Putting the “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.

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**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*

- **44%** Useful Time
- **56%** Wasted Time

\( n = 464. \)

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.
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

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.

Impact of Drivers on Executives’ Thinking About Long-Term Growth

*Relative Contribution to Multiple $R^2 = 0.54$*

<table>
<thead>
<tr>
<th>Driver</th>
<th>Relative Impact</th>
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</thead>
<tbody>
<tr>
<td>Establishing a Well-Defined, Clear, Structured Process</td>
<td>11%</td>
</tr>
<tr>
<td>Driving Urgency</td>
<td>17%</td>
</tr>
<tr>
<td>Establishing a Common Language</td>
<td>20%</td>
</tr>
<tr>
<td>Presenting the Future in Operational Terms</td>
<td>23%</td>
</tr>
<tr>
<td>Leveraging Peer Voice</td>
<td>29%</td>
</tr>
</tbody>
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$n = 48$.

Source: CEB 2015 Annual CSO Survey.

These variables explain 54% of the variance in planning participants’ ability to think about long-term growth in a multivariate regression ($R^2 = 0.54$). Preliminary findings. The relative impact of each of the top three mitigation tactics were calculated using relative weight analysis, which calculates the percentage contribution of each variable to the $R$-squared of the five-variable model of long-term thinking during planning.