design parameters	Liaison devices, organic structures, selective decentralization, horizontal job specialization, training, functional and market grouping concurrently
Situational factors	Complex, dynamic, young sophisticated, and automated technical system

line manager and staff and operating experts." This structure, as described in Table 16, is similar to what is today described as a matrix organizational structure.

OTHER ORGANIZATIONAL MODELS

Other business experts and authors do not look at organizational structure in the detail of Mintzberg but, instead, divide basic business organizational structure into divisional, functional, or matrix forms. More recently, some companies (depending on their external environment) have found that organizing themselves around team or network models is advantageous.

DIVISIONAL STRUCTURE

The divisional corporate structure develops self-contained units within each business unit. The role of the head office is only to monitor operations and exercise financial control over the divisions. Each division has operating and strategic control over its activities. These self-contained divisions can be based on common products, services, or geographic regions.

Examples of divisional structure within a horticulture firm are shown in Figures 14-16.

In the divisional examples shown above, the head office may keep control of accounting and personnel activities, but the divisions have autonomy in all other areas. There are advantages and disadvantages to this strategy.

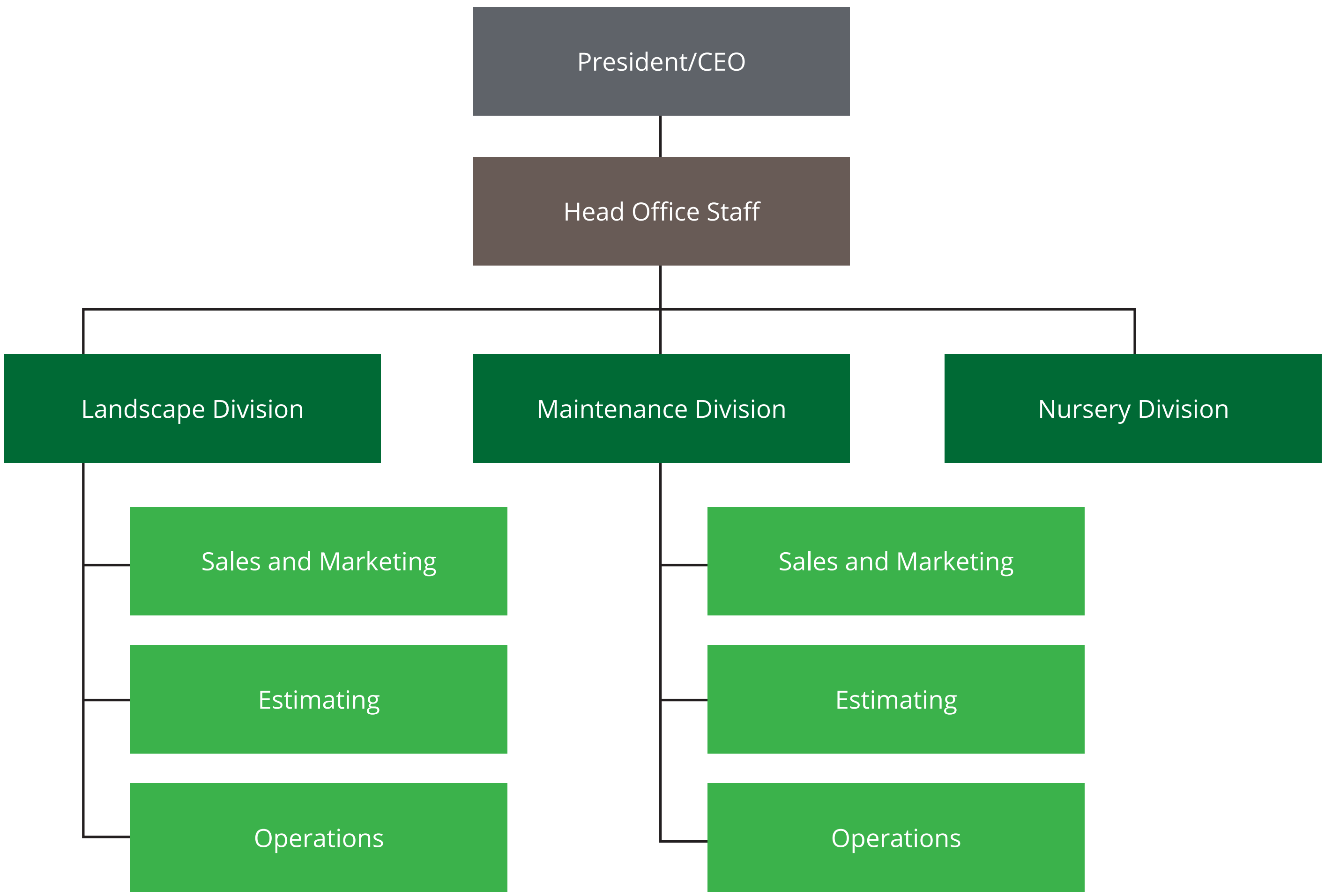
ADVANTAGES

+ Divisional pursuit of internal efficiencies.
+ Enhanced strategic control.
+ Focus on financial control by head office.
+ Fast response to changes in the business environment.
+ Easy-to-measure divisional performance.

DISADVANTAGES

+ Duplication of corporate resources.
+ Reduction of in-depth expertise.
+ Limited sharing of expertise across divisions.
+ Transfer of pricing issues between divisions.
+ Resentment of head office interference.

Figure 14: *Divisional Organization Chart*



+ Bureaucratic costs (i.e., repetition of functional areas).

FUNCTIONAL STRUCTURE

Organizations that are designed along a functional structure are said to be “horizontally differentiated.” The differentiation is along functional lines, such as sales and marketing, research and development, manufacturing, and so on. Examples of functional structure are shown in Figures 17-18.

The functional structure has its advantages and disadvantages as well.

