

# “Annual Operating Plan”



Weekly Learnings 11 / 2024

All businesses build annual plans around March. This season, all CEOs have GRITT on their mind as they approach FY 25 - Growth, Regulation, Innovation, Technology and Talent. My 10 learnings on an AOP:

1. Is AOP a top-down or bottom-up process? All plans are a mix of the two. When results are good, it's more bottom up, when there is a challenge or crisis, then it's more top down.

2. Is GDP the benchmark? Some businesses have no correlation with GDP, if your consumer business has a correlation, then the number is private consumption growth which is 4.4 % and not the overall GDP number. What multiple of private consumption growth is your growth number?

3. How much time should be spent on AOP? If the company updates its position and thoughts every quarter, then you need to spend less than two to three weeks, if you use the AOP as thinking time, then you need to spend more time.

4. How many assumptions should a business make? Not more than 5 assumptions. The top 2-3 assumptions will explain most of the industry growth, so challenge your assumptions. Often the assumptions are wrong.

5. What's the role of job holders or leaders? If you are a mid-size company, up to 2000 crs, then look at the top 15 jobs in your company. If you are a Rs 5000 crs company, then look at the top 50 jobs in your company. Check if you have the right people in the jobs to deliver the plan. If your ratio of right people is less than 70 %, then it's unlikely the plan will be met and you need to realign your capability to the plan.

6. Impact of Technology? Every business is impacted, some know it, some don't. Distribution strength in a digital world is challenged by platform delivery. Hence your competition, path to purchase and path of delivery, all are left field moves now, they are not the old players you competed with. Consumer businesses should be spending more than 50 % of their advertising budgets on digital for impact.

7. When should one revisit an annual plan in the year? If you have any external event that impacts your plan by more than 10%, either top line or profit, something beyond your control, then you should revisit the plan as the plan incentives of employees will be impacted and hence their morale.

8. Every industry has a volume share leader, a value share leader, a profit leader, and a thought leader. In your plan, you must plot on all four where you are, i.e. what position, No 3, No 6, No 7 etc and try and improve at least in two of the four areas by year end.

9. An annual plan must link to the overall long-term strategic plan. So, look for consistency between the two, if there is low consistency, then redo the strategic plan.

10. How much to communicate? Over communicate!! Keep talking about the plan and plan elements. The CEO and department heads must report to the whole organization and team monthly progress vs plan. This helps keep the plan alive, else it will be a paper plan.

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## It's time to think through the AOP

Business Operational Plan						
Strategic Intent	Objective	Performance Indicator	Budget	Timeline	Responsibility	Progress
Test Here	Test Here	Test Here	Test Here	Test Here	Test Here	Test Here
Test Here	Test Here	Test Here	Test Here	Test Here	Test Here	Test Here
Test Here	Test Here	Test Here	Test Here	Test Here	Test Here	Test Here
Test Here	Test Here	Test Here	Test Here	Test Here	Test Here	Test Here
Test Here	Test Here	Test Here	Test Here	Test Here	Test Here	Test Here
Test Here	Test Here	Test Here	Test Here	Test Here	Test Here	Test Here
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