Strategic planning 2025. How do business leaders ensure the strategic success of their business?

Introduction

With the continued business disruption being faced globally, never has there been a more important time to develop a strong strategic planning process. At the same time, old approaches to planning are no longer working and there are some significant shifts business leaders need to make in the way they approach the whole process.

If you Google strategic planning, there are over 570 million results. There is a lot of material giving us advice on what to do and how to do it including many checklists and varying methodologies and approaches however, there is also misconception around strategic planning and what it is. This paper is been primarily developed for leaders and executive teams in medium to large businesses to help them understand the importance of strategic planning and how they will need to adopt new approaches to planning.

In this paper, we will also look back at the history of strategic planning and cover why many strategic planning processes fail. Readers will also discover what shifts need to be made in their approaches to strategic planning and why these shifts are working.

History

It is often thought that strategic planning was developed as a process and pioneered in the 1960s and then mainstream in the1980s. But the history of strategic planning goes back a lot further than that.

On a recent trip to Greece and to the beautiful city of Athens we discovered ruins of an ancient building beneath the Acropolis. Next to the circle of ancient rubble and dirt was a modern sign with the word “Strategion”. We had discovered ground zero for strategy. So, what was the Strategion? According to Wikipedia:

The Strategion, a trapezoidal chamber located in the Ancient Agora of Athens, Greece, is known as the meeting room of the ten Strategoi of ancient Athens. Having been built atop two ancient graves dating nearly 2700 years, archaeological indications reveal the presence of a heroic cult dedicated to the hero named "Strategos", a name that was later used as a title for the Athenian generals. The ten Strategoi (including known figures such as Pericles, Aristides, Themistocles, Cleon, and Nicias), who were elected for one year and one for each tribe, used to discuss and take decisions regarding matters of finance, politics and foreign policy.

Further desktop research suggests they would also take time out to discuss battle strategy and the Strategoi were accredited with defeating the Persians at the battle of Marathon by taking time out each night to plan over dinner the tactics and strategies for battle. The Persians on the other hand would just front up each day to fight and hope for the best……and they lost!

The concept of taking time out to think and plan, ultimately to beat the enemy and win was born.

Through the 1960s, strategic planning became a standard management tool in virtually every Fortune 500 company, and over the next few decades broadened out to all businesses small, medium and large.

In today’s business world, strategic planning is now commonplace, but is often criticized for the focus on the document itself rather than good strategic planning.

The Failures of Strategic Planning

Chairman and founder of Mindshop, Dr. Chris Mason developed a change success model to help business leaders identify areas they need to focus on to lift their probability of improving the likelihood of change success.

The study found that the probability of success of any change, which includes strategic plans is only 30%. In other words, 70% are likely to fail. So, what are the key causes of strategic planning failure?

The following we see are the most common causes of failure of Strategic Plans.

Strategic planning is seen as ticking the box-One of the key causes of strategic planning failure is management teams seeing strategic planning as more of an annual ticking the box. There is no real debate and very little new thinking. Often a nicely presented document is presented and then often "left on the shelf" waiting for the process to be repeated next year.

No external reality check - Another cause of failure is teams not adequately undertaking an external reality check. When the strategy plan is developed, teams don't consider the views of external stakeholders (especially customers), competitors, and the continuous changing landscape generally. We can think of many industries and companies who are continually producing glossy strategic plans when, in reality, they are caught up in a world of potentially dying business models. Think department stores, car dealerships and so on.

Lack of ownership-We see strategic plans written by well-meaning CEOs, often presented by PowerPoint at strategic planning retreats to their executive teams and boards with very little chance for interaction or debate. Very quickly, it becomes one person's plan and is not owned by the wider executive team. This behavior will often set the plan up to fail.

Strategy by timeframe- Does this sound familiar? The infamous two-day strategic planning retreat held offsite. Day one is a busy day with presentations of the situation analysis, developing of a refined vision and competitive advantage. In the afternoon, the swot analysis is done finishing promptly at 5 PM for pre-dinner drinks. The next day (often after a big night!) strategic priorities for the forthcoming year are identified, agreed upon and then time is spent on developing some early thinking around those priorities. The weekend normally ends around 3 PM or 4 PM and an exhausted executive team heads home. We call this strategy by timeframe. Teams are rushed, often cornered into strategic thinking which can lead to poor decisions and outcomes.

Poor implementation-For various reasons great plans can be developed but poorly executed. These reasons include lack of ownership, prescriptive action plans, too many objectives, no measures, the lack of a process and little or no accountability to name a few.

Low capability of the executive team- one of the factors of the failure of strategic planning is the level of capability of the teams developing or implementing the plan. Dr. Masons change success model shows that 40% of change success relates to the capability of the people and systems in driving the change.

<u>Why is planning so important?</u>

Zig Ziglar was quoted as saying, "if you don't plan your time someone else will do if for you, and help you waste it".

We can easily adapt this quote for businesses, and strategic planning and state, "If you don't plan your business, the market will do it for you".

There is no law that says we must plan in business, but if we choose not to undertake strategic planning then it is implicit that we will let our competitors, customers and other key stakeholders decide our future. Strategic planning puts business leaders in control of the business and importantly the direction it will head.

While the plan or document itself is less important (we will talk more about this later), the discipline of planning itself is extremely important. In fact, Winston Churchill once said, "Plans are of little importance, but planning is essential." Dwight Eisenhower also quoted something very similar.

A good ongoing strategic planning process gives the leadership team, and the board the ability to have robust debates about the purpose of the business, what markets the business will decide to be in, (and equally important not in) and identifies what differentiates the business from competitors to attract the ideal customer. The outcomes of good planning provide a filter and gives the team direction of what to focus on, and what to ignore. This direction can unite a team and gives them a common goal to work to. The outcomes of great planning include alignment of our people, delighted customers and ultimately a profitable and sustainable business for all stakeholders.

Strategic Planning discussions also should lead us into identifying the right capabilities and management systems to support the chosen strategy. – "Playing to Win" – Lafley and Martin

<u>Strategic Planning – Are there any major shifts?</u>

The answer to this question is "yes and no."

What really hasn't changed are the tools that we use to develop good strategy. Purpose or Mission, Vision Statement, Strategy Mapping, Porters 5 Forces, Sustainable Competitive Advantage, Business Growth Model, Product Portfolio Analysis, Lean Thinking, Contrarian Thinking, Blank Canvas, SWOT Analysis, Objectives and Key Results are all great tools to help develop thinking in developing good strategy and direction.

So, what has changed? We believe there have been some significant shifts in the approach to planning

First, let's examine five key reasons why the approach to Strategic Planning needs to shift?

1. **<u>Forced strategic plans</u>** - Earlier on we told the story of the typical two-day planning retreat. Day one, which is typically the main strategy day in a two-day retreat involving discussion and agreement of the Purpose, Vision, SCA and SWOT was often facilitated through to an "aligned conclusion" by 5 pm on day one, at which point drinks are served. Often the approach was all about forcing the outcome with little or no time allowed for real reflection or incubation, as day two would be spent on developing the priorities for the coming year.

2. **<u>Dealing with a VUCA world of business</u>** – The concept of VUCA came from the US military when they fought in Afghanistan. The Americans found that the only certainty was the terrain. Everything else was unpredictable and so the concept of VUCA was developed. VUCA stands for *<u>Volatile</u>* – Related to the nature and speed of

changes. Things were changing rapidly, *Uncertain* – The lack of predictability, the element of surprise, *Complexity* – The confusion and complexity of the forces, and *Ambiguity* – The haziness of reality and the potential for misreads.

For most of the 20th century the business world was relatively predictable, so Strategic Planning outcomes were predictable. However, in the last couple of decades the VUCA concept applies more than ever in the business world. Look at the global car industry as an example.

Volatile – Tesla only started producing cars in 2006, the only major new mass car producer on US soil for decades, and in its chosen markets the manufacturer has risen quickly leaving the incumbents flat footed.

