

# Three-Year Functional Planning

For All Departments and Major Functional Areas:

*The Systems Thinking Approach®*

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## TARGET AUDIENCE

Every organization is a living system—a complex network of inputs, interactions, processes and outputs in today's dynamic, global environment. Any organization or unit will function best when its interactions, processes, departments and employees work together in an integrated, collaborative and cross-functional fashion, supporting the firm's overall vision, goals, outputs, and purposes.

A mantra of Systems Thinking is, "Systems are sets of components that work together for the overall objectives of the whole." The Three-Year Business Planning process answers the question of how core strategies are to be implemented by the different organizational parts.

In business, we often refer to staff departments as functional; thus, we have coined the term Major Functional Areas (MFAs) to identify the need for these support functions to have Three-Year Business Plans as well as the line organizations and units. While many organizations have an overall Strategic Plan, they often need plans for all their business units and staff support departments. For optimal success, each MFA needs to think strategically about the future, developing its own Three-Year Business Plan that is organized around the core strategies of the organization's Strategic Plan. Doing so will allow your staff departments to replace their silo-oriented thinking with strategy-oriented thinking and focus.

To do this, MFAs must be identified and planned for in a multi-year timeframe, based on their importance to the organization's future growth, profitability and direction. Business plans for the "major support departments" are crucial to ensure proper support of Strategic Business Units (SBUs) and Major Program Areas (MPAs)—and ultimately to the health of the overall organization. (For more information on Three-Year Business Plans for SBUs and MPAs, refer to our companion article "Three-Year Business Planning.")

This article is designed to assist progressive leaders of staff support functions that also see the need for Three-Year Business Plans. Good candidates include heads of IT, Manufacturing, HR, Financial, Marketing and Sales, Operations, Engineering, Administration, Legal/ Regulatory, PR/ Communications, Planning, etc. They should not be given a free ride strategically. Once these leaders develop their own Three-Year Business Plans in support of the organization, they can become strategic thinkers, planners and change leaders with respected seats at the CEO's head table.

"Insanity: Doing the same thing over and over again and expecting different results."

