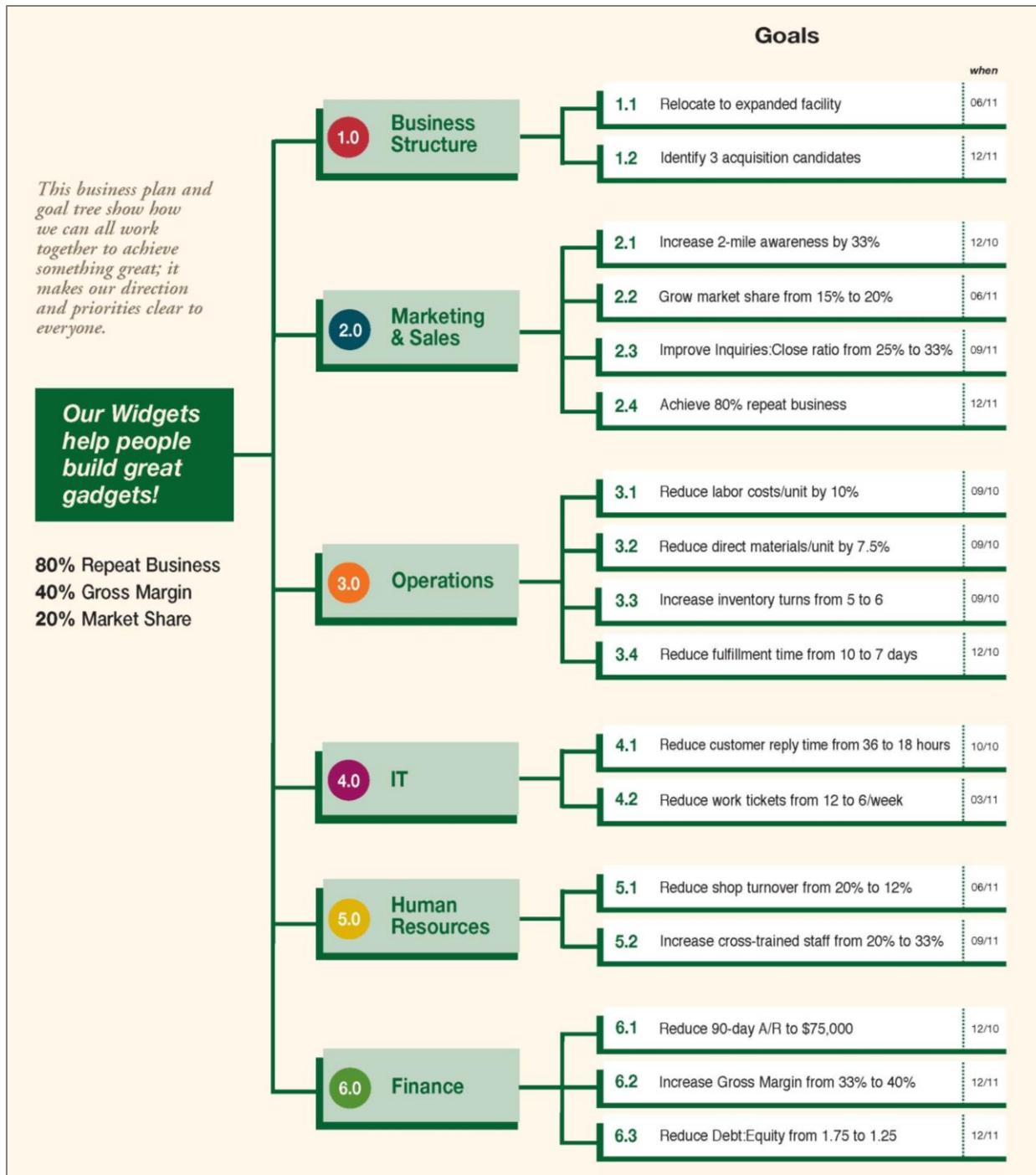


Board & Executive Briefings: Business Planning

A director's first duty is to provide unquestionably clear direction; it is the central act of leadership. This briefing helps directors work together efficiently to give their organizations a plan that works.

