STRATEGY AND PLANNING – A RECOVERY TOOLKIT FOR BUSINESSES

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Ontario Small Business Series

The CPA Financial Literacy Program makes resources available to Ontario's small-business owner-operators to help them manage their finances. This free, comprehensive series will enable the province's small businesses to navigate through today's uncertainty and plan for the future. These resources are made possible by the generous support of the Government of Ontario. For more information, please visit www.cpacanada.ca/ontariosmallbusiness.

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Ontario

1. Your Roadmap to Successful Planning

> Our [planning] system felt like a gigantic, complex and medieval Spirograph centred on an assumption that wasn't true.
>
> Dan Pink, ***The Flip Manifesto, p. 17*** [citing a blog by Neil Davidson]

A Time for Recovery

The COVID-19 pandemic has created many challenges for all of us. It is the most disruptive event since the Second World War that ended three-quarters of a century ago. The challenges for small businesses have been particularly severe. From a business perspective, a major challenge has been cash or lack of it. This guide will give you advice on strategy and planning techniques as well as guidance geared to the pandemic to help you recover from the disruption and, it is hoped, prosper afterwards.

> This publication is directed at business strategy and planning. Two other Toolkits in this series should help you as well: *Cash Management – A Recovery Toolkit for Businesses,* and *Financing – A Recovery Toolkit for Businesses*. They are available as a free download at **www.cpacanada.ca/ontariosmallbusiness**.

Do You Need a Strategy?

What is your current business strategy? How effective is your planning process? Or, are you proud to say that you focus on execution and performance and are too busy producing and performing to waste time on nebulous strategies? As you focus on recovering from the pandemic, it is tempting to agree that you need just to get the job done, and not worry about nebulous concepts like strategy!

Many respected pundits have said that a poor strategy with good execution is better than a great strategy with poor execution. For example, Jamie Dimon, long-time chair, president and CEO of JPMorgan Chase has said, "I'd rather have a first-rate execution and second-rate strategy any time than a brilliant idea and mediocre management."

Variations of that phrase appear in millions of search engine hits, and it has impressive pedigrees. It is true that strategy is difficult to do well and is often done poorly. So, it would be nice to believe that strategy is not all that important.

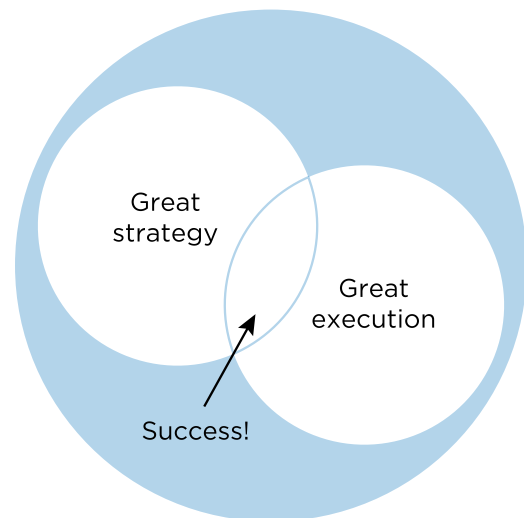
But, believing something does not make it true. It would be more accurate to state that both strategy and the execution of that strategy are important. However, a more fundamental flaw is that strategy and execution actually go together. The right strategy will facilitate good execution, because strategy tells you a lot about how to execute.

Brilliant Strategy

The classic example of a brilliant strategy was the defeat of Napoleon by Lord Nelson at the Battle of Trafalgar on October 21, 1805. The British fleet was seriously outnumbered by the combined forces of the French and Spanish navies. Conventional naval tactics at the time had opposing fleets lined up in parallel lines with guns facing each other. That way, signals from the flag ship could be passed down the line and a ship could disengage by moving away, often resulting in inconclusive battles.

Lord Nelson wanted a conclusive victory even though he had only 27 ships (with 17,000 men) against the enemy's 33 ships (30,000 men) – and some of the opposing ships were much larger. (For example, the largest British ships had 100 guns, while the largest Franco-Spanish ships had 136 guns.)

Nelson's strategy was not to use the conventional tactics but to attack the enemy line at right angles, using two columns to divide the enemy's fleet into three. This was very risky for the leading ships, but Nelson believed that the opposing gunners would not be able to fire accurately onto rapidly moving targets. The water was rough at the time, making it even more difficult for the enemy gunners.



The strategy was successful: two-thirds of the Franco-Spanish fleet was destroyed and no British ships were lost, although Nelson was mortally wounded. The battle of Trafalgar was a decisive victory for the British navy and confirmed British naval supremacy throughout the 19th century.

Note that it would not be meaningful to distinguish Nelson's strategy from the execution of that strategy. Having a brilliant strategy but not executing it would have been as pointless as good execution of the conventional, but inappropriate, naval strategy: neither would have resulted in victory. Nelson's strategy was also simple and elegant, and he managed it without a set of PowerPoint slides.

Strategy and planning are not optional extras and they cannot be replaced by good execution alone. You need to execute the right things, which is what strategy tells you.

Strategy in the Smaller Business

If your small or medium business is running effectively and staffed appropriately, everyone is busy. Any spare time available for reflection needs to be used to solve problems.

The type of strategy your business will need involves more than generic exhortations to work harder, increase sales or improve quality. Too many strategy documents gather dust on a shelf (or disappear, forgotten on your hard drive) because they are not useful.

However, you do need answers and solutions, and the right approach to strategy will help you get them. The right strategy will point you to where you need to go and provide the best way to get there. It will also clearly tell you what not to do. The following section explores strategy in more detail and provides some tools particularly designed for small and medium businesses.

In many small and medium businesses, strategy is not written down nor even discussed. However, there is, indeed, a strategy that is obvious and implicit. Making the strategy explicit exposes it to the beneficial effects of daylight. An explicit strategy can be discussed, debated and changed from time to time. When strategy is implied, it may become stale or irrelevant and result in the classic bureaucratic response, "Well, that's the way we do things here." During these disruptive times, that is not a helpful response.

2. Strategy, Planning and Recovery

> There are roads that must not be followed,
> Armies that must not be attacked,
> Towns that must not be besieged,
> Positions that must not be contested,
> Commands of the sovereign that must not be obeyed.
>
> Sun Tzu (544-496 BCE), *The Art of War*

So, What is Strategy, Really?

Can "strategy" be summarized in one sentence? Here's a great definition:

Is there some advantage (perhaps not an obvious one) that will let us succeed?

This encapsulates three concepts that are particularly important for business recovery:

1. Strategy is using or creating an advantage.
2. The advantage may be hidden or surprising.
3. The right strategy will contribute to success.

The concept of strategy is often misused in the context of a business enterprise. Too often, "strategic" is a vague adjective intended to add solemnity or emotional significance to an activity. That is unfortunate since it should refer to a clever insight that, when executed properly, should lead to success.

Strategy originated as a military term meaning the plan of action to achieve a particular goal. The word comes from the Greek στρατηγός (strategos), referring to the general or leader. The military senses of the word encapsulate the idea of creating a sustainable advantage by using appropriate and clever techniques and actions. Eight centuries ago, Genghis Khan's Mongol armies successfully employed strategies of speed and manoeuvrability and of creating terror in the civilian populations. Guerilla warfare and modern terrorism descended

from these strategies as a way of fighting conventional armed forces with a much weaker force. Conversely, a strategy to fight terrorism might focus on a political or cultural approach, or counter-intelligence rather than just force, since simple military responses might have the paradoxical effect of increasing the power of the enemy.

In a business context, corporate strategy refers to how the enterprise creates and captures value. It answers such questions as "Why are we in business?" This involves three essential steps:

- reviewing the external and internal environments (i.e., current and anticipated factors associated with customers and competitors (external) and the business itself (internal)
- considering what needs to change
- effecting that change by aligning policies, practices, and resources

Strategic management is an iterative process: analyze, decide, implement, and then quickly resume analysis to close the loop and make the required changes.

A Classic Case of Brilliant Strategy

Apple Inc. is now a behemoth, with sales of over US$200 billion and net income of approximately US$50 billion per year. Less than 25 years ago, the company was close to insolvent and was losing approximately US$1 billion annually. (Back in 1997, $1 billion was a lot of money.)

Steve Jobs co-founded Apple in the 1970s, left the company in 1985 and rejoined the company as interim CEO in 1997 after Apple acquired his new company, NeXT, which provided the technology that became the basis for Apple's Mac OS X operating system. The story of how Jobs turned Apple around is a modern classic as much for what he did *not* do as for what he did.

In June 1997, *Wired* magazine ran a then-famous article, titled "101 Ways to Save Apple," with the subtitle "An assessment of what can be done to fix a once-great company." It included suggestions such as "Don't disappear from retail chains" (number 7) and "Sell yourself to [another company]" (number 21). And, of course, a few whimsical suggestions, such as "Create a chemical that cleans the Mac's pale grey plastic" (number 89). Pundits expected that Jobs would speed up the development of multiple advanced products to attempt to regain Apple's leading-edge position in technology. What he did was elegant and unexpected (even shocking) – he did two big things:

1. He cut back Apple to one product line.
2. He persuaded Microsoft to invest US$150 million in Apple.

By cutting back to one line, Apple shrank to a sustainable core operation from which it would recover and grow. Microsoft's investment in Apple was an extraordinary surprise but nicely benefited both corporations. They also cross-licensed some products, benefiting both companies.

Of course, each of these strategic moves consisted of hundreds of sub-activities. The elegant solution of cutting Apple back to one product line developed over time.

“I had people explaining this to me for three weeks,” Jobs said. “I couldn’t figure it out.” He started asking simple questions, like: “Which ones do I tell my friends to buy?” After a few weeks Jobs finally had enough. “Stop!” he shouted at one big product strategy session. “This is crazy.” He grabbed a magic marker, went to a whiteboard, and drew a horizontal and a vertical line to make a four-cell table. “Here is what we need,” he continued.

Atop the two columns he wrote “Consumer” and “Pro”; he labelled the two rows “Desktop” and “Portable.” Jobs defined the strategy as making four great products, one for each quadrant. As a result, the company regained its focus and created a new consumer-oriented desktop machine: the iMac.

Jobs’ rescue of Apple is a modern classic tale of strategy. He did not announce a five-year plan, exhort employees to work harder or even make arbitrary across-the-board cuts (although there were significant job cuts, as entire products were cancelled). Instead, there was a brilliant diagnosis and simple (although not easy to execute) strategic actions. He did not announce a plan with 101 elements, although executing the strategy certainly involved hundreds, if not thousands, of decisions.

Since then, Apple’s strategy has been to wait for strategic opportunities. Richard Rumelt (*Good Strategy/Bad Strategy*, 2011, p. 14) relays a conversation he had with Jobs in 1998:

> I said, ‘Steve this turnaround at Apple has been impressive. But everything we know about the PC business says that Apple cannot really push beyond a small niche position. The network effects are just too strong to upset the Wintel standard. So what are you trying to do in the longer term? What is the strategy?’
>
> He did not attack my argument. He didn’t agree with it either. He just smiled and said, ‘I’m going to wait for the next big thing.’
>
> Jobs did not enunciate some simple-minded growth or market share goal. He did not pretend that pushing on various levers would somehow magically restore Apple to market leadership in personal computers. Instead he was actually focused on the sources of and barriers to success in his industry – recognizing the next window of opportunity, the next set of forces he could harness to his advantage, and then having the quickness and cleverness to pounce on it quickly [...].”

Since then, Apple has not just recovered and survived, it has prospered by exploiting several “next big things” – each one of which was a brilliant strategic move. The iPhone, iPod Touch, iPad, physical Apple stores, and the online iTunes Store and App Store have each created multi-billion-dollar new product groups.

Note that the actions that Jobs took were appropriate and excellent for Apple given the conditions and circumstances that it faced. They would not be the right strategies for other companies facing other conditions. The diagnosis is always the starting point.

Good and Bad Strategies

Today, every day you can see examples of good and bad strategies. For example, retail stores that created easy-to-use web sites and robust fulfillment infrastructures may survive the pandemic. Restaurants that have pivoted to take-out and retail offerings are somewhat able to cope. Health clubs with online offerings might survive. But businesses that have not adapted their strategies have been seriously wounded or are now defunct. Having a good strategy is not enough; you need some luck and financial backup as well. But it is a necessary prerequisite to survival.

Checklist to Review Strategy

The checklist below may help you reconsider your strategy. The questions are designed to ensure that you have some concrete and qualitative data before going too far in discussing strategy. Without data, the discussion takes place in a vacuum.

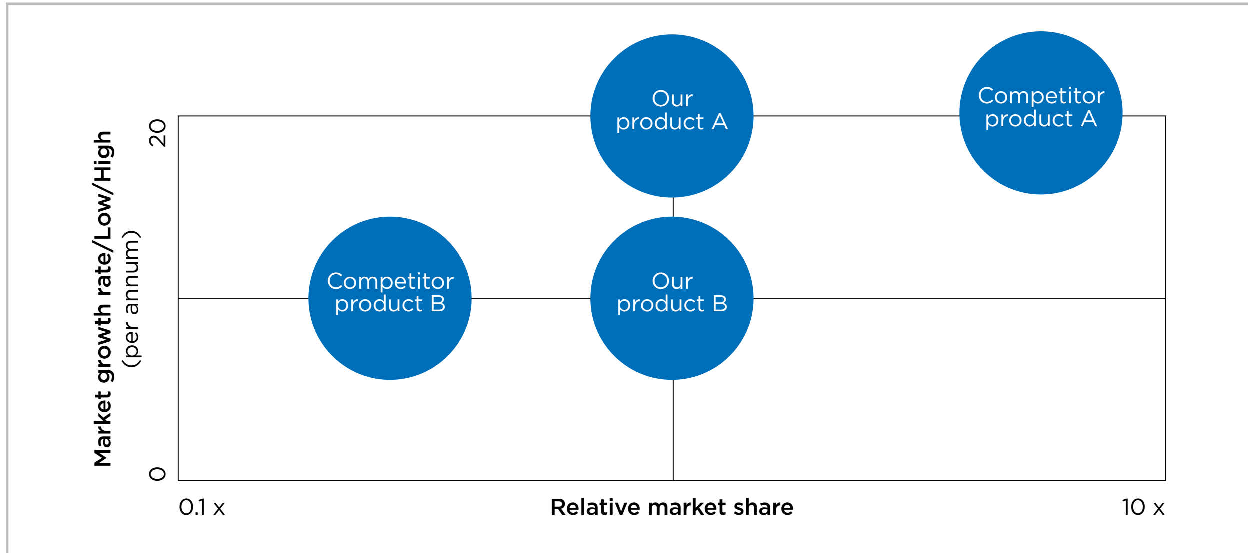
Questions	Comments
1. What business are we in? • Who are our customers? Should that change due to the pandemic? • What are our products? • How do we segment our products (quality, service, size, etc.)? • What are our sales channels? • What geographic regions do we service?	
2. Where do we make money? • Can we segment sales, gross profit and/or income by the products, segments, sales channels, or geographic regions identified in Question 1?	
3. How do we rank compared to our competitors? • How do our products rank compared to competitors (rank by sales, relative position, strength of brand, etc.)?	

Tools

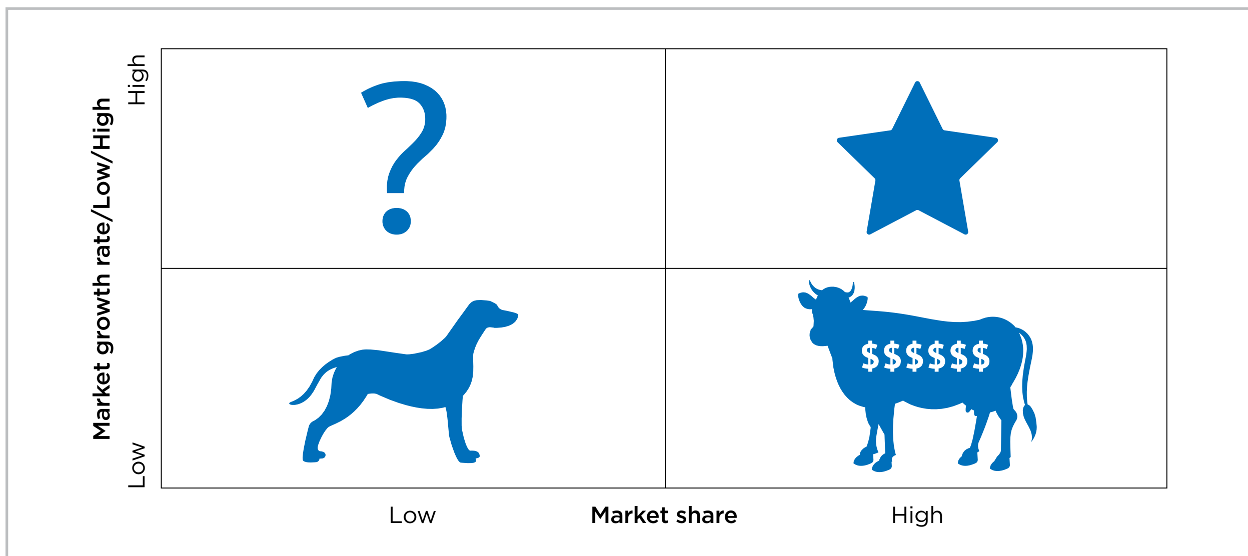
There is an extensive literature on strategy and planning, and many interesting frameworks are available. Various tools have been developed over time to help create and implement strategies that provide guidance or even shortcuts to having a discussion about strategy without it becoming an exercise too removed from real world considerations. Below are a few tools that are useful in developing strategy.

