

Business Planning Process

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ABSTRACT

A lot of time and effort is devoted to developing business plans that are incomplete, unstructured, and implemented ineffectively. This paper provides a systematic approach that will make your business plans meaningful, usable documents to everyone from the board room to the boiler room.

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"Management who do not share their action plans with their employees is like a ship's captain who won't tell the helmsman what the ship's destination is, but hold him accountable for setting the course." Dr. H. James Harrington

I. INTRODUCTION

Business plans! Long-range plans! Operating plans! Development plans! Marketing plans! Financial plans! Strategic plans. Are we confused yet? No wonder many organizations do not plan well, do not like to plan or do not use the plans they have. But we do not know that with proper planning, we can put ourselves in the clearest and best possible position to compete in the ever-increasingly complex world of business (and to take advantage of a few moments of good fortune). We also know that success is not created by using an excessively cumbersome planning language and arguing over the semantics of planning, but by the competitive focus it provides to everyone in the organization. This critical alignment enables a business to direct its resources toward common business goals that make a competitive difference. The clarity in a sound business plan will also provide the foundation for the organization's improvement process through total quality management or through more radical business reengineering efforts.

II. WHAT IS THE PROBLEM?

All organizations have a plan. It may not be documented and it may not even be formally communicated throughout the organization, but every organization has one. It may be haphazard and it may be arbitrary, but every organization has one. It may be aggressive or it may be passive, but every organization has a plan. How do we know? We can tell by how the most precious resources of an organization (time, people and money) are allocated, the pattern of decisions being made and the actions being taken by the management. For example, in one organization's situation, their stated mission was to become a global information provider in order to meet the demands of their customers. Yet after three years of implementation, less than five percent of their resources were devoted to this effort, resulting in very little progress in this area. They fell further and further behind in the global market. In addition, many inside the organization realized that their stated strategy was not serious and certainly was not well thought out. In contrast, a high technology manufacturing organization was faced with an industry slowdown and a temporary slackening in demand for their products. Quality was a cornerstone of their long-term strategy and, as such, they continued to invest in this effort while other less critical initiatives were cut. The improvements they made as a result of this commitment enabled them to move significantly ahead in their competitive arena while other organizations fell back. It also served to visibly reinforce the leadership's commitment to this vital strategy.

The real purpose of business planning is to determine the external focus of your business in terms of customers served and value provided, along with identifying the areas in which the organization must excel in order to be successful. A well-crafted plan can provide the road map to success and let every individual know how they can contribute to the results. The planning process itself can be a great contributor to the development of new ideas and competitive insights, develop the process of buy-in and management commitment, and also be an integral part of the communications and mobilization effort.

In this chapter we will summarize the essence of good planning based on research into the planning practices of hundreds of organizations, and hands on involvement with clients over 20 years of consulting in this area. In the spirit of not worrying about the semantics of planning, we will use "*business planning*" and "*strategic planning*" interchangeably. This discussion will be

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organized by looking at business planning along the following dimensions:

- What is in a good business plan?
- What does an effective planning process include?
- How do you use a business plan?

Along the way, we will also try to share the planning lessons learned from the winners, survivors and losers as determined by their business results.

III. What's In A Good Business Plan?

There have been hundreds of books written on strategic planning or business planning. When we look at what is common in all good plans, we can see the following elements:

- A clear focus on specific markets and customers to be served.
- A vision of what the future will be like in terms of the market and the organization's leadership role in it.
- A mission for the organization.
- A clear articulation of the most important strategic initiatives that the organization must undertake.
- Simple measurements or objectives related to the strategic initiatives.
- Well-defined strategies for accomplishing the plan
- Organizational values and culture which will support and enhance the implementation of the chosen strategy.

