

## SOLUTIONS TO THE THREE HIDDEN TRAPS OF STRATEGIC GROWTH PLANNING

*For middle market companies, there are several well justified concerns about the merits of strategic growth planning. Clearly, growth planning has some hidden traps. Yet what many senior managers fail to recognize is that there are clear solutions to the shortcomings and failures of strategic growth planning.*

### Drivers of Strategic Growth Planning

Companies that are in periods of uncertainty, change, or transition are most likely to be engaging in strategic growth planning. Examples of transition situations include:

- A new CEO or other senior executive
- A newfound growth problem
- An opportunity to acquire (and integrate)
- A need to prioritize a number of growth options
- A need to develop an exit strategy

### Impediments to Strategic Growth Planning

Despite the aforementioned transition situations, most middle market companies are loath to focus on strategic growth planning. Common roadblocks preventing growth planning include:

- The perception that growth planning is “pie in the sky” or “ivory tower” thinking – it is not grounded in reality and/or is not implementable.
- The (well-justified) concern that the finished product will merely be a “shelf document.”
- The fear of change (“that is just not the way we have done it before.”)

### The Hidden Traps of Strategic Growth Planning

Companies that do push through those impediments to engage in strategic growth planning are susceptible to falling into three inter-related traps:

#### **Hidden Trap #1. Planning takes place as an event (an offsite).**

Conducting strategic planning as an “event” dooms the growth plans in two ways: 1.) to become a dated shelf document and 2.) to rely on the static, historical perceptions of managers.

#### **Hidden Trap #2. The inputs (the ideas or options that lead to growth plans) are based entirely on the predispositions, biases, and historical evidence of the management team.**

Executives who base strategic planning decisions only on the perceptions of the current management team, no matter how seasoned, are destined to miss legitimate opportunities. It is not the fault of the management team. They each have several pieces of the puzzle – grains of truth that they have observed from their own experiences. Yet, together, the

management team has so few pieces of the puzzle that they cannot possibly see the big picture. And, unfortunately, the picture is always changing, while the puzzle pieces held by the management team may not. Therefore, management may not see the external opportunities and threats around which they should be basing their strategic growth plans.

**Hidden Trap #3. The prioritization of growth options or ideas is not vetted against the true capabilities of the organization, and therefore there is no way of knowing what is realistically achievable and what is not.**

When the growth ideas/initiatives/options are based solely on management perceptions, management may create strategies that they do not even realize they will be unable to execute.

### Solutions to the Hidden Traps

**Solution to Hidden Trap #1. Growth planning is not an event or a document; it should be a living organism, created as part of a never-ending cycle.** (See the Intelligence Cycle graphic in the Appendix below.)

It is appropriate to think of the output of this growth strategy decision-making as a *dashboard* with constantly changing indicators – who (within our organization) has achieved what so far against our metrics/measures of success?

**Solution to Hidden Trap #2. The inputs (the ideas or options that lead to growth plans) should be based on live intelligence.** In the intelligence cycle, there

is an acknowledgement of the need for intelligence in order to facilitate strategy/decision/action. And after the action has occurred, there is a requirement to allow for the acceptance of new data (performance results) over time. The new performance results will inevitably create the need for new/different information requirements. After collecting, analyzing, and disseminating intelligence, new strategic decisions can be made, and the cycle continues.

Within most middle market organizations, there is no/very little live data about the external market, customer, competitor, and supplier environment. Third-party research and consulting firms can effectively gather the live insights from customers, competitors, market experts and suppliers to facilitate effective decision-making.

**Solution to Hidden Trap #3. The prioritization of growth options or ideas should be based on the true strengths of the organization, relative to the competition. In other words, of three potential growth initiatives, one will be easy to achieve and one will be relatively difficult to achieve. All else being equal, choose the easiest initiative.**

Management should A.) prioritize external opportunities based on presumed ROI; and B.) recalibrate these opportunities given internal competencies and the degree of difficulty of implementing against each opportunity. Knowledge about what the Company is good at, and what it is less competitive at, is only possible through research of customers'/prospects'/lost accounts' perceptions of competitors and your company. And researching competitor perceptions of their own and their competitors' (including your company's)

strengths and weaknesses is helpful, too. Growth ideas should be prioritized based on the *degree of difficulty* of carrying them out and the *impact* they are expected to have on the company's ability to achieve its goal.

## The Result

Strategic planning is all about seeing options and choosing the path most likely to lead to accomplishment of the corporate goal. A strategy explains how to achieve the goal in language that answers who, what, when, where, and how. The result is actionable, implementable growth plans. And using a "dashboard" describing progress against the plan, helps ensure that the plan is being implemented and is not a mere shelf document. Further, thinking of the action as one step in the intelligence cycle also helps ensure against the tendency to create a shelf document. Finally, working with a research-based consulting firm will alleviate the concerns that many managers have about successfully developing and implementing a new growth strategy.

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Appendix



Source: *Federal Bureau of Investigation*