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On Strategic Planning

HOW STRATEGIC IS YOUR STRATEGIC PLANNING ? REALLY.

THE EQUATION OF STRATEGIC PLANNING EXCELLENCE



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The strategic planning process is a point of multiple intersections within the company. Indeed, it is ultimately aimed at translating the company’s strategy into a coherent and ready-to-implement plan of key initiatives across the firm’s business lines, market segments, geographies, and functions. Besides, it provides a roadmap for the realization of the firm’s strategic purpose and overarching ambitionsⁱ, and for the achievement of the corresponding financial targets while considering the distinctive strengths and weaknesses of the firm’s business operations. Finally, it is at the crossroads of the strategic, financial, and operational functions.

These multiple intersections undoubtedly go on a par with the complexity to serve and satisfy numerous stakeholders.

Unfortunately, there is a large consensus of unsatisfaction and perception of low added value among senior executives. Indeed, most of them view the strategic planning process as a financial spreadsheet technocracy, and as a time-consuming, bureaucratic, and static process whose output looks like a mere extrapolation of the past rather than an insightful strategic projection into the future.

While the legitimacy of these observations will vary according to the firms, these statements do not only send a strong message to the strategic planning process owners, they more fundamentally raise

the question of how to make the process as strategic and effective as possible.

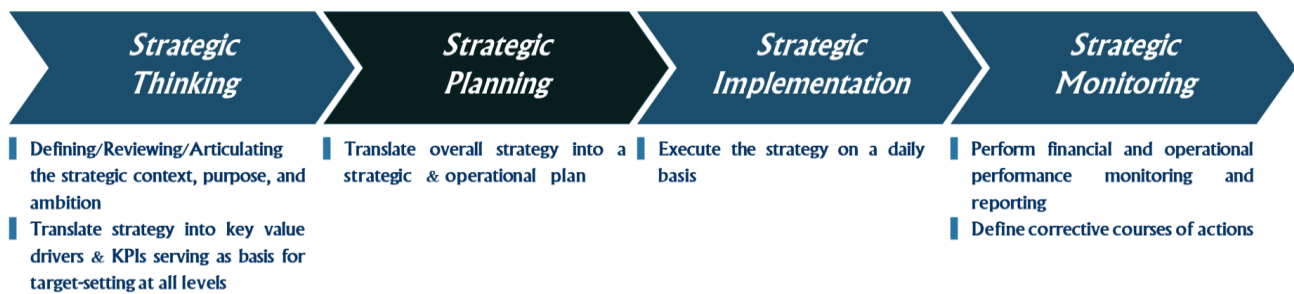
To answer that question, we will first analyze the role of strategic planning in the strategy-making process. Subsequently, we will present the keys for strategic planning excellence.

STRATEGIC PLANNING IN THE STRATEGY-MAKING PROCESS

We see strategy-making as a two-fold process i.e. a process leading from strategic insights to tangible results and a leadership team decision-making process to help determine those quantifiable results.

While the leadership decision-making process is critical and would deserve an article on its own, we will focus here on the role strategic planning plays in the strategy-making process as the link between strategic thinking on one hand, and strategic implementation and monitoring throughout the organization on the other hand.

The Strategy-Making Process



Source: Maïna K. M’Poyo Analysis

FROM STRATEGIC INSIGHTS TO TANGIBLE RESULTS

Strategic Thinking. The “Core DNA” of the strategy-making process, strategic thinking is primarily about defining –or reviewing– the firm’s strategic context, purpose, and ambition.

Strategic Context. It consists of both the firm’s strategic vision –i.e. its vision on the market evolution, the sense of direction it has charted for itself, and the type of enterprise it ambitions to become– and the firm’s mission stating the initiatives a firm intends to undertake to fulfill its –vision.

Strategic Purpose & Strategy Definition. The definition and articulation of the strategic purpose of the firm rest on the strategic context of the firm and allow to shape and formalize both the firm’s societal and strategic ambitions.

Deeply grounded in the analytics of the outside world (e.g. market structure and the nature competition, market drivers, current and emerging trends), **strategy definition** is aimed at defining the firm’s market positioning and the fundamental elements of the business model it will develop to distinctively create, capture, and sustain economic value while realizing its strategic ambitions; which leads to the analytics of the firm’s inside world in order to define the capabilities-based strategy to follow in the pursuit of its strategic purpose.

