

## **A Guide to Business Planning**

- Developing Strategic Plans
- Preparing Business Plans

*Organizations that take the time to plan are more likely to succeed.*

Good planning observes two imperatives: 1. Keep the process simple, and, 2. The best plans are created by the organization itself. Above all, planning must serve the organization and its goals, not the other way around.

The following discussion describes straightforward approaches to strategic planning and to business planning. The two kinds of planning are quite different. The distinction can be elusive. A strategic plan describes what a company wants to look like in, say, three to five years. A business plan is operational and describes how business goals will be achieved. Each requires different kinds of decisions. The book *10 Keys to Organizational Success* describes the difference this way:

*“Strategic decisions determine what an organization will do--the leadership task--and tactical decisions determine how it will be done--the administrator’s or manager’s task. Most senior executives earned their positions by knowing the how, not the what, by being tacticians or managers, rather than being strategists or leaders.”* 1

Part One that follows is a guide to strategic planning. These plans generally span up to three years. The longer the time horizon the more likely planning assumptions will change. Strategic planning has been described as the process by which company leaders “envision the organization’s future and develop the necessary procedures and operations to achieve that future.”<sup>2</sup>

Part Two offers ways to organize and develop business plans. There is no one “correct” way or format, except to serve a company’s needs. For example, a business plan developed to guide next year’s operations will be different from one developed to support raising capital from investors or lenders. The prime distinction is lenders and investors require far more detailed and substantive financial information. And they will need the company’s operational business plan, but will also expect relevant details on the organization’s background, its current operating financials and financial history, descriptions of the industry and the company’s markets, the marketing plan, and profiles of the board and senior management.

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1. *Plan or Die!, 10 Keys to Organizational Success*, by Timothy Nolan, Leonard Goodstein and William Pfeiffer, 1993, Pfeiffer & Co., Toronto. Pg. 24.

2. *Ibid.*, Pg. 118

## Part One: Strategic Planning

The steps that follow offer an outline and process for strategic planning. The steps can be customized by a company in order to guide its own process and prepare a strategic plan. If there is one imperative, it is that a strategic plan is unique to a company at its particular stage of development: it is essential that the plan fit the company, not the company fit some plan template.

### 1. Characteristics

- ◆ Flow from Dream/Vision/Values
- ◆ Molded by External Factors, not Internal
- ◆ Process is Dialectic (interconnected), not Lineal
- ◆ Provides basis for the Business Plan

#### a) Strategic Planning versus Operational Planning

##### Strategic

- Three to five years
- Do the *right* thing (Peter Drucker)
- What are the Opportunities
- What is the Business Environment
- What is our Philosophy

##### Operational

- One to two years
- Do the thing *right* (Peter Drucker)
- Allocation of Resources: human, physical, financial
- How can we improve on what we are already doing?
- What else should we be doing?

#### b) Examples: Three Types of Companies

	<b><u>Entrepreneurial</u></b>	<b><u>Adaptive</u></b>	<b><u>Planning</u></b>
<i>How functions differ</i>			
Evaluation of Ideas:	Judgment	Political	Analytical
Choices:	Entrepreneurial	Bargaining	Senior management
Environment:	Uncertainty	Certainty	Controlled risk
Decision Linkages:	Loosely coupled	Disjointed	Integrated