

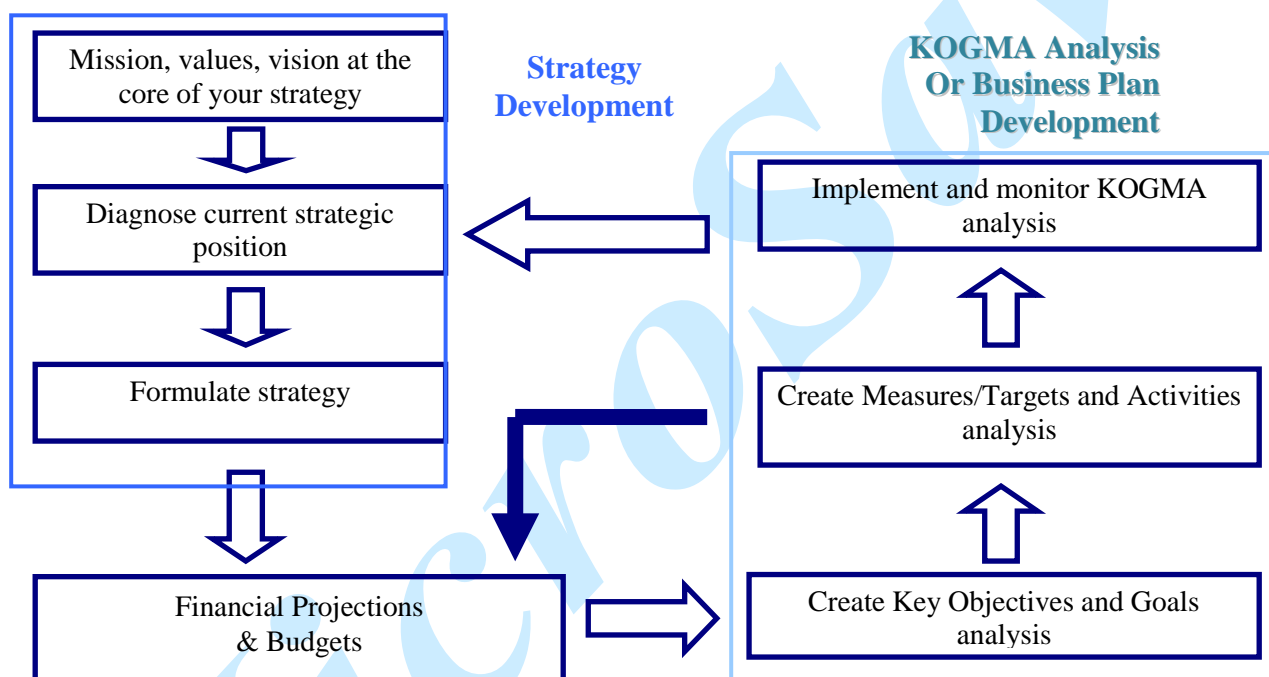
Strategic Business Planning

Overview

Strategic business planning is a disciplined and pragmatic approach that organisations can use to make decisions **now** about the **future**. It enables them to make more informed choices and decisions, set future directions, establish priorities, allocate limited resources, improve operations and monitor results. A well-executed planning exercise promotes a common understanding about the financial institution’s overall direction and purpose. Individuals see how their actions support the institution’s mission. Clarity of purpose enhances the organisation’s ability to recognise and concentrate on those activities that are fundamentally important. Second, the strategic business planning process trains staff to think and act strategically. These skills permit the organisation to creatively handle changing circumstances.

Overview of Strategic Business Planning Process

MicroSave uses the approach outlined in the diagram below to conduct Strategic Business Planning.



The institution’s strategy is developed/updated on the basis of a systematic analysis of its market, its competition and its own strengths and weaknesses, together with an analysis of the opportunities and threats in the sector/macro-environment. On the basis of this analysis, the institution can develop a succinct statement of its Strategy, which will (together with its Mission and Vision) be implemented on the basis of the business plan. The Strategy will be the basis for the first-draft financial planning analysis – the Financial Projections – using whatever projections model the institution has chosen.

