

Demystifying Strategic Planning

How to Create One and Effectively Lead Through The Gap

by Scott Patchin



In order to get to know a new client and his leadership experience I started our first meeting by asking “What is your experience around strategic planning?” He quickly pointed to a folder on the shelf above his desk and shared a story about partnering with a major university and working diligently through their process to come up with this plan. My next question was “How have you used it, and what has been the impact?” He shrugged “I have not opened it in a year, so I guess the simple answer is that it hasn’t made an impact.”

This whitepaper is for leaders, who have been frustrated with the execution of their strategic plans in the past, or who see the need for a longer term plan, but don’t know where to start.

Strategic planning has been written about extensively by such reputable sources as the Harvard Business Review, the Center for Creative Leadership, and thought leaders like Jim Collins, Peter Drucker, and A.G. Lafley. With all these experts weighing in on the topic, by the time it finally gets to the leaders of organizations I have seen it translated into a range of activities from simply defining values for the company to going on a multi-day leadership retreat. There are two big questions that have to be answered before we can move on about strategic planning:

What is a strategic plan?

What are the key outcomes of an effective strategic plan?



The three key gaps leaders need to create and manage within their organization:

1. Creating a performance gap for your organization (a.k.a. *strategic planning*).
2. Managing the gap in your organizational performance (a.k.a. *operational planning for leadership-team health*).
3. Managing the individual performance gap created by the previous two steps (a.k.a. *leadership or individual development*).

Section 1: Strategic Planning – What is it? (including key terms used during the process)

In my article around the key gaps that leaders need to master, I framed strategic planning around the leadership team's work of creating a gap for the organization to overcome. The key goal of strategic planning is the intentional creation of a picture of the current state and the desired future state for business.

WHAT IS A GAP?

A gap is the space between where we are and where we want to go. Sometimes, it's as simple as stepping onto a subway car, but in business it becomes a complex exercise to determine precisely what your current state is and to use some of those same measures to define a future state.

By doing this, a performance gap is created for the organization that will be bridged through their work. Specifically, the key outcomes of a strategic plan are:

1. Vision: Clear definition of the gap you are creating for the business (including any actions that need to be taken to gather data to confirm or challenge your assumptions).
2. Clear assumptions that were used in defining the gap: Defined by values, mission statement, a description of your target market, the three things that make your product or service unique in the marketplace, and a process that defines the customer experience.
3. Organizational assessment: What structure and skills/experience do you need to close this gap with your work? Do you have the right people in the right seats? Are you the right leader?
4. Scorecard: Clear measures of success to assess progress in closing the gap.
5. Action plan: A shorter term plan (next 90 days and next 12 months) to focus the efforts of the organization on closing the gap.

The strategic plan contains all the information around the five items above. There are some key terms that need to be standardized in order not to cause confusion.

Vision – The longer term, less tangible parts of the plan: Within the plan there are longer term elements that may or may not relate directly to a defined point of success, but serve as filters to make good decisions for the business. These are often collectively called the vision. Typically, the vision piece contains the following items:



- Values: Core beliefs about treating people and what is important. This is the DNA of your organization.
- Mission Statement: The purpose, cause, or passion of your organization. This is the reason you come to work.
- BHAG™'s (Big Hairy Audacious Goal): A term created by Jim Collins, this is a longer term goal focused at stretching how leaders think about the future state of their business. It is supposed to energize and overwhelm leaders, so they step back and work on scaling what they have.
- Target Market: 3-7 bullets that define who your ideal customer is in terms of where they are, how they think, and what they care about.
- Three Uniques/Niche: What do you do best? What differentiates your offering from others?
- Three Year Plan: The outcomes you envision for your organization. This includes both numbers, specific achievements, physical location/surroundings, and feelings that you and your team are experiencing.

Operational Plan/Tactical Plan – The short term (90 days to 1 year) part of the plan: This provides specific measures, actions, priorities, and owners for the work that has to happen to move the organization towards the longer term goals.

