BUSINESS PLANNING

It's a process, not set in stone

The maxim "If you fail to plan, you are planning to fail," commonly attributed to Benjamin Franklin, seems as true today as it was then. Given what Franklin saw in a life that covered most of the 1700s, from British colony to independent nation, I suspect he would be amused by the notion that life is more complicated and less predictable now, therefore making planning of less value.

Franklin certainly knew the value of a plan; even if those who dispute the source of the quote are correct, Franklin's life as a scientist, businessman, politician, diplomat, and lifelong student shows that he lived it.

Still, I think many will sympathize when I confess that I have begun to wince a little when I say the word "plan." The pandemic didn't help, but pandemic or not, things happen that you really can't predict in full, excruciating detail. And that is not the only obstacle to business planning. Frankly, some people just don't like to do it or feel they have more critical priorities. While that might be true for the short term, it is asking for trouble in the long run.

Some feel that detailed plans are of limited value since you cannot plan for all possibilities; I've heard this many times. There can be misconceptions as to what planning actually is, such as the fear that a formal plan locks you in to an immutable path regardless of circumstances. (If that is the case, you probably have a bureaucracy problem, not a planning problem.)

So it is a big topic, but following are a few helpful approaches to common planning scenarios.

THE BUSINESS PLANNING APPROACH

The terms "business plan" and "feasibility study" are often used almost interchangeably, and Morrison has assisted with many of both. There is a difference: a feasibility study explores whether something can be done, and, if it is deemed feasible, a business plan lays out the specifics of the plans to do it. There may be reasons to do just one or the other, but a comprehensive business plan will always have elements of both.

Business plans should be crafted to meet the needs of the intended readers and users, which can vary. My personal preference is when the intended readers include both ownership and those who are responsible for implementing the plan and for its results. Plans might also be done to meet the requirements of financial institutions, granting agencies, or others, but might not be fully bought into by those in the organization. It can become a "check the box" exercise of limited value if you are not dedicated to the plan.

I joke that plans are written in pixels not stone. They should be reviewed regularly and adapted as circumstances arise. While in a senior position at a large company, I told the team that I did not mind if we went over budget as long as we did it on purpose. This did not mean we had free reign to do whatever we wanted, but that as a team we could break with the set plan if there was good cause.

On another occasion, I was asked to do a 10-year plan for a different business, which they thought would be the first in their history. After digging into their files I found that they were seven years into a 10-year plan that no one knew existed. While extreme, this can happen if a business plan is looked at as a one-and-done, or perhaps just a futuristic novel, rather than an ongoing and evolving process.

I had a bonus program with a previous employer that was based on achieving very quantifiable and measurable metrics, with little room for discretionary factors. About halfway into the year I told them that I could meet those goals but that due to unforeseen changes in the business dynamics it was going to cost them a lot more than my bonus. We agreed to make changes to the program rather than just "stick to the plan."

It is also important to make sure all of the key functions of an organization are involved in developing, implementing, monitoring, and updating the plan. It would be a rare business strategy that did not involve all aspects of an organization in some way, including operations and production, distribution, marketing and sales, operations, finance and administration, and human resources. Likewise, it would be a rare business venture that wouldn't struggle if all key functions weren't appropriately involved.

Unfortunately, it would not be a rare business planning practice that left some functions largely out of the process. We have seen plans that are heavily focused on one function, such as sales or operations, with little or no consideration of other key parts of the organization. It may sound too simple, but if it is something you can manufacture well with the existing infrastructure your team better have a plan to sell it. And if you have a great marketing opportunity you better be able to deliver it.

Some years ago we did a feasibility project for a company that wished to build its branding around delivering milk in glass bottles to people's doorsteps, a throwback business model that required significant research. At the time, it turned out there were only two sources of FDA

approved glass bottles for milk in North America, one of which had only been doing it for 18 months. If you are going to build your whole branding around delivering your product in glass bottles, you better be able to get glass bottles. With research, we found that the glass bottle/home delivery model had not faded in Europe as much as in the US, and if needed there were approved sources of bottles there. Good research and planning covered that critical possibility.

In short, planning should be an ongoing process that involves all key business functions, upfront research, ongoing monitoring, necessary adaptations, and constant communication. It is a process, not a novel to set on a shelf and read in your spare time (if you have any).

CONTINGENCIES FOR THE UNFORESEEN

Basically, this is disaster planning. As we have learned in recent years, unforeseen circumstances like the COVID 19 pandemic can throw the entire worldwide economy for a loop. To be fair, researchers and scientists have been predicting such a pandemic for decades, probably to the point that people generally stopped listening. Very few were prepared. And a similar pandemic had actually happened, the 1918 – 1920 "Spanish Flu" pandemic that caused considerably more worldwide deaths than COVID despite a much smaller population. So it was no secret that it was possible, it just didn't seem plausible to many.

COVID 19 and the Spanish Flu are hardly the only major "unforeseen circumstances" disasters ever seen. Joining them were the economic calamities of the Great Depression, the attack on Pearl Harbor, the oil crisis of 1973, the stock market crash of 2008, and the Great Recession, to name a few. And despite the chest-thumping with China and Russia, there is a fair amount of codependence in our economies. An accelerated trade war, the impact of tariffs, and other possibilities cannot be ruled out.

We know economic disasters happen, but how do we prepare? I will not attempt to predict the next one, which would be a wild guess at best. However, there are a few key factors at particular risk.

1. **"Stay-at-home disasters."** Of the disasters noted above, only the pandemics were what I have coined as "Stay-at-home disasters." This makes them unique in that wars abroad, stock market crashes, oil shortages, trade embargos, etc., do not make people huddle in their homes and stay away from each other. If your organization needs people to be physically present at work or in the marketplace and they can't be, how will you handle it? There were a lot of lessons learned during COVID, but many industries were particularly hard hit. Take note of what you did to survive and give consideration to preparing for the weakest points.
2. **Demand.** If it effects money, it effects demand. Even if people are not confined to their homes, how essential or discretionary your product or service is will greatly affect the impact. Plan for how you might position a discretionary product or service when dollars get scarce.
3. **Supply.** Any disaster can impact supply. Like the example of the glass milk bottles above, consider the options for supply if existing channels are impacted, and in a worst-case scenario, how to keep the business going if supply cannot be fully maintained.
4. **Production and distribution.** As with supply, consider options for your current methods of production, and how you might throttle back the business to survival mode if sufficient accommodations cannot be made.
5. **Human resources.** By definition, an economic disaster of any type impacts people. While World War II did not make people stay home, it did divert thousands (if not millions) of people to the war effort – and not just those in combat. This would impact production, demand, and many other factors. Have a plan in place to react to an impacted workforce by use of automation, remote work, outsourcing, or other methods.

HELP IS JUST A CLICK WAY!

Whether for "routine" planning or the unforeseen, Morrison can help with the planning process. We have seen a lot. Let us help with organizational development to improve your ability to implement plans successfully; financial projections under different scenarios; outsource accounting and finance help; and, in exploring grant funding assistance to implement your plans. Get in touch with us at morrisonco.net/contact, or with any member of the Morrison team.

ABOUT THE AUTHOR

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