INTEGRATED NBFC Business PLANNING

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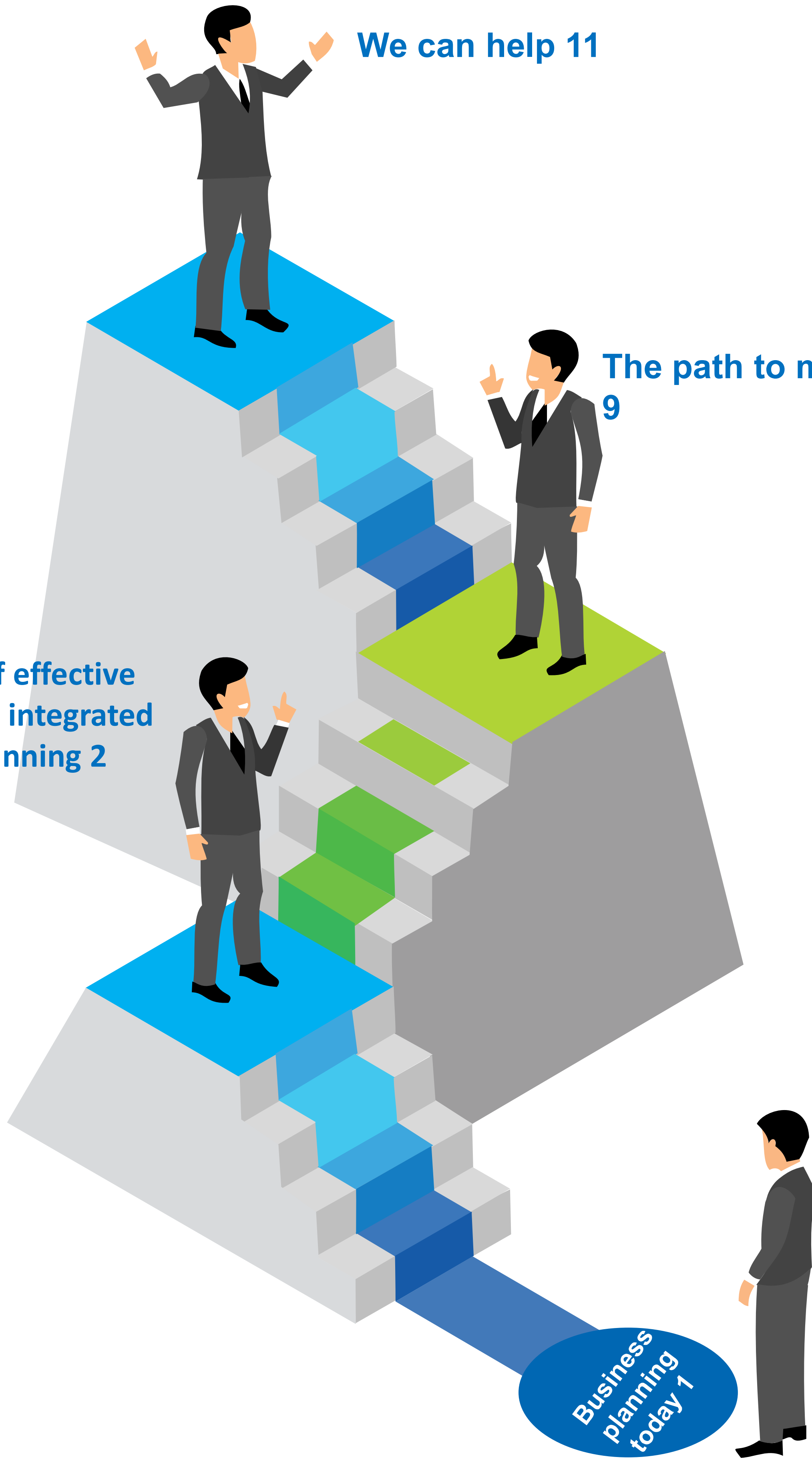


Business planning today

In current dynamic environment every organization and business unit face uncertainty on every step. These dynamics include rapid innovation, technology, change in consumer taste, political and economic uncertainty, ever evolving employer employee relationship, vigilant stakeholders etc.

