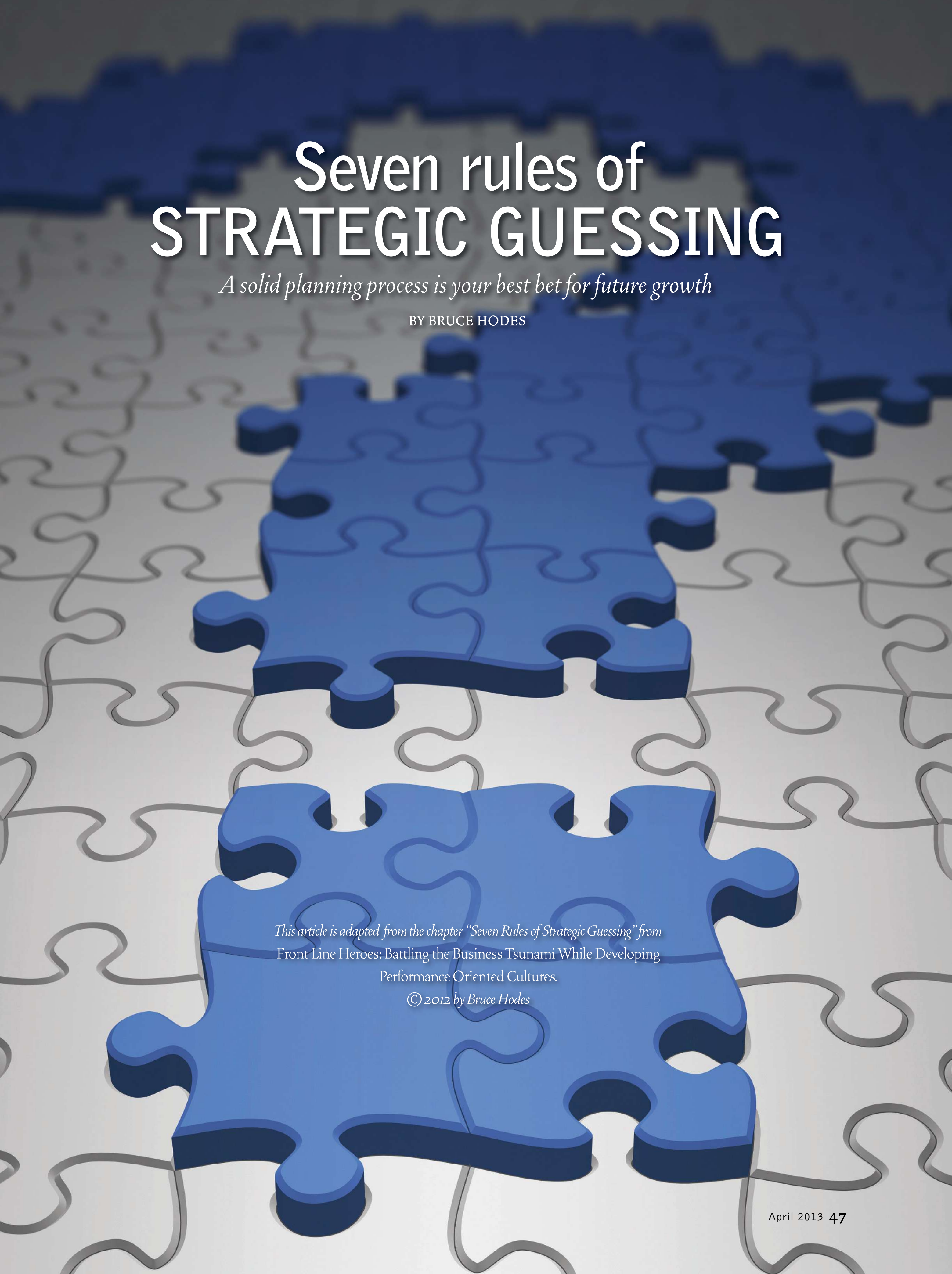

Seven rules of STRATEGIC GUESSING

A solid planning process is your best bet for future growth

BY BRUCE HODES

This article is adapted from the chapter "Seven Rules of Strategic Guessing" from Front Line Heroes: Battling the Business Tsunami While Developing Performance Oriented Cultures.

A few years ago I stood facing a group of well-heeled executives and CEOs at a conference to deliver a talk on strategic planning.

"Which of your companies plan on an annual basis?" I asked.

Only a quarter of the audience raised their hands. I opened my eyes in shock.

"To those of you who don't plan on an annual basis, why not?" I pressed.

In one way or another, they answered that they were too busy fighting fires to have time for that. This same group of executives then complained about low growth and no profits. They blamed the economy for their problems. With that, I suddenly understood: Clearly, they were nincompoops. These CEOs did not make the connection that planning helps you deal with the economy and the issues that challenge your business.