— Albert Einstein

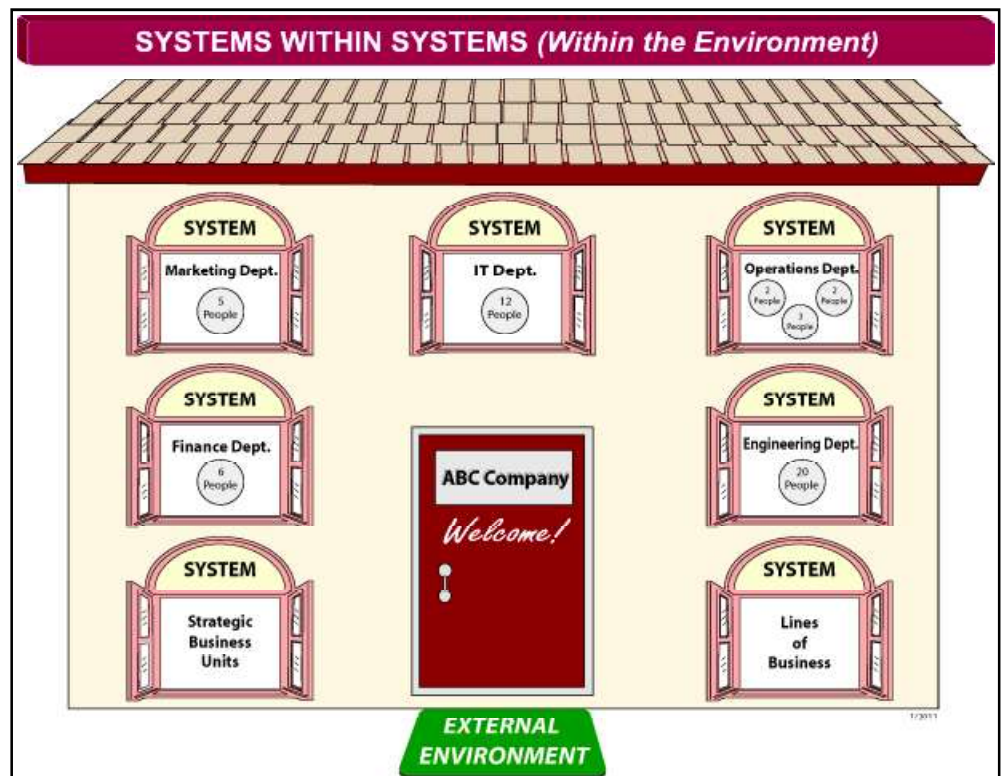
## CASCADE OF PLANNING

The Timing of Business Planning often varies based on an organization's needs. There are often two different times to compose Three-Year Business Plans for Major Functional Areas (MFAs):

1. Because annual budgeting occurs at a certain time of the year, we often see Three-Year Business Planning delayed for about 3 to 6 months so that the Strategic Plan, annual plans and budget can be completed first. This is not optimal, but understandable, especially in the public sector.
2. Sometimes the Three-Year Business Plans are developed first, even before the organization's Strategic Plan, as the business unit or MFA manager sees the need first. Frequently, this plan later becomes "the model" for the entire organization.

Thus, a "Cascade of Planning" down through all the levels is crucial in translating the corporate Strategic Plan into meaningful Three-Year Business Plans for MFAs, as well as SBUs and MPAs. The real meaning of empowerment is strategic consistency, yet operational flexibility!

For example, Giant Industries, a regional energy company, had five different business units and all their MFAs conduct Three-



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Year Business Plans once their corporate plan was completed. The impact was 75 executives and middle managers (15 for each unit) fully committed to implementing their corporate Strategic Plan and their own Three-Year Business Plans.

Failing to follow this Cascade of Planning is where most organizations go wrong. They have separate department objectives and individual Key Results Areas, instead of using the Corporate Core Strategies as the framework for every department's goals and each individual's performance contribution to the overall Strategic Plan. The organization vision must be used as the guidepost to think, plan, act and communicate to yield superior results.

This explicit Core Strategies link between the levels of the organization is the best way we have ever seen to create integration and synergy of results. Ignoring this link between levels of the organization is the mistake organizations most often make in implementing Strategic and Business Plans.

### THINKING BACKWARDS TO THE FUTURE

Worldwide markets and instant global communications are multiplying the opportunities available to every organization, including its consumers and employees. Today, organizations must keep pace with changes in their environment and the resultant changes to their current businesses, programs and operations.

Organizations must be willing to completely reinvent their future vision and then begin thinking backwards to this future, fleshing out the strategies and actions necessary to attain and sustain success. They must also react to the changing values and demands in internal and external customers. Remember to pay attention to their people's hearts and minds, and to support the intangible goals of personal growth, contribution and fulfillment.

The danger of this dynamic "new reality" is that Major Functional Areas (MFAs)—as well as Strategic Business Units (SBUs) and Major Program Areas (MPAs)—can be swallowed up before they realize what is happening to them. In a troubled and rapidly changing economy, the mortality rate for the tradition-bound firms climbs higher and higher, while at the same time, high technology start-ups are creating whole new industries and billionaires.

Within this "sea of change" around the world, Systems Thinking offers a simple yet comprehensive and profound solution. This solution is the ABCs of Strategic Thinking, our core Universal Thinking Technology that is at the heart of the Three-Year Business Planning process. The key is "thinking backwards from the future," then progressing through all five phases (A-B-C-D-E) of the Systems Thinking cycle. It creates an elegant simplicity that can be used similarly by first-time supervisors all the way up to senior executives and CEOs. And it applies to creating Three-Year Business Plans for MFAs, SBUs and MPAs.

### THREE GOALS BASED ON THREE PREMISES

The Systems Thinking Approach® is designed to help an organization or unit reach three primary goals:

Goal #1: Develop a Business Plan and document it.

Goal #2: Ensure its successful implementation and change.

Goal #3: Build and sustain high performance over the long term, year after year.

These goals are based on three main premises of Systems Thinking:

Premise #1: Planning and change are the primary job of leaders.

Premise #2: People support what they help create.

Premise #3: Use Systems Thinking to focus on the outcome—the customer.