The second group of key terms of the short term plan is called the tactical or operational plan. Within a tactical plan are:

- Yearly goals: The 3-7 significant things that will be accomplished in the next 12 months.
- Scorecard: Sometimes referred to as KPI's (key performance indicators), dashboard or metrics.

- Rocks: 90 day goals (nod to Stephen Covey and his analogy around rocks, gravel, sand, and water. Search for a YouTube video on this).

Organizational Assessment – Critically looking at your structure and people: This is about reviewing the leadership and talents you need to effectively execute the plan.

- Accountability chart: What are the roles and structure you need to execute this plan? Sometimes referred to as an organizational chart.
- Leadership assessment: Do you have the right people for the seats (roles and structure) you just defined?
- Discipline and leadership: How is this leadership group performing as a team? How do I need to grow as a leader to perform this role? How does the team need to grow?

In the strategic planning methodology I leverage for my high growth clients, the second part of the plan is called the *traction* piece. It includes not only the content mentioned above, but also the leadership habits and tools to manage the dynamic part of the plan to ensure that it does not just sit on a shelf. The process, called EOS (Entrepreneurial Operating System™), was created to address the gap between the strategic plan and the dynamic, day to day activities that happen in any organization. That gap is filled by leadership, and if it is done effectively the plan never goes on the shelf, but makes its way into every heart, mind, and hand in the organization.

Vision without Traction is hallucination.
Gino Wickman, Author of Traction



It is important to go into any process with the intent of creating both the vision and the traction parts of the plan. Another great quote to remember at this point is:

Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.

Sun Tzu

Whatever terms you use in the process, remember that an effective strategic planning process creates a meaningful gap for the organization and defines the shorter term actions for closing that gap.

Section 2: How to know you need a strategic plan.

In my experience there are two ways that are most effective in defining the need for a strategic plan – listening to what leaders are frustrated with and listening to the answers to several critical questions.

TIP #1: Listen. In my book, *People-Centered Performance: Bringing Out Our Best Through Honest Conversation*, I share my core belief that great conversations start with a question. Applying that here, leaders will tell you their needs based on the questions they ask.

I'm tired of working late to deal with the issues while my team leaves on time. How do I fix that?

Our sales have been flat for three years, even though our market is growing. What do you do that will address that?

When I'm gone, my leadership team fails to meet and delays decisions until I return. I read about this right people on the bus thing – Do I have the right people?

People ask for a budget, but I know the numbers for the business. Why do I need a budget?

Have you said or felt any of these things? Each of these can be translated into the simple statement "I need a strategic plan."

TIP #2: Focus on the performance of the business and the clear alignment of the leaders. Answering critical questions helps establish the need for a defined strategic plan. I published a group of questions I call the Talent Scorecard to help leaders assess their effectiveness in managing the gap by leveraging the team they have around them. In it,

What are the steps that establish accountability?

- Clearly define the gap for the organization – as defined by the leadership team.
- Effectively share how the gap translates into day to day/week to week work for your leaders and key people.
- Effectively work as a leadership team to deal with the day to day issues that direct effort and resources away from longer term goals.
- Clearly define measures and/or outcomes so people get feedback on how they are doing in their role and in leading towards longer term goals.
- Meet one-on-one every two weeks to review progress, work to solve any problems the individual is facing, and close the loop on accountability. This includes celebrating successes and addressing performance gaps that are appearing.

I have three simple questions that indicate a need for a strategic plan:

1. My team can name the top three to five priorities for this year.
2. The whole team reviews the progress towards reaching our yearly goals each month.
3. We hit our goals last year.

I had a chance to watch Brian Bagley, a senior member of the research team for Good To Great, facilitate a session with senior leaders from a Fortune 100 company. During his first activity he asked each person to write down the top 3 strategies for their organization. When they were all shared there were eleven different answers. It points to the importance and challenge of being able to answer YES to question 1. If you answer NO to either 2 or 3, you need help developing the *traction* to execute the plan. Which translates into examining your leadership team and how the work is divided up, reviewing how often you are talking about strategy and priorities together and focusing on your effectiveness as a leader.

