



Why let planning kill strategy?



Companies that do not perform at their best are those which do not have the right combination of great operations and great strategies.

They do not understand the difference between strategic thinking and long-range planning. Their organisation loses direction, resources and effort.

Why do they have to stay in this situation? How does a company make use of strategic thinking and long-range planning?

Why do some plans become useless even though resources are poured in? Why can't plans effectively answer present needs?

While strategy involves thinking, planning is a tool. Long-range planning should be a result of strategic thinking. Strategies are useless when they are held captive by inflexible plans.

Long-range plans are too often projections of current conditions. Most assume current operations will stay the same as in the past and require only slight adjustment for political, environmental or technological pressures, as distinct from using these variables as a basis for determining strategic direction.

Clear Objectives: It is ironic that many companies cannot set clear objectives. There are lots of resources available. Often, top level management cannot come up with the right objectives because influential members of the board have different ideas. The unclear targets lead to poor performance.

There is also a danger in setting company objectives in financial terms. This becomes a problem when little qualitative thinking is done. Without clear analysis as to what products or markets the company will be

involved in, assumptions are based only on present situations. The future is seen based on what the targets are "asking" for.

When too much emphasis is placed on reaching targets, a company is pressured to be safe, without taking risks to improve. Rather than explore areas offering opportunities for better performance, it follows the same road taken in previous years because it is safer to do so. Risks are ignored and the chances to perform better are overlooked. The organisation might seem to perform well, but it could perform better.

Planning from bottom up: Usually, planning starts at the lower level and gets passed on to the next higher level of management. Good assumptions made at the lower level can be lost when consolidation happens at the higher level. What gets carried over are the general assumptions, mostly based on past performance. When revisions have to be made, there is no way to point to a specific, basic truth. The management then is tied up to the plan, whether it works well or not.

Many plans are presented in bulky printed form, or in PowerPoint presentations with graphs and charts. These are useless unless they help the organization make the right decisions and clearly set direction.

Uncertainties destroy plans: Five-year plans should guide organizations to a point in the future. What if management is overwhelmed by the uncertainties of the next two or three years? What is clear to them are the present realities. So, instead of looking into what they want the organization to become, they concentrate on this year's plan and work forward. This will make the five-year plan useless.

Planning serves strategy

The organization must separate strategic thinking from operational and long-range planning to put everything in the right perspective.

The organization should have a system or method of thinking strategically, analytically and creatively. It should be brave enough to draw out the consensus of the group. This must be dominated by ideas of a few. Personal influences must be set aside.

Organizations want to be in the upper left – great strategy and operations. Most are in the top right – great operations but poor strategy. The newer ones are in the lower left – great strategy but poor operations. Of course, nobody wants to live in the lower right.

For an organization to move into the top left quadrant it should have a clear direction. This can be achieved by determining the product/services, markets and user groups that the organization will operate in. There should also be a specific time frame for these to be accomplished. You have to consider the following questions:

- products and services – which are to be offered and which are not?
- markets – to which market will these products be offered and will not be offered?
- customer groups – to which group will these products and services be offered and not be offered?
- geographic areas – where will the organization operate in and where will it not?
- The time frame should not be arbitrary: do not decide on an arbitrary '3 Year Plan' or '5 Year Plan' but determine the time frame from the factors involved. You have to ask yourself:
 - How long does it take to develop the product?
 - How will market trends affect the time frame?
 - How quickly do customer preferences change?
 - How quickly will the technology change – and obsolescence set in?
- What are the capital and liquidity requirements
- How fast will social, political and economic changes affect the plan?
- What are the life cycles of the products?
- From good clear thinking on these variable factors, you can formulate a strategic time-frame that is based on facts and not upon an arbitrary plan.



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