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How CEOs Are Using Gen AI for Strategic Planning

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Summary.

For business leaders, especially at relatively small companies, the idea of applying gen AI to strategic planning is mouthwatering. This article explores the potential and limits of AI in helping such companies chart their strategies. Through the lens of two disguised case studies the authors show how gen AI can help companies identify some challenges and opportunities that managers missed, overcoming the human biases, but by the same token missed some possibilities rooted in the company's specific capabilities. And although gen AI was less able to imagine possible future scenarios because its forecasts were entirely rooted in historical data, clever prompting enabled it to surface issues and questions that human managers ignored. The authors conclude that knowing gen AI's weaknesses allows managers to take advantage of its strengths. The key is to view gen AI as a tool that augments, rather than replaces, your strategic thinking and decision-making.

The business community is all atwitter at the prospect that gen AI — through the likes of ChatGPT, you.com, and Claude.ai — will revolutionize business decision-making. Sam Altman, CEO of OpenAI, even declared [“you are about to enter the greatest golden age of human possibility.”](#)

For business leaders, the idea of applying gen AI to strategic planning is mouthwatering. One manager recently exclaimed that he couldn't wait for the time when “AI can help identify opportunities that don't exist yet!”

But is there a chance we're overestimating gen AI's capabilities? How do we identify the areas, if any, where gen AI can boost strategic planning? Are all gen AI tools the same, or are some of them more capable in certain scenarios?

To answer these questions, we detail two business cases involving activities central to strategic planning. (Note: The names have been changed.)

Overcoming Blind Spots and Predicting the Future

Keith is CEO of Trident, a commercial agricultural research organization with 120 staff. Trident is the dominant player in its field of independent contractors. Its clients engage the company to conduct trials to improve cereal, vegetable, and fruit cultivation.

Keith called together his executive team of five for their annual strategy retreat. As Keith explained, “this gives us a chance to sit back and evaluate things. Usually, we're on the hop keeping up with trials and reporting their results. It's relentless.”

One step in the process involved listing the “key strategic issues” that Trident faced. As Keith explained “these give us a springboard for our deliberations. Our strategic plan must address these issues.”

Here’s Keith’s list:

- Competition
- Branch number and location
- Human resources
- Product pricing
- Profitability
- Climate

While Keith and his team were happy with their list, they recognized they had a limited perspective. Keith reflected. “We’re agricultural scientists. We know our game, but we don’t know any others. I’m wondering if gen AI might be able to help with that.”

Keith also wondered about the future. “Can gen AI help us forecast future demand for our services?”

How Gen AI Can — and Can’t — help.

Keith raised two highly relevant questions that we often hear from strategic planning teams.

The first of these concerns bias, i.e., having a blinkered view based on a team’s professional training and industry experience. Keith wants to tap into a viewpoint outside agricultural science to produce a fresh perspective. To do this, he could replace several of his executives with others from outside his industry. However, this is hardly practical. An alternative is to employ gen AI. We assisted him with the following prompt:

We’re a commercial agricultural research organization. With 120 staff, we are the dominant player in our field of independent contractors. Our clients engage us to conduct a wide range of field trials of cereals, vegetables and fruit. What are the key strategic issues we’re likely to face in the future?

The response contained nine headings. Under each were two action points. Was there anything new? Yes. But there were also omissions.

The gen AI tool didn’t pick up two items on Keith’s team’s list. These were “branch number and location” and “profitability.” Branch location is a very specific issue to Trident and gen AI can hardly be expected to know about that. Not mentioning “profitability” is, we think, a big miss. Also, while gen AI picked “competition” as one of its nine issues it didn’t mention the critical issue of “product pricing.” It is a critical issue in this industry as work is won on a tender basis.

ChatGPT's underlying large language model, though trained on vast data, lacks access to company-specific information, explaining some omissions. Keith should note that these systems are "non-deterministic," meaning each response may differ. To mitigate this, Keith could regenerate responses to see alternative answers (in ChatGPT, press ChatGPT under the initial response). We also found that asking gen AI tools to simply "provide 10 more ideas" helps create a long list and avoids such blatant omissions.