Figure 15: *Organizational Chart by Regions*

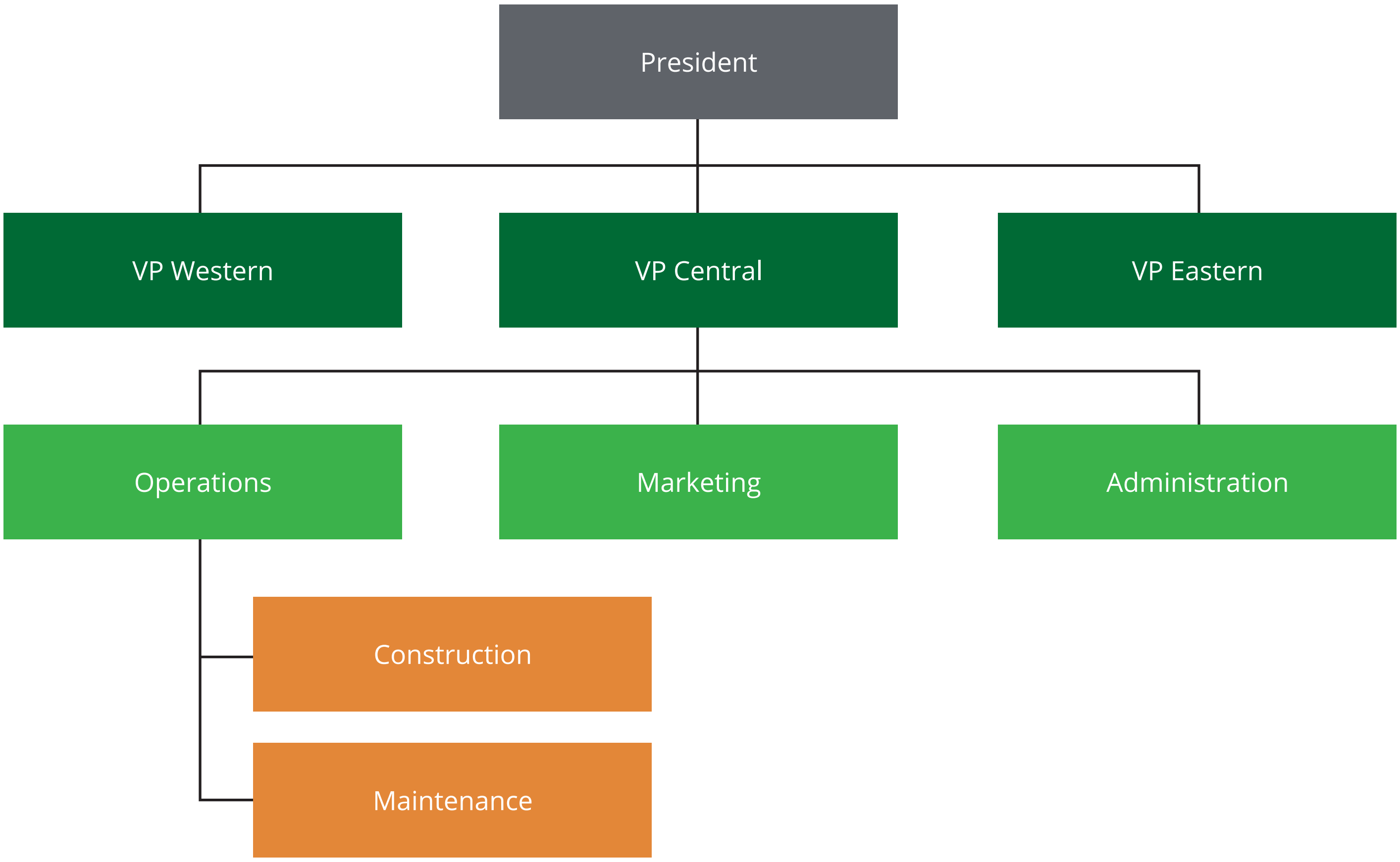


Figure 16: *Organizational Chart by Customer Type*

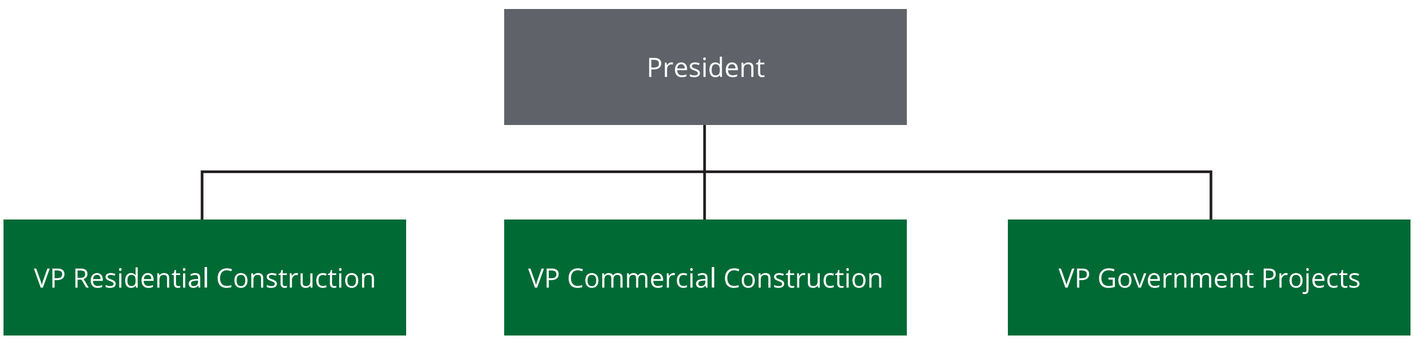


Figure 17: *Functional Structure Organizational Chart*

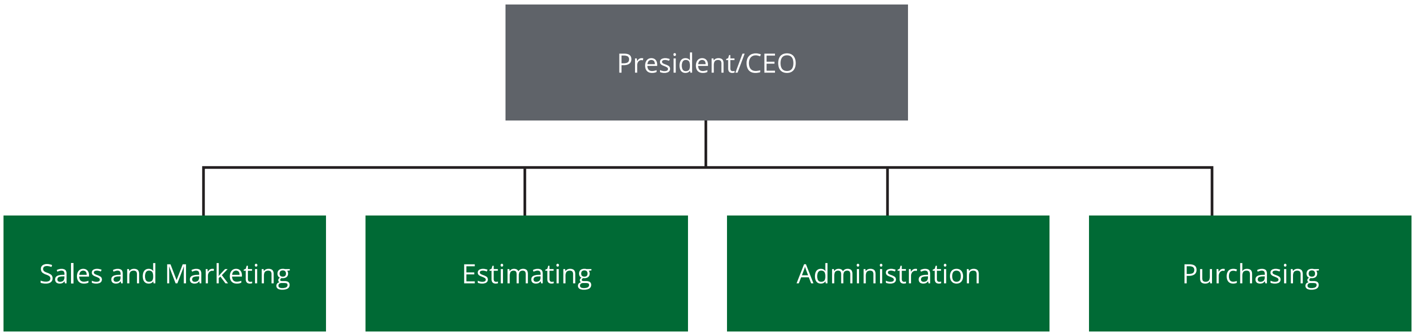
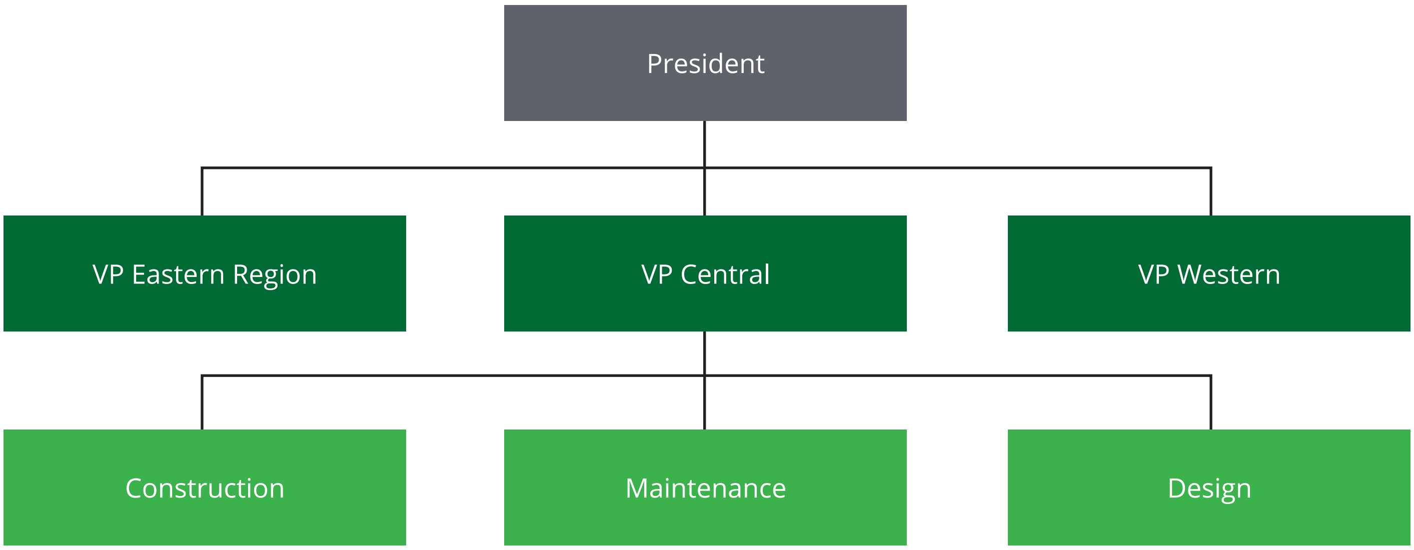


Figure 18: *Functional Structure in a Large Landscape Company*



ADVANTAGES

- High level of communication and learning from coworkers, which leads to more specialization and higher productivity in the unit.
- Greater control by managers within the functional unit.
- Ease of coordination.
- Economies of scale.
- Efficient use of resources.

DISADVANTAGES

- No clear understanding of separate functional units of how the entire organization operates since they are only concerned with their own specific functional area.
- Lack of cross-communication and coordination between functional groups.
- Possible significant location problems if the heads of the functional units are all located in a head office and the firm is widely spread geographically.
- Slow response time on multifunctional problems.
- Narrow training for potential managers.

Table 17: *Fit Driver and Fit Test*

ORGANIZATIONAL DESIGN			
Market Advantage Test	Corporate Strategy Test	People Test	Constraints Test
Product/Service Market Strategies	Corporate Strategy	People	Constraints

DESIGNING CORPORATE STRUCTURE

Goold and Campbell, preeminent consultants, and academics on corporate structure, describe a process for structure evaluation and design that involves assessing "fit drivers" and "good design tests." Although their process was designed for large, product-based corporations, their tests apply to smaller organizations as well. The following summarizes their work on designing corporate structure.

More information can be found in their book *Designing Effective Organizations: How to Create Structured Networks*.

PRODUCT/SERVICE MARKET STRATEGIES

Organizational design should make the implementation of the company's product or service market strategies easier. To test the product/service market fit, organizational design managers should:

+ List each major operating initiative and source of advantage for each product/service market segment in which the company competes.
+ Check whether the units are defined to give sufficient attention to each initiative and source of advantage.
+ If the design seems to give too little attention to the initiatives, consider alterations to the design that will correct this.

CORPORATE STRATEGY

+ List the major parent company's goals, objectives, and strategic initiatives.
+ Determine if each proposition and strategic initiative has sufficient attention within the design.
+ If the design does not give enough attention to a specific strategic initiative, consider changes to correct the flaw.

THE RIGHT PEOPLE

Corporate structure literature clearly identifies the critical importance of the right people in the right positions. There is no use designing a structure that is dependent on staffing with people who are not likely to be found from within or external to the organization. Building an organizational structure with consideration to the available skills is critical for success. When designing a corporate structure:

+ List the senior managers and assess how committed they will be to doing the new organizational design work.
+ List particularly talented individuals in the company and see if the design uses their talents to the fullest.
+ List the job roles that are pivotal and judge whether these roles will be easy or difficult to fill with competent managers.

CONSTRAINTS TO DESIGN

Constraints to design include legal and governmental issues, environmental regulations, ownership and shareholder issues, the culture of the operating area, union contracts, and internal issues such as corporate culture, and information technology.

For your own firm, list all the critical constraint areas and see if your current design accommodates them. See Table 17 to complete your test.

DESIGN PRINCIPLES

Goold and Campbell describe the following principles as critical in the design of effective organizational structure:

1. **Specialization:** Describes how to group responsibilities into functioning business units. Boundaries of business units should be designed to achieve the most important benefits available from specialization.

