

WHAT ARE EFFECTIVE BUSINESS PLANNING STEPS?

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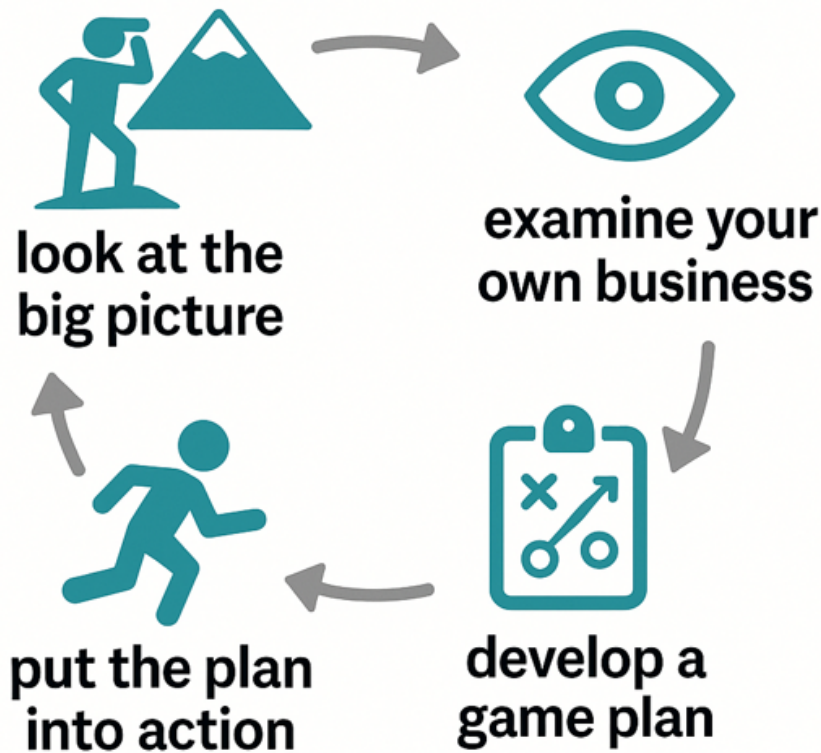
What are Effective Business Planning Steps?

A regional printing association recently conducted a survey and asked what the association could do to help its members. One member responded, “strategic planning.” Compared to leaders of large businesses, small business leaders typically don’t have staff to whom they can delegate responsibilities. Therefore, strategic planning is a challenge for small business leaders, who have full plates with tasks such as selling, operations, human resources, and others. The dynamic nature of the printing industry makes strategic planning even more difficult... and even more important. However, that dynamic environment may mean that strategic planning provides an even more sustainable competitive advantage. As Michael Porter said, *“The underlying principles of strategy are enduring, regardless of technology or the pace of change.”* Our goal here is to arm printing company leaders with an effective approach to meaningful planning.

In *“Printing Industry Performance & Insights”* studies, we’ve found clear and consistent relationships between our *Comprehensive Strategic Approach* (CSA) and firm performance. Printing firms that apply this CSA tend to outperform those that do not. Adding validity to our findings, we have published multiple academic research papers confirming the positive relationship between CSA and firm financial performance. Therefore, we can conclusively say that effective planning is a key performance driver. *“I believe that people make their own luck by great preparation and good strategy.”* – Jack Canfield. *“Luck is what happens when preparation meets opportunity”* – Seneca

What is this *“Comprehensive Strategic Approach?”* It consists of three distinctive components: strategic planning, goal setting, and financial analysis. To help printing company leaders refine their planning approach, we looked at these three components both individually and collectively. We further sought to understand how items in the three CSA elements are interrelated and work together. As strategy professors, we also applied other strategic planning concepts from our courses. We see four steps to an effective planning approach. First, take a step back and see the big picture (external analysis). Second, take an objective look at your firm (internal analysis). Third, develop a good game plan, and finally, put the game plan into action. Of course, once the process is completed, it must start all over again because good planning can never stop. To make it easy for you and your team to consider the steps and options, we discuss the four steps in the bullet points below.

Steps to Effective Planning



Look at the big picture

- Analyze the external business environment. Looking at the macroeconomic future, what are the potential positive and negative circumstances? How strong (or weak) is your supply chain? What are the political and legal trends that might affect our firm? What is happening in the sociocultural environment that might affect our firm? Are environmental forces impacting the industry?
- Study competitors. Who are your main competitors, and what are their strengths and weaknesses? Is there consolidation occurring? (i.e., mergers, acquisitions, or closings)
- What are external opportunities and threats? Can you create new potential market opportunities? Can you mitigate potential external threats to your business?

