Five Reasons Why Strategic Planning Fails to Produce Desired Results

"Strategic planning is simple."

We've heard the comment many times, and we agree - *conceptually*.

The concepts of strategic planning are taught as part of any reputable business curriculum from the community college setting to the most prestigious learning institutions in our country. However, if you ask organizational and business executives about their experience with strategic planning, you will often find that they have failed to reap the benefits of this critical step.

Why do so many strategic planning efforts fail to produce desired results?

In our experience working with a wide variety of organizations, we observe five key areas where the strategic planning process often breaks down, leading to failed outcomes. Following is an exploration of these strategic planning pitfalls along with some practical advice on how to avoid them. Some readers may want a brief recap of the strategic planning process before delving into these pitfalls. If so, read the inset, "A Framework for Strategic Planning".

Pitfall #1 – Structural Failure

In order to build anything with lasting value, you must start with a firm foundation. The foundation of an organization is composed of specific components - mission, vision, values, core competencies, and value proposition. Unfortunately, these terms have been casually tossed around organizations and their distinct purposes are often unclear. Clarifying these terms can sharpen organizational focus.

- The ***mission*** should describe the core purpose of your organization in simple terms that motivate and inspire action. It should capture the essence of what your organization does as well as why you do it.

- A ***vision statement*** is a long term statement that provides a compelling picture of a desired future. To draw a parallel, the vision statement is like a corporate balance sheet, in that it describes a snapshot of a specific point in time. In the case of the vision, the words describe some future point in time when the organization has realized specific aspirations and contributed a specific value to customers and/or society. In our experience, too many organizations confuse their mission (what they do) with a clear vision (what it will look like when the mission is accomplished).

- Organizational ***values*** are the observable behaviors that influence decisions and culture. When we work with organizations to identify their values, we are often provided with a very predictable list of values. During a recent engagement, our client provided a list of these predictable values, including *integrity, honesty, teamwork, innovation,* and other similar virtues. However, our observation identified very different values, such as *winning, profit,* and *customer service*. It became clear to us that we needed to divide the list into current values versus aspiration values. Observing your organizational values is like looking in the mirror. These values exist, even if you don't like them. You may find a need to create a change process to shift the current values towards the organization's aspired values. This usually requires a true culture shift and the effort required should not be underestimated.

- The ***core competencies*** of your organization are the unique skills, talents, assets and procedures that have been acquired or developed over a period of time. Effective core competencies fulfill three criteria: They clearly provide value to your target audience, they are not easily imitated by competitors, and they can be applied to many products/services and markets.

- A ***value proposition*** is determined from the perspective of a customer or client of the organization's products/services. It describes how your customers perceive your value and why they spend money on your products and/or services.

It is important to note that these foundational elements do not constitute a complete strategic plan any more than pouring cement footers completes the full construction of a building. However, no strategic plan should be constructed without a solid articulation of these concepts.

A Framework for Strategic Planning

Creating a strategic plan is like navigating a vehicle; you need a clear roadmap to define your starting point, clarify your destination, and craft the specific route you will take to successfully complete your journey. Our Framework for Strategic Planning helps you develop such a roadmap for your organization.

- ***Situation Analysis*** is the first step to objectively evaluate the current position of your organization. Unfortunately, too many strategic planning efforts fail to start with an honest and critical assessment of current realities. In this first step, the organization needs to gather facts about its position, performance, success and failures. We emphasize the importance of gathering of facts rather than perceptions of persons in order to provide an accurate assessment. Distinguishing between facts and perceptions requires thoughtful consideration.

- ***Goal setting*** is the process that forces the organization to define where it wants to end up at a specific point in the future. Goals cover a variety of areas: financial, operational, brand, to name a few. Goals should be specific, measurable, and ambitious, thereby requiring detailed organizational strategies. If you have a goal that does not require a written strategy, it is probably more appropriate for your "to-do" list.

- ***Market Research and Analysis*** requires the study of a broad range of facts about the organization, its competitors and the market/audience it desires to serve. Again, we emphasize the clarification of facts over intuition. Carefully analyzed, these facts provide the basis for the organization to think about and develop its strategy.

- ***Strategy Formulation*** is the process of finding opportunities from the facts. This is crucial to keep the planning effort on track. Typically, a number of ideas surface during this stage of the planning effort. Each of the ideas should be studied and carefully vetted in order to transform them into specific strategic action. Few organizations have the resources to chase down every possible option simultaneously.

- ***Prioritization*** is a key step to ensure that the most important strategies receive appropriate action. Prioritization allows the organization to identify the best ideas for further consideration. Prioritization of strategies is accomplished using a scorecard that considers key success factors such as financial risk/reward, market/competitor reaction, capital and labor resources required, etc. This step helps the organization determine which of the alternatives to pursue first as strategic initiatives.

