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DEATH BY ASSUMPTION

Why Great Planning Strategies Fail

EDITORIAL | BRYAN FELLER

It is best to think of your strategic plan as an open architecture that allows you to consider and pursue multiple possibilities. Assumptions are the foundation of any strategic plan, and if they are flawed, the whole plan is flawed. A good plan will recognize the volatility of assumptions and will maximize freedom of action for the future by incorporating plans for contingencies.

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GROWTH

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↑ PROGRESS
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BY



BRYAN FELLER

Bryan Feller is CEO of Catalyst Performance Group, a full-service B2B sales and marketing agency that focuses on the whole go-to-market system. He has attracted a diverse team of high-caliber talent, each working toward the same powerful vision: to achieve unprecedented results for their clients through experience, opportunity and insight. For more information, visit: catalystgroup.us.

A key to effective planning in today’s hyperlinked world is reducing “time to action” — gaining new knowledge and making it actionable so that you can make your move ahead of the competition and before market shifts put you behind the curve.

Whether it’s a vacation, a new house, or next year’s revenues — any plan for future action is based on assumptions. Some assumptions — for example, “No one will get sick,” “The building will be sound,” or “This year’s revenues are the baseline” — are so basic that they don’t need to be recorded or discussed. Other assumptions, however, must be articulated and recorded so that the plan makes sense and can be evaluated as it is put into play. Too often, these assumptions are not clearly identified or managed, so that when a plan goes south, there is no way to go back and reevaluate or manage the original assumptions.

The absence of “assumption management” is a common cause of the death of many strategic plans. All planning is based on imperfect knowledge and involves assumptions about the future that are based on available data, combined with the experience of the planning team. Most strategic plans assume a certain future, which is a dangerous misconception. The future is always subject to change in crazy, chaotic ways no one could have ever anticipated. Add to this the competitive pace of change in your market and uncertainty increases even more. Unless the planning team has the willingness and flexibility to redefine the assumptions when more knowledge becomes available, its plan is not likely to deliver the expected results.

Assumptions must be stated, debated, and continually reevaluated as the plan goes forward. Here are a few practical steps you can take to manage your planning assumptions.

Understand what kind of assumptions you are making. There are four general types of planning assumptions:

- ❑ **Cause & Effect** — If we increase sales training, our close rate will increase. (Or, We do not believe more training will have a measurable impact on sales.)
- ❑ **Performance Expectations** — We expect to get a 3% response on our direct mail campaigns based on what we know about similar situations. (Or, We expect to close 15% of the leads we generate at a trade show, or, We expect our average order value to be \$600.)

- ❑ **Customer Behavior Theories** — We believe that CFOs care more about reliability over cost in our competitive market space.
- ❑ **Trends** — We believe it will take 120 days to close a sale in this new market. (Or, Our marketing costs will spike at \$100K for the first six months, then decrease to \$50K per month for the rest of the year.)

List all of your key assumptions in the appendix of the strategic plan. Rank the strength of each one and estimate how much of the plan is riding on each assumption. Make this list a part of your final planning document so it can be debriefed later.

Collect and review available metrics that will shed light on the validity of the assumptions. Debrief regularly to identify what went right, what went wrong, and why. Develop real-world experiments for the biggest risks that can prove or disprove the key assumptions. Get more intelligence about what you may not be seeing in your environment before you throw more resources at the problem. Plan contingencies that you can implement if course corrections are needed.

Increase your awareness and knowledge in areas that address vital assumptions. A fundamental mistake planners often make when dealing with time and uncertainty is forecasting events too far into the future. By definition, planning is future-oriented, and the future is uncertain. We can rarely expect to accurately foresee outcomes or precisely control developments in our environment, especially over long horizons of time.

There is a tendency among many planners to precisely script out a course of action and the results. Rather than put our faith blindly in our planning assumptions, and as a result, think we are more in control of our environment than we actually are, it is best to plan for contingencies. Here are some practical tips for contingency planning:

- ❑ **Make your plan modular.** Identify the greatest threats to the plan, or key assumptions that, if proved invalid, will

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nullify the plan. Develop alternative strategies that address these risks and that can be implemented without going back to the drawing board. Do not attempt to plan for every eventuality, only the most important. Planning for too many contingencies adds to the planning burden and reduces focus on the objectives.

- ✦ **Create triggers that will indicate the need to adapt or abandon the current plan.** At a minimum, identify triggers that require the planning team to convene on an emergency basis to make key decisions.
- ✦ **Design courses of action that permit multiple options in execution.** For example, you may create spe-

cific planned alternatives or follow-on phases for likely contingencies.

- ✦ **Always maintain the flexibility to pursue other options that are not planned.**

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tips+tools

in the company of peers

BizChatBoard.com was founded by a university professor to help entrepreneurs and small business owners understand what they are getting into and how to do it *right*, before they incur risk. It is an interactive forum where people learn proven, measurable techniques that they can adopt to improve their efforts.

According to **Myron Gould**, a professor at New York University, “It is so difficult to go it alone. Educational services, information and networking will help — even if people are just thinking about starting a business.” In addition, **Brian Head**, economist with the SBA Office of Advocacy reported, “The latest statistics are a much more accurate assessment of new business success rates, and using that as a general rule of thumb, new employer businesses have a 50/50 chance of surviving for five years or more.”

And, according to Dun and Bradstreet, 90 percent of all small business failures can be traced to poor management resulting from lack of knowledge.

In an effort to improve a new business’ chances for survival and success, Gould states that “a community of peers can help with ideas, suggestions and answers to questions. People can learn from others’ experiences.

“We have website members in many different businesses and industries with common needs and concerns. Others are contemplating the possibilities of starting a business.

All have a goal of sharing information and helping each other succeed. There is clearly a strong interest — we have been averaging more than 10,000 page views a week without promoting.”

The website includes discussion forums covering important topics relevant to business, a “Knowledge Base” with how-to articles of interest to small business owners, and an “InfoBase” with information about books and other worthwhile resources. There are plans to continually add appropriate features.

While this website is new, some members have already received help and advice that has made a marked difference in their thinking and their business planning.

The website offers two unpaid levels of participation. Guests can read the public forums, view business resources and promotions. Members enjoy all of the benefits of guests plus they can post to the public forums, view business profiles and use networking services. A third level of participation is available for a nominal annual fee (\$25). That level opens additional private forums, educational services, networking opportunities, plus the ability to post a business profile.

BizChatBoard.com focuses on education and networking. It offers the opportunity to make new business connections and to forge relationships with others who have shared concerns and interests. 