Among all these uncertainties, it is important that while figuring out an effective business plan following factors are considered:

- Digitalization: In this a digital age, technology plays an important role, right form conception of an idea, to its implementation, every day to day activity can be made easy with the help of technology.
- Dynamic Work culture: with technical advancement and changes in employer’s expectations, the work culture is evolving. Definition of office boundaries has expanded.
- Marketplace Expansion: With changes in trading policies and economic development new market possibilities are emerging day by day. It is important to identify such emerging markets.
- Environmental Factors: Along with technical changes, environmental factors also effect the organizations at large. These factors include climate change, population growth, economic growth, technical innovations etc.

Business planning today

- Price Fluctuation: As a result of demand and supply forces in the economic market, the prices of products vary on regular basis. For some products like petroleum this change is very unpredictable.

All these factors contribute to a dynamic business environment. Thus, it becomes very important to incorporate a strategic business plan with a view to incorporate features to adapt to all such changes. In current market scenario if one has a conventional approach then the business plans will not be sophisticated and flexible enough to adapt to any change in the business environment. This will result in number of challenges and the organization will be continuously in the process of catching up. This defeats the purpose of a business plan, i.e. to come up with a detailed plan for the future.

Challenges in business planning processes

Challenges

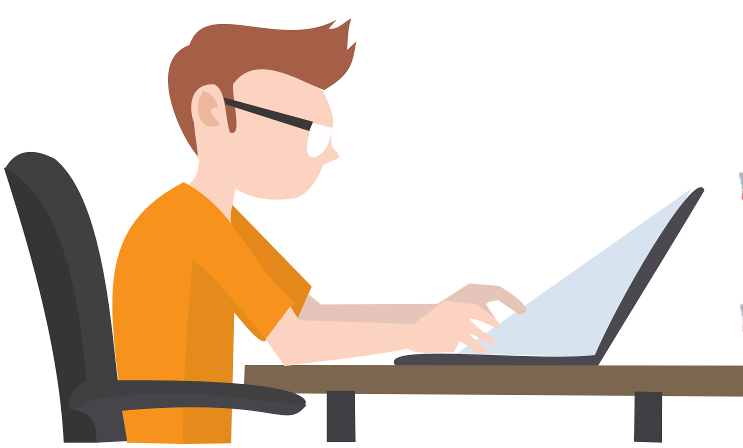
- Planning process is concentrated in the hands of higher management.
- The fact the planning is an ongoing process in ignored.
- Ambiguity relating to implementation and governance of plans.
- Planning is not in sync with the resources.

Root causes

No sync between Organizational purpose and Business plans:

- In order to focus on ‘how’, the big question of ‘why’ is ignored.
- With main focus on strategizing, key elements like planning, budgeting and forecasting are often not synced to the strategic plan.
- Business plans might lack long-range planning. And integration of factors like capital budgeting, operations plans, or management reporting can be ignored.

- Planning is done on management level, concentrates on reporting and lacks redressal system.
- Due to concentrated think tank, some business segments can be ignored.



With changes in key economic and business conditions, plans are done away with instead of refining them to adapt to such changes:

