

How to Hatch a Second Plan That's
Always Better Than Your First

Plan B



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Book Plan B

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Free Press, 2011

Recommendation

In business, as in war, you can expect the unexpected, but how do you react when it happens? Can your company seamlessly pivot to confront new realities? Can it move from “Plan A” to “Plan B”? If not, you haven’t hardwired your business plan to evolve. But never fear: In this entertaining, easily understandable and highly applicable guide to “adaptive management,” business consultant David Kord Murray tells you how to prepare and execute your plans – or an alternate set of plans, if circumstances demand a switch. Murray uses compelling examples from the real world of business – Sam Walton at Walmart, Steve Jobs at Apple and Mark Zuckerberg at Facebook – to illustrate his points. He draws handy tips from Dwight Eisenhower’s performance on D-Day and General Robert E. Lee’s work for the Confederacy at the Battle of Chancellorsville. To join these legends in the pantheon of great business strategists, follow Murray’s 11 principles and nine processes of adaptive management. *BooksInShort* recommends his book to any entrepreneur or corporate titan looking to achieve the next level of excellence.

Take-Aways

- Outmoded business methods often are at the heart of corporate failures.
- Companies need to be able to adopt new methods quickly. They need a “Plan B.”
- Hardwire your “Plan A” so you can evolve to a Plan B as circumstances shift.
- Companies with successful Plan Bs practice “adaptive management”: the ability to adjust your business plan as the world around you changes.
- Businesspeople who apply adaptive management build on a set of strategic principles to make smart, canny judgments.
- They define problems and solutions, and then work with a variety of goals, metrics, and scenarios based on careful planning, strategic debate, and willingness to change.
- Implement these strategies by using tactics and resources that work together.
- Adaptive management’s principles support the use of nine active processes:
- “Scenario planning, tactical inventory, learning, defining the problems, strategic alignment, strategic planning, tactical optimization, alterations” and “debating.”
- Leaders who practiced adaptive management include Dwight Eisenhower, Sam Walton, Steve Jobs and Mark Zuckerberg.

Summary

Things Change: Adapt!

Many businesspeople are not ready for change. Companies that hit rough waters often can’t navigate well because their leaders cling to outmoded ways of doing business. They never learn that they can move away from “Plan A” and activate a “Plan B.” Having an entrenched, top-down administrative structure makes it hard to switch to new tactics when circumstances take a turn.

“Adaptive management is the process of making real-time modifications to the original plan so that it survives and thrives as the business environment demands.”

Instead, govern your company according to “adaptive management” – being nimble enough to alter your business plans as shifts occur to ensure that your organization can outlast change and profit from it.

To practice effective adaptive management, follow these 11 principles:

1. “The Principle of Problems”

To establish the basis of your business plan, first identify your challenges. For example, General Dwight Eisenhower had to devise a “grand strategy” for D-Day; invading Normandy presented a series of “cascading problems” he had to solve. Mark Zuckerberg determined that Facebook, unlike MySpace, would be a tool to augment users’ existing connections, not to develop new ones. Sam Walton believed Walmart had to offer the best bargains, always, on everything.

“Adaptive management is both a way of thinking – a psychology – and a way of doing – a series of processes and procedures.”

Describing your “core business problem” logically leads to selecting a method for addressing it. Draft a hypothesis of what you will do, align your strategies and tactics, and ensure that you’ll be able to measure your progress on the road to fulfilling your hypothesis. Your tests will tell you whether you’re going in the right direction or if you need to change course. But before you can develop your hypothesis, you must discover the root of the problem you’re trying to solve.

“A grand strategy in business, as in warfare, aligns our resources and tactics so that our tactics work in unison to solve the problems we’ve identified.”

For example, health care provider and insurer Kaiser Permanente determined that diagnosing diseases in a timely way improved care and reduced costs. The company developed an “integrated managed care model” to address that need. Problems exist in a hierarchy. Understanding this hierarchy may make it possible for you to see how issues relate to each other. If you solve your high-level problems, you will probably spur changes in related areas. But don’t try to solve lower-level issues by taking your eye off the “primary problem.”