In fact, most plans can probably be a lot shorter and more precise than they are today. Far too many of us have had the experience of seeing large, voluminous plans that are prepared regularly but are never used. These "dust collectors" often do a reasonable job of describing everything, but do a terrible job of providing focus for the organization. A clear, simple set of strategic decisions for competing in a complex world will result in a core focus which can be easily summarized and communicated throughout the organization. Winners follow the planning rule, "decisions, not descriptions," while the losers tend to follow, "descriptions, not decisions".

There are three main purposes for preparing a business plan. They are:

- A. To set direction
- B. To establish expectations
- C. To define actions

These purposes interrelate and react with each other. Each purpose drives a number of outputs that provide useful information to the stakeholders (see Figure 3.1).

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Purposes	11 Outputs	Time Frame
Direction	<ul style="list-style-type: none">• Visions• Mission• Values• Strategic Focus• Critical Success Factors	10-20 years Open Open 5 years 3 years
Expectations (Measurements)	<ul style="list-style-type: none">• Business Objectives• Performance Goals	5-10 years 1-5 years
Actions	<ul style="list-style-type: none">• Strategies• Tactics• Budgets• Performance Plans	1-5 years 1-3 years 1-3 years 3-12 months

Figure 3.1 Business Planning Elements

Market Focus

A clear market focus provides an organization and its people with an opportunity to accomplish great things through understanding the customer's needs better than its competitors. This understanding then provides the foundation for the development of superior products and services. Knowing who you're serving is the first step in developing a good business plan and achieving the ultimate business results that the winners in business experience. The losers more often are so unfocused that they cannot serve anyone well with the demands on their limited resources. The really successful organizations will understand markets in terms of what actual customers want and will pay for, thus reaching a level of understanding few others achieve. As one leading computer manufacturer said, "We feel that one of our significant competitive advantages over other companies is our ability to better understand and anticipate customer needs, whether it's through our sales force or through superior market/customer research." You certainly couldn't argue with their results!

A. Setting Direction

The principle role of top management is to set the direction for the organization. This can best be accomplished and communicated to the stakeholders through the business plan. The outputs that are used to provide this direction are:

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The *Vision* of the Organization -- A vision statement gives a picture of an organization in the future. It is normally inspirational and provides a framework for strategic planning. It is usually prepared by top management and is directed at what the organization's output will be like and/or how it will be used 10-20 years in the future.

The *Mission* -- A mission statement articulates an organization's fundamental purpose. The mission is the stated reason for the existence of the organization. It is usually prepared by the chief executive officer and seldom changes -- normally only when the organization decides to pursue a completely new market.

The *Values* -- The basic beliefs that the organization is founded upon and the principles that make up its culture are often called values. These are prepared by top management. They are rarely changed, because they must be statements that the stakeholders can depend on as being sacred to the organization.

Strategic Focus -- These are the key factors that will set the organization apart from its competitors over the next 5 years. This list is defined by top and middle-level management.

Critical Success Factors -- These are the key things that the organization must do exceptionally well to overcome today's problems and roadblocks to meeting the vision statements.

Vision of the Organization

What's the difference between a *vision* and a *mission* for an organization? Many organizations go through an agonizing process of trying to determine the distinction between the two. By "vision," we mean a view of what the business will be like 10-20 years from now. It could be as simple as "an affordable, easy-to-use personal computer on everyone's desk" or "news available immediately from anywhere in the world." The winners tend to be able to express an energizing picture of the future in terms of market presence and customer benefits. The losers tend to lack any vision and exist from day to day reacting to the market and the leads of other competitors. One of the most clear vision statements was articulated by President John F. Kennedy in 1961 when he said: "We will send a man to the moon within this decade and bring him back safe". This was short, pithy, and inspirational and was intended to be uplifting.

Mission

The mission statement is essential to linking the organization with its vision of the future. Some organizations call this their "*purpose statement*," or the central reason why they are in business. A good mission statement will require leadership and should be internally oriented to inspire employees and externally focused with customers in mind.

