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WEBINAR SUMMARY

The Big Lie of Strategic Planning

Featuring Roger L. Martin

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The Big Lie of Strategic Planning

PRESENTER:

Roger L. Martin, Institute Director, Martin Prosperity Institute, and Former Dean, Rotman School of Management, University of Toronto

MODERATOR:

Jeff Kehoe, Executive Editor, Harvard Business Review Press

Overview

Many executives are afraid to place bets and make hard strategic choices. Instead, they fall into the “comfort trap” of preparing strategic plans that include lofty mission statements, uninspired initiative lists, and budget data that emphasizes cost-based thinking rather than customer needs.

When developing strategy, organizations must recognize that the most important question is: *What would have to be true for this strategy to be successful?* Savvy companies focus on a few strategic options and recognize that no matter what strategy they pursue, it won't be perfect. Effective strategy development is simple and focuses on making the logic explicit.

Context

Roger Martin discussed the pitfalls associated with typical strategic planning processes. He offered guidelines and frameworks for organizations to create effective strategies.

Key Takeaways

The typical approach to strategic planning isn't useful for companies.

Roger Martin has a “love-hate” relationship with strategy and strategic planning. While he loves strategy, he hates strategic planning and strategic plans. Three reasons why the typical strategic planning approach isn't helpful for most companies are:

1. **Strategic plans aren't action oriented.** Most documents begin with a lofty vision and mission statement, followed by a list of initiatives, and conclude with financials, which are basically a budget surrounded by prose. In most cases, the list of initiatives doesn't explain why they are compelling for the organization's success.

2. **Income statements assume that revenues are within the company's control.** Companies can plan for expenses, since these are completely within their control. Sales, however, are entirely at the customers' discretion. There is no way for companies to plan for a specific volume of sales.

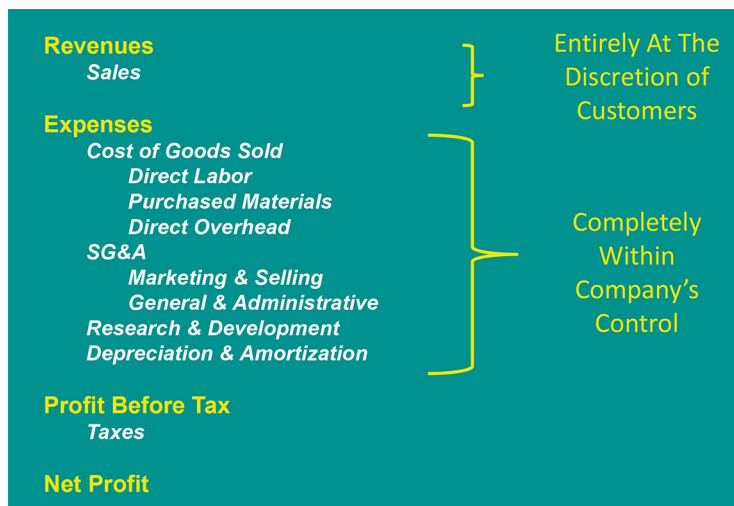


FIGURE 1: THE TYPICAL INCOME STATEMENT

3. **Popular strategic frameworks are self-referential.** For example, most interpretations of “emergent strategy” are a misappropriation of Henry Mintzberg’s original concept. Some companies believe they shouldn’t plan and instead should take a reactive approach when things occur. Another example is the resource-based view of the firm. This focuses on capabilities, rather than investments related to what customers value. Although these strategic frameworks are comfortable for organizations, they aren’t helpful.

Strategy results from a few key choices.

Strategy doesn’t have to be complex. Sound strategies are based on answers to five questions:

1. **What is the organization’s winning aspiration?**
2. **Where will the organization play?**
3. **How will the organization win in the market it has selected?**
4. **What capabilities does the organization need to win?**
5. **What management systems are required to be successful?**

After answering these questions, it is possible to capture a company’s strategy on one page.

Strategy isn't about perfection.

Strategy requires two skills:

1. **Rigor.** Rigor is appropriate for aspects of the world that cannot be changed. In this environment, organizations should conduct analysis to determine the causes of the observed effect and then optimize for the inevitable outcome.
2. **Creativity.** Creativity is appropriate for the parts of the world where things could be different from what they are now. In this situation, analysis isn't a viable way to come up with a solution. Instead, organizations must imagine different possibilities and select the one for which the most compelling argument can be made.

