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# **THE BUSINESS PLANNING POCKETBOOK**

By Neil Russell-Jones

*Drawings by Phil Hailstone*

“Excellent - clear, concise and very practical.”

**Kevin Jones, Group Planning Executive, Norwich Union**

“Excellent introduction to the basics of planning. Sets out a simple useful guide for those who are new to the world of business planning.”

**Nicholas Beazley, Head of Strategic Planning, BUPA**

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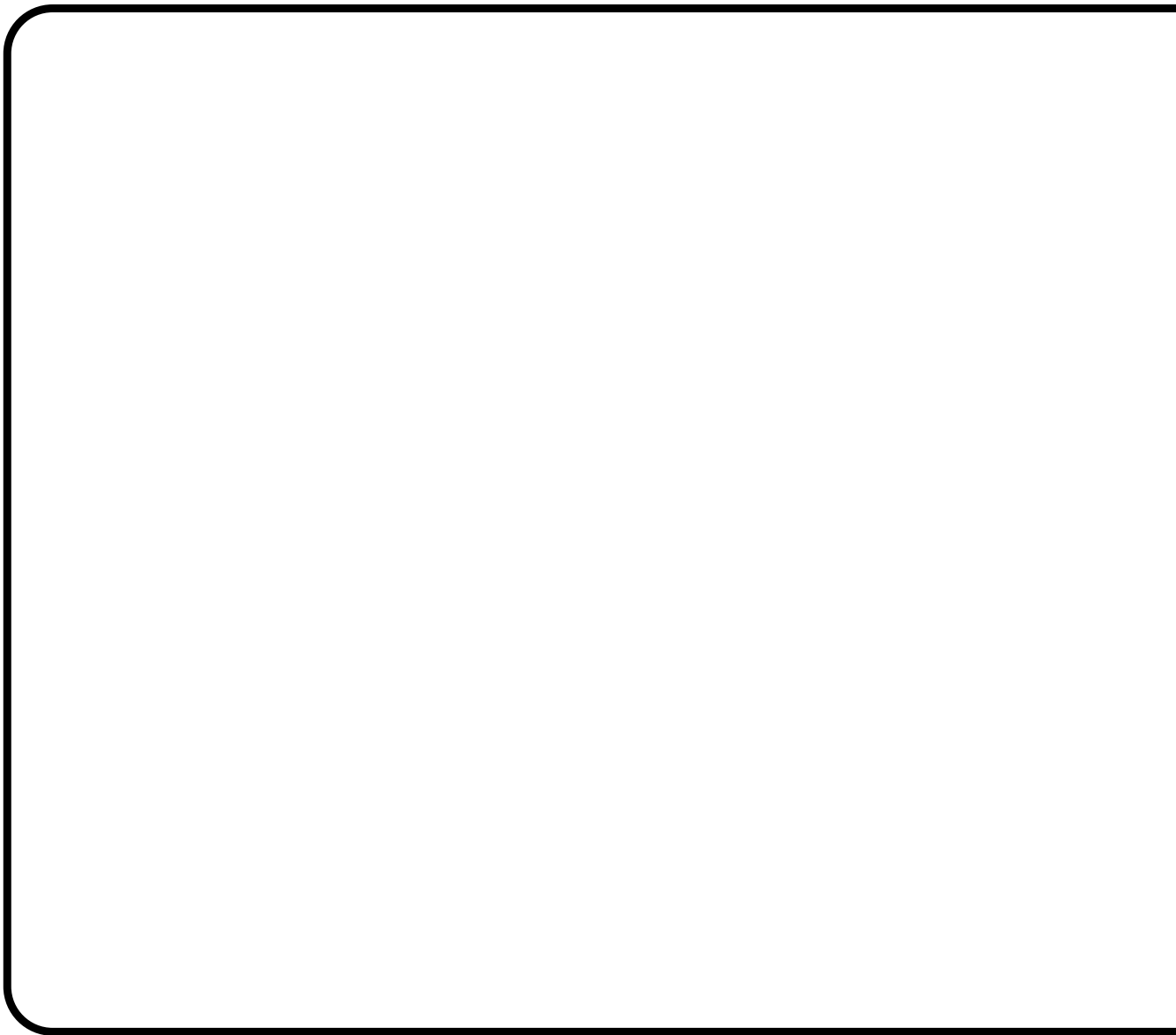
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# **INTRODUCTION**

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## INTRODUCTION

## DEFINITION

Planning is a feature of everyday living - whether at home or in business. Without it our lives would be totally chaotic and random.

