



It's Strategic Planning Season! Developing Strategic Plans That Work

Dave Brock. Partners In EXCELLENCE

Dimensions of EXCELLENCE™ is based on the four dimensions of performance and organizational excellence. These are the foundation for our development programs oriented to achieving performance and organizational excellence in sales, marketing, and customer service.

These white papers provide concepts and ideas based on the application of these principles of these programs and our work with our clients. We welcome your comments and observations on these topics.

Well, it's that time of year, it's the strategic planning season! For many, it's time to blow the dust off last year's strategic plan and reflect on the things that haven't been accomplished. For others, it's time to engage in creative writing that could rival Tom Clancy's latest novel in page count.

A client thought the following parable fairly reflected the strategic planning process:

In the beginning was the Plan.
And then came the Assumptions.
And the Assumptions were without form.
And darkness was upon the face of the Workers.
And the Workers spoke among themselves, saying, "This is a crock of shit, and it stinks."
And the workers went unto their Supervisors and said, "It is a pail of dung, and we can't live with the smell."
And the Supervisors went unto their Managers, saying, "It is a container of excrement, and it is very strong, such that none may abide by it."
And the Managers went unto their Directors, saying, "It is a vessel of fertilizer, and none may abide its strength."
And the Directors spoke among themselves, saying to one another, "It contains that which aids plant growth, and it is very strong."
And the Directors went to the Vice Presidents, saying unto them, "It promotes growth, and it is very powerful."
And the Vice Presidents went to the President, saying unto him, "This new plan will actively promote the growth and vigor of the company with very powerful effects."
And the President looked upon the Plan and saw that it was good.
And the Plan became Policy.
And that, my friends, is how shit happens.¹

Sound cynical, well perhaps I am. However, every year this business tradition returns. It is disappointing that too often the process is a drain on time and resource while producing minimal results. I cringe at the people years of effort, often compressed into a few weeks, to produce this year's fiction called the "Plan." Why do so many organizations waste so much time, resource, and money? How do we focus the process on producing usable strategies that can produce real results?

Let's look at some of the things that happen and remedies:

Strategic planning is viewed as a "corporate exercise." Unfortunately, in many large companies, the operational organizations view the strategic plan as "that thing the corporate guys make us do." The strategic plan is not viewed as important in determining the tactical directions of the line organizations. Annual operating plans, project plans, the crisis du jour, and countless other things drive the line organizations, not the strategic planning process.

This is both the fault of corporate management and the line organizations. As examined later in this article, the strategic plan should set the long-term direction and provide a general road map for each part of the organization. An effective strategic

¹ Our apologies to the reader. It is not our intent to offend anyone with the language. Also, unfortunately, this is one of those stories that has been passed from corporation to corporation. We do not know who to credit with generating the original version of the parable.

For more information on our products and services, contact:

Partners In EXCELLENCE
22715 Barlovento
Mission Viejo, CA 92692
PH: 949-305-7146
FAX: 949-305-7164
Email: info@excellenc.com
www.excellenc.com

© 1997-2003 Partners In EXCELLENCE, All Rights Reserved.

plan must provide each operating division strong guidelines and direction on their roles and responsibilities in executing the strategic plan. It should be the basis for establishing priorities and focus for the coming year. Each part of the organization must understand their contribution in enabling the corporation to achieve its goals.

Strategic planning is not linked to operational plans: This is one of the biggest problems we see in the strategic planning process. Organizations develop the plan, go through all sorts of management reviews to get the plan approved, then they set it aside. Later in the year, the company goes through the operational planning process, establishing goals, budgets, and objectives for the coming year. As usually happens, the approved budgets do not reflect the investments highlighted in the strategic plan. Unless the plan is updated to reflect the actual budgets and investments being made, the plan becomes useless.

To make strategic plans real, we must make sure the directions, investments, priorities and actions identified in the strategic plan are reconciled with those established in annual operating plans. Adjust both plans to reflect the reality of what the organization is really doing.

Appropriate goals and milestones are not established: Without milestones, how do you know whether you are really implementing the strategy? Effective strategic plans should include milestones that become the key goals in the establishment of operational plans. Without this linkage, the organization has no means of determining progress in executing the strategic plan.

Typically, many company strategic plans have goals for growth in revenue, share, and profitability. Other plans have goals for establishing new markets, launching new products, improved asset utilization or other strategies. Translating these long-term goals into reality requires specific mileposts and measures. These mileposts translate into specific performance goals for the coming year's operational plan. These goals must be consistent with tactical objectives, budgets, and other operational goals. If they aren't then something is broken!

Each year, we re-invent the plan, not reconciling it with past plans. The strategic planning process focuses on looking forward. However, each year is not a new starting point, but rather an opportunity to review current strategies, modify, adjust or change them based on what happened during the year, where the organization is in executing the plan, and new opportunities and challenges that have arisen in the past year.

In this past "planning season," I have been involved in helping a number of large corporations develop their strategic plans. In several cases, I was astounded when the companies completely reversed the views, strategies, and commitments they had made in the previous season. Even more astounding was the fact that the executive leadership (and boards) did not challenge the changes. No one asked the question: "What has changed so much that has caused you to completely change your story and direction from last year?"

A good plan is not static, in fact, it can facilitate change, helping a company address new opportunities or respond to new challenges. Strong organizations use the plan as a disciplined means of managing change and driving the company.