A good plan is the structure of delegation and oversight: it frames every decision and guides every project, helping managers know when to say "yes" and when to say "no."

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Goal tree

The diagram opposite is a complete business plan. On a single page it shows where everyone is headed, how they fit in and how they must work together. It shows the paths of delegation, reward and career development. The goals are specific and measurable; they are neither too many nor too few. It is easy to communicate in printed and electronic forms. There is no thick binder.

Question-Based Planning

Common concerns about traditional “strategic” planning include confusing terminology, poor use of time, “analysis paralysis,” complexity and difficulty of communication. The primary request of the planner is always, “Don’t tell us what to do; we just want you to ask us good questions.”

Question-Based Planning (QBP) asks good questions in plain English in a systematic way. It is completed in five 2-hour meetings over five weeks and ends in a 1-page plan. It includes monthly progress reviews and board updates. A Question-Based Plan is not the document a start-up takes to the bank, nor is it a facilitation technique; it is not specialized to one industry or size of business. It is based in common sense:

- Asking questions is the best way to move a group toward common understanding.
- People are busy: every meeting has to be interesting and satisfying.
- No one will remember the plan unless it fits on one page.
- Even a one-page plan fades away without regular review and accountability.

QBP provides focus fast: the staff time commitment is only 12 to 15 hours:

1. Outline all the big questions
2. Ask the keystone questions about competitiveness, the future and purpose
3. Ask each department about their accomplishments, challenges and tasks
4. Draft the plan (opposite)
5. Review and approve the plan
- Review progress every month

Question-Based Planning helps people doing what they love: working together on something important in the world.

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Why are briefings on business planning needed?

Only 9.6%¹ of U.S. businesses follow a written plan. Simply creating the document in no way fulfills the director's duties of direction, oversight and goodwill. While it is difficult to craft the balanced set of goals that inspire the managers to inspired action, this briefing will help directors give their organizations a plan that works.

Definition: Planning is confused by military jargon —mission, strategies, objectives, tactics—that no longer fits modern management. There is also confusion between so-called “strategic” and “operational” plans: these are really the same plan at different levels of detail. Thinking there are two plans is badly confusing. *Simply put, a plan is the small set of the goals the managers actively follow.*

The purposes of planning: A director's first duty is to provide the organization unquestionably clear direction. Managerially, a plan is essential for the responsible allocation of money, time and goodwill. A good plan frames every major decision; it tells managers when to say “yes” and when to say “no” for:

- Investments and ventures
- Succession, executive hiring and continuity
- Policies for quality, compliance, safety and controls
- Crisis management
- In healthcare, physician relations

Common planning confusion: Planning is often mistaken as an analytical and logical activity; it is instead creative and often emotional. Planning, though constrained by the possible, is an exploration of the new, and analysis can choke creativity. Planning by consensus is impossible: only leaders see how all the gears mesh and what outside forces open and shut opportunities.

General suggestions for directors about planning:

- Insist on a one-page plan
- Set goals containing measures and deadlines
- Refer to the plan in all board and committee meetings
- Focus on the goals, not the tasks
- Don't try to review and approve a plan in a day
- Ask the hard questions, but then demonstrate commitment

¹ Planning Survey Report 03-04-10. B2BCFO and Van Mell Associates, LLC

BOARD BRIEFING ON BUSINESS PLANNING

Topic 1: Preparing to plan

Few boards create the plan themselves, but directors must set the stage by establishing boundaries, methodology, deadlines and use of board time. Though planning *policy* could be set by committee, planning itself should be an activity of the whole.

Pacing is important to planning: energy must be managed. Before planning starts, directors should be well-informed about the organization's fiscal health, competitive position, operating performance, morale and quality level. These analyses should not be presented all at once or just before the planning starts.

