

# Operational Planning

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“Okay, everybody, I want to give you a heads up: Once we get through the budget crazies, I’d like us to do a better job of operational planning.”

“Bill, do you mean strategic planning?”

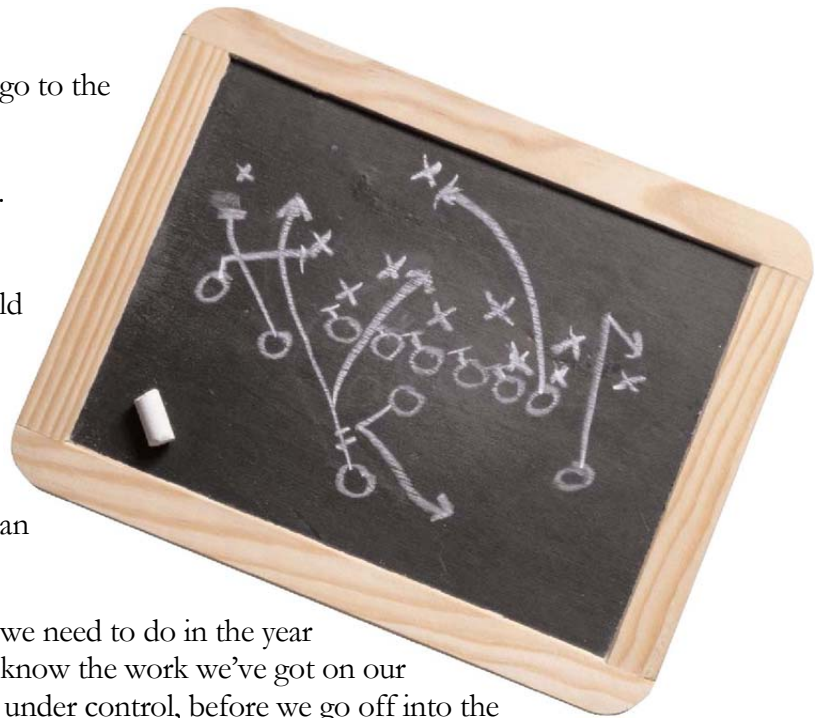
“No, Angela, I mean our one-year plan – you know, the details of how we’re going to run the business. We need to be thinking up front about who’s doing what, the kinds of internal investments we’ll be making in the year ahead, where our resources are going... that sort of thing.”

“But don’t we need to do a strategic plan before we go to the tactical level?”

“Listen, we’ve got to drive costs out of this business. We’ve got to do a better job of delivering on our promises. We’ve got to get a better handle on infrastructure capacity and security. I agree we should do both. But we’ve got some basics to take care of before we have any hope of executing on strategy. Let’s get our operational planning going; then a strategic plan can feed into it later.”

“So if it’s not based on strategy, what’s the basis for an operational plan?”

“Angela, I think we have a pretty good idea of what we need to do in the year ahead. Yeh, strategy could add some vision, but we know the work we’ve got on our plate. Let’s make sure we can do that, get the basics under control, before we go off into the stratosphere of strategy. I’m just being pragmatic.”



## Rebellion

“Charlie, you have a question?”

“Yeh, Bill, I got a question for you: First the budget, then operational planning, then strategic planning.... When are we going to have time to get any real work done?”

“Bill, I have a concern, too. If we do the budget first, how can we be sure we get the resources in the budget that the operational plan tells us we’ll need?”

“And I’ve got a question, Bill: You asked me to lead the development of a product/service catalog. How does that relate to all this?”

“And I’ve got one too, Bill: You asked me to develop the rate sheet. How are we going to link that to the budget? And doesn’t it kinda depend on the assumptions in the operational plan, like all the indirect costs?”

“And you’ve got me doing the infrastructure architecture, Bill, which is going to take a bunch of capital and work in the year ahead. Where does that fit in? Didn’t we already get that approved?”

“Okay, everybody, slow down! We need to think this through. Charlie, I hear you; we’ve got a lot going on. And everybody, you’re saying that all these various planning exercises have to come together somehow. I agree. We’re just not clear on how yet.”

## **The Root of the Problem**

When planning exercises are disjointed, they take a lot more effort. Worse, their disjointed results are much less effective.

The truth is, an operational plan includes all of the various types of plans for the year ahead. It must. Resources and activities are driven by all the things the organization must do in the year ahead.

All those distinct planning efforts that Bill had assigned to various managers are really just subsets of the same thing – operational planning.

## **The Way Out**

The key is to think of operational planning as an integrated process of business and budget planning, and catalog definition (or refinement) and rate setting. They’re all interrelated aspects of the same plan.

An operational plan defines the lines of business within the organization, and the products/services produced by each (the catalog).

It forecasts which (and how much) of those products/services it will “sell” in the year ahead (the demand forecast), and which groups are to be involved. It coordinates deliverables across all groups involved in project teams. And it plans what resources will be required by each group to deliver all their commitments.

It also plans internal investments (including the capital budget) for infrastructure and organizational improvements, and determines how those projects will be delivered.

And it plans the “indirect” support activities that keep the organization viable, like professional development, product research, maintenance and enhancement of infrastructure/tools/skills, and overhead. These necessary sustenance activities become part of the cost structure.

All these forecasts and assumptions are assembled into a budget – an “investment-based budget” that describes the cost of proposed projects and services (as well as traditional general ledger accounts by cost center).

Rates (e.g., for chargebacks and competitive comparisons) consistent with the budget can be extracted directly from the same data.

## Practicalities

To engage managers in an operational planning process, you need a well-documented process that takes managers through a series of planning decisions, step-by-step. And with each step, managers need principles and guidelines to do a good job of it and to ensure consistent results.

A planning tool is also essential. It focuses managers on specific questions to be answered at each step, and structures their assumptions and decisions to ensure consistency. It links activities across the organization. And, of course, it does all the “heavy lifting” when it comes to cost modeling and reporting.

An operational plan is tangible, pragmatic, and an essential element of an effective organization. While not as glamorous and visionary as a strategic plan, its benefits are more immediate and existential. Sure, it takes time and thought on the part of the leadership team. But that’s what leaders should be doing; far more important than doing the work of their organization which could be delegated to staff.

The good news is, you’re not the first to think about operational planning methods and tools. Well-proven processes and software are available, off the shelf. There’s no need to reinvent the wheel! □

*For a library of information and case studies on investment-based budgeting, the method, and the tool, go to [fullcost.com](http://fullcost.com). And CIOs interested in a private sounding board on their resource-governance processes may enjoy a private consultation with Dean Meyer. Contact NDMA at 203-790-1100, or [info@ndma.com](mailto:info@ndma.com).*