

What Makes Strategic Planning “Strategic?”

By Tim Johnson
Senior Director of Consulting

Strategic planning has become tremendously popular over the last 25 years. Corporations, government organizations, nonprofits have all seen the value of taking some time to figure out where they are going and how they are going to get there. To serve these organizations there have been all kinds of books written, frameworks developed and philosophy expounded on to make their efforts fruitful. Because of this history of strategic focus, I am continually surprised at how non-strategic so many organizations are when thinking about their future. Which begs the question, “what makes strategic planning strategic?” The importance of this question is rather obvious; if the leadership of the organization is not really thinking strategically, then the organization is at risk. I have read that 85% of Fortune 500 companies that existed in 1955 no longer exist today. Why? Because they allowed their view of marketplace, their approach to their customers and their development of internal capacities to lose touch with how the world – and their customers' needs--are changing.

What if I told you that your customers' needs will completely change in the next five years? What if I told you that there will be a significant influx in competitors in your industry? What if I told you that one of your most profitable business lines will experience a significant shift in demand? What if I told you the pool of skilled workers will significantly decline? If you even suspected any of these assumptions to be true, would you start doing something differently today to prepare yourself for the future? I once had a client tell me that it was dangerous to make assumptions about the future. My reply was that it was dangerous not to make assumptions about the future (I said it in the nicest way of course). “By not making assumptions about the future, you are really making a very important assumption by default: nothing is going to change.” And that, is a very dangerous assumption!

Given that most organizations today perform some level of strategic planning, the real question does become, “how do we put the strategy back into strategic planning?” Strategy is a path and a plan for getting from where you are today to some desired future state in the future, and an important component of developing a good strategy is to understand your internal and external environment. It is about using a tool that we have had for a very long time to really drive our strategic thinking. Organizations have been using an “environmental scan” to develop a “SWOT analysis” (Strengths, Weaknesses, Opportunities, and Threats) for years to generate discussion about what

**85% of Fortune 500
companies that existed
in 1955 no longer exist
today. Why?**

external and internal factors should be considered when discussing strategy. Externally it is about understanding the opportunities and threats that could potentially impact the organization in the future. And internally, it is understanding the key strengths and weaknesses that either have to be used to our advantage or need to be overcome/mitigated respectfully if we are to be able to compete effectively. If you think about it, it is this discussion that really drives the strategic thinking.

So, if this is a tool that has been around forever and everyone uses, then what is the problem? The problem is that while companies can have strategic discussions, they often have a hard time ensuring those discussions are of sufficient depth and then a hard time translating those discussions into strategy. The SWOT is either developed as a list key words that have potentially many different interpretations or simply the SWOT is developed and never really incorporated into the foundation of the strategic plan.

To fix these issues and to ensure your strategy is really grounded in strategic thinking, here are five steps you should go through during your strategic planning efforts:

1 When developing your SWOT really do your research! Yes, interview key stakeholders both internal and external to the company. But also make sure you do your independent research. Bring in an industry expert, get data about your market trends, competitor trends, customer trends, supplier trends (See Porter's five forces analysis). Understand impacts of socio-economic forces like demographic and/or geographic shifts, cultural shifts etc. Understand geo-political shifts such as economic growth in developing nations, immigration shifts, or the development of economic blocks. What about technology and its ever-increasing impact on both the marketplace and customer expectations, but also on the efficient operation of business processes. And internally, look at your performance trends and figure out what you are good at in terms of quality, and efficiency and what you must improve at if you are to be successful. Look at employee surveys, human resource data (turn-over rates, engagement scores, etc.) to understand your internal working environment. Again, if this is the only truly strategic input to your strategic planning efforts, then it is vital to really understand what the future environment will look like for your organization!

2 When you develop the SWOT, write the thoughts as assumption statements. I can't tell you how many SWOT elements I have seen that had just a bunch of words on them such as "financials," or "growth." While those might be important factors, what you mean by them is open to interpretation. For example, by "growth" do you mean there is opportunity to grow because of increase in demand or decrease in competitor capacity? Write out the full assumption you are making given what your research has shown: "We assume that there will be a significant increase in consumer demand driven by the growth of the middleclass in China." Make sure everyone involved has a common understanding of what the assumption is that you are making.

3 Identify those "key assumptions." While all the assumptions that you make are important, the question is what are the most important to the organization over the next three to five years? While it would be nice to have a strategy that enables you to address all your assumptions, it is important to hone the organization in on those critical few that will provide the most impact/benefit to your strategic efforts. (I once had a client who had previously developed 120 objectives in their strategic plan!)

4 Link your assumptions to the strategy. For each key assumption you make about the future, what does that mean for

the organization? Identify in real terms what the organization must do to be successful given the key assumption. If "there will be a significant decline in skilled labor over the next five years" for example, it may mean you need to create an environment that is "industry best at attracting and retaining a capable workforce." You can then complete your strategy by understanding the gap that exists between where you are and where you need to be and create the measurable objectives and initiatives that will help you bridge that gap.

5 Revisit your assumptions periodically. As with any assumption we make, circumstances could change making them no longer valid. And if your strategy is built on the assumptions, it is important to make adjustments to your strategy in the event that something has changed. I once had a client for example that believed that their industry was going to remain "brand centric" into the foreseeable future. They then built a strategy that would enable them to compete effectively on brand to generate a premium price in the marketplace. Two years later however, there was a new entrant in the marketplace that was going to drive the industry towards commoditization (think of Amazon buying Whole Foods). A brand centric strategy and a commoditization strategy are two completely different sets of initiatives for an organization to work towards. The client had to shift the organization towards being able to compete more effectively on price (reducing potentially unprofitable SKUs, reducing costs of goods sold, etc.).

Most organizations understand that they need to be strategic in how they approach the future. Right now, for instance your competitors are in a room with whiteboards, flipcharts and sticky notes trying to figure out how they need to transform themselves if they are to be able to compete effectively with you in the future. Strategy has become "table stakes" for winning in the marketplace over time. If you are going to be able win in the future you must work hard to put the "strategy" back into strategic planning and be confident that the initiatives you invest your time and money in are truly going to have the impact you need. As the Great One, Wayne Gretsky once noted, "...skate to where the puck will be!"

Tim Johnson is BSI's Senior Director of Consulting, with over 32 years of experience in strategic planning, portfolio management, performance measurement/management, project management and business process improvement.

About the Balanced Scorecard Institute (BSI)

BSI, a Strategy Management Group company, provides training, certification, and consulting services to commercial, government, and non-profit organizations worldwide in applying best practices in balanced scorecard, strategic performance management and measurement, and transformation and change management.