Policy issues

- *Planning obligations:* Board by-laws, loan covenants and regulators often require planning on a certain schedule. These obligations and their timing should be known.
- *Methodology:* Do not accept a process that does not work; planning must not be an empty ritual. Try new approaches to find one that suits the board's character.
- *Planning horizon:* There is no reason (unless a legal obligation) a plan must be for a fixed period such as 3 or 5 years. Goals longer than 2 years are often hard to defend. Let the issues define the time period for each goal.
- *Planning cycle:* The Board should create a planning calendar linked to budgets, performance reviews, annual reports and other large decisions.
- *Analyses on a page:* A board needs to know a great deal about its organization and its industry, but analyses of financial status, operational performance, market differentiators, and trends should be kept to one page each.
- *"Vision":* Articulating a picture of the very long term is a special topic. See www.vanmell.com for an article, but do not publish anything not meaningful and inspiring.

Discussion

1. Is the board starting from scratch, or updating last year's plan?
2. How well did the last plan work?
3. Do all board members understand the market and trends?
4. What are the organization's chronic problems?
5. Where do we suspect changing risks?
6. How could we force a fresh perspective?
7. If a hospital, how should the physicians be included?

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Topic 2: Creating the plan

The directors should set only 2 or 3 goals in each of the 6 management disciplines to provide a sharp and balanced picture of success. A good goal contains both a measure and a deadline, such as, “Increase market share from 15 to 25% by the end of 2015.” The tasks to meet those goals are the business of the staff; the board should review the major tasks only to ensure the goals are understood.

The jargon of planning is a serious problem: avoiding the military language of strategies, tactics, mission and so forth furthers the great cause of clarity. “Goal” and “task” is sufficient vocabulary for planning. Attend carefully to the phrasing: a plan should be written in language simultaneously concise and compelling.

Policy issues

- *Delegation:* The draft plan—the balanced set of inspiring goals—should be prepared by the staff, though the Chair can provide guidance between meetings. If the board is very large, the Executive Committee might review early drafts.
- *Simplicity:* The plan should be simple, preferably on a single page. A long document is hard to communicate and manage.
- *Planning for units and departments:* Sub-plans for units or departments should be in the same format and language as the overall plan to make oversight easier.
- *The role of the Chair:* As always, the Chair must orchestrate informed, constructive discussion within a deadline. Planning can be emotional; careers are at stake. Informal discussions can be helpful.

Discussion

1. Why should our plan be different from that of a successful peer?
2. How can we take advantage of each director’s experience and perspective?
3. Key questions when reviewing draft plans:
 - a. What’s missing?
 - b. What’s inspiring and what isn’t?
 - c. Are some goals simply obvious?
 - d. Should some goals really be routine duties?
 - e. Is each goal clearly communicated?
 - f. Does the plan create genuine excitement?

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Topic 3: Communicating the plan

A plan is worthless if people cannot remember it. It is almost as worthless if it does not inspire. Communicating a plan is a responsibility that never ends. It takes creativity and persistence and, above all, commitment. Directors must be passionate, yet disciplined champions of the plan.

Policy issues

- *Audiences:* Audiences for the plan can include the staff, investors and lenders, the family council in family business, medical staff, partners, joint venture partners, executive and board candidates, the public, regulators and peer groups.
- *Directors as champions:* Directors should carefully rehearse presenting the plan. No matter the audience or context, they must convey commitment and excitement. The board room is the place for airing disagreements.
- *Creative repetition:* Effective communication means varying the presentation for each audience and from time to time for the same audience. Presenters could emphasize particular goals, overall planning theme or accomplishments.
- *Sharing the plan vs. secrecy:* Sharing the plan is an excellent way to win support: people will not know how to help until they know what needs to be done. The board should of course agree on what sensitive information to filter well before the first public presentation.

Discussion

1. What planning information is confidential? Sensitive?
2. Who might object to our plan?
3. Who might be disappointed or overwhelmed by our plan?
4. What does the plan say about the public value of the organization?
5. How might the plan be shared with boards of partner organizations?

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Topic 4: Using the plan to exercise oversight

The board cannot and should not study and measure everything: the plan should identify only the *essential* indicators of strength, improvement or decline. (This is, of course, in addition to a knowledgeable and regular scrutiny of the financial statements.) If plans are done seriously and consistently every year, the board gains the great benefit of seeing the trends.

