

**THE SCIENCE OF BUSINESS PLANNING - DRIVING
THE ANNUAL BUSINESS PLANNING PROCESS**

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Business is War

- “If you know your enemy and know yourself; in a hundred battles you will never fear the result. When you know yourself but not your enemy, for every victory will there be a defeat. If you know neither yourself nor your enemy, you will lose every battle.” Said the world’s first strategist on governance Pitamah Bhishmacharya from his arrow-bed.

Planning for Business and Industry to be done at Three Levels

1. National Level – For the direction of the Economy

2. Industry level – Industry-specific planning

3. Unit level Planning – For the individual unit's success

SMEs in India's Growth

- **Tiny, Small and Medium Sectors Contribute:**
- **26% of India's GDP**
- **70% of Industrial Output**
- **66% of Exports**
- **93% of Employment opportunities**
- **370 Industrial Clusters and 2600 Rural, artisan clusters in India**
- **Top 50 Clusters like Tirupur, Surat have deployed about One Trillion Dollar in business – C.K.Prahalad**
- **Yet, SSIs do not come in the Radar of Policy-makers when needed**

SMEs Powering India

- **One of the main reasons why India could beat China in the business game is India's entrepreneurial talent – Harvard Business School study and Mckinsey Report**
- **China lacks private entrepreneurs, while in India it is abundant due to community incubated entrepreneurial movement**
- **Contagion effect driven by communities, underlined by co-opetition among the entrepreneurs- Cause for industrialisation of India**
- **Global Entrepreneurial Monitor Report 2003 –India has the highest percentage (17.3%) of entrepreneurs among working population**
- **SSIs played the major reason for the above credits**

Small is Beautiful - E.F.Schumacher

- SSI status is a transit lounge to move from beginning to medium and large
- SSI not to be a mind-set
- The privileges in tax laws and reservations should not hold us back from graduating to Medium and then large
- The mind of SSIs diverted from growth-planning to circumvention of law to remain small
- Growth is life

BUSINESS UNDER WTO

- **Competition is not between Individual units**
- **Competition is between businesses representing a country to which individual unit belongs e.g. Indian Steel Industry Vs.USA Steel Industry**
- **Competitiveness determined on the basis of nation**
- **Consequences of WTO are unreserved for all industries – Small or Medium or Large**
- **Global changes will affect local industries e.g.recent trends in Tea,Coffee,Sugar,Steel, Petro products,edible oils**
- **Increased vulnerability of local industry. Need for dynamism and team-working as industry to respond**

Knowledge is Power

- Knowledge is essential in business to plan and win. Know your competitors and self:
- Industry Scenario -National and Global
- Development in Technologies for Industry
- Business practices – National and Global
- Potential markets –National and Global
- Competitiveness of self by benchmarking
- Emergence of alternatives for your products and alternative applications for your products

Brand-building :Key to Winning

- National interest and Personal(Unit) interest merge in brand-building
- Brand-building essential for the Nation,Industry,Unit and Products – in that order
- Image of the above in that order will constrain the brand-value of the rest
- Better brand-value fetches better price
- Weakness of China-lack of brands –Now planning transformation from commoditised marketer to branded marketer

Alliances Work Better in Business

- Intra industry alliances and co-operation for offensive and defensive strategies
- Inter Industry alliances with common interests e.g Steel and Cement, Petroleum and auto, steel and furniture, agriculture and fertiliser, agriculture and textile
- Inter-forum alliances between Large like FICCI, CII and SSI associations; between Functional assns like MMA and SSI assns and industry assns
- Play complementary roles for win-win

Business planning at unit level

- Long term plans - Vision goals :8-10 years
- Medium term plans-growth goals:2-7 years
- Short term plans-current working goals:1yr
- Plan process in respect of: Markrt share, Opportunity share, Profitability and leadership in Industry

Get off the Treadmill

- **Do you have a clear understanding of how the industry may be different ten years in the future?**
- **Are your “headlights” shining farther out than those of competitors?**
- **Is your understanding about the future clearly reflected in the company’s short-term priorities?**
- **How influential is your company in setting the new rules of competition within its industry?**
- **Are you regularly defining new ways of doing business, building new capabilities, and setting new standards of customer satisfaction?**
- **Is it more a rule-maker than a rule-taker within its industry? Is it more intent on challenging the industry status quo than protecting it?**

Gaze out-see what's on the horizon

- Are you fully alert to the dangers posed by new, unconventional rivals?
- Are potential threats to the current business model widely understood?
- Do you possess a keen sense of urgency about the need to reinvent the current business model?
- Is the task of regenerating core strategies receiving as much attention as the task of reengineering core processes?
- Are we more of maintenance engineers keeping today's business humming along, or an architect imaging tomorrow's businesses?

Driving the Transformation agenda

- What is our own view of future opportunities or the actions of our competitors?
- Is our transformation agenda mostly offensive or defensive?
- What is the balance between hope and anxiety in my company; between confidence in our ability to find and exploit opportunities for growth and new business development and concern about our ability to maintain competitiveness in our traditional businesses; between a sense of opportunity and a sense of vulnerability, both corporate and personal?

Before you Plan...

- Review the past performance for three years
- Identify the critical elements in your business – Finance? Marketing? Production? Human resource?
- Identify how you have grown so far in terms of market share, Opportunity share, Revenue
- Determine your growth policy and goals

Plan to Act and Act to Plan

- Long term plans should be broken down to achievable modules of annual plans
- Annual plans several years should lead to medium term and long term plans
- Review the resources whether they suffice to achieve the goals and growth plans
- Where there are gaps between need and available resources – plan to fill them up

Start from the end

- Market planning :
- Pricing
- Quality
- Market share
- Distribution Networks

Create Proper Infrastructure

- Infrastructure Planning:
- Technology
- Capacity
- Cost
- Availability
- State-of-art and not obsolete

Heart of Planning

- Production Planning:
- Material planning
- Cost of production
- Supply chain Planning
- Quality planning with cost-competitiveness

Human Resource

- Human resource Planning:
- Most Hidden asset in Balance sheet but most-performing
- Optimising cost and requirement and availability
- Training and re-training
- Shared view of the goal

Finance

- Finance Planning:
- Availability in time and required amount
- Cost – Every Rupee counts
- Right mix and source – in short term and long-term view

The Ultimate Test

- Profitability planning:
- Earning and retention
- Deployment and distribution
- Trade-off between present and future

Bridge Between Present and Future

- Annual plans should be plates of bridge between where we are and where we want to be
- In all functions of business, a clear understanding of where are we and the goal is necessary
- The departmental heads should share the view of top management and work through the planning and implementation process

Budget your Plan

- Plans are the framework for Budgeting
- Plans should be interpreted into monetary and numerical targets for easy understanding of down-the-line staff and achievement of them
- Measurement of results against plans should be done quantitatively through Budgets and qualitatively as well.
- Periodical review of Plans and actions is essential

Thank You

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