2. **Coordination:** Describes what links need to be established between units. Business units should be defined so that the activities that most need to be coordinated fall within the boundaries of the business unit.
3. **Knowledge and Competency:** Refers to what responsibilities can be decentralized and what hierarchical levels need to be established in the organization. Responsibilities should be allocated to the person or team best placed to assemble the relevant knowledge and competence at a reasonable cost.
4. **Control and Commitment:** Refers to the processes of ensuring that managers effectively discharge decentralized responsibilities. Business units should be developed to facilitate effective, low-cost control and high commitment to appropriate goals. When organizations and managers decentralize and delegate responsibilities, they must be able to determine if the responsibilities are being discharged.
5. **Innovation and Adaptation:** Refers to the ability of the organization to change and evolve. Companies need to be structured so they can innovate and adapt as the organization clarifies uncertainties and as the external environments change.

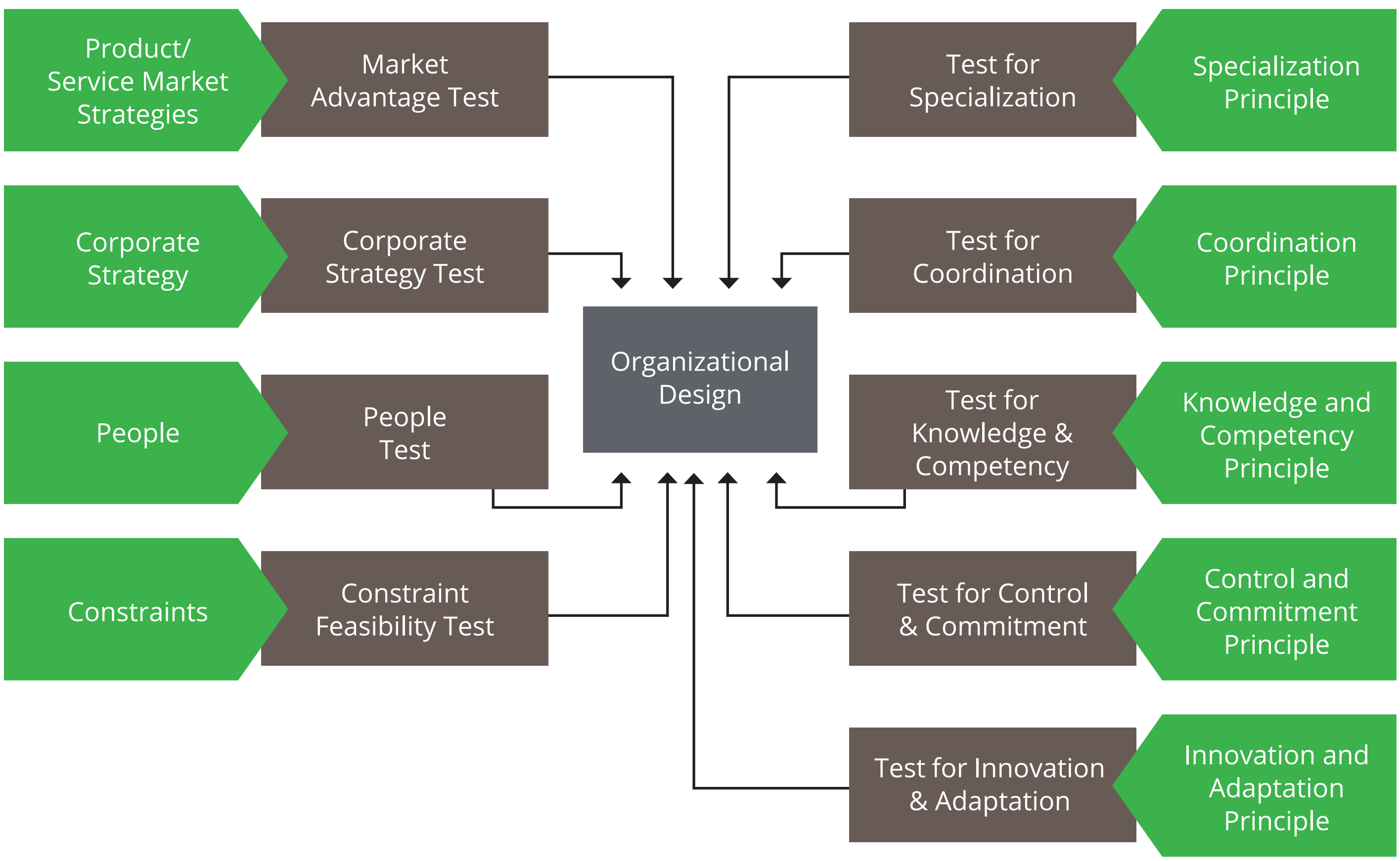
The combination of fit drivers and design principles applied to organization design is shown in Table 18.

APPLICATION

We have seen that organizational structure is an important and complex issue. Although we need to understand the reasons for this complexity, we can recognize that many in our industry will never need to structure a large, multidivisional organization. Therefore, let's spend a minute looking at how to distill the information into some simpler, more fundamental guidelines that we can use.

In the landscape industry, businesses normally start out small and flexible with few employees and a narrow range of tasks — in other words, as a simple organization. Each business then progresses through its own successes and failures, some growing and prospering, others shrinking and eventually failing.

Table 18: *Fit Driver and Design Principles Applied to Organizational Design*



The key driver for thinking about organizational structure is change. If things remain the same and results are good, why break a successful system? If, however, you are experiencing change (e.g., business is growing and getting more complex, more employees or systems are being put in place, things are getting worse, the market has changed, you are increasing your geographical coverage, you are thinking about changing your strategy), then attention to organizational structure is essential.

Often this change is a result of the age or size of the company. Young companies are usually small, whereas older, well-established companies tend to get larger as their success drives more business. As they get larger, job functions become more specialized, there are more people to manage/supervise, there is a larger administrative function, and so on. In the face of all these factors, organizational structure can have a significant impact on success.

A major area of concern in a changing structure is span of control, discussed earlier. We all know that the company's employees make or break the success of the business. Of all the factors discussed regarding span of control, the one that can most influence is the training and competence of your employees and managers. With well-trained, competent staff, you can minimize the size of the organization, improve communication, delegate more responsibility (and, with it, authority), and gain better quality control and improved customer satisfaction.

If your company is at a point where you feel changes in organization are needed, in addition to studying this publication, talk with your business friends about their approach to structure, consult your local landscape association for contacts who would be willing to talk with you, and use your legal and accounting team to locate additional resources.

