



WHITE PAPER

THE SECRET TO SUCCESSFUL BUSINESS PLANNING

Corporate Performance Management

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INTRODUCTION

For executives and senior managers, business planning is one of those corporate activities in which most managers would consider they are reasonably accomplished. However, honestly, how many of us live the plan through to conclusion, achieving the strategic initiatives, and producing the expected outcomes? How many of us involve more than a select few senior managers and executives in the process? How many of us cascade the plan through the organisation to ensure everyone understands it and implements the plan?

Simply, it just doesn't happen!

Drafting a plan is less than half the work. In fact, most of the work is in the execution.

Business planning without execution is just a waste of time.

The success data on business planning paints a dismal picture. Largely planning is a bust.

- Within 5 years, 68% of small business fail due to a lack of planning.
- A litany of large, significant companies have failed due to an inability or lack of will to modify, change, or adapt their planning due to disruptive innovation, including Eastman Kodak, Blockbuster, Polaroid Corporation, Borders Group, and Nokia.
- Many of the corporate failures, large and small, are due to a lack of elasticity in the planning and execution process.
- Many corporates plan but few utilise strategic management, which includes focusing on planning in advance, calculating outcomes, and the full and efficient use of organisational resources to navigate through challenging environments.
- Few organisations use scenario planning in the planning process thereby they lose sight of diverse viewpoints, forecasts of the future, and disparate priorities.
- Mistakenly, many organisations pay lip service to business planning, using it to placate the board, shareholders, and stakeholders.



- In most organisations, the employees who make up the teams that deliver value to the corporation have no idea there is a business plan, let alone what is in it. They go about their daily work unaware that their efforts may be working in opposition to the plan.

Planning must stop being a thing we do. It must become a consistent, living process that is part of everyone's daily work.

Creating a high performance organisational environment is more than drafting a well-developed corporate strategy. It is not a single process. It is a system of multiple processes which work in harmony to create an environment in which engaged employees deliver excellence in human performance which drives exceptional organisational performance.

Research has suggested that organisations which implement effective performance management systems are likely to perform at a higher level in financial terms than those that do not utilise performance management systems¹. Furthermore, it has been indicated that success in managing performance depends largely on the organisational philosophies, corporate culture, attitudes, and skills of the personnel responsible for the performance systems implementation and administration². Individuals and organisations profit from the implementation of effective performance management systems in the form of individual enhancing feedback and collated organisational data.

In creating high performance environments, it is best to take a systems view to organisational and human performance. A systems view considers that all organisations are a system and that it is possible to model the interaction of the processes in the system to produce a high level of performance³. Organisational and human performance enables the organisation (system) to deliver results. The system receives feedback on the results it delivers in the form of performance feedback from within the system and value feedback from outside the system³.

When the chef tastes the soup, that is performance feedback; when the customer tastes the soup, that is value feedback [personal communication]

