

Pivoting your Annual Operating Plan around Performance, Pays Better!



“It pays to plan for higher performance, not for forecasted earnings.”

Annual Operating Planning starts about 2-3 months early (typically last qtr. of the year) with promises of visionary transformative strategies. To translate it to reality quickly, leads to tedious templates, endless financial forecasts, haggling over targets, and struggling for data and resources.

Most planning and budgeting systems are designed to help senior executives predict, forecast, and command attributes that are

seemingly under their control. Their need is to predict precisely what the company must do to deliver smooth, stable trends in earning per share (EPS) or other financial outcomes, command each siloed business unit and function to execute detailed plans that will add up to the desired total. In order to achieve this, they develop rigorous control activities within each silo to make sure people conform to plans and deliver required results.

In a world of unpredictable and accelerating change, forecasts will become increasingly unreliable, and commanding people to stick to flawed plans will grow more dangerous.

Making Plans around Performance, Pays Better!

For your AOP to succeed, create your plan & strategic outcomes around the performance that can be delivered by the capabilities that you have or can acquire. Not around predictions or inspirations.

Your Strategic outcomes therefore should now be centred around performance with focus on learning, adapting, and growing — not on trying to predict the unpredictable.



Shifting focus from Financial to Strategic Outcomes, is Advantageous!

Typically, right around now, as the planning and budgeting season kicks off, the finance head issues financial targets and spending guidelines. Later, when budget submissions finally roll in, it's not uncommon for the total to be 15% - 20% too high. At that point, the finance head does some financial analyses to prioritize investments and make painful cuts. On paper, it adds up to impressive returns. In reality, it seldom turns out that way.

A better approach is to turn the targeted outcomes developed for the year into strategic portfolio guidelines that drive the budgeting and adaptation process. These guidelines force discussions that allocate resources from the strategy down, rather than from individual projects up.

By properly aligning resources with strategic priorities, companies can better see the tough trade-offs that should be made but aren't working — either because of neglect or because decisions are being made by the wrong people.

Plan Faster and Course Correct More Frequently, increases your Win!

If budgets are inflexible and a crucial forecast can't be adjusted, the person making it naturally obsesses over its accuracy. Left untouched, even small mistakes can compound over time and make a mess of plans. However, if we can adjust a longer term forecast to every quarter, month, or week, we can continually improve its accuracy in far less time and with far less effort.

Setting bold, challenging objectives and then adjusting plans to incorporate valuable lessons learned is the best way to improve.

For most companies, traditional planning and budgeting has a comfortable certainty built into it. Managers like knowing what is expected of them. Senior Executives like the control it connotes. It's hard to give that up.

As you can appreciate, precision is not the same as accuracy, and plans that are flexible enough to focus on what truly creates value are worth the discomfort.

At Strategea, our recommendations include developing a performance map, evaluating capability depth, aligning strategic initiatives around capabilities, creating frequent checkins of critical success factors, revisiting development plans, goals and KPIs. Achievements of critical roles are required interventions to improve upon your approach to developing a winning annual operating plan.



Call us to know more about how [Strategea](#) can help you to develop a winning annual operating plan that delivers your strategic objectives.

About Strategea:

Strategea is your trusted partner on the journey of transforming your business into a thriving and scalable enterprise. Our mission is simple yet profound: to guide business leaders like you to realize your growth ambitions, embrace transformation, and accelerate your path to success. We work with our clients to provide holistic and customised solutions in the areas of Organization Strategy, Operations, People and Digital Transformation in order to enhance organizational performance and achieve their aspiration!

Business leaders in India face a favourable growth opportunity both in domestic market & globally. To be able to grow to the next level, business leaders need to find a way to replicate their success in new product categories which they need to enter to grow to next level, reduce their learning curve to develop profitable revenue streams in newer markets, achieve efficiencies while they scale their operations and rally their people around the growth vision & business initiatives.

Strategea brings in the required expertise to guide business leaders on solving the complexities that come their way while scaling and expanding their operations to realise their growth aspiration.

Playing the Business Game : Running a successful business is a high-stakes game. Your business journey has routes, detours, and all sorts of obstacles you have to work through. So you need a map. In this book “Playing the Business Game” we are addressing the construct & thinking i.e. what could be direction that you want to take, what model suits you etc. to put your business on a high growth trajectory.

Connect with Us:

We love to hear from you. If you are a business with a rapid growth ambition, don't hesitate to contact us. Let's begin a conversation about how we can help you achieve your goals and set your business on the path to success.

Call us on + 91 9702 875 475 or write to us on info@strategea.in and visit us on www.strategea.in

