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ASP Survey:

## **How did strategic planning help during the economic crisis?**

by James W. Wilson and Soren Eilertsen

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*During July 2009, 190 line managers and staff professionals responded to a survey designed to assess the role that strategic planning played during the recent financial crisis. The findings show that organizations that used strategic planning were better prepared, more confident, and better able to pursue growth opportunities.*

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### Sponsorship

The survey was sponsored by the **Association for Strategic Planning** (ASP) an organization for professional development in strategic thinking, planning and action with chapters in major US cities (www.strategyplus.org).

ASP Survey:

## How did strategic planning help during the economic crisis?

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The global financial crisis continues to be a severe shock to most enterprises. The initial economic downturn, the worst since the Great Depression, has affected almost all sectors of the economy. Everyone and every organization that has felt the pain would do well to ask:

- What can one reasonably expect of strategic planning in such a climate of crisis?
- What role can strategic planning play in shaping responses?
- Do organizations with well-established strategic planning processes fare better than those that are primarily opportunistic?

To find answers we surveyed practitioners about how effectively strategic planning practices have served their organizations during the 18 months from the start of the crisis in 2007 to the summer 2009 when there were signs of improvement. Managers in a range of organizations were asked about their strategic planning processes, responses to the crisis, results and outlook. They also responded to questions about specific challenges, and the kinds of changes they intend to make in their strategic planning processes going forward.

A major interest of the survey, sponsored by the Association for Strategic Planning, is to understand the extent to which organizations were prepared to deal with the economic shock, the nature of responses, and factors that might explain preparedness and modes of response. We expected to find a positive relationship between a well-established strategic planning process and a relatively high level of preparedness for the downturn. We also expected that organizations with solid planning processes would be able to respond more proactively to the crisis--that is, by taking advantage of opportunities rather than primarily responding defensively. Finally, we looked for what might amount to the holy grail for strategic planners--a relationship between a robust strategic planning activity and financial results.

### Surprised by the crisis

Based on the survey results, it's safe to say that few saw this crisis coming. Asked, "How prepared was your organization for changes in the global economic environ-

ment beginning 18 months ago?" only one respondent indicated "Totally prepared." Only 22 percent of respondents stated that their organizations were at least somewhat prepared for the downturn. By contrast 32 percent of respondents indicated that their organizations were substantially or totally unprepared. Across all respondents, the least expected changes were the speed, severity and duration of the downturn.

### Responses to the economic downturn

How did organizations respond to the economic situation over the past 18 months? Respondents are divided equally with half primarily pursuing opportunities for growth and investment, and the other half pursuing defensive actions (see Exhibit 1). A key goal of the survey: identify how differences in the practice of strategic planning might explain this divergence.

### Executive summary

During July 2009, 190 line managers and staff professionals responded to a survey designed to assess the role that strategic planning played during the recent financial crisis. Among the key findings:

- Organizations that used strategic planning to make critical decisions were better able to pursue growth opportunities during the crisis.
- Organizations that relied on strategic planning during the crisis are more confident about their prospects for near-term growth.
- Organizations employing a regular strategic planning process and cycle were more prepared for the economic crisis.
- Organizations that involve the entire executive team in strategic planning expect revenue growth over the next 12 months

The data suggest that an organization's trust and confidence in strategic planning as a decision-making discipline is a stronger indicator of potential success than the adoption of any particular strategic planning technique or principle.

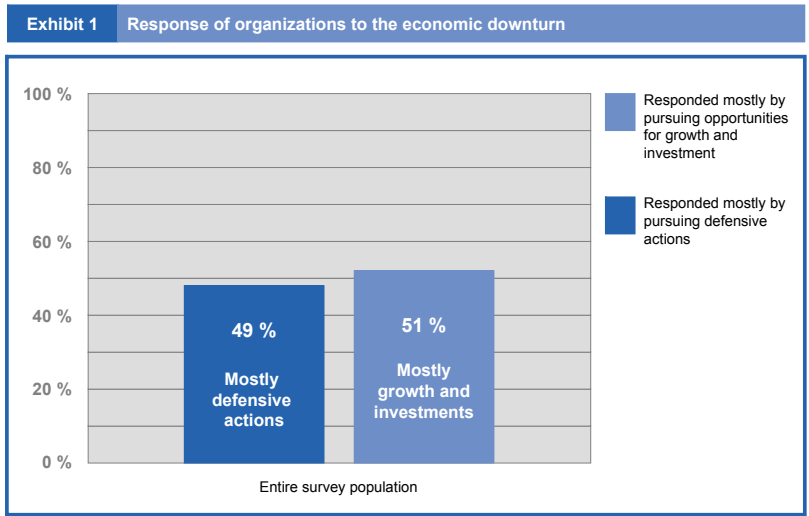
We asked respondents to indicate the specific kinds of actions they took. The top growth and investment opportunities pursued were:

- Introduced new products or services (47%).
- Expanded to new markets (35%).
- Changed pricing (28%).
- Invested in new production / operations capability (21%).
- Increased marketing budget (14%).

The top defensive actions pursued were:

- Reduced operational costs (66%).
- Stopped new hiring (42%).
- Laid off employees (40%).
- Reduced training and development expenses (40%).
- Put larger projects on hold (39%).
- Small firms pursue growth opportunities

Small organizations were more likely to pursue growth as a response to the economic crisis. In contrast, large or-

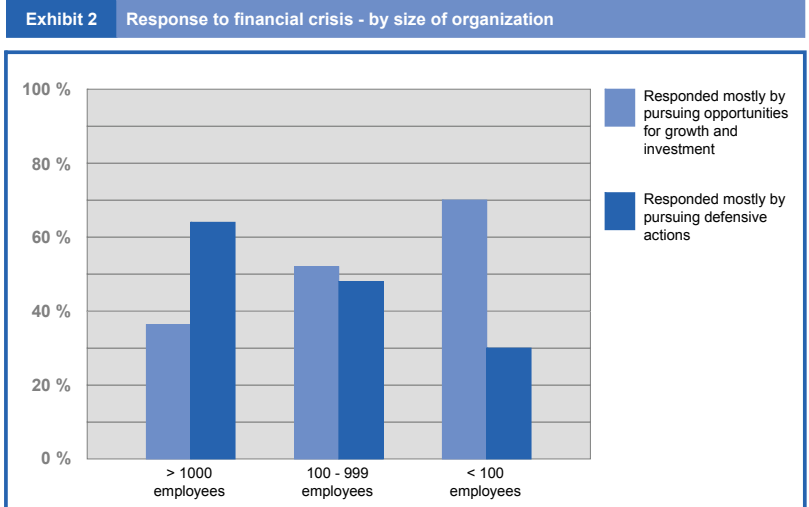


lighter payrolls and fewer layers, small organizations have relatively less to gain from cost-cutting and are forced to look outward during periods of crisis.

Survey data also indicated a disparity between small and large firms with respect to the role of strategic planning in the resourcing of growth initiatives (see Exhibit 3). Small organizations were more likely than large organizations to use strategic planning for this purpose. This could explain why small organizations were apparently more able than large and medium-sized organizations to pursue growth opportunities that presented themselves during the economic crisis. That is, with strategic planning closely linked to the resourcing of growth initiatives, small firms seem to be better able to identify and pursue additional growth opportunities.

Strategic planning drivers and organization outcomes

The survey sought to identify the effect that suspected drivers of success in strategic planning during the economic crisis would have on key outcomes. The drivers examined include:



ganizations reportedly were more likely to pursue defensive actions. As indicated in Exhibit 2, 70 percent of representatives of organizations with fewer than 100 employees report pursuing proactive measures, as compared to fewer than 40 percent for organizations with more than 1000 employees. The survey does not provide insight into the reasons for this sizeable difference. However, the finding is consistent with conventional wisdom that small organizations have an advantage in terms of speed and flexibility. Another possibility is that, with

- Structure. Does your organization have a structured strategic planning process with great leadership involvement?
- Embrace. Does your organization use strategic planning to truly shape the future and to allocate resources?
- Reliance. Has the strategic planning process been highly effective and important in your organization during the economic crisis?

Survey questions were designed to help analyze the strength of relationship of the drivers with the desired outcomes. For example, respondents rating their firms highly on "Embrace" tend to agree with statements such as: "Our strategic planning process is the primary way that resources are allocated to growth and change initiatives." Similarly, respondents rating highly on "Reliance" will tend to agree with the statement, "Our organization's responses to the economic crisis are the direct result of our strategic planning process." Conversely, respondents who disagree with these statements will rate their companies lower on "Embrace" and "Reliance."

