



## **Balanced Strategic Approach to Management**

*By James Byrne*

Most successful forest companies understand that a key determining factor of business success is directly related to effective strategic management and planning. With the forest industry experiencing volatile commodity prices, labour shortages and constantly changing factors impacting the accessibility to fibre, forest companies should be taking a balanced approach to ensure they are prepared to overcome obstacles and meet their business goals.

The Balanced Strategic Approach to Management is a full strategic planning and management system that allows the companies within the forest industry to align business activities to the vision and strategy of their particular company. Rather than analyzing financial data alone, the Balanced Strategic Approach to Management takes operational, marketing and developmental inputs into account to provide a more comprehensive view of their company.

There are four main components to consider in the Balanced Strategic Approach to Management: Customers, Operations, People and Finance. Within each of these components, there are areas to consider and questions to ask.

### **Customers**

The effects of the economic slow-down have had significant impacts on the 'Customer' component. Customer satisfaction has always been an important area to monitor, but now it is even more important. Not only are customers concerned about the company's financial well-being and its ability to provide service, but there are equal risks to a company when it comes to customer collection. Both areas need to be addressed properly to mitigate risk.

Margins could also be eroded, and alternatives that create more value need to be explored. Such examples include production guarantees and offering preferred customer status. Ultimately, companies should focus on attracting and retaining the best customers, which can be accomplished through providing superior customer service.

### **Operations**

When it comes to understanding 'Operations', one of the most important factors is to have a good grasp on the cost of production and to look for means to improve productivity, efficiency and quality. Customizing how your information is collected and tracked provides the potential to allow you to improve both the efficiency and cost effectiveness of your operation. Understanding what your break-even points are will also allow you to make better business decisions.

### **People**

'People' is possibly the most important area. Without adequate buy-in, it is difficult to invoke any change within an organization. During the last number of years, many forest companies have been too busy and too distracted to implement performance management systems and/or the job market was so tight that employees did not necessarily feel the need to change. Employees may now be more open than ever to performance management since it may be tied to an increase in compensation. Ensuring that proper training procedures and programs are in place can also help to attract desirable recruits.



## Finance

When it comes to the 'Finance' component, it is important to understand a company's financial fluency. Often, financial measures are lagging indicators, so it is important to conduct a scenario analysis to help determine the effectiveness of your business.

Cash is king and credit has dried up, so necessary steps should be taken to ensure cash flow is being managed very carefully. Forest companies also need to stretch their working capital as much as possible during difficult times. You also need to develop a planning process based on what your financial statements are indicating.

Other factors to consider can be determined by the message your financial ratios are representing. Improving a company's financial situation can be done through understanding the debt structure from its financial ratios. The ratios can indicate whether a company's debt is structured properly or if they have the ability to leverage their assets further. Once the other three components of the Balanced Strategic Approach to Management are working successfully, the financial component will also begin to improve.

It is imperative to understand that when creating your Balanced Strategic Approach to Management, all of the four components are equally important to one another and do not need to be completed in any particular order. Applying this approach is not a major undertaking. The most common obstacle in creating a Balanced Strategic Approach to Management is getting started.

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To find out more about developing your company's Balanced Strategic Approach, contact James Byrne, MBA, CA, British Columbia Forestry Practice Leader at MNP LLP, at 250.338.5464 or [james.byrne@mnp.ca](mailto:james.byrne@mnp.ca)