Organizations whose employees understand the corporate mission clearly enjoy a 29% greater return than other companies, according to a study conducted by Watson Wyatt. In the United States, 75% of the employees do not think their company's mission statement reflects the way they do business (Workplace 2000 Employee Insight Survey).

Winners make their missions short, clear and compelling, while losers will have missions focused on shareholder value or some other non-customer, noncompetitive emphasis. In addition, winners embody a strong leadership emphasis in their planning, as reported in a study of almost 300 companies in Ernst & Young's "American Competitiveness Study." This emphasis on being a

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leader is essential to both the development of strategy and to motivating the organization's people, customers and suppliers by focusing on being a winner and not a follower.

Here are a few examples of mission statements:

UNEP: To provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

World Bank: Our mission is to help developing countries and their people reach the (Millennium Development) goals by working with our partners to alleviate poverty. To do that we concentrate on building the climate for investment, jobs and sustainable growth, so that economies will grow, and by investing in and empowering poor people to participate in development.

Boeing: "Our long-range mission is to be the number one aerospace company in the world, and among the premier industrial firms, as measured by quality, profitability and growth."
WB's competencies: Its global reach and ability to integrate across the major areas of development; diagnostic capacity, technical capacity, implementation capacity.

Wal-Mart: To give ordinary people the chance to buy the same thing as rich people.

McDonald's: "To satisfy the world's appetite for good food, well-served, at a price people can afford."

Strategic Content: vision, mission and values

Mission: why do we exist?

Vision: Where do you want to go?

Mission statements are mainly for internal consumption – a way to engage employees and other stakeholders.

Vision statements are inspirational.

Value statements cannot be inspirational. They must be thoroughly realistic.

Active Inertia: A success formula may become stale. The challenge facing the UN system is to break away from the past and produce new formulas for the future.

Values

Values can be defined as the deeply ingrained operating rules or guiding principles of an organization. Some may see them as the specific cultural attributes that drive behavior. The winning organizations set out to create a specific culture and operating style to further define their strategic change and focus.

Unlike mission statements, which are primarily for internal consumption, value statements cannot be inspirational. They must be realistic.

Merck's value statement is brief and powerful: "To preserve and improve human life"

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Owens / Corning Fiberglas uses "guiding principles" in place of "values." Their guiding principles are:

- Customers are the focus of everything we do.
- People are the source of our competitive strength.
- Involvement and teamwork is our method of operation.
- Continuous improvement is essential to our success.
- Open, two-way communication is essential to the improvement process and our mission.
- Suppliers are team members.
- Profitability is the ultimate measure of our efficiency in serving our customer's needs.

Call them basic beliefs, guiding principles, operating rules. Call them what you will. The important thing is that they must be defined, and the organization must live up to them, for they surely are the "Stakeholders' Bill of Rights."

In contrast, losing organizations tend not to have explicit values or have "hollow" values, or perfectly stated values that no one operates by.

Strategic Focus

Organizations which have been successful in part due to good planning know that they must provide their employees with a road map to help translate the vision and mission into "*things people can do*." The next most critical element of what is in a good business plan is the strategic focus of the organization in terms of "how" it will compete. The key factors that organizations need to compete are defined as follows:

- Core Competencies - The technologies and production skills that underlie an organization's products or services (e.g., Sony's skill at miniaturization).
- Core Capabilities - The business processes that visibly provide value to the customer (e.g., Honda's dealer management processes).
- Strategic Excellence Positions - Unique and distinctive capabilities that are valued by the customer and provide a basis for competitive advantage (e.g., Avon's distribution system).

These leading definitions are actually quite compatible, and debate over which is proper is not time particularly well spent for most organizations. Regardless of the definitions applied, what is common among all the successful organizations is their ability to identify those four or five key areas of strategic focus that are characterized by the following:

- Customers value the benefits that the focus provides
- Concentration of resources toward being the absolute best in your chosen areas of emphasis will enable you to excel
- Excellence in these areas will be difficult for competitors to imitate
- These areas of focus are your organization's capabilities or what you're really good at, not outcome measures like market share, profit margin, etc.