2. “The Principle of Solutions”

Determine what tactics you have available to solve the problems you identify. Take a “tactical inventory” of your available resources, much as NASA did when the *Apollo 13* moon mission went awry. The astronauts had to assess what tools they had with them to do the work necessary to get home safely. Many businesses attempt to tackle challenges without knowing the contents of their arsenals. Creating your tactical inventory shouldn’t be just a one-time effort. Update your inventory by reassessing your resources and seeking new ones. Observe what tactics other firms use; consider establishing the job of “vice president of tactical development.”

3. “The Principle of Force”

In his classic book *On War*, Carl von Clausewitz explained, “The larger army will always defeat the smaller one.” But General Robert E. Lee of the Confederacy proved him wrong. Lee won the Battle of Chancellorsville by dividing his men and attacking the Yankee army on its weak right side. Similarly, if your firm is competing against larger companies, site your battles where you are strongest and can win. Your objective is to “dominate your category.”

“In business, warfare, science and mountaineering, tactics reign supreme.”

Additionally, as von Clausewitz made clear, protecting what you’ve seized is less complicated than taking over new areas; customers are less willing to change brands than to stick with what they know.

4. “The Principle of Concurrent Thinking”

This principle flows from the identification of the problem you’re addressing, and the strategy and tactics you’ll use. In “top-down thinking,” you start with your challenge and then develop the methods for resolving it. In “bottom-up thinking,” your solutions come first. “Strategic thinking” involves using both approaches at the same time. For example, H&R Block opened many retail storefronts when it attempted to offer expanded, year-round financial advice. The project failed because the firm didn’t know that clients wanted only seasonal, pre-deadline tax help. H&R thought from the top down, but not from the bottom up. Using strategic thinking, ensure that your strategy and tactics intertwine. They should be “inseparable because one is made up of the other.”

5. “The Principle of Cascading Objectives”

This principle helps you determine if your strategies are working. Implement only strategies that support your objectives based on your identified goals and metrics. Describe your goals verbally and identify measurements to assess your progress. Such metrics make up a “dashboard” of measurements that can demonstrate whether you’re heading in the right direction. Your firm’s annual report doesn’t measure whether the company is fulfilling its objectives; it is merely a one-time picture. To measure your work, use a metric associated with your strategy. Your “primary metric” should tie more closely to your company’s goals than your secondary metrics. Walmart’s primary metric is whether its prices are lower than its competition’s.

6. “The Principle of Paper Plans”

Every business should have a business plan. Be sure to write your plans properly so that you can see where your strategies are incomplete.

“You need to sense the opportunities that lie in the business, in your subject, even if they’re not the original opportunities you foresaw.”

A good business plan has six sections:

1. An “overview,” or outline, of the document.
2. “Background” information about your company’s playing field, what’s happening in it now and what you expect will take place in the future.
3. Your “strategy,” which is your statement of the problem you’re attempting to solve and your hypothesis about how you will solve it.
4. The strategically aligned “tactics” you will utilize.

5. Your “business model,” a worksheet detailing steps three and four, plus your metrics.
6. The “implementation plan” or dashboard.

“Fate is the opposite of what you think it is: You make fate, it doesn’t make you.”

Do not assume that once you’ve written your plan your work is done. Your plan will go out of date almost as soon as you finish it. The business plan’s purpose is to keep you focused on “how all the pieces fit together,” and to guide you as your business and its environment change.

7. “The Principle of Multiple Futures”

When you write your business plan, you’re making predictions. Frequently, entrepreneurs are wrong in their forecasts, because business can be so complex and because they base their predictions on history. However, people tend to believe that their predictions are sound. This is called “hindsight bias.” Although adaptive management utilizes “scientific” methods and numerical measurements to gauge a company’s success, business itself is not scientific. Business operates in the real world, a “chaotic system” full of chance events. Because of the possibility of many futures, leaders should use scenario planning to prepare for a variety of positive and negative situations. Being ready for negative events is particularly important.

8. “The Principle of Doubt”

Because the future is so unpredictable, businesspeople must constantly acclimatize to change. “Organic adaptation” occurs in nature and is inadvertent. In business, adaptation is “intentional”; managers steer course corrections as needed. Adaptive leaders must make strategic alterations, such as redefining objectives, and tactical adjustments, such as adopting different methods but sticking with the same goal. To stay on top of this process, know what you would do if your tactics fail. Upbeat thinking is an advantage, but you also need to be wary. Regularly quiz yourself on your choices and their potential outcomes.

9. “The Principle of Correlation and Causation”

When you need to change your business plan, don’t panic. Reassess your tactics, because they help you achieve your objectives. Test them to ensure that they’re working and underscoring your hypothesis. When you review your metrics, you will see three potential readings: “an increase in effectiveness, a decrease in effectiveness or no change.” Ideally, you want to see an increase, but you can learn a great deal from a decrease, or a “failed test.” You don’t want to see that nothing has changed, because that would mean you’re standing still. Remember that factor A will not necessarily lead to factor B. They might have some relationship but not definitely a causal one. Do not succumb to “confirmation bias,” where you discount results that don’t support your hypothesis. Coca-Cola committed this error when it developed New Coke, which succeeded in focus groups but famously flopped in the marketplace.

10. “The Principle of Alterations”

Your firm can adapt its business plan using two different methods. Intel used a “strategic evolution,” to move from manufacturing memory chips to making microprocessors. Walmart uses the second method, “tactical evolution,” to respond to changing environments. The world never stays the same, so you must stay concentrated on the effectiveness of your tactics. Polaroid went out of business because it didn’t focus on how to respond to the advent of digital technology. Evolving strategically and tactically can be tough, but you must master these phases to survive.

11. “The Principle of Strategic Debate”

While metrics yield extremely valuable details, do not accept them blindly. Marketing research is worthwhile, but it can unintentionally send you in the wrong direction. For example, flawed findings can emerge from focus groups because the participants know someone is watching them and so they adjust their behavior artificially. Focus groups also don’t reflect the gut feelings that seize consumers when they make purchases. Again, New Coke provides the perfect example. Because data can be deceptive, encourage a culture of adaptive management, where you and your workers can move forward with self-assurance plus healthy doubt. Be both positive and negative as you put your business plan into practice. Urge your team to discuss and debate.

The Process of Adaptive Management

The methods you use to run your company are processes, and they comprise your culture. Adaptive management employs nine such processes:

- **The “scenario planning process”** – Make multiple predictions of the future.
- **The “tactical inventory process”** – Regularly assess your methods.
- **The “learning process”** – Review last year’s plan to see what worked and what didn’t.
- **“Defining problems”** – If you do this effectively, your team can create methods for addressing new challenges on their own.
- **The “strategic alignment process”** – Ensure that your strategy and tactics are in sync.
- **The “strategic planning process”** – Sit down and write your actual plan.
- **“Tactical optimization”** – Measure and evaluate progress using your dashboard.
- **The “alteration process”** – After measuring, assess any changes you need to make in your strategy or tactics.
- **The “debating process”** – Bring your team together regularly to discuss honestly what you can or should change or adapt.

Lucky or Smart? Both

Good businesspeople don’t just run their firms intelligently; they also benefit from a certain amount of luck. Although you may use adaptive management to govern your firm, recognize that business is somewhat similar to gambling. In gaming, you “bet on...many different numbers” to increase the possibility that you’ll win. You do something similar in business. Yet, at the same time, your business success or failure is not entirely out of your hands. While fate plays a significant role, you can

influence it by crafting business plans that evolve, being flexible and open to change. Strive to go nimbly from Plan A to Plan B.

About the Author

David Kord Murray is an engineer, businessman and consultant. He also wrote *Borrowing Brilliance*.
