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ARTICLE

What's the key to getting the go-ahead for your most important plans? Providing answers to four simple questions.

Meetings That Work: *Plans Bosses Can Approve*

by Paul D. Lovett

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PRODUCT NUMBER 4266

THE IDEA IN BRIEF

The vice president of a crisis-ridden subsidiary went into his annual strategic plan meeting carrying nothing more than a spreadsheet—no lengthy plan document, no hour-long Powerpoint presentation. The result of this seemingly outrageous, unprofessional, unprepared meeting? Top management hotly debated his proposal, peppered him with pointed questions, and . . . approved his plans.

The lessons? Trash the bulging three-ring binders crammed with facts, figures, charts, and endless prose about markets and competitors. Throw away your assumption that executives accept or reject new plans based on extensive reading, study, and analysis.

Instead, focus on meetings—that's where executives spend most of their time. It's where plans become real—where they're approved nor based on a rigorous and creative exchange of information and ideas. If you need to sell your superiors on a capital budget, a new piece of equipment, or an increase in your work force, focus them on the most important elements of your plan—elements that convincingly answer these four questions with simplicity and clarity:

1. What is the plan?
2. Why is the plan recommended?
3. What are the goals?
4. How much will it cost to implement the plan?

THE IDEA AT WORK

Devote no more than one page to each of the following four points:

1. **What is the plan?** Begin with a positive, specific, and future-tense statement of strategy, followed by a list of concrete actions to support the strategy. Don't avoid confrontations by making overly general statements. For example, "Margins will be increased by focusing on the high-growth segments of the market" is a meaningless, albeit universal goal. Instead, say, "The sales staff will be doubled so we can expand into the New York-New Jersey electronics market." That's a plan a CEO can discuss, accept, or reject.
2. **Why is the plan recommended?** Make the plan's rationale clear. Your boss should not have to figure this out herself, wading through muddled details or unstated operational issues. Provide synthesized information about markets, competition, costs, and other variables. Leave plenty of time during the meeting to build consensus around your plan and its specific programs. Encourage questions when the decision makers have doubts. The meeting should end with clear decisions and support.
3. **What are the goals?** Identify specific, measurable goals to meet if the boss approves your plan. This will force you to be realistic. Focus the meeting conversation first on the unit of measure, not the numbers themselves. Is your goal increased earnings? Improved market share? Avoid excessive number crunching. Limit the financial detail to a few important numbers and keep the complete market picture in wide-angle focus.
4. **How much will the plan cost?** Request all the resources needed to carry out your plan, both for the short and long term. With clear agreement on resources—financial, human, and other—you heighten your programs' chances of success.

Resolving these four points in one meeting with your boss may not guarantee approval of all your plans, but it *will* make all your meetings far more productive.

HBR
NOVEMBER–DECEMBER 1988

Meetings That Work:
Plans Bosses Can Approve

by Paul D. Lovett

With his business under severe pressure, a group vice president went into his annual strategic-plan meeting with top management carrying nothing more than a large, pencil-draft spread sheet. He brought along no plan document, no overhead slides, and none of his operating staff. But using that simple spread sheet, he identified the difficult options facing his ailing subsidiary and presented his plan. The company's top half-dozen executives hotly debated the proposal, peppering him with questions. Finally, the chairman overruled his aides and opted to continue to invest in the business.

Of the many meetings I attended as manager of corporate planning for a $2 billion industrial gas products company, that one taught me the most about how planning decisions are made—and not made—in a large corporation.

Clearly, there is a substantial gap between planning theory and its practice. Planning meetings are typified by players concerned mostly with covering their own rear ends—too busy putting out fires to think about the future and afraid to nail down a decision that would mean accountability. Decision makers are as often motivated by friendships, concerns for popularity, and self-interest as by the cold, hard facts gleaned from rigorous analysis. Planning documents too often ignore what's really at stake among participants and fail to establish a logical, agreed-on course of action.

My first task as manager of planning, in fact, was to redesign the bulky forms the company used in its annual planning exercise. At that time, the company generated plan *books*, and by the end of the planning cycle, the president would have a foot-high stack of these thick, three-ring binders crammed with facts, figures, charts, and endless prose about markets and competitors. The problem was, top decision makers didn't read the plan books because they weren't helpful as a guide for action.

I soon discovered that it wasn't just the plan books that didn't work. Almost nothing formally written down or presented worked. Strategic plans were not read, presentations seldom inspired a creative exchange of ideas, portfolio analysis was disregarded, and financial forecasts had no credibility. Managers were only going through the planning process because corporate had asked them to fill in some forms or make a presentation. They saw no value in it for themselves.

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The document-oriented planning process did not take into account that key executives spend much of their time in meetings, not writing long documents or reading them, and the more senior the position, the more exaggerated this phenomenon becomes.

The VP of that crisis-ridden subsidiary understood the hidden agendas and preoccupations of his superiors when he reduced his proposal to its essentials. The simple lesson he taught me was that the meeting is where the plan becomes real—where the decision up or down is made. If you want your bosses to approve your idea, you have to sell them on it. You first must get them to focus on the elements you deem important—your vision and your plan of action. And that requires simplicity. Nobody is going to focus on a dull recitation of turgid mush. They certainly won't remember it, and if people can't remember what was said at the meeting, then no planning got done.

This article, then, is really about meetings more than plans, meetings where a decision is sought from the boss—approval of a capital budget, the purchase of a piece of equipment, an increase in the work force.

Over the years I have come to realize that chief executive officers want four questions answered before they will approve a plan:

1. What is the plan?
2. Why is the plan recommended?
3. What are the goals?
4. How much will it cost to implement the plan?

If you satisfactorily answer these questions for the decision maker, chances are you'll get your decision.

You should limit the written presentation of each of the four points to one page. It may be tough to summarize the programs for a $500 million business on a single sheet of paper, but I've found it is usually possible. Moreover, it will make you focus on what *you* want and why you want it.

This four-part approach to planning is straightforward enough, but the real planning must occur *before* the meeting when you and your staff shape the agenda and package the information to make your case convincing. It is at these earlier meetings, too, that you and your staff accept responsibility for the plan and for making it a reality. And you can use these meetings not only for planning but also for building your network of supporters.

A divisional manager of a $40 million specialty business used the four-step process to develop his plan, and at each preparatory meeting he included the managers from R&D, manufacturing, sales, and marketing. By the time the plan was finally presented to his boss, each member of the task force felt a part of the team and was already prepared to implement the plan. The preparation had created the impetus for approval and for execution once approval was given.

What Is the Plan?

Answering this question requires a positive and specific future-tense statement of strategy that the CEO can accept or reject: "The auto products division will acquire a chain of muffler shops." Then you list the actions that will support the plan, like studying the kinds of acquisitions sought and the market areas and hiring an investment banker to help pursue the right deals. Programs at this level might lay the groundwork for a series of capital expenditures that you will request the following year. They might propose a major reorganization, establish a pricing policy, or target a market segment. The statement and list are enough to get the discussion started.

While all this may seem basic enough, I have found that many presentations don't discuss the plan itself. They'll forecast performance and describe environments, but they won't sketch out the action to be taken.

Sometimes, to avoid confrontation, presenters use general statements that may sound like a strategy. "Margins will be increased by focusing on the high-growth segments of the market" is one often-used statement. Now who would deny the wisdom of that approach? If you think about it, it's a good approach for the other business units in the division or for the whole company, in fact for nearly all units in every company, everywhere. It's not a strategy, however. It's not specific enough to provide guidance for anything. How will the unit raise its margins, by how much, and in what time frame? What are the high-growth segments of the market?

Often, business managers won't volunteer answers to such questions. Why should they take the risk, after all? It's tough to call the future, and they'd rather wait to see how things turn out. But by then, of course, it will be too late to implement an effective strategy for taking advantage of the situation.

