The Six Common Denominators

of
Effective Business Planning

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Why Plan?

"If you don't know where you are going, you will end up somewhere else."
Yogi Berra

"By failing to prepare you are preparing to fail."
Benjamin Franklin

"In preparing for battle I have found that plans are useless, but planning is indispensable."
Dwight D. Eisenhower

Dynamic vs. Static Planning

- Planning must become a dynamic, rather than a static or periodic, process
  - Seek opportunities
  - Identify initiatives
  - Complete initiatives efficiently

- Surviving change requires
  - Vision
  - Passion
  - Agility
  - Speed
  - Structure

Speed + **Agility** + **Flexibility** = **Profitability**

It's All About the Process

"You have to be committed to the process of taking action on a consistent daily basis."

Nick Sabin

" Focus on what the next action is – next drill, the next play, the next touchdown."

Nick Sabin

EFFECTIVE

BUSINESS
PLANNING

EFFECTIVE BUSINESS PLANNING

OUTSIDE IN AND FORWARD LOOKING

FIG
FINISH IMPROVE GROW
Complete the Incompletes
After Action Review
Grow

SHARED
Vision – Values
Guiding Principles

WHERE ARE WE?

AAA
ASSESS ADAPT ALIGN
Financial & Data
Customers/Marketing
Operations/Process
People
End in Mind

ACTIONS REQUIRED

IDENTIFIED OUTCOMES DESIRED
Objectives & Key Results
Tactics
Tasks
Action Steps

COMMUNICATE AND CONNECT

CCC
CLEAR CONSISTENT COMMUNICATION
Why – Impact – Benefits
Safe Space
IDS™

EXECUTE

EXECUTION and ACCOUNTABILITY
Cadence of Accountability
Binary Accountability
Lead Measures
SNAs

COMPLETE THE INCOMPLETES AND FINISH STRONG

Common Denominator

SHARED

Vision – Values
Guiding Principles

Vision

(vĭzh′ən) *n.*

1. An imagined idea or a goal
toward which one aspires.
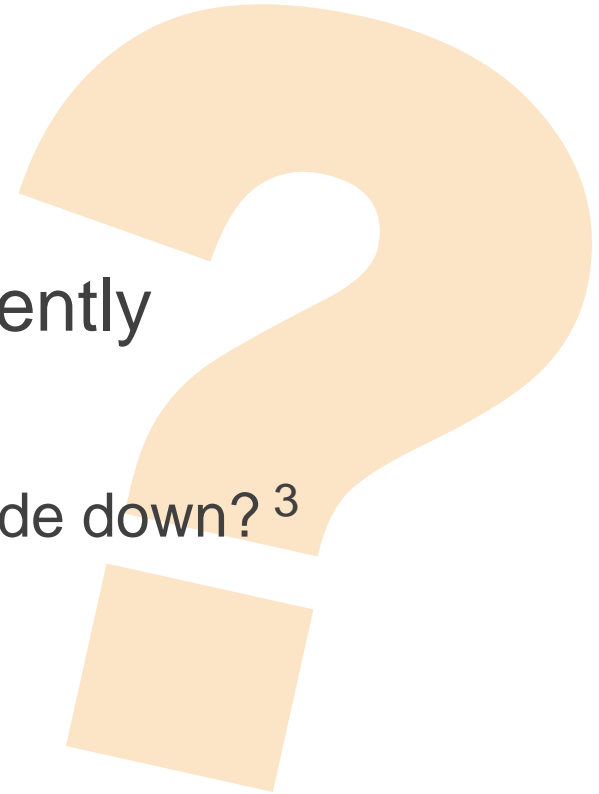
Vision

- Five years from now, what has changed and what is different?

- What are we celebrating?

- How will the delivery of our product or service to the end user need to change in five years for our products or services to continue to be relevant, competitive and profitable?

- What strategic assumptions or questions need to be addressed in our planning process?

Vision

- What are our pain points?[1]

- What are our big opportunities?[2]

- What issues or obstacles are currently in our path?

  - How can we turn these obstacles upside down? [3]

- What is our organization's overall strategic theme?

[1] *Great at Work, Morten T. Hansen, Simon & Schuster, 2018 p. 59*

[2] *XLR8, John P. Kotter, Harvard Business Review Press, 2014 p. 133*

[3] *The Obstacle is the Way, Ryan Holiday, Portfolio/Penguin, 2014, p. xiv*

Definitions

- Vision
  - A thought, concept or object found in the imagination
  - Unusual discernment or foresight
  - Something unseen

- Mission
  - A specific objective or task with which a person or group is charged
  - A preestablished and often self-imposed objective or purpose

- Intent
  - Resolved or determined to do something

- Purpose
  - The reason something is done or created or for which something exists
  - A personal sense of resolve or determination

Definitions

- ## Cause
  - A person or thing that gives rise to an action, phenomenon or condition

- ## Passion
  - A strong emotion
  - Intense or driving

- ## Niche
  - Describes the products, services or interest on which you focus
  - Decide what business you are in and be in that business
  - Don't chase the shiny stuff

Vision

- To properly articulate your vision, mission, purpose, etc., consider communicating:
  - What you intend to accomplish or where you are going
  - Why this achievement is so important and the positive impact it will make
  - How achieving the vision will benefit others
  - Who will benefit

- In a concise, clear, emotionally compelling, authentic and memorable manner

Google

To provide access to
the world's information
in just one click.

Amazon

To build a place where people can come to discover anything they might want to buy online.

amazon

Ford

One Ford – One Team
One Plan – One Goal

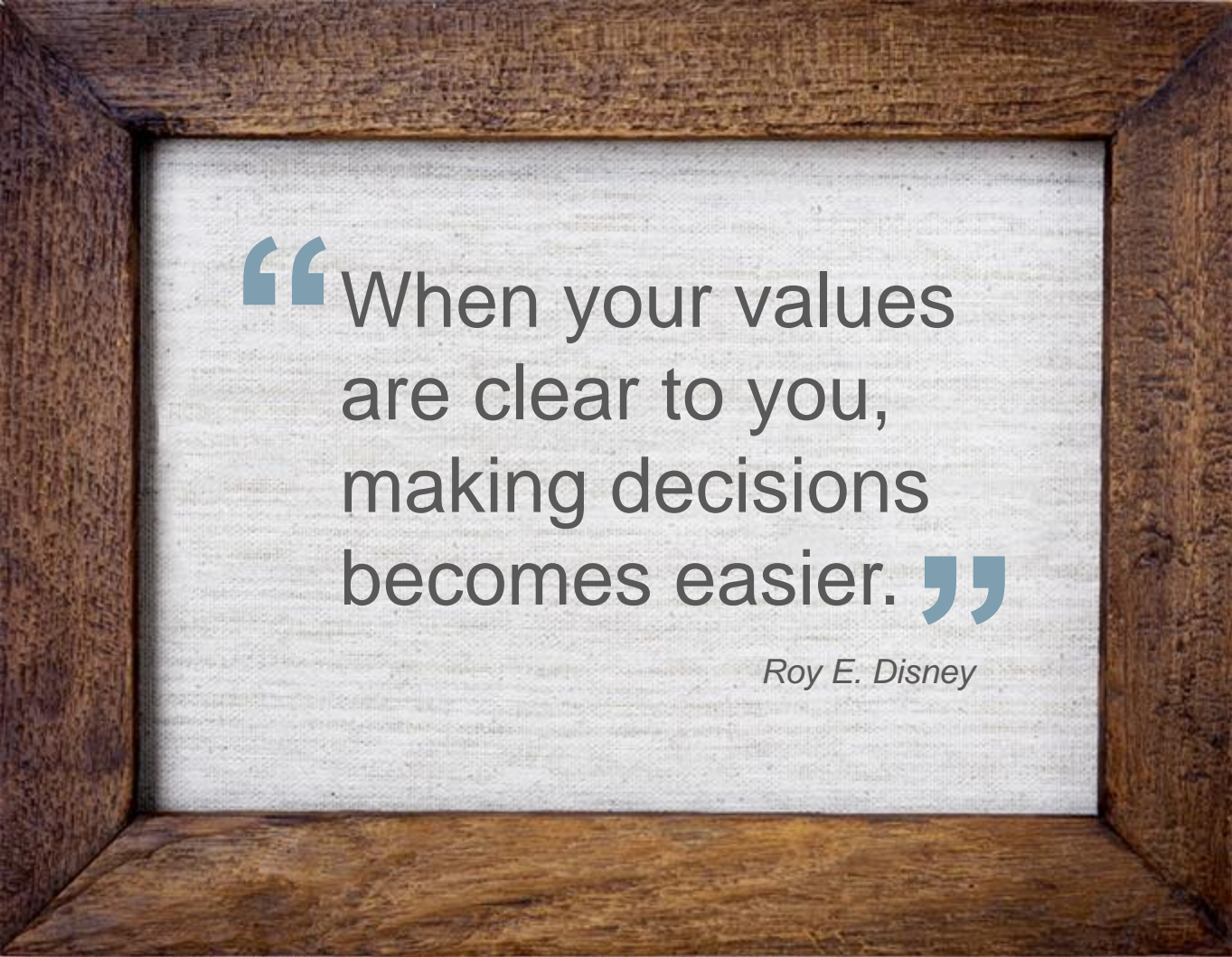# Decision Support Services

Delivering results by improving the quality of an enterprise's processes, options, data and communication.

