Strategic Planning WORKS –– If You Give It A Chance

Introduction

> *"The best way to predict the future is to create it."*
> *–– Peter Drucker*

Whether traveling from one unfamiliar place to another, competing in sports, building a business, or preparing for retirement, the probability of accomplishing your goal increases substantially when you plan it rather than just start doing it. Planning is even more critical when multiple people and groups need to operate in coordinated action to accomplish a primary goal, as is true of almost all organizational goals.[1]

In today's challenging economic landscape, organizational planning has become even more critical, not only to survive but to thrive. Most business executives will agree, intellectually, with the preceding statement, but agreement is not enough. Many organizations still fall into one of the following predicaments:

- They do not plan.
- They plan poorly.
- They plan properly, but do not implement any plan.
- They plan properly, start but do not continue implementation.
- They plan properly, start and complete implementation, but do not accomplish the intended end result.

Later in this paper, we will explore in more depth the varied reasons that firms find themselves in the above conundrums. However, organizations that fail to do strategic planning will face significant detriment, including:

- High inefficiency due to lack of coordination and wasted effort.
- *Flavor-of-the-week* strategic initiatives that lead nowhere.
- Frequently changing priorities that waste effort and lower morale.
- Accomplishment of goals that do not contribute to the organization's success.
- Undermined workforce reluctant and fearful of to taking on big goals.
- Increased costs leading to decreased competitiveness.
- Continued struggle for survival.

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The Value of Planning

One key reason you formed your business or are part of an organization is because together we can do more than we can individually. Planning is required for any group to work effectively together. As smart individuals plan for retirement, so should a firm plan for its expected life span. The best firms in the world use a planning process to establish their targets, and as a consequence, more often than not, reach them. Planning ensures that important things are not left to chance. Planning means you can measure performance against specific goals, document progress and confirm when the organization has achieved its strategic aims.

Every executive knows they ought to plan. For your organization to be successful, we recommend an unwavering commitment to planning and implementation. Plan your organization's future formally, in writing. The planning process should produce effective actions and develop strategic goals with timeframes. Plan what you do, and then *do* what you plan. Create an accountability system for the implementation. Later in this paper, we will explore in depth the difference between strategic and tactical planning and ways to ensure that those executing the plan take ownership of it. We'll also show you how to build a plan that can evolve and craft processes able to adapt to the fluidity of today's business environment.

The Value of Implementation

A plan not implemented produces the same results as no plan in the first place. Effective implementation requires engagement of the entire group. Having employees take ownership of the implementation process brings particular benefits including:

- Improved morale, job satisfaction and productivity.
- A confident workforce motivated to set even loftier goals next time.
- Insight into what works, what doesn't, and what needs to be changed.
- Reinforced and organically supported values, culture, policies.

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Section 1 – Challenges to Strategic Planning

> *"Strategy is the big picture, the distant outcome. People who operate from a strategic base think in larger terms, have grander visions and demand more of themselves and their lives. They discover order where others see only chaos, significance where others find only coincidence."*
> *— Shale Paul*

All too frequently, this critical question begs for an answer: *"How come you have time to fix something yet you did not have time, nor make the time, to do it right originally?"* Unfortunately, by the time this question becomes acute, it is often more expensive to fix the result of a poor plan than it would have cost to plan effectively in the first place.

While the importance of planning is intellectually obvious to almost everyone, in reality, most companies don't do serious strategic planning, and, when they do plan, they often fail to effectively implement the plans they've created. The co-authors of this white paper have, in the sixty years of their combined experience, seen countless organizations fail to realize the benefits of planning. To shift from no planning or poor planning to effective planning, we first need to explore why organizations—despite the knowledge of executives at the helm—continue self-defeating practices in regard to strategic planning. The challenges organizations face can be broken down as follows:

1) **Organizations do not plan.**

   - Many companies do not have any plan for the future of the organization.
   - Of those that do, many follow the industry leader and do not have a plan that is unique to them. Unfortunately, there is no one size that fits all.
   - The future ROI of strategic planning is often unclear, especially when focusing on tactics to deal with a present issue.