On the basis of the institution’s Mission, Vision and Strategy a business plan is developed through a participatory process using “KOGMA Analysis”¹. This helps the organisation focus on the issues critical to implementing its strategy and which drive the Key Objectives. KOGMA Analysis provides an intuitive approach to identifying the Key Objectives for achieving the Mission/Vision of the organisation and then ... identifying the Goals that must be achieved to meet these Key Objectives as well as ... the Measures/Targets and the Activities necessary to achieve the goals. It thus provides a comprehensive road map for the implementation of the organisation’s strategy.

¹ Key Objectives, Goals, Measures and Activities

Tracking systems to monitor progress, compile management information and keep the plan on track are also essential for successful implementation of the KOGMA Analysis. In addition to tracking progress on Key Objectives, Goals and Activities, Measures should also be monitored. Data should be collected for each Measure and reported at a regular interval. Progress reports on Measures could be in the form of data tables or presented in charts or graphs.

Benefits

- *Equity Bank* used the strategic business planning framework as the core of its change management process – to identify its critical success factors and create a commonality of vision and purpose throughout the organisation. As a result, after an extensive process of reviewing the plan throughout the organisation, all staff members had understood and internalised the plan – thus facilitating its implementation. This process allowed the bank to manage and control its exponential growth and to become the most successful and recognised microfinance institution in Africa. The targets and measures set as part of the process were then used to monitor its implementation and to identify where the bank was under-achieving and thus required to strengthen its efforts/ capacities.
- The strategic business plan developed at *Bandhan* in India allowed the institution to chart its future and identify the critical success factors necessary to achieving its ambitious growth plans. The strategic planning process, conducted with senior management and Board members helped all see the issues facing the organisation and to discuss how these might best be addressed. The resulting strategic business plan and financial projections were used by Bandhan for their transformation into a Non Bank Financial Corporation and as a basis of raising funds to finance the expansion from a range of banks in India including ICICI Bank, ABN Amro, SIDBI and others.
- *Uganda Microfinance Limited* used the strategic business planning intervention to improve internal alignment, to reformulate the human resource function, to improve key communication, to focus on improving portfolio quality and to increase deposits. Following the strategic business planning a re-energised management improved performance and significantly increased profitability.
- Strategic business planning in more than 40 small and nascent sized microfinance institutions across the underserved geographies of India has immensely helped them to align their systems and professionalise their operations from a strategic perspective; it also helped them generate confidence of their bankers and funders.
- *Margdarshak*, an Indian MFI, could prioritise their training needs and internal marketing strategies because of a thorough strategic business planning and could also prepare realistic business projection through the exercise.
- Strategic business planning has been the starting point of the work being done with the four MFI/bank partners of Opportunity International Australia in the Philippines. It has helped the financial institutions to review their existing strategies in details and develop new ones to meet the growing challenges in an increasingly competitive market. As a result in subsequent years, these organisations have shown significant growth, developed new and refined products, improved their portfolio quality, established streamlines processes and improved the performance of their second line of management.
- For Masuta Producer Company Ltd, India, a livelihood enterprise promoted by PRADAN, we conducted value chain analysis to understand economic value additions at each stage and identify gaps in value chain. Based on the analysis of existing value chains, we conducted a strategic business-planning workshop with Masuta staff to devise strategy for next five years with the aim of achieving strategic vision of the company. The strategic plan document forms the basis of the scale-up plan to increase the coverage of the livelihood enterprise from 500 members to 10,000 members in three years and from 3 districts to 22 districts of the state of Jharkhand, India.

Successful KOGMA Analysis

- Describe the organisation's Mission and Vision as well as the Vision for next 5-10 years
- Gives an overall picture of the strategy and enables communication of Key Objectives, Goals and Targets
- Allows monitoring of progress towards Goals and thus Key Objectives through mix of financial and non-financial measures
- Shows staff how/where to contribute and focuses them on critical issues, thus creating an environment

Prepare a strategic business plan to focus your organisation on the issues critical to its success, communicate these to all staff and then monitor the implementation of the plan in a systematic manner!