Decision Support Services

VALUES

When your values
are clear to you,
making decisions
becomes easier. "

Roy E. Disney

Values

- Values exists within every organization, whether they have been recognized, written and communicated by leadership, or not.

- "A small set of vital and timeless guiding principles for your company."

- Gino Wickman

Values

"Our customers want to know what we stand for. Apple is about more than making boxes to help people do their job. Although we do that very well."

Steve Jobs

"We believe that people with passion can change the world and that people can change it for the better. That's what we believe."

Steve Jobs

Values

Examples of core values and/or value statements

- Integrity – We choose to do what is right.

- Teamwork – We work together toward shared objectives.

- Accountability – We own and honor our commitments to ourselves and others.

Google

- Focus on the user and all else will follow

- It is best to do one thing really, really well

- Bet on technical insights not market research

Virgin Airlines

- We think customer

- We lead the way

- We do the right thing

- We are determined to deliver

- Together we make the difference

Common Denominator

AAA

ASSESS ADAPT ALIGN
Financial & Data
Customers/Marketing
Operations/Process
People
End in Mind

AAA

- ## Assess
  - What's happening?

- ## Adapt
  - What's not working/what needs to change?

- ## Align
  - Are our actions aligned with our vision and strategic direction?

"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."

Jack Welch
Former CEO of GE

$COPE

$COPE

$ - Financial & Data
1. Looking back
2. Looking forward
3. Systems & data

Customers / Marketing:
1. Define focus
2. Understand ideal customer
3. Value proposition or 3 Uniques™

Objectives & Key Results (OKRs)

Operations / Processes:
1. Document/map core processes
2. People or Process Issue?
3. Best use of time/talents?

End in Mind
Big picture

People
1. HR and HCM properly scaled
2. Compensation strategy
3. Right people, right seats
4. Culture

AAA

"Identify your problems but give your power and energy to solutions."

Tony Robbins

5-3-1
Looking Back

5-3-1
Looking Forward

SCOPE Distribution, Inc.
Historical and Planning Summary Financial Data

	Historical 000s					Common Size				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Sales	3,732	4,036	3,708	3,789	4,653	100%	100%	100%	100%	100%
Cost of Sales	2,669	2,833	2,628	2,627	3,285	71.5%	70.2%	70.9%	69.3%	70.6%
Gross Profit	1,063	1,203	1,080	1,162	1,368	28.5%	29.8%	29.1%	30.7%	29.4%
Operating Expenses:										
Sales, wages and payroll related costs	276	306	266	235	274	7.4%	7.6%	7.2%	6.2%	5.9%
Selling expenses	47	47	46	50	53	1.3%	1.2%	1.2%	1.3%	1.1%
Other wages and payroll related costs	349	342	322	439	455	9.4%	8.5%	8.7%	11.6%	9.8%
Occupancy costs	108	97	110	154	162	2.9%	2.4%	3.0%	4.1%	3.5%
Other operating expenses	98	92	78	77	88	2.6%	2.3%	2.1%	2.0%	1.9%
Total operating expenses	878	884	822	955	1,032	23.6%	22.0%	22.2%	25.2%	22.2%
Operating Income before owner wages and payroll related	185	319	258	207	336	4.9%	7.8%	6.9%	5.5%	7.2%
Officer wages and payroll related costs	223	226	253	332	368	6.0%	5.6%	6.8%	8.8%	7.9%
Operating income	(38)	93	5	(125)	(32)	-1.1%	2.2%	0.1%	-3.3%	-0.7%
Interest income	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Pre-tax Income	(38)	93	5	(125)	(32)	-1.1%	2.2%	0.1%	-3.3%	-0.7%
Days Sales in Accounts Receivable	33.8	32.5	32.5	24.5	28.9					
Days Cost of Sales in Inventories	52.7	49.4	52.3	47.7	36.9					
Days Cost of Sales in Accounts Payable	30.6	26.5	40.9	27.5	29.4					
Operating cycle days	55.95	55.31	43.93	44.68	36.42					
Inventory turnover	6.83	7.29	6.88	7.55	9.75					
Interest bearing debt	-	-	-	-	-					
Debt to equity	0.70	0.61	0.99	0.72	0.67					