The clarity provided by having a few key goals to focus on can help set the foundation for dramatic improvements in business results. For example, years ago, Hewlett-Packard established the lowering of their product failure rate as one of their key business goals. They also coupled this goal with a very clear objective or measurement, with the specific target being a ten-fold improvement in results. Their continuing success in a number of rapidly changing

markets speaks for itself.

Critical Success Factors - Obstacles to Success

Planning with a leadership emphasis requires a focus much beyond where you are today. Pushing your vision into the future often requires "thinking out of the box" or an unconstrained strategic perspective. The winning planning processes link this back into today's reality, by specifically focusing on the obstacles to success or things that would prevent the implementation of the plan. These obstacles can range from the lack of sufficient funding to excessive organizational layers. The point here is to better link the vision to today's starting reality, and being honest enough to highlight and correct the obstacles. This often creates several additional strategies to be incorporated into the plan. Winning organizations will attack this with a positive attitude, while losers will use it to tell themselves they can't do anything about it. Many organizations will translate the obstacles to success (things in your control which prevent you from successfully implementing the plan) into critical success factors (things that you must do right in order to succeed). This positive transition can help set the proper winning tone on the challenges of moving forward.

B. Establishing Expectations (Measurements)

One of the major purposes of a business plan is to define what management and the stockholders expect from the organization's performance over the next 5-10 years, then to communicate how success will be measured. The outputs that are used to communicate these expectations are:

- Business Objectives - Business objectives are used to define what the organization wishes to accomplish over the next 5-10 years.
- Performance Goals - Performance goals are used to quantify the results that will be obtained if the business objectives are satisfactorily met.

How often have you heard the saying, "Anything worth having is worth working for!"? So it goes with business or strategic planning, but how can we tell if our efforts are paying off? We can surely see sales, profits and cash flow, all tangible measures of current business results. Both winners and losers utilize these very traditional measures. However, the winners tend to also track some very simple measures or objectives related to their progress in developing long-term competitive strength in their chosen areas of strategic focus. For example, if unsurpassed service is one of the areas of strategic focus, the management of the winners would have regular reporting on a few simple measures of unsurpassed service. These measures might even include things like the number of customer referrals, in addition to measures like customer problem resolution cycle times and the customer retention rate. This linking of very visible, regularly communicated measures to the strategic focus of the organization is crucial to the transition process required to make that vision become a reality. Losers tend to only rely on traditional financial measures to gauge their success.

Another reason why selecting and defining measures is important is their value in informing the organization of the pace of change and implementation required. Organizations which expect quantum leaps in performance against measures will need to prioritize and focus their resources in support of these stretch targets. Winners exhibit a keen flexibility and an intuitive sense of how far to stretch, and seldom set the easy-to-beat or absolutely unrealistic targets that losers tend to use. As we saw with Hewlett-Packard when John Young set aggressive targets (e.g., 10 times improvement in a critical business process within 10 years), they will use this to

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substantially re-prioritize their resources and to create a compelling challenge for their organization to rally around.

Business Objectives

Business objectives set the direction for the organization over a period of time. They are a well-publicized set of objectives that provide management and the employees with information related to what the organization wants to accomplish in the next 5-10 years. ~

At the beginning of the 1980s, IBM released the following objectives that it planned to accomplish during a 10-year period.

- To grow with the industry.
- To exhibit product leadership across our entire product line. To excel in technology, value, and quality.
- To be the most effective in everything we do. To be the low-cost producer, the low-cost seller, the low-cost administrator.
- To sustain our profitability, which funds our growth.