Those companies that are large in size, whether in volume or geographic coverage, have probably gone through more than one structural change. They are most likely comfortable with change and know how to incorporate organizational issues into their planning and execution. For those small companies who plan to grow, remember that experience comes from doing. Don't be afraid of gaining experience in properly organizing the structure of your company as it evolves.

SUMMARY

There is no perfect way to tackle organizational design questions. However, what is clear is that organizational design must follow a strategy. Several authors have noted that with good people, even companies with poor organizational designs can be profitable. Therefore, labor market conditions, including the ability to hire externally or promote internally for the needed skills, is critical in the long-term success of any company.

This section of the publication provides some tools that smaller businesses should at least consider as they grow. In family-owned businesses, organizational design often is not given explicit consideration, and the design of the firm tends to evolve in an ad hoc manner. The consideration of design within the planning process will lead to more effective and efficient management of the firm.

Goold and Campbell summarize how to look at organization design in a very concise paper, "Nine Tests of Organizational Design," that was published in the Ashbridge Journal. I recommend it for additional reading on the topic.

THINGS TO DO OR THINK ABOUT

+ Review your company's organizational chart.
+ Edit, revise, or update the organizational chart as necessary.
+ Develop divisional organizational charts.
+ Review your Corporate Strategy and how it aligns with structure, modify if necessary.
+ Does your corporate strategy align with your mission, vision and values?

CHAPTER 6: **SUCCESSION PLANNING**

Family-owned business and their long-term survival are vital to the North American economy. According to KPMG Family Business:

+ Family businesses own 80-90% of all business enterprises in North America.
+ 35% of Fortune 500 companies are family enterprises.
+ Ninety-two percent (92%) of all U.S. businesses, over 20 million strong, are family-owned.
+ Family businesses account for 64% of U.S. GDP.
+ Family businesses generate 60% of U.S. employment and 78% of all job creation.
+ Seventy percent (70%) of family businesses survive the transfer from the first to the second generation.
+ Thirteen percent (13%) of family businesses survive the transfer from the second to the third generation according to KPMG Family Business.

Most firms in the landscape industry are family businesses. An underlying, often unstated goal of family business is that the founding generation, at some point, will want to spend less time in the business and have a second generation assume more responsibilities and control of operations. The opportunity of the exiting generation to enjoy retirement and the long-term survival of the business depends on how the present generation develops and implements a succession plan (see Table 19).

The succession plan is part of the long-term strategic plan of the business. It specifically looks at how the wealth created by the business can be distributed to the founding generation (retirement), assists the succeeding generation to create additional wealth (keep the business going), and ensures that all family members are treated fairly (but not necessarily equally).

A successful succession plan incorporates the goals and values of the individual and the family in addition to those of the business.

FAMILY BUSINESS GOALS

Preparing children and other relatives for careers and potential leadership within the family firm can be frustrating for current management, employees, and relatives. Family feelings and duties often become intertwined with professional and managerial requirements, leading to conflict within the organization and family.

The overlap of family and business requires all family businesses to determine what has more importance or weight on an issue: the family or the business. This is not a yes or no answer, but a pendulum that can swing back and forth depending on the issue. The pendulum requires constant management and strong governance structures to prevent it from swinging between family first or business first. Table 20 illustrates the family business continuum.

For a business to remain successful, succession must be based on competency. Family members newly entering into a business must be given training and time to improve, just like other employees. As family members show potential, they should be given opportunities for promotion. It is often a good idea for

***Table 19:** Succession Planning Summary*

	WHAT IT IS	WHAT IT ISN'T
Overall purpose	+ Framework for discussing key life and business issues involving the transition of ownership and management	+ Recommendation for the use of specific professionals + Recommendation for the purchase of products + Tax-driven
Goals & Objectives + Owner retirement goals + Family member goals + Goals of other stakeholders	+ Summary of the desired results in business succession as agreed by key family members and stakeholders + Reference point for strategic and tactical decisions	+ End state proposed by individual family members + Cookie cutter solutions by outside advisors + Set in stone
Statement of Current Situation + Family issues + Management readiness + Financial readiness	+ Description of circumstances relevant to the decision-making process + Highlight of potential barrier to meeting goals and objectives	+ Judgments or reviews of individual's abilities + Performance assessments + Detailed financial analysis
Exit Strategy + Family transfer/sale + Sale to third party + Wind down	+ Brief comparison of exit alternatives + Framework for making exit choice	+ Detailed recommendation + Detailed cost/benefit analysis + Transition services
Other Plan Components + Ownership structure + Estate plan + Tax issues + Finance issues + Family law issues	+ Overview of issues to consider and discuss + Summary and coordination of plans developed or to be developed by the owner's professional advisors	+ Forum for legal, insurance, or other professional advice
Critical Path and Transition Plan	+ High-level road map + Key milestones + Flexible	+ Detailed instructions + Carved in stone
Implementation and Follow up	+ Next steps + Periodic review (at least once per year)	+ Step-by-step instructions + Responsibility for implementation

Table 20: *Family Business Continuum*

CATEGORY	FAMILY FIRST	CONTINUUM	BUSINESS FIRST
Membership	Jobs for all family members	⟷	If qualified
Compensation	Family paid the same as one another Family paid more than nonfamily	⟷	Pay is determined by responsibilities and performance
Leadership	Leadership is hereditary	⟷	Leadership is earned
Resources	Business pays for family perks	⟷	Business resources are used for the business only
Training	Outside experience may be worth less than years of service in the business	⟷	Outside experience is as important as experience in the business

children of owners to have a period of time working in another organization where they aren't under the pressures of family. Some of the key differences between family systems and business systems that must be taken into account in the management of a family business are shown in Table 21.

TYPICAL STAGES IN THE FAMILY BUSINESS SUCCESSION PROCESS

Developing a succession plan can be broken into five steps.

STEP 1 — EXPLORATION

In this step, data is collected with the intent that all participants have a full understanding of the business, including vision and goals for the future. All participants should determine and state what their objectives are relative to the succession plan (retirement dates, income needs, lifestyle desires, and personal goals). All participants' desires should be out in the open; there should be no secret agendas. It may be helpful for the business family to use a trained facilitator to ensure that everyone is heard and to keep the process on track.

STEP 2 — CONCILIATION

Once the details and objectives of the succession plan are on the table, the business family must determine if there are common or compatible objectives. This will require compromise and may necessitate some creative thinking. This step should result in a completed report outlining the agreed-on goals and objectives.