5-3-1 Planning

Five-Year Target	Dollars			Common Size			5 - Year Compound Growth
	1-Year Plan	3 - Year Milestone	5 - Year Target	1-Year Plan	3 - Year Milestone	5 - Year Target	
9,650			9,650			100.0%	20.00%
			6,755			70.0%	
30.0%			2,895			30.0%	20.61%
5.75%			555			5.75%	19.30%
1.00%			97			1.01%	16.31%
9.00%			869			9.01%	17.56%
2.50%			241			2.50%	10.44%
1.75%			169			1.75%	17.72%
			1,931			20.00%	
			964			10.0%	30.15%
			724			7.50%	18.43%
2.50%			240			2.50%	
25						25	
30						30	
30						30	
25						25	
12						12	
1.25						1.25	

Yellow = Five-Year Stretch but attainable Targets
Orange = Assumptions Needed/Made to attain five-year target

Target
Milestone
Plan

Start with Five-Year Target (Read 10X)
Where would we need to be in three-years to be on track for five-year target?
Based on Target, Milestone and tactics and tasks to execute strategy what is a
realistic level to set the one-year plan.

Customers/Marketing

Where is your focus?

- Stop trying to be all things for all people
  - "He who chases two rabbits catches neither."   *Russian Proverb*

- Define and understand your ideal customer
  - Who are they?
  - Where are they?
  - What are they?

- Identify your organization's:
  - Value proposition, and/or
  - Key differentiators and/or
  - Five or fewer unique attributes

Operations

All work is a process

- Document your repetitive tasks and workflows
  - Written, communicated and followed by all

- Best use of individuals' time, talent and unique abilities
  - Delegate, eliminate, automate

People

- HR and HCM properly scaled

- Compensation and benefits
  - Aligned with vision and goals? Last time it was analyzed?
  - Can you articulate your overall compensation strategy?
  - Intrinsic vs. extrinsic

- Right people, right seats

- Culture
  - Buy-in and engagement

End in Mind

Why?

- Legacy
- Community impact
- Employees and family
- Transition planning
- What difference are we making?
- Work/life balance

Common Denominator
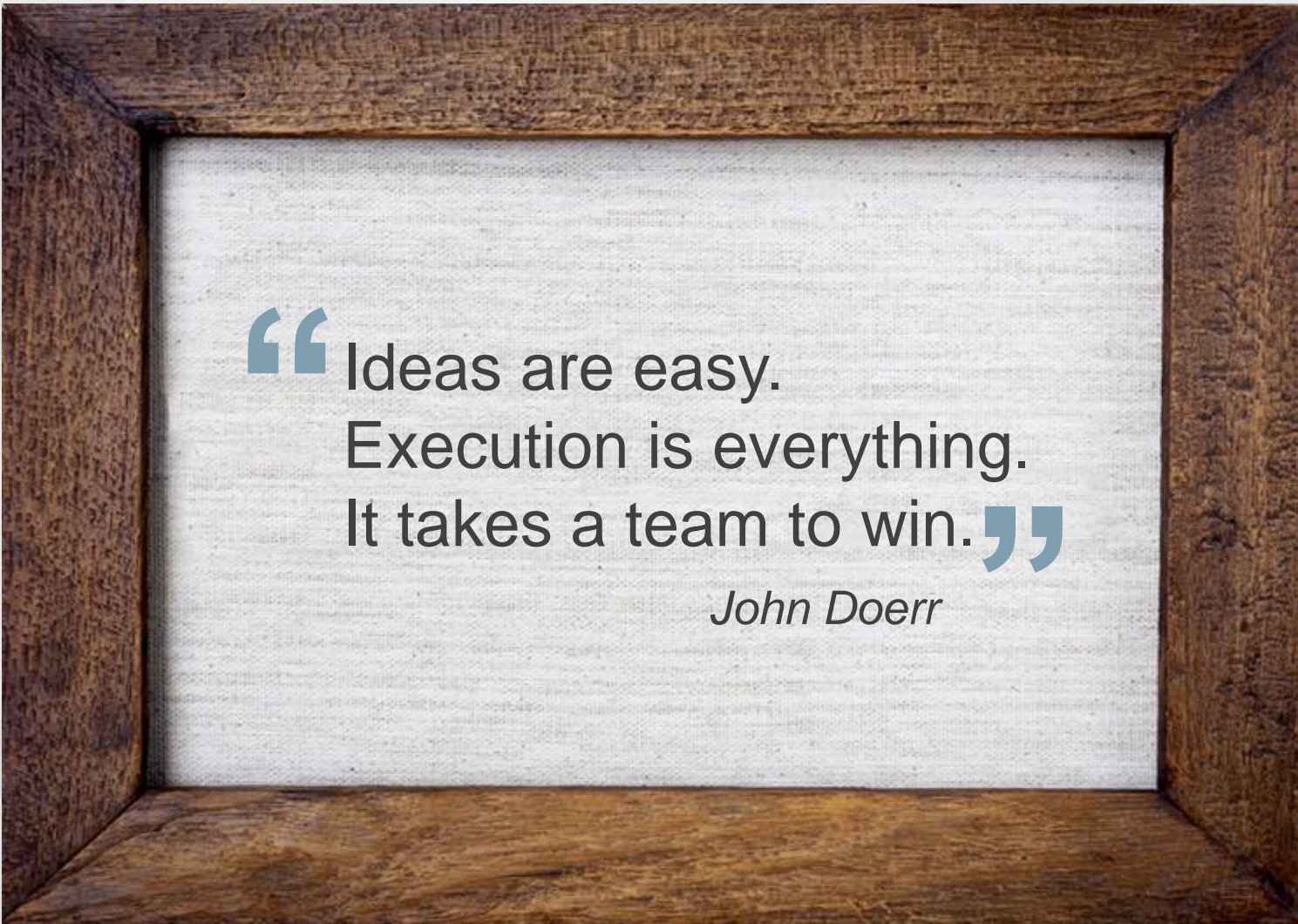
IDENTIFIED OUTCOMES DESIRED

