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Critical junctures in strategic planning: Understanding failure to enable success

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Formalized strategic planning has long been used as an instrument to optimize performance in organizations, albeit with newer approaches, tools and technologies today as compared with the 1980s and 1990s. In fact, Darrell Rigby and Barbara Bilodeau of Bain and Company reported that as of 2013, the strategic plan continues to be one of the most often cited business tools used in organizations. Strategic planning is believed by many to provide a means of preparing for the future, to organize both thoughts and direction, and

to mobilize action. When undertaken by a collaborative and committed group of key stakeholders, strategic planning can, according to some, provide an opportunity to reflect on the changing external environment and the organization's position within it, to review and potentially recalibrate the vision and mission, and to design the roadmap to achieve the organizational mission via specific strategies and actions.

Strategic planning processes may sometimes be built into the fabric of organizing, present on the business agenda at pre-determined time intervals. In other cases, strategic planning may be undertaken in response to dictated policy, either internally generated or externally imposed by governing authorities. Alternatively, strategic planning processes may simply emerge at a certain point in time as the result of a perceived need by an organization for definitive future direction.

The fact remains that despite the persistence of strategic plans as a development tool, and the myriad of consulting firms that specialize in their development, many of them fail.

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In fact, in 2006, Michael Mankins and Richard Steele, partners of Marakon Associates, reported that only 11 percent of senior executives from 156 companies around the world were satisfied that strategic planning was worth the effort!

Strategy scholars who have been highly critical of strategic planning are likely not surprised. As only one example, back in 1986, David Hurst published an article in *Organizational Dynamics* entitled "Why Strategic Management is Bankrupt." Hurst targeted the assumptions of predictability around organizations and their environments that underlie the "strategic paradigm." He delivered a strong message about the difficulties of planning in environments that are largely unpredictable. Moreover, Hurst saw the strategic management model as "sterile" and unlikely to produce innovation and vision for the future. In 1994, Henry Mintzberg famously remarked that despite the prevalence of *strategic planning* in organizations, true *strategy*, in reality, is often *not planned* in any formal way at all. Mintzberg and many other scholars and consultants continue to criticize formal strategic planning processes, not only for the absence of sound strategy or innovation that would bring organizations to new levels of sustainable strength, but also on such grounds as perpetuating the status quo, encouraging political behaviour and relying on number-crunching at the expense of creativity or insight. Given the pervasiveness of strategic planning, and, at the same time, its apparent failure to produce effective outcomes in many cases, we believe that it behoves organizations to get to the bottom of how, why and *when* failure may occur.

Many reviews of strategic planning have historically been done "at a distance," with a focus on the impact on organizational performance, or on various approaches to strategic planning. However, as Chris Bradley and Angus Dawson of McKinsey reported in October, 2013, "Examining how strategies are created, implemented, and executed is a relatively recent practice." We think that there is great value in this emerging practice that delves more deeply inside organizations to observe and follow strategic processes as they unfold. In this paper, we therefore share findings from the in-depth examination of some actual *processes* of failed strategic planning and the concrete and specific learning that these can impart to practitioners. Specifically, we focus on four critical time points where failure can occur.

FOUR CRITICAL TIME POINTS

We broadly define strategic planning *failure* as a formal strategic planning process that breaks down before it produces *effective* strategic action. This means that failure might occur well before the strategic plan is even final. We examined numerous failed strategic planning processes across multiple organizations, through existing publications and our own experiences in both studying and participating in them. We identified four critical time points within these processes at which breakdowns occurred, as seen in Table 1: (1) the launch period during which the planning does not properly get off the ground, (2) the planning period subsequent to the launch if the plan does not reach completion, (3) the period after plan completion if the plan does not get executed, and (4) the period after execution begins if outcomes are viewed as ineffective or non-existent. Within each time point, we found some common symptoms of breakdown

and identified their precursor conditions and consequences. We next discuss these breakdown points and suggest some pathways for avoiding them.

Launch but no planning

Strategic planning processes often start off with a formal retreat or workshop to officially launch an initial phase of reflection and analysis, and to establish common language and alignment around the planning process. In an amusing characterization of retreats posted on the *Forbes* website, Wendy Goffe describes a form of corporate retreat that she calls "Hell in Paradise." She describes 15-h days in windowless rooms to examine one's "corporate warts" via brainstorming and multi-coloured solutions lists. She adds that each day ends in "alcohol-soaked events" leading to behaviour that employees regret as soon as they get over their hangovers. "The result", she states, is that "employees return to work Monday morning, dog tired, mortified by (...) inappropriate behaviour, and demoralized by having to look at your company under a microscope. Luckily, nobody remembers to retrieve those (...) lists, so business continues pretty much as usual".

Despite some critiques of planning retreats, many corporations and consulting firms find that they do serve to energize and galvanize participants around renewal and reflection on an organizations' future direction. However, we have found that it is far easier to convene initial planning workshops than to do the actual planning. In many cases, the process falls apart during or after launch activities.

Problems at this stage may simply be related to a lack of faith in the relevance or likely impact of the launch activity by participants or by the chief executive officer (CEO). Issues may even arise that make participants question the actions of the facilitator. For example, Gerry Johnson and colleagues described how a corporate hotel chain engaged in a strategy workshop in which the purpose was unclear to participants, and the methods employed by the facilitator were seen as inappropriate. Participants became particularly skeptical of the event when the facilitator tried to impose solutions after they found themselves unable to develop them on their own. The event was perceived as a disaster by participants.

Similarly, Gerard Hodgkinson and George Wright tell a story of a consulting engagement they were involved in for a company in the publishing industry. They had been approached by the CEO to address uncertainty around the long-term viability of the company's business model. They convened a workshop with the CEO and other senior managers. Much to their surprise, during this workshop, the CEO publicly questioned the involvement of the consultants (after having brought them in to do this work!) and dropped out of the workshop. This action in turn led to disengagement by other participants. The process came to a complete halt. It quickly became clear that though the CEO had overtly initiated and welcomed the process early on, she questioned its value once it began, feeling threatened by the participative nature of the activity, in which opinions contrary to hers were exposed. With no true commitment to the process by the CEO, it was doomed to failure.

Another reason for aborting after an initial launch workshop may be related to organizing it with participants having

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