

PREDICTING THE FUTURE

WHY GOOD, OLD-FASHIONED STRATEGIC PLANNING IS EXTINCT



It's that time of year again. Budgets are being drawn up and strategic planning teams all over the world will be gathering behind closed doors in a vain attempt to predict the future – except for the visionary ones who are saying 'Enough!' They have realised that doing the same thing over and over again and expecting different results is, well, simply crazy.

By **Kamal Hassan**

Remember the first James Bond movie you ever watched? Regardless of who was playing 007, you could not help but be swept up in the action as he outgunned and outsmarted the bad guys and saved the day.

Now think of the last James Bond movie you saw. Did it give you the same thrill? Or did you almost fall asleep? It is not the actor, or the mind-numbing car chases and explosions that are to blame. It is the fact that we've seen it all before, year after year, and we know how it ends. We are left feeling vaguely unsatisfied, hoping for something more substantial.

It is the same with strategic planning. In the old days, executives could sit in a room and, armed with a battery of spreadsheets and presentations, devise a strategy that would beat down the competition.

But over the years, the strategic planning process has become formulaic, and companies have come to rely too much on what worked in the past. Like 007, they try to recapture the old glory each year, knocking off 'strategic' objectives like expendable thugs. In the end, they may succeed in cutting costs by five percent, or increasing customer satisfaction by 10 points, but these incremental improvements never amount to the substantial game-changers they were hoping for.

NEW CHALLENGES, NEW TOOLS

A recent IBM survey of more than 1500 chief executive officers (CEOs) from around the world revealed that more than half are struggling with the quickening pace of globalisation, technology, the economy, customer expectations – everything is more complex these days. And 79 percent of the executives surveyed expect things to get even more complicated over the next five years.

New challenges call for new tools, especially when it comes to planning organisational strategy. Many of the strategic planning methods in use today have been around for decades. Management by Objectives (MBO) was introduced by American, Peter Drucker, in his book *The Practice of Management* in 1954 (eight years before the first James Bond movie, incidentally). MBO's

successor, *Balanced Scorecard*, has been widely used since the early 1990s.

Now, how many CEOs do you think would admit they have not changed their approach to strategic planning for the past 20 years? Or worse, that they run things just like they did in the 1950s? Not many. But that is exactly what they are doing.

Both *MBO* and *Balanced Scorecard* enable organisations to consistently track strategic objectives to make sure they were being met. That is a good thing to do. But, in today's complex and changing business environment, tracking is all they are good for. You cannot use these methods to devise the type of strategy that is needed today.

THE BEST TEACHER IS NOT JUST HISTORY

Another problem with traditional strategic planning is that it relies primarily on historical data. Strategists study the past to plan for the future. The problem is that focusing on the past emphasises what has worked before, instead of new ways of thinking and doing (the 'James Bond' syndrome).

The result is incremental improvement – not game-changing innovation.

As business and innovation strategist, Idris Mootee, puts it, "Many strategists are obsessed about yesterday's competitive advantage (remember best practices are for those who do not know what their customer needs are or have no idea of where the future is going). There are no best practices. Only good practices and next practices."

The other drawback to relying on the past is that we cannot assume the future will be similar, at least these days. Given the pace of change, current trends provide a more reliable basis for planning. Yet traditional strategic planning falls short when it comes to leveraging trend spotting tools such as ethnographic research, focus groups, user-analysis, social media, etcetera. Historical data, while it cannot be ignored, simply does not provide the whole picture for the future.

PLANNING USING THE WHOLE BRAIN

Traditional strategic planning is rooted in cold, hard, statistics. If you are a left-brained,

analytical type, you will not see this as a problem. But these days our creative right brains need a seat at the table, too.

In fact, 60 percent of the CEOs in IBM's aforementioned survey named creativity as the most important quality for leaders in today's complicated business environment. Creativity, as these executives define it, means not only encouraging innovation, new ideas and risk-taking, but also making 'deeper business model changes' that result in disruptive and breakthrough innovation.

Innovation on this scale requires a different type of strategic planning. It requires an approach that is insightful, resourceful and forward-looking, and one that balances objective analysis with subjective discovery.

DO NOT PREDICT THE FUTURE, INVENT IT

In order for a company to let go of its overdependence on objective historical data, it must become adept at capturing and interpreting subjective data (customer surveys, competitor strategy, trends, gaps, etcetera). This type of subjective data scares the typical business owner. They would rather make decisions based on spreadsheets than a crystal ball, and that is understandable.

Fortunately, we do not have to rely on a crystal ball. There are many techniques that exist today for gathering and analysing subjective, current data.

Trendspotting, scenario planning, strategic foresight, technology roadmaps, data mining, voice of the customer, crowdsourcing, open innovation, outcome expectations – all these techniques help you uncover valuable data that you can use to plan an innovation strategy that leads to competitive new products, services and even business models.

It is a changing and complicated world. And the pace is getting faster. Businesses must innovate or die, and in order to do this we must act quicker, deliberate less, take risks, let go of the old, embrace the new, and be more creative.

Then we will not have to worry about predicting the future, we will be inventing it. ■

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