Uncertain – Few predicted that Tesla would not use the traditional dealership model to sell its cars, now globally all other brand car dealerships face a very uncertain future.

Complexity – As at the time of writing this paper 14 major global corporations' control more than 60 auto brands around the world. Automotive manufacturing is a complex industry. Massive car plants continue to churn out new vehicles, while at the same time, the global car market is facing volatility in sales.

Ambiguity – Holden (General Motors) in Australia marketed that "they were here to stay" while at the same time announced that they were ceasing manufacturing in Australia. Traditional car companies continued to invest in large fancy showrooms, while Tesla sold direct online.

3. **The Exponential rise of Technology** – "Technology will create businesses; it will enhance businesses and it will kill businesses"

   Technology is having a massive impact on the entire business world. New business models that could not have existed 10 years ago are now mainstream thanks to technology with Uber as a great example. Most of the technology used by Uber was invented and perfected by others but Uber was able to utilize these inventions such as smart phone technology (Aps), online payments, mapping software and other functions to create a brand-new business model.

   Major department store chains are disappearing as consumers turn to online shopping, while many existing businesses are using technology to enhance their businesses by developing greater efficiencies in their operations. Think of fast food chains and the use of ap technology.

   An analysis of the history of technology shows that technological change is exponential, contrary to the common-sense "intuitive linear" view. So we won't experience 100 years of progress in the 21st century — it will be more like 20,000 years of progress (at today's rate) – Ray Kurzweill, The Law of Accelerating Returns, (March 2001) https://www.kurzweilai.net/the-law-of-accelerating-returns

   In 1984, just 8 percent of households had a personal computer, the World Wide Web was still five years away, and cell phones were enormous.

   By 2015 all the major technology changes have now been invented and well perfected and user friendly. We will now face exponential growth rather than lineal growth in the rate of innovation through technology.

World Wide Web, robotics and artificial Intelligence, Apps, Software, 3d printing, Cloud technology, fast and free communications, smart phones, tablets, internet speed, driver-less technology, virtual reality, on line business, website interaction, longer battery energy storage, drone technology, mapping and GPS, CCTV, real time data and analytics are all technology changes that are now mainstream. What others can you think of?

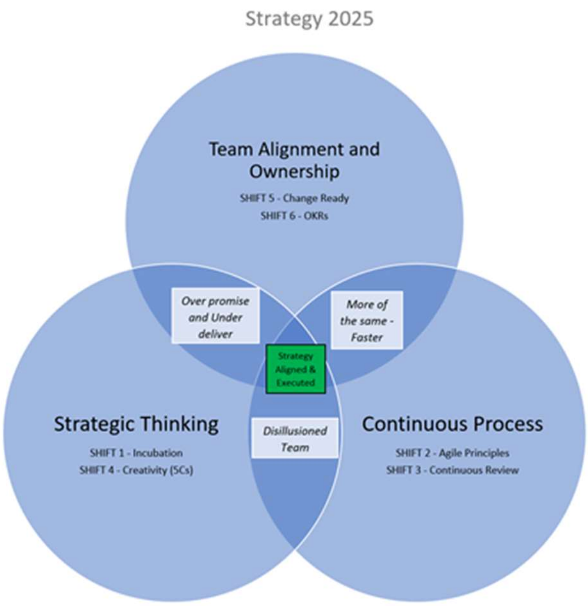
In short, old business models and strategies are losing relevance due to the technological growth curve. By 2025 how will your business adapt to the exponential rise of technology?

4. **Plans lack Creativity** – Often businesses can be guilty of looking at the previous vision, and just refining it or tweaking by 10%. Teams can lack creativity when it comes to thinking outside the square which can lead to poor strategic outcomes for business and/or missed opportunities.
5. **Perfection is the enemy of good** – Too often, teams can spend too much time trying to achieve the perfect strategy, and to write up the perfect plan. Attempting to get the annual plan 100% right is wasteful. General Patton once said, "A good plan violently executed is better than a perfect plan executed next week. The world doesn't stop while you plan! A lot can change in a year. In our view markets are changing faster than we have ever seen and strategies need to be identified, analyzed and implemented on a far more regular basis rather than waiting for an "annual" strategic planning workshop.