Matrices

Many writers have applied different versions of a two-dimensional chart, table or matrix as a way of analyzing market position. The most well-known is probably the BCG (Boston Consulting Group) matrix, also called the growth-share matrix. In that matrix, the two dimensions track the market growth rate and relative market share. The scales may be qualitative (high to low) or, preferably, quantitative as shown in the following diagram. The vertical axis can refer to cash requirements or market growth, the horizontal axis to cash generation or market share or relative market share (in which case, our share is one as shown).



The BCG model is famous for assigning labels to the four quadrants.



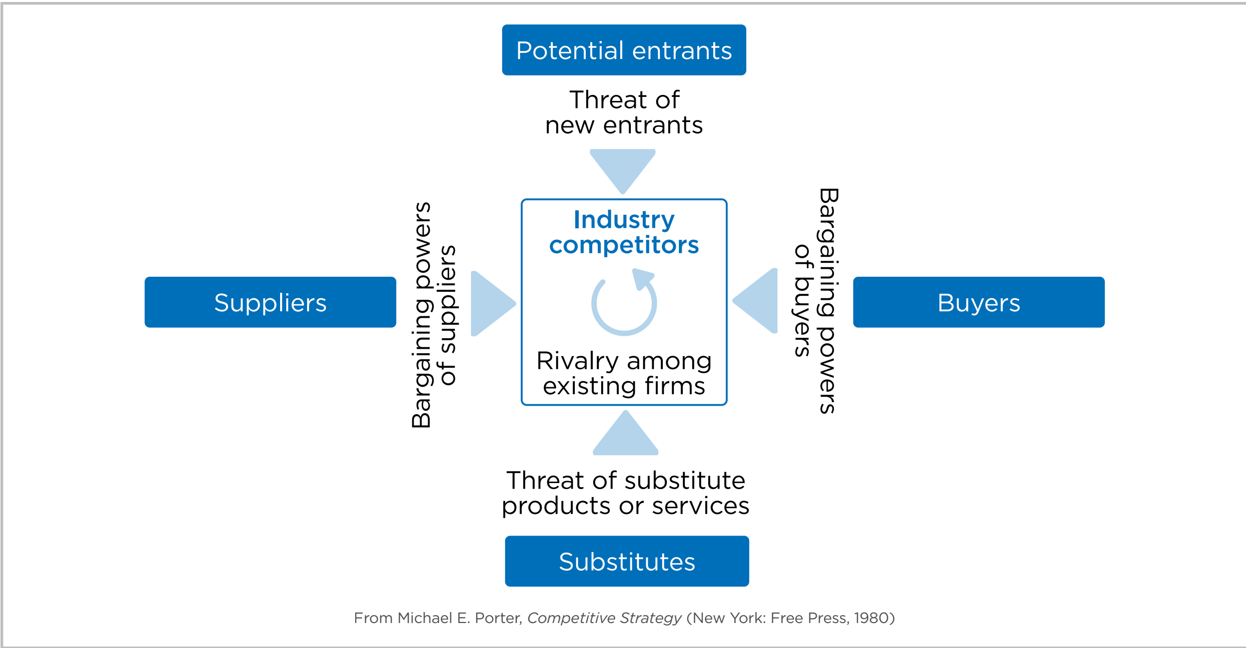
- ***Cash cows*** have a high market share in a declining industry. They are assumed to be boring but profitable in a mature market, so the default strategic reaction may be to “milk” the business by extracting profits but with little reinvestment.

- ***Dogs*** have a low market share in a mature industry, thus are typically marginal businesses or product lines, so the default strategic response is to exit the business.
- ***Stars*** have a strong market share in a growing market, so they represent areas on which to focus.
- ***Question marks*** have a poor market position but are present in a growing market. Normally, that means they consume relatively large amounts of resources (money, people, focus, etc.). Thus, the standard strategic response is to try to shift them to a Star position or exit before they turn into Dogs.

In the last century, the BCG matrix was used as a prescriptive tool in setting strategy. It is now used more as a descriptive tool to help assess relative position and provide a starting point for a strategic discussion.

Five forces

The five forces framework, developed by Michael E. Porter in 1979, has stood the test of time and is often the starting point for analysis of strategy. Porter originally called it "forces driving industry competition," although, now, it is generally referred to as the "five forces model."



From Michael E. Porter, *Competitive Strategy* (New York: Free Press, 1980)

The five-forces model indicates the forces that determine the amount of competition and, hence, the relative attractiveness of a market. The model is now often used as the basis for a checklist to assess competitive positioning. Porter intended the model to operate at a "micro" level – considering a particular product or line of business.

SWOT analysis

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. Strengths and weaknesses refer to internal attributes of the enterprise that can help or harm the achievement of objectives. They are another way of looking at internal competencies or advantages as well as areas where resources are lacking or sub-par.

Opportunities and threats refer to conditions outside the enterprise that can help or harm the achievement of objectives. Conditions outside the enterprise can also be referred to as the competitive environment. What is out there that will help or hinder us going forward? What can we anticipate?

The SWOTs that are identified can then be used as a starting point in deciding which strengths and opportunities should be exploited (and how) and which weaknesses and threats should be addressed (and how). This is potentially a very powerful analytical tool, provided that it is done with an open mind and not constrained by preconceived ideas.

The classic SWOT analysis looks like this:

Metrics	Helpful to achieving objective	Harmful to achieving objective
Internal	Strengths: • • • •	Weakness: • • • •
External	Opportunities: • • • •	Threats: • • • •

It can be very helpful to add more structure to the boxes in the SWOT grid. Popular approaches have the acronyms PESTEL and PRIMO-F.

PESTEL stands for Political, Economic, Social, Technological, Environmental and Legal analysis. It summarizes a set of environmental factors that may be considered as a preliminary component of the strategic planning process. (There are many variations, some with four or five categories instead of six.)

The factors are:

- **Political:** How and to what degree is there government intervention in the economy (includes labour law, other laws, tax policy, and trade restrictions)?
- **Economic:** What economic factors affect businesses and how they operate (includes economic growth, inflation, interest rates, and foreign exchange rates)?
- **Social:** What cultural and sociological factors are present (includes demographics (population age distribution), population growth and attitudes toward health, culture and other matters)?

- **Technological:** What is the impact of technology (includes automation and research and development activity, rate of technological change and amount of innovation)?
- **Environmental:** What is the impact of the environment and the concern about the environment (includes climate and climate change, weather and pollution)?
- **Legal:** What is the effect of the legal system as well as specific laws (includes health and safety laws, consumer protection and antitrust laws, privacy laws, and employment law)?

To break down internal factors, one approach has been dubbed PRIMO-F for People, Resources, Innovation and ideas, Marketing, Operations and Finance. These categories are self-explanatory and provide a helpful way to classify internal resources, including resources that are absent or weak.

Also missing from the simple four-box SWOT grid is any call to action. After the SWOT factors are identified, the next stage would be to prioritize and sort the factors and then identify what this all means and what action is called for. However, that should not be the end of it: There needs to be follow-up so that the decision loop can be closed and the results of the analysis and consequent action assessed.

Putting PESTEL and PRIMO-F together creates a more directed SWOT grid. Adding columns for actions required and their disposition helps ensure appropriate follow-up. These additions are shown in the table below. Note that each column would be completed as a separate exercise in a separate meeting (or meetings, if you separate analysis of internal and external factors).

SWOT ANALYSIS TEMPLATE

Internal	Possible action required	Disposition
Strengths: • People • Resources • Innovation and ideas • Marketing • Operations • Finance		
Weakness: • People • Resources • Innovation and ideas • Marketing • Operations • Finance		

External	Possible action required	Disposition
Opportunities: • Political • Economic • Social • Technological • Environmental • Legal		
Threats: • Political • Economic • Social • Technological • Environmental • Legal		

3. Managing Risk

Introduction to Risk

Risk underpins any discussion of strategy. Uncertainty in business operations produces risk. Businesses need to assess whether the return correlated with the amount of risk assumed makes sense. You want only the level and nature of risk appropriate to your organization.

The science and art of measuring, assessing, and controlling risk in business is known as risk management. Because the meaning of risk management has changed over time, you need to be crystal clear which definition you are using. Consider the following definitions:

From a risk management textbook:

> [Risk management] is a branch of applied economics … which has as its objective the reduction and elimination of certain types of risks facing businesses …. It is a scientific approach to the problem of dealing with these risks that seeks to achieve identifiable objectives by avoiding, reducing, and transferring risk. (Emmett J. Vaughan, *Risk Management*, 1999, p. vii.)