Examine your own business

- Taking an “objective” look is vital. We’ve seen multiple small business leaders who did not take an honest, realistic look at their firm. It’s very easy to look at your own business with a positive bias (We’ve both done that!)
- Identify your firm’s strengths and weaknesses. What critical areas do we need to improve?
- What are our strengths, and how can we better leverage them?
- What are our firm’s key capabilities (what we do) and resources (tangible or intangible)? How can we improve our key capabilities?
- Are we stronger or weaker than key rivals? *“Organizations succeed in a competitive marketplace over the long run because they can do certain things their customers value better than their competitors”* – Hayes, Pisano, & Upton.
- What’s happening inside our firm that we need to prepare for? Are key people planning to leave or retire? Do technological changes require frequent training? Is our equipment becoming obsolete or inefficient?
- Measure what matters. We recommend that you identify your own most important key performance indicators (KPIs), but these are a few financial ratios you might analyze: Current Ratio: Current assets divided by current liabilities. Debt-to-Assets: Total debt divided by total assets. Net Profit Margin: Net profit divided by revenue. EBITDA Percentage: Earnings Before Interest, Taxes, Depreciation, and Amortization, divided by revenue. Return on Equity: Net income divided by owners’ equity. Sales to Assets: Sales divided by total assets. Percentage of revenue change: (This year’s revenue minus last year’s revenue) divided by last year’s revenue.
- Also, you may want to look at non-financial indicators such as the following: Number of employees per \$1 million in sales. Employee turnover (both voluntary and involuntary). The percentage of estimates (quotes) wins. The percentage of customers lost and gained, or the customer retention rate. The percentage of revenue change in specific product areas. What customers bought more (or less) from our firm, and why?
- Look at trends by comparing each number over time for the last few years.
- Compare your firm’s performance to industry benchmarks. Regional printing associations provide reports from our *“Printing Industry Performance & Insights”* that provide benchmarks for several of the numbers mentioned above.
- How well is our current strategy working?

- What is your company's DNA? What are our present values, and what values do we need? What is our present culture, and what culture do we need? *"I have a foundational belief that business results start with culture and your people."* – Douglas Conant

Develop a Game Plan

- Proactively plan for your business. Have a "planning plan" – when to meet, where to meet, who to include, and a planning timeline. You might find that meeting away from the business, and during a non-active business time (such as on a weekend or evening), may help. Scheduled recurring meetings, such as quarterly, may help. *"If you fail to plan, you are planning to fail"* – Benjamin Franklin.
- Develop a strategic mission. Who are our targeted customer groups? What unique value do we provide those customer groups? What is our selling proposition? How are we different from competitors? *"Strategy is about setting yourself apart from the Competition."* – Michael Porter
- Develop a vision. What do we want our firm to look like in five years? *"Leadership is about the future."* – Unknown author.
- Develop a marketing and sales plan. How do we communicate our mission to potential customers? How do we identify and connect with potential customers? How do we make sure we maintain a great connection with our existing customers?
- Apply the outside and inside looks discussed above as a tool to develop a game plan. Think and consider multiple options. Brainstorm, and don't merely accept the first option that surfaces. What strategic issues merit our front-burner attention? Develop action plans to address those issues.
- Identify the issues you need to address. Develop a plan to address those issues.
- Create a budget or financial plan. Forecast the firm's financials if the action plans are applied and successful. Weigh the potential costs and benefits of the action plan options. Will our plan produce improved results?
- Develop goals, possibly short-term and long-term, related to the firm's mission and your action plan.
- Should we consider merging, acquiring, or forming strategic alliances?
- Should we add products or services, and if so, which ones?

Put the Game Plan into Action

- *"Execution is the most important part of strategy."* – Jack Welch
- Apply these steps through teams. Share the points that a team will cover in a meeting before the meeting, so team members can think before the discussion.

“The role of a creative leader is not to have all the ideas; it's to create a culture where everyone can have ideas and feel that they're valued.” – Ken Robinson

- Determine who is responsible for executing each tactic. Determine when they will report progress. Consider action plan alterations if needed.
- Take notes from thinking sessions and document the mission, goals, action plans, and who is accountable for the goals.
- Transparently share your firm's mission, goals, and action plan with stakeholders. Stakeholders may include employees, vendors, and customers. Such transparency may prompt constructive and helpful feedback. I recently read an article about a printing company that had a quarterly meeting with all employees to discuss the firm's mission, goals, and action plan. The meeting was optional for employees. These meetings helped everyone embrace the “game plan”! Share your firm's mission, goals, and action plan both verbally and in writing. *“A genuine leader is not a searcher for consensus, but a molder of consensus.”* – Martin Luther King, Jr.

Some closing points

Is it a must that you apply each and every point above... NO! However, decide which points above are relevant to your business. You might share this article with your team and get their thoughts about which points above to apply.

Recognize that the four steps discussed are synergistic – applied together, they produce more value. Remember, business planning is both an “art” and a “science” because you are “crafting” a plan! The more you plan your business, the better planner you will become.

Also, planning provides direction. *“If any man knows not what harbor he seeks, any wind is the right wind”* – Lucius Annaeus Seneca (revised a bit). Here is a quote from a student: *“If you don't have a plan, you don't have a destination.”* – And vice versa.

Hopefully, the points presented above (some of which are obvious thoughts) will help you refine and improve your printing firm's planning process. Again, planning is connected to higher performance. So, planning is worth your investment in time and resources. Much of the knowledge we share is drawn from our “Printing Industry Performance & Insights” studies. To help us help you, please participate in our future surveys. Please email Dr. Ralph Williams (ralph.williams@mtsu.edu) with any questions or thoughts.