2) **Organizations plan poorly.**

   - The plan is not written down.
   - The plan is poorly researched or written.
   - The plan is not well thought out or validated.

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3) **Organizations plan properly but fail to implement their plans.**

- Several obstacles to implementation revolve around communication failures, e.g., not communicating the plan to all involved in its implementation and/or not communicating it in a way that generates buy-in from all accountable for its implementation.
- Communications are unclear, inconsistent, and/or infrequent and are conveyed in a singular format, rather than in multiple ways.
- The organization allows the urgency of the immediate to sidetrack its focus on implementation. This puts the organization in reactive rather than proactive mode.
- The organization ends up implementing a different plan than the one intended (e.g., the unarticulated plan in the CEO's head rather than the written plan produced through group process and buy-in).

4) **Organizations plan properly, start but do not complete implementation.**

- After initiating the implementation, senior management turns its attention to other issues, loses focus, and drops the ball on accountability, allowing others to emulate them. This happens most often when there is no senior management champion.
- Teams that fail to meet early goals get discouraged and, if they lack strong management support, soon give up.
- The implementation plan is misinterpreted, creating a difference between what management envisioned and what is actually done.
- Follow-up communications are lacking, weak, or ineffective.
- People tend to do whatever is easier rather than what is more likely to produce the greatest benefit.
- The organization succumbs to the lure of doing things that generate near-term gratification, resulting in delay or avoidance of actions that have greater payoff in the distant future.

5) **They plan properly, start and complete implementation, but fail to accomplish the intended end-result:**

- The organizational culture is inconsistent with what the plan needs (e.g., planning a strategy of great customer service in a "me first" culture).
- Insufficient skills and/or experience for plan implementation.
- Turf battles between individuals and/or departments derail the process.
- Ongoing, transparent measuring of progress toward goals is lacking.
- The reward/recognition system was not redesigned in support of accomplishing the plan's goals, particularly where teamwork is essential.

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Due to the obstacles outlined above, the vast majority of firms fail to do strategic planning, become hobbled by the attendant consequences, and never approach their full potential. As Peter Drucker asserts in his best seller, *Management Challenges for the 21st Century,*[2] "organizations today cannot continue business as usual and expect to survive, much less thrive." In summary, effective strategic planning is worth the time it takes to create, communicate, implement, measure, and follow up on the plan.

Section 2 – Solutions

"If you don't know where you are going, any road will do." – Confucius

Clients that have followed the process outlined below have realized predictable and significantly improved productivity and profitability; often well beyond those of their competitors. Here's how YOU can undertake successful strategic planning and implementation.

Eliminate the Excuses for Not Planning

Companies that don't do the planning they plan to do put forth a variety of reasons.

1. No time to plan
It only seems like you don't have time because you're taking a short-term view. In the long view, you do have time to plan because it creates its own benefits. The time you take to plan today will save you more than that amount of time in the future.

2. Too busy *doing* to plan
Doing does not automatically equate to creating value. You may be doing, but are you doing those actions that actually contribute to the future you want?

3. Feeling that planning is unnecessary
If nothing ever changes, then planning would probably not be necessary, but in this dynamic world, change is inevitable and constant. Therefore, planning is invaluable, and absolutely necessary if you don't want to be left in the wake of your competitors.

4. Seeing no value in planning.
Done properly, planning is an investment that increases the probability of future success. The return generated from good planning will well exceed the resources invested. Planning enables you to quantify the results of your decisions and alter your assumptions if needed to create more desirable outcomes.

5. Feeling that planning makes no difference when there is so much uncertainty.
You can actually reduce uncertainty by formally considering the Knowns and the Known Unknowns, and then using the derived information to make optimal choices.

Be Committed to Planning

After eliminating excuses for *not* planning, you have no reason not to commit to plan. To be effective, your commitment to planning must become part of your organization's culture. A culture of planning means everyone *expects* to plan, they *expect* to be a part of the planning cycle and they prepare for planning. Essential elements of this commitment include:

- Following a proven method.
- Identifying and empowering a champion, usually a senior level person who takes ownership of the process.
- Setting dates, agendas, schedules, informing participants, developing metrics, and requiring the participation of all those involved in the planning process.
- The highest levels of the organization express and document publicly that planning is important.
- Planning is incorporated into the company's thinking and doing, on the agenda daily, included in what you do, not just in what you talk about.