From the most widely used risk management model:

> The *underlying premise of enterprise risk management* is that every entity exists to provide value for its stakeholders. All entities face uncertainty, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to

erode or enhance value. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. (COSO's *Enterprise Risk Management – Integrated Framework*, 2004, p. 3.)[1]

These two passages summarize the two quite different approaches to risk management. The traditional approach sees it as loss prevention and a scientific approach to insurance and related topics. Financial risk management is an extension of this that seeks to control financial risks, particularly those associated with financial instruments and derivatives.

The second approach explicitly acknowledges that return is associated with risk – obtaining higher rates of return requires accepting a higher level of risk. The goal then becomes one of ensuring that an appropriate level of risk is undertaken. This approach toward risk management incorporates all of the science and lessons from the earlier definition but goes well beyond it. Risk must be tightly integrated with strategy and by considering that relationship, management may then make appropriate decisions to maximize value.

As previously discussed, risk management involves selecting and controlling risks appropriate to the enterprise's strategies. A level of risk that is too low will result in suboptimal returns; however, a risk level that is too high will also reduce expected returns. One way to envision this is to think of the expected return as the present value of future cash flows. If the risk is too high, the expected value will be subject to increased volatility so that a higher discount rate is called for, thus reducing the discounted ("expected") value.

In all except the very largest enterprises, risk management tends to be somewhat diffuse and ad hoc. Although the board of directors is responsible for risk management at a very fundamental level, many boards are only starting to address this. Large companies and most financial institutions are exceptions and do spend considerable time on risk management. While there has been a lot of debate about whether the pandemic was foreseeable, there is no doubt that many organizations, even those with robust risk management processes, were caught unprepared.

The primacy of strategy and operations can be seen if you consider what an organization can do about risk. There are four possible responses to risk, which may be used in combination:

1. **Avoid or eliminate the risk**
   Avoiding risk is the most natural and obvious risk management technique. Risk can be avoided by exiting the business, changing the strategy and otherwise ensuring that the risk is eliminated because of the nature of activities entered into.

   Example: Within the past few years, large banks in Canada and the United States have exited from the business of trading shares in their own portfolios, commonly referred to as "proprietary trading" of securities. Although the banks found proprietary trading very profitable, it was essentially incompatible with their mandates to have low levels of risk since they take deposits from the public.

1 Note that the most current edition was published in 2017: *Enterprise Risk Management – Integrating with Strategy and Performance*, although it doesn't provide the concise exposition of the earlier edition cited here.

2. **Mitigate the risk**
   Risk can be mitigated or reduced by "doing things right" – having strong controls, effective systems and good procedures. Effective internal controls both prevent risks from developing into losses and anticipate the corrective measures required to prevent losses from occurring when something goes wrong.

   Example: Procedures to ensure that a computer server is secure reduce the risk of a computer outage. An information technology disaster recovery plan ensures that if the server becomes unavailable, the functionality can be restored quickly and effectively.

3. **Transfer the risk**
   Risk is transferred by purchasing insurance coverage so that another party is paid to assume some of the risk. In the case of insurance for a purely financial contingency (such as an increase in interest rates or a change to foreign exchange rates), this is called a "hedge." Ensuring that subcontractors carry their own insurance or that contracts have risk-reducing language are all ways to transfer risks to other parties.

   Example: Businesses carry insurance to reimburse them for the unlikely event of certain defined catastrophic losses, such as fire or flood. It is not possible to completely eliminate the risk by having strong controls and good procedures, so the remote risk of a large loss is protected against by insurance.

4. **Accept the risk**
   A strategy deliberately embraces certain risks with the hope and expectation that they will result in a benefit. At the operational level, insurance co-pays and deductibles or self-insurance are other ways to retain risks.

   Example: This *Toolkit* describes the processes necessary to create and act on a plan that complements your strategy and maximizes its likelihood of success. You may want to retain risks as part of a strategy, but the key is to ensure the risks are thoroughly understood and anticipated. An effective planning and budgeting process deals with the "what ifs." For example, what if your sales are higher or lower than expected?

Risk and Strategy

All enterprises face uncertainty. The job of management is to determine how much uncertainty should be tolerated, as it strives to build value for all stakeholders. A comprehensive risk management process enables the company to:

- ensure the amount of risk taken is appropriate to the strategy
- determine whether the amount of risk taken is related to the rates of growth and profitability expected
- select which response to a particular risk is most appropriate (i.e., risk avoidance, risk reduction, risk sharing or risk acceptance)
- reduce the frequency of operational surprises and losses
- identify, manage, and respond to risks that affect multiple areas within the enterprise
- take advantage of new opportunities
- allocate capital effectively

4. The Business Plan

> "By failing to prepare, you are preparing to fail."
>
> Benjamin Franklin (attributed)

No Time to Plan

When times are challenging, everyone is busy fighting fires, and it is difficult to focus on planning. But it is precisely at such times it is essential to pause, reflect, and then plan.

The business plan should follow quite logically from setting the strategy as discussed above. However, there are two reasons why the linkage is often missing:

1. There is not enough follow-through to ensure that the strategy is executed.
2. The business plan and annual budget exercise does not explicitly start with strategy.

The first problem occurs when strategy development is done in isolation rather than as an integral part of an annual plan and budget process. The second problem results from treating the annual budget and plan as a busy-work, fill-in-the-blanks process. In smaller companies, a budget may be prepared because "they" want it ("they" being the bank, the owner or an investor).

An effective way to ensure a connection between the strategy and the plan is to create key goals or focus goals based on the strategy (and, in some cases, perhaps implied by the strategy but still very necessary).

The plan consists of three elements:

1. The focus goals convert the strategy into specific targets.
2. The operating goals convert the focus goals into specific quantifiable objectives for each business unit, department and manager.
3. The budget converts everything into dollars, allowing measurement and feedback as well as providing a basis for ongoing monitoring.

Note that the focus here is on the approach to planning. In a mature business, the elements may have other names. In a growing business, management may prefer other names for them as well. In all cases, there must be a logical connection between the elements: start with a strategy, write down what you want to achieve, outline how this will be done and then determine specific numbers.

There is also a process of disaggregation and aggregation as you follow both a top-down approach and a bottom-up approach. Top-down (disaggregation) goals and objectives are allocated to business units, departments and managers. Bottom-up (aggregation) departmental and business unit budgets are combined to determine whether the overall result is satisfactory.

Focus Goals

The ideal focus goal converts a strategic objective into a specific actionable target. It often ties into an objective from a SWOT analysis. In some cases, the focus goal may be more general, while specific business goals are derived from each focus goal.

A goal should be realistic, measurable and have a deadline. Focus goals that fail on one of these attributes are acceptable, because the setting of specific operational goals allows for more precision. In any event, more concrete focus goals are desirable. The time frame for achieving a focus goal would usually be from six months to three years. Some focus goals may not have time frames as such but result from ongoing organizational requirements (e.g., regulatory compliance or financial reporting).

A realistic focus goal is something that can reasonably be achieved. It may be a challenge or a stretch (in fact, it should be); it may require new ways of doing things or imaginative use of resources, but it should be a goal that can be accepted as achievable. The focus goal must not be seen to be theoretical, impractical or "pie in the sky."

Focus goals are measurable if they are quantitative (i.e., they can be expressed as a number). Most goals in business are inherently measurable: if not in dollars, then in units, survey result metrics, hours or other numerical measurements. Often, qualitative goals can be expressed quantitatively. For example, "lower defect rate" can be changed to "reduce defects from 2% to 1% of production." "Better customer satisfaction" may be changed to "customer satisfaction, as reported in the quarterly survey, increases to 90% as 'satisfied' or 'very satisfied.'"

Sometimes, a qualitative metric can be changed to something related but not identical, such as measuring customer satisfaction by a lower return rate, higher sales per square foot (or employee or per unit of capital employed) or the number of favourable tweets. Sometimes, the measurement may be a binary "yes/no" assessment. For example, a focus goal for a public company to be in compliance with all regulatory financial reporting requirements is not quantitative, but it is still measurable.

Note that one company's focus goal may be another's more granular operating goal. For example, the goal cited in the preceding paragraph to improve customer satisfaction may be a focus goal for one company to help achieve their strategy of providing a first-rate customer experience. In that case, reaching the focus goal may require first achieving specific operating goals, such as training employees, improving order accuracy and product quality. Or, in a different context, the operational goal of improving customer satisfaction may be to support the focus goal of increasing sales by 20% in the eastern sales territory by the end of the year. There is no formulaic approach. The mix of operating goals and focus goals will vary.

The focus goal must have a deadline in order for a measurement to have meaning. The time frame is often the calendar year (or 12 months) or some longer period where appropriate. In the latter case, the assessment needs to extend over more than one planning cycle, with an intermediate assessment before the deadline.