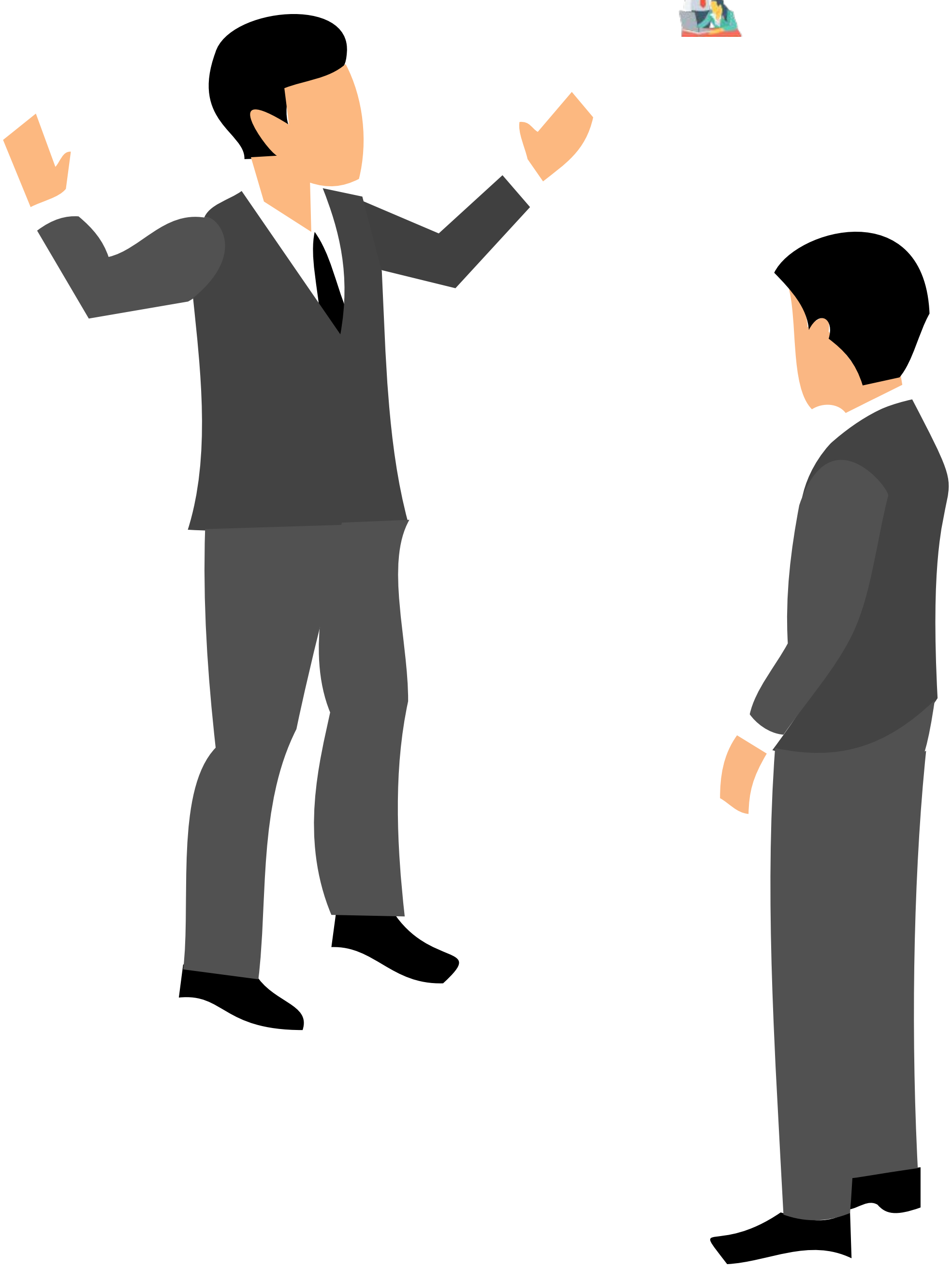
- Market dynamics can render a plan ineffective.
- Plans might not be effective in real-time scenario
- Business plans are based on available financial numbers. Which might not be feasible with actual situation.

Challenges in business planning processes

- Financial targets might not be fact based.
- Assumptions made while planning might not be consistent with actual scenario.
- The practicality of business planning might be overshadowed by hunches.

Business plan might not be actionable and cannot be implemented on day to day business actions due to lack of insight:

- Plans can be conceptual and lack base to be credible.
- Business plan might look good on paper and be hard and unrealistic for implementation.



Five traits of effective purpose-led integrated business planning

Purpose-led integrated business planning process overview

With the changing dynamics of economic and business conditions, businesses might discourage long-term planning. But in times like these, there is a need for a grounded and purposeful business plan which focuses on organization's objective. An optimal integrated business plan must have some important traits

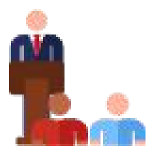
In order to become a high performing organizations an optimal integrated business plan must have following important traits

1

Integrate organization’s purpose in the plan

The strategic business plans can be optimized by making sure that the organization’s purpose is integrated in it. This will ensure the focused approach and help avoid any confusion.

