

FACTS SHEET – May 2003

WHAT IS ACTION PLANNING

In its simplest form, an Action Plan is a statement of who is going to do what by when. In a broader form it is an integrated plan of all components of the business, Operations, Marketing, Finance & Staffing that states who is going to do what by when and whether it is affordable in terms of staffing and financial resources. What is the impact of buying that new piece of machinery? An integrated Action Plan will indicate the viability and the timing of the purchase.

Unfortunately, most business advisors state that to buy the piece of machinery it has to fit in with a fully documented Business Plan. A Business Plan is a fully documented plan for the coming years (2 – 5 years) that provides statements of where we are Now, the Goals of the business and How to get there. Obviously, in putting together such a statement is costly in terms of money and time.

In discussing what a business plan is most business advisors state that a business plan is like a map. To get from A to B you need a map so you know where you are now, where you are going, and how to get there.

However, the 'trip' is simply an analogy for change brought on to develop or grow a business.

Many mature businesses have taken the trip from A to B a number of times. They know where they are now, they know approximately where they are going, and they have some ideas on how they wish to get there. Do you really need a fully documented business plan?

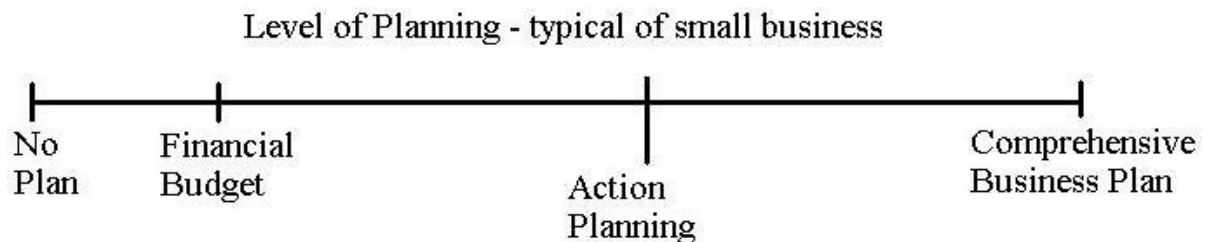
In other words, they have a number of changes to consider and wish to know whether those changes can be viably implemented. And they need to know **now**, not in some month's time.

An Action Plan is a tactical device to measure and plan for the impact of change on a business. It can be just for the next month, although typically it covers one year, with the possibility of extending to maybe two years at the outside. Importantly, it covers all the aspects of the business – operations, marketing, staffing and finance.

An Action Plan does not include a comprehensive review of 'where we are now' and 'where to / goal' positions as noted in a fully documented business plan, but only notes the basic understanding of these positions for review. The focus then becomes drawn to the immediate need of 'how to' as noted in the figure below.



Action Planning fits into the planning model as shown in figure following:



Action Planning is a midpoint between the extremes in planning – between the No Plan (which is obviously indefensible) and the Comprehensive Business Plan (which is so often rejected as ‘too hard’ and/or ‘too costly’ to prepare). It is also a lot more comprehensive than the Financial Budget process, but obviously not as comprehensive as the full Business Plan. Importantly it integrates all the components of the business – Operations, Marketing, Finance and Staffing.

In summary: Action Planning is a means of planning and measuring the impact of change on all aspects of a business. Generally, Action Planning covers a period of not more than one year. It is much easier and an efficient tool in dealing with the immediate needs of the business.

What Action Planning is Not

Action Planning:

1. Is not a comprehensive business plan;
2. Is not merely a financial budget;
3. Does not pretend to profile comprehensively the current position of the business, its markets and its greater operational environment; and it
4. Does not profile comprehensively the longer term goals and wider expectations of the owner / managers of the business.

Suitability for small business

Action Planning assumes that the business owner / managers have a good understanding of their current position. Realistically, small business owners and managers generally have a reasonable understanding of their current internal position (staffing, financial, operations) but generally have a poorer understanding of the external position (the market and other outside influences such as government, technological change and competitors).

Accordingly, how suitable is Action Planning to small business? Planning for business usually falls into four general business situations of ongoing management; business start-ups; finance applications; and for project specific needs.

Ongoing Management for Business Growth

For the mature business, where the current position of the business would be reasonably understood by the owner / managers, and where there is clarity of where the business would like to go, Action

Planning is ideal as it allows for the efficient measurement and planning of tactical business changes for growth and development.

Business Start Ups

Planning for business start-up is usually done to understand the business needs, where it ought to be placed and what may be expected of it. This type of planning requires a solid analysis of the market, the environment and other factors which is ordinarily undertaken by business planning methodology. As a stand alone planning tool, Action Planning is simply not appropriate to this type of business need. However, Action Planning could certainly be incorporated into the business planning process.

Business Finance Applications

Planning in this instance is focused solely on 'getting the loan'. Unfortunately, a lot of 'business plans' are constructed just for this purpose. The bank, or other financial institution, will want to know certain facts and features of the business, and will obviously want to know whether the business can repay the loan over the agreed period. (Many banks will have on their application form a question as to whether or not the business has a business plan. Unfortunately, most banks do not understand what a business plan is, what it entails, and sometimes, what it even looks like.) Accordingly, a fully worked business plan is usually not actually essential for the loan. If presented appropriately for the small business, a fully workable Action Plan, detailing the anticipated results of the strategies and additional facts about the current financial resources, will usually satisfy the most seasoned of bank officers' needs.

Project Specific

From time to time some businesses will have specific project or projects that will require greater planning simply because of the size or complexity of the project. Action Planning is ideally suited to this type of business need. It measures and plans the impact of change on the entire business.

Summary

Action Planning is the midpoint between the two current extremes of no planning and comprehensive business planning. It does not require lengthy analysis on current business positions, goal setting, vision and mission statements, and it goes well beyond the simplistic financial budgeting of the accountant.

Action Planning is suitable for:

- Ongoing management of mature / experienced businesses;
- Project specific business needs; and
- To a limited extent, as a replacement to the business plan when applying for finance.

Action Planning is not suitable for small business start-ups. It is recommended that the full business planning methodology be used for small business start-up considerations. Action Planning may be incorporated into this, but should **not** be used as a replacement for a comprehensive business plan.

Action Planning from Centrique

Farmilo & Co are accredited by Centrique as Action Planning specialists. We can assist you to develop your Action Plans utilising the latest technological mastery in Action Planning from Centrique.

For Further Information

- If you wish to know more about Action Planning from Centrique visit our website www.familoco.com.au or contact us directly on Tel (02) 9630 6744 or email familo@ros.com.au
- Read our Facts Sheet on Business Basics

- *For the coming twelve months do you anticipate planning for change in your organisation?*
- *What is the scope of the change? Is it of such a magnitude that it demands a comprehensive business plan? If not, do you think that you could work through the change on a more abbreviated basis, such as that which Action Planning seems to offer?*
- *Do you feel comfortable with your understanding of the current position of your business and its direct market?*
- *Do you feel comfortable with your understanding of where you would like to take the business?*
- *What could your business achieve if it had adequate financial and human resources?*

Important: *The information contained in this Facts Sheet is not advice. Many of the comments in this Facts Sheet are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances. Also please note that changes to legislation may occur quickly.*

For more information, or if you would like assistance, please contact Farmilo & Co.

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