At first, IBM measured themselves based upon these business objectives, reporting their progress to the world through their "Think" magazine. As IBM progressed through the 1980s, they lost sight of these business objectives and stopped reporting progress or lack of progress against these objectives. The lack of progress led to the problems in the 1990s. Good business objectives not followed, measured and reported are just scraps of paper that do no one any good.

Business objectives should be very aggressive. They should set a challenge for the total organization. No one feels good about making an easy objective, but we all feel great when we accomplish something that even we thought was out of our reach.

Motorola set "stretch" objectives for itself. William J. Weisz, chief operating officer of Motorola, explained, "In 1981, we developed as one of the top ten goals of the company, the 5-Year, Tenfold Improvement Program. This means that no matter what operation you're in, no matter what your present level of quality performance, whether you are a service organization or a manufacturing area, it is our goal to have you improve that level by an order of magnitude in 5 years."

By 1986, Bill Weisz was talking about another tenfold improvement, but accomplishing it in just three years. The results of these aggressive objectives have increased Motorola's markets in Japan and the U.S. and resulted in their winning the Malcolm Baldrige National Quality Award

When a president of an organization was told by one of his vice presidents that there was no way they could improve 10 times in just 5 years doing business as they are -- maybe 10-20% per year. But not 200% per year--the president answered, "You are right. You can't improve that much doing business as you are. You got the message!"

Compare this aggressive type of Thinking to the objectives set by the U.S. Government. On February 25, 1986, then President of the United States Ronald Reagan released Executive Order 12552, stating:

"There is hereby established a government-wide program to improve the quality, timeliness, and efficiency of services provided by the federal government. The goal of the program

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shall be to improve the quality and timeliness of service to the public, and to achieve a 20% productivity increase in appropriate functions by 1992. Each executive department and agency will be responsible for contributing to the achievement of this goal."

The government's objective was a 5-year time interval to improve 20%. That's the type of management direction that will lead an organization into bankruptcy. For only an organization that can print its own money can exist when its debt is 50% of the Gross National Product.

Business objectives are developed and published by top management. They are subject to change, as the business climate changes, and as specific objectives are met.

Performance Goals

Performance goals can take the form of short- and long-range targets that support the business objectives. They should be quantifiable, measurable, and time-related. (Example: Increase sales at a minimum rate of X% per year from 1995 to 2010, with an average annual growth rate of Y%.) A typical long-range performance goal would be to decrease the cost of maintaining customer purchased equipment at a minimum rate of 10% per year for the next five years; or to correct 99.7% of all customer problems with one service call per customer over the next 24 months. Each year, a set of short-range goals should be generated by first-line and middle management, directly tied into their budgets. These goals should be reviewed and approved by top management to be sure they support the business objectives and are aggressive enough.

Note: Goals have two key ingredients. First, they specifically state the target for improvement; and second, they give the time interval in which the improvement will be accomplished.

C. Defining Actions

Another purpose of a business plan that drives the organization's change process is to define the actions that will be taken to implement the plan over the next five years. It is designed to focus the resources of the organization in line with its expectations. The outputs that are used to communicate these actions are:

- Strategies - Strategies define the approaches that will be used to meet the performance goals.
- Tactics - Tactics define how the strategies will be implemented. They explain how the strategies will be accomplished.
- Budgets - Budgets provide the resources required to implement the tactics.
- Performance Plans - Performance plans are contracts between management and the employees that define the employees' roles in accomplishing the tactics, and the budget limitations that the employees have placed upon them.

Strategies

Once clear targets have been identified, a set of strategies must be decided on to further the organization's efforts. Strategies are defined here as specific programs, initiatives and decisions which will require resources allocated to them. They can range from the developing strategic alliances to conducting special in-house training for customer service. These operating strategies are usually very specific since the good plans are very clear and focused. Occasionally there may be some strategies that are critical and yet don't get openly shared, particularly since they may be extremely sensitive and widespread knowledge of them would put you at a competitive disadvantage (e.g., mergers and acquisitions and acquisitions of certain business units). Once the strategies are identified, then lead responsibilities should also be assigned in order to clarify the implementation steps and create accountability in the organization.