The focus goals are inherently broad (but not generic), so they need to be broken down in order to be actionable. Different people, different groups and different departments may have separate roles in achieving a particular focus goal. As a result, each focus goal will drive one or (usually) multiple specific operating goals.

In some organizations, focus goals are deliberately left somewhat vague or at least non-quantitative; the detail is in the operating goals. The main difficulty with this approach is that it can be meaningless or at least difficult to assess whether focus goals have been achieved. However, different organizations have different traditions and cultures. Provided the result is a series of specific objectives against which performance may be measured, you should tailor the approach here to whatever works best for your organization.

The goal-setting process converts the strategy into specific performance targets that can be measured, monitored and evaluated. The focus goals serve as intermediaries in this process.

Business Plan

There are two quite different types of documents referred to as a "business plan." One is primarily for external readers, the other for internal users.

External format

For presenting to prospective investors, bankers and other stakeholders, the conventional business plan is a carefully formatted narrative document divided into chapters such as Overview, Sales and marketing, Operations, and People. The objective of the document is that of a sales pitch: "selling" the plan to a board of directors, a shareholder or investor, a prospective investor or a banker. If you are preparing this type of business plan, keep it concise and useful.

The Business Development Bank of Canada (BDC) offers a free business plan template to help entrepreneurs and small businesses define who they are and document how they will become profitable. For further details, please see this link for the **BDC's Business Plan Template**.

Internal format

For internal use, the internal format is more useful and more likely to be prepared, maintained and used day-to-day. Since the purpose of this publication is strategy and planning, not creating a Business Plan, we will put more focus here on the internal format.

For internal use, the business plan may have some or all elements of the external document described above. It may be nicely formatted, include some or all of the sections listed above and be in narrative form. More importantly, it will describe detailed objectives that tie into the focus goals and strategy as well as detailed budget information, which may be in a supplementary document if voluminous.

The core element of this type of plan will be a list of detailed objectives that tie into the focus goals along with a mechanism to track the progress toward achieving each objective. There is intended to be a clear sequence:

- Strategies must be derived from the overall objective.
- Focus goals must support the strategies.
- Operating goals of the CEO (general goals) must support the focus goals.
- Operating goals of each business area must support the general goals.

As a result, the operating goals should cross-reference the focus goals they support. Here is an outline for an internal plan. You can see it is focused on goals and actions.

Operating Plan – Strategies and Focus Goals
Overriding objective Increase shareholder/stakeholder value by [achieving what?] ____________
Strategies 1. 2.
Focus goals for the year FG1. FG2. FG3. FG4. FG5. FG6.

Operating Plan – Focus Goals and Operational Goals

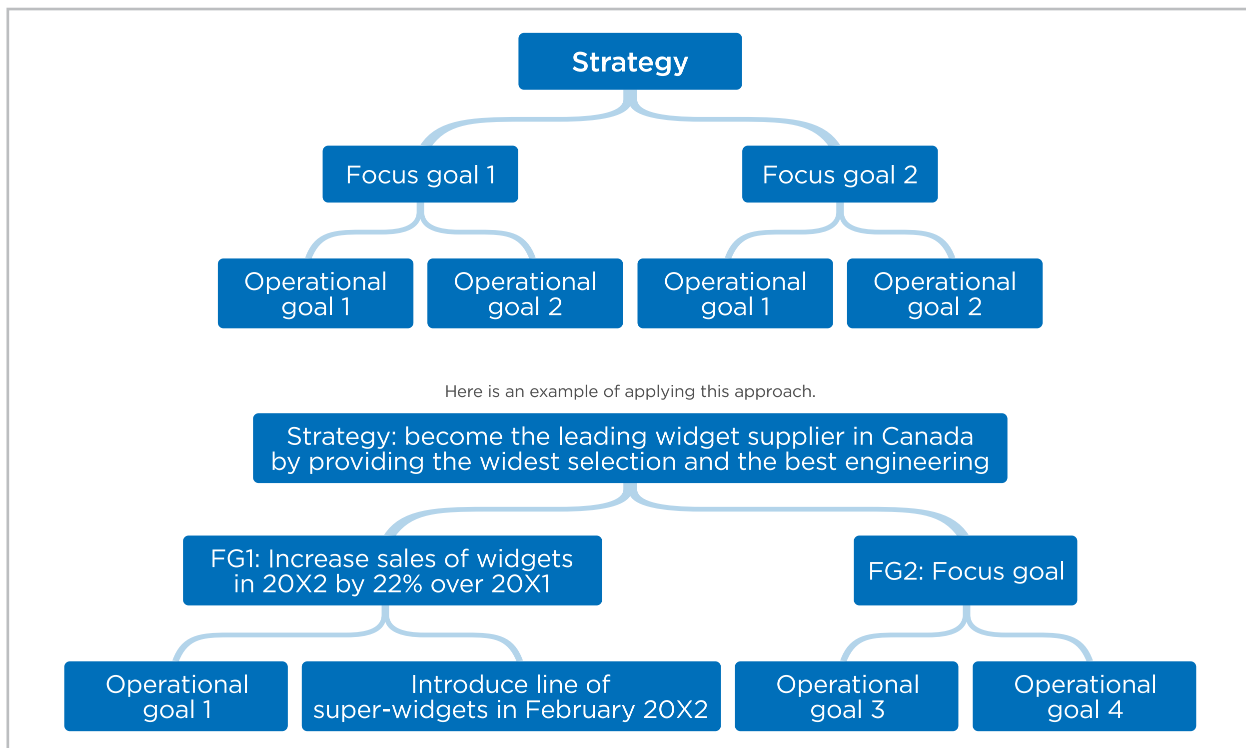
Cross-reference to focus goals	*Operational (business) goals*
Overall / general goals (CEO)	
C1. (FG2 and 4)	
C2. (FG1)	
C3. (FG2 and 3)	
C4. (FG5 and 6)	
Sales and marketing goals (VP sales)	
S1. (FG2 and 4)	
S2. (FG1)	
S3. (FG2)	
S4. (FG2)	
S5. (FG2)	
Finance and administration (CFO)	
F1. (FG1)	
F2. (FG2)	
F3. (FG5 and 6)	
F4. (FG5 and 6)	

Operating Goals

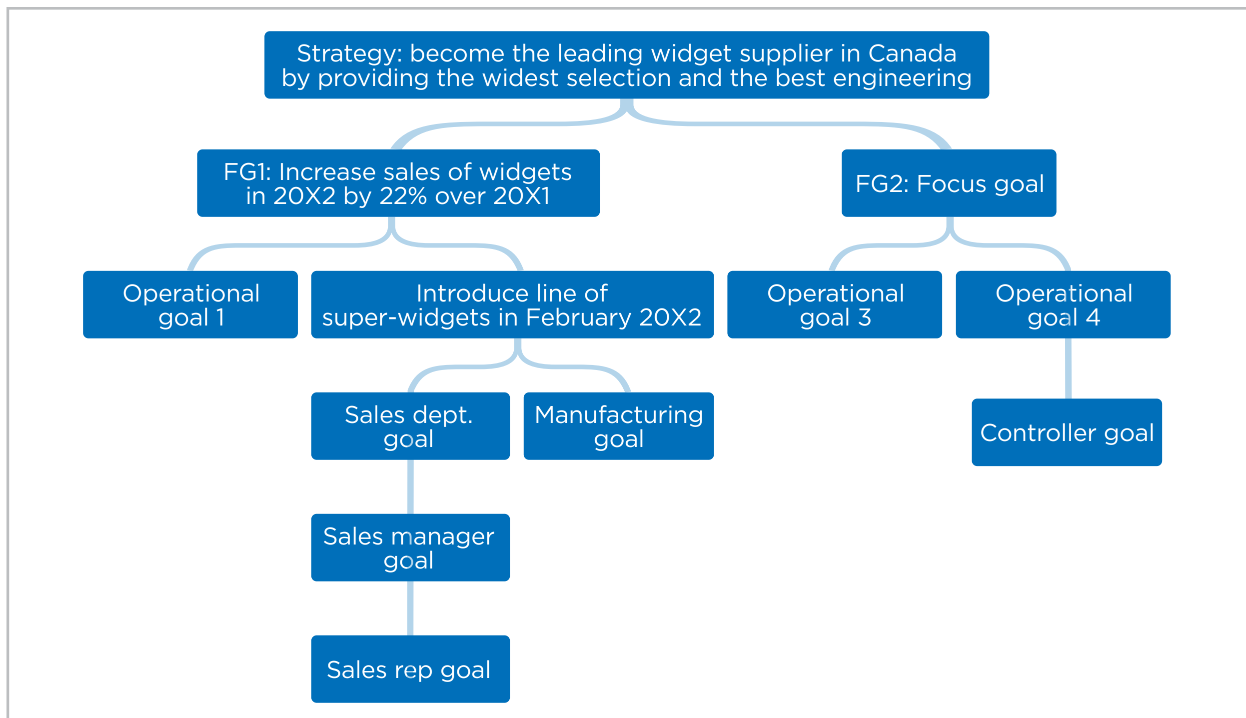
The methodology here is based on a hierarchical approach to goal-setting. It is most effective in an environment that is open and somewhat transparent, with effective communication between managers and staff.

