

Planning for Your Company's Future

Whether it's natural disaster or succession planning, having a plan in the face of an uncertain situation can be the difference between surviving it or failing miserably.

Independent studies have shown that small and medium-size enterprises (SMEs) don't devote enough time to the planning process. The lack of planning may be driven by time constraints, lack of training, and/or personnel resources. Planning, in any form, is a way to ensure the continued performance of your organization. Not planning is simply giving up, passing up opportunities to govern and control your future.

A Need to Plan

The top three planning omissions are fraud and internal control systems, disaster and business recovery planning, and succession and manpower planning. One thing they all have in common is that they can include a solid technological component in the process. In each case, there's a strong return on investment.

According to the Association of Certified Fraud Examiners (ACFE) 2014 Global Fraud Study, the median loss due to occupational fraud was \$145,000 for each occurrence. For companies with

fewer than 100 employees, the amount was \$154,000. Internal controls help prevent and detect fraud. They're relatively inexpensive to implement and can be customized to each organization and situation so they don't necessarily slow down the process of handling paperwork.

Another vital necessity is disaster and recovery planning. Consider the extreme weather-related events of recent years. According to the National Climatic Data Center, in 2014 alone there were eight weather and climate events in the United States with losses exceeding \$1 billion, including winter storms, flooding and hurricanes, tornadoes, and extreme drought. When these events occur, staff need contingency plans. Whether it's an alternate work site, backup technology and communications, or something else, prepared companies plan for their anticipated needs. That means they can serve their customers with minimal disruption during and after a crisis. That helps cash flow and customer relations.

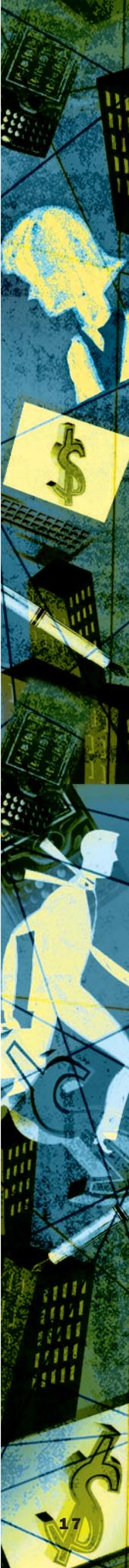
Also think of how many organizations suffer because of a lack of continuity planning after the passing of their leader. Johnson & Johnson, for example, lost several members of its senior leadership

in an airplane crash in the 1970s and took a long time to recover. Last fall, Total SA CEO Christophe de Margerie died in a plane crash in Russia. His replacement was decided in less than a week to avoid any discussions of uncertainty in one of France's largest companies. The replacement was on a short list of possible successors and chosen for his successful management of one of the company's largest divisions.

In each case, the key to continued success is planning. Knowing what you have to do when something out of the ordinary presents itself means that you're prepared. While you can't think of everything, you can think of the major events and plan how you and your organization will respond.

What to Plan

There are three main considerations when you start to plan. The first is the "known knowns." These are specific events that you can plan for—things you know about in advance and can plan how to deal with them. For example, if there's a fire, what do you need to do to stay in business? Do you need an alternate work site? Do you need to communicate with your customers and clients? Do you have



computer backup? These things are relatively easy to plan for.

The second consideration is the “known unknowns.” These are things you don’t know will happen, but you know you don’t know them. These are relatively easy to plan for. Product recalls may fall into this category. You don’t anticipate one, but something unexpected may happen. In the early 1980s, Tylenol and other medicine bottles were tampered with. Someone had put poison pills in Tylenol bottles, then put them back on store shelves to kill people. Johnson & Johnson reacted quickly to address the issue and received substantial positive coverage for its handling of the situation. You can plan your response to problems with a broad-brush approach and then, when an event occurs, tailor your response to the situation.

The third consideration is the “unknown unknowns.” You don’t know them and don’t realize you don’t know them. The September 11 terror attacks are one example. Almost no one would have expected that airplanes would be intentionally crashed into a building. While you don’t conceive of things like this happening at your company, you can make broad plans on what to do in the event that something catastrophic happens to your business. What do you need to do to stay in business with minimal effect on your customer base?

Using Technology to Help

Every company and organization is different, but the planning process is the same. Scaling the process to individual organizations makes the process unique.

Taking the time to focus on the planning process allows everyone to think strategically. Smaller organizations spend an inordinate amount of time with the tactical and not enough with the big picture. Yet, ultimately, the vision of where you want the organization to go is why planning is so important. Fortunately, there are technology solutions that assist with the planning process.

Risk management software enables organizations to automate and streamline the risk management process to save time, money, and resources associated with ongoing compliance. With this, businesses can consistently identify compliance gaps, help justify risk acceptance, prioritize remediation, and react quickly to evolving regulations and overlapping compliance standards.

Risk analytics help prioritize enterprise-wide risk issues. Reports and dashboards turn information into intelligence, allowing you to take action before a compliance breach occurs.

Fraud and internal control systems are standardized, which means you can get the framework for each business unit and can customize it for different circumstances. Every organization has assets and liabilities, so the universal framework is applicable to everyone. Then it’s a matter of tailoring it to fit specific circumstances. For example, if you have a business unit that doesn’t take cash or credit card payments, then the controls don’t need to be as robust as they would be in a retail business unit.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO), a collection

of the major accounting groups in the United States, issued *Internal Control—Integrated Framework*, a framework for fraud and internal controls. This Framework has been around for almost 30 years and was recently updated to reflect changes that have occurred over time. It’s fairly comprehensive and easy to follow.

Disaster and business recovery are similar. The basic framework exists, and the probability of a disaster type, such as an earthquake, changes. Ultimately, you can customize the procedure to meet the unique circumstances of your organization.

Succession and manpower planning also lend themselves to a technological solution. First, designate the skill set needed to be successful in a position. Different attributes are more important depending on the position. For example, you may want a salesperson to be more of a people person than your IT manager needs to be. Once you’ve completed the list, review all of your staff to see who possesses those particular skills. This tells you if you have a possible successor already working for the company or if you need to recruit a new candidate from elsewhere.

There are several inexpensive software packages that can aid in designing and installing internal controls in any type of organization. BWISE has one package that is both comprehensive and affordable. Similar products are available for business and disaster planning. Many state and federal government websites have basic plan outlines available for free to help you start the process.

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Start Planning Now

Remember the old adage: Failing to plan is planning to fail. Don't abdicate your future because you're too busy dealing with the present. There are ways to find time to plan. Take a weekend, and meet your team offsite at a hotel conference room. Brainstorm, and set assignments for everyone. Start the process, and see where it takes you. Moving toward a shared vision will engage and energize your leadership team. **SF**

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