

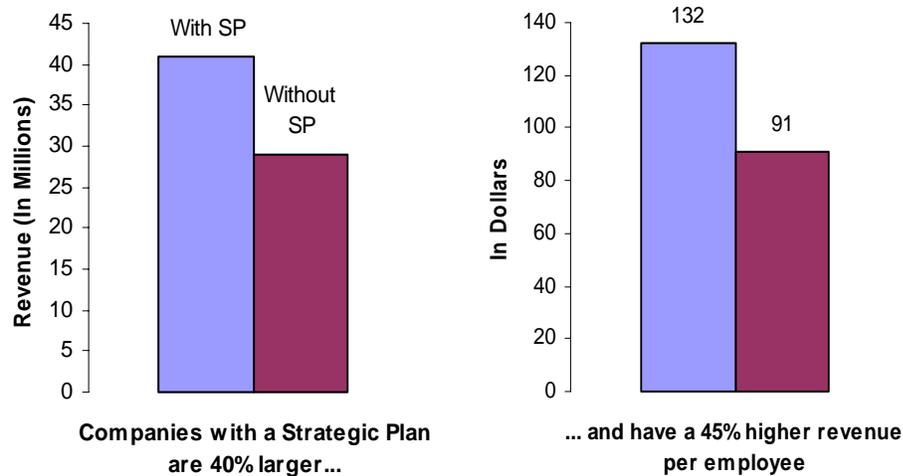
# The Magic of Planning: Why Most Plans Fail

By Tom Northup, Leadership Management Group © December 2006

Strategic planning is the most important activity a CEO and his management team can undertake. Effective planning focuses the team. Focus drives performance and performance drives results. Effective planning will produce consistent results. Profitability and revenue will increase year after year.

A Harvard study of small to medium sized companies, Figure 1, demonstrates the importance of planning. Companies with equal capabilities with and without planning had vastly different results. The message is that strategic planning will produce competitive advantage in your marketplace.

Large companies have departments devoted to strategic analysis and planning. Small to medium sized companies don't understand the value of planning and don't plan. Typically the CEO of a smaller company admits, "We are too busy with day-to-day issues and don't have the time for planning."



The business environment has changed significantly during the last decade. Rapidly changing technology, quick information transfer and global competition have shortened the business cycle. Faced with these changes, CEOs find it difficult to drive their companies to deliver sustainable results.

**Figure One**

As a result, companies have far less time to react to changing conditions and place themselves at a tremendous disadvantage when they focus only on the short term.

## Effective Planning Model

The CEO must balance day-to-day issues and long term vision, which are not mutually exclusive. While daily productivity and short term results are important, effective planning allows the organization to proactively react to longer term market changes. The CEO must give both short and long term issues the proper emphasis for the organization to truly prosper.

The most successful organizations focus on a planning model that integrates both short and long term needs, creating an effective planning process that produces consistent sustainable results over time.

The model in Figure 2 shows all three areas: the strategic plan, the operational plan and results management, integrated into a framework that drives results towards the long term vision of the organization. This model integrates both processes: finding where the company wants to go and how it will get there.

In this model, the management team develops the plan. When the team takes responsibility for thinking through and completing the analysis, it owns the plan. Successful CEOs understand that they must personally commit to this success and drive the process.

| <b>Integrated Planning Process</b>  |  |  |
|---|--|--|
| <b>STRATEGIC PLANNING</b>   | <b>OPERATIONAL PLANNING</b>  | <b>RESULTS MANAGEMENT</b>  |
| <i>Vision, Mission &amp; Values</i><br><i>Strategic Analysis</i><br><i>Strategy Statement</i><br><i>Strategic Objectives</i><br><i>Financial Projections</i><br><i>People Development</i> | <i>Operational Analysis</i><br><i>Key Results Areas</i><br><i>Indicators of Performance</i><br><i>Operational Objective</i><br><i>Action Plans</i><br><i>Budgets</i> | <i>Control Systems</i><br><i>Management Reports</i><br><i>Organizational Results</i><br><i>Individual Results</i><br><i>Corrective Action</i><br><i>Reward Systems</i> |
| Integrated Planning Process © 2003 The Executive Guide to Strategic Planning, by Patrick J. Below, George L. Morrisey, Betty L. Acomb (Jossey Bass), 1987                                 |  |  |

**Figure Two**

The integrated process starts with strategic planning, which usually focuses three to five years into the future and evaluates what business the organization is in and how to position itself to get there. A detailed analysis of the past provides a starting point for decisions about the future. The plan covers both external and internal aspects, determining the key success factors in each market segment and within the organization. Management evaluates performance against these benchmarks and determines the gap between where the company is now and where it wants to be. The key is to identify how to turn these success factors into core competencies.

Operational planning identifies the results that implementation of the strategic plan will produce during that year. An operational plan works best when it crosses functional areas, requiring the input and coordination of several departments. This breaks down departmental silos and develops stronger organizational teamwork.

While senior management usually does strategic planning, operational planning should include lower levels of the organization. Focusing on the issues throughout the organization ensures wide commitment from key people.

Plans often fall behind in execution. Continuous effort is crucial to results management. Every day short term priorities take management time and delay results. Management must use focused discipline to regularly monitor and control progress.

The effective CEO understands the importance of active involvement by everyone in the planning process. His personal high payoff activity is to challenge his team to think more strategically every day.

### **Assess Your Planning Process**

We all plan to some degree already. However, you should assess your current planning process and compare it to the integrated planning model. Use these questions as thought starters and idea generators.

- In past planning processes, what worked well? What should you have built upon and continued? What didn't work well and should be improved?

- In terms of your organization's performance in the past fiscal year, what are the biggest lessons you learned that can improve performance during the next fiscal year?
- What do you consider to be the two or three most important organizational priorities for the next fiscal year?
- In your view, how can the organization do a better job of understanding and meeting the needs of your various markets?
- How can you improve growth during the next one to three years using a more robust planning process?

To determine your planning gap, evaluate the effectiveness of your current practice compared to the best practice as defined in the integrated planning model. If your gap is large, you should explore how to better utilize planning to focus you and your team.

## Summary

The integrated planning process defines best practice in strategic planning. Many plans fail to some degree because the three areas are not integrated into a coordinated process. Plans often fail to fulfill their potential in each of the three categories because:

- No true strategic analysis and thinking is conducted.
- Annual budgeting is considered planning. Budgeting is not even a comprehensive operational plan.
- There is no regular effective results management process.
- The plan does not have management buy-in because it is compiled and written by outsiders.

Planning that has active management participation in all its phases is the most important activity a CEO and his team can undertake. Organizations that follow the integrated planning process raise their effectiveness to a level that can't be reached by any other means. The focus they develop generates competitive advantage in their marketplace.

Integrated planning requires the CEO to share power with his management team. In this way he builds personal motivation among the management team by allowing them to contribute to creating the direction of the organization. The benefit is a very strong team working with mutual trust and shared accountability.

The combined best thinking of the team rises to a very high level as the planning process draws on the wealth of knowledge that employees, with differing professional interests, experiences and perspectives, bring to their jobs.

The magic of effective planning is the development of a proactive, highly successful organization where profitability and revenue increase year after year.