+ Continuation of business as usual.
+ Growth of business in different directions, or additions.
+ Assignment of duties for new leadership.
+ Fair and equitable treatment of all heirs.
+ New organizational chart.

STEP 3 — PRESENTATION

After the family has agreed to the goals and objectives, the succession plan can be presented to

***Table 21:** Differences in Family and Business Systems*

FAMILY SYSTEMS	BUSINESS SYSTEMS
System is often based on emotional connections between family members	System is based on performance of tasks
Acceptance as a family member is usually unconditional	Acceptance is based on performance
Mission of the family is to nurture children to become useful and competent adults	Mission is to produce profits by the sales of goods or services
Relationships within the family are permanent	Relationships are temporary

various advisors, who will attempt to develop a plan to realize the goals. Advisors will include representatives from some or all of the following: lawyers, accountants, valuators, bankers, insurance agents, and financial planners.

STEP 4 — INSTRUCTION

Once the advisors have determined a possible solution or solutions to achieving the family's goals, the family decision-makers must agree on the path to pursue. This may entail a meeting with all of the parties involved in Step 1.

STEP 5 — IMPLEMENTATION

The plan is actually put in motion with legal documentation. It may be appropriate for family members to seek independent counsel prior to this step (likely as part of Step 4).

Getting through Steps 1 through 4 can take several months to several years, depending on the complexity of the business and family dynamics.

Step 5 is an ongoing process with many sub-steps. The time required to implement the plan will depend on legal and tax considerations. The total duration of the process will depend on the objectives established by the family and on the performance of the business and management, and consequently can span several years. See Table 22 for the full checklist.

The key to a successful transition plan is starting early. Succession plans vary from business to business and from family to family. A few objectives and components are common to most plans:

+ Continuity of the business
+ Successful retirement
+ Fair treatment of all family members
+ Wealth preservation by minimizing taxes
+ Wealth protection using insurance or other tools
+ Possible new wills, business agreements or structure

BOARD OF DIRECTORS/BOARD OF ADVISORS

Why should you consider a board of directors or advisors as part of succession planning? In addition to using outside facilitators and experts to help develop a succession plan, it may be prudent to create a board of directors or board of advisors for the business.

A board of directors is a formally structured governing body of an incorporated business. Senior management reports to the board on a regularly scheduled basis. A formal board double-checks that management decisions are consistent with the vision and mission of the business. During a transition period, such as an intergenerational succession, a well-functioning board helps the younger generation make critical decisions and reduces the possibility of them making crucial mistakes due to inexperience or oversight.

Alternatively, the business could have a board of advisors. A board of advisors is a voluntary structure that does not have the legal power or responsibilities of a board of directors. An advisory board can function in virtually the same manner as a board of directors, or it may have a more narrowly defined function.

Table 22: *Succession Planning Checklist*

ACTIONS
Define your vision of your company's future.
Define specific action plans to achieve your strategic goals.
Identify your personal goals and objectives for succession and retirement.
Establish a timeline for succession.
Gather records of assets, leases, liabilities, insurance documents, debts, and contracts.
Conduct a business evaluation.
Assemble a team of professional advisors.
Involve key family members in the process.
Create a pool of management candidates from family members, business partners and key employees.
Evaluate a potential successor's role in the future strategy and culture of the company.
Choose a successor.
Prepare a plan for management continuity.
Review plan with your chosen successor.
Review estate planning documents.
Analyze tax issues with professionals and develop a tax plan.
Review insurance.
Develop a training plan for future senior managers.
Develop a contingency plan.
Define specific actions to meet your goals.

During a transition period, the key role of the advisory board is to ensure that the long-term viability of the business is maintained, that long-term stability is maintained through the goals and visions established by the exiting management, and at the same time, that management can respond to the changing business environment.

SELECTING A BOARD/ADVISORS

In the early stages of a new business, the board often consists of the owner and possibly the owner's family. As the business grows, senior management may be included on the board. Although these may all be competent people, they often have a similar perspective. Many businesses benefit by adding advisors or board members from outside of the business. These individuals are not as closely tied to the day-to-day operation of the business (they can see the forest for the trees) and bring different perspectives to the discussion.

Outside board members can be other successful businesspeople (from your industry or from another industry) or professional advisors (accountants, lawyers, or consultants).

THINGS TO DO OR THINK ABOUT

+ If your business is family-owned, summarize the goals of the organization for future growth, development, and leadership.
+ Develop an exit strategy for the current leadership.
+ Determine what milestones need to be hit in the transition process.
+ Understand the need for and develop, if necessary, a corporate board of directors.

CHAPTER 7:
IMPACT OF TECHNOLOGY

We are all aware of the tremendous growth of technology and the changes it brings to our daily lives. To see proof of this change, we need only think of our grandparents or even our parents. Computers, Internet, email, cell phones, texting, and WhatsApp/ iMessage were completely unknown concepts in their lives.

Depending on your age, computers, smart phones, tablets, and social media likely have been part of daily life and are used with the same ease that our parents and grandparents used their telephone.

Now, think about yourself and your company. Are you and your company more like your parents or the newer generation in your approach to technology and, by extension, how it relates to business? Technology is not something to be afraid of but, rather a tool — nothing more, nothing less. The goal of incorporating technology into business is to help you do your job faster, easier, and better — a worthwhile goal in a world where stress, lack of time, and an overabundance of problems awaits you each morning.

The most important benefit of technology is its ability to facilitate the flow of information. In a hands-on industry such as landscaping, it is sometimes easy to forget that information is the most critical component of success.

The intention of this section of the publication is not to make you a technology expert. Rather, the intent is to make you aware of the basic principles of technology use, eliminate the "fear" factor, develop the knowledge and skills to bring more technology into your company, and help you improve your managerial skills using technology. Then, you may want to learn more about the subject in order to become even more proficient in the use of technology. For our part, we will discuss the broad topics of information flow and the use of technology.

INFORMATION FLOW

Information flow is the exchange of information among people, processes, and systems. The process starts with collecting information.

COLLECTING INFORMATION

Information is the key to success in today's business environment. Without up-to-date and relevant information, you will be unable to arrive at the best solutions for your problems or to take maximum advantage of your opportunities. Some of the categories of critical information that are touched on in other areas of this study series are financial, stakeholder, market, customer, employee, strategic planning, competitive, supplier, promotional, and sales. Where you get information in these areas and how you manage that information are covered throughout the series.