Your Major Functional Areas (MFAs) can reach these goals following the 10 steps indicated in the Three-Year "Functional Strategic Planning" model on page 3. These steps are another application of the ABCs of Strategic Thinking.

### Goal 1: Developing Your Three-Year Business Plan

#### Step 1: Begin with Plan-to-Plan.

Our first Plan-to-Plan step educates, assesses, organizes and tailors the business planning process to the unit's specific needs. It involves key stakeholders by using our "Parallel Involvement Process," as well as clarifying top executive roles in leadership development and ownership of their plan. This one-day session comes with our Nothing-to-Lose and No Further Obligation guarantees. For more information, visit our website, [www.hainescentre.com](http://www.hainescentre.com).

#### Steps 2 – 5: Conduct Actual Three-Year Business Planning (Phases E-A-B-C).

After the Plan-to-Plan, you're ready to conduct the Three-Year Business Planning, and steps 2 – 5 help you see the blueprint or strategic design. The overall organization's Ideal Future Vision (Step 2) is the starting point for the process. It should be a clear, shared vision that helps clarify and implement tough choices. It focuses the entire organization and its core strategies on satisfying the customer, which is your main outcome or reason for existence. It should focus your Major Functional Area (MFA) as well, even though it will need its own unique mission statement.

At the same time, you need to conduct a Future Environmental Scan of the trends for the next three years and beyond. For your MFA, you will also need to identify Key Success Measures—quantifiable outcome measures or goals (Step 3).

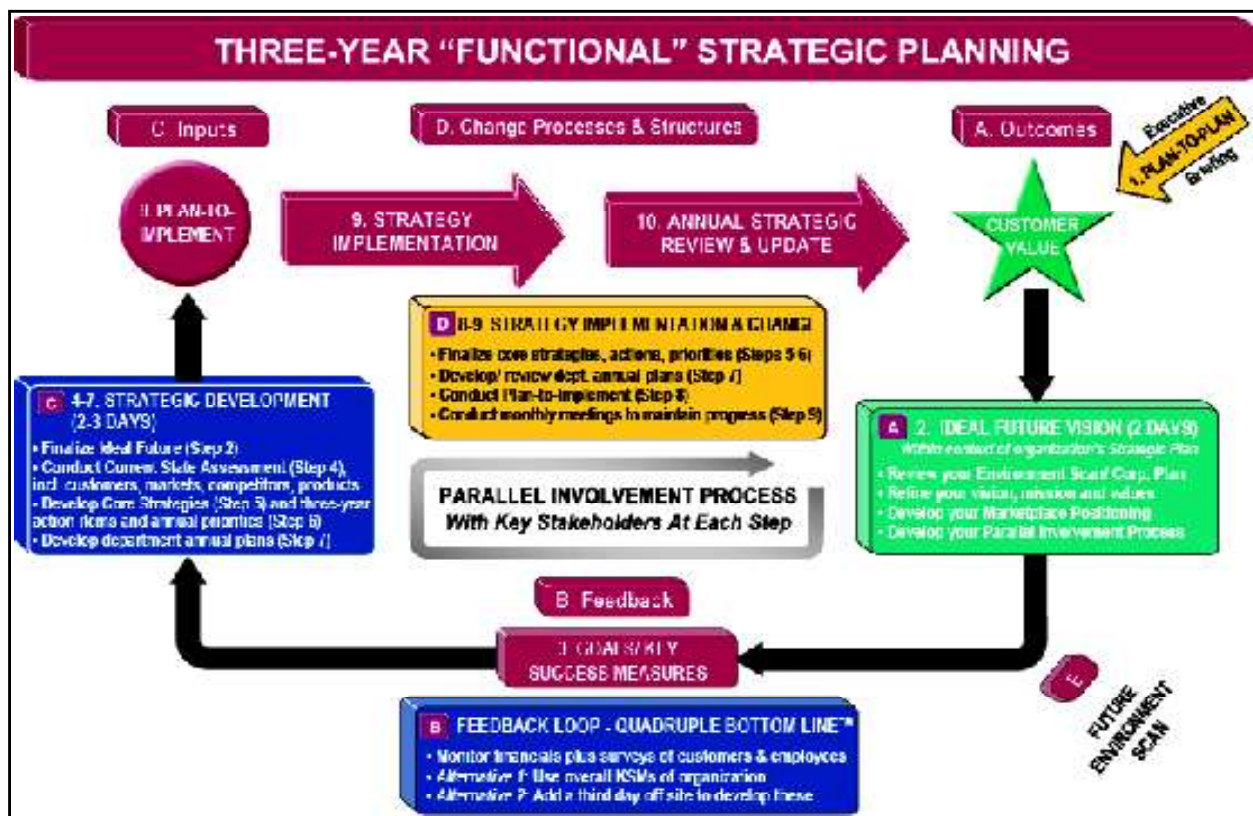
Next, you need to conduct Current State SWOT Assessment (Step 4), considering the internal Strengths and Weaknesses of your MFA, and its and external Opportunities and Threats. You should include customers, markets, competitors and products in this assessment. Using the results of the SWOT, develop core strategies to "fill the gap" between your future mission and today's assessment (Step 5).

