

How to create a successful annual business plan

Evaluating existing & prior year goals

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It's a brand new year — and time for a new annual business plan. If you haven't quite gotten around to creating or finalizing your 2022 annual plan it's not too late. The end of the year can be hectic, and many businesses don't get around to formulating their plan until after the new year. However, you don't want to skip out on the process entirely. Annual planning has a number of benefits for businesses of all sizes such as helping the company stay on budget and improving accountability as all teams and team members work towards achieving their objectives for the year.

Here is what you need to know to create an effective and comprehensive annual plan for your department or company:

What is the purpose of annual planning?

An annual plan acts as a roadmap for your company. Annual planning allows you to go into a new fiscal or calendar year with specific and measurable goals set, budgets finalized, and a plan for how to measure progress on and achieve your company's organizational and financial goals. Through this process, you develop the vision of where you hope that your company will be at the end of the year and the map of how you will get there.

You can also use annual planning to set goals and plans for individual departments or teams within an organization. Create marketing plans, human resource plans, and more to keep each segment of your business on track, reset your goals, and get your teams aligned towards common goals and initiatives. Since trends, consumer habits, and other factors change frequently, it's good to create a fresh one-year plan each year.

Annual plans complement strategic planning while providing more short-term (one year) goals that are often tied to financial goals as well as the annual budget. Strategic plans often have more overarching goals that work to advance the company's mission over three years or longer. Your annual plan will likely include goals that play into these longer-term goals in your company's strategic plan.

Evaluating existing and prior year goals

Start your process by evaluating your current starting point. Take time to look back at last year's annual plan and evaluate whether you achieved your set goals or fell short in certain areas. Attempt to determine why you fell short on specific goals and what steps you could take to prevent a repeat of that issue. This will help you set realistic goals for the new year.

This is also a great time to review your company's:

- **Mission statement.** This is a statement that describes the purpose of your organization. What does your business do and what does it hope to accomplish?
- **Core values.** These are the principles, beliefs, and values that your organization's culture is built on. These values shape how you do business, and as such, should shape your annual plan.
- **Strategic plan.** Your strategic plan should detail your business plan and long-term goals while taking market conditions into consideration. Your annual plan should complement your overall strategic plan.
- **Financial reports.** Review the prior year's budget reconciliation, cash flow statements, and year-end reporting. If you have access to budgets or financial forecasts for the upcoming year, review them now. If not, they'll need to be created later in the annual planning process.

Keep all of these documents handy, as you may need to reference them as you move through the annual planning process.

Create an updated SWOT analysis

It's also time to update or create a SWOT Analysis chart for your company. A SWOT analysis is typically depicted as a four-quadrant square with the following quadrants:

- **Strengths.** List out the things that your company already does well and your internal strengths. Perhaps you have a large Instagram following with a strong network of influencers promoting your product. Maybe you have unique branding, patents, or technology that set you apart from competitors. This section is your highlight reel from prior years and can also include strengths like new products or developments being released in the new year.
- **Weaknesses.** Now it's time to consider what can be improved. List out your company's internal areas of

weakness. A good way to identify weaknesses is to look at customer feedback. Do customers like your product but complain about the processing and delivery times? A weakness can also be staffing-related such as high turnover or taking too long to fill open positions. A common marketing weakness may be lack of media mentions or ranking low in Google search results for your product or business type.

- **Opportunities.** These are external opportunities that you can take advantage of in the coming year. Are there new trends or technologies that could boost the success of your business? Is it time to start marketing your products to Gen Z? Are there changes in government regulations or laws going into effect in 2022 that could have a positive impact on your business?
- **Threats.** Explore potential external threats to your company's growth and success in the coming year. Maybe the current supply chain problems mean that you will have manufacturing or delivery delays in 2022. There could also be legal changes that negatively impact your business. Threats could also come in the form of major competitors or market saturation. Knowing what may threaten your success will help you build a plan to overcome these challenges, so be thorough with your market analysis.

After creating a company-wide SWOT analysis, consider breaking things down even further and creating a SWOT analysis on specific aspects or segments of your business.

For example, a marketing SWOT chart can help you identify what you need to adjust in your marketing strategy for the new year. Many businesses, especially small businesses, may have strong Facebook and Instagram accounts but weaknesses in the area of SEO. Reaching new audiences and market segments through TikTok may be an opportunity if your business has not jumped onto the platform yet. A new year is a great time to do a SWOT and update your ideal customer or target demographics to evaluate opportunities for expansion.

