



# **Operational Framework - Business Planning Process**

## **Briefing Document**

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# 1 Introduction

This document outlines a business planning process for an organisation at all levels, including a Board, to establish an annual business plan that is purposeful, practical and pragmatic. Working from the grass roots around an agreed strategy, this document is aimed at all participants in the process. This document is intended to be a tool to facilitate the planning process, providing a framework in which diverse needs can be met with transparency. The document is not intended to be a detailed policy and procedure. Reference to an organisations strategy and other documents, e.g. a plan template and a presentation is of value.

Section 1 is the introduction to this document. Section 2 provides background through looking at some planning considerations. Section 3 looks at how to develop a business plan and Section 4 describes some operational aspects. A comment on budgeting and resourcing is presented in Section 5 and a possible recipe for the process is seen in Section 6.

## 2 Planning Considerations

### 2.1 About Planning

Planning is about intent. Planning is about getting people to think about the right things. Planning is about putting structures in place so that they can be picked up and used in response to needs.

For any organisation or group of more than a few people conducting routine tasks, the need to share ideas and to have people working towards common outcomes can often become a communications challenge. Business planning is about defining what an organisation or group is looking to do, how they want to do it and then providing a basis for communicating this information to all interested parties. Business plans are about being able to share information so that people know what others are doing and what is expected of them. For people who have an interest in the outcomes, it is about understanding and communicating what is happening.

It is good to be ambitious, it is good to set goals and to have dreams but a goal without a plan is just a dream. Planning is about the steps required to achieve goals and ambitions. The steps need to be realistic and achievable.

Planning is not a theoretical exercise that is done every now and then. Planning is a practical business tool. Planning is about setting a framework that guides and helps people. It is true that a plan seldom survives intact when moving from drafting to practical application, but that is not the point. Planning is about getting people to think about the right issue so that they can prepare. Planning is about putting structure in place that people can readily use and adapt to meet their needs. Planning is about intent. Planning is not for telling people what to do and for micro managing. Planning is about a framework for delivery and empowering people to utilise it for delivery.

Plans address three major areas of operation: the core activities to function, the activities that have become routine (business as usual) and the new activities. All three areas need to be addressed in a business plan and all can have strategic initiatives.

Plans evolve to meet needs. Plans are dynamic documents that change according to varying circumstances. Plans provide a consistent platform for communicating to interested parties. Plans set achievable goals and are a tool for professionally delivering services, whilst making the most of available resources. Careful planning reduces the duplication of effort, ensures proper resource allocation, facilitate operations and delivers better outcomes for members. Plans make life easier for all those involved and provide accountability for all.

### 2.2 Explanation of Terms

In business planning some key terms need to be understood as their confusion leads to problems with the planning process.



### 2.2.1 Objective

An objective is a statement of what it is that it is to be achieved. From clearly defined objectives can come a resolution of the strategy to realise it, the plan to implement and the activities to be undertaken. From an objective comes an assessment of the expected outcomes. Seldom should the objective be ill-defined. It is poor and ill-defined objectives that lead to poor planning and failure to deliver outcomes.

### 2.2.2 Strategy

A strategy is the approach to be taken to realise an objectives. A strategy is a direction, intention or a statement on what is to be achieved. Strategy tends to be “big picture”, longer term in focus and is about the goals that are to be achieved. Strategy needs to be regularly reviewed and evolves but strategy does not reverse because of short-term noise and volatility. Strategy eliminates options. Strategic goals are long term and often exclude other options. Tactical goals are the shorter term and steps needed to achieve the strategy.

### 2.2.3 Plan

The plan details how a strategy is to be realised. A plan defines the steps to go through to obtain the strategy. Plans change and are regularly reviewed. Plans often change to meet tactical needs.

### 2.2.4 Activity

This is the steps or actions within a plan, i.e. the doing.

### 2.2.5 Expected Outcomes

Expected outcomes define what people want or hope to achieve. Expected outcomes are a measure of performance for planned activities. When defining expected outcomes, please consider the following:

- Outcomes need to be clearly defined.
- Outcomes need to be aligned with where you want to go because outcomes are the steps you take to get you to where you want to go.
- Outcomes need to be realistic and achievable. It is better to under promise and over deliver.
- Defining several smaller outcomes to take you to a bigger outcome is a successful approach to defining outcomes. It is best to do a few things well.

### 2.2.6 Risks

A risk is something that has the potential to stop an outcome from being realised. Whilst risks may be hard to quantify, many risks can be identified at the start and the significant ones assessed. Risks need to be monitored and assessed.