On the positive side, gen AI presented four important areas that Keith's team missed: "technological advancements," "regulatory changes," "client demand and expectations," and "funding and investment." All of these are pertinent to Trident's business strategy. So, on Keith's first question (can AI provide a non-agricultural perspective?), we decided that gen AI had succeeded. It helped Keith's team with divergent thinking, a [key skill in any successful transformative team](#). Keith's second question, "Can AI forecast future demand for our services?" proved more challenging for gen AI. While gen AI is a sophisticated technology, it cannot predict the future. This is because gen AI tools are loaded and trained on historical data. The question requires looking forward, not backward, for making projections about the bottom line, such as future sales figures or achievable growth. Here the experience of Keith's team provides the best predictions, and this requires each member of his team to have their antennae out.

However, with clever prompting, gen AI tools can provide the team with food for thought. We framed the prompt as "What will impact the future demand for our services?" The tool highlighted seven factors, from "sustainability and climate change" to "changing consumer preferences" and "global population growth." These drivers help Keith's team think more broadly about demand.

Addressing Trends and Developing Scenarios

Angeline is the CEO of Fitzroy Cemetery and Crematorium. The strategic planning exercise she organized involved her and her executive team of seven coming together over two days to develop the organization's five-year strategic plan.

Angeline's business is government-owned, and while nonprofit, must balance its books. Its main site covers 145 acres of well-maintained ground and provides burial plots, a crematorium, three large chapels, a florist, a café, and function centers.

One important step in the process was to identify "industry changes and trends." To broaden ideas Angeline invited Fitzroy Cemetery and Crematorium's board of six to join her executive team. "They don't hold internal executive positions and can provide a fresh perspective," she explained. The group came up with this list of industry changes and trends:

- Shift from burials to cremations
- Increased demand for first-class function centers and catering on site
- A competitor buying other funeral directors and cemeteries
- Shortage of suitable land for future expansion

- Families and funeral directors requiring a wider range of video and audio facilities
- Growth in different forms of cremation and burial that are more environmentally friendly

While Angeline was satisfied with the outcome, she wondered how gen AI might assist in addressing these changes and trends. She had two questions: 1) Did her team's list reflect the current trends in the industry? And 2) what was the likely future for the industry, given the shortage of land and the increased interest in environmental practices?

How gen AI can — and can't — help.

To help Fitzroy with the first question, we gave a gen AI tool the list developed by Angeline's team and asked: "Act as a strategic management consultant. Based on industry challenges, provide recommendations on what is missing from the list relevant to our business strategy?"

While the tool offered a few recommendations of trends that covered what Angeline's team had considered, it also posed four that were more "thought-provoking" and worthy of consideration by the team:

- Aging population and changing demographics
- Mental health and grief support
- Price sensitivity and transparency
- Regulatory changes and compliance

Angeline noted that "the additional suggestions will help us design our strategy for the future".

We framed the prompt for the second question as: "If there was no more land available for burials, what could other alternatives be?"

The results were intriguing and a bit laughable with suggestions such as "launching cremated remains into orbit or deep space" and "using liquid nitrogen to freeze and vibrate the body into particles." However, there were some good suggestions too, such as "employing multi-story buildings for burials" and "creating memorial forests instead of traditional cemeteries." These offered alternative out-of-the-box suggestions for Fitzroy Cemetery and Crematorium to consider in the long term.

Some gen AI tools, such as you.com, offer "retrieval augmented generation," or RAG, blending large language model outputs with most-current internet data. This approach provides up-to-date information and can potentially incorporate internal company data, addressing issues like those in Keith's case. However, such capabilities require organization-specific deployment. Public tools like ChatGPT or Claude.ai currently lack this feature.

If RAG were available for this case, Claude3 could potentially provide more industry-specific and up-to-date suggestions for land-use alternatives, incorporating recent innovations in sustainable burial practices and local regulatory changes. Thus, Angeline would have more relevant and actionable insights for her strategic planning.

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While gen AI offers significant advantages, it's crucial that you recognize its limitations for strategic planning. These come from the way gen AI works. It sifts through vast amounts of data and [sentence completes as it goes](#) with the most probable next word. While this is remarkable, in essence it's backward looking. However, knowing gen AI's weaknesses allows you to take advantage of its strengths. It can enhance your ability to identify opportunities, mitigate risks, and develop more robust strategy by dropping in some outside-the-box suggestions that may not have come immediately to mind. These must always be filtered with human discernment, but since the tool is so fast and cheap, why not give it a run?

The key is to view gen AI as a tool that augments, rather than replaces, your strategic thinking and decision-making.

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