The survey asked about outcomes in terms of :

- Financial results during the crisis. Did your organization's revenue and profit rise during the most recent period compared to prior year?
- Proactive response ("Response"). Did your organization primarily pursue growth, or take defensive actions in response to the crisis?
- Preparedness. Was your organization prepared for the changes in the global economic environment?
- Optimism: One-Year. Do you expect that your organization's profit and revenue will grow, and the competitive situation will improve over the next 12 months?

- Optimism: Three-Year. Do you expect that your firm's competitive and financial situations will improve over the next three years?

The five outcome types represent a progression from something measurable (a financial result), to something observable (a proactive response), to perceptions (preparedness or optimism about the future) as shown in Exhibit 4.

### Strong planning culture drives growth

Of the identified driver variables, "Embrace" and "Reliance" correlate best with promoting desirable outcomes. The survey data show that organizations rated high for "Embrace" and "Reliance" are more likely to be rated highly both on "Response" (pursuing growth opportunities versus primarily defensive action), and on "Preparedness" (being ready for the crisis).

In sum, organizations most likely to be prepared and to respond with growth initiatives were those with a strong planning culture, and the ability to use their planning process during the crisis. In contrast, organizations rated low on "Embrace" and "Reliance" were less prepared, and more likely to choose defensive strategies in response to the downturn (see Exhibits 5 and 6). It is worth noting that the organizational role of respondents did not influence the results. Line managers and strategic planners were equally likely to relate the pursuit of growth actions to a reliance on strategic planning.

**Exhibit 4 Relationship between strategic planning drivers and organization outcomes**

		Organization Outcomes				
		Financial Results	Proactive Response	Preparedness	Optimism: One-year	Optimism: Three-year
<ul style="list-style-type: none"> <li>○ No variable relationships are statistically significant</li> <li>+ Some variable relationships are statistically significant</li> <li>+++ Most or all variable relationships are statistically significant</li> </ul>		<b>Financial Results</b> Our revenue and profit rose during most recent period compared to prior year	<b>Proactive Response</b> We pursued growth as opposed to taking defensive actions in response to the crisis	<b>Preparedness</b> We were prepared for the changes in the global economic environment	<b>Optimism: One-year</b> Our profit, revenue, and competitive situation will improve over the next 12 months	<b>Optimism: Three-year</b> Our competitive and financial situation will improve over the next three years
<b>Planning Drivers</b>	<b>Structure</b> We have a structured strategic planning process with great leadership involvement	○	○	+	+	+
	<b>Embrace</b> We use strategic planning to truly shape the future and to allocate resources	○	+++	+++	+	+
	<b>Reliance</b> Our strategic planning process has been highly effective and important during the economic crisis	+	+++	+++	+++	+

### Strong planning culture drives growth

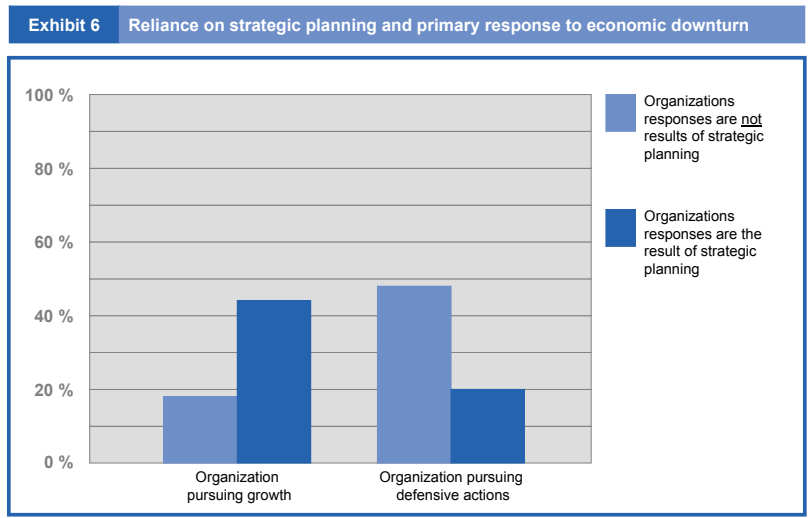
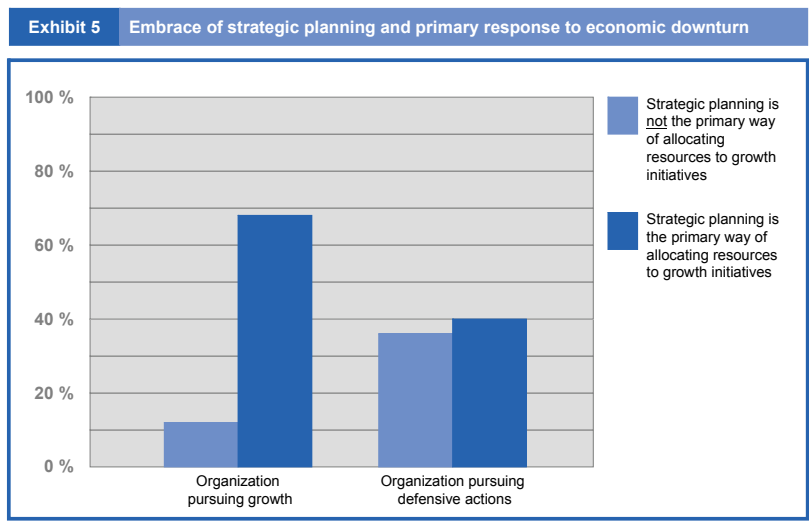
Of the identified driver variables, "Embrace" and "Reliance" correlate best with promoting desirable outcomes. The survey data show that organizations rated high for "Embrace" and "Reliance" are more likely to be rated highly both on "Response" (pursuing growth opportunities versus primarily defensive action), and on "Preparedness" (being ready for the crisis).