A few focus goals are set that follow from the strategy. The focus goals lead to operational goals for the entire organization (general goals or the CEO's goals), then each area or department is assigned specific operational goals and, in turn, those can be assigned (and sometimes narrowed and made more specific) to become goals for departments and individuals further down the organizational hierarchy.

The following is the structure of the hierarchy of goals.



A key purpose of the operating plan is to set out operating goals that will help achieve the focus goals which, in turn, will support the strategy. The operating goals are assigned to the CEO and those who report directly to the CEO. In the preceding example, the operating goal "Introduce line of super-widgets in February 20X2" would be assigned to the CEO and also to the vice-president, sales and marketing, and the vice-president, manufacturing. Achieving that goal would require success in numerous sub-goals, which can then be assigned to sub-departments or other individuals. This process of subdividing and pushing down the goals would usually be tracked in the departmental operating plans.



Goals and the Plan

Using focus goals as the starting point for the business plan and for organizing operating goals is particularly helpful for small and medium businesses that often have not had the time or focus to thoroughly review their strategic plans. The focus goals can be thought of as "mini-strategies" – perhaps not as clever, novel or even earth-shattering as a strategy, but quite serviceable to guide the business.

If you have identified a strategy that differentiates you from your peers and will serve to guide everyone through the rocks and shoals of post-pandemic business, focus goals will help transform the strategy into a series of smaller practical objectives.

Separating focus goals from operating goals can also help ensure the different areas of the business are operating cohesively. For example, a focus goal with a sales objective might lead to operating goals for every area in the business (e.g., marketing to create an appropriate sale campaign; sales to focus on a new customer segment; production to achieve quantity, timeliness, and quality objectives; and accounting to create new useful metrics and reports).

For medium-size businesses, objectives for a department or a function would be broken out further. A production objective to achieve specified quality, timeliness and quantity results would be subdivided into separate (and perhaps overlapping) objectives for engineering, scheduling, receiving, manufacturing, quality control, shipping, and so on.

Every operating goal must relate to at least one focus goal. If there is no focus goal underlying the operating goal, that means the goal is not necessary. Conversely, you may identify a missing focus goal because a particular operating goal seems to be appropriate, but none of the existing focus goals relate to it.

Examples of missing focus goals are frequently found in the (often-overlooked) areas of financial reporting and compliance. A goal for the finance area may be to generate external financial reports for bankers or shareholders accurately and on time. A review of the focus goals shows that none of them appears to relate directly to that operating goal. That suggests one or more focus goals are implied but not yet explicitly expressed. An example of a related focus goal might be the preparation of all reports for lenders and investors in compliance with requirements.

OPERATING GOALS TEMPLATE

Operating goals – [Position / Department]		**Comments / Status**	✓
*	**		

* Number each goal and cross-reference to focus goals(s).
** State operating goal.

5. The Budget and the Forecast

> "Never base your budget on realistic assumptions, as this could lead to a decrease in your funding."
>
> Scott Adams, *Dilbert*

The Good, the Bad and the Ugly

Jack Welch, a business superstar who passed away during 2020, was well known for his criticisms of budgets:

> The budgeting process at most companies has to be the most ineffective practice in management. It sucks the energy, time, fun, and big dreams out of an organization. It hides opportunity and stunts growth. It brings out the most unproductive behaviors in an organization, from sandbagging to settling for mediocrity. In fact, when companies win, in most cases it is despite their budgets, not because of them. And yet, as with strategy formulation, companies sink countless hours into writing budgets. What a waste! (Jack Welch, *Winning*, 2005, p. 189)

But even Welch supported the use of a budget – provided it was done correctly. In theory, the budget process should be a positive and productive exercise. In fact, Welch's criticisms of the budget process are actually not of budget setting at all; they are more a critique of the game-playing, posturing, bureaucratic stupidity and bullying that have been an oft-documented aspect of the corporate strategy and planning process.

Here is an example:

> The two sides meet in a windowless room with a whole day set aside for what everyone knows will be an unpleasant wrestling match. The field makes its presentation with a fat deck of PowerPoint slides, and the story is invariably dire. Despite reports of a pretty good economy, there are reasons to believe this particular business environment is going to be very difficult. 'The competition has just brought a new plant online, and with its excess supply, there will be enormous pricing pressure,' they might say. Later in the meeting, you get: 'Raw material costs and inflation pressures are severe. In order to meet these challenges, we need new cost-reduction programs that require $10 million in additional resources.' The final pronouncement from the business managers usually goes something like this: 'To be optimistic – very optimistic – earnings will likely grow only 6 percent.' Headquarters, needless to say, has its own view of the situation, and it is decidedly not dire. The economy is strong. GDP is estimated to rise steadily all year. Orders are up everywhere else in the company. (*ibid*. p. 191f.)

Eventually the two sides agree to an arbitrary compromise that both purport to be unhappy with but are secretly delighted that they fooled the other side. Then the same deceptive process starts again the following year.

There are indeed multiple well-known examples of larger organizations becoming focused inwardly on their own processes and politics. Of course, that is a recipe for disaster since, to be successful, the organization must be looking outwards at its customers and competitors. Small and medium businesses should have a huge potential advantage in their budget and planning processes. In larger businesses, the planning methodologies are firmly entrenched and very difficult to change. Smaller businesses should be less bureaucratic and should find it easier to change their budget processes. So, if something does not work as it should, change it!

Setting the Budget

The budget has four objectives:

1. **Planning:** providing the mechanism to put the business plan into effect
2. **Communicating:** expressing all activities in a common denominator (dollars) that provides an effective way of co-ordinating and communicating information within and between business areas
3. **Monitoring progress:** being a benchmark against which to measure progress toward the business goals
4. **Evaluating performance:** providing a basis for analyzing success or failure

Setting the budget in dollars tests the operating goals and provides an opportunity for discussion and debate about the business plan. The necessary iterative process between the budget and the goals should validate both as issues that affect them are explored and analyzed.

All too often, in small and medium businesses, the budget process is a clerical, non-value-added time waster done because "they" want it. "They" might be the bank, a major investor, or the board of directors. This approach to budget setting misses making the budget a useful and powerful tool in managing operations.

To evolve your organization toward making the budget process useful, the first step is to insist that each monthly or quarterly operating report compares results not merely to the previous period but also to the budget, and that a narrative explanation of major variances be included. There will always be variances from the budget, and sometimes they will be embarrassingly large. However, by requiring that they be analyzed and explained, the organization sets the groundwork for improving the budget process for the following year. In the next section of this chapter, rolling forecasts, another powerful tool, are examined.

The budget must be assembled logically based on the drivers of the business and the assumptions used. Sales revenue broken out by major category (e.g., product, sales channel, region, etc.), is normally based on units multiplied by quantities – two examples of major assumptions. Cost of sales per unit is another major assumption also analyzed by major category. Cost of sales as a dollar amount is normally not an assumption or a driver but simply the arithmetic result of multiplying two numbers: unit sales and unit costs.

For all expenses, it can be helpful to consider a value-added perspective: What is the value added by a particular expense? What activities add value from the perspective of the customer? What activities will generate value for the business?

The budget exercise can and should be a productive experience. The process of setting the budget should strengthen your organization in several ways:

- involvement and team building
- better decision making
- preventing surprises
- getting everyone's attention
- training

These are elaborated on below.

Involvement and team building

The process of setting the budget requires discussion, debate, and the exchange of ideas. It necessitates communication between the functional "silos" of the business and between different levels. Thus, the budget as a focus provides an opportunity for team building. The individuals charged with preparing the assumptions and building the budget model are empowered to discuss significant issues.

Consider pre-budget lunch-and-learn sessions or short meetings, to get individuals from different areas talking to each other while being trained to understand the terms and assumptions used in the budget-setting process. Discuss the assumptions openly: sales growth, manufacturing efficiencies, overhead expenses, and so on. When individuals from different departments are forced to solve a problem together, the result can be an enormous enhancement in collegiality and a major step toward building a cohesive team.

Better decision-making

Setting the budget can be used to affirm the use of a logical approach to making decisions. It provides a forum for logically addressing alternatives and selecting the best one. In this respect, it prevents (or at least discourages) arbitrary, ad hoc decision making. Too often, decisions are made quickly and are not well documented. The budget itself can provide a forum where a reasoned discussion is required, all assumptions must be set out and explained and alternatives that were discarded can be documented.

The budget document itself is a summary, so there should be separate underlying documentation that explains the alternatives selected.