Before we go further, let's define strategic guessing/planning. *Rework*, a book written by successful software entrepreneurs Jason Fried and David Heinemeier Hansson, declares that planning has been replaced by guessing. There is something to this. The past two years have presented a very uncertain climate for most businesses. If guessing has become "as good as it gets," then you absolutely need a process to use to look at the future and make educated and measured calculations about creating a bright organizational destiny. However, while tactics are a part of this process, strategic guessing/planning focuses executives on the strategy and future moves that the company will take to achieve its health and growth.

The fact is that many small to mid-sized companies do not have a structured process to conduct strategic planning. This is like many adults who do not exercise, despite knowing that it's good for them. Perfect health isn't guaranteed by regular exercise, but the likelihood of attaining good health is increased dramatically. Strategic breakthrough business guessing/planning works for businesses in much the same way as exercise works for the individual.

The time has come to present a streamlined list of the seven most critical rules for strategic guessing/planning.

Rule No. 1

The first rule is simple: Always pick the right team for planning. It is crucial that planning team members are people who are committed to and can add value to the conversation about the company's growth. The only exception is if there are key employees or managers you want to train. If you want them to understand the strategic issues facing the company, it might make sense for them to be a part of the process. In addition, you can have members of the planning team who are outside the leadership group. These could be salespeople and other key employees. It is important that you vet them and ensure that they are of the quality and stature required for being a part of the planning group.

A number of times over the years, the wrong leaders and key employees have been involved in planning. Their participation actually hurt the effort. Take Carla, a human resources manager who was included, naturally, at a manufacturing plant's planning sessions. After the planning sessions, she took employees into her office and gossiped about managers. Then she left. (Thank goodness.) After her departure, the plant's CEO added Lucinda, the new human resources manager, to the team. She was energetic, knowledgeable and had a clear vision of what the company could be. Her role was completely different from that of the first human resources manager. Lucinda's addition to the planning team was constructive and positive.

The message here is to pick wisely and selectively. Members of the planning team must be able to maintain complete confidentiality and be fully engaged in the growth and well-being of the company. Select employees who are passionate about growing the company, developing an extraordinary organization and, essentially, being the CEO's partner. Don't accept mediocrity or include people in the planning process simply because of their positions.

Rule No. 2

The second golden rule is to make sure the design of the planning is one that will yield a good result. Leadership teams should not be locking themselves in a room at a resort for two or three days. This type of planning might be sprinkled with some golfing, gambling or other fun stuff. From this design, a strategic plan supposedly is born and created.

The problem with this design is that it curtails critical thinking. This process begins to smell of plan-in-binder syndrome, which is exactly what it sounds like: The leadership group ends up developing a "plan" that ends up securely contained in a nice plastic binder that is lost and forgotten. These binders tend to become nestled in the executive bookcases. After the year begins and the fires start raging, no one looks at the plan.

Plan-in-binder syndrome is such a waste of time and resources. In addition, if you do all your planning during one session, you risk just doing more of what you are doing currently. There is no opportunity for research or involving other employees who are not at the planning session. These plans run the risk of superficiality and being impossible to implement.

Here is what to do instead. The process should take place over two to three months and take three to four days. It is predicated on white papers and dialogue. Listening and understanding

PLAN YOUR STARTUPS

Some think the venerable old business plan is passé for new startups. As Will Hsu, co-founder of the startup accelerator MuckerLab, told *Inc.* magazine, entrepreneurs should spend time talking, selling and understanding customers and their needs instead.

Others – including the bankers and investors that startups are aiming to impress – might beg to differ. So for the new entrepreneur, StartupSmart in Australia had business mentor Colin Benjamin put together eight essential elements your business plan should cover:

- An introduction to the product or service provider
- Details of the management team and structure
- A statement of the vision, mission and objectives
- A step-by-step guide to goal achievements
- A competitive analysis that shows where you fit
- A feasibility study that summarizes cash flows
- A simplified marketing plan and troubleshooting
- Investment opportunities and guidelines

are critical. Better research ensures better debate and thinking.

Rule No. 3

For the third amazing rule, it is important that you complete the previous year. A powerful completion process will allow you to put that year behind you as you welcome a new one. It's important for the organization to distinguish the previous year and discuss what occurred during that time, good and bad.

At the very first session of the planning process, the past goes into the past. When I coach these sessions, the group lists the previous year's information on flip charts. The past is broken down into a number of categories, such as breakdowns for the year, breakthroughs, fiascos, disappointments, accomplishments and the like.

One of the great aspects of this exercise is that the executives and key employees of the organization get to review all the work that was accomplished during the past 12 months. What aspects of this year are we taking into the next? What aspects are we leaving behind? It's all included in the meeting minutes and brings completion to the year. One season completes and the next opens up. This exercise is worthwhile and useful; everyone is ready now to invent the organization's future.