Nevertheless, the one type of information that does require some attention here is information that is critical for business innovation. Innovation is defined as "the act of introducing something new," and technology is where much of "what's new" is taking place.

Unfortunately for many, the one constant about technology is that it is continuously changing, usually at a rapid rate. This continuous rapid change and the fact that technology appears to have a unique language is usually what underpins people's fear of technology. Since fear is typically a result of something being unknown, once that subject is known and understood, fear generally gives way to a grudging acceptance in the worst case or, at best, an enthusiastic embrace.

Because technology is constantly changing, you must make a concerted and organized effort to ensure your company does not fall behind. If you do fall behind, there is a good chance that your competitive position in the market will weaken (imagine the cost of doing all your cleanup by hand because you didn't know about leaf blowers). Large companies have the financial resources to include this task in the job description of one of their employees, usually one who has a background in information technology or who has a talent/interest in the subject. For a small landscape company, the task is most likely to fall on the shoulders of the owner or manager.

So how do you go about collecting technological information that is relevant to your company? There are as many ways as your imagination can dream up, but six sources that you should use as the basis of information gathering are:

+ Websites
+ Trade magazines
+ Trade associations
+ Trade shows
+ Universities and colleges
+ Internet searches

Clearly, the first four sources go hand in hand. Trade communications, company and association websites, and trade shows highlight what is new and what has been shown to be best practices. Trade shows generally include suppliers, and they, too, display and demonstrate the newest and most up-to-date products.

Therefore, it is a good idea to subscribe to trade publications, become a member of a trade association and have access to trade association websites, and attend at least one or two trade shows per year. These practices will provide a steady flow of information (as long as you make time to read the publications) and can alert you to the fact that maybe it is time to reassess needs in your company and find new solutions.

The quantity of information available on the Internet is staggering and is increasing every day. To give you an idea of the amount of information available, Google claims to "crawl" 20 billion websites per day and 30 trillion unique pages to compile its results. According to a Google survey, 97% of consumers search online for products and services.

To get the most out of the world wide web, you need Internet access. This access is available through an Internet service provider (ISP), which can be a large company like Comcast, Cox, or Spectrum, which provide the fastest Internet speed through cable; fixed wireless companies that deliver Internet from signal towers, like AT&T and Verizon; DSL or digital subscriber lines, which deliver service through phone lines, like Frontier Communications; or satellite Internet, which doesn't rely on cables or cell towers but requires a clear view of the sky and is affected by weather. Satellite companies include HughesNet, Viasat, and Starlink.

With an Internet connection, you can leverage the power of the web simply by launching a search engine, typing in the subject of choice, and hitting the "enter" button. The web is an especially good place to learn more about a topic you have seen in a publication or at a trade show. Increasingly, articles in magazines include website addresses for readers who want additional information. In addition, many suppliers have websites where you can find very detailed information, up to and including specifications, maintenance manuals, and prices.

Both the National Association of Landscape Professionals (NALP) (www.landscapeprofessionals.org) and the Canadian Nursery and Landscape Association (www.canadanursery.com) have websites with a wide variety of information for landscape companies.

DISTRIBUTING INFORMATION

Let's say you found some information in your Internet search that you think is worthy of sharing. You have a variety of options for distributing the information, including:

+ Verbally
+ Company newsletter
+ Posters
+ Inserts in pay envelopes
+ Bulletin board
+ Employee meetings
+ E-mail
+ Text messages

The means of distribution often depends on who needs to receive the information. For example, general information that would be of interest and assistance to most employees should be transmitted through a more generally available medium such as the company newsletter, inserts in pay envelopes, or at employee meetings. Information that is specific to one or two individuals could be delivered verbally or by e-mail or text message. The latter assumes that the individuals involved have access to e-mail or text messaging.

The key to a successful flow of information is that it must be incorporated into the company's ongoing practices and expectations. In addition, although one person may perform most of the gathering and dissemination, everyone in the company can be involved. When you create an environment that encourages the exchange of information, you will be surprised at how much your employees can contribute to the process. The end result is a greater flow of valuable information and employees who believe they contributed to the success of the company.

USING TECHNOLOGY

There is an old axiom that says you can spend either time or money. When it comes to keeping yourself up to date on the ins and outs of technology, this is definitely the case. We will not discuss how this applies to equipment or tools, because it is a relatively straightforward process. Instead, we will look at how it applies to computer technology.

For a small landscape business that will only use one or two computers, a printer, a couple of smart phones, and an Internet modem, the owner or manager can certainly make the time to stay on top of their company's technology. To help minimize the work required to stay on top of things, consider the following:

Whether to purchase new updates or not of existing operating systems (e.g., Windows and software applications) is debatable. Offices normally do not recoup enough from the continuous purchase of updated software to justify buying it and learning about the new bells and whistles. Unfortunately, many software manufacturers now force purchasers to upgrade by moving from purchase to licensing. For example, Microsoft Office now cannot be purchased, and you can only obtain its license, typically for 1 year at a time.

Any exceptions to the continual upgrade rule might be with specialized applications (e.g., for landscape design). These applications should be kept as up to date as possible because your business revenue depends on them.

+ Security upgrades for your operating system can, and should, be installed regularly (for example, you can run Windows Update every month to get the latest security downloads).
+ The options of hardware, such as the hard drive of your computer, your monitor, and smart phones, are easily researched through competing suppliers.

Again, all these factors make a small installed base fairly easy to manage. The problems can begin when you start scaling up your technology. When the second and subsequent computers are added, what happens with access to the one printer? How can the computers share files? How do you manage access to the Internet?

The first solution to this type of problem is to install a network for your computers. A network is formed whenever two or more computers are linked together, so three or four computers, a printer, and an Internet connection can be networked through the installation of some cables that are easily obtainable from your local computer store. Although the actual process is not difficult, you may want to get some help from a more knowledgeable source, whether it is a friend or employee. There are three concerns that are often raised by people who would be considered novice at networking:

+ **Do I need a server to set up a network?**
  » We have shown that cables are sufficient, so the answer is no. A server should only be required if you have a very large organization or one that handles Web and e-mail services in-house.
+ **Can I network Windows and Mac machines together?**
  » The answer is yes. With the use of network protocols, used by virtually all networking hardware and software, you can link any kind of machine to your network. In some cases, you might need some extra software to accomplish the task, but it is readily available.
+ **Is it expensive to create a business network?**
  » For small networks, no, it is not. For larger networks that still need access to the Internet, there will be a cost to increase the bandwidth necessary to support multiple users. Bandwidth simply refers to the amount of data that can be transmitted, normally per section measured in Kilobits or megabits.