Preventing surprises

The budget is focused and quantitative. When actual results are compared to the budget, a variance is calculated that can be analyzed and acted on. Putting in place a requirement to explain variances not only illustrates the importance of the budget (and that it has been taken seriously), it also improves management of the operations by ensuring that surprises are anticipated (or at least addressed). Of course, there needs to be enough detail so that problems can be clearly identified and there needs to be a culture of looking at variances promptly and honestly. When problems arise, they do not suddenly appear at the end of the year; they creep up gradually over time. Using the budget as the benchmark allows variances to be captured promptly and dealt with. Attention to the budget also prevents worse surprises.

Getting everyone's attention

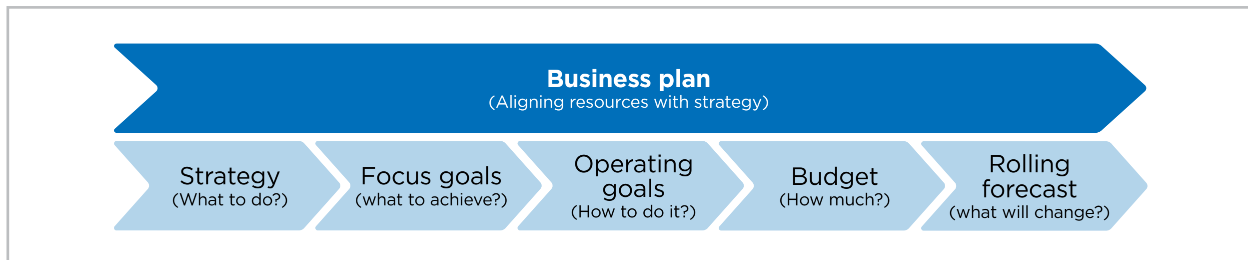
The budget process can be used to focus employees on current priorities. Goals and objectives, while critical to the business, in isolation or without more context can be difficult to rally around because of their complexity and inter-relationships. The budget provides a unifying focal point for conveying important messages. Comparison to budget is also how achievement of the plan is measured and monitored. So, if you want to get everyone focused on something, put it in the budget.

Training

The budget can be used as a tool for training employees. Analyzing alternatives, formulating scenarios and quantifying the results are all excellent ways of ensuring that personnel develop their skills. The benefit is not just in using the numbers but also in being required to document their arguments, obtain information from and discuss matters with other individuals, and present their findings.

Rolling Forecast

The budget represents the final part of the business plan but the first step in the month-to-month and quarter-to-quarter review of operating results. A rolling forecast replaces budgeted periods with actuals once known, and updates the budget with forecasts for future periods to provide a better prediction as to what will happen. The forecast will also include key metrics such as sales quantities, production volumes, and so on.



The budget represents the quantification of the operating goals at the time it was set. Because very little about the future is predictable, you can be confident that actual results will differ from the budget. The differences (variances) may be positive or negative; they may be easy to explain or difficult, they may arise for simple reasons or have complex causes – but there will be differences.

Since your objective is to deal with the future rather than look back at the past, a forecasting process is necessary to supplement the budget. This is normally done with a rolling forecast. At each reporting period (typically, every quarter or three-month period), the previous period's forecast is replaced with the actual results and previous forecasts are updated.

Some organizations update rolling forecasts monthly. The frequency depends on the nature of the business, how quickly things change and the practice in your industry. The forecast does not cancel the budget; the budget continues to provide a benchmark for performance compared to what was originally planned. (Similarly, historical results provide another type of benchmark.) However, maintaining up-to-date forecasts ensures that you are focusing on the future based on the most current information and expectations.

Another way of looking at the difference between a budget and a forecast is that the budget is a target. As such, it should be aspirational (i.e., attainable with successful efforts and perhaps some luck). The forecast should not have any bias: It should be a realistic best guess as to what results will be.

Using a rolling forecast can be a major step toward making the budget process an integral part of the way that the organization is managed. Updating rolling forecasts requires substantial commitment as well as the routine and frequent involvement of the managers during the process. Quarterly and monthly meetings to review results can become focused on changes to the forecast, thus becoming future oriented rather than backward looking. A side benefit is that the annual budget process can become much smoother as the managers come to better understand the linkages between drivers of results and the results themselves.

As the organization has more experience preparing rolling forecasts, the accuracy of the forecasts will improve. More importantly, "the numbers" become a more significant focus for operating managers since they are forced to review, at frequent intervals, not just what happened, but also what is likely to happen.

Using a rolling forecast will fail if the culture of the organization is not open and honest. The following is a checklist of items to consider when reviewing your existing forecasting practices or when setting up a formal rolling forecasting process for the first time.

ROLLING FORECAST CHECKLIST

Consideration point	Comments
1. Unit of forecast: Monthly, quaterly, other time period?	
2. Total time period: Year, year-and-a-half, two years, other?	
3. Forecast frequency: Normally same as unit of forecast – montly, quarterly, etc.	
4. Organizational culture and polictics: Are forecasts realistic? What is our experience? Are changes needed to depoliticize planning?	
5. Targets and stretch goals: Forecast is a best guess. Do we also need to restate stretch goals?	
6. Reports: What should forecasts look like? How should they be integrated into regular reporting?	
7. Amount of detail: How much detail should be included in the forecasts?	
8. Who to involve: Should forecasts be used to involve others in the planning process?	

Consideration point	Comments
9. Models: Can/should the forecasting process be used to build more comprehensive models to link drivers and results?	
10. Training: Are there gaps in the skill sets of those involved in the process that need to be remedied?	

6. Using This Toolkit

In addition to tables and checklists above, this section gives you some additional tools to help you apply the ideas presented here.

PROCESS PLANNING CHECKLIST

Consideration point	Comments
1. What are our goals? (Write down the objective of the exercise.)	
2. Do we have preliminary data?	
3. Who should be involved? (Number of people, mix, seniority, level and experience.)	
4. How should the discussion be facilitated? (Objective, independent facilitator?)	
5. Who will take notes? (How to ensure that ideas are not lost or forgotten.)	
6. Who will follow-up afterwards? (Need a champion to keep momentum going.)	
7. When and where will we meet? (Offsite, onsite, how much time, etc.)	
8. How will we know whether the discussion was successful? (Describe the observable outcome.)	

DIAGNOSTIC CHECKLIST

Consideration point	Yes	No	N/A	Comments
1. Is top management involved and engaged? (What evidence of that?)	☐	☐	☐	
2. Are managers involved in the process? (What evidence of that?)	☐	☐	☐	
3. Is it clear who is driving the discussion? (Who?) Is it clear who will document the results of all discussion? (Who?) Is it clear who will follow up and ensure that the process continues? (Who?)	☐	☐	☐	
4. Is the tone positive and open? (What evidence of that?)	☐	☐	☐	
5. Is the tone collegial and one of teamwork? (What evidence of that?)	☐	☐	☐	
6. Is the discussion not defensive? (What evidence of that?)	☐	☐	☐	
7. Is enough time allocated? (What evidence of that?)	☐	☐	☐	
8. Are participants focused on the issues? (What evidence of that?)	☐	☐	☐	
9. Do we know what we want to improve? (What?)	☐	☐	☐	
10. Have we correctly identified the problems? (What are they?)	☐	☐	☐	
11. Do we understand the opportunities? (What are they?)	☐	☐	☐	
12. Do we have the right information and data? (What evidence of that? Do all participants have this information?)	☐	☐	☐	
13. Do our information systems help us? (What evidence of that? What changes are required?)	☐	☐	☐	
14. Do we know the purpose of our business? (Is there a vision / mission statement that is current and generally accepted?)	☐	☐	☐	
15. Do we understand any underlying constraints? (What are they? Are they firm?)	☐	☐	☐	

BUDGET CHECKLIST

Consideration point	Comments
1. **Time-period unit for budget:** Monthly, quarterly, other time period?	
2. **Total time period:** Year, year-and-a-half, two years, other?	
3. **Silos:** How do we get all managers working co-operatively and collegially?	
4. **Organizational culture and polictics:** Is there value added for the operating managers in the budget and budget process?	
5. **Assumptions:** Are assumptions cleary set out? As the budget is refined, will assumptions be updated?	
6. **Stretch goals:** Budget is an achievable stretch; do we also need a most likely case and other scenarios?	
7. **More work needed:** In what areas do we need more research, more data and more information for setting the budget?	
8. **Reports:** How should we report comparisions of the actual results to to the budget?	
9. **Amount of detail:** How much detail should be included in the budgets?	
10. **Who to involve:** Are the operating managers encouraged to push down and delegate the budget process to others in their area?	
11. **Models:** Do we have good models to link assumptions, drivers and expected results?	
12. **Training:** Are there gaps in the skill sets of those involved in the process that need to be remedied?	
13. **Changes:** What have we learned from this budget cycle? What changes should we make next year?	