## 2.3 Performance Measurement Techniques

Associated with business planning is the issue of performance and how performance is measured. A commonly used measure is Key Performance Indicators or KPIs. KPIs can be considered as expected outcomes but KPIs go beyond that because KPIs are more a lower level management tool. KPIs have a role to play in planning but they need to reflect the purpose of the exercise and not become an end in their own right. Consider the following when using KPIs:

- KPIs do not measure strategy. KPIs measure outcomes from activities. The success of a strategy is seen from having the objectives realised.
- KPIs are not a minimum standard to which people operate too.



- KPIs are not a limit on performance.
- KPIs can be degrading to people because they can be used to say “you would not do a good job without the KPIs to motivate you”.
- KPIs should not encourage contrary (nefarious) activity.
- KPIs should be values focused.
- KPIs should reflect mission outcomes.
- KPIs empower delivery.
- KPIs need to be clearly defined. Ambiguity and vagueness leads to problems and disputes.
- KPIs need to be easily measured and quantitative.
- KPIs should define the criteria for success or failure of an expected outcome.
- KPIs need to be realistic. Those that are not obtainable are just demoralising and become a joke, negating the whole point of the exercise.

## 2.4 Plan Application

Plans are not a document that is created once a year and then left in a draw to be looked at again in a year's time. Business plans are a dynamic tool for guiding a business and its operation. Consider the following.

### 2.4.1 Budget

From a plan, comes the activities that are to be implemented in a given period. Once the activities have been defined, the cost can be estimated and budgets set. Whilst not all business plans include a budgetary component, budgets come from the planning process.

### 2.4.2 Resourcing

Aligned to budgeting, is the issue of resourcing and the specific resources needed for the proposed activities. Resources include people, plant and equipment as well as other expenditure items.

### 2.4.3 Performance

Plans detail the expected activities and outcomes for a given period. By definition, these form criteria for assessing performance.

### 2.4.4 Management and Reporting

Plans detail what the expected activities and outcomes are expected to be. This then forms the basis of reporting and management and the respective Operating Bodies. Plans form an agenda for meetings and for reporting on issues, including resources, expenditure and operational issues.

## 3 Business Plan Development Process

### 3.1 Process Summary

For each area of business, the following activities are identified:

- Board / Executive agree objectives and strategy for the organisation.
- Managers then formulate objectives and strategies for the respective areas to meet the strategic needs of the organisation.



- Managers then take their areas of operation through the appropriate business planning process.
- The plans are consolidated at the operational and organisational level.
- A budget is derived, covering Operational expenditure (OPEX) and Capital Expenditure (CAPEX) across the profit and loss centres.
- Consolidated plans and budget are approved by Board / Executive.
- Performance metrics determined accordingly.
- Ongoing review, reporting and further planning activities.

## 3.2 Position Description

If not already in existence, a Position Description for a role should be developed. This document is used to define roles and responsibilities. The document serves as a tool to assist in planning as well as providing a benchmark for performance in a role.

## 3.3 Draft Business Plan

Using the required template, a draft business plan is developed for each area of responsibility / operation. This draft is then reviewed and contributes to an overall business plan.

## 3.4 Business Plan Elements

Items to include within the business plan encompass:

- Activity Name – state the name of the activity.
- Objective – state the objective. Clearly state the objective and its alignment to strategy.
- Benefit – state the benefit(s) of the proposed activity. The benefit should be readily identified, and usually quantified.
- Activity – describe the activity to be done including dates for outcomes to be achieved.
- Budget – identify the budget and resources required.
- Risk - identify any key risks to the activity and any likely impact on both the activity and the organisation.
- Outcome - state the expected outcome(s) of the activity, i.e. the basis of performance assessment.

The business plan provides a coherent review of what is planned and what is expected. The business plan is a statement of what a manager wants to achieve. The business plan also forms the basis of performance measurement and accountability. In addition, the business plan defines budget allocation. Without approval and budget, an activity cannot proceed.

## 3.5 Peer Review & Approval

The manager for the respective area of operation should review and consolidate the plan for review at the next level of management. A consolidated plan should be approved by the Board. Peer review and approval is also used as an ongoing tool to measure performance, delivery and change approval. A business plan is a dynamic document that responds to changing needs.

## 3.6 Timetable

A clear timetable of what is expected to be delivered when and the impacts of unassured delivery in the process need to be communicated to stakeholders.