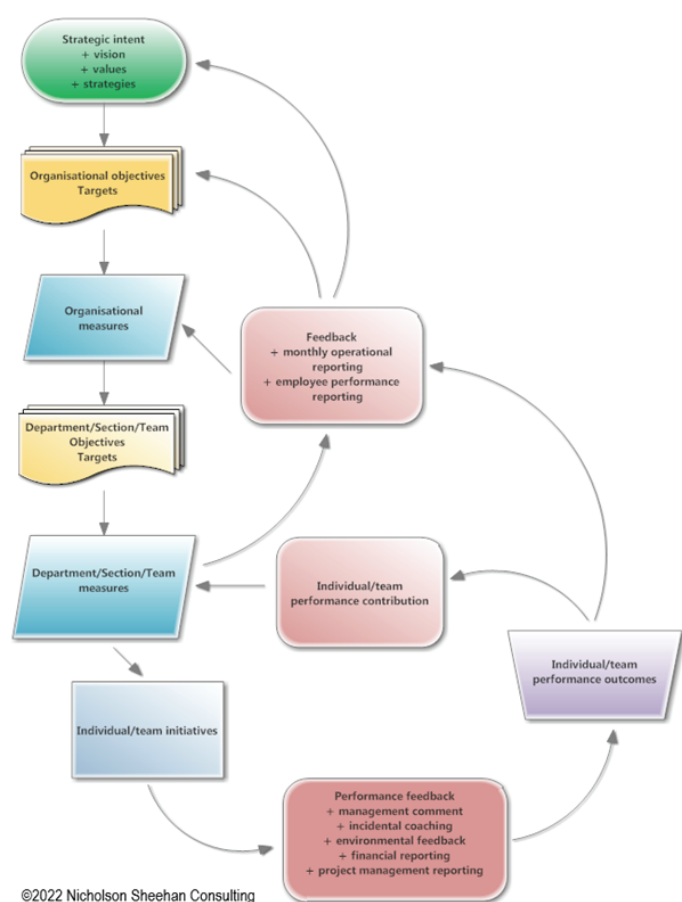


Figure 1.1 Organisational-Human Performance System™

High performance is delivered by the system (organisation) when we ensure that all organisational processes and human processes are aligned and working within shared values and towards common goals. When these conditions are achieved, the corporate effort is coordinated. We achieve the proverbial well-oiled machine!

MAKING PLANNING A LIVING PROCESS

If planning, in all its guises, is to become a living process, we must let go of the executive view that planning is something executives do. This attitude perpetuates the falsehood that planning, particularly strategic planning, is either top secret not to be shared with the masses, or that it is too complex, and they won't understand it.

First myth debunked. Planning is a process of strategic management which involves scanning, formulation, implementation, and evaluation⁴. The process of creating a plan is insufficient. It must live in a strategic management environment which includes taking action to implement and then measure the success. Without the whole workforce, this endeavour is doomed.



Second myth debunked. To gain the cooperation, buy-in, and collaboration of the workforce necessary, they need to be involved from the outset. It is always surprising what the workforce know, understand, and their viewpoint on what is important for the success of the organisation when they are involved in planning.

In establishing Scoot's (low cost, medium haul airline subsidiary of Singapore Airlines) inaugural strategic plan, it was determined that it would be a living, wholistic process which included all the staff. The detail of the plan was developed by cascading it through the organisation which enabled all to buy into the plan and have a say in what is important. The result was a plan that effectively undertook environmental scanning, formulation incorporating diverse viewpoints, and disparate priorities. It made the plan part of every staff member's priorities and consequently easier to implement. At the all staff meeting to kick off the planning process, the CEO Campbell Wilson stated "strategic planning is everyone's priorities. If it isn't in the plan, we don't do it".

In making planning a living process, it is necessary to address the documented failure points of business planning. Understanding the nexus between strategic planning and strategic management is critical. They are defined as systematic approaches to increasing the strength of an organisation by increasing business leaders' responsiveness to the business environment⁵.

Strategic management includes steps to navigate a challenging environment, through the use of planning in advance, scenario planning, calculating outcomes, and the full and efficient use of organisational resources⁶. Corporations that have proven ability to thrive in challenging environments include Wesfarmers, Harvey Norman, and Fortescue Metals Group. Additionally, for companies to survive challenging environments, executives need strategic agility and organisational ambidexterity, which entails the ability to simultaneously take into account current responsibilities and future opportunities⁷.

Organisations are agile when they continue to thrive even though the environment is continually changing or unpredictable. By developing scenarios, executives are able to consider diverse viewpoints, forecasts of the future, and discover disparate priorities. The process of scenario planning is thinking, both rational and intuitively, to make strategic decisions.

A comprehensive, living business planning system focuses on corporate performance through systematic, strategic management practices including:

- Scanning – being open minded and agile, environmental scanning, and investigating conditions of markets and industry.
- Formulation – identifying advantages from market and industry scanning, conducting scenario planning to define opportunities, develop alternative strategies, and formulate the plan.
- Implementation – utilising organisational-human performance (Figure 1) to create a corporate performance system which directly links corporate performance to individual performance.
- Evaluation – rigorous process of data, metrics, and timelines to evaluate the effectiveness of the plan as it is implemented, use of strategic agility and organisational ambidexterity to modify, change, or adapt the plan as required to achieve the outcomes.

PARTICIPATION, SHARING AND PERFORMANCE

Traditionally, bonuses, incentives, rewards, and punishment have been the preferred methods for creating high performing environments. But if these approaches worked, we wouldn't still be discussing this subject. Research over decades has indicated that monetary rewards are poor influencers of human performance⁹. Organisations have not been successful in creating high performing environments by the indiscriminate payment of bonuses and incentives, and they certainly haven't built high performance through micromanagement, threatening punishment, or dismissal.

In business circles, there is a persistent perception that employees are happier, more productive and committed in work environments that are relaxed and less demanding. However, this view is not supported by social science research. Empirical and applied research has indicated that organisations who remain competitive, or become more competitive, are more likely to have committed employees⁹.

Daniel Pink (2009) indicates that employees are motivated by "Autonomy, Mastery and Purpose". Herzberg (1968) stated that employees are motivated by non-monetary incentives of responsibility, inclusion, and challenging work. Before him, Maslow (1943) declared that employees are motivated by higher order needs such as self-improvement and personal advancement. However, in present day businesses, employees work in units and teams in which personal motivation is influenced by the group.



To successfully encourage high performance, organisations need to address corporate and microcultures which influence both the group and the individual.

Applied behavioural research has demonstrated that high performance workplace cultures are effective in which employees are engaged with organisational goals, provide a wide range of opportunities for employees to interact and buy-into the corporate effort. Additionally, high performance workplaces communicate constantly with their workforce openly sharing company information and encouraging the employees to participate in workplace improvement and innovation. The development of high performance workplace cultures has been demonstrated to lead to increased revenue and profit¹⁰.

What practical steps can an organisation take to raise performance and productivity?

Management can take specific actions that will drive performance and foster productivity:

- Encourage employee involvement to create a better future,
- Increase communication, and
- Support the implementation of individual and team objectives.

Participation is about involving employees in the business. It is broader than giving team members the information and tools to do their jobs. It is about encouraging employee buy-in where they are urged to become involved in the business decision making, problem solving, solution seeking and action planning. This is not abdication of management responsibilities. Quite the opposite, this is management fully accepting their leadership responsibilities which includes growing the capacity of employees to add value to the organisation outside their traditional job role. It is also about management fully utilising the intellectual power of the company to become more effective, productive, and competitive.

Sharing information and knowledge to enhance involvement and encourage employee buy-in is essential if the organisation is to increase performance. Employees want to feel that they are part of something important; that they are valued, and their contribution is adding to a significant outcome. Starving people of information, intentionally or not, is the most effective way to imply that they are insignificant and of little value. Knowledge is truly power. Additionally, managers will need to increase the amount of genuine two-way communication. Employees generally have well developed insincerity radar. Authentic, open communication about the business and the role that employees play in the business is necessary to create a high performing environment.

Lastly, **performance** is initially improved because of increased opportunities to participate and share. However, consistently higher levels of performance are realised because the organisation makes performance a priority and it is measured. To drive performance, the company will set realistic, achievable, and measurable objectives for individuals and teams. Furthermore, it will make the achievement of the objectives a high priority and the success against the objectives is regularly measured and widely communicated. Additionally, behaviours are repeated if they are rewarded. The organisation will need to reward individual and team objective achievement in substantial, not necessarily monetary ways. The presentation of the reward needs to follow closely after the achievement if the two are to be conclusively linked.

Organisations can implement practical solutions to improve organisational and individual performance and productivity. However, these solutions need to be consistently applied if low performance behaviours are to be changed.

CONCLUSION

To be successful at business planning, organisations need to create a system of multiple processes that engage human and organisational performance through the design and execution of the business plan. Humans are social beings who will join corporations to be part of something significant which achieves more than they can individually. To be successful, executives and managers must grasp this concept and engage these motivations. Isolating the workforce to tasks without linking employee work value creation to strategic objective achievement is short sighted and wasteful, leading to planning failure.

The link between employee work value creation and strategic objective achievement is the number one driver of employee engagement¹¹. Employees encouraged to join into business planning creation and execution are more likely to become engaged in the accomplishment of the plan thereby becoming part of the solution and achievement.

Due to influences of the pandemic and consequently the dispersal of corporations to working from home, more so than ever before, the future success of business planning is human. Organisations that grasp this point and invite employees to be full partners in the design and execution of business planning will significantly outperform their competitors.



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