• **Known Unknowns** are those items we anticipate might occur yet can't quantify or specifically bound.
• **Unknown Unknowns** are those items we cannot anticipate, quantify or bound.

Be Committed to Implementation

"The person saying that it can't be done should not interrupt the person doing it."
- Chinese proverb

Making implementation an integral part of corporate culture demonstrates a concrete commitment to implementation. Some say planning is the easy part—the real work is in the doing. Tools for successful implementation of a strategic plan include:

- Those tasked with implementation play a vital role in the planning.
- Milestones for accomplishing specific tasks.
- Metrics to objectively determine success or failure.
- An implementation cycle such as: Plan, Do, Check, Act (PDCA)
- Repeat the planning-implementation cycle.

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Recognize the Difference between Strategic and Tactical Planning

No enterprise can exist for itself alone. It ministers to some great need, it performs some great service, not for itself, but for others ... or failing therein, it ceases to be profitable and ceases to exist."

--Calvin Coolidge, *13th president of the United States*

A central issue that undermines effective planning is that almost all organizations are really doing tactical planning, but calling it strategic planning. The different purposes of each type of planning are often unrecognized.

Strategic Planning. Strategic planning addresses the very reason an organization exists. It is not about what the organization or entity does (e.g., a housing authority provides shelter to those in need). Two elements are required to inspire and galvanize people to creativity and grand accomplishment—a Vision in which they find significant meaning, and the perception that accomplishing that Vision is feasible. Strategic planning means developing both the inspiring Vision *and* how that Vision will be accomplished.

> The primary purpose of an organization is to provide people with the opportunity to make a bigger difference than they could as individuals.

The organization provides people with an opportunity to make a bigger difference than they could as individuals. The strategic plan specifies the difference that the organization wants to make in the world—their reason for existence, the inspiring Vision. If this goal harmonizes with the difference that individuals in the organization want to make with their lives, then the workforce will be authentically galvanized and inspired. For example, the above mentioned housing authority created a Vision of everyone having a stable and enriched quality of life, for which acquiring shelter was only the first step.

The organization's strategic plan should specify:

- Vision—the reason the organization exists, the difference it is committed to make in the world.
- Mission—in essence, a brief statement on how the organization will contribute to the fulfillment of its Vision.
- Strategic Goals—the evidence that the organization's Mission is accomplished or inevitable
- Values—behavioral guidelines necessary for the organization to accomplish its Strategic Goals.
- Strategies— the patterns of actions over time, the means, by which the organization intends to accomplish its Strategic Goals; for example, marketing very expensive products to a limited clientele or marketing the lowest price product to the mass market.
- Periodic milestones—intermediate goals that guide implementation of each strategy.

- Planning Horizon – the time frame from present to the future accomplishment of the Strategic Goals—indicating when the entity has fulfilled its Mission.

Strategic planning well done helps shift people's mindsets from the urgent and near-term to the important and long-term, thereby addressing one of the causes of ineffective planning.

Tactical Planning. In contrast, tactical planning specifies how current and anticipated resources will be used to achieve near-term goals. The availability of resources cannot be predicted far into the future so tactical plans are typically no more, and frequently much shorter, than 3 to 5 years. However, there are pitfalls to doing only tactical planning:

- Tactical planning frequently extrapolates from the past resulting in a future that is only incrementally different than the past. With no planning for breakthroughs or major new insights, the underlying assumption is that the future will not be substantially different than the past. This faulty assumption can lead to unpleasant surprises. In contrast, taking the long view of a rapidly changing future primes a company to readily adapt. For example, Intel assumed that someone would make every one of their products obsolete, and they decided it would be preferable for that someone to be Intel, rather than somebody else. Thus, as they rolled out a new chip, they were already working on the next product that would put that new chip out of business. 3M has a target that 25% of each year's revenue will come from products that didn't exist five years previously.

