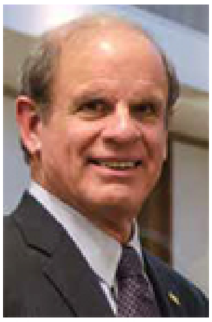
Avoid These 6 Pitfalls in Planning Your Strategy



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One of the most important roles of a CEO and the senior leadership team is to develop and successfully execute their company’s strategic plan. One of the most important roles of a board is oversight of the company’s strategy. To quote a line from “Any Road,” sung by George Harrison: “If you don’t know where you are going, any road will take you there.”

The foundations of the strategic planning process are the situation analysis and the SWOT analysis. A situation analysis describes the economic, competitive, technical, regulatory and societal environment in which the company operates and will operate during the plan period. The company has little, if any, control over trends in these areas.

A SWOT analysis outlines the company’s strengths, weaknesses, opportunities and threats. Strategies need to be developed for the company to build on its strengths, minimize the impact of its weaknesses, take advantage of its opportunities, and defend against its threats. Directors should play an active role in reviewing management’s situation and SWOT analyses, offering their own views of each.

Much has been written about the role of the board in the development of the strategic plan. I believe that it is management’s responsibility to develop the plan with board input. The board’s role is advisory: to pose questions to management to stimulate thought and provide guidance, to assess the risks of the strategies under consideration, and to evaluate alternative strategies. This process should take place over a number of board and board committee meetings, so that the directors have time to think about what is being presented before voting on the plan.

The board cannot hold management responsible for achieving the strategic plan if the directors play a direct role in its development. The board's role is to help management think about issues that may not be on their radar. The CEO and the senior leadership team own the strategic plan. The board's job is to monitor progress and hold the CEO accountable for results.

A CEO with a strong reputation and many past achievements has built up political capital. A board will take the CEO's track record into consideration when assessing strategies that are presented for approval. However, strategies presented need to be evaluated on their merit by the board and rejected if they are judged to have a low probability of success, are considered to be too risky, or don't fit the strategic direction of the company. It takes courage for a director to raise these types of issues. It is their job to do so.

So, what are some of the pitfalls boards need to consider when CEOs present the company's strategic plan?

1. Failure to Face the Brutal Facts of Reality

As a director, I have sat through strategic planning presentations, incredulous that the CEO and business unit leader were not facing the brutal facts of their reality. In one example, the business unit held a weak market position, competing against companies with superior technology. Revenues and earnings were stagnant. It was very apparent that the strategies presented would not be effective in improving the business unit's competitive position and initiate growth. The board convinced the CEO that the business should be sold.

2. Setting a Strategic Objective Without the Right Strategies to Achieve It

Without the right strategies, objectives will not be achieved. Employees will disengage and not feel a sense of ownership in the objectives. Boards play an important role by questioning the CEO to determine whether the right strategies are in place to achieve the objectives of the plan.

3. Doing the Same Thing and Expecting a Different Result

Results will not change if strategies that have not been effective in the past continue to be implemented. During the strategic planning process, paradigms need to be challenged and changed. If no strategy is capable of achieving an objective, perhaps the objective is not achievable, and another objective should be chosen.

4. Underestimating the Actions of Competitors

As a CEO and board member, I have listened to business unit leaders outline long-term strategies to gain market share with no thought to how competitors might respond. You can be sure that they will. How will they respond, and how will the company defend against their response?

5. Not Shedding a Losing Strategy

Much can be learned from entrepreneurs and their mindset. Entrepreneurs frequently face the specter of failure. What do they do? They pivot and pursue another strategy, another idea. Why? Because resources are limited, and they are forced to move on. Entrepreneurs shed losing strategies. You should too.

6. Failure to Recognize That Some Leaders May Need to be Replaced

Members of the current senior leadership of the company may not have the experience, skills or mindset to execute the strategies or achieve the objectives of the strategic plan. They may need to be replaced with other leaders that are more capable of achieving the plan’s objectives.

CEOs, avoid these pitfalls. Directors, watch out for them. Ask penetrating questions so CEOs and the senior leadership team are more effective at developing objectives and strategies. Monitor progress, and hold the CEO accountable for results.

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