In sum, organizations most likely to be prepared and to respond with growth initiatives were those with a strong planning culture, and the ability to use their planning process during the crisis. In contrast, organizations rated

Another significant finding (see Exhibit 4) is that organizations that were able to use their strategic planning process to drive decisions during the crisis are more optimistic about their future prospects for growth and profit, at least in the near term.

In our search for drivers that were significantly related to historical financial results, we found only a single measure that indicated a correlation, one of the "Reliance" indicators. Our question asked for agreement with the statement: "Changes in economic conditions have not affected our ability to execute on our strategic plan." Although responses (see Exhibit 4) were not conclusive, this finding suggests the value of strategic planning to organizations that stick to the process during trying times.

It is clear that the "Reliance" measures were strongest indicators of desirable organization outcomes. In our view this is the case because these measures indicate whether strategic planning remained at the center of decision making in the face of intense pressures. The "Embrace" measures indicate whether strategic planning has a significant place in the organization, while "Structure" tests whether key process elements are in place.



### Strategic planning improves outlook

In designing the survey we sought to connect specific practices in strategic planning that might predict desired outcomes--such as, higher historical revenue and profit growth, or expectations of better business performance. These are the "Structure" drivers (see Exhibit 4). While we were unable to find a significant statistical relationship between specific practices and historical financial performance, we did identify key practices that are significantly related to an improved outlook.

low on "Embrace" and "Reliance" were less prepared, and more likely to choose defensive strategies in response to the downturn (see Exhibits 5 and 6). It is worth noting that the organizational role of respondents did not influence the results. Line managers and strategic planners were equally likely to relate the pursuit of growth actions to a reliance on strategic planning.

The survey items we examined under the category of "Structure and Involvement" include:

- A senior organization leader is in charge of strategic planning.
- A structured strategic planning process takes place on a regular cycle.

- The organization's entire leadership team is involved in strategic planning.

These practices are significantly related to several of the "Optimism" measures, especially "One-Year Outlook." For example, respondents who perceive that their strategic planning processes are more consistent over time are likely to have a positive outlook about whether their organization's market, competitive and financial situation will improve over the next year (see Exhibit 7).

