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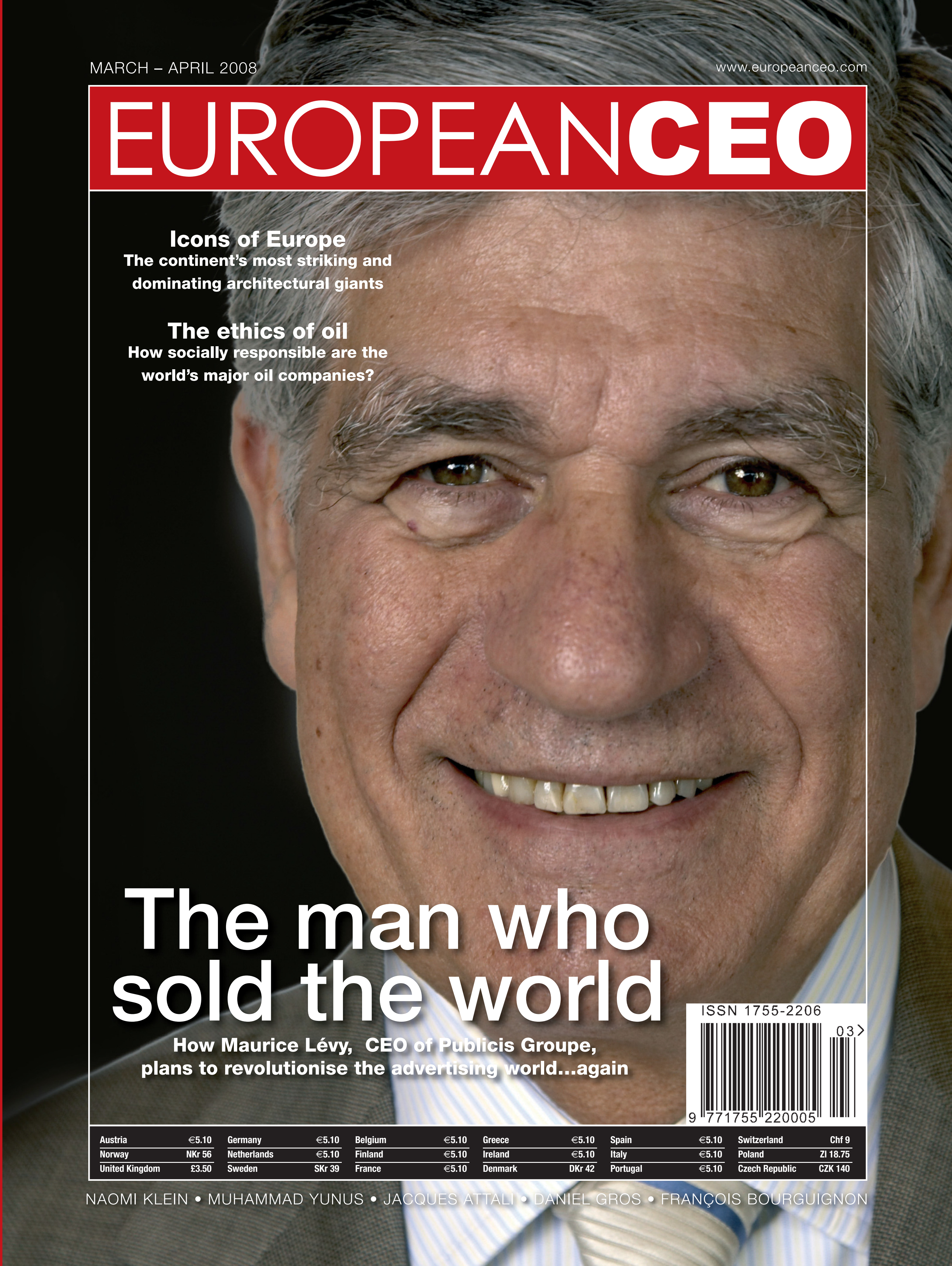

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Strategic planning is an oxymoron, says *Stuart Cross*, founder of Morgan Cross Consulting

Don't let planning kill strategy

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

If you chose the latter option, don't worry, you are not alone. In a survey by the consulting firm McKinsey, only 40 percent of senior executives thought that their strategic planning process was useful, and less than a quarter of them agreed that they made major strategic decisions during the process.

