

# **TWO TRUTHS AND THREE MYTHS ABOUT STRATEGIC PLANNING**

*by Neville Lake*

In my first book “The Third Principle – How to get 20% more out of your business” I showed that most (just about all) businesses are sub-optimised. Many only achieve 60% of what is possible and few get closer than squeezing out more than 80% of their organisation’s potential. The most common source of waste, sub-optimisation and lost profits is a failure to identify and take advantage of strategic opportunities.

There are two truths that are too often ignored, and three myths that get in the way of great strategic planning. Understand these and you are going to be on the right path to sustainable success.

## **TRUTH 1 – YES YOU CAN**

There is often the belief that an organisation is heavily constrained by external forces. That future growth is limited by prevailing circumstances and that options can only fall within a narrow band. This isn’t true.

The size your business can achieve is up to you. It is your choice.

Instead of finding what you can’t do, you should be finding ways to say ‘Yes we can.’ For example, a business in the special effects industry I spent some time with recently is based about as far away from the Hollywood hub as possible - being in the suburbs of Wellington in New Zealand. However, it is animated by the attitude, “Someone is going to be successful, so why shouldn’t it be us”. Inspired by this thinking they have made many box office blockbusters including ‘The Lord of the Rings’ and ‘Avatar’. They have a

showcase groaning with Oscars, BAFTAs and the like. They saw the possibilities, not the difficulties.

Likewise, if your organisation chooses to be four times bigger in the next four years then all the plans you develop will be about finding a way to make that happen. If you choose to be twice as big in eight years, then the plans will be more modest. Because the plans will drive measures, expectations, goals and so on the choice you make will be the main determinant of what you achieve, not the market.

Over and over again I have worked with clients who have found that what they believe are barriers to growth/ margin/ profit are only a reflection of their own timidity. The market has plenty of room. Even the large, dominant player that seems to have gobbled up most of what is available has the scope to develop complimentary products, find new customers, or enter new countries.

Pick a point you want to achieve (even if it is amazingly bold) and then find a way to make it happen. Sure, ask a few reality checking questions about resources and finances, but see these as obstacles to be overcome, not impediments that cannot be removed. This is what real strategic visioning is all about.

## **TRUTH 2 - WHAT YOU DID IN THE PAST IS UNLIKELY TO DELIVER SUCCESS INTO THE FUTURE**

Many of the concepts that we use today are rapidly going out of date (see my book “The Greatest Planet in the Universe” for some ideas about the next wave of business thinking).

Think about it. Most of the scientists who have ever lived - are still alive today. Much of the technology that we use every day wasn’t around 10 years ago. Customer and social expectations are evolving rapidly. With a growing and

aging world population we are moving into uncharted waters. What's coming up in the next 10 years is beyond many people's imagination.

We need to be very sure about the real value delivered by our products and services. We need to analyse our current and potential customers and understand what binds them to us now, and what they will need in the future. We need to think about every part of our businesses and recognise where profits will come from as we go forward.

Complete this simple exercise. Think back over the past and what changes affected your business then. Consider the emerging changes that are currently reshaping your organisation, and predict the magnitude of the changes to come that will alter the nature of your business in the future.

| Past Changes | Current Changes | Future Changes |
|--------------|-----------------|----------------|
|              |                 |                |

The more you look at the pace of change (and the trends), and the more you analyse what is likely to happen in the future then the more you will recognise that you will have to start re-shaping your business now if you want to beat your competitors to the opportunities that will be available to you later on.

**MYTH 1 - IT'S REALLY HARD**

Because strategic planning is important, people think that it is difficult. Because it is unfamiliar, people think it is beyond their skill set. Because it has its own set of tools and techniques people think they should leave it alone.

To be sure, strategic planning has its own way of seeing the world and it helps if you

are practiced at strategic thinking but it can be remarkably straightforward. Once you apply the right concepts, assemble the right tools, use them in the right sequence and make decisions in the presence of good frameworks, then the right answer 'falls out' of the process.

So, for example, too often people try and make big decisions in lumps (should we do 'A' or 'B'). The result is a squabble about preferences fuelled by hidden agendas and narrow perceptions. However, if you disaggregate the decision into its component parts, rank order these and allocate scores then one option will usually announce itself as a clear winner in a way that is painless, objective and powerful.

**MYTH 2 - IT'S LIKE CHRISTMAS**

People think that strategic planning is like Christmas – it only happens once a year. While some aspects may be composed of special events, strategy should infuse daily management routines.

Every management team needs to be aware of the strategic implications of their decisions and actions. The decision to give a discount, to pursue a particular customer, to buy a piece of equipment should be informed not just by immediate needs, but by how that action strengthens or weakens your future position. For example lots of customers buying products today may be good for business, but a large number of the wrong type of customers taking up your time and energy may be a tragedy waiting to happen.

After all our future is built on a pathway of current activities and our businesses are shaped by the decisions that we take on an ongoing basis. Strategy is something you know, something you do and something that 'pulls the strings' of the business.

### **MYTH 3 – I WORRY ABOUT WHAT I WILL BE DOING IN FUTURE, SO I AM A STRATEGIC THINKER**

Maybe ...maybe not. Please, I meant no offence. There is nothing outrageously difficult about strategic thinking – it is just not something we get to practice very often.

For example, let me ask you to sketch your business. Show your suppliers, your customers and your own premises. List what happens at each point and what benefits are derived. Not so difficult, because it is familiar.

Now take the thinking up a notch and specify where and how value is added for you and your customers, where there are the areas of greatest opportunity, where there are the weakest links, which aspects are vulnerable to competitive forces and the greatest amount of change, where there is untapped potential, where there is over or under investment, where there is the easiest path to increased profits. This is not so easy, because instead of thinking about what you are doing, you are thinking about why you are doing it, and what you could be doing instead.

Let me push this a little further, consider these key strategic and tactical questions:

| KEY STRATEGIC QUESTIONS           | KEY TACTICAL QUESTIONS                                    |
|-----------------------------------|---|
| What business are we in?          | How do we create value – for our customers and ourselves? |
| What is our strategic intent?     | Where are the areas of greatest opportunity?              |
| What makes us unique?             | How much money do we want to make?                        |
| What is important to our success? | How do we sustain optimum levels of performance?          |

If these are hard to answer (and they are hard questions) then you may want to expand the amount of time you spend thinking strategically.

So, in this article I have covered some of the key aspects of strategy that you need to attend to - strategic thinking, a big vision, the pace of change and some aspects of implementation. Visit my website [www.lakegroup.com.au](http://www.lakegroup.com.au) for more ideas and please get back to me with your ideas and comments.



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*He has developed an intensely practical approach to strategy and strategic planning and his methodology has been used by thousands of businesses around the world.*

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