

# Jomer & Co

## **Business planning for making strategy truly operational**

The three leadership questions we usually phrase when meeting senior executives are:

- What is the environment in which your organization must compete and win?
- What are those few things your organization must do outstandingly well to win and keep on winning in this environment?
- How will you mobilize your organization to implement these things faster and better than your competitors?

This white paper addresses the third of these essential questions and explores how to create a business plan in order to operationalize the strategy by executing the necessary key activities needed to do things better and faster than the competitors.

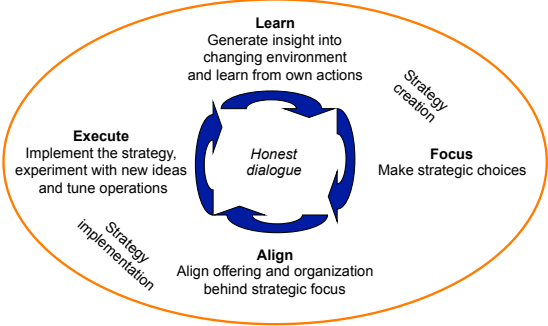
Business success is dependent on clear and decisive planning. Of course, strong sales and customer retention drive improvements in profit, but they are most often products of the business planning behind the scene. Business planning makes the strategy operational and details how the business should meet shorter-term goals and evolve toward the wanted position. Thus, a business plan needs to cover key aspects of the strategy creation process, i.e. declaring vision, wanted position and strategy alongside with functional strategies covering e.g. sales, marketing, finance, human resources and sourcing. Business plans may be externally or internally focused. Externally focused plans target goals, which are important to win customers, while internally focused ones target intermediate goals required to reach the external goals. They may cover development of a new IT system, implementation of regulations or development of an enhanced performance management process.

Since the sole purpose of the business plan is to make the strategy operational, its quality is heavily dependent on the clarity and precision of the company's strategy. When that is not the case, especially in large and complex organizations, interpretations of the strategic direction in the line organization will be blurred. A business plan is a management tool for executing strategic choices and implementing key priorities. Not only does the business planning process help the company succeed, it also helps the company to quickly adapt to changes in customer needs and demand, and to make the changes operational.

### **The strategic focus must be clarified before business planning starts**

In many companies, business planning begins in late summer and is finalized before the end of the year. To enable a distinct and effective business planning process, the Learn and Focus phases in the Strategic Learning strategy process must lay a foundation and provide clear input to the business planning process. See fig. 1. If not, the process of creating a business plan will be highly ineffective. The reason for this is that the Learn phase's situation analysis, which is a systematic exercise in diagnostic learning for enabling unique insights, and the Focus phase's subsequent strategy forging in terms of customer focus, winning proposition and key priorities, have to be covered upfront in

the management team’s business planning sessions. This is seldom feasible, since these exercises require sufficient time and careful reflection of how the environment, in which the company must compete and win today, differs from yesterday and how tomorrow will differ from today. Without this, management is at risk of being blindfolded when making its strategic choice.



**Figure 1. The Strategic Learning Strategy Process**

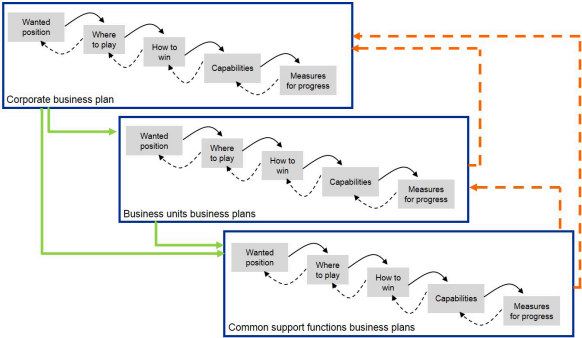
Thoroughly analyzing how changes in the business environment in terms of customers, competitors, own realities, industry dynamics, and the broader environment will impact the company is necessary and takes time. The quality of the generated insights will have a direct impact on the quality of the strategic choices and the work to forge a winning strategy. True and competitive insights are seldom something you produce when you are forced to create a business plan under time constraints and only have access to wishes,

opinions, half-formed ideas, surveys and scattered industry reports. Without up-to-date insights, gained from increased learning of the environment in which your organization must compete and win, it is difficult to make informed decisions and conclude what key issues and alternatives the business really is facing.

**The logic flow of a business planning**

Typically, there is not just one business plan in a company. Business units and corporate support functions need to have plans as well, either externally or internally focused. To ensure that the outcome of the business planning process supports the strategy, there must be a common thread throughout the organization. Alignment is key from several perspectives, i.e. alignment of the organization behind strategy and alignment of the separate business units’ and corporate support functions’ plans behind the overall business plan. Any lack of balance between the plans will most likely create flaws that blur priorities and risk resources to be misallocated.

To achieve true alignment between business plans, the processes must be concurrent and iterative, i.e. a feedback loop where the overall business plan gives input to the business units’ plans, which then give input to the corporate support functions’ plans. This requires the process owner to lay out a top-down schedule where all plan owners are given sequential slots, for proper input to be cascaded down through the organization and sufficient amount of time allocated for interaction between the plans, see fig. 2. Since the purpose of a business plan is to make the strategy operational, it requires the business plans on different levels to be well aligned.



**Figure 2. The sequential flow in the business planning process must be well coordinated**

Aligning the different business plans in the organization is crucial in order to secure a successful move from the current to the wanted position given the available resources. A key question for most managers is: *How do we get our organization to do what we want it to do?*

A contextual description, with regards to customer needs and behaviors, the essential value dimension for how to create customer value and a comprehensive articulation of current and wanted position, is vital for gaining a clear understanding of the road from A to B. Necessary perspectives for pinpointing the current and wanted positions are market, customer, people, operations and finance. These perspectives should be described, and also visualized, for the ease of clear and precise communication throughout the organization.

We have seen execution of business plans fail many times. Employees disengage because they lack consistency in the company's priorities, functional silos hinder necessary coordination, unclear metrics and organizational structures obscure accountability for customers, projects and initiatives, and people do not see the common thread. All of these result in companies missing out on leveraging existing business and seizing new opportunities. To successfully steer the organization in the desired direction and remove hindrances along the way, one needs to understand and view the entire organization as a system. Taking a systems view means looking from the outside-in to fully understand how demand, value and flows result in better fulfilling the needs of customers and stakeholders. An organization is much more than just the lines and boxes in an organizational chart. In its broader sense, it is built from four key dimensions, which all need to be aligned behind the strategy:

- Structure and processes
- People
- Culture
- Measurements and rewards

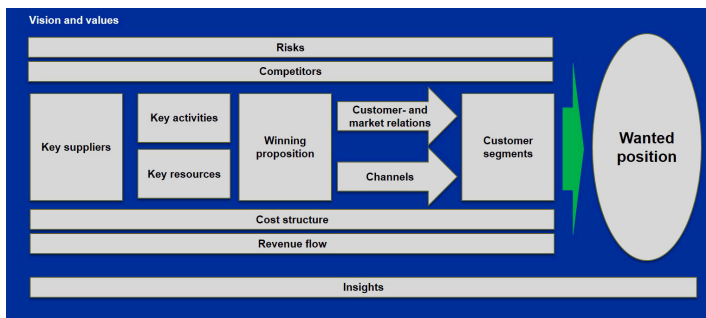
### **The logic structure of a business plan**

The structure of a business plan should follow the structure of the business architecture, which bridges the company's business model and strategy to its requirements on performance and available capacity. Therefore, a business plan needs to provide a common understanding of the company's strategic objectives and operational considerations. There are several areas needed to be covered in a business plan, but being crystal clear on customer segments and winning proposition is crucial for sustainable success, since successful business is all about serving customers with outstanding products and services.