The strategies document the approach that will be used to meet the performance goals. They are generated by middle management and approved by top management. Every effort should be made to keep the strategies up to date, without making major changes. Drastic changes in the strategies upset the organization and require a major expenditure of resources in reacting to those changes. Major changes can also result in the termination of projects that are only partially completed and/or have not become totally effective. It should be apparent that many strategies are generated by many different functions, supporting the business objectives.

Tactics

Tactics are the "how-to's." They are the actions that are planned to be taken or that are being taken to meet the performance goals. Tactics are generated by employees and first-line management, and are approved by middle and top management. They are updated at least once a year and change frequently, based upon experience and business needs. Employees in the first-line departments are encouraged to participate in the preparation of the tactics, since they will eventually be responsible for implementing them.

Budgets

Management has been making' budgets since the beginning of time. Many managers spend more time preparing and defending budgets than they do providing career counseling to the employees reporting to them. Too many managers prepare their budgets by adding X% for inflation, plus enough more to cover any new programs that are coming down the road. That's the type of reasoning that has caused our organizations to use 50% more resources than necessary.

Budgets should always be based on the tasks that are to be performed, as defined by the business plan. All other activities should be justified on an individual basis. In all cases, a productivity improvement projection should be incorporated. In most cases, the productivity improvement index should reduce employee costs by a conservative 10%. Budgets should be very specific for the next 12 months and in detail for the following two years. This helps align each individual department with the tactics and strategies agreed to by management.

Performance Plans - Linking the Plan to Individual Goals

One of the key challenges facing any management team is the design and implementation of a process to link strategic business goals to individual performance. This is perhaps one of the most vital and yet most misunderstood processes in any organization. There have been a variety of methods to accomplish this and they do certainly have

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some common features such as simplicity, meaningful job content, and an enlightened management. In some organization-wide efforts, the improvement process has often taken on the role of breaking the plan down into the lowest level of detail as it gets deployed. In these situations, all departments will create a mini-business plan with a mission, goals and strategies linked into the organization's overall business plan. In managing the various departments, individual performance goals would then be set (usually mutually) with a much more direct connection to the business plan. Reward systems are then aligned with these individual performance goals.

Many organizations are using a concept called "Quality Policy Deployment" to help align the organization's business plan with the individual performance plan. In many of these organizations, every individual will have a card that is kept with them that states the organization's critical success factors for the specific year, and on the reverse side, the improvements that the employee will be making to support these critical success factors.

IV. What's In An Effective Planning Process?

Good strategic thinking doesn't really have a definite starting and ending point, particularly in today's ever-changing business environment. As pointed out earlier, the winners really try to gain a significant advantage by focusing on being a leader and creating part of the change in their industry as opposed to always reacting to it. In this regard, defining an appropriate planning process is critical. Today there are as many planning processes as there are planning formats and tools. Some are very long, elaborate affairs, and some are quicker-hitting events. The length is influenced by factors such as the current position of the organization (are they the leader or are they in trouble), the style of the management team, and time and scheduling. However, the most successful planning processes have many attributes in common. This even holds true independent of the form the plan takes, although they are essential to the success of developing the plan content discussed earlier. These attributes can be summarized as follows:

- Involvement of implementers as planners
- In-depth consideration of customers, competitors and capabilities
- Identification of obstacles to success and related critical success factors
- Testing against resource availability (time, money and people)
- Development of specific communications plans
- Consensus on how the plan will be used in the implementation efforts

Customers Competitors and Capabilities

Just like there are many different forms that a business plan can take, there are a like number of planning processes and supporting analytical tools or frameworks. We have all seen the "how to" page-by-page workbooks related to business planning and the various environmental and competitive assessment frameworks; e.g., SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis, or the Five Forces Assessment for industry analysis which focuses on understanding customers/ buyers, suppliers, current competitors, new competitor entrants, and substitute products. All these tools are helpful and their contribution can be significant, particularly if they help to organize and expand your thinking. Regardless of which one you use, just remember that a good planning process will incorporate a serious effort to really understand your *customers, competitors and capabilities* in the context of looking objectively at the future. Only then can you truly identify what will make you distinctive and valuable from the market's viewpoint and scrutiny.

