



REAL ENTREPRENEURS DON'T PLAN

Planning is dull, boring, the province of large-company bureaucrats—or so goes the entrepreneurial myth. The truth is that planning is the key to being fast, mobile, and opportunistic – the very things entrepreneurs cherish most.

by BRUCE G. POSNER

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Mention the word “planning” to a lot of small business chief executive officers and you will get reactions ranging from disdain to outright hostility. It’s as if you have said something terribly inappropriate, even insulting. Their businesses aren’t suited to anything so formal, you’ll hear – they need to be flexible, fast on their feet, ready to change direction overnight. Intuition and drive, not meaningless reports with charts and time lines, are what got them where they are today. And the easiest way to lose their edge, they say, is to start acting like the big-time paper shufflers.

The message, loud and clear:

Real Entrepreneurs Don’t Plan.

All of this has a nice, gutsy ring of truth. After all, more than a few companies, large and small, have planned themselves straight into oblivion. And even when the results aren’t totally catastrophic, planning can take a mammoth toll. In

many companies, CEOs and managers spend hundreds of hours squeezing everything they know into neat new frameworks. Once they have read the literature of planning, they often lose touch with their businesses as they really are, and start thinking in terms that only a high-priced consultant could understand. The planning process never seems to end – yet the plan itself usually winds up in a drawer someplace, and the problems don’t go away.

But the real truth may be that entrepreneurs are afraid to plan.

Planning strikes terror in their hearts because it threatens their mystique about themselves. They like flying by the seat of their pants and keeping others blindfolded. Once they invite outsiders into their own private world – in writing, no less – the mystery is gone. All their underlying assumptions can be examined and questioned by employees and others; under scrutiny, these assumptions might unravel, leaving the emperors with no clothes. They might have to

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admit that they have no deal where they're going – that their success had nothing to do with brains or a superior product, but came from pure, dumb luck.

Beyond the loathing and fear, however, lies one of the best-kept secrets in American business. "Planning," it turns out, is really no more—and no less—than another word for good management. And maybe you can start a company without knowing how to plan—but if you don't learn, sooner or later you'll pay an enormous price.

Consider the price you're already paying for poor planning. One way to begin is by looking at your company the way others—suppliers, customers, employees, bankers—do. You may be fooling yourself, but you're probably not fooling them.

Take your employees. The way they see the company's goals and how well it's being managed can have a profound impact on whether they work together as a team—and, ultimately, on the performance of the business. It can also determine whether people stay or leave. Like it or not, your best employees ask themselves every day whether they should bet their careers on you. If they have seen no evidence of a serious plan, why should they believe you have a vision of the future?

"If you're doing all the driving, you may not need much of a map," says Bob Cashman, the 53 year-old CEO of Pacific Envelope Inc., in Anaheim, CA. "But as soon as you begin to delegate authority, you need to show people where you're going."

When things go wrong at many companies, CEOs tend to assume that it's the employees who screwed up—that they simply didn't do what was

expected of them. But it is rarely that simple. One CEO, for example, recently discovered, much to his surprise, that declining productivity as his company had almost nothing to do with his employees' performance. He asked several of his most productive people what was wrong, and each complained bitterly about indecisiveness at the top—how management kept changing its mind how even the simplest decisions were held up indefinitely. With all the confusion, it was hard to have confidence in the business—or get much of anything done.

Just as entrepreneurs aren't used to standing in their employees' shoes, most don't look at things from the perspective of their bankers. When they think about bankers at all, in fact, it's usually to complain about bankers' ignorance of business and unwillingness to provide enough capital, fast enough, to sustain growth.

But bankers know that few businesses go under simply for lack of cash.—that a capital shortage is usually the symptom, not the disease. And most are appalled by how poorly small business owners plan. "Entrepreneurs are forever getting thrown off their horse," says one San Francisco banker, "then wishing they had remembered to bring along a rope."

"From my experience," says Richard Chambers, president and chief operating officer of Nashville City Bank & Trust Co., in Nashville, "most small-business men don't even think about the forces that affect them. And when those conditions begin to change, they don't know what's hit them, let alone what to do about it."

The consequences are well known to bankers all over the country. Every

day, small-business owners are running into problems that they don't even recognize. They complain that they can't meet shipment dates, or that they need to buy more inventory. But going deeper into debt without understanding the underlying problem may make things a whole lot worse.

No two companies plan alike, or for the same reasons. Planning helped a \$3-million plastic-molding company in Chicago rise above the chaos and learn how to juggle more than a dozen projects at once. Things still get crazy at times, says one of the partners, but the company now produces better-quality products with less hassle than ever before—and "we get more repeat business than our lower-priced competitors." Planning, in turn, enabled a Southern California computer peripherals company to quickly redesign its latest product before it was even released. The managers did some last-minute interviews with prospective customers, and narrowly escaped putting out an Edsel.

