

Putting “Strategy” Back in Strategic Planning

Overcome Short-Term Thinking

Situation

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.

Insight

Most strategists focus on process improvements to increase executives' long-term thinking during strategic planning. The best strategists focus on mitigating executives' operational mind-sets, which is six times more effective than process fixes in improving long-term thinking.

Potential

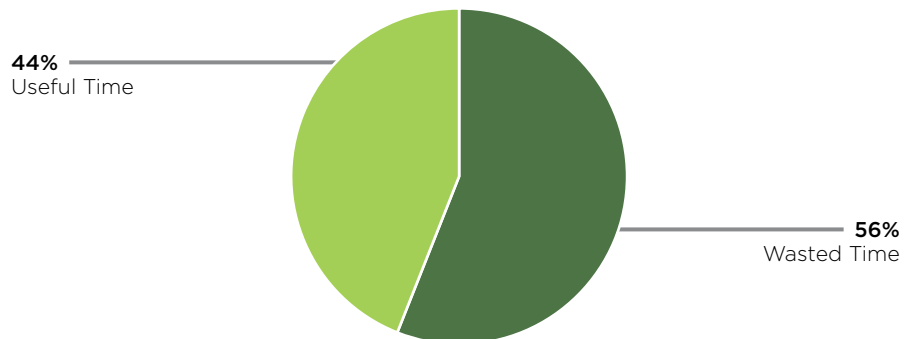
Organizations with effective long-term thinking are three times more likely to perform at the top 20% of their industry.

Situation > Insight > Potential > Action

The Planning Process Is Not Yielding Results

Executives believe more than half of their (and their team's) time spent on strategic planning is wasted, and the quality of the resulting plans usually do not meet expectations.

Wasted Time on Strategic Planning
Average



n = 464.

Source: CEB 2015 Research Panel Survey.

Executives Are Pulled Toward the Short Term

Planning is often viewed as a mechanistic and short-term process even though it is one of the few annual activities when senior management considers long-term growth prospects. Planning participants (both strategists and executives) report that planning largely fails because of their short-term concerns.

Participants find it difficult to think about long-term growth because of:

- Pressure to meet short-term targets;
- The fear of failure; and
- Concerns about operational issues.

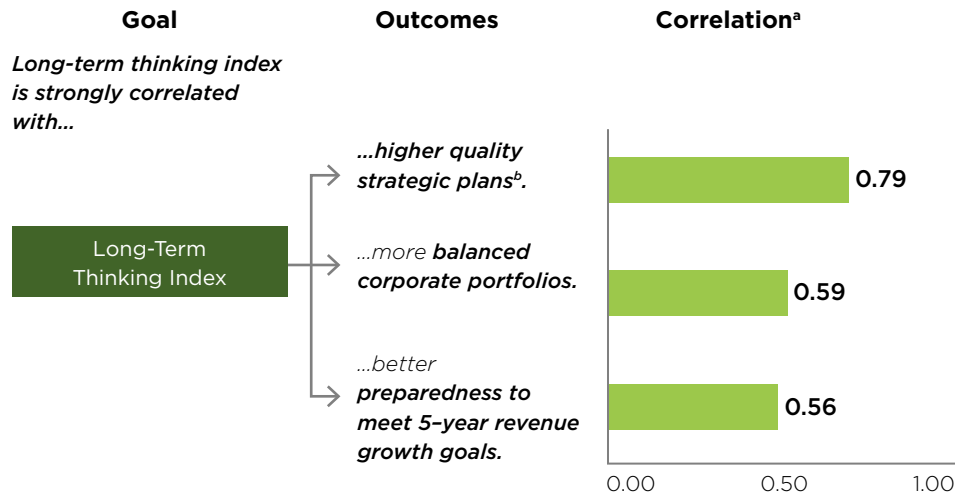
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Long-Term Thinking Drives Growth

Organizations that have executives who are more effective at long-term planning observe many positive results, such as having higher-quality plans and more balanced portfolios. Moreover, organizations with effective long-term strategic thinking are three times more likely to achieve top-tier industry performance.

Impact of Long-Term Thinking Index on Outcomes



$n = 48$.

Source: CEB 2015 CSO Annual Survey.

^a Correlation Coefficients: significant, 0.01.

^b Plan quality measures the quality of the following plan components: long-term growth options, adjacencies and new growth bets, specific growth objectives, balance of strategic and financial metrics, and articulation of strategic assumptions.

Don't Focus on Process Improvements

Strategists focus the majority of their effort on planning process improvements to enable executives to spend more time on long-term thinking, but these activities increase long-term thinking by only a modest 11%. The real barrier to long-term thinking is not planning process inefficiencies but rather the operational mind-sets that participants bring to the table. These operational mind-sets lead to the following problems:

- No common understanding of which issues are “strategic” and which are not
- Resistance to discussing the long-term future because it seems too fuzzy and abstract
- Fixation on short-term performance, which exacerbates short-term thinking

Mitigate Operational Mind-Sets

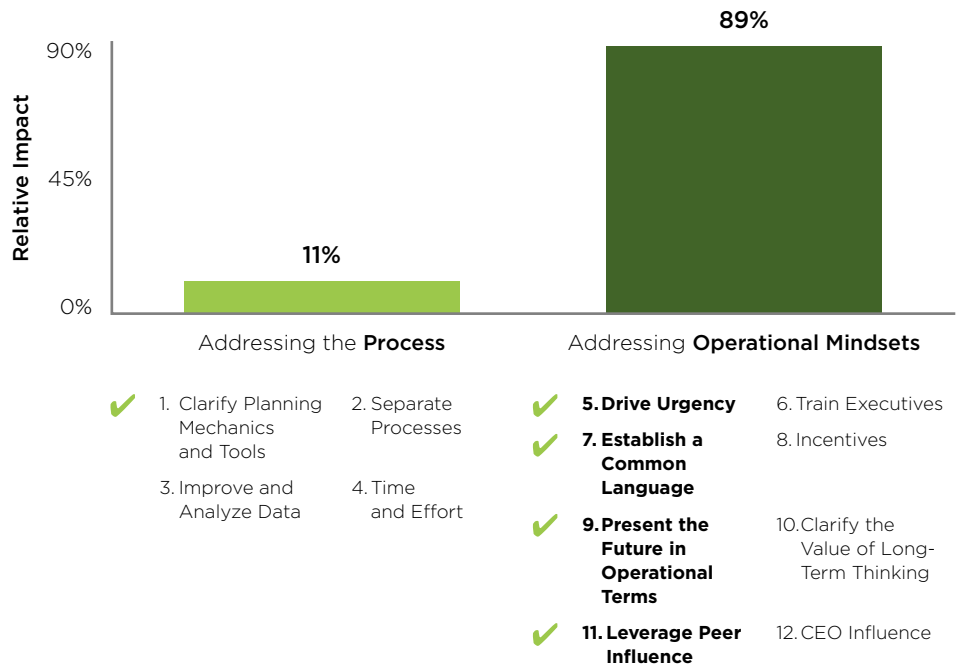
The best strategists promote long-term thinking by addressing operational mind-sets rather than focusing on planning process improvements. This approach is six times more effective than process fixes in improving long-term thinking during planning.

Elevate Strategy During Annual Planning

To elevate strategy during the planning process, CSOs must mitigate the barriers to long-term thinking by effectively:

- Establishing a common language to promote better strategic conversations during planning.
- Presenting the future in operational terms to better engage executives in long-term thinking.
- Leveraging peer voice to motivate planning process participants to think about the future.

Percentage of Total Impact of Drivers on Executives' Thinking About Long-Term Growth^a



n = 48.

Source: CEB 2015 Annual CSO Survey.

^a The variables below explain 54% of the variance in the planning participants ability to think about long-term growth in a multivariate regression ($R^2 = 0.54$). Preliminary finding. The relative impact of each of the variables were calculated using relative weight analysis, which calculates the percentage contribution of each variable to the R-squared of the model of long-term thinking during planning. The impact of approaches that are not checked is because they are statistically negligible.