The following statement, still very short, provides far greater insight into the intentions of the business unit: "The sales staff will be doubled so we can expand into the New York-New Jersey electronics market." Now there is something to discuss with the president. The high-potential market segment is identified, and the means and magnitude of the proposed solution are outlined.

To be effective, those who report directly to the decision maker must establish *their* plan—not one that is simply a conglomeration of subordinate-unit plans but one that establishes priorities among those units. At the industrial gas company, the group VPs who reported to the president were seldom central participants in the process. Most saw it as an opportunity to parade their staff in front of senior management. The group VP assumed the role of the reviewing party rather than the party under review. Consequently, the president was not getting the group VP's plan but what could be more aptly described as a laundry list of items that the business managers wanted to accomplish. After the meetings, the operating execs would frequently complain about the president meddling with the details of their business. But how could he do otherwise until they stopped delivering the details and started presenting a strategically oriented message?

Why Is the Plan Recommended?

The definitive programs, once established, will be successful only as long as the boss remains confident that the opportunity is attractive and that there is a basis for competitive advantage. It is crucial, therefore, to make the plan's rationale clear to the decision maker. You're laying out what the situation is.

Even fail-safe ideas need to be thoroughly supported. One VP went into a plan meeting with the president and asked for permission to open an office in Southeast Asia. To the VP, the need for the company's presence on the Pacific Rim was obvious, and the cost was so low—only $1 million—that he thought approval was in the bag. But he hadn't studied the market or hypothesized a rate of return, so he couldn't demonstrate the value of the investment. The president told him no. "But it's only $1 million," the surprised vice president said. "A million dollars is a lot of money, even for us," the president responded.

Operating managers rarely face the CEO to discuss planning issues and may think they need to brief him or her on every last fact about the market and the situation. This only results in the rationale getting muddled, either by too much detail or by a failure to delve into real operations issues. Remember, CEOs don't have the time to address the details of any one subject. It's up to the manager, therefore, to synthesize the rationale in such a way as to give the CEO confidence in the information and conclusions. And that requires thorough research—of the markets, competition, costs, and whatever else is important to the logic of the proposal. You've got to know the environment in which your programs will be operating.

To control the tendency toward overkill, some companies insist managers draw up a list of key issues that will help establish the rationale for a plan. This part of the process can generate a high level of interest. But even here, the temptation is to discuss the issues so thoroughly that no time is left to decide what to do about them, what programs to create.

The more prevalent problem is that the boss doesn't get enough synthesized information. People want to know what the boss thinks before they play their cards. In effect, they want the CEO to tell them what the solution is instead of the other way around. It thus seems much easier to state the concern as a question: "What are we going to do about the fluctuating price of oil? Will a new competitor enter the market? What will be the rate of growth of the product?"

The implication is that any actions the manager will propose depend on the results of the question. Frequently, in fact, the stated issues are about things over which the unit manager has no control (take a second look at the questions above). Presenters highlight the price of oil or the economy as an issue because they know there is no correct solution against which they can later be evaluated.

Managers may also try to avoid confronting senior management with real issues and definitive programs. Here is an example. At each annual planning meeting, the VP of the international division would discuss budgets and projections of all his units, including the one in South Africa. Despite public pressure on U.S. companies with operations there, the VP would not focus on the question, "Should we maintain our position in South Africa or change it?" As a consequence, the key executives deferred debate on an exit strategy, leaving little time to evaluate the costs and benefits of getting out or looking at prospective buyers. Two years later, the unit was sold, but from a far more disadvantageous bargaining position.

All meeting participants bear a certain responsibility. If the meeting is to be useful, everyone needs to view the proposal as something to be negotiated and agreed on. Gaining consensus on the presenter's outline of programs is the primary objective of the entire planning exercise. Without consensus there is no plan.

Managers will get good feedback only if they propose specific programs that map out well-defined courses of action. Both presenter and staff should be able to proceed from the meeting with the confidence that senior management will be supportive. When strategies and programs are not specific, managers will have to qualify anew each individual initiative as it arises in succeeding months—negating the intended purpose of the planning exercise.

For their part, when executives have doubts, they have the responsibility to question their subordinates' conclusions. Unless the doubts are aired, there will be no shared commitment to the plan, and it will be doomed to failure—either because the doubts were valid or because in the long run the boss simply will not support the tactical programs necessary to carry out the plan.

Executives must also feel responsible for accepting or rejecting the various parts of the proposal, rather than just reviewing them—or interjecting their own off-the-cuff proposal, such as what happened at one top-level plan meeting.

Near the end, the president mentioned two new industries that had not been discussed but that he believed should get marketing attention. Even though nobody had investigated those industries, the group VP's concluding remark was, "Okay, we will give attention to those markets but let's remember what we said when budget time comes." His implication was that people or monetary resources would be applied to the new industries. Yet he and the president had not agreed on goals or a level of expenditure for the program. Consequently, nothing was done. Even the president's program had to wait until it had more definition.

What Are the Goals?

The goals are what you expect to happen if the plan is adopted. A planning system requiring managers to identify and defend specific goals yields more realistic forecasts because managers realize their success can be carefully monitored. While this makes the plan presenter less comfortable, it gives senior management better control over the operation.

It is possible, in fact necessary, to limit the financial detail to a few important numbers. First, get the conversation focused on the unit of measure, not the numerical values. Is the business manager's objective to increase earnings or to gain an improved share position? A simple chart can then illustrate what the goals are and how they compare with the present situation. In some special cases, a list of milestones may summarize the goal better than a numerical target.

Just a few numbers are enough to focus the goals discussion on the right issues. For example, how is the business doing today in terms of share position, sales, and earnings, and how do we expect to be doing five years from now in each of these categories?

Often, though, when executives speak of their goals, they are mistakenly thinking about just their financial forecasts. A unit manager, therefore, will push responsibility for developing the plan onto the controller. The manager may hold a perfunctory meeting to establish a sales scenario, and then will shuffle onto the controller the burden of working up the details and perhaps even presenting the plan. Controllers invest significant time and effort into forecasting sales, detailing costs, and projecting net incomes. So the numbers become the principal output of the plan.

There is one problem: the numbers are frequently worthless. Controllers struggle to get next year's budget close; they cannot be expected to project reasonable numbers five years out. Moreover, business managers typically want the numbers to show increased share, the introduction of new products, and increased profitability all at the same time. The industrial gas company's 1980 plan, which was based on all the units' projections, reflects what often happens. Sales would reach $3 billion in five years and profits, $246 million, the plan said. The results were not even close. Sales in 1985, a good year, were $1.8 billion; earnings were $143 million. A year later, a major write-down left earnings at only $5 million.

The numbers, then, are only a part of the proposal, and by overfocusing on them, a unit is prone to overlook market realities. The industrial gas company, for example, holding a highly profitable leadership position in the U.S. market for hydrogen, foresaw an opportunity to enter the European market. At the time, there was no commercial distributor of the product in Europe. The company had a choice of two goals: (1) establish market leadership by making an early preemptive investment of $40 million in plant and equipment, or (2) attempt to win an upcoming major European space agency contract as a base load for the facility, a process that would take two years.

To establish market leadership, it would be necessary to sell products at cost to generate demand from commercial and industrial buyers. The investment would be justified then, on the basis that customers once signed on would stay as customers as prices later rose to provide an acceptable level of profitability. The necessary early years of low earnings, however, would result in a projected return below the corporate hurdle rate. So by default, the second goal became the operable one. Unfortunately, a French company—also seeing the value of the space agency business—fought tenaciously and won the contract on its home turf.

In the end, the U.S. company revised its market forecast and invested in a European plant anyway. But by then, two years had passed and the French were in the market with their own plant. The company had lost an opportunity to make strong, long-term profits; number crunching had gotten in the way of sound strategic judgment.

How Much Will the Plan Cost?

As a fourth and final step, the business manager must request the resources necessary to carry out the plan. Having established the plan, its rationale, and the goals, the manager now has to "cut the deal." In other words, for there to be real consensus and commitment, sufficient funds and personnel have to be allocated.