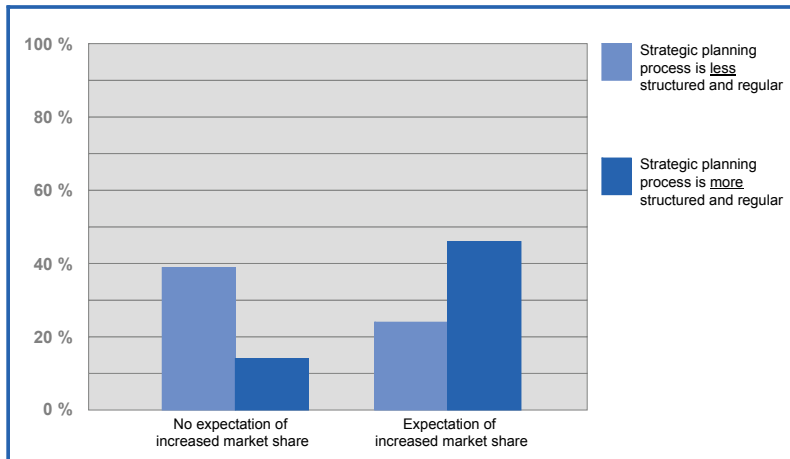
However, only one of the three "Structure" indicators (Entire leadership team involvement) is significantly related to expectations for revenue and profit growth. For the other two, respondents were equally likely to expect smaller or larger revenues. As an indication of the importance of leadership team involvement (see Exhibit 8), more than 40 percent of organizations reporting full involvement of the executive team in strategic planning expect revenue growth, compared to less than 20 percent of organizations lacking this key structural feature.

In addition to the "Optimism" measures, the study sought to determine whether structure drives preparedness and proactive response. While we did not find a statistically significant relationship between the "Structure" measures and "Response," we did find a significant relationship between one "Structure" indicator (Structured strategic planning process) and preparedness. In other words, the survey respondents with regular, structured strategic planning process were more prepared than others for the changes in the global economic environment over the last 18 months (Exhibit 9). As might be expected, the more prepared organizations were more likely to pursue growth and investment opportunities in response to the economic situation.

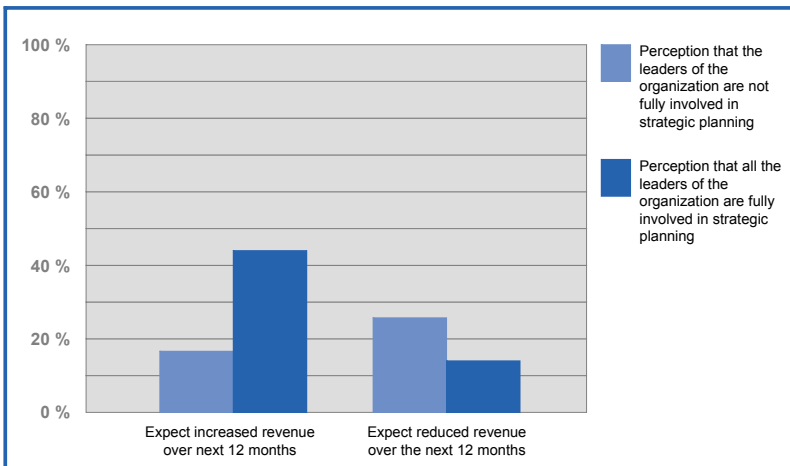
### Impact of the economic crisis

The economic crisis has affected organizations significantly. Nearly half of the survey respondents (43 percent) saw their organization's revenues drop by more than 5 percent over the past year. Interestingly, about one in five (18 percent) saw their revenues increase by more than 5 percent in the same period. Profitability

**Exhibit 7 Strategic planning structure and one-year outlook for increased market share**



**Exhibit 8 Leadership involvement in strategic planning and outlook for revenue growth**

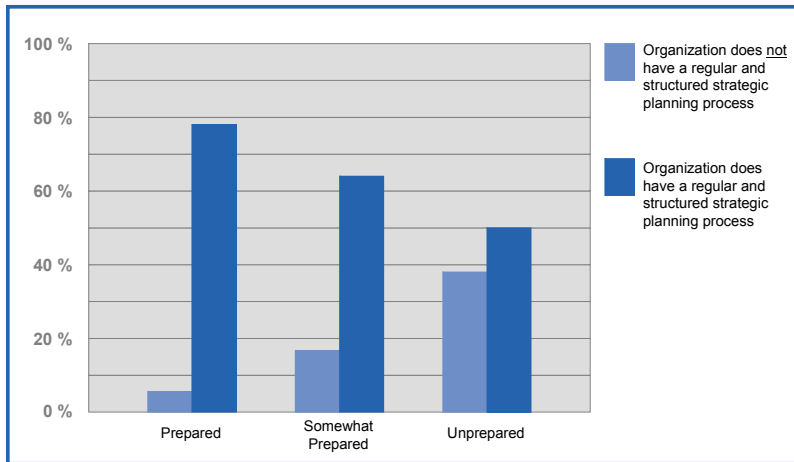


has followed the same patterns although the relative change in profitability has been less severe.