Strategy Translation. This step consists in translating strategy into key value drivers and performance indicators serving as basis to set targets at the various levels of the firm to determine each entity’s strategic contribution to the overarching corporate objectives.

Strategic Planning. It aims to translate the firm’s strategy into a plan of strategic initiatives across the firm’s businesses, markets, geographies, and functions.

Operational Translation & “Core Planning”. At this stage, the strategic target-setting is further translated into a pluriannual strategic and operational planning, and subsequently into an annual budgeting at each level of the firm with the appropriate level of managerial accountability. This step makes strategy more operational and facilitates the strategic implementation and monitoring phases. It also facilitates the strategic dialogue with executive stakeholders about the operational feasibility of the firm’s strategy.

Strategic Implementation is nothing less than the **day-to-day strategy execution**.

Strategic Monitoring covers strategic, financial, and operational performance monitoring through reporting and the identification of corrective courses of actions, should the firm be off-track to meet its corporate objectives or should market conditions require adaptation.

THE EQUATION OF STRATEGIC PLANNING EXCELLENCE

While we do not believe in any kind of managerial magic formula for excellence, we believe there is an equation of strategic planning excellence that can lead to a competitive advantage for the firms willing to truly unleash the strategic power from this capability.

In our view, defining that equation requires a holistic view on its components and on the way the principles of excellence apply to them.

We see strategic planning as both a process and a function.

By definition, the process component refers to the “*Core Processes & Tools*” leading to the strategic plan articulating the strategic, societal, operational, and financial objectives of the firm while taking into account their time of realization.

The function component refers to the “*Leadership & Governance*” and “*People*” dimensions of strategic planning. In particular, it highlights the quality of the leadership structure and of the underlying skills and capabilities required to bring the strategic planning process to life.

Consequently, the equation of strategic planning excellence aims to define excellence both across and within its process and function components, which

we respectively call the *hard and the soft sides of the equation of strategic planning excellence*.

THE HARD SIDE OF THE EQUATION: STRATEGIC PLANNING AS A PROCESS

Strategic planning excellence starts with process excellence i.e. the highest level of process effectiveness and efficiency allowing the firm to excel at the translation of its strategy into a plan, at the quality of the strategic discussions resulting from the process, and eventually at the consistent achievement of its objectives.

To meet the requirements of strategic planning excellence, firms need to distinguish themselves on the following points:

- Consider different strategic planning timelines aligned with their industry lifecycle and dynamics,
- Separate the strategic and operational dimensions from the financial dimension of the strategic planning exercise,
- Enforce an end-to-end vision of the strategic planning process –and execute it accordingly.

Dual Strategic Planning Timeline

While most strategic planning processes traditionally follow one static, fixed timeline, we believe that strategic planning excellence requires to follow a dual, flexible timeline according to industries' lifecycle and stages of evolution. This will ensure to constantly keep sight of market evolutions.

Consequently, in a strategically offensive mode, it will increase the probability to consistently align strategic initiatives or bets with emerging or stated trends. In a strategically defensive mode, this may allow the firm to defend its market position against competitive threats that might have been missed otherwise.

The Strategic, Mid- to Long-Term Timeline. This strategic planning timeline should reflect both the pluriannual character of some strategic initiatives –or bets– and the anticipated stages of evolution of the industry the firm competes in at the time of the strategic planning exercise.

More specifically, companies should tailor the duration of their strategic planning timeline according to the fundamentals of their industries, beyond the common practice considering a three- to five-year period the typical mid-term timeframe,

and everything beyond five years the typical long-term timeframe.

Indeed, for instance, the application of the typical five-year timeframe for long-term strategic planning might be considered irrelevant for an oil and gas company whose industry lifecycle spans beyond 20 years and with 10+-year investment realization periods.

Similarly, the typical five-year timeframe would not suit the industry lifecycle and dynamics of an internet-based or a high-tech company either. Indeed, considering the fast-paced sector and the increasingly higher speed of technological evolution, in five years time, a company might well have already gone out of business, an emerging technological standard might have been replaced twice, or the regulatory framework might have dramatically changed the nature of the competition. In such industries where two years already seem to be a far-stretched timeframe beyond which there is seldom visibility, the quantification of what mid- to long-term actually means is critical.