2



Plan in sync with business management cycle

In order to ensure perfect integration of business plan with the business management cycle, the plan must include components like, long-term planning, operational plans, periodical analysis and forecasting.

3

Planning must be based on financials to facilitate progress evaluation

The business plan must be developed based on any previously available financial data. And expected outcomes metrics must also be defined. This will facilitate the performance evaluation through comparison.

4

Strategy must be linked with business performance levers

Performance drivers play a very crucial role. These drivers ensure that business performance is in accordance with the established standards in the strategic business plans.

5

Strategic plans must be refined with any changes not replaced.

In order to not break the momentum developed while execution of the business plan it must be refined to adapt to any significant changes rather than developing new or competing projects

Trait 1: Integrate organization’s purpose in the plan

The strategic business plans can be optimized by making sure that the organization’s purpose is integrated in it. This will ensure the focused approach and help avoid any confusion. This means that the business plan as well as all the strategies adapted to achieve them must be in alignment with the main object of the organization.

The ultimate objective of the business plan should be to develop a work culture in organization which results in value creation. For this the workforce must be looped in to the organizational plans and their roles in achieving them. This helps integrate long term business plan in the day to day practices and with time resonates with the stakeholders too.

One can achieve this through:

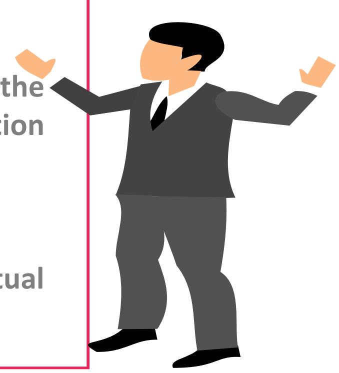
- Ensuring that business planning at the C-suite level is underpinned by a discussion around purpose, and by translating strategy into measurable financial, commercial, and stakeholder outcomes
- INVESTMENT DECISIONS MUST BE BASED ON ORGANIZATION’S PURPOSE, THIS WILL HELP IN PROPER ALLOCATION AVAILABLE RESOURCES.
- Providing a framework for investing in resources and people
- Defining the business case for supporting major initiatives and establishing “purpose” metrics to evaluate the ROI of these initiatives
- Balancing long-term organizational purpose with short-term performance

This integration of purpose in business planning results in reduced risks, gives competitive advantage and improved performance. This stabilized and growth oriented model helps in attracting and luring customers.

The purpose of the organization must be in sync with the stakeholder’s vision of the company. If this part is ignored then it might lead to problems in business planning process.

Common mistakes

- Many a time’s management is so focused on the strategy implementation part, that employee’s interest takes a backseat. The healthy way is to fully engage the workforce to achieve powerful results.
- All the developments relating to strategic business plans are restricted to the senior management level, which beats the purpose. The whole organization must be looped into the new initiative
- Many confuse purpose with organization’s mission and vision, while in actual purpose goes beyond the mission and acts as a unifying principle



Trait 2: Plan in sync with business management cycle

In order to ensure perfect integration of business plan with the business management cycle, the plan must include components like, long-term planning, operational plans, periodical analysis and forecasting.

In order to sync the plan with the business management cycle, the organizations adopt various practices like:

- The strategy along with long-term plans, budgeting, forecasting, reporting etc. should be integrated with common set of drivers in the enterprise.
- For effective decision making, they must engage in scenario testing, comparisons and then making informed strategic decisions.
- Identifying opportunities or any changes in conditions and conducting strategic planning.
- Value drivers to be used to set targets as well as to improve visibility of organization performance.