So, what shifts have we seen in the planning process to help deal with these challenges?

We see SIX key shifts that if addressed will significantly help business leaders.

The following model depicts the SIX key shifts. Great strategic thought developed by an aligned team that owns the plan using a good continuous review and implementation process should lead to *an aligned and well executed strategy.*



Not dealing with all six has significant risk.

Great strategic thought coupled with an aligned team that owns the plan, but without a continuous process we believe will lead to a team *over promising and under delivering*.

Great strategic thought coupled with a good continuous process but without an aligned team that owns the plan will lead to a *disillusioned team*.

Finally, a great continuous process and an aligned team that owns the plan we believe will lead to *more of the same, faster!*

Leaders need to aim for the sweet spot of *an aligned and executed strategy*, so let's now dig a little deeper into the six shifts

1. **Incubation** – Good planning is about incubating ideas and having robust debates over a time period. The more we think and gestate an idea the better the outcome. So instead of forcing the strategy by 5 pm, incubate over time. We recommend a full day developing the strategic thinking, then wait a few weeks to incubate the ideas then book a second half day purely for the purpose of reflection and then fleshing out objectives for the current planning horizon.
2. **Agile** – Strategic Planning needs to be agile. Rather than an annual planning retreat producing a large "one off" planning document, consider smaller shorter bursts of planning, and ensure all plans are on one page. Pilot more strategies, objectives and tactics and using agile thinking and be prepared to "Pivot or Persevere." Implement early and don't procrastinate or wait for large reports. We recommend the use of one-page plans and stronger adoption of agile principles.
3. **Guidance tool** – Think of a plan as more of a guidance tool and treat it as a work in progress and not an "Outcome". Be prepared to change based on market shifts. We recommend quarterly strategic reviews to assess what is changing, and then adapting to the change.
4. **Introduce creativity** – Every few years, give your team the right to "Create a new business with a blank canvas" and see what they come up with. Identify how this differs from the current business model? Identify what changes need to be made? Adam Brandenburger suggests in his article "Four ways to inject creativity into planning" the following:
    a. Contrast – What pieces of conventional wisdom are ripe for contradiction. (For example, a car can only be sold from a showroom)
    b. Combination – How can you connect products or services that traditionally been separate (For example online payments, google maps, Aps to create Uber)
    c. Constraint – How can you turn limitations or liabilities into opportunities (For example Tesla had no dealer network)
    d. Context – How can far flung industries, ideas or disciplines shed light on your most pressing problems (For example Intel was inspired by the consumer product NutraSweet with its branding on a PC of having "Intel Inside".)

    I would also add a fifth "C" to inject creativity and that is:

    e. Contrarian Thinking – If we took the opposite view to existing or proposed strategies what would that mean for our business?

    Another way of introducing creativity into thinking is to explore other industries and worlds best practice to avoid "more of the same". For example, if you are a manufacturer and are looking to reduce the rate of defect in your business, it is useful to identify those that have had the same problem and have fixed it or are world's best at having zero defect.

Finally, creativity can be injected with some independent thinking. It could be someone from outside your business to keynote at a forum where they challenge your thinking or searching for a good video on latest thinking.

Whatever tools you use, we recommend strong creative thinking must be encouraged to ensure the best strategic outcomes for your business.

5. **Change Readiness**

As mentioned earlier in this paper, it is well documented that on average only 30% of change initiatives will likely succeed, and by implication, 70% are likely to fail. By using the Change Success Model business leaders can now identify the real barriers to implementing the business plan and develop actions to deal with these barriers.