Rule No. 4

By far, my favorite rule is the fourth: Start big by creating a vision of the future of the company. It is important that the breakthrough guessing/planning process allows for dreaming and looking at what the organization needs for a bright future. This is critical. When you have a vision, you are creating a future for the company that employees can fulfill.

Typically, you can do this by asking the group to envision three to five years into the future and record their thoughts on a flip chart. Ask the following questions to arrive at a future vision: If you were already standing three to five years in the future, what would the world look like? What important trends will affect your industry at that point?

Once a futuristic scenario is developed, the group should look at what it would like the organization's image to be in this future.

What are customers saying about the organization? Why are customers loyal four years from today? What goods, services and new products have been brought forth? How much revenue will the organization bring in, and how many employees will it have?

This part of planning can be used to run growth scenarios. Have at least one for aggressive, medium, sluggish and no growth. Play with the numbers and have some fun with what could be. The planning team should get familiar with the possible territories and futures that could be facing the organization.

Rule No. 5

The incredible rule five is that you must face the brutal facts confronting your company. This is a command, if you will, given to us by Jim Collins in *Good to Great*. It means honestly facing the issues that challenge your organization, determining solutions and implementing them in an intelligent way.

Your planning team can do this by defining critical issues facing the growth of the company both now and in the future. Let's say that you are a training company that utilizes technology. Some of the questions you ask your planning team might be:

1. How is the organization going to transition from our old CD-ROM technology to the new streaming technology? How are we going to fund this transition?
2. What new products are we bringing out in the next year?
3. How are we going to grow 20 percent per year for the next three years?
4. What improvements do we need to make for us to reduce costs by 10 percent?

Typically, these types of critical issues are addressed by writing a white paper. There's no need to write a magnum opus, just a three- to five-page paper that addresses the critical issue. Sometimes a white paper will take on a number of critical issues that are similar in nature. For instance, the white paper "Our 2012 Sales and Marketing Plan" might address the issues of what new products are being introduced next year and how to grow by 20 percent. However, it would not explore the question of what improvements need to be made in the plant to reduce costs by 10 percent. That issue would need a white paper of its own.

White papers are written between planning sessions by the members of the leadership group who are best suited to address the problem. This group also can include employees outside the planning team who have useful knowledge to contribute.

The paper outlines research and analysis for the issues and provides the "answer" submitted by the smaller group to the entire planning team. The planning team will read the paper prior to the second session; everyone is invited to bring feedback, questions and concerns. In the second session, the critical issues are dealt with and problem solving can occur.

Rule No. 6

If you picked the right team (Rule No. 1), then the sixth rule is easier to follow: The planning group must be able to work and create together. This has to be much more than "plays well in the sandbox" kind of behavior. The planning group needs to be creative, productive and able to move quickly to implement change. They have to be collaborators, problem solvers and change agents within their organization.

A company with a high-performance planning/guessing team has many advantages over its competition. Take, for example, one company that has grown remarkably in these challenging business conditions. This enterprise experienced growth of 60 percent in spite of changing marketplaces and customers.

Members of the high-performance leadership planning team at this company trust each other. People can speak their minds, and communication is taken as straight communication about the business, rather than as personal commentary. This type of focus gives the leadership team a great advantage when competing against other business leadership teams that are rife with gossip, mistrust and miscommunication.

Rule No. 7

This rule is by far the coolest: It is critical that the leadership team show discipline and do complete work. Remember the saying, "Garbage in, garbage out." In this endeavor, it is better to do less with better quality than to do a lot with mediocrity.

Some companies have a heck of a time getting out of the firefighting mode. Others never do get out of that stage.

Sometimes members of the leadership team are addicted to firefighting. They are addicted to the way things are and not to dreaming up ways the company could improve. To participate in a good breakthrough planning/guessing process, the planning team must commit time to this endeavor. Real thinking and dialogue must exist.

Once you have created the plan, you need to make sure it is acted upon. Monthly meetings of one to three hours and spending time on objectives and action plans will ensure focus. Then, once a quarter, the planning team should meet off site, preferably with a coaching resource – in-house or a hired outsider. At the session, the group will look at what happened in the quarter and then focus on what needs to happen in the next quarter. This will keep everyone aligned on what needs to take place to push the company forward.

Well, there you have it: Seven rules that will support you in establishing a successful planning process. Put another way, it is the plan to producing and implementing good strategic planning/guessing. Using these rules will help you create a bright business future.

Since growing up in his family's boating business to founding his company CMI, Bruce Hodes has consulted with executive leadership teams, business leaders and executives. In February 2012, he published his first book, Front Line Heroes: How to Battle the Business Tsunami by Developing Performance Oriented Cultures. *His background is in psychotherapy. Hodes has an MBA from Northwestern University and a master's degree in clinical social work.*