Policy issues

- *Dashboard:* The staff should present a “dashboard” or one-page summary of progress against the goals at every board meeting.
- *Board meetings:* The plan should be visible in every board meeting, to remind everyone of their responsibilities and to keep the conversation from wandering.
- *Major decisions:* The business case for any major decision should make explicit reference to the relevant goals of the plan.
- *Relationship to budget:* The plan should shape the budget, not *vice versa*. Budgeted projects need no additional review. Budget variance reporting, however, is an early indicator of plan progress.
- *Plan modifications and deviations:* Crises and unforeseen opportunities do occur. A good plan prevents reflexive decisions, and the discussions behind the plan should help directors make successful judgments when time is short.

Discussion

1. Do other plans and analyses seem disconnected from the overall plan?
2. How should the presentation of major decisions link to the plan?
3. What do similar organizations track? What are the best benchmarks?
4. For what patterns or trends should we look?
5. What are our own leading indicators?

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Topic 5: Using the plan to evaluate executive performance

The CEO has the primary responsibility for achieving the goals set by the board. The plan should, therefore, be linked to their formal evaluation. An important purpose of the plan is continuity in the face of executive and director turnover.

A good plan is the testing ground for the chief executive's knowledge, skills and qualities, even those that cannot easily be measured. The plan frames the critical connection between the board and the chief executive; without a plan, the personal relationships can obscure objectivity and hamper Board effectiveness.

Policy issues

- *Link to performance evaluation:* All the executives' annual evaluations should link to the plan, though certainly other things reflect performance. Junior staff should also have promotion and bonus opportunities based in part on plan performance.
- *Staff presentations:* The tasks in the plan create excellent opportunities for staff to make brief presentations to the board.
- *Awards and recognition:* Successful goal and task completion should be rewarded when appropriate, not only within the performance review.
- *Discipline:* Disciplinary action might become necessary for executives who have fallen far short of their obligations under the plan. This assumes the directors have met *their* responsibility of communicating their expectations.

Discussion

1. How are problems anticipated and presented?
2. How do the executives delegate to and manage their staff?
3. How have the CEO and senior staff championed the plan?
4. What has task execution revealed about the executives' creativity and leadership?
5. How can the plan be the basis of CEO selection? Of other senior staff?
6. Where do there seem to be contradictory efforts?

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Topic 6: Using the plan to improve board effectiveness

The board has primary responsibility for the performance of the organization: it follows that the plan is as much for the board as it is for the executives and managers. While failure to fulfill the plan falls at the feet of the board, success is to their credit.

Policy issues

- *Focus:* The plan document, perhaps posted on an easel, is an excellent way to keep each board meeting on topic and the topics in focus.
- *Goals for the directors:* Plans can have a few goals specifically for the directors, reflecting their fiduciary responsibilities of direction, oversight and goodwill.
- *Committee direction:* A good plan can help committees address issues at the right level; it can help them apply their expertise and time to the organization's best advantage. The committees' own plans should align with the overall plan.
- *Evaluating the plan and process:* The Chair should facilitate a conversation about the plan's effectiveness: Was it clear and did the managers find it inspiring? Did the goals foster significant improvements? Did it help directors and senior staff work together? Was the process of creating the plan helpful in itself?

Discussion

1. How can the plan measurably improve the board's use of its time?
2. How can the plan take advantage of each director's abilities?
3. How might the by-laws help or hinder planning and delegation?
4. What are the consequences to the board if there's a plan shortfall?
5. Under what conditions would we deviate from the plan?

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NOTES

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Ten reminders about board behavior

1. Prepare for each meeting, no matter how long it takes
2. Insist on concise summaries of issues and analysis
3. Prepare good questions for each meeting
4. Stay informed about the industry and issues
5. Stay at the board's level: don't meddle
6. Engage during the meeting, not in the corridor
7. Listen five times more than you talk
8. Respect everyone's time: be relevant and concise
9. Say or vote "no" if you disagree, but disagree agreeably
10. Share your professional perspective and judgment

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