A leadership development solution

Leaders of growing organizations often feel they don't have time to leave the business to learn. An effective strategic planning process creates a leadership development class in your business, so as people work IN and ON the business, they will be challenged and supported to become more effective leaders as they do their work.

The critical elements to learning as you lead are:

- A clear picture of the gap.
- Each leader is in the right role for their strengths, passions, and rewards. This is called trUYou™.
- Feedback on what support is needed for each leader to close the gap.
- TRUST within the team and TRUTH from the team, so that timely feedback is provided and each leader sees successes and failures to ensure that focus can happen to close performance gaps quickly as the plan is executed.

trUYou™



Section 3: Tips for creating a process that results in the right team and the right plan

The first step is not creating the plan, it is creating the conditions within the team where planning and execution can happen. There are critical steps in creating these conditions. At the end of this document is a list of resources that will provide all the knowledge you need to master the topic. Here are a few final tips from my experience as you get started.



- 1. Make it a conversation:** A conversation means that there is a balance of talking and listening, and really powerful conversations take some “thinking and doing time” between them. Plan on quarterly reviews of your plans at a minimum, so that the plan can be kept alive. Any goals you set need to be reported on weekly. If strategic planning is seen as a single event rather than a process in your organization, it is not going to have the intended impact.
- 2. See the clear gaps that you are creating with your plan:** Culture and performance gaps are created when you define your values just as you do when you define your one-year plan. The power of your plan comes from writing them down through a narrative and clearly answering “What does success look like if we accomplish this rock/goal and close this gap?” A good test is when your leadership team looks at the plan a month later and there is still 100% clarity and alignment around the definition of success for this rock/goal.
- 3. First what, then who:** Focus first on the leadership roles in the organization that you need to be successful, then how the people you have today fit into those roles. If there is not an acceptable fit or you do not have the confidence in that leader to learn fast enough to perform that role, do not put them in it. In my experience, it is more painful to remove someone than to deny someone for very tangible reasons.
- 4. Insist on TRUST and TRANSPARENCY from the beginning:** Whenever I ask people if they approach new relationships using a trust giving or trust earning approach the breakdown is usually around 50-50. A famous quote in this area is “Trust, but verify”. The modification I would add is “Trust – Support

Embrace concept: Failure teaches.

In a past role I was charged with developing leaders for mortgage operations to be set up in different states. As part of the seven-month leadership development program each candidate spent 6-8 weeks in our collections operations. The reason was based in the belief that to write a good loan meant understanding what happened when loans did not get paid. With that knowledge, the work of the underwriters became easier to understand because the leaders were equipped with the knowledge to manage the risk.

and/or ask for help – Verify – Repeat”. As soon as you drop the TRUST piece for your peers, or you lose the TRUST piece from your peers, the work becomes a lot harder, and your teams will begin to emulate the relationships on the executive team.

- 5. Focus first on the habits of your leadership team to monitor progress of the plan:** Too many teams focus on the vision first instead of the habits (or as EOS calls it – traction) to execute the plan. I opened this whitepaper with a story about a beautifully bound strategic plan in the colors of the university executive leadership program that helped create it. The other condition I found in that situation was a leadership team that only got in the same room for a meeting about every 2-3 months. All changes in between were handled one on one, and communication of

The existence of trust does not necessarily mean they like one another, it means they understand one another.

Peter Drucker



Key question that every leader needs to know the answer to - Why do strategic plans fail?