Objectives & Key Results
Tactics
Tasks
Action Steps

" Ideas are easy.
Execution is everything.
It takes a team to win. "

John Doerr

Outcomes Desired

- Prioritize and be practical

- Think and plan big, celebrate small and often

- Tie short-term objectives and key results to big picture

- Keep short-term focus (next 90 days)

Outcomes Desired (OKRs)

- ## Objective – Where do I want to go? What do I want to accomplish?
  - Description of a goal to be achieved in the future
  - Sets a clear direction and provides motivation
    - Destination map

- ## Key Result – How do I know if I'm getting there?
  - Metric with a starting value and target value measuring progress toward an objective
    - Signpost with a distance showing you how close you are

- ## Initiative – What **will** I do to get there?
  - Description of the work you will do to influence a key result
  - Describes what you will do to get there
    - Take car, row a boat, etc.

*"OKR - The Ultimate Guide to Objectives and Key Results." *Perdoo*. N.p., n.d. Web.

Outcomes Desired (OKRs)

STRATEGIC ALIGNMENT
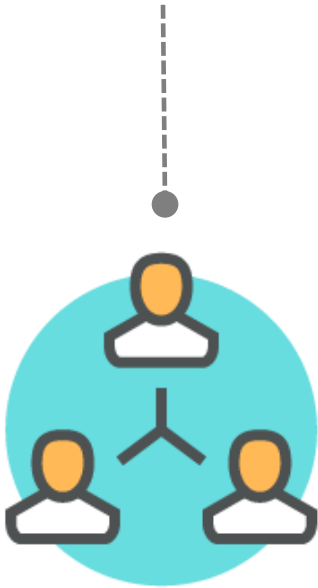
FOCUSED EXECUTION

ENGAGED EMPLOYEES

Common Denominator

CCC

CLEAR CONSISTENT COMMUNICATION

Why – Impact – Benefits

Safe Space

IDS™

Clear Consistent Communication
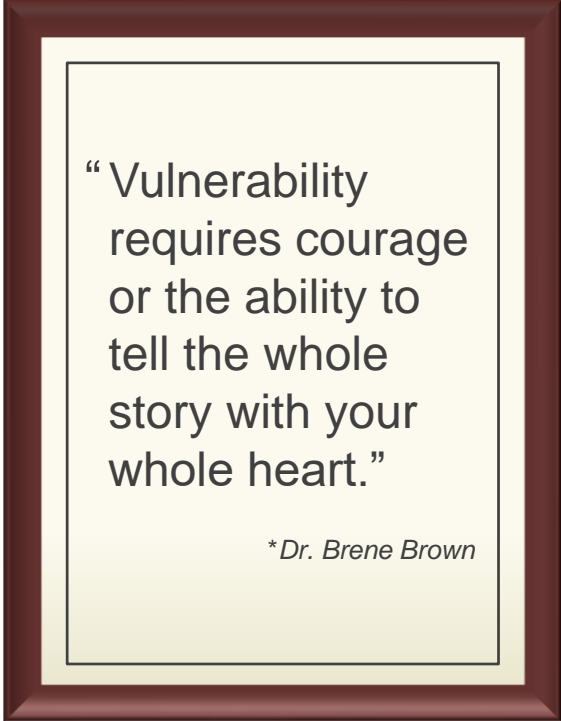
Business Plans

- No business plan comes to life until it can be clearly and consistently communicated and shared with employees and, on a smaller scale, with your customers, vendors and the community.

- The ability to communicate your vision, values, what you are trying to achieve and why enables your employees to <u>connect the impact</u> their activities and tasks have on the organization's goals.

Clear Consistent Communication

Safe Space

- Create an environment promoting "vulnerability or the opening of one's self to the possibility of being wounded, hurt or open to moral attack or criticism."*

- Vulnerability is the birthplace of:
  - Innovation
  - Creativity
  - Change

" Vulnerability requires courage or the ability to tell the whole story with your whole heart."

*Dr. Brene Brown

IDS™ Identify – Discuss - Solve

- Successful organizations identify, discuss in an open and honest environment, and solve their organizational issues in a lasting and meaningful way.

- There are only three options for solving an issue. You can either:

  – End it,

  – Change it, or

  – Live with it

- Have the courage to live with it if you are unwilling to end it or change it, and, by all means, quit talking and/or complaining about it.

IDS™ Identify – Discuss - Solve

"A problem well stated is a problem half solved."

Charles Kettering

1. What is the problem?
2. What is the root cause of the problem?
   – People
   – Process
   – Other
3. What are possible solutions to the problem?
4. What are the best solution(s) to solve the problem?
5. What actions need to be taken – by whom, by when?

Clear Consistent Communication

Openly Shared

- The best cultures openly share information!

> "Power comes not from knowledge kept but from knowledge shared. A company's values and reward system should reflect that idea."
>
> *Bill Gates*

Common Denominator

EXECUTION
and
ACCOUNTABILITY

Cadence of Accountability
Binary Accountability
Lead Measures
SNAs

Execution & Accountability

- Execution and accountability requires:
  - Ownership
  - Teamwork
  - Self-discipline

- Ownership: "What can I do to produce a better outcome?"

- There can be no leadership where there is no team

Cadence of Accountability

- "Frequently recurring cycle of accounting for past performance and planning to move the score forward."*

- The more important an objective, issue, pain point, opportunity, etc. is to an organization, the more frequently the meeting must take place but for a shorter duration at each session.
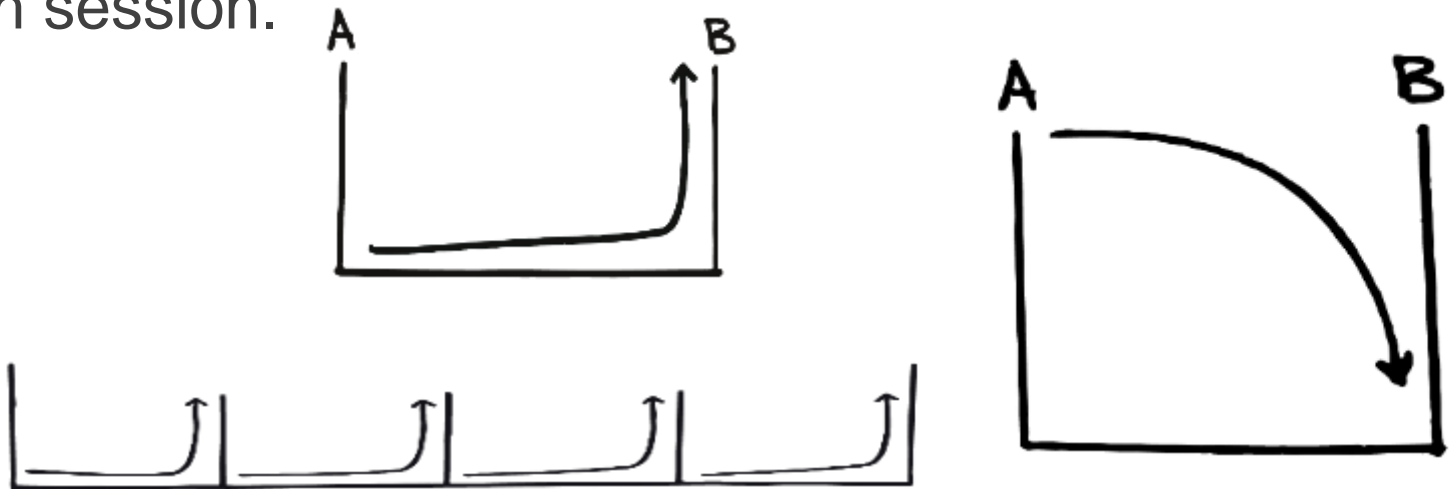
*The 4 Disciplines of Execution, McChesney, Covey and Huling, Free Press 2012