6. **Team Alignment and Ownership of Strategy**

Strategy delivered by the annual CEO PowerPoint (we are being a little bit cynical here!) or variations of such can lead to misalignment. The key shift here is to ensure that the executive team are aligned in developing and owning the strategy. Why the executive team? Because it starts at the top. We are not saying it must be strategy by committee either. The executive team need to be skilled enough to ensure robust debate occurs around the business strategy and the direction of the business. The final part of the alignment jigsaw puzzle in our view is the usage of "Objectives and Key Results" ("OKR's") tool, which has been accredited to Andy Grove at Intel, and inspired John Doerr who worked at Intel, to develop the concept and introduce the tool at Google.. To have a very succinct set of Objectives "The What" and the Key Results "The How". He describes OKRs as a "management methodology that helps to ensure that the company focuses efforts on the same important issues throughout the organization." In our experience we have seen very strong alignment amongst teams when OKRs are developed, owned and implemented.

In summary, the six key recommended shifts are:

Incubation - Full day developing the strategic thinking, then wait a few weeks to incubate the ideas then book a second half day for the purpose of reflection and agreeing on strategic priorities for the planning period

Agility - Use one-page plans and stronger adoption of more agile principles when implementing strategy. A business must be nimble enough and prepared to pivot and adapt

Continuous review - Use quarterly strategic reviews to assess what is changing, and then adapting to the change by pivoting or persevering. Initiate 90-day priority planning with half day reviews booked in every quarter

Engender creativity - Stronger creative thinking must be encouraged to ensure the best strategic outcomes for your business

Change Readiness – Identifying the barriers to change success and developing actions to mitigate those barriers should lead to a higher chance of success of the strategic plan

Team alignment and Ownership of Strategy – Using the OKR tool will align teams and ensure that the strategy is also owned throughout the organisation

Who should lead the planning process? What are the roles of the board and the executive team?

At the end of the day, the CEO is hired and remunerated to drive and develop the strategic planning process for the business. The role of the executive team is to support that thinking and lead the execution of the plan.

"It's incumbent on the leader to set the direction for the company—to have a plan in the face of uncertainty" - McKinsey, The mindsets and practices of excellent CEOs – October 2019

The boards role is to be briefed on the strategic direction by the CEO (and the executive team) and then should incubate the thinking and respond accordingly. The board should challenge the plan and its underlying assumptions and act more as a "think tank" in response to the strategy, and not the developer of the strategy.

Personally, I have found the roles do not need to be mutually exclusive. It can save time if the strategic direction is determined in a combined meeting between the CEO, executive team, and the board. It helps the board challenge the plan and in a joint meeting the executives can also challenge any points made by board members.

Finally, it is useful to have an independent facilitator running the planning process. While the leader should lead development of the strategy, having the independent facilitator running the process should ensure all views are harnessed and the plan is owned by the key stakeholders. It reduces the risk of the plan becoming the leaders plan as stated earlier in this paper. A good facilitator also should be emotionally detached and should encourage open debate and challenge thinking.

It is the leader's role to consider the shifts identified in this paper and ensure a hired facilitator understands and delivers on these fundamental shifts.

Conclusions and recommendations

To summarize, business leaders need to ensure that their teams are fluent on the tools that develop good strategy, and that they adopt a relevant planning process. As we move towards 2025 there is less focus on the plan and more on the planning. More regular reviews will be the norm in an increasingly volatile world. Leaders will need to be more alert to market conditions and changes and ensure that their businesses are dealing with the increasing impact that technology has on the way we do business. Regular planning allows the business to adopt "pivot – adapt" type behavior, one of the planks of agile thinking.

We reinforce and recommend to leaders that they must get better at incubating thinking, be agile in the way they plan, encourage creativity with their team, and continually review their strategy. If they adopt these simple practices, their businesses should be in a lot better position to deal with this increasingly complex competitive world.

About Burke Corporate Advisory Group

Burke Corporate Advisory Group (BCAG) is a Melbourne-based organization, specializing in corporate strategy and executive mentoring.

BCAG was formed in 2000 and is powered by Mindshop a global group which powers business advisors like BCAG.

We provide consulting and coaching in private business strategy, facilitating strategic planning workshops, coaching implementation of strategy and SWOT analysis workshops. We also undertake advisory board work and general business consulting to private business clients.

More information can be found on our website at: www.bcag.net.au