- Tactical planning leaves everything to chance after the 3 to 5 year time period. However, the impact of both product and industry life cycles require a longer lead-time than 3 to 5 years. For example, it was estimated that companies involved in the manufacturing, printing and delivery of feature movie film needed to begin their planning for the transition to a digital projection world at least 10-15 years prior to its first installation in a commercial theatre.

- An inspiring organizational Vision often takes a long time to accomplish. Thus, a 3 to 5 year tactical plan falls far short of illuminating how the Vision will be accomplished, and may seem to people like a pipe dream. When today's actions are not connected to the organization's Vision, the source of passion, the Vision loses its ability to motivate the workforce and generate its best performance.

Strategic planning can produce shifts in mindset needed for operating with a long-term focus, rather being propelled by short-term goals. By having everyone personally committed to a common, inspiring Vision, the following change can take place:

- Urgent => important
- Almost certain near term => uncertain long term
- Short term payoff => long term payoff
- Victim of current circumstances => author of the relevant future

Ensure That Those Who Have To Execute the Plan, Own The Plan.

In practice, only senior executives in most organizations do strategic planning for the organization. When they come up with a truly innovative plan, the workforce often views it as fanciful and impractical because they have not experienced the paradigm shift that enabled senior management to develop the innovative plan. Few employees, however, would express to the senior executives what they truly think of the plan. They will nod in agreement, privately thinking, *"In six months this too shall pass, just like all the other wild ideas they have come up with."* As time passes, the workforce doesn't seem to have the time to work on the plan as much as is needed, for which they always express regret. True to their expectations, in about six months senior executives grow tired of trying to force people to implement the plan and take the easy course again—extrapolating from the past and doing what they have always done.

From the perspective of the workforce the plan is typically *"the executives' plan."* It is rarely *"our plan."* Thus the workforce feels no responsibility for making the plan work, particularly if they didn't think much of it from the beginning.

To ensure that the workforce owns the plan, we suggest the following:

- Every member of the workforce should have a representative at the planning table. Include all "influencers" in the planning group. Influencers have a people around them who, in general, believe what they say about the organization. Influencers are the nodes of the organization's informal communication network. When the influencers own the plan, they will ensure that everyone else in the organization does as well.

A strategic plan should also specify the organization's Mission (a brief statement of how it will fulfill its Vision), its strategic goals (the evidence that achievement of the Vision or Mission is accomplished or inevitable), the strategies by which the entity will accomplish the strategic goals, and periodic milestones (intermediate goals that guide the implementation of each strategy).

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- Rather than plan from the present forward, plan from the future backward. The target future is the accomplishment of the difference the organization was created to make. After reaching agreement on the organizational Vision and Mission, the planning group works backward from that goal to the present state. With this approach, agreement on near-term tactics is more easily achieved.

- Planning decisions should be made by consensus.[3] Every member of the planning group—after considering all known alternatives—selects the same alternative as the best option. In other words, every member of the group has a veto. Consensus ensures that the planning process is owned by every member of the group, and consequently by the workforce (aided by the influencers in the planning group).

With the plan completed, support the influencers in engaging others, organize a formal "rollout" of the plan, and create a process to generate buy-in from all those who didn't participate in the plan's development. This should be more than an announcement of data. Make it an opportunity for the workforce to get excited by the organization's redefined Vision and envision themselves in action fulfilling the strategic plan.

For example, a 7500-person organization launched their series of rollout meetings with a short film featuring members of the workforce discussing the plan with the CEO and asking him practical questions that were probably on the minds of their fellow employees. Following the film, senior executives talked about why they were personally excited by the plan. Then the attendees were invited to share in pairs and triads what they saw in the organization's Vision that was personally exciting. Some then shared their perceptions with the larger group. Finally, the Mission statement was shown and again people formed small groups to discuss their possible roles in fulfilling the Mission. After additional sharing among the larger group, the meeting concluded with copies of the Strategic Plan distributed to all attendees. Subsequent meetings followed in which specific employees had the opportunity to discuss and develop their individual roles and those of their organizational units in fulfilling the strategic plan.

