

Harvard Business Review

Strategic Planning Should Be a Strategic Exercise

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October 04, 2022

Summary.

Many managers complain that strategy-making often reduces to an operational action plan that resembles the last one. To prevent that from happening they need to remember that strategy is about creating a system whereby a company's stakeholders interact to create a sustainable advantage for the company. Strategic planning is how the company designs that system, which is very different from an operational action plan in that it is never a static to-do list but constantly evolves as strategy makers acquire more insights into how their system of stakeholders can create value.

Over the years I've facilitated many strategic planning workshops for business, government, and not-for-profit organizations. We reflect on recent changes and future trends and consider how to engage with them for corporate success.

Before we start, though, many of the participants wonder if the exercise isn't just a waste of time. "Planning," they say, "will simply take over, and we'll just end up with more of the same."

But strategic planning does not have to reduce to devising an action plan. And it shouldn't. The key to making strategic planning a strategic exercise is to keep clearly in mind what is and isn't strategic. To unpick that advice, we'll look at the purpose of strategy and set out some basic rules for realizing that purpose.

What is strategic planning for?

Strategy is about positioning an organization, whether it's a business, a government, or a not-for-profit entity, relative to its competitors. And before you protest, let me make this clear: All organizations have competitors — for customers, for staff, for funds, for resources.

We see this at play in how Mercedes-Benz positions itself for customers against its competitors such as Ford, BMW, and General Motors. It does this on the strategic factors relevant to customer choice, such as product range, product design, price, customer service, brand, and so on.

But organizations also position themselves to attract other key stakeholders, such as employees or suppliers. Google, for example, is renowned for being highly selective about the staff it hires. The strategic factors for attracting the best employees are pay, promotional prospects, working conditions, organizational culture, and the like.

You might think that government departments or NGOs don't have competitors. They do: Government departments compete for funds with every other department and agency, while NGOs scramble for grants. They also compete for employees with other government bodies and NGOs, and they compete for supplies with just about every other organization. And they compete for critical supplies and resources with other organizations that have the same needs — from transportation to software — albeit often for different services.

Delving deep into stakeholder relationships is important, but it's only one part of strategic planning, which is also about mapping connections between stakeholders. For instance, doing well with employees not only propels competitiveness in attracting the best staff; in turn, it also entices customers through improved employee performance.

And this brings us to my definition of strategic planning: designing a *system* whereby the various key stakeholders of an organization interact to produce a *virtuous circle* that is, in turn, *a source of sustainable competitive advantage*. Get this right and you'll fast-track your organization to success.

Planning to create advantage

Here are a few pointers to help make your next strategic planning session really “strategic.”

1. Distinguish between operational and strategic plans.

The argument that strategic plans are inevitably not “strategic” is a straw man. Critics conflate strategic and operational plans and then show how strategic plans aren't strategic. It's true, operational plans aren't strategic. The primary focus of a strategic plan is competitiveness. It is designed to respond to change and future opportunities in a way to find advantage. The primary focus of an operational plan is efficiency. Operational plans are designed to roll out strategy via internal department programs developed by, for instance, HR, IT, marketing, and manufacturing.

Take Toyota, for example. A strategic position is decided by Toyota at the corporate level to add electric vehicles to its product range. This is then executed via a production plan rolled out in Toyota's factories. The first plan is strategic, the second is operational.

2. Don't think of your strategic plan as fixed.

Few plans ever turn out exactly as drafted. It may seem obvious to state this post-pandemic when every organization on Earth has had to contort itself to survive. But strategic planning's critics seem to think that strategic planners always assume that the world is standing still — and consequently are doomed to fail in an ever-changing world.

Don't forget that "strategy" originates from the Greek *strategos*, which means a general in command of an army. Military chiefs don't envisage that their plan of attack will remain static after contact with the enemy. Nor should you.

3. Aim for insight.

This is the most difficult shift of all. I've often come away from strategic planning sessions with a feeling that we didn't "nail it." Not that the clients weren't happy. They were. I was the one who felt we'd left something "on the table," so to speak. I've come to recognize that my disappointment, if I can call it that, was something I'd now label a lack of insight. What do I mean by that?

It's that aha moment when the "penny drops" or when you see something with fresh eyes. Should you experience this realization in your strategic planning, appreciate that you'll be ahead of your competition if you act on it.

Your insight can take many forms. It might be finally appreciating which market segment is most profitable to pursue, or understanding at last what new product will satisfy customers' needs best and turn out to be a winner, or appreciating what the new generation of employees wants from the modern corporation to become highly motivated.

So, at your next strategy retreat, I suggest that you push and push and push until that spark appears. Then you've "got it." You've found that difference that matters to your key stakeholders, be they customers, employees, or suppliers. Insight will set you apart from the crowd — and set you up for real success. It may take time, but it's worth the effort.

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Strategy involves a plan, written or not, to create advantage. Or to put it another way, it's a plan to create value for key stakeholders, which in turn produces competitive advantage. It can be written or organized in your head. Either way, planning doesn't have to stifle your ability to develop incisive strategy.

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