Whitepaper

The Four Key Elements of a Strategic Plan

Avoiding Wishful Thinking to Realize Transformational Change

The strategic plan is a representation of vision, created to drive organizational change and transformation. So why are change and transformation so thin on the ground? In a word: execution.

This paper will argue that strategic plans as traditionally known do not empower organizations to execute strategically. Further, organizational challenges hamper change initiatives – challenges that can be mitigated by creating true strategic plans that operationalize strategy.

In this paper, we will:

- Discuss if companies are actually creating strategic plans (spoiler alert: they're not)
- Reveal underlying organizational issues and the reasons for them
- Examine the characteristics of true strategic planning
- Expose the four key elements of any strategic plan that would enable an organization to make strategy real

Wishful thinking and the strategic plan

Strategy unlinked to execution is, in essence, wishful. And that's exactly what's happening: companies all around the world are engaging in wishful thinking and are surprised when the wish doesn't cause the desired results.

Consider your company's strategic plan. More than likely, it came together with considerable work and negotiation. It's a thing of beauty that promises to push your company into a great new era and drape your team in glory. Now: which half of it are you willing to set fire to?

Because the hard truth is that – all things being equal – 50% of your strategic plan will come to naught. That's what statistics and experience tell us.[1] So when you reflect on the plan and look around at people hard at work, clearly: something is amiss.

And it's something that you need to fix. Fifty percent of your organization's time and effort is a gargantuan waste of energy, money…of resources generally. It's a huge problem to explain to management, and a terrific way to create poor staff morale.

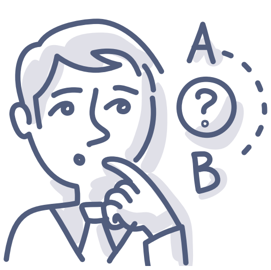
How do you fix it?

Solving the problem

There are four key elements to the organization of every strategic plan that helps bring the vision to life. We'll review these elements shortly, and discuss the role they play in realizing organizational change and transformation.

But before we do, we need to understand why these elements are so important – and what problem they solve.

What's in a name?



Let's start with what we're calling things. For decades, companies haven't really had strategic plans. Instead, what has been passed off as a *strategic plan* has in reality been the *formulation and documentation of strategic statements*. "Plan" intimates execution and outputs. Then individual departments will have aligned their existing list of initiatives and projects to this document.

Turns out, alignment doesn't lead to strategic execution. It's simply justifying work that departments have already signed up for or feel should be the priority; driving strategic change (if it happens) is incidental.

Playing the game of Telephone

Another problem is that what starts as strategy must be parsed into tactics, and without a methodological way to turn one into the other, the original design can devolve rapidly into something quite unrecognizable.

What are the reasons for this? There are several.

It starts with the corporate version of the childhood game Telephone: By the time the requirements reach those who operationalize the plan, it has passed through the filter of so many differing viewpoints and needs, demands and misunderstandings, that what is executed generates work but likely not the expected strategic deliverables.

All of this assumes that everyone knows what's in the strategic plan – and that's far from sure. In a report published by Harvard Business Review[2]:

- 33% of executives could name just two of their company's strategic priorities
- 55% of managers could name only one
- Just over 50% of CxOs understood how major priorities connect to strategic initiatives
- Fewer than 33% of their direct reports understood this
- Only 16% of team leads – those responsible for execution! – understood this

And yet…

- 90% of middle managers say their leaders communicate strategy frequently enough

It's not about how frequently strategy is communicated. It's about what is used to communicate strategy: the tools that companies use to establish strategy and by which they empower their people to make it real.

Where's the trust?

People within organizations have learned the hard way to keep trust within circles – the smaller the circle, the greater the trust. Eighty-four percent of managers say that they can rely on those they work with directly to deliver as they promise to, all the time. But only 9% say they can rely on colleagues in other units all of the time, and 50% of them can rely on these outsiders most of the time, putting them on par with external suppliers.[3]

For those in organizations outside of our own, it seems there is always some undertaking into which we may have no visibility, which can derail work being done on our behalf, often with no warning whatsoever. Promised dates slip, jeopardizing milestones. And without a way to contextualize work strategically, it's difficult for us to overcome these silo walls.

The truth about silos

Silos: we hear and talk about them all the time, but the truth is, everyone works in a silo. This doesn't make us bad people, or even bad workers. It makes us human. We all have our own perspective of what is and is not important. People naturally prioritize both the urgent and the simpler tasks, regardless of what else is happening. We work within the walls of our own biases: this is human nature. And in most cases, what we feel is important will remain so until we are given objective reasons for reprioritizing what we're working on. That's why a real strategic plan – one that translates into action – is so important. More on that in a moment.

What's the cost?

We instinctively know there's risk attached to missing the mark. But what is actually the cost of executing projects, programs, and initiatives in such a way that only pays lip service to strategy?

The numbers will of course vary between organizations, but here is one telling data point. The Economist Intelligence Unit conducted a survey,[4] asking companies to benchmark their own strategic execution ability. The "best executors" stand out from their peers in several critical ways – ways that pay off big in the marketplace.

	Best Executors	All Others
Successful strategic initiatives in the last three years	73%	53%
Financial performance well above average	65%	18%
Strategy well aligned with business model	51%	6%

We can see that those who excel at linking execution to strategy are able to bring 20% more strategic initiatives to bear; that their finances are in considerably better shape; and that their strategy matches what their business sets out to do.

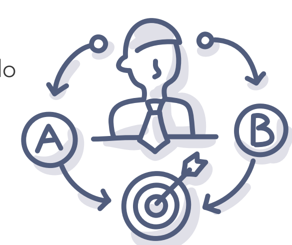
We know we have a problem: Now what?

Most companies that find it difficult to execute strategically know that they do. The problem is, what to do about it. The general feeling seems to be that strategic planning is something that management simply "knows how to do" and if the plan is communicated often, and loudly, enough, the team will eventually just "get it."

If all that were required were a megaphone, this conundrum would solve itself. But the numbers show that this is not the case. The challenges run deep and are organizational; the costs of not proactively addressing them are high; and in a frighteningly complex market, the time to resolve the situation is continually contracting.

What's required is an actionable approach that ensures that any solution purporting to solve the problem will actually do so. But before we can develop the approach, we need to understand what we are creating.

What does a real strategic plan look like?



We've discussed what a strategic plan is not. So how do we recognize a real one?

As before: it's all in the name. To call it strategic planning, it must result in an actual plan.

A plan that can be managed, tracked, and executed across the enterprise; ideally it should account for outputs that cross departmental boundaries. The leaders create the vision, but focus on one that guides their people to design and develop options in which to navigate to solutions that will achieve the strategic goals. In other words, the plan is not prescriptive; rather, it describes the required outcome and empowers the organization to find the best way there.

Rather than a reference document with a wish list of strategic goals, the strategic plan should be tied to strategic roadmaps which translate formulated strategy statements into quantitative plans. These can be used by departments to create priorities and determine objectives. In this way, strategic roadmaps result in enterprise-wide engagement and a sense of urgency to drive transformation.

The Four Key Elements of a Strategic Plan

A strategic plan that enables the realization of organizational change and transformation must include four key elements. These are:

1. Clear prioritization across silos
2. A big-picture view and a pragmatic view
3. The enabling of agile execution
4. Understanding the impact of disruptions – quickly

Let's briefly examine these elements.

1. Clear prioritization across silos

We discussed previously the challenge that silos represent to many. These silos can be other organizations and their departmental priorities, or other people and the goals that they believe to be important. Either way, when we need them – their time, talent, skills – they may not be available, and our initiatives suffer.

This is where the strategic roadmap comes into play. To enable real and successful strategic execution, leaders must tie their strategic plan to a roadmap that crosses the entire enterprise. This links prioritization to executive sponsorship and promotes a top-down, strategic view, eliminating the bottoms-up approach that encourages the justification of non-strategic work.

This allows for clear prioritization across the enterprise, and can ameliorate the silo challenge: increasing cross-enterprise strategic visibility means everyone shares priorities. It also can break down the individual silo wall, providing that necessary objective reason for understanding what is truly important in terms of company strategy, rather than gut or personal opinion.

2. A big-picture view and a pragmatic view

We discussed previously the challenge endemic to so many organizations in that they lack a substantive, methodological way to translate strategy into execution.

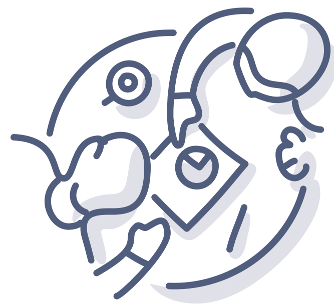
Again strategic roadmaps save the day. They turn the static formulation of strategy into illustrations of what the organization needs to do to deliver it. They highlight the direction and responsibilities of departments, and empower teams to create plans that will lead to the desired result.

In this way, the strategy and roadmaps enable both a big-picture view and a pragmatic view. The big-picture view is the strategic one; the pragmatic view leads departments to use their full skill sets to find the best way to make the strategy come to life.

3. Enabling top-down agile execution

As alluded to above, to be most effective, the strategic plan should not be determinative, but will empower the organization to create plans to implement it, and will allow for learnings. This will ensure that the way the strategy is delivered will take strongest advantage of resources, and will be implemented in the best way possible – "best" in terms of budget, efficiency, operations: whichever KPIs are most important to the enterprise.

Enabling teams to create solution options leveraging an iterative or agile process is ideal, especially when coupled with the ability to feed learnings back into the strategic plan as the organization understands and evaluates its options. This will strengthen the plan and help navigate the strategy to the required result.



Executing strategy often takes collaboration and expertise from multiple areas across the organization. Agile companies embrace the flexibility this collaboration requires, and allow for the ability to allocate resources to key initiatives across departments at the right time.

4. Understand the impact of disruptions – quickly

Disruptions are everywhere. We all face them every day and in various forms. New regulations, competitor surprises, supply chain upsets: large and small, these interruptions chip away at productivity and encourage detours from the roadmap. And it's our natural tendency to do those things first that we know we can resolve immediately.

We've already seen the high cost of execution unlinked to strategy; consider also the challenges of new projects not synced to the overall balance – dependencies and timeframes hang in the balance as this rogue execution runs its course. Given these factors, is this a tendency today's enterprise can continue to allow? No – but the reality is that the strategic planning tools used by most allow them little insight into what's actually happening on the ground. Leaders can create plans, but they have no way of gauging what impact that contact with reality is having on those plans.

The Planview Solution for Strategic Planning

Strategic initiatives are going to often require new ideas, innovation, and transformation. They also are going to need expertise and collaboration across the enterprise. Success will mean breaking down barriers and matrixed organizations; involving new participants into the strategy conversation; and leadership visibility into how their organizations are realizing the plan. This is a big change from previous decades of traditional tools and approaches.

The Planview solution for strategic planning can help your organization make strategy real. Built on analyst-recognized work and resource management solutions, it enables you to create your strategic plan and translate it into an actionable roadmap that your entire organization can manage, track, and execute against. Break down silos and build understanding and consensus across the enterprise to speed the delivery of transformative change. Create solutions to enable the plan; leverage agile approaches; strengthen the plan with new information; and get visibility to understand how disruptions are affecting progress. Lead your organization to put the strategic plan first and drive that roadmap to deliver and execute on strategy successfully.

Learn more about the Planview solution for strategic planning.

See a demo and other resources at **Planview.info/Strategic-Planning**

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4. (2017). Pmi.org. Retrieved 9 March 2017, from http://www.pmi.org/-/media/pmi/documents/public/pdf/learning/thought-leadership/why-good-strategies-fail-report.pdf

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