Since the business world is always changing, sometimes strategic choices will be right and sometimes they will be wrong. They will never be perfect.

Organizations must make their strategic logic explicit.

To make strategic logic explicit, a good first step is to reframe the business problem as a strategic choice and identify different possible solutions. For each possibility, the team must ask what would have to be true for an option to be a great idea. This analysis will identify potential barriers to success and will help the team decide which path to pursue.

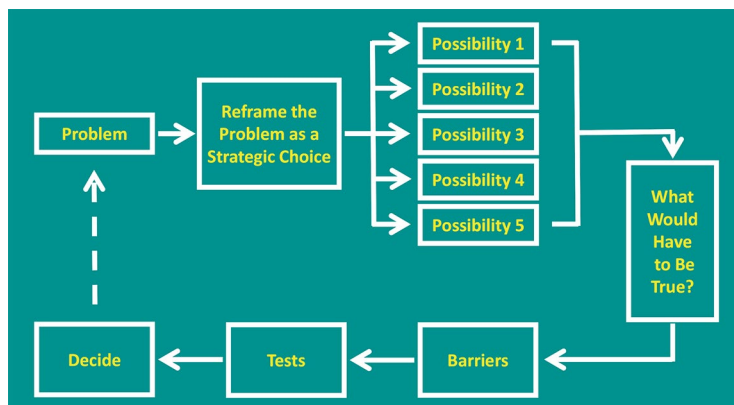


FIGURE 2: MAKING STRATEGIC LOGIC EXPLICIT

“The most important question in strategy is: What would have to be true for this to be successful? The secret is to focus on a few key choices and recognize that the strategy won't be perfect. Strategy can be simple, fun, and effective.”

—Roger L. Martin

Effective strategy development is a continuous process.

Insights about how to successfully develop strategy, as well as pitfalls to avoid, include:

- **The current focus on data and analytics may be harmful.** When it comes to analytics, most organizations measure what is easy to quantify, rather than what really matters to the business. In addition, most business school curricula place too much emphasis on analytics. As a result, graduates focus on optimizing existing conditions within their companies, rather than imagining new and innovative possibilities. Data and analysis alone are only helpful if the business environment isn't going to change. Concern also exists about applying data and analytics to people and human behavior, since people change over time.
- **Integrative thinking supports effective strategy development.** Integrative thinking is a tool that blends the best of different options and generates better strategic possibilities. For example, The Four Seasons hotel chain created its business model by blending the friendly atmosphere of small motels with the amenities of large hotels. The result is medium-sized hotels with high service, many amenities, and a welcoming environment.
- **Successful strategies offer simple, elegant solutions.** The goal of strategy isn't to make the complex world less complicated, but to create simple and elegant solutions to challenges presented by complexity. If your team's strategy is complex, more work must be done. When large enterprises can't get to simplicity, they are often broken up by investors.
- **Strategy development is continual.** Strategy isn't something that can be created once a year and then tabled. As a part of strategy development, teams must generate a list of things that have to be true for the strategy to succeed. On a regular basis, teams must review this list and ask if the factors still hold. If the answer is no, they must reevaluate the strategy immediately.

“The future is hard to predict accurately. For this reason, it's dangerous for organizations to fall in love with their current strategies. Strategy development must be a continuous process.”

—Roger L. Martin



Roger Martin is the Institute Director of the Martin Prosperity Institute and the Michael Lee-Chin Family Institute for Corporate Citizenship at the Rotman School of Management and the Premier's Chair in Productivity & Competitiveness. From 1998 to 2013, he served as Dean. Previously, he spent 13 years as a Director of Monitor Company, a global strategy consulting firm based in Cambridge, Massachusetts, where he served as co-head of the firm for two years.



Jeff Kehoe joined Harvard Business Review Press in 2000. Prior to that, he was a history and social sciences editor at Harvard University Press, a U.S. Marine, and professional musician. He has a broad range of interests at the Press including innovation, strategy, technology, social media, and leadership, and he has edited many successful books, including: *The Ultimate Question 2.0* by Fred Reichheld & Rob Markey, *Fixing the Game* by Roger Martin, *Being the Boss* by Linda Hill & Kent Lineback, *Does IT Matter?* by Nicholas Carr, *The Future of Management* by Gary Hamel, *A Sense of Urgency* by John Kotter, *The First 90 Days* by Michael Watkins, and many others.