Goal setting with SMART goals

It's a good idea to start off the new year by setting goals for your employees, departments, and the company overall. This creates trackable metrics to measure your company's success at each level throughout the year. The best way to create goals is to use the SMART goal system.

- **Specific.** Aim to make your goals specific and to identify who will be involved in the goal. A general goal would be to increase brand awareness. Specific goals would be growing your LinkedIn following to 10,000, obtaining 10 media mentions, or ranking one the first page of Google results for a specific target keyword. Within each of those specific goals you could identify who is responsible for them; a social media manager, PR or media relations team member, an SEO consultant, or in a small business, it may just be a digital marketing manager. Regardless, it's helpful to define who is involved and who will oversee progress.
- **Measurable.** Define how you will measure the success of each goal. What metric will you use to track progress towards the goal?
- **Attainable.** Your goals should be realistic. They can be somewhat ambitious, but avoid including stretch goals that are unlikely to be achieved within the year with your anticipated staffing levels, budget, and level of consumer awareness. Of course, start-ups would love to score a major investor or have their company go viral and generate a huge amount of buzz with consumers, but unless you have reason to believe either of those is on the horizon, leave out goals that depend on unrealistic or unpredictable

events. Also, leave goals that will take several years for your strategic plan.

- **Relevant.** The goals that you set for this year should be relevant to your company's vision, mission, and long-term objectives. This is why it's helpful to start the process by looking at your mission statement, vision, and strategic plan.
- **Time-bound.** All goals should have a clearly defined time frame including a specific deadline date. For annual planning, the timeframe may be one year, or you can break your goals down into monthly or quarterly goals and adjust the deadlines as such.

You'll likely end up with a decently long list of goals for your company. As mentioned in the Specific criteria, breaking down your goals and defining who is responsible for them is important. Try to create goals that span the major business functions of your company such as product, operations, marketing, HR, and leadership. Set company-wide goals and then break them down by teams and later by individual contributors to ensure that everyone knows what goals they need to accomplish in order to help the business meet its overall yearly goals.

Budgeting and financial

considerations

An important aspect of annual planning is financial planning. A good business plan should take financial constraints, budgets, and financial goals into consideration and plan accordingly. If you are a start-up and plan to go through a round of fundraising or have other major changes such as going public with an IPO, include those in your annual planning.

Your annual plan should include financial projections for the year. These projections will help you plan for financing needs, changes in cash flow, and evaluate the best timing for new projects or hiring. You'll want to create sales forecasts to project your expected income. It's also wise to forecast your anticipated expenses for things like labor, materials, supplies, and overhead.

You'll also want to verify that you will be able to allocate the funds needed to accomplish the SMART goals that you created earlier. At this point, you may need to revise some of your goals to ensure that they are achievable within your financial constraints. Those that require a larger budget may need to be scaled down or saved for next year.

Contingency planning

Hopefully everything will go as planned, but it's always good to have a contingency plan in place in case something goes awry. After all, we've all seen how unexpected challenges can derail business operations over the past two years.

Plan for potential emergencies or alternate scenarios. Does your annual business plan rely on covid conditions improving in 2022? Create a contingency plan in case there are more hiccups than expected during reopening or the return to the office.

Consider how your business could best handle supply chain issues, unexpected cash flow problems, and major IT or security concerns. If your headquarters is in an area prone to natural disasters such as wildfires or hurricanes, you should always have a plan in place for the safety of your staff, files, as well as assets that would be difficult to replace.

Putting it all together

There are a number of annual business plan templates available online that you can use to craft your final report. Larger companies often use specialized software for their annual business plan. If you plan to use the goals created during the annual planning process for performance management, a software solution may be best so that department leads and individual employees can track their goals throughout the year.

The report should open with an executive summary, although this is actually the last piece that you'll typically want to write. The executive summary should act as an introduction to and a summary of the full report. Tailor it to your audience depending on whether the plan will be shared with employees, investors, or others.

A description of the product or services including new products, the team, and the company at present may also be included.

Then comes the meat of the report where you explain the goals you've created and your plan for achieving and measuring them. Your full report may be separated into marketing planning, financial planning, HR planning for organizational improvement, and other relevant sub-sections. This is where the zoomed-in SWOT analyses and department-level SMART goals will come in handy.

The report should leave the reader with a clear picture of what you will achieve and how you will do it.