Plans vary from imprecise vague statements to thick volumes prepared over a long period.

Some are useful; others a waste of time. Very few remain unaltered.

People are frequently asked to prepare a plan with no guidance at all, and the result often falls short of expectations.

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## INTRODUCTION

## DEFINITION

Richard Hannay, the hero of many of John Buchan's books, had a comrade who was a South African Boer - Peter Pienaar. Whenever he was faced with a seemingly impossible situation he would say 'Ik shall een plan mak' - I shall make a plan. He would subsequently carry out the task successfully.

Planning is taking time to:

- Consider the possibilities that might arise as a result of something that you wish to do
- Understand the consequences that arise, and
- Develop actions to counter them or to maximise opportunities

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## INTRODUCTION

### WHO SHOULD USE THIS BOOK?

Planning takes place in all organisations in some form or other, whether it is formal or informal, and at a variety of levels. Most planning is carried out by middle management in larger organisations, and by people who run their own businesses (proprietors, traders, partners or directors of small and medium sized organisations).

If you are in a department or business unit and have to prepare a plan, this book will help you understand the components and do's and don't's of planning. People engaged in business on their own behalf will also find it useful.

Some parts of the book may be more appropriate to businesses than, for example, head office departments, but will fill out the wider background for the latter.



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## INTRODUCTION

### WHO SHOULD USE THIS BOOK?

The Business Planning Pocketbook concentrates on what you need to do to plan. It includes both the theory and the practical aspects.

Whatever your situation, the basic planning process itself is fundamental, it is just the format and style of development, and sometimes execution, that varies. There may be different front ends to the process, and different issues to be addressed. In essence plans are all the same: **an indication of the expected future of something.**

There is also a body of people engaged in planning at a corporate level (often termed corporate or strategic planning.) This book, whilst touching on some of the issues, by way of context, is not really for them.

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## INTRODUCTION

# CORPORATE PLANNING

It is important to differentiate between planning that takes place at the high level and that which takes place within an organisation. The former may be referred to as **'corporate planning'**, and is usually found in large organisations; whilst the latter may be referred to as **'business planning'**.

**Corporate planning** is concerned with planning for the organisation as a whole; and it is important to understand the difference.

Any organisation trying to plan for the whole will not succeed, due both to the complexity of the organisation and the immense number of variables for consideration. (A good analogy is the former Command Economies where they tried to plan entire countries and suffered the same too familiar failures.)

Corporate planning is about deciding corporate goals and then developing strategies to achieve these. This might take several years and, therefore, is a long-term view.

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## INTRODUCTION

# BUSINESS PLANNING

**Business planning** is concerned with what is going to be done **now** to achieve targets and goals.

It sits, therefore, at the tactical level rather than the strategic.

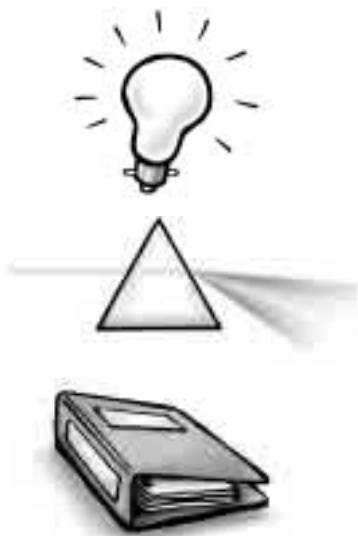
It is necessarily short-term in outlook; but can nevertheless span a number of years. For example, building a ship or a petroleum cracking plant might take several years to complete, but this would not be a corporate plan, merely one component of a corporate plan (although for some firms it might be a very large component).

Generally, business plans take a one year horizon, although they will sit within a long-term framework established at a corporate level.

## INTRODUCTION

# VISIONS, STRATEGIES & PLANS

It is important to understand the difference between a vision, a strategy and a plan. People often use the terms interchangeably which leads to confusion. In a business sense, however:

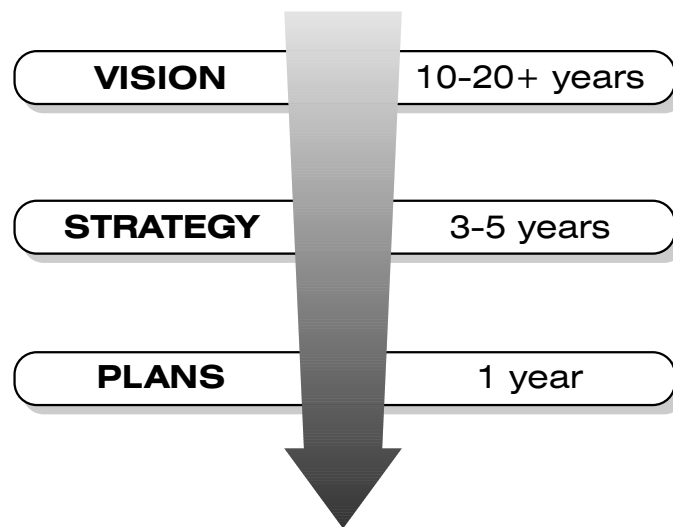


- A **vision** is the long-term view or ideal that drives the organisation
- The **strategy** is the articulation of the vision in practical reality, given the actual situation
- The **plan** is the tactical means of achieving the strategy - the actions that need to be taken

## INTRODUCTION

# VISION, STRATEGIES & PLANS

## TIMESCALES

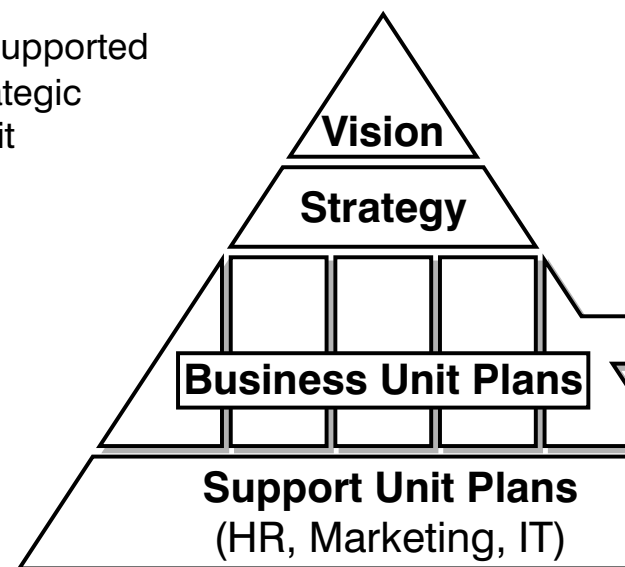


- The vision shapes the... which in turn shapes t... that support it
- The time horizon decr... you descend, with pla... looking only one year
- Certainty generally inc... the time horizon reduc...

## INTRODUCTION

# VISION, STRATEGIES & PLANS

- The vision and strategy are only the pinnacle of the planning process, with most of the work and content below them
- The strategy will probably be supported by several plans within the strategic context; including business unit plans and support unit plans, all of which are linked through the strategy
- Some plans (HR, marketing, IT) will cut across the organisation
- To be of any use, of course, they must lead to definite action



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## INTRODUCTION

## VISIONS

Many of the most successful organisations can trace their success to the fact that they have a clear vision which is understood by all employees, customers, and often, suppliers.

Examples of this include:

### **John Lewis Partnership**

(a UK department store chain) whose motto is 'Never Knowingly Underprice'

### **Coca-Cola**

(a US soft drink manufacturer) whose vision was originally that US GI's should be able to buy a Coke anywhere in the world; currently the most successful brand in the world

### **Wedgwood**

(a UK china manufacturer) whose philanthropic founder Josiah Wedgwood had a vision that ordinary people should be able to buy good crockery at low prices

### **Microsoft**

(a US software company) whose vision is a PC on every desk

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## INTRODUCTION

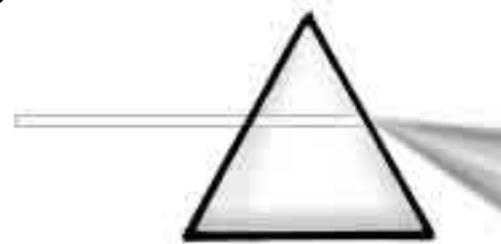
# STRATEGIES

A strategy is the articulation of the vision in terms that can be easily understood by everyone, although still at a high level.

It takes the vision, which is often on a rather lofty plane, and puts borders on it in terms of what it means for the company.

This is usually expressed through shared goals with customers and 'stakeholders' as well as goals for excellence.

These are the things at which the organisation must excel and, therefore, which will shape the organisation and its internal working and actions.





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## INTRODUCTION

# STRATEGIES

The goals will have a set of measures attached to each to quantify what

Examples could be:

- Return on assets of 3%
- Cost/income ratios of 45%
- Staff turnover below 5%
- Share price a multiple of 15 times earnings, etc

The goals and measures provide the internal strategic framework within

When coupled with the external environment, a series of actions can then be defined to carry out the strategy - **THE PLAN**.

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## INTRODUCTION

# PLANS

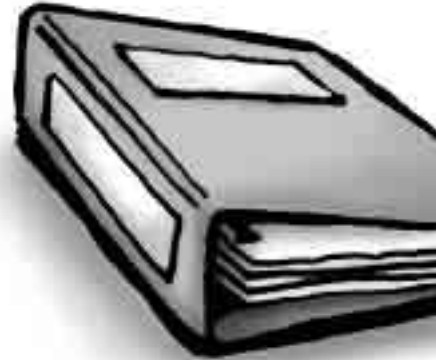
Plans are the tactical means of implementing strategy and achieving objectives.

A plan sets out exactly:

- What needs to be done
- By whom, and
- When

It focuses on the **How** rather than the **What**.

The rest of the book will concentrate on this aspect.



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# **PLANNING THEORY**

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## PLANNING THEORY

# INTRODUCTION

There is a plethora of writing about planning theory, but there are a few things that all are agreed on:

- Planning is data driven
- You must have enough information to make decisions, but no more than is sufficient (avoid paralysis analysis)
- It is more likely that a plan will work if those who have to carry it out are involved in its conception and development
- It must not be too rigid, but sufficiently flexible to adapt to changing circumstances
- Progress must be monitored against the plan

## PLANNING THEORY

### WHAT IS A PLAN?

- A plan can be defined as a set of instructions:
  - to someone
  - to do something
  - in a certain manner
  - within a given timescale, and
  - with a finite set of resources
- It designs and precedes action, but is not action
- It helps you fit a set of (possibly) random events into a framework; this enables you to visualise, and therefore make sense of, something intangible and so cope better with it
- It breaks a large undertaking up into a set of discrete measurable tasks



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## PLANNING THEORY

### WHAT IS A PLAN?

#### **A plan:**

- Has objectives which can be measured
- Answers questions that stakeholders should be asking
- Builds in options and contingencies
- Identifies and quantifies risks
- Sets out how to minimise those risks or the adverse consequences that might arise from them
- Allows progress to be measured

#### **Planning involves:**

- Management and executive time and input
- Commitment
- Cost
- Research
- Assumptions

**Therefore, it is important to get it right (or less wrong than the oppos**

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## PLANNING THEORY

### WHY PLAN?

For some people planning is second nature: for others it is quite the reverse. The dangers of poor planning will be more obvious in some environments than in others. The greatest military victories were almost always won where they had been planned thoroughly and all eventualities considered.

Planning gives:

- Certainty
- Measures
- Confidence
- A route map
- Evidence to others of forethought

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## PLANNING THEORY

### WHY PLAN?

Planning will help you to:

- Shape your thoughts
- Think through scenarios and implications
- Ensure that points are not missed
- Demonstrate business control
- Identify weaknesses and opportunities
- Examine the risk of an action/set of actions against the return
- Provide a tool to communicate ideas to third parties (superiors, subordinates, lenders, suppliers, owners, etc)



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