Once you move out of this type of peer-to-peer network (as opposed to a client server network, which is one where individual work stations are networked together with a server at the center of it all) or you are up to between 5 and 10 workstations, it may be time to look into having specialized assistance. This can be in the form of a staff position or a hired consultant. Some of the benefits this resource person can deliver are:

- The ability to analyze the necessary needs and appropriate technology for your company. As the complexity of your technological setup increases, the needs and solutions become much more difficult for the "non-techie" to determine. Due to the nature of computer technology, it is a very specialized field in regard to education and training. Think of how much more efficient it is to contract a subcontractor trade to install a single swimming pool compared to trying to learn how to do it yourself.
- The ability to completely understand management information systems and how they can best be integrated into your business. You have learned that there is all sorts of information that is needed by your business. As the complexity of your operation increases, an expert can make sure that there is as much integration of information handling as possible. This can save you time, money, and much frustration.
- The ability to assure that you will be kept aware of advances in hardware, software, and related products. Your expert will be on top of all that is new and can advise you about whether any of it should or should not be incorporated into your existing system. This will ensure that the efficiency of your system is maintained at its maximum level.
- The ability to help you to identify the most efficient, cost-effective use of technology for your business. The annual expense for information technology can be relatively high once you reach a certain size — computers need to be replaced, new software is required, mobile communication needs continue to increase, more of your consultant's time is required, and so forth. It is no surprise, therefore, that you will want to ensure that your company's money is being spent wisely. An expert can work with your accountant to ensure an acceptable return on investment and to do other cost/benefit analyses.

The most probable scenario for a growing landscape firm is that the owner realizes he is spending too much time on technology (time that could be spent growing the business), he does not completely understand the latest piece of software purchased, or he has put off expansion because he is worried about the technology hassles he will have to deal with. If you find yourself in this situation, then it is time to call in an outside consultant. When looking for a consultant, use the following guidelines:

- For small businesses, it is best to use individuals or small local firms who can clearly illustrate they have good experience with the landscape industry.
- Make sure you get references that you can contact to confirm the consultant's performance.
- Insist on someone who will help you with purchases. Often good consultants can obtain reduced prices through arrangements with major distributors.
- Make sure that your consultant will give you and any key employees the training required to use and maintain our technology; you do not want to be in the situation that you have to call your expert for every little problem.
- Finally, think about a fixed price, long-term support contract that will assure you get quick, timely service both now and in the future as your company grows.

Only the largest of firms will be in a position to hire a fulltime IT person, so we are not going to address this process in this publication. Suffice it to say, unless you are spending more than a few hours a week with your consultant or your staff is having to do weekly or even daily routine computer maintenance, you do not need to hire a specialist. The exception would be if you plan to bring a large e-commerce website operation in-house.

To summarize this section, innovations through technology and information needs are a fact of life and should be used to make your business more efficient and more successful. Like so many complicated issues, technology requires you to have a basic knowledge so that you understand its role and potential. What it does not require is for you to become a technological expert, there are specialists available whom you should treat like any other subcontractor you would use. You pay them for skills and efficiency that you cannot duplicate through your own work and talents. With this approach, you will be able to maximize the benefits of innovation as your business grows and, at the same time, minimize the headaches poorly managed technology can create.

COMPANY WEBSITE

According to Zippia who produces website statistics, released figures showing only 73 percent of small businesses have websites, despite the fact that over 81 percent of consumers research a company online.

According to an article from Forbes, of the small businesses that did have websites, only 77 percent were using social media to advance their cause.

The company website should be a detailed version of your pamphlet, including all the necessary contact information. The importance of mobile compatible devices (which includes tablets and smartphones) continues to grow; just think about the number of people on their smartphones on public transit or on the streets:

- Mobile web adoption is growing 8X faster than web adoption in the 1990s and early 2000s
- Global mobile traffic accounts for over 60% of all Internet traffic
- 95% of smartphone users have searches for local information
- Google provides a test to see if your website is mobile compatible.

Some of the reasons you should consider establishing a business website if you don't already have one are:

- Websites can attract customers.
- A good website builds credibility.
- Customers want instant access to information and a website provides immediate access by computer, smart phone, or tablet.
- Customers compare services and prices, and a good website plays a critical role in a competitive environment.
- Websites offer a method of inexpensive advertising.

Forbes Magazine lists the following three reasons that a small business should have a professional website:

FIRST IMPRESSIONS COUNT

Your website gives the first impression to customers of who you are and what services you offer. Many potential customers use Google to find landscapers and read the customer reviews before they contact the company for a quote.

WINDOW SHOPPING ISN'T WHAT IT USED TO BE

Make sure you have optimized your search engine hits and be sure to have contact information easily obtainable. All important information should be clear and easy to find. Ian Mills, CEO of a web-design service, provides a checklist when analyzing whether your website is optimized for mobile devices.

Pick up your smartphone and go to your website. Ask yourself these questions:

- Does it load in less than three seconds?
- Does it draw your eye to your key selling points or message?
- Is the content easy to read?
- Is it easy to navigate?
- Is it easy to recognize and activate the call to action?
- Does it provide good user experience?
- Is it a website you would spend time on if it were not your own?

NO WEBSITE IS BETTER THAN A BAD WEBSITE

A bad website is worse than no website at all, as a bad website reflects the quality of your business. If you have a bad website, take it down until you can launch a professional-looking site.

In summary, having a good online presence is one of the best things a company can do to reach new customers. If you don't have a good website, you will be losing business to the competition. If you have a bad website, you will probably be losing even more business!

For more about technology in the landscape business see the *Leveraging Technology* publication.

THING TO DO OR THINK ABOUT

- List all your technology uses and developments.
- Make a list of all software programs utilized and their most knowledgeable users.
- Develop a training schedule to make sure training programs are held often to secure maximum use of technology.
- List new ways you can incorporate technology into your workplace.
- Review your IT policies and procedures.