



The Death of the Five-year Plan

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Years ago long-range planning, epitomized by the five-year plan, was considered the thing to do; an Asian carmaker even offered a 100-year plan. Today the five-year agendas are rare, but nevertheless are still trotted out as a means to stimulate and execute a certain direction and to achieve desirable goals five years down the road. While this is not a bad idea, most people view such long-term planning as impractical pie-in-the-sky thinking, especially in today's dynamic economic climate. They reject such plans based on their own poor planning results when actual outcomes were compared to the projections. There are reasons why five-year plans fail and, if understood, you will see reasons why you should reconsider developing your own practical plan – and discover it is an approach that will truly help the organization move forward.

1. Plans Fail

About twenty years ago, I presented my computing and engineering company's five-year plan to a principal shareholder in confidence. He offered a wry smile as he commented: "Being from a Communist country and having seen lots of five-year plan fail – in fact, all of them fail, I view your plan with a great deal of skepticism." Of course, I went on to justify the predicted results, explain how cautious we had been, the conservative assumptions made, etc. Five years later we were not anywhere near the forecasted points. We changed directions entirely. What happened? Life happened. Chaos theory happened.

General Patton is reported to have said: "No plan ever survives contact with the enemy." And General Eisenhower is suppose to have opined: "The plan is of no use; it's the planning that is valuable." Winston Churchill appears to have agreed: "The plan isn't worth a damn, but planning is indispensable."¹ How many football coaches begin the match with a game plan only to see it go up in smoke by the end of the first quarter?

2. Plans Don't Really Fail

Let me say at the outset that the five-year plan didn't really fail; however unrealistic expectations for what it would do made people conclude five-year plans don't work. And they rationalized this failure as: "Well, in today's fast-paced business world nobody knows what is going to happen next." This is both false thinking and accurate thinking. It is false because dynamic changes have always been with us. It is no different today than it was fifty years ago when the bombs started dropping on London, for example. That was a fast change for a lot of people. It is accurate in that we cannot forecast the future very well, which can be explained by chaos theory (it is done below). A simple

test confirms the inability to predict accurately. Could you have predicted five years ago the type and nature of the work that you are presently engaged in?

3. A Recent Failure or Success?

Within the past year, CCCC was called in to assist a company experiencing catastrophic failure – facing imminent termination. It was our opinion that this enterprise's situation required an immediate planning session. They agreed, not because they saw merit, only because they were willing to follow any suggestion that seemed to offer a way out of the dilemma. As a result, the plan developed in April 2006 laid out a sales scenario of \$70,000 per month within three months. While month #1 of the new approach was rewarding, the following months saw a rapid decline in sales, continuing to near oblivion. In fact, by the time the dust had settled a few months later, almost all the original people had been replaced in the organization. Yet the owner was not displeased with the planning process. In terms of achieving what the plan laid out and on the schedule programmed, the plan was a failure. However, in terms of saving the company and leading it to unparalleled levels of sales and performance, the plan was a huge success: it led to a new cooperative staff, new direction, new philosophy as well as new and better results. The bottom line is that this firm is now, in February 2007, running in excess of \$50,000 per month in sales vs. the untenable \$10,000 and declining direction they were facing. Better still, the company's product base is more predictable, reliable and more closely adheres to its philosophy of operation than before. In the owner's own words from a public newsletter: "Yet the business plan -- and its evolving incarnations as it has rede-

¹ See Reference 1



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fined itself to meet the changing environment -- continues to guide our direction and vision. When we have stepped outside the confines of the original plan, either to drop something that just doesn't work, or to try an alternative that just might work better, we've used the plan as a guidepost and reminder to be realistic and acknowledge the market before pressing ahead."

4. Chaos Theory

How do you explain chaos theory in one paragraph?² (How do you explain Einstein's theory of special relativity in one paragraph? You can't, but you can explain around it.) Chaos theory says that you cannot predict exactly where things are going and how they will get there, but that you must begin at the beginning. You amass all the information you can, take it one step at a time and see where it leads. As you move along you adjust to the changing situation letting the evolving circumstances dictate your next steps. This is the basis for the formation of embryos, snowflakes, shorelines and air turbulences. It is chaotic at first but ultimately it arrives at a solution – and not just a solution, but at an elegant solution, one that any observer will marvel at. The human baby is one example. The Earth itself is another. So are plants and trees and lakes and rivers – and snowflakes.

5. Chaos and Planning

If you plan, understanding the invisible hand of chaos theory, you will realize that the plan is indeed essential to overall success, assuming it is developed correctly. Use the well-established format for planning (see the section that follows). But do not expect the exact results predicted, nor should you anticipate that the process will follow the details of the plan exactly as laid out initially. Continually steer in a direction set out in the plan until such time as the circumstances tell you to change directions. Adapt to the change, using the new information as valuable feedback.

Let's look at an everyday example of chaos that many of us have seen at work. In a hockey game, most coaches advise the players "Go to the net; good things happen when you go to the net." The confusion in front of the net has more chance of resulting in a goal than the single player attempting to go in alone and score. In front of the net, the players cycle the puck around, back and forth, and finally it goes in, off the skate of the defenseman or whomever. The players have confidence in one another and in the process. Notice the parallel: without knowing the exact direction of the puck, who is going to score and exactly how, and with players adapting to the situation as it develops, an elegant solution, obvious to everyone present, occurs: namely a goal is scored.³ Notice also that the action does not assume a 'special' plan or 'special' people. It starts at the bottom, namely with the common person (or player in this case).

So goes the plan. Create a document according to the rules for planning (which includes a review, or an articulation, of the mission statement). Ensure to include the common man, i.e. line staff in the planning process. Begin the steps of executing the plan. Adapt to the situation as it develops even if it is very different from that conceived during the planning process. Watch the elegant solution develop.

6. How a Plan should look

As a refresher⁴ the planning ritual has some basic rules and processes summarized as follows (along with the relative times – longer for larger companies):

- Planning only works if everyone in the company is involved. Not only does this provide buy-in for the plan, it also provides an increased amount of information, as well as more relevant and more timely information.
- Ask: Who are we? (1 hour)
- Ask: Where are we? (1 hour)
- Ask: Where do we want to go? (1 hour)
- Ask: How will we get there? (6 hours)
- Having established a one-year plan in detail, reach out on a more speculative basis to two years. Then, out five years if it makes sense for your organization, based on the predictions for the first two years and in very much less detail. (1 hour)
- List everything down on flip chart using an experienced facilitator.
- Make sure it includes an action list of who does what, and by when for every single item proposed in the planning process. (1 hour)
- Write up the resulting plan and circulate it within two weeks.
- Modify it after receiving feedback.
- Transpose the action list to your weekly management meetings agendas.

7. So, What Does Planning Get Me?

Planning provides you with a start in the right direction. So get at it as quickly as you can.

W. E. Caswell

References

1. Caswell, William, *Planning, Strategy and Structure*, Volume VIII of a 12-volume series, General Store Publishing House, Renfrew, ON, (to be released in 2007)
2. Johnson, Steven, *Emergence*, Touchstone, Simon and Schuster, New York, NY, 2001
3. Caswell, William, *Emergence – a 'New' Discovery*, CCCC Newsletter, Ottawa ON, January 2005
4. Gleick, James, *Chaos – Making a New Science*, Penguin Books, New York, NY, 1987

² If you are prepared to go further than one paragraph to understand chaos, look at references 2 and 3 below.

³ Naturally a goal is not scored every time. However, more goals are scored by scrimmages in front of the net than by any other means. Chaos works better than any other methods, even in hockey.

⁴ For details of Planning, see Reference #1 below.