

# Putting “Strategy” Back in Strategic Planning

## Three Steps to Overcome Short-Term Thinking

### Key Findings

- Executives believe that over half the time spent on strategic planning is wasted, and only 23% of executives believe that real strategic decisions are made during planning.
- Most strategists focus on process improvements to increase executives’ long-term thinking during strategic planning, but process improvements increase long-term thinking by only 11%.
- The real barrier to long-term thinking during strategic planning is not process inefficiency but executives’ operational mind-sets. Counteracting operational mind-sets is eight times more effective than fixing processes in improving long-term thinking during strategic planning.
- To elevate strategy during the planning process, CSOs must counteract operational mind-sets by 1) establishing a common language for strategic dialogue; 2) presenting the future in operational terms; and 3) leveraging peer influence to motivate long-term thinking.

### Step 1: Establish a Common Language

Stakeholders in a typical strategic planning process have different perspectives on what is considered strategic based on their functional area. A lack of common understanding about what is strategic leads operationally minded executives to default to the operational.

#### Where You Stand Depends on Where You Sit

*Stakeholders in a Typical Planning Process*



Source: CEB analysis.

Establishing a common language about what constitutes a strategic issue can increase executives’ long-term thinking by 20%. To establish a common language:

- Use dialogue, not strict definitions or criteria, to establish a common understanding of what is strategic,
- Use probing questions to help GMs recognize that an issue may not be strategic in order to preempt operational issues from derailing strategy discussions,
- Consider alternative venues where more operational issues can be triaged as they arise from preplanning discussions, and
- Clarify the reasons why an issue may not be deemed strategic, and determine what would trigger the executive team to reconsider an issue’s strategic value.

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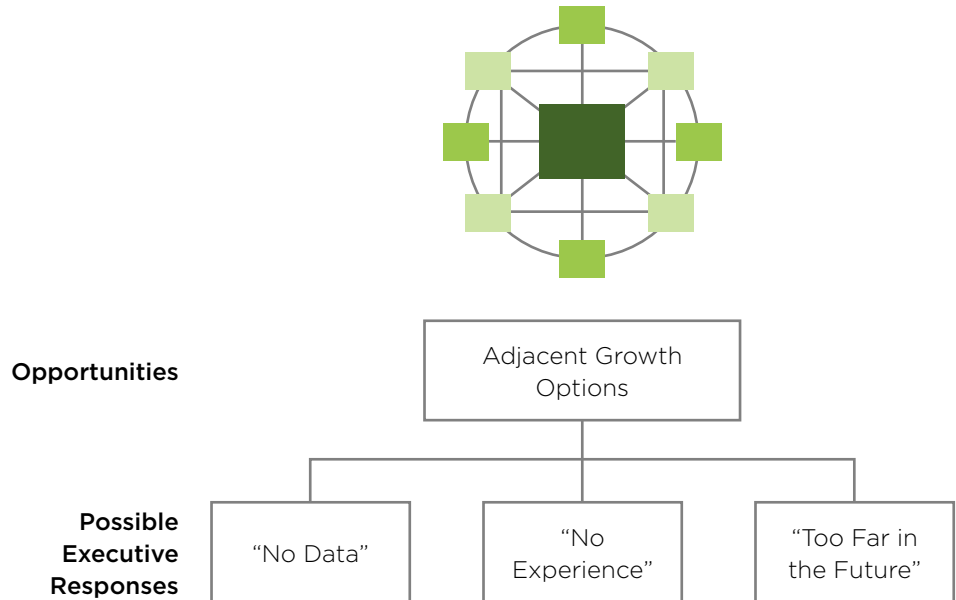
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## Step 2: Presenting the Future in Operational Terms

When future growth options appear abstract, executives may defer decisions in favor of less risky, easily evaluated core investments. Presenting abstract futures in more practical operational terms can improve long-term thinking by 23%.

### The Future Is Too Abstract

*Executives' Responses to Evaluating Long-Term Growth Options (Illustrative)*



Source: CEB analysis.

To make the future less abstract:

- Break down the long-term future into near-term problems to be solved,
- Operationalize high-level action steps in the moment to ensure futures are more concrete and actionable,
- Avoid asking executives, “What are your assumptions?”, as this can seem overly inquisitive and too vague to elicit a good response,
- Make assumptions development less abstract by breaking down long-term assumptions into near-term early success factors, and
- Use early success factors as predictive indicators of strategy performance that can guide management decisions, rather than backward (financially focused) metrics most commonly used to drive accountability.

### Step 3: Leverage Peer Influence

Group dynamics can encourage and often reward short-term thinking during planning as participants either seek to demonstrate performance accomplishments or express skepticism when others present more distant futures.

Executives are more likely to believe in the power of long-term thinking if the message comes from their peers. To overcome group pressures that drive short-term thinking, strategists must leverage peer influence to foster a new norm of long-term thinking. Leveraging peer influence can improve executives' long-term thinking by 29%.

- To assess the ability of business unit leaders to serve as role models for their peers, evaluate their past strategic plans for quality and relevance to other businesses.
- Select individuals who have high levels of operational credibility, who have overcome failure, or who would not be expected to support long-term growth initiatives.
- Ensure the role model's high impact by helping him or her structure presentations that offer practical guidance on making difficult trade-offs, implementing new approaches, and demonstrating the cost of "not getting it right."

#### Traits of a High-Impact Role Model



Source: CEB analysis.

### What This Means for You

Overcoming short-term thinking will take a creative approach that we can build together. Here are some sample resources we have to help:

- Attend a **Senior Strategy Executive Roundtable** to meet your peers and learn about the latest emerging approaches to make strategic planning a real growth engine for the organization.
- Use the **Strategic Planning Playbook** to access proven tools and templates to assist you with each stage in the strategic planning process.
- Test the quality of your strategic plan, and increase its impact with the **Strategic Plan Evaluator**.

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