

white paper

Battle-tested **best practices** in **planning and budgeting**

Part I: Fusion Cell Planning Process™ for
Strategic Budgeting & Planning



Creating an overall direction for your company or workgroup is critical for company success.

However, in business as on the battlefield you will always operate in the absence of complete information, yet you must act. As a finance executive, you make critical decisions that affect the company “mission” at hand, regardless of the uncertainty each day will bring. Your challenge is to build a framework for action that brings order to chaos and drives your company to success. According to a recent IBM survey of over 1,000 chief financial officers around the globe, 75% responded that a large portion of their team’s functions include strategic planning and coordinating and consolidating the planning activities of the entire organization. Why is it that many companies fail to plan or fail to execute the plan? It is because they lack the ethos and process to plan and execute. Without that framework you enter each day lacking the confidence that the actions taken are the right actions, at the right time, to achieve the objectives. The planning process includes: Strategic Planning, Operational Planning, and Financial Planning. It’s the integration of these plans that provides the mechanism to adjust to the actual scenario.

This is part one of a two part series titled “Battle-Tested Best Practices in Planning and Budgeting”. This whitepaper covers the three tenants of planning and six steps to improve the planning and budgeting processes. In part two, Chris Lozano, a retired Lieutenant Colonel in the Marine Corps delves into each of the six steps to support improved planning, how to budget to the plan, and measuring performance metrics along the way. If you would like to read part two, you can download it [here](#).

What is Strategic Planning?

Planning is the act of envisioning and determining effective ways of achieving a desired end-state. It supports the executive in making decisions in a time-constrained and uncertain environment. Whether planning is performed at the strategic, operational, or tactical level, key functions, are to: direct and coordinate actions; develop a shared situational awareness; generate expectations about how actions will evolve and how they will affect the desired outcome; support the exercise of initiative and shape the thinking of planners. More than anything else, the considerations of time and uncertainty dictate the approach to planning, and are its defining features. *Time is most often the scarcest resource* and is vital to the planning process. You must adjust the planning process to optimize this perishable resource. With limited time, use intuition, judgment, and experience to guide your staff and subordinate executives. Since planning is future-oriented, and the future is uncertain, all planning is based on imperfect knowledge and involves assumptions. This uncertainty increases with the length of the planning horizon and the rate of change in the environment. Given the fundamental uncertainty of business, planners must recognize that planning will not eliminate uncertainty, but it enables your executives to decide and act effectively in the midst of uncertainty.

Strategic planning is a learning process that helps identify the difference between what you think is important and what is driving the business in an ever changing market. It does this by requiring you to set key measures, targets for those measures, and dependencies on those measures against actual results. The strategic plan feeds the operational plan with the issuance of these targets and in turn creates the operational imperatives. These imperatives are measured against actual results throughout the year and are changed as appropriate to achieve the final result.

Strategic planning is a decision-making methodology that is applicable across the range of business operations. The planning best practices described in this whitepaper are inspired by the Marine Corps Planning Process and are aligned with best practices for business by C4I Systems the author of “The Fusion Cell Planning Process™”. It is authoritative in nature, requiring judgment in application. And while there is not a direct correlation between business and war, there are truths about human behavior that apply to both directly. Planning is a way of thinking. It gives form to chaos; shape and certainty to an uncertain and rapidly changing environment; it prepares you for answers and actions before the question is asked or the situation presents itself. It is the foundation for action.

Principles for Action

- **Be Decisive.** How many times has your company missed an opportunity because of a failure to act? We often call that “analysis paralysis”. People want certainty and organizations want information and detailed analysis before decision and action. Yet, as an executive you are faced with the daily challenge of operating with incomplete, wrong and untimely information. In the words of George Patton *“a good plan violently executed now is better than a perfect plan next week”*.
- **Plan Now.** Planning is difficult, particularly when your organization cannot afford a separate planning group. Nobody wants to give up people and resources or time. Yet, there is not one thing you can do better than to plan and lay the foundation for success. Done properly, planning brings uncertainty to disorder, develops shared situational awareness, common expectations and a framework for action. Planning is concurrent, synchronized with and supports daily business operations. Act now to plan because *“an idea is not a plan, a plan is not action”*.
- **Reverse Plan.** Integral to planning is time. Don’t get caught in the trap of building a plan that cannot be executed in time to support strategy. Reverse planning means beginning with the date and outcome desired and planning to ensure that all critical steps necessary to achieve that outcome are planned for. Next to uncertainty, time is the biggest enemy to success. *“Time is an irreversible commodity.”*