Researchers Donald Sull, Rebecca Homkes, and Charles Sull published “Why Strategy Execution Unravels – and What to do About It” in the March 2015 edition of the Harvard Business Review. Here are the five reasons plans fail presented as myths that doom the process of executing a strategy:

Myth #1: Execution Equals Alignment – In my terms, the easy part is having the spreadsheet that connects corporate goals to department goals and then to individual goals. What dooms the execution of a plan is departments working together (i.e. teamwork) because of lack of trust between the leaders, and that relationship translates into a barrier to effectively executing the strategy.

Myth #2: Execution Means Sticking to the Plan – A key term here is “agility”, which translates into the discipline and habits of the leadership team to monitor progress and make changes to the plan/priorities when certain conditions require it. Agility does not mean change all the time, but it does mean change when something needs to change. Your role as a leader and a leadership team becomes difficult and important here, because you have to become skilled at knowing when to change the plan and when to stick to the plan.

Myth #3: Communication Equals Understanding – One of my core phrases with leaders is that great conversations start with a question. Too often leaders define ‘communication’ by the organization of what they say and not by the effectiveness of understanding the message at all levels of the

organization. Understanding is about answering questions, having individuals repeat back what they understand, and taking action based on a clear understanding of the core messages.

Myth #4: A Performance Culture Drives Execution – I remember a succession planning conversation where a CFO brought in her list of high performers based on their P&L performance from the previous two years. Quickly the human resources leader weighed in that two of those leaders received the worst employee engagement scores, and their operations had not generated any meaningful future leaders to the company since they took over as leaders. This story illustrates the key to this issue - that performance is multi-faceted. It is important to measure performance by what they accomplish and how they accomplish it. Rewarding things like agility, teamwork, ambition, and mentoring future leaders helps create a more balanced definition for ‘performance culture’.

Myth #5: Execution Should Be Driven from the Top – This is probably the most important point, because thought leaders like Jack Welch and Larry Bossidy have written books that provide a glimpse into their style that can easily be interpreted as CEO driven strategy. The research points towards the concept that ‘distributed leaders’ actually drive the strategy, and executive leaders need to guide it through their actions to enable key decisions to be made in a timely fashion and any issues that hang up execution to get elevated, discussed, and solved in a timely fashion.



A leader's key job is to generate great conversations that lead to thoughtful actions and ultimately result in improved performance.
Scott Patchin

those changes tended to happen by accident, so the clarity and focus created by the plan disintegrated in about 3 weeks. Focus on being a leadership team and the healthy habit around meeting weekly.

Section 4: Where do I start?

Great conversations start with a question, so I recommend answering these three questions first. I would also encourage you to ask two or three trusted advisors or team members to answer the same questions.

- What is the gap I see in this business?

What if I lead a business group that depends on creating a strategy that aligns with a larger organizational strategy?

First, the only difference is that the environment you operate in is mostly defined by the internal business customers you have. So the process is the same, and you start by asking the same critical questions about what gaps you see and how committed you are. The easy way is to create no strategy, point to the lack of leadership in your organization, and focus on managing the day to day pieces of your business.

If you want to create a strategy, read the articles mentioned above, and then go gather the critical information you need from your customer to plan for the next year. Key questions I would ask:

1. What are the 2-3 key challenges facing your business in the next 12 months?

- How committed am I to bringing a group of people together to close it?
- What is my confidence in the leaders' capacity to close the gap?

If your answers to these questions indicate a desire for growth and a commitment to develop a team of leaders capable of managing that growth, then a strategic plan is a logical next step. The next two things would be to educate yourself on the key aspects of the strategic plan and assess the key gaps that exist in your current planning and management habits.

For the first step, learning, here are a list of resources to educate yourself on the process and one tool that could help you develop the team and habits to effectively lead a planning effort.

1. Building the plan:

- Can You Say What Your Strategy Is?,

2. In thinking about your business and going out 12 months and looking back – What does success look like?
3. How do you measure success for the services we provide you?
4. When we put together a plan to improve/lead our business, what things would you want addressed by this plan?

Your next step is to create the team and make the time to effectively manage the plan you set forth for your business.