7. We Are Not Meeting Plan: Dealing With a Crisis

> "The essence of strategy is choosing what not to do. There's a fundamental distinction between strategy and operational effectiveness. Strategy is about making choices, trade-offs; it's about deliberately choosing to be different."
>
> Michael Porter, *What is Strategy?*, 1996, p. 70.

Pivot With the Pandemic

Running a business is challenging at the best of times. There is a sense of constantly fighting fires: problems with customers, fulfillment, production, people, bankers, and so on. The pandemic has made the problem worse – there can be a real sense that all of your energies must be devoted to fixing the current crisis. Strategy and planning are inherently not short term; they require a pause, reflection, and a break from the day to day.

The pandemic may have made your current strategies and plans obsolete. Now is the time to redo your strategic and operating plans to take into account any changes caused by the pandemic. Look with fresh eyes at all the steps in the planning process. Some key areas to consider might be:

- Are you producing the right goods and services? For example, if you are in a fashion business, do people working from home still want high fashion? If your market is downtown workers, are there still customers for your products or services?
- Have changes in government regulations and programs affected your ability to provide goods and services?
- Should you pivot to a different market segment? For example, some restaurants are closing high-rent locations and moving to delivery-only kitchens in lower-rent industrial parks.
- Can you deliver your services in different ways? For example, theatres are showing plays online. Entertainers are providing online children's parties – a segment of the entertainment industry that did not exist before the pandemic.
- How can you leverage technology to make the customer interface not only easy to access and use but also a positive reason for customers to buy your goods and services?
- Are there changes in the workforce that affect your business? For example, how can you benefit from the fact that more people are working from home?
- Has the pandemic produced opportunities for your company? Do you have a competitive advantage that is now more valuable?
- Has the pandemic affected the company's risk analysis? Are there new risks that need to be addressed? Have some existing risks been reduced?
- Will you be ready when things return to normal?
- Will the post-pandemic world be different from the pre-pandemic world for your business? How? Will you need to change your strategy for the post-pandemic world?

These are examples to get you thinking. Many businesses will have different areas to consider when reviewing the strategic and operating plan. The key is that, if the world has fundamentally changed, your old strategic plan is likely not useful.

A companion publication, *Cash Management – A Recovery Toolkit for Businesses*, provides suggestions on coping with immediate issues such as a lack of cash. By contrast, the focus here is on improving your business' long-term viability by considering strategic and planning issues.

Following are some ideas for actions to take when facing a crisis.

What Has Changed?

Why is there a crisis? Write down what has changed and how it affects your business. Scan the environment: What is different? This may be the time to carry out a new SWOT analysis.

Ensure You Have a Written Strategy and Plan

Revisit your strategy taking into account the results of the "What Has Changed?" exercise noted above. Why does the business exist? Write down the answer. What does your business offer its customers? Write down the answer. Talk over your answer with others in your business: managers, staff, other owners, and so on. Review the checklists in Section 6 and use them to help ensure you have considered all the relevant data.

Strategy

Review Section 2 – Strategy, Planning and Recovery, and answer this question: *Is there some advantage (perhaps not an obvious one) that will let us succeed?* Write down the answer. The answers to the two questions asked in the preceding paragraph might help you.

Business plan

Review Section 4 – The Business Plan, and prepare an operating plan following the format described there.

Rolling Forecast

Update your rolling forecast and analyze why the actuals differ from the forecast numbers. Can you explain what changed? Complete the rolling forecast checklist on pages 27 and 28.

Focus on Profit Margins

Review the information you get from your accounting systems. Where can you make operations more efficient? For example, during the pandemic, restaurants have focused on menus without premium ingredients to reduce waste if sales suddenly do not materialize due to a sudden change in permitted operations such as a new lockdown. Others have quickly altered their strategies by reconfiguring their space to offer retail supplies and take-home pre-cooked meals.

Review Government Programs

Canada and Ontario offer a variety of programs to assist small businesses, and the programs are updated frequently. Section 8 – Resources to Help You Recover below, provides links to these and other sources of information.

Creative Sources of Cash

Factoring (borrowing against receivables), accepting inventory on consignment (you pay for it after you sell it), are among ways to free up cash. Can you sell off any assets to tide the business over? A companion publication, *Financing – A Recovery Toolkit for Businesses* covers where to find financing.

Talk to an Expert

Your CPA or lawyer might be able to give you a fresh perspective. Insolvency specialists also handle restructurings and may have novel ideas as to how you can salvage things.

8. Resources to Help You Recover

Strategy and Planning

This *Toolkit* can only skim the surface; it is hoped that you have taken away many new ideas, will do further research, and that this will benefit you and your business.

There are many classic books on strategy and planning that have stood the test of time. For general approaches to strategy, the books by Michael Porter and Peter Drucker are highly recommended and are classics in every sense of the term.

Michael Porter's books include *Competitive Strategy* (1980); *The Competitive Advantage: Creating and Sustaining Superior Performance* (1985, 1998); and *On Competition* (1998). He has also authored and co-authored numerous magazine articles. His 1996 *Harvard Business Review* article, "What is Strategy?", remains a classic.

Peter Drucker wrote many books on management. For ideas on strategy, his most useful books are *Concept of the Corporation* (1946); *Technology, Management, and Society* (1970); *Management: Tasks, Responsibilities, Practices* (1973); *Managing in Turbulent Times* (1980); and *Management Challenge for the 21st Century* (1999). Although some are over a half-century old, these books have aged well and their messages endure.

An excellent more contemporary book is *Good Strategy/Bad Strategy* (2011) by Richard Rumelt. It is easy to read and contains many practical suggestions. Finally, to keep abreast of current research and thinking, it is worthwhile to subscribe to *Rotman Management Magazine* published three times a year by the Rotman School of Management at the University of Toronto, and the *Harvard Business Review* published six times a year by Harvard Business Publishing.

Government Resources

The rules are constantly changing, and you need to be up to date. You should consult current links on the Internet to be sure you are up to date on both government requirements and programs that provide assistance to businesses.

The links below are a starting point. They will direct you to specific resources for businesses, but those specific links frequently change. The starting point should always be those for Canada and the province (or provinces) where your business operates.

- Government of Ontario: COVID-19 pandemic information and links to specific information (covid-19.ontario.ca)
- Government of Canada: COVID-19 pandemic information and links to specific information (www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html)

CPA Canada is monitoring the COVID-19 pandemic for any new developments related to its economic impact:

- CPA Canada COVID-19 information resources (www.cpacanada.ca/en/members-area/covid-19-resources)
- CPA Canada COVID-19 financial literacy resources (www.cpacanada.ca/en/the-cpa-profession/financial-literacy/financial-literacy-resources/covid-19-financial-literacy-resources)
- CPA Canada Ontario small business financial literacy resources (www.cpacanada.ca/ontariosmallbusiness)

Other Resources

Excellent and up-to-date information is available from the websites of CPA firms, law firms, and others. Following are a few examples (all are Canadian sites or reference Canadian information). Of course, you should ensure that the information is current and should cross-check it with other advice before relying upon it.

Business Development Bank of Canada

- Business plan template (www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/business-plan-template)
- Information to help your business take action during the COVID-19 crisis (www.bdc.ca/en/special-support)

CPA firms

- Bakertilly (www.bakertilly.ca/en/btc/covid-19-business-guidance)
- BDO (www.bdo.ca/en-ca/covid-19/home)
- Deloitte: and enter “Covid 19” in the search window (www2.deloitte.com/global/en/pages/about-deloitte/topics/combating-covid-19-with-resilience.html)
- Ernst & Young (www.ey.com/en_ca/covid-19)
- Grant Thornton (www.grantthornton.ca/insights)
- KPMG (home.kpmg/ca/en/home/insights/2020/03/the-business-implications-of-coronavirus.html)
- MNP: (www.mnp.ca/en/covid-19)
- PwC: (www.pwc.com/ca/en/covid-19.html)

Many other CPA firms have guidance as well; those above are the largest firms in Canada.

Law firms

- Blakes: (www.blakes.com/covid-19/articles)
- BLG: (www.blg.com/en/insights/2020/03/covid-19-breaking-developments-and-essential-resources)
- Gowling WLG: (gowlingwlg.com/en/topics/covid-19-how-will-coronavirus-impact-your-busines/)
- Miller Thomson: (www.millerthomson.com/en/covid-19-resources)
- Stikeman Elliott: (www.stikeman.com/en-ca/kh/guides/COVID-19-Canadian-Legal-Resources)
- Torys: (www.torys.com/covid19)

The law firms listed above have landing pages that take you to pandemic guidance. Many other Canadian firms have extensive information: on their home page, search for “Covid” or “pandemic resources.”

For more information visit:
www.cpacanada.ca/ontariosmallbusiness

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