Organizations have more focus on cash flow and liquidity than they did a year ago say 64 percent of respondents. One-half of the respondents report that they are experiencing greater internal pressures or conflicts inside the organization because of the changes in business environment, with a third reporting lower employee enthusiasm. A majority (58 percent) of respondents say that leadership is using the situation to make difficult decisions, and nearly half (48 percent) say there is more leadership steering than respondents have experienced in the past. But despite these pressures, two-thirds say that their actions during the crisis remain aligned with the values and vision of the organization.

The planning horizon has become shorter over the past year for half the organizations in the survey. An entire third of respondents now say that their planning cycle is less than two years. The majority (61 percent) has a planning horizon of three to five years.

**Exhibit 9 Strategic planning structure and preparedness for the economic downturn**



would benefit from the tools that can help organizations to read environmental signals about future trends. Moreover, linking planning directly to resources and performance measures, and having more direct leadership involvement in the process are well-accepted ways to encourage an organization's embrace of strategic planning.

### An optimistic outlook

Given the current economic climate, respondents have a very positive outlook for the future with less than one in eight (12 percent) indicating that their financial situation will

### Lessons learned during the crisis

We asked survey respondents what they would do differently in a future crisis based on their organization's experience during the most recent strategic planning cycle. The most frequent areas of improvement cited include:

- Strengthen strategic thinking: place more emphasis on scenario planning, trends analysis and client/market listening.
- Institute strategic planning cycle: make the process more regular and important inside the organization.
- Make a stronger connection to resource allocation: ensure that strategic plans allocate resources and connect to budgets.
- Increase leadership engagement: more visibility and direct involvement in the strategic planning process by senior leaders.
- Improve strategic action: enhance operational execution through better change and performance management as well as overall communications.

The opportunities for improvement they cite are consistent with our more general findings. The depth and suddenness of the downturn suggest that organizations

worsen over the next three years. Although still positive, the coming year looks a little tougher for organizations, with one in five (21 percent) believing their financial situation will worsen. However, more than two-thirds (70 percent) believe that revenues will stay flat or grow in the coming year.

Organizations believe in their ability to improve their competitive position. More than two-thirds believe that their competitive position will improve over the next three years and less than one in ten believe that it will worsen. Organizations plan to expand in to new markets (68 percent) and take market share from their competitors (58 percent).

### Conclusion

These results suggest that organizations with the most serious commitment to strategic planning, those that actually rely of strategic planning principles and practices for decision making during a crisis, are in a position to be proactive rather than reactive, and are thus able to take advantage of growth opportunities as they appear in times of economic disruption.

### Survey Methodology

The survey, sponsored by the Association for Strategic Planning, was conducted in July 2009 and received responses from a U.S. representative sample of 190 managers and staff people involved in strategic planning. Of the respondents, 26 percent were line executives or managers, 31 percent were staff facilitating or supporting strategic planning, and 38 percent were external consultants providing ongoing strategic planning support services to a client. The online survey request was sent via email to 5,000 individuals on ASP's member database. The response rate is approximately 4 percent. Survey respondents represent small, medium and large business, the not-for-profit sector, government and educational institutions. Most respondents to this survey have likely attended at least one ASP meeting; 49 percent of respondents are ASP members. Of the organizations represented, 40 percent have more than 1000 employees, 29 percent have between 100 and 999 employees, and 31 percent have fewer than 100 employees. For the purposes of this report, 'significant' means the statistical relationship between the variables is not likely due to chance.

### Acknowledgements

The authors wish to thank the Association for Strategic Planning for the opportunity to conduct this survey, especially Stan Rosen, immediate Past President, Tim Trotter, current President, and Janice Laureen, Executive Director. Michael Lindberg, Managing Director of Lindberg International in Denmark provided advice on survey design and Linda Meyer, doctoral candidate at Claremont Graduate School, and Patricia Smiley of Pomona College provided valuable assistance with methodology and statistical analysis. Finally, we wish to thank Robert Randall, Editor of Strategy & Leadership, for his suggestions and support.

### About the Association for Strategic Planning (ASP)

The Association for Strategic Planning (ASP) is the premier organization for thought leadership and professional development in strategic thinking, planning and action. ASP members include more than 600 executives, managers and staff people through out the private, public and social sectors. Website [www.strategyplus.org](http://www.strategyplus.org).

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