**Wickman, Gino, and Tom Bouwer. *What the Heck Is EOS? A Complete Guide for Employees in Companies Running on EOS.* BenBella Books, Inc, 2017.

Execution & Accountability

Meeting Pulse™

- To sustain the cadence of accountability, the meeting should take place:

  – Same day of week

  – Same time of day

  – Same length of time

  – Same Meeting Pulse™, agenda and focus

  – Meeting recap of decisions made, actions taken or required, additional data/information required including by whom by when

  – Appropriate messaging

Execution & Accountability

Binary Accountability

- "The only meaningful measure for a leader is whether the team succeeded or failed and that leaders must take full responsibility for the results either way."*

- Allows for two possible answers
  - Yes or no, on-track or off-track, succeed or fail

*Extreme Ownership

Execution & Accountability

- The success rate is tracked and reported at the start of each meeting and compared with a quarterly team goal.

- No other discussion is permitted during the binary check-in and must be deferred until a later time.

- This can be an effective technique for a leader to instill the idea that the only way to move forward is to stop reacting and start acting.

Execution & Accountability

Lead vs. Lag Measures*

- Lag measure tells you if you have achieved the goal.

- Lead measure tells you whether you are likely to achieve the goal.

- Lead measure must be both **predictive** and **influenceable**.

*4 Disciplines of Execution, *McChesney, Covey and Huling, Free Press 2012*

Execution & Accountability

Examples

1. **Lag measure:** Lose 15 pounds by July 4 holiday

Lead measures:
– Reduce daily calorie intake to 1,300 per day for the next 35 days
– 30 minutes of brisk walking twice a day for the next 35 days

Execution & Accountability

2. **Lag measure:** Improve days sales in accounts receivable from 35 to 30 by June 30, 2018

   Lead measure:
   – % of accounts of over 30 days past due on Wednesday called every Thursday (Target 80%)

3. **Lag measure:** 2.5% increase in sales each month (monthly sales report)

   Lead measures:
   – Number of daily out-of-stock lost sales
   – Identify SKUs that do not have a three month supply on hand by Friday of each week

Execution & Accountability

Strategic Next Actions (SNAs)

- **SNA**: An action that is not dependent on the completion of another action or in need of additional resources to be executed

- SNAs characteristics:
  - Relates to one of the desired outcomes or key results
  - Has no dependencies
  - Starts with a verb
  - Is specific and measurable

Execution & Accountability

- Successful organizations consistently identify:

  – What is the next action I/we can take to move this item forward that is not dependent on something or someone else?

  – What is the best thing I can act on now?

