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STRATEGIC MANAGEMENT

Why do great business plans fail to deliver?

By Bill French on June 26th, 2013

Most organizations invest significant time and resources in developing their annual business plans, yet surprisingly few achieve the desired results.

Success requires flawless execution

Business planning has been studied, researched, debated and redefined. Despite the unending quest to improve planning methodology, few organizations organize, resource and implement the key directives as an integral part of the planning process.

A well-developed plan, poorly executed, is more than just a waste of time and resources. The real cost of unrealized plans includes lost customer credibility and trust, lost competitive advantage, reduced organizational confidence and will to win. The opportunity costs can be significant and can have a detrimental long-term impact on the value of the business. And yes, it can be career limiting.

Here are 10 reasons why "great" business plans fail to deliver:

1. The plan isn't that great.

Most plans try to do much. Said another way, the plan hasn't made the tough strategic choices. Planning is making decisions not only about what you are going to do, but also what you are not going to do. Secondly, plans are often based on the tribal knowledge and intuition of the executive team. But great plans are founded on a deep understanding of your customer's needs and how you can deliver real value for your customers. If your plan falls prey to either of these critical flaws, no amount of execution orchestration will save you.

2. The strategic imperatives are underfunded.

OK, we have a great plan, but we haven't reallocated the resources (people, budgets and capital) to the high-leverage strategic initiatives. As a result, we continue to over-invest in our current activities and under-invest in the truly strategic ones. Investing resources in the mission-critical strategic imperatives is, well, imperative. We need to do less of something we currently do in order to fund future drivers of the business. While it's not easy, it's mandatory for your success.

3. The senior leadership team has not totally bought in.

We did high-fives at the end of the planning session so that means we're a team with a common goal. Mmm, maybe. Power and influence morph with big, tough decisions. Sometimes egos get in the way. Sometimes the skills that got you there aren't the skills that are required for future success. Misaligned and under-skilled leaders are serious fault lines. Remember the axiom: structure follows strategy.

4. Role clarity and decision rights are unclear.

Who is accountable? Who has the stick to make the tough decisions in a timely manner? The lack of role clarity and decision rights can be a drag on progress and fuel a culture of politics and process, not a culture focused on results and achievement.

5. Lack of scorecards with leading measures of success.

Scorecards that focus on leading metrics that are inextricably linked to the strategic imperatives are essential. Measurement needs to be relevant, reliable, actionable, transparent, public and ongoing. The entire team needs to know how you're doing versus your objectives (good and bad) while being focused on achieving common goals.

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6. The corporate culture is not collaborative.

Collaboration builds a win/win culture and accelerates the achievement of your goals. Organizations can tend to polarize culturally — they are at war with themselves or they are collegial. The former is clear (see Nos. 3 and 4), the latter is murkier. Collegial cultures can inhibit real progress on challenging initiatives. Collaboration trumps but requires a real commitment to culture building and inspired leadership.

7. There are conflicting objectives.

We all have (or should have) personal performance objectives. Personal objectives that are not integrated cross-functionally or vertically within departments are problematic. When people have conflicting or misaligned objectives, you design ineffectiveness, inefficiency and employee frustration into your business DNA. This breeds a culture of politics, conflict and underperformance.

8. Incentive compensation plans are misaligned.

Poorly designed incentive compensation plans encourage behaviors and actions that can be counterproductive. Nothing undermines success like incentives that lead people to act out of alignment with strategy, or worse, to do the wrong things. Done correctly, incentive compensation is a powerful tool to focus and motivate teams. Done incorrectly, it can undermine your best plans.

9. Failure to communicate.

Communicate/demonstrate. Repeat. We are creatures of comfort who like dealing with the known or the routine. Unfortunately, business plans are rarely predicated on doing the same thing you did last year. Your team needs to understand what success looks like, how you're going to get there and what's in it for them. Communication needs to be frequent, ongoing, consistent, direct and honest in order for the organization to get it and get on with it. One last thing: Communication without demonstration of proof of commitment and proof of progress is much less compelling.

10. The plan is not a living document.

Plans should be living documents. While business objectives are usually hard and fast, the plans to get there should evolve. Locking and loading on a fixed plan in this day and age is a high-risk bet. The quick assimilation of changing circumstance, high-speed learning from real market, customer and competitive engagement, and the ability to be flexible and respond with speed and innovation are the hallmarks of successful new age companies.

Great strategy is not enough

Developing great strategy can be exhilarating and highly motivating — it's the fun stuff. Making the plan work is the demanding, complicated and often unglamorous part. But it's this flawless execution of great strategy that drives customer loyalty, employee engagement, superior business results and ROI.

Business plans that don't incorporate structured, detailed, all-encompassing go-to market plans as an integral part of the planning process are at a high risk of underperforming — or worse.

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