



Why Strategic Planning Fails

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Most top executives' bookshelves bulge with literature on the "whys" and "hows" of planning. Yet few organizations actually do plan, and still fewer plan well.

Success at planning seems to be the exception rather than the rule. This is because thinking conceptually is difficult for most managers who have been trained to think tactically and rewarded based on short-term results. It takes time and effort to think big!

Because planning failures are more visible and frequent than successes, we can take the opportunity to learn from them, for they can illuminate more about strategic problems than will the study of planning triumphs. Our broad experience has shown that planning failures generally stem from one of the following seven flawed approaches to the planning process:

The "MBA" Approach

Many companies hire bright young MBAs who are assigned as an introductory orientation exercise to write a long-range plan. About three to six months later, a thick report is presented and quickly shelved because "they really didn't know very much about the business."

The "Vest-Pocket" Approach

This approach to planning is often evident in companies headed by strong CEOs who write the entire plan on their own and place it in their "vest-pocket" for their own personal use. Admittedly, some CEOs are strategic in nature and have produced excellent plans. Nonetheless, there are some significant problems with this approach. Because it lacks input from the firm's key executive members, the plan may be biased toward a particular functional area or lack a semblance of objectivity and balance. As such, people involved in the plan's implementation may feel no sense of commitment to it and therefore the plan may have very little impact on the firm's activities.

The "Thunderbolt" Approach

In some companies executives are given a free rein to develop a corporate long-range plan, until the patriarchal CEO periodically, and without warning, decides to hurl thunderbolts from Mount Zion when the plan runs counter to their own intuitive (or vest-pocket) approach. Needless to say, even the best plan won't work when it is constantly being usurped or confounded by the most senior executive.



“A Plan for the Ages” Approach

In many companies the planning process is tedious and onerous, and is viewed by executives with dread and disdain. In the end, the executives are tired and relieved to have the corporate planner off their backs so that they can get on with business as usual. The corporate planner or sponsor feels a great sense of accomplishment, if only for having assembled these executives together long enough for them to thrash out the most basic planning issues. In these cases, the participants cling to the final product even if it isn't the best of plans because they know it will be too painful to gather the executives together again and agree on issues.

The “It Couldn't Happen to Us” Mentality

Many successful companies attribute their winning ways to “sound management” and “foresight” rather than luck. These one-trick ponies don't take planning seriously because planning played no part in their initial success. Eventually, however, their product life-cycle matures or an unexpected economic or competitive development throws the firm into a crisis-oriented scramble for survival. Where before planning was seen as a waste of time, now it is seen as a luxury that can no longer be afforded.

The “Management by Budget” Approach

Large companies in which planning is removed from the daily operations of the firm and exclude broad participation often produce abstract plans that aren't adequately tied to reality. As a result, key parts of the organization responsible for implementing the plan become “budget-directed” for they are under pressure to meet sales and expense budgets but do not have an understanding of the overall plan rationale including mission, objectives and strategies and therefore lack commitment to the plan. Mission statements and strategies cannot be replaced by budgets.

The “Arithmetic” Approach

Decentralization is today's buzz word, and to walk-the-talk, many companies are building their plans from the bottom-up. There are many advantages to this approach, including the involvement and commitment of operating executives who will be held responsible for the achievement of the plans they have helped to formulate. Unfortunately, the planning process is managed around resource allocations in which the sum of the department plans adds up to the company plan. “Arithmetic” planners usually find themselves in a dilemma when they discover that at the completion of the process, the total equals less than the sum of its parts. Why? Because no consensus about corporate mission and strategic objectives was reached at the top of the organization to serve as a framework within which each operating unit could conduct bottom-up planning.



Planning in today's fluid economy is one of the most complex tasks facing senior executives in any organization. At T.S.P.G. we define strategic planning as the process by which the guiding members of an organization envision the organization's future and develop the necessary procedures and operations to achieve that future. The vision of an emerging world that is different from today provides both the direction and the energy to move the organization into the future.

Successful planning is characterized by: identification of achievable business objectives and expectations; alignment of the organization with the current and emerging internal and external reality; a focus on marketplace positioning (revealed by a commitment to stop doing certain things); identification of a small set of strategic gaps that must be closed to bring into being the envisioned future; and the mobilization of the entire organization to close these gaps.

For those companies that do it well, planning becomes so fundamental and routine that it is often not recognized as a special effort. Thinking strategically about the business is expected, and is recognized as an asset of unquestionable importance.