Business planning process

Strategy and long-range plan

- Strategic insight and direction
- Strategic scenario testing
- Capital and resource allocation
- Long-range business and financial plan
- Fact-based targets
- Strategy linkage

Planning

Annual plan Assumptions and targets

- Planning assumptions
- Business and financial targets identified in terms of drivers and outcome metrics

Operational plan

- Business tactics
- Detailed drivers and dimensions

Financial plan

- Quantification of operational plan

Execution and decision support

Business reporting and analysis

Reporting

- Progress vs. outcome metrics and drivers

Analysis

- Identify performance gaps
- Driver-based analysis of variance

Forecast

Action planning/ forecasting

- Course correct as needed
- Develop rolling forecast
- Exception basis: update operational and financial plan

Communicat e

Trait 3: Planning must be based on financials to facilitate progress evaluation

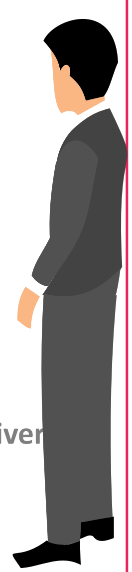
These metrics are basically tools to convert strategic plans into tangible objectives and helps in developing model to achieve desired results. Even incentive can be set up to encourage desired behavior and results from across the organization.

The business plan must be developed based on any previously available financial data. And expected outcomes metrics must also be defined. This will facilitate the performance evaluation through comparison.

Seasoned organizations develop a driver tree to support these outcome metrics. This driver tree consist of internal as well as external drivers

While defining the outcome metrics, it is critical to ensure that each outcome metric:

- Must be linked to strategy
- Must be easy to understand and measure
- Must be based on reliable data
- They must be high in quality
- Management must prioritize them
- The organizational behavior and decision must be guided by them
- They must be tied with actionable driver



Common mistakes

- Instead of focusing on the business plan intent, number of irrelevant metrics are allocated to the executive. As a result main focus is lost
- Metric objectives are communicated down the line without providing proper context or how executives can influence the same.
- Proper focus and efforts not put in to set target metrics and formulating actionable plans to achieve them
- Lack of transparency in the system, as a result the executives cannot measure and analyze the actual performance
- Limited decision rights provided to the executives restricting the way they can influence the metrics
- No appropriate benchmark is set for the metric
- Different departments not communicated about shared objectives and this results in lacking performances.
- Not planned about the steps to be taken if the KPIs indicate a difference between intended and actual results
- Strategy is not exactly linked to the metric and performance indicators.

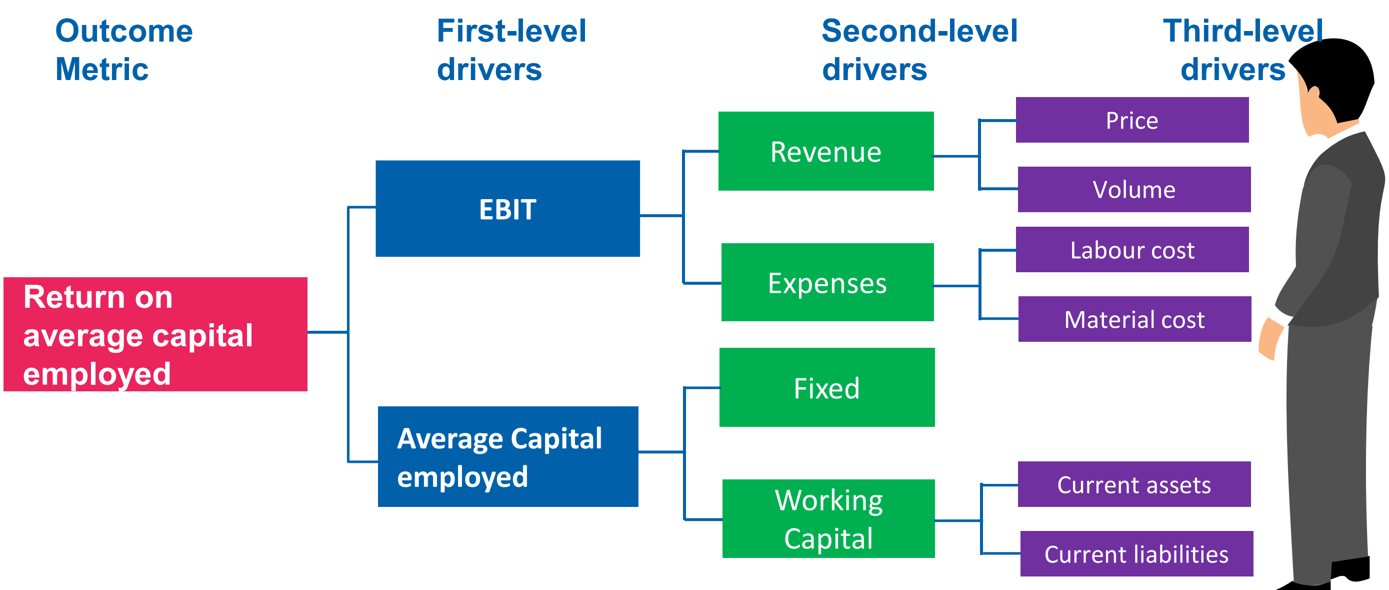
Trait 4: Strategy must be linked with business performance levers