Failure to establish agreement on resources—monetary, human, and others—usually means the program will not be sustained. A major division presented a plan which called for making a $50 million acquisition in a closely related industry. There was no discussion, however, about creating the search and evaluation team needed to make the acquisition. Consequently, while the president accepted the program, no human resources were allocated to accomplish the task. No acquisition was ever made.

The plan meeting is really the first step in the budget process. Does your CEO support programs during the plan meeting but cut back those same programs at budget time? The fact is, business managers frequently don't emphasize the cost impact of their initiatives, worried that the project might get killed before it gets off the ground. These are the same managers who complain of a lack of feedback and who cry foul when their budget requests are rejected.

I was once helping a divisional VP prepare the documentation for his annual meeting when it became obvious that he was uncomfortable with the spending level projected for a new initiative, about $3 million. If the planning process had been working effectively, he would either have gone back to the unit manager and negotiated a change or presented it to the president to get his opinion on the acceptable spending level. In this case, he did neither. He eliminated the initiative from his discussion. This "solution" actually undermined the plan. The business manager and the VP were left with neither the guidance nor the authority to carry it out.

The presenter must identify his or her current year's expenditures and compare them with the request for next year and for following years. Here, a financial staff is obviously not just a help in preparing the request; it's mandatory. There shouldn't be any surprises, and a budget increase should be linked to some specified payback—higher growth or an expanded market share.

Resource allocation discussions are about the short as well as the long term. They should address next year's budget for the project. Based on the CEO's response to anticipated spending levels, the business unit can better allocate its funding. Of course, it's not all engraved in stone. You'll have opportunities to reestablish the need for parts of the program that are to come in later years.

The Payoff

The payoff from the preliminary meetings is an agenda that will get your boss to focus on the initiatives you have in mind. You should minimize the written requirements and encourage informality in your discussions.

All four agenda points should be addressed at the same meeting with the boss. I've seen managers talk about their plan and get agreement on goals, only to find out later that the money wasn't there or that the strategy was so vaguely worded that participants had conflicting interpretations of it. To know that you're on the same wavelength on all four points, they must all be resolved together.

This four-step procedure has been successfully used by business owners with $500,000 in sales and by divisional vice presidents representing $500 million. With such an agenda, the boss, the CEO—the decision maker—will be able to participate in the construction of your plan without spending an inordinate amount of time. Chances are, you'll get a decision. Moreover, the meeting's results will be simply stated so they can be communicated informally and rapidly to lower level managers, thus setting the backdrop for actions to be taken by the enterprise.

ARTICLES

"Strategic Stories: How 3M Is Rewriting Business Planning" by Gordon Shaw, Robert Brown, and Philip Bromiley (*Harvard Business Review*, May–June 1998, Product no. 98310)
Without disagreeing about the need to answer the four fundamental questions highlighted in "Meetings That Work: Plans Bosses Can Approve," 3M's experience provides an innovative way to enhance the power of the business-plan structure—strategic stories. 3M planning director Gordon Shaw found the company's business plans dull and uninspired. The problem, he realized, was the bullet-list format characteristic of business plans at most companies. Strategic stories, by contrast, are business plans that tell a compelling story and define key relationships. The authors describe how 3M's business plans utilize the structure of a story to achieve twin benefits: the new format encourages clear, subtle thinking from planners and elicits deep involvement and commitment from executives.

"What Do You Mean You Don't Like My Style?" by John S. Fielden (*Harvard Business Review*, May–June 1982, Product no. 82306)
As with "Strategic Stories," this article adds nuance to the basic four-question format of business plans. It focuses on tailoring the writing style within each plan to particular situations.

In the business environment, the proper style to use for letters and memos is a subject for intense debate. According to Fielden, no single style is appropriate; it all depends on circumstances. Good writers tailor their choice of words, sentences, and format to the situation and the reader. Fielden brings his guidelines to life through a series of sample letters and provides detailed suggestions for varying writing style to suit the situation.