Both examples forcefully illustrate the need for customization of corporations' strategic planning timelines to align them with their industry dynamics and stages of evolution, as well as with the firms' respective strategic context.

Nonetheless, advocating for strategic planning timelines customization does not mean that the traditional three- to five-

year timeframe should automatically be dismissed without any consideration. But we do believe they should at the very least be given careful thought in a context where firms compete in variable geometry industries where fundamentals, underlying macroeconomic factors, speed of evolution (and obsolescence), business models, and sources of competitive advantage might virtually change overnight.

The Tactical, Short-Term Timeline. Next to the *Strategic Timeline*, a *Tactical Timeline* should coexist as a roadmap for shorter-term projects, including those that would typically fall into the annual budgeting process timeframe.

As for the *Strategic Timeline*, the quantification of the “term” might require customization according to the industry drivers, dynamics, lifecycle, and stages of evolution. Moreover, it would also require customization according to the firm's *Strategic Timeline* to ensure the consistency of all strategic planning timelines.

Dual Financial Planning & Budgeting Timeline

The dual Financial Planning & Budgeting Timeline is the financial counterpart of the dual Strategic Timeline. It is derived

from the financial planning & budgeting process which is a natural derivative of the strategic planning process.

Concretely speaking, this has two major implications. Firstly, and very logically, it implies that the mid- to long-term timeline of the financial planning and budgeting process should follow the *Strategic Timeline* and that the short-term timeline of the financial planning and budgeting should follow the *Tactical Timeline*, while acknowledging that the first year timeframe should coincide with the budget. Secondly, this ensures the firm constantly keeps sight on the long-term financial viability of its strategic initiatives and on the best resource allocation decisions in a timeframe and at a priority level in line with that of the industry evolving dynamics.

At first glance, the hierarchy that makes the financial dimension of the strategic planning derive from the strategic dimension and that separates the strategic from the strictly financial discussions may seem obvious. However, experience has showed us that circumstances such as changing business assumptions, process complexity, tight reporting deadlines, countless iterations among various stakeholders, and the impact of the strategy on rewards systems –just to name a few– might rapidly dilute the strategic character of the process and transform it into a merely incremental version of the

budget; which should be avoided at all costs.

Consequently, by and large, this dichotomy between the strategic and financial dimensions of the process constitutes a real key of strategic planning excellence.

Strategic Planning Continuum

Strategic Planning is as much about strategizing the firm’s plan than it is about planning the firm’s strategy. Hence, strategic planning excellence requires to think, design, and execute the strategic planning process as an integral part of the firm’s strategy-making process.

Having an effective, engaging, and strategically stimulating planning is only half of the solution to the “*hard side of the equation*”. The second half of that solution –i.e. making your strategic planning strategic– consists in designing and experiencing the strategic planning process as a continuum of activities that will eventually lead to the achievement of the firm’s strategic ambitions.

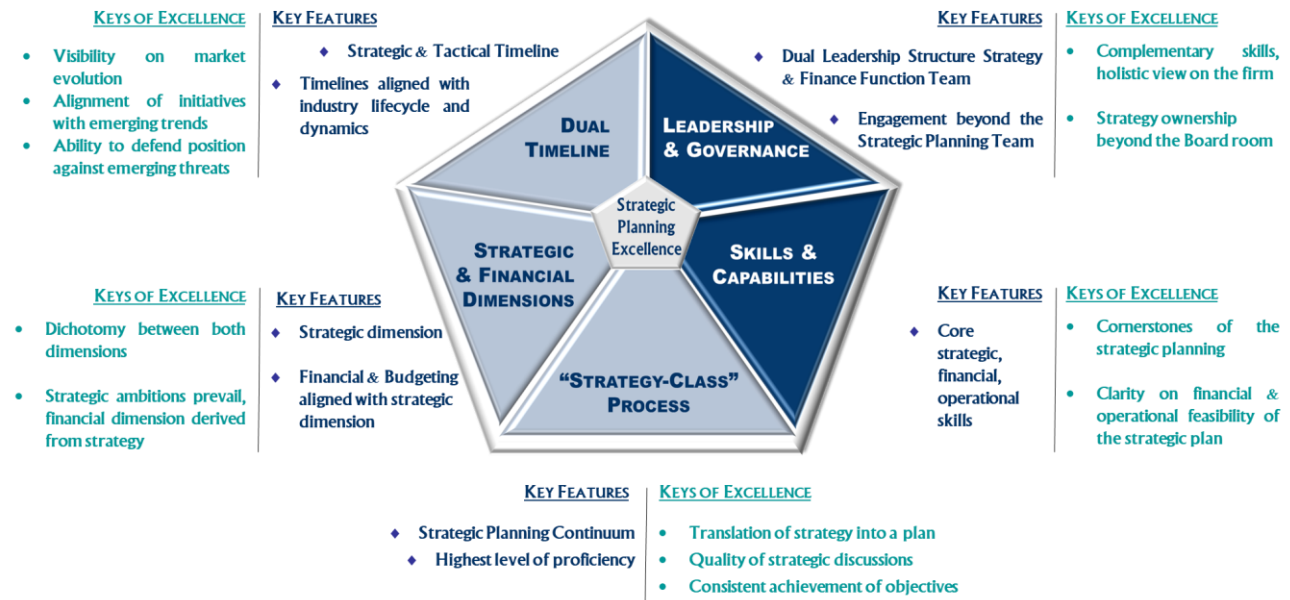
In the light of the aforementioned process description, leveraging the three other building blocks of the strategy-making process i.e. strategic implementation, monitoring, and thinking will ideally complete firms’ strategic planning efforts.

