

Planning Helps Companies Stay Abreast of Market Change

By Kathleen M. Hosfeld

This article was first published in 1998 on the Internet site for the International Association of Financial Planners – before the “Who Moved My Cheese” book claimed this metaphor as its own.

Upon taking the helm of a financial services company, a friend of mine recently complained that no one in the organization had any idea how to plan.

When it came time for the annual budget cycle, his "reports" marked up last year's budget by the rate of inflation, and handed it in as their "plan" for the coming year.

What's wrong with this approach? Nothing, except that markets have changed over the last 12 months. And the opportunities for profitability have probably changed in ways they may not have noticed. Which reminds me of a story.

Changing Markets: Welcome to the Rat Race

Once upon a time, researchers trained rats to navigate a maze of several lanes. The reward, a large piece of odiferous cheese, was positioned at the end of Lane Three. The rats were repeatedly placed in the maze, and they always found the cheese at the end of Lane Three. After multiple trips down the maze, the rats learned to waste no time loitering in other lanes, and immediately find their way down Lane Three.

Then the scientists changed the rules of the game. They put the cheese at the end of Lane Six. The rats entered the maze and adroitly ran down lane three. No cheese.

The rat's reaction?

To return to the top of the maze and run *even faster* down lane three.

This is today's manager trying to respond to changing market conditions. The cheese represents the ability to create superior value for clients and to reap the resulting financial rewards. Market changes, which occur more and more rapidly, mean that the cheese is a moving target. Instead of recognizing that the cheese has moved, our natural response is denial. We work harder and run faster, using the same tried and true methods in an attempt to recapture the past.

Hang Up The Track Shoes

If it feels like you're company is running a race and someone keeps moving the finish line, you may be a candidate for a comprehensive planning effort.

Many companies don't plan and their reasons are legion. Takes too much time; have no experience, don't know how; too political; doesn't create benefit (the Tom Peters myth); a plan would be obsolete by the time it was completed.

Yet, research shows that companies who engage in effective planning processes achieve greater financial returns. Studies indicate they experience higher return on investment, return on assets, return on equity, and earnings per share. Studies also show that the intensity of the planning effort is important, and that superficial planning leads to superficial results.

If the whole point of planning is to be more competitive, it's too simplistic to treat it like a foot race. Speed is not always the deciding factor. Instead, try seeing your business situation as a mystery to be solved: "The Case of the Missing Cheese."

Begin With An Assessment: Just The Facts, M'am

Any planning exercise should begin with an assessment of the current state of the organization and what it wants to achieve. The more objective this assessment can be the greater value it is to the organization. If this is a marketing planning exercise, the assessment should cover marketing skills, marketing program effectiveness and results. If it is a strategic planning exercise, the assessment should cover internal operations, customers, the market and competitors. The outcome should be a frank appraisal of positives, negatives, problems and opportunities. A good assessment will make people nervous.

Examine New Information: Search for Clues

William James is quoted as saying, "A great many people think they are thinking when they are merely rearranging their prejudices." Effective planning efforts bring new information into the analysis. This can include: hiring a consulting specialist in a particular field, commissioning customer and competitor research, visiting other companies to see "how they do things," and reviewing case studies. This process, too, will be unsettling to people. "Who knew?" Senior managers must set a tone that makes it okay to look at new ways to do things or new ways to look at things without implying criticism of what's gone before. One client who swore that he didn't need customer research, because "I know my clients" begrudgingly engaged in a small study, only to be pleasantly surprised by the results. The study showed that clients flat out *loved* the company and the service it provided. The strength of the customer base became pivotal in the company's development over the next five years.

Create Insights: Adopt the Customer's Point of View

The gold in any planning process is the moment of insight when a company realizes that it could do things differently and reap better results. One of the best ways a company can achieve insight is to put itself in its customer's shoes (are they track shoes too?). One software company with whom I worked had a major insight when research told them their customers didn't see their product the same way the developers did (quelle surprise). Customers saw a widget; developers saw a flange. Sales went to people who said, "They tell me this is a flange but I'm going to use as a widget." For many companies, just the realization that the customer defines quality differently than the company's managers is a source of significant insight. For other suggestions on how to create insight in planning processes, see "What's Wrong With Strategy?" Harvard Business Journal Reprint 97602 by Andrew Campbell and Marcus Alexander.

Emphasize Implementation: Make It 'Elementary'

Whatever decisions result from your planning process, emphasize follow-through and implementation. The company builds its ability to adapt to changing markets by developing a plan, then doing it; developing another plan, then doing it, and so forth. The plans should be kept simple and straightforward so that they can be easily explained to virtually any employee group: "This is where we are going, and this is your part in it." General strategies should be translated into short-term action plans, which break down tasks into steps, and assign responsibilities and timelines. It is also helpful to post periodic graphical reports that show progress against goals developed in planning.

If you suspect that effective planning can be the key to working smarter not harder, try hanging up the track shoes; put on the gumshoes and start sleuthing for cheese.





Hosfeld

& ASSOCIATES

Hosfeld & Associates is a marketing consulting and communications firm that specializes in assignments requiring the client's organizational development or development of new initiatives. While many marketing firms help clients tell good stories, we help clients *live* great stories.

We create breakthroughs for clients by bringing new eyes, ears and insights to clients' opportunities, assets and challenges. And we get the work done. We help clients move past old limitations and step into their preferred future. Our approach to marketing supports those organizations that want to do well while operating with social, ethical and environmental integrity.

For more information, please visit <http://www.hosfeld.com>