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Why Strategic Plans Fail

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Why Strategic Plans Fail [1]

By Randall Rollinson

There are many reasons why strategic plans fail to be realized by the organizations conceive them. Here are five of them:

1. Failure to assess the current strategic direction before launching a strategic planning effort

To manage a formally stated, integrated, and properly deployed strategy is a major challenge for any organization. To do so without the necessary preparatory steps will, in all probability, result in wasted time, energy, misdirected efforts and can even lead to the resulting plan failing. More importantly, management will be at a disadvantage attempting to create a strategic direction without taking into account their current aspirations and plans.

Before undertaking any significant effort to develop, improve, and/or manage strategy, there needs to be a shared understanding of the scope and depth of the change effort to be undertaken. This, in turn, needs to be grounded in a fact-based assessment of the strategic direction and strategic management capabilities currently in place. The initial assessment, in large measure, will determine the basis for making changes. This assessment is not a full-scope audit.

Beginning a planning process by first building this shared understanding is key and it is an often overlooked step in the strategic planning process.

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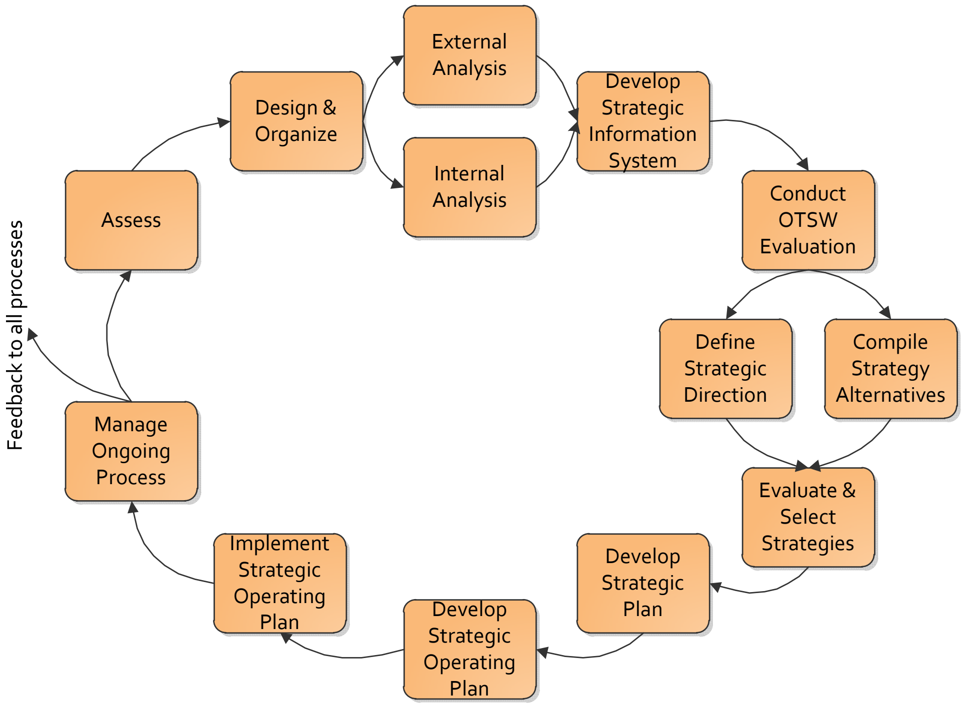
FLOW DIAGRAM OF A THOROUGH AND PRACTICAL STRATEGIC MANAGEMENT PROCESS



2. Failure to read the tea leaves and make the necessary changes

In a rush to define strategy and approve annual operating budgets, judgments and decisions are made using uneven understanding of the strategic environment and its capability to influence the future. All too often organizational leaders move into and through the strategy setting process without building a common information base upon which sound strategic decisions can be made. This fundamental "knowledge gap" amongst senior leadership and down through the organization serves to undermine the strategic management process in 3 important ways:

1. Failing to tap existing resources of strategic knowledge available to the planning team in the heads of the organization staff along with readily accessible information resources inside and outside the organization.
2. Failing to use an inclusive "team-based" input process heightens the risk that effective strategies won't be selected and made operational.
3. Unintentionally enabling work force resistance to change because the reasons for change are not clearly communicated.

When we see organizations make one or more of these mistakes it can be attributed to people and organizations dealing with change. In short, most people don't like change. And for good reason: It disrupts established patterns of behavior and almost always results in increasing levels of stress, anxiety, uncertainty and even anger. Rather than stay the course and work through the disruptions that come with change, leadership teams fall prey to retreating back to the comfort zone of the status quo. When this happens plans fail.

3. Failure to successfully engage in "team based" strategic thinking

To become a high functioning leadership team who can execute a strategy is no easy task. Leadership teams become effective in identifying and creating effective and sustainable competitive strategies by incorporating rigorous disciplined thinking with open inquiry, team discussions, regular feedback, and interaction.