With respect to customers, winning organizations continually seek new insights into their future product and service needs, buying criteria and satisfaction levels. Losing organizations

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look at customers as "someone to sell to now." The planning process often incorporates primary (direct with customers) and secondary (independent third party studies) market research. The winners go even farther and often find ways to organize and utilize the market knowledge of their sales force or find other means to get direct customer input, such as through field visits or market research.

Competitor analysis in many planning processes is often relegated to getting statistics on their financial performance. In many cases the losers don't even know much about their competitors. This lack of true understanding of your competitors' strengths, capabilities, motivations and intentions is a severe handicap in strategic planning. The winning organizations often do more innovative things, including exhaustive analysis of all public communications by a competitor and doing internal role playing as if they were the competitors. This level of effort is deemed to be required in order to truly get competitive insights into the opportunities for the future.

One of the biggest challenges in the planning process is to do an honest, objective assessment of your organization's capabilities. Can you answer "What are you really good at?" Even if you could, would you be able to match this against customer needs to help determine if there is sufficient value in it? This assessment, if done objectively as the winners do it, can provide excellent insight into your competitive strengths and weaknesses.

Implementors as Planners

The winners know that even the best plan, not implemented, is useless. They work very hard to develop a useful planning process which requires that the management team responsible for its execution is involved in the development of the plan. This not only taps into their experience but it improves both the level of buy-in and the understanding of the organization's direction and initiatives. Although consensus is desired, the winners know that unanimity is seldom possible, but understanding and support is. In contrast, the losers don't involve line management and prepare the plan in a vacuum. They run the risk of both making poor strategic decisions and having poor execution. No wonder they're the losers!

Testing Against Resource Availability

One very important dimension of the potential obstacles deserves highlighting here. In many instances, strategic or business plans are created without specific consideration of how they link into the resource or financial and organizational planning efforts of the organization. At a minimum, the better planning efforts will include a related financial assessment or projection, not just of the desired results (which is always more fun and exciting to dream about) but the level and timing of the financial resources required (which often brings it all back to the practical side of planning). The same is true for assessing and identifying the adequacy of the people resources in terms of skill and amount of resources. These efforts do not always have to result in a demand for more resources, but can result in a much smarter redeployment of resources and/or the "freeing up" of resources through the elimination of unnecessary efforts and initiatives.

One particular organization had 'decided that they had to move aggressively into a direct sales and account relationship program, given the needs of their customers and the leadership position they wanted to establish in their market. Upon bemoaning their lack of resources to do this, one of the planning participants simply asked if the millions of dollars being spent on advertising was necessary, given the new approach to sales. After a bit of discussion, the team determined that a great deal of resources could indeed be redirected

toward the implementation of this shift in strategy.

Communications

A planning process would be woefully inadequate without considering the communications plan for sharing your strategy with your organization and any external constituencies like your customers and suppliers. While certain aspects of strategy are indeed proprietary (e.g., specific R&D or mergers and acquisitions), most elements cannot be kept a secret only for management to know and for everyone else to guess at. How can you excite the organization if you don't tell them? Broadening the communications is usually not a problem once you realize that superior execution is a definite strategic advantage, and that the winner between two organizations with the identical strategy is the one that out-executes the other.

This emphasis on communications and creating a widespread understanding of the strategic plan by people inside and outside the organization was recently proven to be one of the most universal "best practices" of successful organizations in the "International Quality Study" conducted by Ernst & Young and the American Quality Foundation. This study found that in particular, increasing middle management's understanding of the strategic plan had a very positive impact on the profits of the organization and its industry position.

