The Seven Deadly Sins of Business Planning

Opening Scene
Of all the companies, in all the world, the Business Planning Junky (BPJ) had to turn up in mine. He was new in town. Just landed the role of CEO. I’ve seen them come. I’ve seen them go. I knew he was a BPJ from the moment that he said “it’s business planning time again, we must have a business plan. Who’s turn is it this year?”

I groaned! Not only was he committed to business planning, but he thought it was a task divorced from normal business operations. This was going to be a nightmare.

I thought back on all the mistakes we had made in previous years and wondered which ones he was destined to repeat. There seemed to be seven types of mistake. They are “The seven deadly sins of business planning”.

Deadly Sin Number 1 - Letting consultants write the business plan

It’s not the plan that is important, it’s the planning ……Dr Graeme Edwards

I remembered the time that we brought in our first outside consultants to “write the business plan”. They did exactly that. Asked a few questions, gathered up current financial statements, went away and appeared again with the document written. Last seen in the boss’s bottom drawer gathering dust.

Deadly Sin Number 2 - Relying on functional experts to drive the process

Before beginning, plan carefully ……..Marcus T. Cicero

Then there was “let’s get each department to write their own chapter and aggregate them all”. Each department was, of course, expert at what they did and wrote exactly what they thought they should do next year to satisfy their own demands. Of course the plan didn’t hang together in any way, as no single part of the organisation was responsible for the overall process. It was a disaster. Each department either doing exactly what they had submitted in their part of the plan, or bemoaning the fact that they weren’t allowed to do what they had planned.

Deadly Sin Number 3 - Delegating to the Business Planning Department

It is better to know some of the questions than all of the answers. ……..James Thurber

That failure, of course, led to a complete over-reaction and the formulation of the Business Planning Department. Who proceeded to write the whole business plan on their own and managed to get every other department off-side while doing so. They failed to take advantage of the knowledge of the people at the operational level in the organisation. Another dust gatherer, only this time in the bottom drawer of every department head.

High Performing Organisations

The World Economic Forum identified two underlying characteristics of High Performing Organisations:

Alignment
Stakeholders, especially the workforce team, understanding how to add value and their activities synchronised with the organisation’s capabilities.

Adaptability
Keeping abreast of changes that impact the organisation and flexibly responding to maintain relevance.

By developing a planning culture based on alignment and adaptability, an organisation builds the assets and teamwork to generate High Performance.

Deadly Sin Number 4 - Assuming the business model is correct

“It’s not the strongest of species that survive, nor the most intelligent, but the one most responsive to change.” ……..Charles Darwin

After that, there was the strange case of the “fixed business position”. Somehow we had come to believe that, because our business model had delivered reasonable results for a number of years, it defined who the company was. Wrong! But it had certainly delivered results during a market expansion phase, so, during one of our better business planning exercises, we involved all the right people, had a reasonable development process and came up with a beautiful plan. Only one problem. The plan was based on the assumption that the business environment that we had experienced over the last couple of years would continue into the future. When the market cycle turned, our business model worked against us. We had failed to question our basic assumptions about the economy, customer demand and competitor strengths. We got killed that year when the economy and demand turned down and our low priced competitor increased market share in a shrinking market. That cost us a lot of agony and some harsh, unplanned corrective effort in order to stay afloat.
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Deadly Sin Number 5 - Misreading opportunities as threats

Of course, what really saved us was an opportunity that we nearly missed. A revolutionary new competitive product came onto the market and we all assumed that we were in deep trouble. Late in the day, when we were all feeling depressed and despondent, we realized that the new company couldn’t keep up with the installation demand and that we were perfectly positioned to resell the new product and that our service department could realise significant installation revenues. What we thought was a threat, turned into a real opportunity.

Deadly Sin Number 6 - Under-allocation of time and resources

Next on the list of “how not to’s” comes our effort one year to rush through the process in order to get on with the “real” work. This meant that no-one allocated any time or effort to participating in the process. Result? A poor plan that didn’t even make it through the first quarter before it became irrelevant.

Deadly Sin Number 7 - Divorcing planning from implementation

And there is the perennial issue of what to do with the plan once it is complete. After the first flush of enthusiasm has passed, the (non) implementation phase commences. This is approached in many different ways, according to the wishes of the department head, resulting in a disjointed, poorly communicated and haphazard implementation process. The plan becomes a documented set of “wishes” against which the company can measure how poorly its actual performance rates.

The Villain Revealed

So, back to our new BPJ. What mistakes will he propose we make this year.

• Letting consultants write the business plan
  Better to use them for their expertise in driving the process.

• Relying on functional experts to drive the process
  They should contribute the data and ideas, but within a managed integration process

• Delegating to the Business Planning Department
  They should be focused on driving the process and ensuring integrated results.

• Assuming the business model is correct
  Always question the business environment assumptions and develop the business model again from first principles.

• Misreading opportunities as threats
  Maintain a positive approach.

• Under-allocation of time and resources
  Place the correct level of importance on the process.

• Divorcing planning from implementation
  The desired outcome is to implement the plan, not just complete the plan.

Closing scene

Wait, what’s that he just said? Engage a consulting group that are expert in business planning processes to focus on getting the process right? While they are here, perhaps they can train us how to drive our own process next year? Things are looking up. Maybe he’s not a BPJ. Maybe he’s a BPM (Business Planning Master).

………Camera pans to setting sun and fade-out.

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