In contrast to a team-based approach, strategies based only on the perceptions of the "all knowing leader" severely limit the development of optional approaches to moving forward and—more important—the opportunity to build a multilevel strategic leadership team. It is no longer effective for top leadership to formulate strategy and simply relegate lower levels of leadership to its implementation. Consequently, we strongly advocate that all levels of leadership be involved throughout the process—continuously.

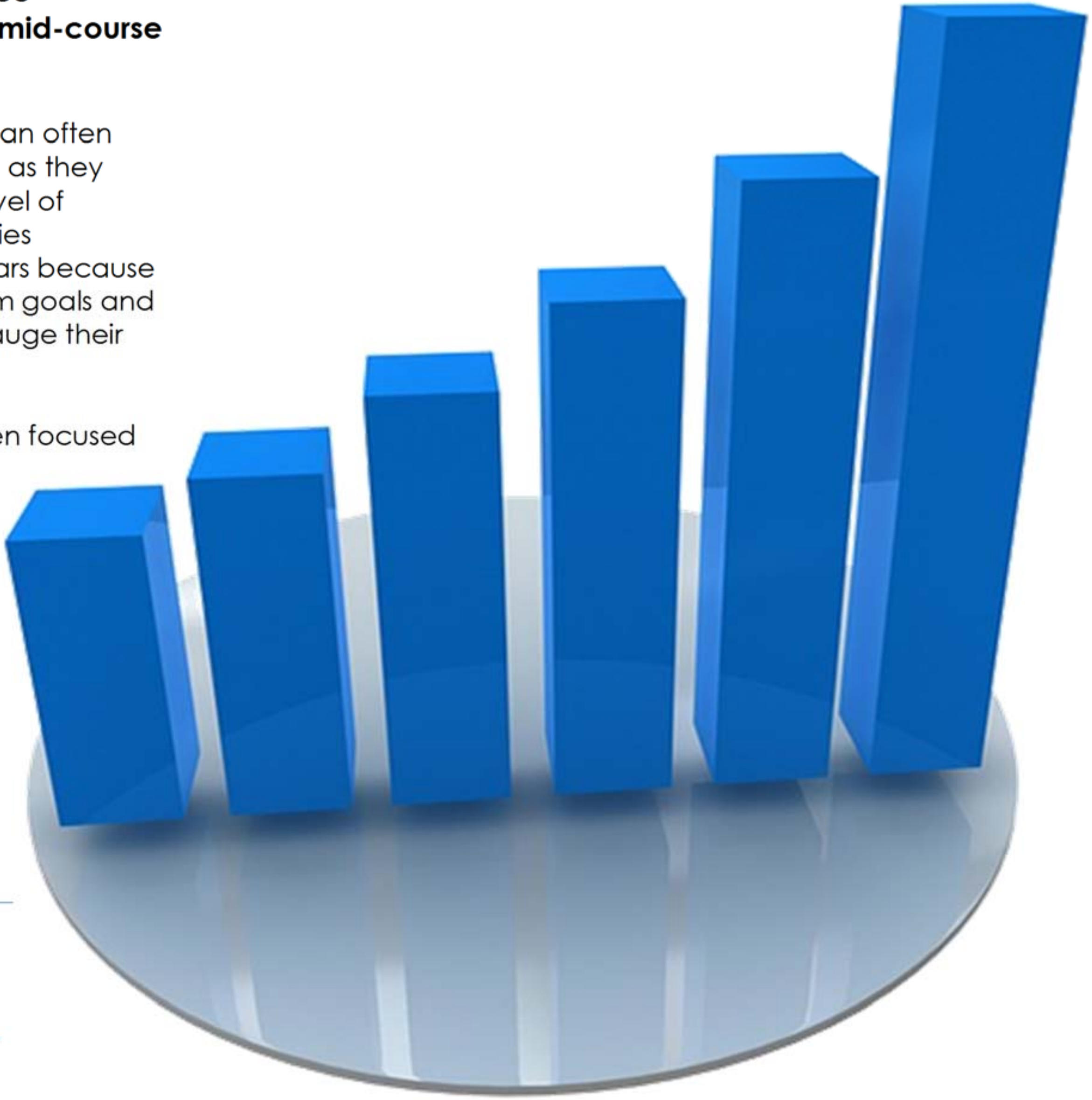
Using a team approach helps ensure strategy formulation and implementation are more likely to be incremental processes that leverage existing capabilities to build on the current strategic direction. Thus, deciding on a small number of carefully selected areas in which to develop and implement strategic change is usually more effective than attempts to make sweeping changes.

The essence of team-based strategic thinking consists of developing multiple options for realizing the vision and a repertoire of feasible responses to deal with the ever-changing environment and unexpected events. Developing a set of strategy alternatives, even if several are not selected for current implementation, can be viewed as pragmatic contingency planning. Using a team approach not only increases the number of feasible options to consider, it also increases the level of commitment and the effort of team members responsible for strategic management.

