Why a 5-year plan is a suicidal practic

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One of the hallmarks of large companies is the presence of corporate strategy departments that formulate and publish five-year plans. These are multi-year strategies that are supposed to outline a company's long-term vision and goals. In fact, the primary function of many corporate development departments is simply to fill in the details of that vision and provide specifics on planning, purchasing, HR and operations. Five-year plans used to be secret internal documents. In recent years, however, after recognizing the need to enlist suppliers and customers in their crusades, there has been a trend among even old-line corporations – such as Amtrak, the United States Postal Service and Chrysler – to publicize their five-year plans**.**

Many established companies still consider transparency to be the height of progressive business thinking. But the truth is that the five-year strategic plan is itself an obsolete instrument. In fact, rather than offering a competitive advantage, it is often a drag on operations.

A few decades ago, it was feasible (and important) to plan out that far. Companies made strategic investments by looking ahead a decade or more, and the five-year plan served as the central document outlining the implementation details of those long-term strategic bets. However, in an exponential (or fast-moving) world, the five-year plan is not only unworkable, it is seriously counterproductive – and its death is signaled by the advent of Exponential Organizations, or ones that grow disproportionatey larger (at least 10x larger) than peers because of the use of new organizational techniques that leverage accelerating technologies.

All of this may seem counterintuitive. After all, as companies accelerate faster and faster shouldn't they need *more* forward surveillance as an early warning system? Theoretically, yes. But the reality is that the future is changing so quickly that any forward look is likely to produce false scenarios, so much so that today's five-year plans have a high probability of offering the *wrong* advice.

Consider TED and its launch of TEDx events. Imagine that Chris Anderson had stood up in early 2009 and said, "Okay, folks, let's do this TEDx thing. We want to have 9,000 such events in five years." He would have instantly lost the buy-in of his team because 9,000 events would have sounded both insane and impossible.

Now, imagine if Anderson had asked Lara Stein, the guiding light for the TEDx brand, to actually develop a five-year plan for TEDx. A very aggressive plan by Stein might have looked like this:

Year	Q1	Q2	Q3	Q4	Total	Comment
2009	2	8	20	40	70	Start slowly to test and learn
2010	60	30*	80	100	270	* Slower in the summer
2011	120	100	140	160	520	Steady improvement
2012	180	150	190	200	720	Starting to reach saturation
2013	200	180	220	250	850	Some variations drive increase
					2,430	Total TEDx events over five years

Above: Number of TedX events by quarter.

Even that sounds crazy. Almost 2,500 events in five years? No way. In linear thinking, that goal is clearly a stretch, what James Collins and Jerry Porras termed a BHAG (Big Hairy Audacious Goal) in their 1994 classic, *Built to Last: Successful Habits of Visionary Companies*. Yet as we now know, TED achieved more than three times that number – 8,900 TEDx events within five years, a figure that would have been inconceivable at the outset.

Had Anderson and Stein presented even the 2,500-event goal, they would have either likely triggered a mutiny among the team or they'd have left a lot on the table. Instead, they simply plunged in and let the community set the pace for TEDx. Indeed, Anderson, Stein and the team had no idea they could maintain such a torrid pace until they actually did so.

In short, a five-year plan is a suicidal practice for an ExO. If it doesn't send the company racing off in the wrong direction, it can present an inaccurate picture of what lies ahead, even in the right direction. The only solution is to establish a big vision, set an organizational structure that leverages modern technologies and techniques into place, implement a one-year plan (at most) and watch it all scale while course-correcting in real time. That's exactly what TED did, and that's what the winning companies of the future will do as well.

[This story was excerpted from Salim Ismail's book *Exponential Organizations*, which debuted this week.]

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http://venturebeat.com/2014/10/18/why-a-5-year-plan-is-a-suicidal-practice/?utm_content=buffer95bbd&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer