Practical Decisions
Practical Ideas That Work!

Year End: A Time to Look Back ...A Time to Plan Ahead

By Gerry Gardner
Practical Decisions

Entrepreneurs too often ignore the very important task of an **Annual Review.** They often hold the view that the annual review and resulting operational planning process are necessary for large companies, but are not needed for smaller operations with fewer "moving parts." The commitment of time that is required, the expertise, and lack of resources are all offered as reasons not to go conduct an annual review. After all, they have a business to run that requires their undivided attention! It's not to late to look back at 2005 and plan ahead for 2006. We at Practical Decisions ask our clients and friends to think again about this process.

Our last newsletter addressed **The Importance of Strategic Planning,** which provides a long term perspective and direction for an organization. An Annual Review and Operational Plan are key components in the successful execution of your strategic plan. The Annual Review forces an organization to look at recent performance and helps them recognize changes in the business environment. The Operational Plan provides the short term tactics, the incremental building blocks, necessary for the business to move forward and achieve longer term goals. If you don't have a strategic plan, an Annual Review is still a great way to improve performance and keep a business focused on what is important.

Entrepreneurs spend 24 hours a day, 7 days a week, 52 weeks a year immersed in their business. Reallocating a small amount of this time to work on the business can make a substantial difference in their success. This process can be very valuable. It can help keep a business focused on what is truly important, eliminate surprises such as cash flow "crunches" and can increase profitability. But most of all, this process helps entrepreneurs be more in control of their business, and after all the hours they spend in their business, a good night's sleep is not a bad thing.

We recommend re-allocating at least two ½ days from the everyday business towards the end of the year to provide proper time to perform an formal annual review and outline an operational plan addressing both revenue and productivity initiatives for the next year. If key employees or management are engaged, utilize their expertise and perspective. Involving key employees will increase creative thinking, improve communication, make them feel valued, and just as importantly, develop partners in the execution of the plan for next year. Take this time and follow the outline below.

Review and Evaluate
First, review the business for the past year. Identify the key elements, internal and external, to the business including;

- customer metrics (market conditions, sales, number of customers, retention, customer satisfaction),
- financial metrics (pricing and operating margins, cash, liquidity),
- organizational capabilities (process improvement, IT systems, data and information, service deliver, and organizational structure)
- People and culture (training/learning, employee moral, talent and quality of staff, and compensation)

The review process requires that CEOs / Entrepreneurs are honest about the current state of their business; its strengths and weaknesses. In order to create an effective list, it is essential to be absolutely objective.

Focus on the Important
Once the key elements have been identified and a list made, these elements must be prioritized from most important to the business to least important. Each element must be given a numerical rating from one to ten as well. A "10" says you do it very well and a "1" indicates it doesn't exist.

This list, if done well, should provide you with the direction on where the business will get the biggest improvement and where the best opportunities are. It is important take this one step further. Ask "Which of these top priorities have the greatest chance of success?

Reality and common sense in making the priorities is extremely important. Select those where the impact is the greatest and the success rate likely to be highest. Remember, this is not a theoretical exercise, and the improvement in the business depends upon making very real **"Practical Decisions."**

By identifying the key issues, goals can be established. Be sure to have goals that are SMART (specific, measurable, attainable, realistic and tangible). These goals will act as a catalyst to improve the business. Energy and time will become more directed and effective. Pick the critical few. If you chose too many the likelihood of meeting yours goals diminishes significantly.

Develop a Plan
Take the top two or three priorities and develop an action plan. Create the possible actions to address the needs of your business and achieve your goals. If you have engaged key employees and/or management push and encourage them to be creative and bold, with a willingness to implement positive changes. If this is the first time through the process be aware of the trap of "doing what has always been done". Leadership will be required here. In all likelihood, a requirement to step outside of a "comfort zone" is necessary to see real improvements. Be realistic. Make the action plans reasonable. For organizations that have more experience with planning and implementation should develop goals with a little extra stretch in them, you don't want them to be too easy. Smaller organizations need to assess their ability to implement these changes. The business strengths may not be in the areas required to change. In these cases,

looking for expertise outside the organization may be the way to go. Remember, these changes will materially impact success.

Turn the Plan into Action

Now that the action plan has been created, it is necessary to assign tasks to individuals and communicate the plan. The CEO/business owner is the leader of this process and responsible for making sure that everyone in the business knows;

- What the plan is,
- How the priorities impact the business
- The role each person has in implementing the plan

Good communication involves testing for understanding. Don't get caught thinking you've done a good job communicating, test your effectiveness by asking employees to recite the top priorities and how they connect to them.

Follow Through

Plans have little value until there is a commitment to act. Regardless of the size of the company, for plans to be successful they must be reviewed and measured regularly. Monthly or Quarterly Reviews of the plan must take place. If plans are off track there must be accountability and direction to correcting the course. This may include blocking off some time to make sure that these changes happen. The plan and its objectives are only important if you make them important. Here is where it is important that the CEO/Business owner "walk the talk." Leadership behavior has a tremendous impact on the overall success of a plan. If behavior is not aligned with the goals, the organization will perceive the goals and plan unimportant.

The payback for planning will be a business that can become more profitable, create more time to respond to new opportunities, and be more likely to succeed over the long term.