Value Drivers bridge the gap between business strategy, finances and operations. Performance drivers play a very crucial role, as they help in evaluating all the available opportunities and options and how they will contribute to the organization's purpose. These drivers ensure that business performance is in accordance with the established standards in the strategic business plans.

Value drivers:

- Provides links between targets, operations, initiatives etc.
- Proper analysis ensures fair allocation of resources within the organization
- Connect strategic initiative decisions taken at management level with the organizational level

SAMPLE VALUE DRIVER TREE



Common mistakes

- Lack of data results in incorrect evaluation of value drivers
- Fail to adjust these value drivers with external changes.
- Different value drivers are not properly inter-related
- With every major target achievement key value driver must be adjusted. Many a times organizations fail to do that.

A well defined strategic initiative include following critical attributes:

In order to not break the momentum developed while execution of the business plan it must be refined to adapt to any significant changes rather than developing new or competing projects

The most important part of the business planning process is development of a well thought-out implementation plan. And actual implementation of such plan involves taking strategic initiatives. These initiatives are the actual projects and activities developed and implemented to attain the desired strategic goals.
The important part is to explicitly allocate the available resources between individual initiatives and set responsibility and accountability to create better understanding for it across the organization.

A well defined strategic initiative include following critical attributes:

- Initiative's owner
- Stakeholders impacted by it
- Dependencies
- Scope of the initiative
- Initiative's link to the strategy and what will be its impact on it.
- The allotted decision making powers
- How will it mitigate risk or manage it.
- Budget allocation
- Drivers and performance indicators linked to it.

Common mistakes

- Required decision making powers not allocated, this blocks flexibility.
- No focus on prioritizing the critical initiatives, and trying to do everything at once. This results in lack in quality
- Not figuring out the dependencies of such initiatives, these results in improper execution.
- Not involving the entire workforce in the initiative execution part, this poses unnecessary pressure to deliver on limited group of people.
- Failing to alter or modify existing initiatives with respect to changes or adding alternate or overlapping initiatives.

The Mature Approach

Following concerns to eb identified to formulate a perfect plan

Design level questions

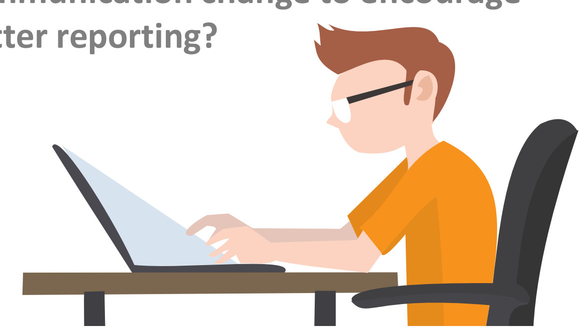
- Is the plan clearly articulated, understood and in sync with the organization's purpose?
- Is it flexible enough to adapt to changes?
- Can the plan be integrated with every component of the organization?
- Are the performance drivers well documented and understood?

Operational level questions

- What will be the challenges relating to strategy, planning, implementation etc?
- Who will be accountable for the successful implementation of the plan?
- What will be the size of the team responsible for the implementation of business strategy?
- Are we technologically updated to support the required level of planning and analysis?

Execution level questions

- Is the project strong enough and do we have portfolio management skills to execute such strategic initiatives?
- How to execute the strategic business plan into the business management cycle and convert theoretical plans into outcome based operational plans?
- Will there be any major changes in the organization in the process of implementation of these strategic initiatives like management and communication change to encourage better reporting?