Strategic Planning: From Excellence to Value

Through strategic planning excellence, firms have the opportunity to translate strategic planning into a competitive advantage that will allow them to consistently deliver the strategic plan enabling the actual delivery of their ambioned strategy and value creation objectives.

Process Excellence

Functional Excellence



Strategic Planning for Strategic Results

Capability-Based Competitive Advantage

SOURCE OF VALUE CREATION

- Turn process excellence into a strategic plan that meaningfully contributes to strategic implementation that will ultimately help the firm deliver the bottom-line results ambioned by the strategy.

SOURCE OF VALUE CREATION

- Turn high level of skills & capabilities into a competitive advantage thanks to an outstanding leadership and through training & development of strategic planners.

Source: Maïna K. M’Poyo Analysis

In other words, being sharp on day-to-day execution and even sharper on performance monitoring and on the identification of the required courses of actions to meet the firms’ corporate objectives can be seen as an extension of the strategic planning. By the same token, reviewing the firm’s strategy in the occurrence of significant variances against performance targets or significant changes in market conditions might also

further adequately complete the strategic planning activities.

THE SOFT SIDE OF THE EQUATION: STRATEGIC PLANNING AS A FUNCTION

Looking at strategic planning excellence from a functional perspective implies to consider the underlying human factor of excellence through the “Leadership & Governance” and “People” dimensions of strategic planning.

The Leadership & Governance Dimension of Strategic Planning

The primary factor of excellence of any process lies in its Leadership & Governance dimension. In that regard, strategic planning makes no exception. With nothing less than the firm’s future at stake in a multi-stakeholder environment, one of the key questions to raise is **“Who Should Be in the Driving Seat?”**

The *Leadership & Governance* dimension of strategic planning raises a three-fold issue. Firstly, it raises the issue of the most effective leadership structure to drive this process at the intersection of the firm’s strategy department, finance function, and business operations –i.e. business lines and other support functions. Secondly, asking who should be in the driving seat indirectly asks who the co-pilot should be to help drive the business forward. Thirdly, it raises the question of the engagement of the organization beyond the governance structure to ensure overall ownership of the strategy and the achievement of the firm’s stated strategic ambitions.

Our vision is that the strategic planning *Pilot & Co-Pilot duet* should be the strategy department and the finance function, respectively leading the strategic and the financial dimensions of the process.

On one hand, we see the strategy team as the ultimate accountable for the outcome

and as chief orchestrator of the whole strategic planning process. On the other hand, we see the finance function – steward of the financial performance and integrity of the firm– as coordinator of the financial planning & budgeting effort to ensure the financial consistency of the strategic plans across all dimensions of the firm.

Obviously, both the strategy team and the finance function will play a pivotal role in the strategic planning effectiveness and efficiency. However, the overall success will also be tied to their capacity to involve a wider group of executive stakeholders across the firm’s C-suite, business lines, and operations. Additionally, that wider group might even be further extended to the Board of Directors and its non-executive directors according to the terms of their collective mandate as a Board and their respective individual mandates.