David J. Collis and Michael G. Rukstad
(Harvard Business Review)

- Building Your Company's Vision, James C. Collins and Jerry I. Porras (Harvard Business Review)

2. Developing/growing the team and habits to lead the execution of the plan:

- Get a Grip: How to Get Everything You Want from Your Entrepreneurial Business, Gino Wickman and Mike Paton
- Traction: Get A Grip On Your Business, Gino Wickman

I like to use the word journey when thinking about strategic planning because of the simple definition: an act of traveling from one place to another. We have all been on journeys and know that the significant journeys we take are not straight paths, but they are fraught with twists, turns, changes, and surprises. Because of this I offer two additional ways to explore this path for your organization.

1. Contact me for a free one-hour conversation to explore this question. I have considerable experience in growth and a well-developed network of resources, and am willing to share both once we decide what you need.
2. Visit www.thetrugroup.com/eosjourney/ for additional resources to think about your next step.

I will leave you with one final quote that captures the importance of the process of strategic planning for you as the CEO, Entrepreneur, Founder, or whatever role you played in growing your business to this point:

If you want to go FAST go ALONE.
If you want to go FAR go TOGETHER.
African Proverb

The part I would add –

Effective strategic planning is about going FASTER and FARTHER ~ TOGETHER.

Lead well!!

About the Author

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Scott's most recent book, People-Centered Performance is also available on Amazon for leaders desiring to become more people-centered in their approach to leadership.

TrUst and TrUth

When I launched my consulting business in 2009, I became that consultant across the table from leaders. I was faced with posing the big questions: “What problem are you trying to solve? What’s keeping you up at night?” I found that leaders tend to identify problems clustered around their perceived needs, rather than asking how to improve their own leadership capabilities.

From my two decades of working with leaders and studying leadership, two truths have emerged:

1. If your leadership journey is driven by the latest book, you will end up spending too much time chasing someone else’s vision of leadership.

2. The most effective form of leadership development follows the formula:
LEARNING + DOING = GROWTH.

With this epiphany, I defined one of my foundational philosophies of leadership and put it into my company’s name. This two-pronged precept is central to the underlying philosophy, and name, of The trU Group; namely, that the two things leaders must work at every day are building trUst—between the leader and the team, as well as within the team—and leveraging that trUst to get the trUth, in all its forms, on the table. (The “U” is capitalized because, as a leader, for trust to exist and truth to emerge, I must first focus on “U”. I firmly believe that being a people-centered leader is essential to effective servant leadership.)

A quote and image that captures the essence of the strategic planning journey as both a task and an opportunity to build a stronger team and culture is:





Leadership Matters, But What is It?

Every leader I talk to, at any level of an organization, agrees on one thing: leadership is critical for the success of an organization. It makes or breaks us, individually and collectively, and we've all had first-hand experience with leaders, who either brought out the best or worst in everyone around them.

But why? While we can all agree on how important effective leadership is, I find little agreement or clarity on how to achieve it. Far too often, the path to good leadership gets defined by the consultant who is sitting in front of you. The leadership-training business has become a multi-billion-dollar business, resulting in leaders

following the latest book or fad (in fact, a simple Amazon search for books on leadership today yields more than 175,000 choices!). No wonder leaders feel overwhelmed by conflicting advice.

I always encourage leaders to define for themselves what they think leadership is, and then ask them to use the training they receive to refine their own definition. This white paper is about helping you, as a leader, develop your understanding of what effective leadership looks like and how it translates into developing the people around you, who are critical to your success.

Expanded reading list for becoming proficient in understanding strategic planning and how to effectively lead it:

- Good to Great, Jim Collins
- Joy, Inc. – How We Built a Workplace People Love, Richard Sheridan
- Why Strategy Execution Unravels and What to Do About It, Donald Sull, Rebecca Homkes, and Charles Sull (Harvard Business Review)
- A Lapsed Anarchist's Approach to Building a Great Business, Ari Weinzweig