Levels of business planning maturity

Level One
Basic

Level Two
Developing

Level Three
Established

Level Four
Advanced

Level Five
Leading

- Only guidance provided in decision-making processes (not integrated). No formal strategy and KPI inclusion
- Risk management is not part of it.
- Plans are formulated but no dedicated planning team
- No comparative analysis done

- Business plan is not just a guiding force it also includes strategy and performance indicators
- Risk assessment forms part of plan
- Extensive plans are formed and integrated end-to-end in the management cycle
- Comparative analysis done and no actions are taken

- Extensive strategy linked to capital budget, annual plan, forecasting, KPIs, operations plans, and management reporting
- Risks assessment and management form part of it.
- Along with extensive planning, strategic planning and scenario analysis are also done.
- Comparative analysis done and actions taken to resolve issues

Value-added | **Integration with decision-making** | **Process cycle** | **Level of involvement**

Key factors for Effective Plan

Most organizations struggle with all five traits of high-performance planning. Here are some ways you can set your organization up for success:

1. Accountability on the part of senior executives to integrate business plan into the business management cycle of the organization.

2. As the plans ask for investments, the stakeholders interest should be primitive in every planning process.

3. Every business planning and management work requires for extra resourcing. To make sure that they are properly implemented explicit focus and monitoring is required.

4. Every plan is based on certain base statistics. In future planning some risks are involved but that does not mean bluffing. The planning should be articulate and evidence based.

5. It is important that while before implementing any strategic plan, the employees are looped in the same. It is only after proper understanding of what they are trying to achieve that they can focus on the same and make the decisions as per the context.

6. In the repetitive business cycle it is easy to loose track of the ultimate strategic intent. Thus, periodical operational discussions must be encouraged.

7. The implementation of the strategic plan must not be over complicated; there should be visibility and proper reporting process in system. This will bring clarity and every action in the process to achieve the objectives can be identified.

8. To make sure that the objective is not just financial, it must also integrate strategies, operational plans, employees etc.

9. All the organization’s initiatives or risks taken must be in sync with its strategic objectives.

10. Strategic planning is done keeping in mind the big picture. But, everything must be started with baby steps, here it would be in the form of target setting on every level.

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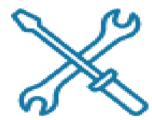

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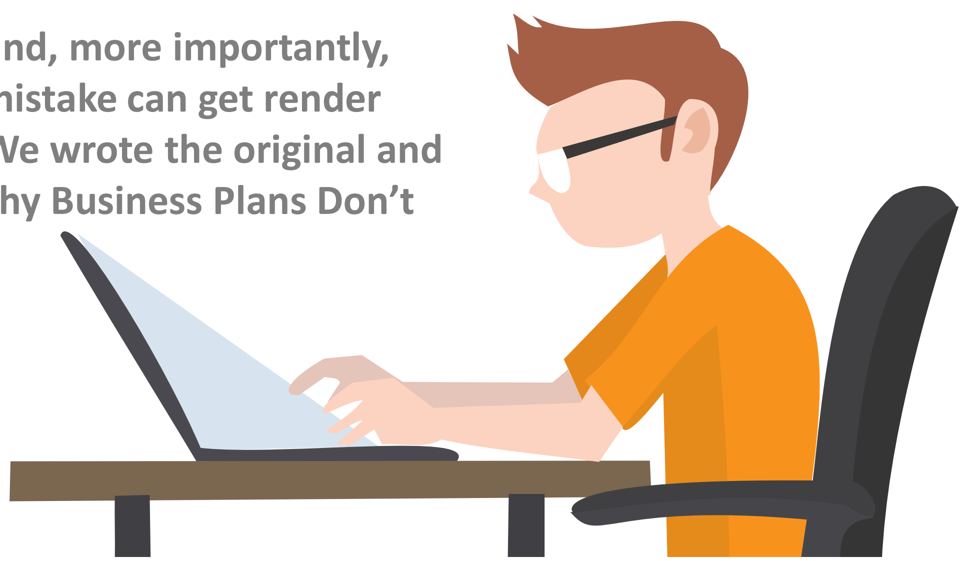

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