- **Execute and Adjust.** How many times have you seen great plans sit on the shelf collecting dust? Now that you have planned; execute and adjust. The data extracted from performance and metrics emplaced in the planning phase must be regularly compared to predicted outcomes. This will enable you to make smaller corrective changes rather than radical and disruptive shifts. As time permits, you should continue to plan to reflect new knowledge about business performance and market trends. To be truly effective, planning must become part of your business ethos. *“Planning is continuous.”*

The Fusion Cell Planning Process™

The Fusion Cell Planning Process (FCPP) is a methodical process designed to lead to predictable and repeatable outcomes by establishing standards and methodologies for planning. It is comprised of six distinct steps with many sub-steps. These steps are iterative in nature and once learned can be very deliberate or ten minutes in the conference room.

The 3 Tenets of Planning - these tenets are the pillars of planning and guide the strategic, operational, and financial planning process. The Fusion Cell Planning Process™ is inspired by the Marine Corps methodology and leverages the three tenets mentioned below. This battle-tested process and the actionable steps are defined as follows.

1 Top-Down Planning. Planning is driven by leadership and centers on the executive’s intent and guidance. It may be communicated in oral, graphic, or written form to provide the common direction needed to ensure unity of effort. It helps the executive allocate people and resources to best support accomplishment of the mission. In top-down planning, within a strategic plan, it translates to high level imperatives and corporate wide strategies. These are translated by the operations to the imperatives and strategies they impact. At the operational level, imperatives and strategies may include targets like:

- Production
- Inventory Levels
- Sales and Profit Growth

At the financial level, these operational targets are translated into financial results.

2 Single-Market Concept. While we may geographically divide the market into segments to ease planning and decentralized execution, an executive must always conceptually view the market as an indivisible entity. This is because events in one part of the market may have profound and often unintended effects on other areas. Exploiting the combined capabilities of business across the entire market is the essence of the single-market concept. The strategic plan must address the capabilities of the business across the entire market. Operational targets should include cross-organizational objectives.

3 Integrated Planning. Organizations are vertical in structure but problems are horizontal across a business. This creates a significant barrier to problem solving. By looking at business and solving problems across the spectrum of business operations you will overcome this impediment to success. Integrated planning is a functional approach that is systematic, coordinated, and thorough. It is organized across all business functions (BFs) as the means by which a business plans and executes operations. The key to integrated planning is active involvement of all appropriate BF representatives within organizations via representatives, and between organizations via liaisons. Remember, *action anywhere is action everywhere.*

The 6 Steps of The Fusion Cell Planning Process™

1 Mission Analysis. Proper planning begins with proper analysis. Here, you review and analyze directives, executive guidance, and other information provided by your leadership. In this process you will identify assumptions for planning, critical information, resource requirements, resource shortfalls and tasks. It culminates with production a mission statement. This initial action drives the entire planning process moving forward.

- 2 Course of Action Development.** The second step in the FCPP is course of action (COA) development. In this step you develop several courses of action for study and decision. Each prospective COA is then examined to ensure that it is suitable, feasible, distinguishable, acceptable, and complete with respect to the current and anticipated situation. The executive has the responsibility to modify, reject or approve the COAs presented for further analysis.
- 3 COA Wargame.** This step is at its essence modeling. War-gaming can take many forms from interactive (adversarial) to analytical (critical). COA wargaming (wargaming) helps planners identify strengths and weaknesses, associated risks, and asset shortfalls for each friendly COA. It will also identify branches and potential sequels for additional planning. Short of actually executing the COA, this visualization is the best test of a COA in that it attempts to foresee the action, reaction, and counteraction dynamics of the marketplace. At this phase each COA is scored for its performance alone.
- 4 COA Comparison and Decision.** In this step the executive, with help from the planning team, evaluates all COAs - first against established criteria, then against each other - and selects the COA most likely to accomplish the mission. Like wargaming, comparison and decision mixes empirical and analytical methods and may utilize such methods as weighted matrixes. For the first time COAs are compared to each other against set criteria. It is not intended to make the decision for you but give support for the decision made.
- 5 Plans Development.** Once leadership has made a decision we take the chosen COA, together with intent and guidance, and develop a written plan to direct the actions of the organization. Orders are the principal means by which the executive expresses his decision, intent, and guidance. Plans run the spectrum from strategic to tactical business operations.
- 6 Transition.** This is perhaps the single most important phase of planning – the transition to operations. Transition is an orderly hand over of a plan or order as it is passed to those tasked with execution of the operation. This action provides situational awareness as well as the rationale for key decisions necessary to ensure a coherent shift from planning to execution. Transition can be formal or informal depending on the complexity of the plan, but is always designed to ensure complete and timely action by those charged with execution.