The logical context of a business plan is a hands-on clarification of how the organization will move from its current position to its wanted position. *So, what key activities will enable such a movement?*

To create a winning business plan, you need to be clear of what activities you must prioritize to direct the organization toward the wanted position. To do this consistently, you need to apply a systems approach on your entire organization, and address the important dimensions; customer, offering, culture, people and operations, when determining key activities.

The sole purpose of the measurement and reward system is to secure alignment of the organization's objectives behind the strategy and reward for adequate behaviors. A business plan is not just an important tool for top management. It is also an important tool for the broader organization, since it should provide ownership, clarity, direction, motivation and incentive for completion of the strategic direction in operational terms. In successful companies, the business plan is reviewed periodically to compare current standpoints against those outlined in the plan, and actions are taken when they differ. Hence, monitoring progress of the business plan should be an integrated part of the governance model. However, from experience we know that too many business plans are not being followed up adequately through the regular governance models with decreasing importance as a consequence.



**Figure 3. The business architecture guides the structure of the business plan**

A robust business plan should define a clear wanted position and values, key insights, key customer segments, winning propositions, key market and customer relationships, channels, key activities, key resources, key suppliers, revenue flows, cost structure, competitors and risks. See fig. 3, which structure follows an externally focused plan. To secure the proper context for

internally focused plans, the sections customer, offerings and competitors should be replaced with internal customers, provided services and best practice in relation to competitors or available sourcing options.

## Leadership evolution

Too many business plans follow either only a standard bullet high-level outline or are too detailed with so many pages that people do not have patience to read them all. We believe that both these ways introduce ambiguity. One extreme mirrors business-planning sessions with high pace and pressure where executives reduce complex business issues to something short. The other extreme mirrors the uncertainty of the employees, who are given the task to write without clear input and mandate. When we challenge management with our findings, we usually find that they know their business quite well and can, when asked, provide details about market analysis and positioning as well as strategic, tactic and operational considerations and need for action. However, since this cannot be clearly read in their plans, lack of clear communication will undoubtedly lead to difficulties in preparing and mobilizing people to execute the business plan correctly.

Formulating a clear and precise message is an art in itself where you need time for reflection. This is also applicable when creating a business plan, and generally, we believe that the ambition level need to be increased significantly, so that business plans really become the vital management tool for closing the strategy-to-execution gap as they are meant to be. So, writing a narrated business plan with full, logical statements

needs clear thinking to bring out the subtlety and complexity of how to make the strategy operational and how to win in the marketplace. Thus, a robust business plan requires a logical, concise argumentation that is specific to the situation and leads to the desired outcome. Some of the executives and managers we have supported have struggled and found it hard to articulate their ideas in a clear and consistent way, primarily due to temporary flaws in their thinking. However, they now understand that any logical flaws will be obvious to any reader. A well-written business plan with a conveying and powerful impression of winning can motivate and mobilize an entire organization and generate commitment among both superiors and subordinates.

### **How can we help?**

It is impossible to eliminate risks from strategic decision-making, but we argue that it is possible for companies to significantly improve their chances of success when it comes to strategy implementation if they expand their tool kit with a robust business plan.

Jomer & Co has long experience and knowledge of supporting senior executives in forging business plans. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running a Business Planning Workshop with the management team, to define a common strategic thread throughout the organization's externally and internally focused business plans, is a fast way to understand the opportunities and challenges the organization is facing.
- Conducting a Business Plan Audit, to analyze the organization's alignment behind the strategic direction and thus making the strategy operational, provides insights to the effectiveness of the company's business plan hierarchy as well as guidelines for increasing strategic and operational effectiveness.
- Business Planning Process Support is a comprehensive way to improve the process.
- Business Plan Support is a comprehensive way to improve the plan.
- Engaging in a Strategic Dialog with senior executives and managers, to solve their key challenges in their strategy implementation, provides high caliber individual hands-on support.

### **Jomer & Co**

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

For contact and more information, please email [info@jomer.se](mailto:info@jomer.se).