

## **Traditional strategic planning dooms your company to failure. V2**

### **What is the purpose of this article?**

- 1) This article enables a discussion about your company's approach to strategic planning.
- 2) The audience for this article includes: boards of directors, CEOs, the C-Suite, and investors. The article applies to all companies, regardless of size.
- 3) This article does not provide tax, legal or financial advice.
- 4) You must do your own research and fact-based analysis using current and relevant information.

### **What are the critical learnings in this article?**

- 1) TSP (Traditional Strategic Planning) evolved in a slow changing world. The future could be forecast, and decision (and decision-making processes) were expected to be valid for several years.
- 2) The result of TSP was that few companies survived and most delivered poor financial results.
- 3) Today's world is totally different: future is impossible to forecast, multiple sets of fast changes, multiple unpredictable crisis.
- 4) Strategic planning must be rethought to determine which decisions and decision making processes have a lifetime longer than a year.

### **When did strategic planning become popular?**

Traditional strategic planning became popular in public companies in the late 1970s. Many of the strategic planning concepts and methodologies are many years, or decades, old. What were some of the characteristics of the old world?

- 1) Slow changing.
- 2) Infrequent crisis.
- 3) Forecasting the future 3 years out was often possible.
- 4) Capital was very hard to get.
- 5) Talent appears to be easy to get.

### **What did many strategic plans look like?**

- 1) The format was executive summary, vision, mission, values, goals, objectives, multi year strategic initiatives, KPIs (Key Performance Indicators,) past and future financials, and assumptions and strategic initiatives.
- 2) Supporting analysis include SWOT (Strengths, weaknesses, opportunities, threats)

### **What were the results of traditional strategic planning?**

#### Few companies survive

Most public companies will not survive.<sup>3</sup>

- 1) A Fortune 500 company will survive an average of 16 years.
- 2) The typical half-life of a North American public company is 10 years.
- 3) Global public companies with \$250 million+ market cap have a typical half-life of 10 years.
- 4) 50% of all U.S. companies survive for 5 years.

#### Few companies generate significant value.

McKinsey analyzed the world's 2,393 largest corporations from 2010 to 2014. The top 20% generated 158% of the total economic profit (i.e. profit after cost of capital) created by those corporations. This was an average economic profit of \$1,426 million per year. The middle 60% generated little economic profit, an average of \$47 million per year. The bottom 20% all generated negative economic profit, with an average loss of \$670 million per year.<sup>4</sup>

Most public companies have performed poorly<sup>5</sup>

- 1) 51.6% of all public companies have had negative returns over their entire life.
- 2) The median annual return for public companies (in existence for a least 1 year) has been -0.74%
- 3) 10% of the above public companies in had annual returns of at least 22%
- 4) 10% of the above public companies had annual returns of -58.24%, or less

### **But the world in 2026 is totally different.**

- 1) The future is impossible to predict
- 2) There are multiple sets of crisis and turmoil at the same time and appearing unpredictably
- 3) Technology, customer needs, and competition changes in months.
- 4) Capital is now unlimited.

- 5) Talent is very scarce and very expensive. Elite employee (non-C-Suite) can reach into the millions or 10s of millions per year.
- 6) Two recent McKinsey articles outline: Monthly board and management meetings to discuss strategy; and weekly review of strategic KPIs by CEO and C-Suite, with intent to make any required corrections.

**It is time to fundamentally rethink and recreate strategic planning.**

- 1) What decisions can last for more than a year?
- 2) What decisions may be obsolete within a year?
- 3) What new decisions may your company need to make next month?

**Your next steps.**

#1 Define the words/concepts you're using, in a glossary. I've seen major confusion when the same words mean different things to different people. Critical definitions include: strategy, strategic plan, decision (i.e. what is a decision and the implications of a decision)

#2 Describe your potential external business environment over the next 3-5 years e.g. geopolitical changes, technological, capital and talent availability? Describe your external environment in 2020.

#3 What will your company look like in order to survive and prosper?

#4 What decisions will not need to be rethought over the next three years. Document your current decisions and decision-making processes. Some possible decisions are:

- 1) The processes to select, assess, develop, and exit talent at all levels of the company, including board of directors, CEO, C-Suite. This might include the role of values, morals, and ethics.
- 2) Talent allocation
- 3) Capital allocation
- 4) Decision making principles.
- 5) Board of directors approved policies.
- 6) Processes to launch and shut down projects lasting more than 6 months.
- 7) Risk appetite

#5 What decisions will need to be rethought during the next 3 years. Document your current decisions. These could include:

- 1) Talent allocation
- 2) Capital allocation
- 3) Exiting certain customer segments.
- 4) Shutting down certain solutions.

**Footnotes**

<sup>1</sup> Renée Dye and Oliver Sibony, "How to improve strategic planning", McKinsey Quarterly, August 2007, <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-to-improve-strategic-planning>

<sup>2</sup> Martin Reeves, Julien Legrand, and Jack Fuller November 14, 2018 BCG website, <https://www.bcg.com/en-ca/publications/2018/your-strategy-process-needs-a-strategy.aspx>

<sup>3</sup> "Corporate Longevity", Credit Suisse, February 7, 2017

<sup>4</sup> Chris Bradley, Martin Hirt, and Sven Smit, "Strategy to beat the odds", McKinsey Quarterly February 2018, <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/strategy-to-beat-the-odds>

<sup>5</sup> Hendrik Bessembinder, W.P. Caret School of Business, Arizona State University  
Analysis of CRSP database of U.S. public companies, Dec 2025 to Dec 2023  
<https://www.scribd.com/document/924363269/2024-Which-U-S-Stocks-Generated-the-Highest-Long-Term>Returns-Hendrik-Bessembinder>

**What further reading should you do?**

Does everyone agree on what strategic planning is?

<https://koorandassociates.org/strategy-and-strategic-planning/does-everyone-agree-on-what-strategic-planning-is/>

Your company will fail. Koor and Associates

<https://koorandassociates.org/avoiding-business-failure/your-company-will-fail-v1/>

Elite talent – what is it? Koor and Associates

<https://koorandassociates.org/creating-business-value/elite-talent-what-is-the-purpose/>