Recognize that Situations and Therefore Plans Change (Evolve or Die)

> *The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.*
>
> — *George Bernard Shaw*

Change is constant. If a superbly researched and written plan can't be adapted to changing circumstances, the result may be as bad as if no planning had been done at all. It is discouraging for people to see the careful plans they crafted lose their validity because things have changed, but it is a necessity. However, people often resist acknowledging that a change to the plan is needed. Useful guidelines for addressing this resistant tendency include:

- Specify metrics to be monitored as indicators of significant change.
- Frequently monitor the selected indicators and review other factors.[4]
- Determine if a review, if not a change, of the plan is indicated.
- Change the plan as needed.
- Conduct quarterly reviews of what has actually happened compared to the plan.

Section 3 — Conclusion

People can be divided into two groups—those who try, and those who do. Winning companies are always among those that "do." Here, in essence, is what winning companies do:

1) Plan.
2) Plan properly.
3) Implement the plan.
4) Implementation the plan thoroughly and continuously
5) Plan properly, start and complete implementation, and, by ensuring that all aspects of their organizations are accurately aligned with fulfilling the strategic plan, they accomplish their intended end results.

The real value of strategic planning is NOT the written document created as an output of the process. The real value is the process itself—what we learn, the questions we have to ask and answer, the research we have to do, and the beliefs we must suspend. Therein lies the real value.

"A man who thinks he can and a man who thinks he can't are both probably right"
Henry Ford

Yet, strategic planning alone imparts no lasting value unless the plan is implemented. Implementation must be thorough, consistent and continuous. The plan you create must be the plan you implement. Always challenge your own assumptions each time the strategic plan is reviewed (at least annually, if no crisis necessitates a review before then).

At some point, someone will replace everything we do today. Why not be that innovative someone, instead of someone else? To stay viable in this ever changing world you must plan, implement, review and act upon what you have learned. Then repeat the cycle. Walter Shewart simplified the process into the **PDCA Model** (Plan. Do. Check. Act).

Strategic planning is always easier if you put two key elements in place: 1) make strategic planning an integral part of your corporate culture and 2) engage an experienced, objective third party to facilitate the entire strategic planning process.

- Experienced to steer you around obstacles to a productive process.
- Objective to help you avoid conflicts of interest, fiefdoms, and cliques that can derail the process.

Section 4 – Put this Whitepaper into Action

Tiger Woods, Lance Armstrong, David Beckham, Alex Rodriquez, Louis Hamilton and many other successful people all go to the best consultants to achieve their top performance. You can, too.

To schedule a free assessment of your strategic planning needs, please contact:

Daniel Feiman at 310.540.6717 or dsfeiman@BuildItBackwards.com or
Ivan Rosenberg at 818.505.9915 or irosenberg@frontier-assoc.com

We look forward to talking with you.

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[1] Imagine what would have happened to the national goal of putting a man on the moon in the 1960s without extensive planning. Successful presidential campaigns demonstrate good planning and skillfully adjust those plans as data is updated. In 2009, the spectacular landing of a commercial aircraft on the Hudson River after both its engines failed was due, in large part, to excellent planning—training the crew in advance of the incident and during the incident itself. After engine failure, the pilot considered various options, selected the one he felt was best to achieve the goal of passenger survival, and then executed his plan. Note that during the event, the pilot made numerous tactical adjustments due to new data and changes in the situation.

[2] Drucker, Peter, Management Challenges for the 21st Century, Harper Business, New York, 1999, pg 37. "An enterprise, whether a business or any other institution, that does not innovate and does not engage in entrepreneurship, will not survive long."

[3] Most people think that consensus inherently takes a long time and in some cases can never be accomplished. Our experience over hundreds of situations is, if four specific preconditions are established, consensus can be achieved in almost every circumstance, often requiring less time than if other decision methods had been used. For more information see the article on consensus at http://www.frontier-assoc.com/open/effmtgs/EffectiveMeetings_8.htm

[4] For further information on creating useful metrics please see our white paper on Financial Modeling at http://www.builditbackwards.com/subpages/publications-wp.html.