Skills & Capabilities for Strategic Planning Excellence

It is of paramount importance to realize that a distinctive strategic planning capability ultimately comes down to the skills and capabilities of the strategic planners who own, run, and orchestrate the process and bring to life the hard side of the strategic planning equation.

More than that, they bring to life the potential competitive advantage strategic

planning excellence may represent for the firm.

Skills & Capabilities. Serving as a navigation quadrant leading the firm to nothing less than its newly defined –or reviewed– strategic destiny, strategic planning is a key milestone in the firm’s strategic journey. In this respect, it is an inherently complex, multidimensional, and multidisciplinary exercise requiring the combination of high-level strategic, financial, and operational skills and knowledge.

When looking at strategic planning as a function, we view this skillset as the most relevant to help the firm’s senior leadership address, shape, and formalize the high-stake strategic decisions and to engage effectively with the multitude of stakeholders.

These skills and capabilities can be summarized as follows:

- **Strategic Thinking Skills** through which **Strategist Planners** demonstrate an outstanding capacity to contribute to the articulation of the firm’s strategic context, purpose, and ambition. Furthermore, Strategist Planners possess a strong business acumen and a clear understanding of industry trends and of elements

such as the link between the firm’s performance and shareholder value. Finally, Strategist Planners must be able to initiate and engage in insightful strategic discussions with senior management.

- **Core Financial Expertise & Strategic Finance Capability.**

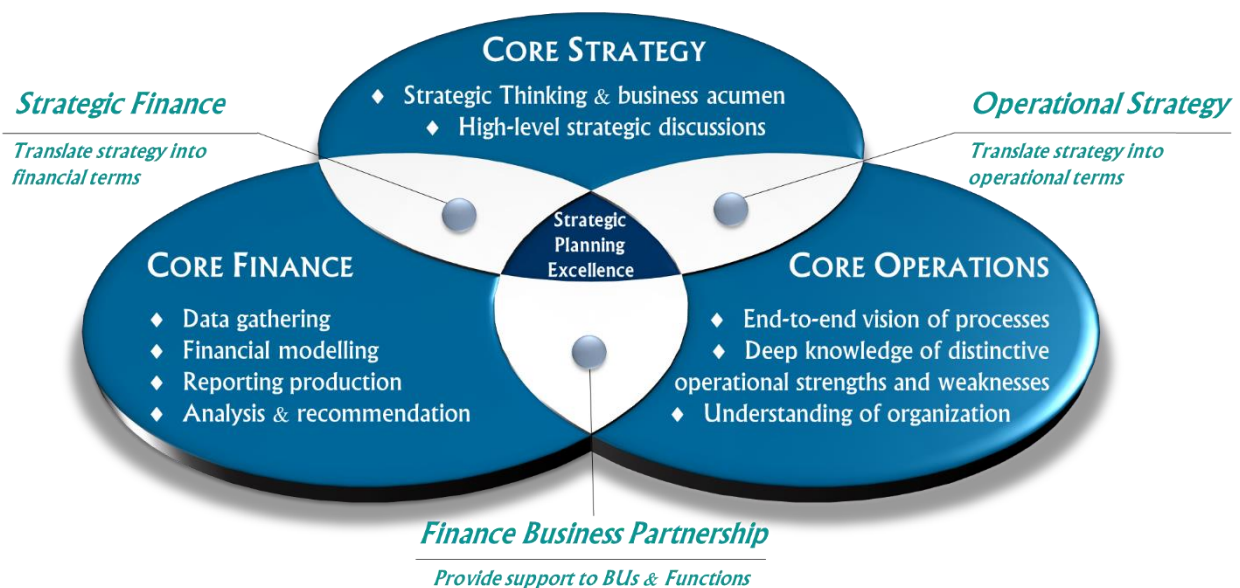
Acting as stewards of the firm’s financial integrity and as business partners of all entities of the firm, **Finance Function Planners** are the custodians of the underlying financial discipline of the strategic planning process. We believe the first critical capability finance function planners should master is the ability to translate the strategy into financial terms.

By so doing, they will be able to put the financial viability of the strategic plan into perspective –and constructively challenge the firm’s senior leadership to that aim if necessary.

Beyond this strategic finance capability, they will obviously bring their mastered core financial skills to the table –i.e. data gathering, financial modelling, reporting production, and analysis and recommendation based on financial insights– so as to apply them in the context of the strategic planning.

