Don't Let Planning Kill Strategy

What is your reaction when you hear the phrase "strategic planning"? Are you energized by the chance to create exciting new opportunities for future profit growth? Or are you depressed by the thought of endless form filling, requests for further information, and periodic fights to protect your budgets?

If you chose the latter option, you are not alone. In a recent McKinsey survey *less than a quarter* of senior executives agreed that they made major strategic decisions during the process.

In fact "strategic planning" is an oxymoron. It is virtually impossible to develop a winning strategy for growth during an annual planning process. Yet too many companies try, and fail, to combine the two tasks. The end result is typically a 1-3 year budget plan, not a coherent strategy for sustained and substantial growth.

The best way forward is to separate strategy development from annual resource planning. But why is this so essential? Here are four good reasons.

1. **They answer different questions.** Strategy development is focused on how you wish to win in your chosen market, what distinctive advantages you need to make this happen and what capabilities and assets you require to underpin this approach. Although you will need a robust fact base to make progress, it is as much a creative process as it is analytical. Planning, on the other hand, seeks to identify the best way to achieve your objectives within the resource constraints you have. It is more about control than direction.

2. **They have different timelines.** Planning is required to ensure that managers across the organization know what resources they have, and what they are expected to deliver with them. A set timetable is required so that when the new financial year begins everyone understands what is expected. Strategy, however, responds to market issues and opportunities as they emerge. There is no annual timetable that can cater for these changes. It is not therefore surprising that the McKinsey survey identified that few planning processes led to major strategic decisions.

3. **They require different metrics.** The end result of planning typically comprises a profit and loss, capital expenditure and cash-flow budget (and *possibly* some market share projections). The language of planning is therefore financial. Metrics that help strategy development include, but are not limited by, financials. Innovation, speed, quality, customer satisfaction, loyalty, and brand strength can be equally valid measures. However, such metrics are often marginalized during the annual planning process in favor of P&L projections.

4. **They involve different players.** Annual planning requires executive approval and sign-off, but can often be led by a central planning team working with line managers. Strategy development, however, requires the active involvement of the leaders of the business. Although support is required from other players, it is only when the leadership team has fully argued through the merits of different alternatives to future growth that clear strategic decisions can be taken. In short, strategy cannot be delegated.

Don't let planning kill strategy. By separating out strategy development from the annual planning process you will have radically increased your organization's chance of identifying new opportunities for substantial future growth.