

5 Pitfalls Common in Strategic Planning

Pitfall #1:

Treating Strategic Planning As an Annual Event Rather Than a Process

One of the few certainties in today's changing world is that the *status quo* will not continue over the long run (sometimes even the short run!). Thus, your strategic plan must be dynamic and flexible to be successful. This means strategic planning must be an ongoing process.

In many companies, strategic planning is a static event, a once-a-year exercise. (Or, worse, a once-every-three-years exercise.) A bunch of data and numbers are collected, processed, and the job is done until the next planning event. In most of the past, such an approach seemed to work fine. In today's rapidly changing markets, that approach just isn't sufficient.

History itself is really the history of changes. Knowledgeable people even attribute the "fall of the Roman Empire" to the inability of the Romans to plan for changes that were occurring around them. The story goes that they were very content with their methods of warfare and tactics that brought them initial success. However, over time, mobile nomads and others began to adopt an approach that emphasized quick strikes with mounted warriors and archers. The Romans made no strategic plans to deal with this new kind of warfare and their empire paid the consequences.

The Romans had a dominant "market share" in a sense, but did not adapt to the changes that would eventually undo them. Is your firm in a similar situation?

Strategic plans need to have built-in flexibility to accommodate changing circumstances. This means the plan should have not only good documentation as it was originally conceived (to help capture the philosophical underpinnings), but the ability to make adjustments as needed. Monthly, or at least quarterly, reviews should be a priority.

Pitfall #2: **Failure to Involve the Entire Organization**

The easiest plan to develop is the one where the owner takes a few minutes at the end of a snowy day in December to sketch out his ideas for the coming year. That's a real time-saver, but it could be disastrous for the firm!

All employees need to have input on the company's strategic plan, and there are good reasons for this. For larger firms where it's impractical for all employees to participate in the group strategic planning meetings, they should still have representation and receive feedback from the process.

Employee involvement takes advantage of the entire knowledge base of the organization. There are innumerable examples of employees on the "front lines" of working with customers, on the assembly line, or in providing the company's service having extremely important insights. The wise executive will tap into this knowledge and use it to improve the company's performance.

Input from all employees also (importantly) helps secure their "buy-in" to the final strategic planning results. They legitimately feel like they've contributed to the plan and are an active part of making it happen.

Pitfall #3

Treating External Threats Too Lightly

Perhaps its human nature, but we've found that the most enjoyable part of the strategic planning process is discussing company strengths and opportunities. However, the most challenging, and sometimes the more important aspects, are seriously addressing external threats to the organization.

These threats include not only competitors, but things such as major consumer trends, technology changes, demographic shifts, new government regulation, revised taxation policies, a major supplier or customer change and so forth. Oftentimes, just one of these factors can completely change the fortunes of entire industries. Today's hot product can be tomorrow's buggy whip.

Too often, competitors are treated too lightly when developing strategic plans. The tendency is to focus on their weaknesses and why they shouldn't really be factored into strategic planning discussions.

As an example, supermarkets originally dismissed convenience stores as serious competitors when they started popping up everywhere in the 1960s and 1970s. Nowadays, however, in efforts to capture back customers demanding convenience, supermarkets have added quick checkout lanes and in many cases, have decided to remain open 24 hours. Some supermarkets have even added gasoline in recent years, and a few have experimented with having a convenience store in their parking lot.

An objective appraisal of external threats is critical to developing a sound strategic plan. Management should understand and review all assumptions that are being made about the potential threats. All of the good intentions to increase sales and cut costs will mean nothing if external forces overwhelm the firm.

Pitfall #4

Creating Action Plans without Accountabilities

Plans usually look great on paper, but they will likely not be successful without a clear sense of urgency and assigned accountabilities for results. Using Excel[®] spreadsheets to simply raise last year's revenue components by a certain percentage or making a list of "to do" items doesn't help in identifying exactly how (or when) certain elements of the plan are going to be realized.

It's important to distinguish between a goal and a plan. Beware of the "crystal ball" syndrome where the strategic "plan" is just a guess at the future. A plan is a well-defined roadmap towards a goal.

Individual accountabilities are important in bringing the plan to life because they stimulate the employees through measurable goals and help to get superior performance. They can also serve as a development tool to help people become even better. For poor employees, they serve as a reminder that performance counts. These people may (fortunately) decide to leave your organization when faced with accountability for results.

Invite participation in the planning process, even if it's through designated people in the department or group. When individuals feel like they've been involved in the process and, indeed, in the conclusions, they're much more likely to feel accountable for the success of the plan. Creating this sense of employee ownership may be as important as the plan itself.

Pitfall #5

Failure to Use Outside Resources

The temptation to use only internal resources for strategic planning year after year may cause the process to become stale. To energize the process, you may want to seriously consider the use of professional outside resources in your strategic planning, particularly if you have never gone through the process before.

An outside facilitator can bring new vitality to the strategic planning process. Such a person can bring new perspectives and experience that can be extremely valuable. Their abilities to facilitate and synthesize conclusions can also be a tremendous asset in arriving at successful results from the process.

One of the most important attributes an outside facilitator brings is objectivity. This is particularly important in organizations where departmental politics is an issue or in family-owned businesses where interpersonal relationships are potentially at risk.

Gerke & Associates has been providing successful strategic planning facilitation and guidance to companies for a quarter century. Let us put our experience and talents to work in making your next strategic plan the most successful ever!