Although strategies and plans are both important management tools, they are quite different. First, let's take strategy development which comprises three major roles:

A compelling intent

A strategy provides a framework for guiding decisions and actions across the organisation to deliver much better performance. It is focused on how you wish to win in your chosen market, what distinctive advantages you must possess to make this happen and what capabilities and assets you need 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.

Understanding the linkages between the opportunities your business faces, the sources of competitive advantage it possesses and your customer and financial goals requires a mixture of imagination, serendipity and vision.

An agenda for action

Based on the agreed strategic intent, you will need to establish a small set of medium-term themes (say three to six themes) which are likely to guide executive and investment focus over the next few years. For example, confectionary and soft drinks brand leader, Cadbury Schweppes, is currently focused on delivering its goal of superior shareholder returns through the following key objectives:

- To be the biggest and best global confectionary company
- To be the best regional beverages business
- To ensure its capabilities are best in class
- To nurture the trust of colleagues and communities.

Making big decisions

As issues and opportunities arise you will need to respond by making appropriate decisions. Those decisions that are likely to substantially affect profit performance over the medium term can legitimately be called strategic. Acquisitions, alliances, mergers and other major investments are likely to be included in such a list, and all should be considered a critical part of your strategy development process.

These three aspects of strategy development need to be worked on according to the dynamics of your markets and business, not a set calendar. There is no annual timetable that can cater for such changes. Big decisions, such as a major merger or response to a new entrant, cannot happen in the same two-month window each year – even the Russians have given up on such an approach!

Planning, on the other hand, seeks to identify the best way to achieve your objectives within certain time and resource constraints. Plans are required to ensure that managers across the organisation 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 success looks like.

However, if you start your strategy process with planning you will only get incremental improvement at best. This is because planning starts with where you are now and how you can improve, not with a compelling view of where you wish to be and what you need to do to get there.

In short, '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 three to five year budget, not a coherent strategy for sustained and substantial growth.

Releasing strategy from the jaws of planning

Management and executive teams currently short-change their business in strategy development. Although you may believe that you have developed a strategy, you are much more likely to have simply created a plan. You are no further forward in spotting major new growth opportunities, identifying your company's key distinctive advantages or, as the McKinsey survey suggests, making the big decisions about how your critical resources should be allocated in line with these insights. So how can you release strategy from the jaws of planning? Here are three immediate steps for you to pursue:

- Establish a separate resource planning process. Budgets and resource plans will always be required. You should therefore create a timetable, process and approach for establishing and implementing annual resource plans. The key is to separate this activity from strategy development. As the strategy evolves, plans must be amended to change this, but the timing of strategy changes is unlikely to follow annual accounting periods.
- Set up regular strategy development meetings. Strategy development should be an ongoing activity, not a one-off annual event. Periodic sessions should be established to identify and assess major changes in your markets, and craft responses to these changes that will advantage your organisation. How often do these meetings need to be? Well, it depends. Amazon.com, for example, operates in a high-growth, high-change market, and has established weekly sessions for the Executive team. Other businesses may operate in more stable environments and find that quarterly sessions are adequate. I have recently been working with the public sector team of a major accountancy firm, where they have established bi-monthly sessions to clarify their detailed strategy and drive the business forward.
- Focus the strategy development sessions on your big issues and decisions. By focusing on a few major issues, the Executive sessions become critical to driving the future success of the company. Research by Marakon Associates and the Economic Intelligence Unit found that companies pursuing continuous strategy development made over twice as many big decisions (big meaning that it had the potential to increase profits by 10 percent) as those companies with standard strategic planning processes.

The bottom line

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

For further information:
www.morgancross.co.uk