Each year as we revise the plan, we must challenge the organization about what has happened in the past year. Did we meet the goals we established in the plan? What has changed that might cause us to modify the plan? What caused us to underperform (or overperform)? Were our initial assumptions wrong? Did something in the environment, the customer base, or with the competition change? Did we execute the plan as we should have? Have we established the right goals or do we need to revise our targets? Have new opportunities arisen? New challenges?

Reflecting on where we are in the execution of last year's plan and using this as a basis for the current plan provides consistent, disciplined direction and focus to all activities in the organization.

Functional or departmental plans do not interlock: In developing the strategic plan, many organizations delegate different parts of the plan to various functional groups or departments. One group develops the marketing strategy, another develops the budgets and financial strategies, another develops the manufacturing strategy and so on. This is a great strategy to gain ownership among the different parts of the organization. Unfortunately, often the results are assembled and not inspected for consistency across the organization. Differing groups establish plans and strategies that may be in direct opposition with each other, but these differences are never reconciled, especially at a detailed level. To be effective, the details of the plan must hang together. Plans developed by separate parts of the organization must complement each other.

One of the best examples of this problem was with a large software company I worked with. Product management developed their plans and strategies focusing on the introduction and release of a number of new products over an 18-month period. These new products formed the core of much of the corporation's strategic plan period. Development resources, marketing programs, and budgets were all based on this plan. Unfortunately, the strategic plans for sales and customer support did not include plans to launch, sell, and support the new products. This was a result of sales and marketing not knowing what product management was doing or not believing what product management said. In past years, this "disconnect" had never been identified, causing tremendous mis-fires in product introductions and tremendous "finger-pointing" in the company. Fortunately, because we were able to work with the organization in making sure each element of the plan interlocked with the other, developing strategies that could be executed by all parts of the organization.

As will be highlighted separately, the planning process is a tremendous means of getting different parts of the organization to talk to each other, align them, and reconcile differences. By doing so, the plan components will interlock, creating a meaningful plan the entire organization can execute.

The people who develop the strategic plan are not responsible for executing the plan. While this was more common in the years of bloated corporate staffs, we still find that much of plan development is done by staff people or those not directly accountable for the execution of the plan. This is a formula for disaster!

A major division of large company we work with had a staff organization develop its strategic plan several years ago (the line executives were too busy to be bothered with this). The staff group did a tremendous piece of work, developing innovative strategies that were a significant departure from the current business. To compound the problem, none of the line managers paid attention to the plan. Consequently, a set of strategies was presented to the company's board, however, there was no concurrence and buy-in from those responsible for implementation. As you might guess the result was total failure!

The people who are responsible for the execution of the plan seem to be too busy to develop the plan. Engaging them will help them to think more proactively than reactively, helping to reduce the ready, fire, aim mentality. They know what is really happening and can keep the plan focused on the critical strategies and activities needed to achieve the organizational goals. They will keep the plan simple and meaningful. Finally, if it is their work, they will own the implementation.

The product/market planning processes are decoupled from the strategic planning processes. Many companies have several different types of "plans." Rarely, are those different plans linked to each other. The product and market planning processes are some of the most important in the organization, but surprisingly, they often are not well linked to the strategic plan.

One reason is that many product and market plans are driven by customer requirements, where strategic plans are driven by corporate goals and requirements. Often, these differences are not reconciled. Additionally, product and market planning does not start and stop during the prescribed "planning season." Often, product and market plans are driven by responses to new opportunities in the organization's target

markets. New opportunities rarely have the sense to time themselves to emerge during the planning season!

We will address this in a separate point, but these product and market plans should really be the foundation for many strategic plans. They represent key directions for the future. Making strategic planning a continuous process, less focused on a point in time will enable you to better integrate your product and market planning as meaningful parts of the strategic planning process.

Strategic planning should be continuous, not done at a point in time. The best strategic plans are living documents that are closely related to the operational business plans. Plan development is not driven by “the planning season,” but rather by the changes in the business. The plan should continually be evolved and tuned based on performance, new opportunities, new threats, and changes in the environment. The plan review process then becomes a “snapshot” review of where the organization is and their current roadmap for the future.

Strategic planning is iterative. The process is an iterative process. Good strategic plans are closely linked to operational, annual, product, and market planning. Often the budgeting process is separated from the strategic planning process. If budgets are set in a manner that is different from that in which the plan was established, either the budget or the plan will never be achieved (we all know what loses). If the budgets don’t support the investments called for in the plan, then the plan must be revised. Likewise, if the operational, product, market, departmental plans all do not interlock with each other, all of the plans must be reworked. Often the process must be repeated many times until there is closure on a consistent set of interlocked plans.

Strategic planning is a process not an event. Effective strategic planning is engages people in all parts of the organization talking with each other about opportunities to grow the company and address new challenges. It should stimulate healthy debate about priorities, resource allocation, and focus. It is a process by which all parts of the company unite themselves, driving for common goals and understanding how each part of the organization contributes to the attainment of these goals. This process should not just happen once a year and be forgotten until the same time next year, but should be part of an ongoing dialogue in the organization.

I have only highlighted a few of the problems that we have discovered in working with many companies in developing strategic plans. In working with dozens of organizations, we find failures come more often from the failure to execute the plan than from a bad plan.

Developing a strategic planning process that is closely linked to the operational plans is the first step in helping an organization achieve its goals. Focusing on execution of the plan, adjusting the plan based on the results achieved (as well as new opportunities and challenges) enables the organization to move forward purposefully. Doing this in a focused and disciplined manner enables organizations not only to really implement the business strategy, but, in many cases, accelerates their ability to achieve their goals.

Take a pragmatic approach in developing your business strategies, making it part of your ongoing management process and you will never face the “planning season” again.