## 3.7 Training

Participants and stakeholders will need to be trained in the process. This includes:

- Why the planning process is important and what it means to them.
- How they will be involved in the process and what is expected of them.
- When they will need to deliver by and what they need to deliver.
- A recognition of how they link in with and impact other business areas.
- How feedback will be provided and how engagement is to occur.
- Allaying any concerns and uncertainties.

## 4 Operational Aspects of Plans

### 4.1 Considerations

The following points need to be considered with the business plan development process:

- Developing a business plan is often a thought consolidation process so that the best activities are done to the highest standard for maximum return.
- Define clear goals that you want to achieve. These should align with the organisational strategy.
- Consider carefully the proposed activities and the benefits to members.
- Set priorities on activities.
- If you can NOT do an activity properly, do NOT start it. It is better to have a few high calibre activities that deliver excellent results than many mediocre ones.
- A good activity does not need to be expensive, it is about Return on Investment and often the simple things are best.
- Do NOT “boil the ocean” over this process. Planning is a framework.
- This is NOT about detailed planning per an activity. It is about strategic direction and a coherent framework.
- Without a business plan there can be NO approval of activities and allocation of budget.

### 4.2 Performance Measures

By definition, the business plan is used as a tool for tracking performance. Used alongside the position description, these documents define the performance criteria for many roles.

### 4.3 Change Approval

The business plan will change to meet the dynamic environment in which the organisation operates. For additional activities, new expenditure items etc. a change approval process is required. The change approval process is as follows:

- Manager request the change.
- If a significant change, then it should be escalated up the organisation accordingly. If a minor change, then manage at that level.
- Manager implements and reports.

#### 4.3.1 Additional Expenditure

Minor changes to expenditure can be managed through existing processes. Where major changes to expenditure are required, the Portfolio Manager needs to state:



- The amount.
- What it is being used for.
- Reason for the change.
- Benefit.

### 4.3.2 New Activities

Where a new activity is required, the Portfolio Manager needs to complete a mini business case stating:

- Activity Name – state the name of the activity.
- Objective – state the objective.
- Activity – describe the activity.
- Benefit – state the benefit(s) of the proposed activity.
- Outcome - state the expected outcome of the activity.
- Budget – identify the budget and resources required.
- Risk - identify any key risks to the activity and any likely impact on both the activity and the organisation.

### 4.3.3 Activity Cancellation

A request to cancel an activity is sufficient.

### 4.3.4 Activity Modification

Where an activity is to be modified, the Portfolio Manager needs to complete a mini business case stating:

- Activity Name – state the name of the activity.
- Change Required – state the changes necessary.
- Rationale – state the reason for the change.
- Benefit – state the benefit(s) of the proposed activity.
- Budget – identify the budget and resources required.
- Risk - identify any key risks to the activity and any likely impact on both the activity and the organisation.

## 4.4 Review

Business plans are to be reviewed annually and/or where there is a significant change in business operations. Use the process defined in this document.

## 5 Budget and Resources

From the planning process comes a budget and a resource plan for the organisation and respective areas of operation. The tendency to rush straight to a budget should be resisted as it is the planning process that aids the budgeting process.

## 6 Recipe

A recipe for the process of deriving a business plan is as follows:



**Ingredients****Instructions**

Board mandate	1) Board to agree to business planning process and communicate this to Executive Leadership and stakeholders.
Capable facilitator	2) Facilitator to engage Board to formulate and agree organisational objectives and strategies. <sup>1</sup>
Copy of Operational Framework – Business Planning Process Briefing Document	3) Executive Leadership and Board to communicate strategy and objectives to organisation.
Copy of Operational Framework for Board – Executive Relationships: Strategy & Planning presentation	4) Board and Executive Leadership appoint owner for business planning process.
Identified stakeholders	5) Process Owner and Executive Leadership to brief stakeholders on the business planning process using Operational Framework – Business Planning Process Briefing Document and Operational Framework for Board – Executive Relationships: Strategy & Planning presentation.
Organisational objectives and strategy	
Owner of business planning process	6) Respective areas compile business plan using business plan template to complete plan.
Template for a business plan	7) Consolidation of business plans and peer review of business plans through management structure.
	8) Facilitator and process owner compile final plan and Board approval,
	9) Organisation implements business plan.

<sup>1</sup> If an organisation's strategy and objectives cannot be distilled down to a slogan on a "packet of cornflakes" then it is hard for people to know what they are meant to be doing.