4. Failure to use a balanced set of performance measures to monitor execution and make mid-course corrections

In many organizations implementing a strategic plan often results in a gap, i.e., a gap between the strategies as they come from the top of the organization *and* the level of employee understanding of how their daily activities contribute to achieving the vision. This gap appears because a strategic plan is by its nature a series of long-term goals and objectives, while most managers are trained to gauge their progress using short-term actions.

These short-term evaluation criteria are all too often focused exclusively on financial performance. Financial criteria most often center importance on managing physical and financial assets. However, today's competitive rewards go to organizations that best manage their *intellectual assets* – their "brain trust". Using a more balanced approach to performance measurement, these organizations supplement traditional financial measures with criteria that measure performance from three additional perspectives - customer, internal operations, learning and growth are often neglected.



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5. Failure to execute

Execution of a strategy requires much more time, commitment, and resources than the planning process ever consumes. Moreover, while the competencies required for implementation and ongoing management are just as complex and demanding as those required for planning; they are simply different. The common error is to value them less and give them less attention, often delegating them to lower management levels. This is not a trivial matter; *it remains the single most common reason for faulty and incomplete implementation of strategic plans.*

It is not uncommon for managers and top executives (in particular) to think that their responsibility for strategic management ends when the plan is completed. In fact, their work has just begun. This is because management processes pertaining to strategy implementation require management's careful attention to delegate responsibilities and diligent oversight to ensure the work gets done.

Implementation is a continuous process. Long after the formal and scheduled process of implementation (annual operating cycle) has been completed, processes tied to strategy implementation continue, at least at the organizational and cultural levels as well as at the individual level as members of the organization make their own personal adjustment to the emerging changes in the strategic direction and changes throughout the organization.

Management processes pertaining to strategy implementation require management's careful attention

Failure to acknowledge that the implementation processes are long-term and continuous in nature, accounts for many of the difficulties encountered in organizations. When changes initiated in previous years are not yet fully integrated and operational, they result in understandable resistance to a perceived "new wave" of strategic thinking and planning.

Organization leadership teams that avoid these five pitfalls turn the likelihood their plans will fail into likelihood of success.

*Continue on to review the "**Assessment of the Level of Development of the Current Strategic Direction"** Exercise. We invite you to use the tool with your organization's leadership team.*

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[1] This article was largely derived from the book Strategy in the 21st Century: A Practical Strategic Management Process written by Randall Rollinson and Earl Young (LookingGlass Publishing/2010).

Level of Development	Components of Strategic Direction Vision	Mission	Values	Policies	Goals	Average Level
I						
II						
III						
IV						
V						

Exercise:
Assessment of the Level of Development of the Current Strategic Direction

The assessment of level of development is an estimate of the extent of articulation, diffusion, understanding and adherence to the components of the strategic direction currently existing in the organization. What is required is a realistic estimate of the level of development of each component. The following definition of five levels provides practical guidance for reaching agreement on level of development for each component.

- ***Level 1***—No clear articulation and diffusion of the component, although it may be well understood and used by the leadership to run the organization.
- ***Level 2***—The component is written and distributed, but is recognized by the workforce as a public relations effort, that leadership has little or no intention of using it to orient, motivate, or otherwise influence the workforce—except as a passive announcement.
- ***Level 3***—The component is well documented and distributed. Leadership makes an effort to insure that all members of the organization understand and accept (hopefully internalize) the component. The level of development of the component still varies considerably from that of other components.
- ***Level 4***—The component is documented, distributed, and used by leadership to make decisions, plan programs, and use as guidelines in managing all activities and in conducting relationships with customers, suppliers, and employees. The level of development of all components is beginning to approach the same level of articulation and utilization by management.
- ***Level 5***—All components of the strategic management direction are at the same high level of articulation and utilization. They are also integrated and synergistic. The majority of management, staff, and the workforce understands and accepts them, and uses them to guide their organizational activities.

Strategic Direction Components and Definitions

Vision
Statement of where the organization wants to be—a desired future state. The end result of the organization journey.

Mission
Statement of the organization's purpose—the rationale for its existence in pursuit of the vision.

Values
Shared core values members of the organization adhere to that guide decision-making and actions taken by the organization.

Policies
Guidelines, formally stated or not, members of the organization are expected to follow in making decisions and/or taking action.

Goals
Generally stated, very stable statements of end results of the activities undertaken in pursuit of the organization's vision

Instructions: Mark an "X" in the appropriate box

Components of Strategic Direction						
Level of Development	**Vision**	**Mission**	**Values**	**Policies**	**Goals**	**Average Level**
I						
II						
III						
IV						
V						

Complete this assessment with members of your core management and leadership team. Once you've collected up all the team's input place the collective set of rankings as tallies within one chart. Then, assigning numeric value to each tally (i.e. I = 1, II = 2, III = 3, IV = 4, and V = 5), add up the points for each component and divide by the total number of development levels (5). This will provide a team level composite ranking, a grade point if you will, ranging from 1.0 to 5.0 for each component.

Take time to do this with your team and you will establish a valuable starting point by creating a realistic estimate of the level of development of each component of your "current" strategic direction.

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