- ***Implementation*** requires a specific set of leadership skills and discipline. A great plan that sits on a shelf is of no value to the organization. In fact, a strategic planning effort that isn't properly communicated and effectively executed will be a waste of time. We rely on organizational leadership to get employees to buy in to the strategic plan and to create accountability that keeps the organization on task in the execution of the plan.

Pitfall #2 – Failures in Assumption

People in your organization operate based partly on factual knowledge and partly on their interpretation of those facts. Strategic planning draws a clear distinction between facts and interpretations or assumptions. We refer to interpretations and assumptions as "implications." Facts lead to deductive reasoning, whereas implications inform inductive reasoning. Deduction is consistently reliable and leads to greater consensus, whereas inductive reasoning, at best, can be flawed. Too often organizations neglect to distinguish facts from assumptions.

The challenge with fact-based analysis (deduction) occurs when we realize we are missing some of the facts. Even if we conduct an exhaustive research effort, complete with empirical research and market/consumer surveys, we typically find some limit to our facts. So, while facts are important, how we leverage those facts is the real key. We refer to the process of leveraging facts as ***triangulation***. Triangulation in a business context uses known facts as boundaries for missing information, in order to minimize unknown variables.

A Triangulation Example:
A successful commercial manufacturing company wanted to grow their business. To do this, they needed a clear understanding of their market opportunity and their competitors' position within that market. Because most of their competitors were privately held companies, standard financial reports were not easily obtained. Executives from sales, operations and finance were at odds over the market opportunities and the relative strength of competitors, which stalled their ability to plan and move forward.

Using facts obtained through various sources (e.g., industry journals, trade show presentations, customers and other relationships) certain pieces of information were obtained. These included published market size (total sales), sales or profit of several competing products and key information regarding competitor product sales (e.g., "…we generated more than twice our revenue on product A versus product B last year…"). Using these facts in a series of charts and graphs, we were able to eliminate certain popular beliefs and to develop consensus around the most plausible understanding of their market. While we were not able to determine specific details surrounding sales and profit of their competitors, we were able to develop a fact-based understanding of competitors that led to identifying market opportunities and actionable strategies for positive growth.

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Pitfall #3 – Failure to Communicate

Your strategic plan isn't really a plan until you commit it to writing. Take the time to ***write it down*** and share it with every employee involved. An organizational strategy will fail if it is loosely defined, poorly written and unavailable to the employees responsible for making it happen.

Unfortunately, the day-to-day demands on most employees make it far too easy to place the strategic plan on a bookshelf where it is neglected until just before the next strategic planning process. Effective leadership must keep the plan at the forefront of the organization's thinking. ***Talk about the strategic plan regularly*** and ensure that stakeholders keep the plan's execution effort alive.

Pitfall #4 – Failure to Build Consensus

Strategic planning should accelerate organizational progress, yet progress usually requires some change. Change in an organization typically encounters some resistance . This resistance may come in the form of fear, passive aggressive behavior, apathy, and sarcasm. Each of these forms of resistance is based on an emotional response that is not easily overcome by reason or traditional hierarchical authoritarian demands. Organizational leaders need to understand that the emotional resistance to change is best overcome by replacing it with a stronger emotion. That stronger emotion occurs when consensus is developed within a team that believes in the change and is motivated by personal ownership in the outcomes that flow out of the change.

Consensus building is more important today than ever before. Traditional hierarchical authority is no longer the standard of today's business culture, which has been influenced by the spread of social networking technologies that allow unprecedented opportunity to have, express and hold onto personal opinions. Experience shows that where there is no clear direction, an organization loses focus and momentum. Today's leadership is increasingly ineffective unless there is a thoughtful plan and discipline for building and maintaining team consensus.

Pitfall #5 – Failure to Execute

The final pitfall, and perhaps the most common, is the failure to successfully execute the plan. This failure usually begins at the top of the organization. If senior organizational leaders do not take ownership in the execution, the plan will stall out quickly. Senior leaders are responsible to assign specific responsibility, establish clear accountability and regularly inspect the progress. Without this leadership even the best plan is doomed. You might successfully delegate various assignments, but if you are the senior leader in your organization you simply cannot delegate the overall responsibility for the plan's successful execution. We observe the best outcomes in those organizations whose senior leaders set up a recurring schedule for meeting with strategy stakeholders during which they discuss progress and keep assigned stakeholders accountable for results.

Conclusion

The effective value of strategic planning can only be truly measured by the results. A good place to start to improve your planning efforts is with an honest assessment of the results of past efforts. If you find that your results fell short of expectation, take a close look at these five pitfalls to see where you got off track. Consider how the outcome could have been different had the organization successfully navigated around them.

While we stand behind our initial observation that "strategic planning is simple," we firmly believe that organizational leaders need to hone their skills and discipline regarding the strategic planning process. Specifically, leaders must be careful to avoid common failures in the areas of structure, assumption, communicat ion, consensus, and execution.

Marshall Advisory Group

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