If we didn't plan, says Jim Whamond, a former marine who is president of Matherws All Natural Inc., a \$3-million baking company in Woburn, Mass., "I'd be trying to do about 55 things at once. We'd be growing for beyond our ability to control it, and I'm almost sure we'd be broke."

But real planning takes a strong stomach. Before you can reap the benefits, you have to be willing to take some risks, to ask questions you may never have asked before. If you don't look at your company, warts and all, you'll be wasting your time—and you may be doing your business a lot of harm.

Planning is going beyond what you



would like to see happen and exploring what it is actually going to take—in terms of time, resources, and effort—to move from point A to point B. It's asking your employees, who see customers a lot more than you do, if the move makes sense in the first place. What will it take to be a winner in your market? What do your customers want?

It means asking a different type of question as well: How do you plan without getting snowed under by systems and contradictions? How much does planning have in common with plugging numbers into computer forecasts? What does the process have to do with those Horatio Alger-like scripts that some people generously call "business plans?"

Not much. You shouldn't try to make your plan into a pretty picture for investors. Not that money is unimportant—but that kind of planning isn't apt to clarify your thinking. You are better off taking a realistic look at where you are, where you want to go, and how you intend to get there — in five years, perhaps, but there's nothing magic about that number. Thinking about two years, or even six months, may be more useful in your particular situation.

Above all, you have to focus. "It's easy to make a list of new and exciting things to do," says David Clemm, chief operating officer of Gordon S. Black

Corp., a growing market research firm in Rochester, N.Y. "But at some point, you need to say, 'Holy Toledo. How the hell are we going to do everything with the resources we've got?'" There may be a way, and there may not. Part of good planning is coming to terms with limitations—your won most definitely included—and realizing that some things can't happen without undermining others.

If you're lucky, you'll learn in time, "There was a point," says the founder of an interior-landscaping company in Boston, "when we prided ourselves in snapping up every opportunity we liked. We totally overrated our abilities as managers, and it cost us about \$400,-000." Planning, he says, "gives me a basis for saying no."

So how do you get rolling? How do you plan your way off the seat of your pants?

It's easiest to begin modestly. Instead of looking at every conceivable aspect of your business at once, focus first on the one or two that seem most critical. You may find that, without even knowing it, you already have what it takes to be a good planner.

If, for example, you're lying awake night after night worrying about whether you will be able to ship orders on time, the logical place to begin is production planning. You may learn that the underlying problem is bigger than you ever imagined, and that your assumptions about what's wrong were totally off base—that the problem is really poor purchasing policies and your own mismanagement. Or you may discover that growth has an inevitable price, and that there is no better way to plan production when business is booming than the way you're already doing it.

Even if you end up changing nothing, though, you will feel better knowing what kept you awake. One of the great benefits of planning is discovering what you do right.

Experienced planners say that, after a while, a rhythm begins to develop. You rely less on old rules of thumb that have lost their meaning, and develop a more open attitude toward change. Maybe you feel the structure

of your industry shifting beneath your feet. Maybe it's time to discontinue that old product line before it becomes a cash drain, to channel the resources somewhere else. Maybe when competitors drop their prices next time, there is actually a way to raise yours. Asking questions helps you identify your strengths so that you can intelligently build on them.

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In some settings, planning never stops, nor should it. Based on your experience as a planner, you learn to judge new situations better. "Planning," says Gary Hoover, CEO of Bookstop Inc., a book retailing chain based in Austin, Tex., "helps me fine-tune my intuition."

When it comes to writing a plan down, the level of detail will depend on who within the company, or elsewhere, needs to understand it. Perhaps the biggest danger is that you will write down too many details and numbers, and not enough basic assumptions. Once a number is on a sheet of paper, says Clemm, who has held planning positions at Xerox Corp. and other large companies, "there is a tendency to think things will happen that way. But you really have to understand why things are—or aren't—going to happen." and while numbers are impor-

tant, unless you are using the planning process to chart a course for others, you've missed the point.

All of which is not to say, "Plan and it will set you free." There are always questions about what to do with your plan once you've got it—when to veer off it in one direction or another, how often to reexamine its assumptions—but there are no hard rules. Very few plans, luckily for the companies that write them, are ever executed exactly as written. This is not only because plans are poorly conceived (although many are), but because the world is always changing in one way or another. Key suppliers go out of business; customer preferences change, a project takes longer than expected. If a plan doesn't need some updating, it is probably worthless. And that is where good management comes in. "Like a good sailor," says Randolph L. Craft, president and CEO of Advanced Management & Planning, a Honolulu-based planning and management consulting firm, "you can't just be watching the charts. You also have to watch the stars."

Paradoxically, fear of planning is not altogether a bad thing. The biggest challenge is to make sure the planning process doesn't overpower everything else that an obsession with planning doesn't start to interfere with doing business.

But intelligent planning is hardly the stultifying exercise that so many entrepreneurs say it is. As business management theorist Peter F. Drucker notes, entrepreneurial success often hinges on "exploiting the unexpected outside event." And if you really plan—unlike your competitors—you'll know the unexpected when you see it.