Finally, mirroring their strategists counterparts, they should be able to engage effectively in high-level discussions and to nurture the

Strategic Planning Excellence Skills & Capabilities



Source: Maïna K. M’Poyo Analysis

strategic debate with their financial insights.

- **Operational Knowledge & Exposure.** According to us, the operational skills required in the context of the strategic planning are an end-to-end vision of the firm’s core processes as well as a deep, intimate knowledge of the firm’s distinctive operational –and organizational– strengths and weaknesses.

Beyond the skillset itself, the stake is to ensure that the strategic planning team and all stakeholders keep sight of the operational feasibility of the strategic plan. Alternatively, the key is to highlight the operational development needs to materialize even the boldest of the firm’s strategic ambition.

While any C-Suite would sign for a strategic planning team whose members would all combine these three skillsets, one might easily acknowledge that this is a rather rare combination to have, let alone to replicate at scale.

Therefore, a pragmatic two-step approach to build such a high-performing strategic planning team might prove particularly effective in that regard. The first step consists in hiring strategic planners with outstanding functional expertise in one of the three areas and, ideally, with –at least generic– exposure to the other areas in order to have a stimulating internal debate to make sure the strategic planning team can act as an effective sounding board to the firm’s top

management. The second step consists in investing in and developing the strategic planners’ complementary skills to further increase the overall capabilities of the strategic planning team and further enhance its capacity to be a driving force of proposition throughout the strategic planning process.

THE ULTIMATE PURPOSE OF STRATEGIC PLANNING EXCELLENCE

FROM EXCELLENCE TO INTANGIBLE VALUE TO TANGIBLE RESULTS

So, at the end of the day, one might still be asking what the whole point of strategic planning excellence is. There is a two-fold answer to that question.

On the one hand, a skeptical mind might be tempted to consider that excellence for the sake of it has little meaning and that strategic planning does not require such a reinvention. *“As a support function, this is not where the business is done after all”*. On the other hand, a smoother and more strategically oriented answer is to consider that strategic planning excellence –as any form of excellence– needs to be purposefully directed to extract the quintessence and the greatest value from it.

This implies to have a clear definition of the strategic planning added value in the

first place, which might prove a challenge for leadership teams, considering strategic planning is a support function.

In this respect, the equation of strategic planning excellence provides senior executives with a 5-dimension framework highlighting keys of excellence leading to elements of essential value for the firm:

- Firm-specific, customized strategic planning timelines in tune with industry dynamics,
- High-quality strategic discussions where long-term strategic boldness prevails over short-term financial incremental updates,
- High process effectiveness and efficiency,
- High level of skills and capabilities of strategic planners (in continuous learning development),
- Outstanding leadership, acting as the ultimate accountable for the whole and instilling strategic engagement beyond the governance team.

Although all these elements represent intangible value, they do constitute a necessary path towards the realization of the ultimate purpose of strategic planning excellence.

On the soft side of the equation, the firm should purposefully strive to translate functional excellence into a capability-based competitive advantage allowing it to unlock the power of the hard side of the

equation. On the hard side of the equation, the firm should purposefully strive to translate process excellence into its ultimate purpose i.e. delivering a strategic plan that helps the firm consistently –year after year– achieve its strategic ambitions as measured by its tangible results.

Hence, by turning functional and process excellence into competitive advantage and consistent achievement of planned results, firms do not only address the soft and hard sides of the strategic planning equation, they actually solve it.

The challenge for the whole organization is that the solution to the equation of strategic planning excellence is never static. It is as dynamic as the strategy it is expected to reflect.

Hence the imperative to design, execute, experience, and communicate about this

process as an integral part of the strategy-making process. This is what will make strategic planning really strategic rather than a mere extrapolation of the past. This is what will make it a “strategy-class” process i.e. a process translating strategic thinking into a really strategic plan to better serve strategic implementation that must lead to the strategic results ambitioned by the firm.

Fundamentally, a “strategy-class” process and the capability-based competitive advantage supporting it are the ultimate purpose of strategic planning excellence because, ultimately, strategic planning is as much about strategizing your plan as it is about planning your strategy.

¹ See our article “*The Strategic Purpose of the Firm*” on www.mainakmpoyo.com