  – While I don't have everything I need to bring this item to its ideal outcome, I can get it 80% of the way there, so I should begin now.
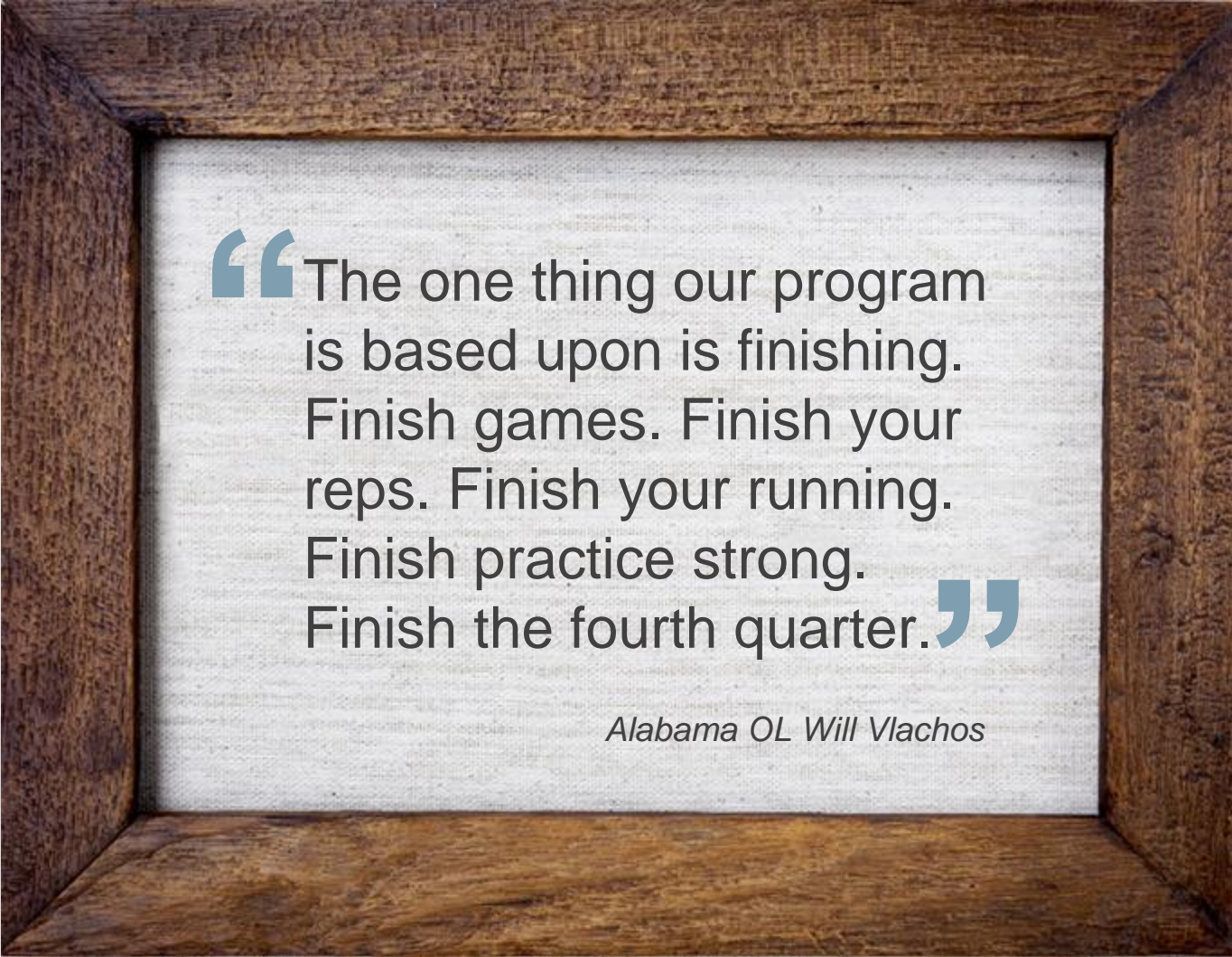
Execution & Accountability

Effective Meetings and IDS™

- The appendices have some ideas to help you:

  - Improve the effectiveness of your meetings

  - Identify, discuss and solve issues in an open and honest environment

Common Denominator

FIG

FINISH IMPROVE GROW

Complete the Incompletes

After Action Review

Grow

"The one thing our program is based upon is finishing. Finish games. Finish your reps. Finish your running. Finish practice strong. Finish the fourth quarter."

Alabama OL Will Vlachos

Finish Improve Grow (FIG)

Complete your incompletes

- Identify the tasks with the greatest impact if completed.

- What should/can we complete by end of the quarter, year, etc.?

- Turn the 80% into 100%.

- What tasks should we defer in order to complete the tasks that will have the greatest impact?

Finish Improve Grow (FIG)

Complete your incompletes

- What prevents us from doing so, or what do we need in order to complete? Time/people/ resources?

- Reaffirm commitment from existing owner or reassign to a new owner.

- Identify the strategic next action(s) including by whom and by when.

Finish Improve Grow (FIG)

After action review (AAR)

- What did we set out to do?

- What was expected to happen vs. what actually occurred?

- What went well and why?

- What did not go as planned and why?

- What can be improved and how?

Grow

- Successful organizations have a culture of growth and life-long learning.

- Be sure to ask the following questions both of yourself and of your team and organization:

  1. What lesson did I/we learn?

  2. What will I/we do differently or better as a result?

  3. How will I/we adjust our behavior going forward?

Questions?

Thank you.

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