

Strategic Planning

Key Points

- Strategic planning is one of the most widely used tools in management practice today. Further, it enjoys some of the highest user satisfaction rates of all management tools in existence
- Most strategic planning/strategy execution systems today are adaptations from what can be considered a 'classical' strategic planning process
- Recent research shows there are simple ways organizations can improve the efficacy of their strategic planning process and practices

Main Thoughts

Strategic Planning can be defined as the process by which an organization develops organizational goals and objectives and makes decisions and identifies actions in order to achieve those goals. Starting formally during the 1940s, strategic planning or long range planning as it was originally coined has grown into a practice that 90% of organizations embrace as a means to aid in determine the overall direction for their enterprise¹. There are four key elements of a good strategic planning system managers should keep in mind when conducting strategic planning: *establish a process, set goals, make decisions, and control performance.*

Establish a Process: The first and perhaps most basic activity in developing a strategic planning system is establishing a strategic planning process. Any basic process takes a set of inputs and transforms them into a set of outputs. In strategic planning, information such as financial performance, market information, and competitive data are analyzed—typically by a planning team of top leaders—and transformed into a strategic plan. This plan often contains a definition of the organization's purpose and values, its vision of a future state, a set of goals with corresponding actions and measures of performance. Resource allocation is included at a high level as well. Perhaps the most important part of the strategic planning system is the process itself. As many managers can attest, the process is as important as the product. A good strategic planning process should be designed with the intent of building commitment toward a shared destination for the organization.

Set Goals. At its core, strategic planning is a goal setting activity. At appropriate intervals, typically referred to as the planning horizon, organizational leaders meet in via the strategic planning process to identify what specific organizational goals and objectives are to be achieved by a predetermined future date. The purpose of goals setting is simply to clarify and prioritize the most critical objectives the organization must accomplish if it is to maintain its ability to accomplish its mission. Further, setting goals helps leadership determine what actions required to achieve those goals. These actions are manifest in strategic initiatives or other high level project plans.

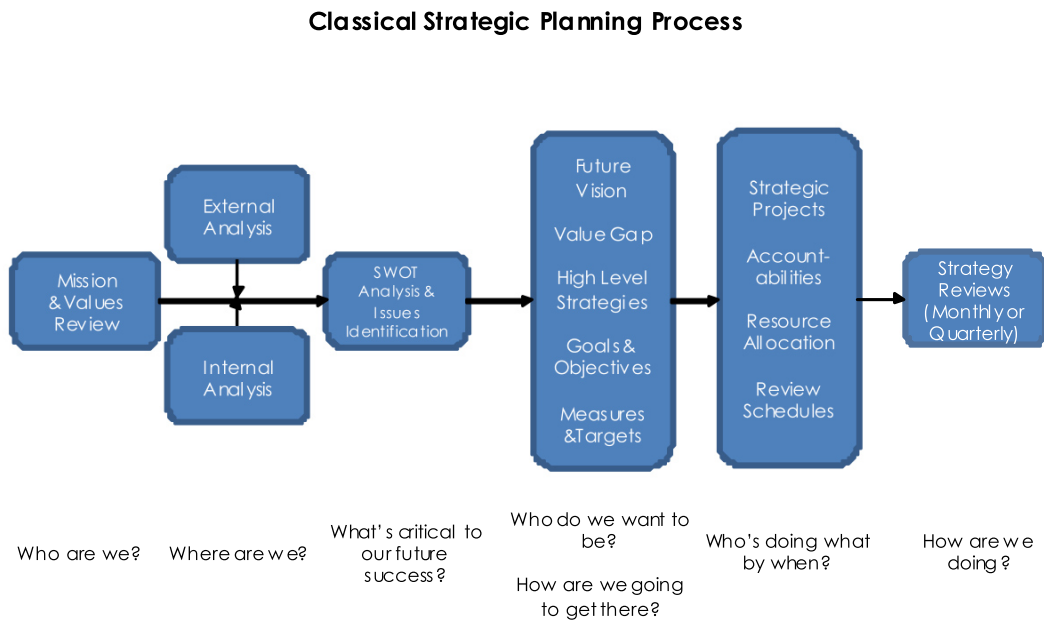
Make Decisions. Many top management teams, by their own admission, are not skilled in decision making. Take for example this recent research. A survey of 154 executives conducted by the Economist Intelligence Unit (EIU) found that 25% of respondents believe management 'frequently' or 'always' makes the wrong decision². This is hardly a formula for success. In the strategic planning process, managers must carefully decide what their main goals will be. They must then prioritize those goals given there is a scarce amount of time and resources what can be focused on them. They must assign accountabilities and ensure the consequences of both favorable or unfavorable

performance are understood. They must also decide how follow up and coordination events will occur to ensure the plan stays on track. Lastly, top managers must be prepared to make decisions to change course when indicators show that the strategy isn't evolving to as intended.

Control Performance. A strategic plan is of little use if it is not periodically reviewed. Reviewing performance is an oft overlooked aspect of strategic planning. When controlling performance, leaders convene to assess the following: if the organization is gaining an understanding of the strategy itself; whether the key strategy projects are being completed on time and on budget; if internal measures of performance are showing improvement; if external measures of performance are being impacted by the changes internally and if clear relationships or 'models of performance' undergirding the strategy overall are evident. Steps to control performance must be undertaken periodically to determine if, in the simplest terms, the strategy is working.

As an Example: A Classical Strategic Planning Process

The following graphic show the high level steps in a strategic planning process. As important are the questions underneath each step which identify the key questions that should be addressed during that part of the process.



Editorial

Most organizations are familiar with the steps above and incorporate aspects of them to lesser or greater degrees into their own strategic planning process. So if most organizations are aware of this process and are, in general, satisfied with the results, where do the improvement opportunities lie? A 2006 McKinsey survey of almost 800 executives found there were several areas where improvements could be made, in particular in the areas of communication, alignment and measurement of the strategic plan.

In the communication area, managers must make a concerted and ongoing effort to tell the 'story of the strategy' to everyone in the organization. They must ensure an effective communication plan is developed and key messages pertaining to the strategy are regularly provided. As for alignment, top managers would be wise to remember that alignment is an active process. Steps must be taken to ensure strategy created at the top of an organization is cascaded systematically down to lower echelons within the enterprise. An email with a strategy document attached does not constitute an alignment process. Finally, steps must be taken to collect measurement data, analyze performance and review the findings as a management team a whole. Strategic planning is a team sport and requires a team-based approach to making it successful.

For More Information

Web

www.mckinsey.com

www.harvardbusiness.org

www.amanet.org

Magazines & Journals

Long Range Planning

Harvard Business Review

Books

Strategic Planning: A Practical Guide for Competitive Success by Stanley C. Abraham

Simplified Strategic Planning: A No-Nonsense Guide for Busy People Who Want Results Fast! by Robert W. Bradford and J. Peter Duncan with Brian Tarcy.

References

¹McKinsey Quarterly, *Improving Strategic Planning: A McKinsey Survey*, July/August, 2006.

²Economist Intelligence Unit (EIU), *In Search of Clarity: Unraveling the Complexities of Executive Decision-Making*, survey sponsored by Business Objects, 2007