Consensus on Implementation

Winning organizations work very hard to use the results of their business planning efforts in managing their implementation efforts. They always decide during the planning process how they will use the plan in managing their implementation efforts. A commitment to consistently reviewing the plan and its targeted measures is normally a hallmark of the best organizations. This very explicit effort goes a long way toward eliminating the dreaded "dusty business plan on a shelf" usually found in losing organizations. The losing organizations just give "lip service" and excuses for not implementing the plan and meeting the targeted measures.

V. How Do You Use A Business Plan?

A sound business plan provides an organization and its people both focus and freedom. Focus comes from the clarity of your customers and their needs, an understanding of the most critical strategic initiatives you must pursue in order to be a competitive leader, and consensus on the appropriate measures and strategies. The freedom really comes from the autonomy individuals will have during the implementation process and the new implementation ideas which will surface from throughout the organization. This unleashing of the energy of an organization is one of the most powerful potential outcomes of an effective planning and ongoing strategic management effort.

As soon as a plan is completed it has the chance of becoming outdated. In addition, the positive commitment gained during successful planning efforts can also erode during the initial stages of implementation. Managing to the plan and adapting it as you move forward is essential to realizing the opportunities your business has. Some of the most critical features of successful strategic management include:

- Visible leadership commitment
- Regular reporting and sharing of results
- Widespread sharing of the plan throughout the organization

Business Planning Process

- Well-understood linkages between individual performance and business success
- Adaptation from experience

Visible Leadership Commitment

While this point is often noted in discussions regarding new projects, markets, etc., it is perhaps even more vital here from an impact perspective since an organization's business plan should have a lot of meaning to all employees.

Regular Sharing of Results

Winning organizations tend to share the results of their efforts with their employees. What is normally shared at these organizations not only includes the basic financial results but also the key measurements of their strategic emphasis.

Widespread Sharing of the Plan

As noted earlier in the discussion, developing a communications plan is an essential part of the planning process. One of the more controversial areas is deciding on what gets shared broadly and what gets more limited distribution. As a general rule, it is just impractical to ask people throughout the organization to do the truly great things that winning organizations do if you don't share your vision, mission and strategic priorities with them.

Adaptation From Experience

Smart management teams know that while having a road map is vital to success, experience is also a good teacher. This is especially true when it comes to implementing ideas and experience. The winning organizations have found that by having regular forums on both the results and progress, they will be able to share the lessons learned during implementation as well as new ideas on how to do things better. During these sessions, management teams have the delicate task of balancing between "staying the course" and modifying some of the initial strategies. There are no rules for this, but winning organizations know that you can't really determine if an effort is successful until you've given it a full commitment and learned from the results. This level of discipline serves them well when they consider possible changes required in the plan's strategies.

Business Planning Process

Summary

Here is a quick summary of what the winners and losers do (or don't do) in their business planning efforts. The survivors fall in the middle and they often try to emulate the winners, but without any real conviction.

	<u>Winners</u>	<u>Survivors</u>	<u>Losers</u>
<u>The Business Plan</u>			
Market Focus	Clear & Targeted		Widespread
Vision	External & Compelling		None
Mission	Customer-focused & Leading		Internal
Strategic Focus	Limited, High-Impact Areas		Unfocussed
Measurements	Simple, Linked to Strategy		Financial Only
Strategies	Critical initiatives		Broad List of To Do's
Values	Explicit & Real		Hollow
<u>The Planning Process</u>			
Customers, Competitors & Capabilities	In-depth knowledge		Superficial
Implementors	involved in planning		Top Down Only
Obstacles to Success	Considered & Solved		Ignored
Resource Availability	Priorities Set		Constraint only
Communications	Throughout Organization		Limited
Implementation	Consensus Achieved		Unaddressed

