Top 5 Reasons Strategic Plans Fail

What are the obstacles to achieving targeted results?

The Reality

Each year companies expend significant effort, resources, time, and investment to conduct their strategic planning process. This exercise has both an organizational cost as well as an opportunity cost associated with diverting resources from day-to-day execution to planning.

Considering the significant investment into the strategic planning process, recent research shows that most companies experience lackluster results.

- ROI from traditional planning approaches is 34% or less (Harvard Business Review)
- 90% of organizations fail to successfully implement their strategies (Kaplan and Norton)
- Nearly 1/3 of all business strategies never reach their mark (Forbes)
- Organizations realize just 60% of the potential value of their strategies (Economist Intelligence Unit)

If the strategic planning activities should provide a clear path to success, what is preventing companies from achieving the desired results? The following are the 5 most common reasons strategic plans fail. Understanding these reasons and how to overcome them, will help your company achieve the results desired from the strategic planning process.

Traditional Results from Strategic Planning…

- ✓ < 34% ROI
- ✓ 90% failure to implement
- ✓ 1/3 miss their mark
- ✓ 60% of value is never realized

1. Not Incorporating Customer Feedback

Businesses exist to fulfill a need for their customers, with successful businesses doing this in a way that is better or differentiated from their competition. As a result, customers are the best judge of performance in this area.

During strategic planning, however, customer feedback is often forgotten or not considered as an overall guide in the goal setting process. As the marketplace moves and changes, leadership can set goals or priorities that drive the company further away from the actual needs of its customers and lead to negative results.

To ensure strategic goals are set in alignment with changing customer and market requirements, companies should be leveraging multiple forms of Voice of

Customer (VoC) to capture and leverage the wealth of information that their clients can provide. A customer feedback or VoC program should provide insight on:

- What customers need, what they are currently getting and where the company falls short
- What the competition provides to them, and how it compares
- What would cause them to buy more, spend more or buy more frequently
- What they think they will need in the future

2. Ignoring Impact of Current Realities

While Blue Ocean and White Board exercises can have value, a strategic plan that is built without accounting for the current realities of an organization is doomed to fail at launch. Break through objectives and targets should be developed, but they should also be grounded in the present as starting point. This starting point should also acknowledge the real-world constraints that exist.

Unforeseen external circumstances account for 24% of strategy failures (Forbes).

Before even beginning to establish strategic goals, develop a clear understanding of the current environment and the impacts of that environment on the organization. This includes a baseline analysis in several areas prior to building a strategy:

- Assessments of VoC, financial health, operational performance, market dynamics, success against previous strategic goals, culture, and organizational structure
- Understand the "Business as Usual" momentum that must be overcome for successful change
- Ensure a match between the strategy and the core competencies / capabilities of the organization (this represents 16% of failures according to Forbes)
- Honest assessment of competitive position, performance, comparison

3. Missing Execution Focus

Often strategy planning can turn into an unconscious habit, where year after year you use the same process, produce the same documents, and unfortunately achieve the same level of disappointing results after the onetime event is finished and placed on the proverbial shelf.

Only 18% of strategic plan failure is a result of the quality of the strategy itself (Forbes).

Strategic planning should include not only the strategic goals themselves, but also a component of tactical objectives that can be translated into operational and functional plans to be successful. These tactical objectives provide direction and accountability to achieve success.

A successful strategic plan will include:

- Clear, quantifiable, realistic and measurable goals that can be cascaded through the organization
- Action plans to achieve those targets that identify the leaders responsible
- A mechanism to continually monitor performance, collect feedback, create corrective action where necessary, and follow through on commitments through accountability
- Frequent leadership review and adjustments of execution plans

4. Lack of Alignment and Commitment

Successful strategic execution involves aligning a variety of resources at different levels, in multiple functions, with a myriad of responsibilities and priorities. Getting all of these resources and functions to align around the same set of priorities and strategic direction is critical to achieving successful strategy execution versus simply articulating a plan.

Without explicit alignment of commitment, priorities, ownership and accountability, each level and functional area will advance their version of a strategic plan. In the simplest terms, everyone could be trying to row in a different direction resulting in no one getting anywhere.

In order to obtain support and execution of the strategic plan throughout the organization, structuring and managing the talent of the organization must be a priority. To do so, it is critical to:

- Align leadership around organizational purpose, values mission, vision, culture
- Insist on active participation by cross-functional leadership in strategy development and execution
- Obtain commitment or buy in to the strategic direction from leadership in all functional areas and hold them accountable for strategy advancement
- Allocate and organize resources according to strategic priorities, and remove non-strategic tasks
- Clearly define team and individual roles, metrics, accountability (13% of failures according to Forbes)

5. Poor Communication

Strategic planning is often not effectively communicated throughout the organization, and is only understood by the senior leadership that developed it. Without clear communication of the strategy to all levels of the company, employees will not translate how their day-to-day activity impacts the company's ability to achieve its strategic goals. As a result, the "business as usual" remains unchanged, and leads to lackluster results.

Strategic planning should include not only the entire executive leadership team, but also the next level of leadership accountable for execution. While it is not possible to involve every level in the planning, it is critical to communicate to all levels why the goals selected are important, how the targets were established, the level of commitment/prioritization of these initiatives, and their role in achieving them.

To encourage communication throughout the organization, leadership needs provide the following:

- Clear, easily understood goals and objectives
- Basis of the assumptions and logic that support the importance of these goals
- Visible KPI's and strategic goal target metrics
- Specificity of goals, not generalities, that allow them to translate these goals into their daily activity
- Regular communication on progress, performance, and adjustments

Conclusion

Given the significant time and resources typically invested in the strategic planning process, companies need to take the necessary steps to ensure that those plans are effectively executed, and an ROI on this investment Is realized.

Preparing for the strategy development process by fully leveraging customer feedback and insights will ensure that your strategy will have the impact where it matters most. Acknowledging and understanding the realities the company operates within will provide context to establishing achievable strategic goals and objectives.

Advancing the traditional planning process approach to functional and operational plan development, organizational alignment and comprehensive communications will provide a path to greater results. Transforming a once a year exercise to a guiding light in everyone's day-to-day activities.

Contributors:

Shannon Gronemeyer is the CEO of Customer Centered Strategies. **Customer Centered Strategies (CCS)** is focused on helping companies create sustainable competitive differentiation through the quality of the customer experience they provide. This is accomplished by understanding customer feedback, alignment of strategic vision, and streamlining cross-functional processes.

www.CCSdelivered.com.

Mark Capaldini is an experienced CEO himself, having led three companies in the $5-50 million size range, so his insights are based on actual operating experience. With **Opportunity Into Revenue (OiR)** Mark acts as your sounding board, peer, resource, coach, confidential advisor, and "nudge." He helps strengthen your leadership team as a teacher, facilitator, and coach.

http://oppintorev.com/

As CEO of HRExpertiseBP, **Debra Englund** passion is that HR and business process expertise should be integrated to help clients lead effective and profitable organizations. **HRExpertiseBP** focuses on providing expertise, processes and HR tools to support improvement that provide the most significant impact.

http://www.hrexpertisebp.com/

Customer Centered Strategies

Winning through customer experience

www.ccsdelivered.com