#### Steps 6 – 7: Conduct Annual Operational Planning (Phase C).

Once these Three-Year Business Plans are developed above, it's time to set the annual actions and priorities (Step 6) tied to the Three-Year Business Plan. Then, develop your detailed annual plans and strategic budgets (Step 7). Annual plans and budgets must be set within the context of the core strategies already developed in the Step 5. To set separate department objectives is a big mistake, as the objectives of each department and MFA in every organization should be to support the core strategies of the overall organization.

It is essential that all key line and staff units ultimately develop their own Three-Year Business Plans under the umbrella of the overall strategic plan. This need to link levels of planning into one system is a commonly missed concept—and a serious omission.





## Goal 2: Ensuring Successful Implementation and Change

Steps 8 – 9: Bridge the Gap: Plan-to-Implement (Phase D). The Plan-to-Implement (Step 8) is designed to “bridge the gap” between business planning and the difficult implementation process. It is an additional educating, assessing, organizing and tailoring opportunity for the change effort. The key for the Major Functional Area (MFA) is installing supporting structures such as a Change Leadership Team (CLT), a yearly comprehensive map of the implementation process and the use of cross-functional strategy project teams. These are all “fail-safe mechanisms” that help to ensure successful implementation.

This goal also includes Strategy Implementation and Change (Step 9), where the actual work and tasks get accomplished. Part of ensuring the change is for your Change Leadership Team (CLT) to conduct monthly meetings to maintain progress. Our ABCs of Systems Thinking helps provide simplicity and integration to guide successful implementation with the fit and linkage of all parts of the MFA to your overall mission and values.

Keep in mind, you do not implement a Three-Year Business Plan, you implement an annual operating plan that is based on your Three-Year Business Plan.

## Goal 3: Creating and Sustaining High Performance

Step 10: Conduct an Annual Strategic Review and Update. Sustaining high performance for a Major Functional Area (MFA) includes an Annual Strategic Review and Update (Step 10), much as you would include a yearly independent financial audit. Three-

Year Business Plans span three years, yet need formal reviews and updating yearly help the MFA keep pace with the change.

An Annual Strategic Review and Update includes:

1. Reacting to changes in the environment
2. Reviewing the Business Plan and updating annual action and budgeting priorities for the next 12 months.
3. Updating the success of your MFA's Strategic Management System itself, the Strategic Change Leadership Team and any Strategy Project Teams.
4. Reviewing and problem-solving the status of the vital few strategic change leverage points to create customer value.

The key to sustaining a customer-focused high performance organization over the long-term is to do this formal yearly review and update. It is another step most often overlooked by executives, but remember, “People do what we inspect, not what we expect.”

## ENGINEERING SUCCESS UP-FRONT

There are three main ways to get started with creating your customer-focused organization:

### Option A: Plan-to-Plan

The usual first method is a one day Executive Briefing and Plan-to-Plan event (Step 1). This decision-making day pursues four objectives:

1. To gain a common set of principles and knowledge about how to reinvent Business Planning in the 21st Century through an executive briefing.
2. To understand how reinventing Business Planning is really institutionalizing an MFA's Strategic Management System, and what that means in terms of our three goals towards creating a customer-focused, high performance MFA.

3. To diagnose your strategic issues and to examine certain components of your current Business Plans as a way to tailor your Business Planning and Strategic Management processes.
4. To conduct an actual Plan-to Plan work session in order to determine the next steps to tailor and craft a Business Planning process that means your unique situation and needs.

#### Option B: Plan-to-Implement

The second way to get started is the one-day Plan-To-Implement (Step 8). Afterwards, you will be more organized for implementation and change (Step 9). During the first year of the implementation, the Change Leadership Team (CLT) takes the lead in identifying and completing those aspects of the full Business Planning process that makes sense to them. This should be done at Annual Strategic Review and Update (Step 10).

#### Option C: Tailored to your needs

Begin anywhere you want on our five phase A-B-C-D-E Business Planning and Strategic Management process, and then continue on from there, filling in the blanks as you go.

As a cycle, Systems Thinking Approach® lets you enter your system at any point that needs assistance, including:

1. Setting up a Change Leadership Team to guide and coordinate existing change.
2. Conducting annual planning via core strategies with top three yearly action priorities for each.
3. Finishing budgeting and setting project teams on big, cross-functional issues.
4. Training and licensing internal staff on Business Planning facilitation and Leading Strategic Change.
5. Conducting a Reinventing Strategic Planning Workshop to kick-start Business Planning and/ or a Leading Strategic Change Workshop to kick-start any major change project.
6. Conducting a pilot Business Planning process for one MFA, and using it to learn and develop your internal support cadre for the planning for the other MFAs.
7. Conducting only the Business Planning phase you need now—such as developing a mission, Key Success Measures or core strategies, then putting in a Change Leadership Team to guide implementation.
8. Training your management in Business Planning concepts through our 2-3 day workshop on Reinventing Business Planning for the 21st Century.
9. Conducting your Annual Management Conference with a keynote about Business Planning and Strategic Change, using our models and articles as handouts.
10. Conducting an Annual Strategic Review and Update as a starting point, then proceeding based on the recommendations and decisions from this audit and update.

In any case, remember that this is a long-term process of success.

Quick fixes are not lasting! The Systems Thinking Approach® is a multi-year change effort to create customer value and achieve your Ideal Future Vision on an ongoing basis.

### MISTAKES AND BENEFITS

Mistakes: In addition to failing to define and plan for Major Functional Areas (MFAs) in an accurate and meaningful way within the overall organization-wide context, there are several other common “mistakes” to avoid in the ABCs Business Planning Process:

1. Failing to integrate planning at all levels—organization, business unit, department, teams, individual, etc.
2. Keeping planning separate from day-to-day management.
3. Conducting only long-range forecasting.
4. Having a scattershot approach instead of an integrated systems approach to business planning.
5. Developing vision, mission and value statements as fluff only.
6. Having only a yearly weekend retreat as planning.
7. Failing to complete an effective implementation.
8. Violating the “People support what they help create” premise by not involving them.
9. Conducting business as usual after Business Planning and the desired changes are identified.
10. Failing to make the “tough choices” and resolving conflicts over direction and strategies.
11. Lacking a results scoreboard and only measuring what is easy, not what is important.
12. Neglecting to benchmark yourself against the competition.
13. Seeing the planning document as an end in itself.
14. Using confusing terminology and language.
15. Trying to facilitate the process yourself instead of relying on professional facilitation and support.

Benefits: However, when it is carefully executed, there are innumerable advantages to Three-Year Business Planning and Change processes for their MFAs—as many of our clients have reported. According to one client, “This process provides a visionary leadership process, communicating core values and strategies, so everyone can “get on the same wavelength” and align themselves to the same end: the customer. It empowers employees, teams and departments, and reduces conflict, thus making decisions easier.”

### SUMMARY

Using the points in this Three-Year Business Planning guide for Major Functional Areas (MFAs) will get you started on turning your entire organization into a customer-focused, high performance one. But remember, it is still difficult to stay focused on the “vital few” leverage points for change in the midst of our “trivial many” daily tasks. Remaining consistent in planning for your MFAs—and in managing them within a Systems Thinking framework—requires more than good intentions. It requires focus and hard work.

Another in the Reinventing Strategic Planning Series.

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