Marrying Planning, Budgeting and Tracking of Metrics

Plans take many forms in business. Typical are strategic, operational and financial plans. These begin with the communication of preliminary targets by senior management. On receipt of the targets, departments budget to meet these targets and identify risks to the targets that need to be mitigated.

The operational planning starts with the issuance of targets that the plan needs to meet. These targets are translated to the metrics required to measure performance called key performance indicators (KPI). It is critical to have the technology to track these KPIs and compare variance of actuals to the targets. It is also critical to set stretch targets and see progress being met over the established timelines.

The financial plan translates the operational plan into a set of financial statements that defines the allocation of resources against specific tasks and projects and forecasts the results that are expected to accrue from implementing the operational plan.

The operational and financial plans clearly state where the organization expects to be relative to its overall strategy at the end of the plan period. An integrated strategic plan, operating plan, and financial plan define the key management reporting requirements. They also define the set of measures that should be built into the budget and forecast process.

Although the end game in the planning process is the strategic, operational and financial plans, a by-product of the process should also be a better understanding of what drives the business, key sensitivities that impact the business and alternative actions depending on how the future unfolds.

About the Host Analytics Corporate Performance Management Suite

The Host Analytics corporate performance management suite includes budgeting, planning, financial consolidations and reporting, and performance management to facilitate the plans created with these methodologies. By integrating Host Analytics CPM Suite with existing transactional systems such as ERP and CRM applications, management can create a continuous planning and reporting process that provides for a more predictive and agile environment that is battle-tested for competing in the market.

For more information on Host Analytics Corporate Performance Management Suite [click here](#).

For more information, please visit www.hostanalytics.com or call 866 391 HOST (4678)

About the Authors

Ric Ratkowski, Vice President of Product Strategy. Ric manages our overall product strategy and brings over 25 years experience in Finance and Accounting. He has held strategic roles in the design of financial analytic and performance management applications within the top software companies in the industry including Braun Technology and Arbor Software. Additionally, Ric held financial executive level positions at multi-national corporations with first-hand involvement in the financial planning and budgeting process. He has been a key member of the executive team at Host Analytics since 2002 and pioneered the SaaS infrastructure at Host Analytics. Ric has a Masters in Finance and a Bachelors degree in accounting from St. Louis University and is a CPA. He lives with his family in St. Louis, Missouri.

Chris Lozano is an entrepreneur, lawyer and retired Marine Corps officer who has dedicated his life to fusing the lessons he learned on the battlefield to business. Chris Lozano has worked in and around emerging technology companies for fifteen years from formation to sale and understands the unique challenges they face." Chris recently returned from his third combat tour since 9-11. As a combat engineer he has participated in the detailed planning and execution of combat operations at both the tactical to strategic level including mine-clearing operations in Afghanistan, the invasion of Iraq and counter-insurgency operations in the al Anbar province.

About Host Analytics, Inc.

Host Analytics helps executives see the full implications of decisions – both risk and reward. Our leading on-demand corporate performance management solution helps financial executives improve their budgeting, forecasting, financial consolidations, dashboarding, scorecarding, reporting and analysis. Most importantly, it helps drive fact-based decisions based on sound financial justification. Host Analytics delivers its product suite using Software-as-a-Service (SaaS) on-demand delivery to increase security while reducing cost and deployment time. Founded in 2000, Host Analytics serves the enterprise, large and midsize companies across industries. Host Analytics was included in JMP Securities' prestigious "*Hot 100: The Best Privately Held Software Companies*" and was the recipient of the Best of SaaS Showplace Award from market research firm THINKstrategies.

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Host Analytics Headquarters:
Host Analytics, Inc.
900 Island Drive, Suite 203
Redwood City, CA 94065 USA

Phone: 650 249 7100
Fax: 866 896 1738
Toll Free: 866 391 HOST (4678)
Email: info@hostanalytics.com

www.hostanalytics.com