



PLANNING TO SURVIVE IN UNCERTAIN TIMES: PART 1: BUSINESS PLANNING

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Learning Objectives

At the end of this program, participants should be able to:

1. Understand the basics of business planning.
2. Understand the various factors that influence business planning.
3. Perform a basic SWOT Analysis.
4. Explain the difference between *objectives*, *strategies* and *tactics*.



Learning Objectives

5. Prepare a simple “strategy map” that can be used to illustrate an overall strategic plan designed to address a set of specific objective(s).
6. Develop measurements to monitor the achievement of organizational objectives.



PARTICIPANT SURVEY— BUSINESS PLANNING

Please answer the on-line polling questions about your experience with business planning.



Introduction to Business Planning

A few quotes and thoughts about planning:

“If you don’t know where you’re going, how can you expect to get there?”

“When you come to the fork in the road, take it.”
(Yogi Berra)

“You can always amend a big plan, but you can never expand a little one. I don’t believe in little plans. I believe in plans big enough to meet a situation which we can’t possibly foresee now.” (Harry Truman)



Introduction to Business Planning

More quotes on planning:

“If you fail to plan...you plan to fail.”

“Plan your work...work your plan.”

“When there is no vision...the people perish.”
(Proverbs, 29:18)

“Have a plan. Follow the plan, and you’ll be surprised how successful you can be. Most people don’t have a plan. That’s why its easy to beat most folks.” (Coach Bear Bryant)



Introduction to Business Planning

So what is *business planning*?

A systematic and methodical approach to assessing the internal and external factors impacting an organization and the ultimate achievement of its objectives. Business planning carefully evaluates these factors and develops a sequence of actions *and* monitoring mechanisms that will enable the organization to successfully achieve its objectives. (Kollar's definition)



Introduction to Business Planning

Business planning is typically documented in the following manner:

- A. Business Plan – usually for start-up companies or organizations (often required for loans, venture capital).
- B. Strategic Plan - used for established entities to “map out” their future goals and objectives.
- C. Turnaround Plan—for organizations that are experienced financial or other business difficulties; maps out a recovery plan.



Factors That Influence Business Planning

- General economic conditions
- Customers—their needs; changing demographics, etc.
- Availability and talent of labor
- Financial resources and constraints
- Short and long-term viability of products and services being offered
- External forces that may impact the organization



SWOT Analysis

- Prior to drafting a business planning document, perform a SWOT Analysis.
- A process that identifies the organization's Strengths, Weaknesses, Opportunities and Threats.
- Based on research done at Stanford Research Institute, 1960 – 1970 to determine why corporate planning efforts failed.
- 1,100 companies and organizations were surveyed.



SWOT Analysis--Definitions

- Strengths—
- Weaknesses—
- Opportunities—
- Threats—

Incorporate SWOT Analysis into Business Planning

- SWOT must be realistic and objective!
This can be difficult (different views from staff, management and board).
- Maintain/capitalize on your strengths.
- Acknowledge and remedy weaknesses.
- Evaluate and pursue opportunities.
- Prepare for, respond to and defend against threats.

Participant Survey - SWOT

Please respond to the polling questions about SWOT Analysis



Components of Planning—Some Key Definitions

- Mission
- Vision
- Objectives
- Strategies
- Tactics
- Detailed action steps

Note: All must link together!

Components of Planning

Objectives should be SMART:

- Specific
- Measurable
- Achievable
- Realistic
- Time-bound



Example of an Objective with Related Strategies and Tactics

Objective: Improve overall financial strength by reducing the organization's financial dependence on government revenue (the desired outcome or impact).

Strategy: Reduce government revenue from 85% to 75% of total revenue.

Tactic #1: Increase individual gifts from \$xx to \$yy

Tactic #2: Increase corporate donations from \$xx to \$yy



Why do a lot of business planning efforts fail?

- “Prediction is difficult, especially about the future.” (Yogi Berra)
- Lots of great strategic plans fail for several key reasons:
 1. Lack of proper communication and consensus
 2. Plan was unrealistic
 3. Lack of monitoring and measurement
 4. Too many initiatives
 5. Insufficient resources



Why do a lot of business planning efforts fail?

- Planning is challenging!
- Poor execution and implementation will doom any plan to failure.
- Lack of proper monitoring and adjustment (to changing conditions) when needed.
- Inadequate resources to implement.
- Lack of understanding by those charged with plan implementation.



Use a Strategy Map to Communicate Plans and Achieve Objectives

- What is a Strategy Map?
- How can it help with business planning?

It's All About Execution!

- Failure to execute a great plan and achieve its objectives is a failure of the plan!
- In a sluggish economy, execution takes on greater importance.
- Separates the organizations that will survive from those that won't.

It's All About Execution!

Three ways to ensure successful implementation of a planning effort:

- A. Communicate the key points.
- B. Develop tracking/monitoring systems that facilitate identifying and solving problems. (Checklists can be very helpful!)
- C. Establish formal reviews of the plan—is it on track? Additional resources needed? Plan modifications needed?



Business Planning Survey

Please take a few moments to answer the online polling questions about business planning.



Key Performance Indicators

- Many organizations develop Key Performance Indicators (KPI's) to monitor organizational operations and effectiveness.
- What is a KPI?
- How would/could they be useful in managing the organization?
- Potential problems or pitfalls in using KPI's???

Performance Dashboards

- What do you think of when you hear the term “dashboard?”
- What does a dashboard convey?
- How could the dashboard concept be applied to any organizational setting?

Example Financial Indicators for Non-Profit Organizations

- Current ratio
- Debt ratio
- General & administrative expense %
- Fund-raising expense %
- Operating margin %
- Revenue mix (governmental vs. non-governmental)
- Net asset mix

Example Non-Financial Indicators for Non-Profit Organizations (Measures of Outcomes and Impact)

- Number of clients served
- Increase/decrease in clients from prior year (number and %)
- Donor mix compared to previous years
- Increase/decrease in number of donors
- Other specific outcome measures (tied to specific programs/initiatives)
- Number of new program initiatives

Performance Dashboards



- What elements are necessary for a meaningful and useful dashboard?
- Could be used to *summarize*:
 - a) Key financial indicators
 - b) Key non-financial indicators
 - c) Status of the strategic plan

Business Planning—References

- Lots of books, business articles on planning, strategic planning, etc.
- See separate handout for a partial listing of some recommended reading on business planning.

Summary and Wrap-Up

- Business planning is essential, especially in tough economic times.
- Business planning will only succeed if it is clearly communicated and understood, realistic, effectively monitored, and regularly reviewed.
- Monitoring of implementation is essential if objectives are to be achieved.



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