

Strategic Assumptions – A Prerequisite to Great Strategies: 10 Tips

Strategic plans almost always assume certain things to be true about the future. For example, when one company plans to acquire another, its leaders may assume they can achieve synergies to drive down costs. They might assume they are buying their way into a high-growth market or blocking a competitor's moves. Or they could assume any combination of the above.



Unfortunately, many strategic plans include assumptions that don't mean much. And some plans just skip the idea altogether.

Lousy or absent assumptions cause problems, such as:

- *Strategy is harder to get right the first time.* Discussion and debate works best when our premises are crisp and defensible. Clear premises enable clear thinking. In strategic planning, assumptions are our premises, and it's hard to think clearly without good ones.
- *Strategy is harder to correct quickly.* Strategy should be corrected immediately when its underlying assumptions don't play out. But that's tough to do that when you don't know what your assumptions are.

For strong strategy – and quick course correction – you need clear, and useful strategic assumptions. Here are ten tips on how to make sure you get exactly that.

1. Keep Your Head Out of the Sand

As kids, both of us (Wendi & Bill) were lectured that, “To *assume* makes an ‘ass’ of ‘u’ and ‘me.’” That was always in reference to an assumption that hadn't been discussed until it didn't pan out. “But, Mom, I *assumed* somebody would give me a ride home!” That's when the lecture began.

Many strategic plans have the same problem, their important assumptions being unexpressed or obscured. If mentioned at all, they are banal, such as “There will continue to be competition.” They might as well say, “There will continue to be air.” They declare the obvious without contributing anything useful or meaningful.



Consequently, *pivotal* assumptions go unstated. We call this flaw the “head-in-the-sand” problem: obliviousness to what one is actually assuming. This is the most pernicious problem we see with assumptions and strategic plans. It is the inability or unwillingness to actually state what you are assuming.

2. Stay above Hubris

Hubris is another common problem. Too many plans arrogantly assume away important barriers, pitfalls, and problems. For example, when we blithely assume that a complex, technical project will come in on time and on budget, we are presuming god-like powers not normally associated with reality. When we assume that a strong competitor will be cowed by our advances rather than goaded by them, we are living on a different planet.

The point of strategic assumptions is not to sweep away problems, but rather to articulate a likely reality. Chest-thumping strategic *goals* are fine, but chest-thumping *assumptions* are dangerous. They project an optimistic future or capability without provisions for achieving them.

Louis Armstrong wanted “A Kiss to Build a Dream On” (wonderful song); a strategic assumption is a *guess to build a strategy on*, so it had better be a pretty good guess.

3. Really Question Your Assumptions

Although it helps to be a *pragmatic optimist* when writing strategic goals, we suggest you play the *pragmatic skeptic* when writing assumptions.

The assumption-writer asks annoying questions such as, “Will the adversary truly respond the way we think he will?” “Has this ever worked in the past?” “On what basis do we think funding will continue to be available?” “How good are we, usually, at implementing big ideas?” “Why do we think our competitors’ technology will not advance sufficiently for them to gain the advantage?” “Do our constituents really want the same things they need?”

To write good assumptions, temporarily divorce yourself from your enthusiasm for the plan, platform, personality, or future. Launch a cascade of cranky questions. Call in diverse and dispassionate experts who have no vested interests in your situation and ask them periodically to “red team” your plans with critical questioning of your unstated premises. Get them to explicitly articulate your assumptions about what your own organization is capable of – and then question those assumptions. Get them to do the same with assumptions about your external environment, such as adversaries, allies, technology, legislation, and so on.

4. Think of Categories Before You Think of Assumptions

Before you and your team (*and* red team) brainstorm assumptions, you will find it immensely helpful to first brainstorm *categories* of assumptions. Cognitive



psychological research (and our experience) indicates that people will generate about twice as many useful ideas if they have categories in which to fit their ideas. So, for example, an assumptions brainstorm for a commuter airline might start by identifying possible assumption categories such as:

- Legislation & regulation
- Interest rates
- Fuel costs
- Quality and cost of non-face-to-face meeting technology
- Labor markets
- Miscellaneous (none of the above, but relevant)

After categories have been identified, then most people will have an easier time generating assumptions. And remember always to include a “none of the above” category; the list is meant to be an aid to thinking, not a constraint.

5. Close the Assumption-Strategy Loop

In theory, you should start by generating a nice, clean set of assumptions before crafting strategic goals. After all, good assumptions enable solid strategic goals. But the truth is, the whole process is a messy, iterative loop that can start anywhere you like. Feel free to start with glorious strategic goals, and then question the assumptions that supported those goals. Or, start with assumptions and build strategic goals on that foundation. In either case, circle back and forth from one to the other a few times before you settle on assumptions and strategic goals. This is like the good judgment loop we discussed a few posts ago.

6. Keep Your Plan Relevant

Good implementers continually ask, “How are we doing against our plan?” But great implementers also ask, “Is our plan still relevant?” A powerful way to address relevance is with your assumptions. If your assumptions have not held true, or have been incomplete, then it’s time to re-tailor the plan. Even before your results tell you that your plan is off the mark, occasional review of your assumptions serves as an early warning system before bad results start rolling in, and informing you that something needs changing. Here are the kinds of questions to ask:

- “Our plan assumed that corn would stay below \$6 per bushel. Has it?”
- “Our plan assumed that our competitors would lower their price at least 10 percent within six months of our entry to the market. Did they?”
- “Our plan assumed that our two Tennessee plants could consolidate without a reduction in monthly output after six months. Did they?”

If you have tied strategies to assumptions, then you’ll have a considerable advantage in knowing what to change when assumptions have to change.



7. Make Them Crystal-Darn Clear

Of course, just knowing your assumptions will put you ahead of the pack, both as a planner and as an implementer. But knowing exactly what you mean by each assumption will put you even farther ahead. We've written elsewhere about the importance of clear and measurable strategic goals. Well, the same goes for assumptions.

Precision and specificity are essential because assumptions such as, "The market for widgets will continue to grow" aren't terribly useful. Such unfocused assumptions can create confusion and disagreement. Worse, broad, fuzzy assumptions tend to be ignored, and disconnected from strategic adjustments. Much better are specific assumptions such as, "The market for widgets will continue to grow at least 3% per quarter," which can be monitored as a straightforward and unambiguous task.

8. Connect Assumptions to Strategies

There is another requisite for the correction loop to work: *the relationship of a strategic goal to one or more assumptions should be absolutely explicit*. Otherwise it's too difficult to change your strategy, even if you spot discrepancies as your assumptions unfold. Too often, there is no clear relationship between the strategies in a strategic plan and the assumptions on which they are based. The relationship between assumptions and strategies need not be only one assumption to one strategy. Those relationships can also be many-to-one or one-to-many.

9. Make Contingency Plans

If assumptions are measurable, they serve as effective tripwires for contingency plans. For example, your strategic plan might state, "If assumptions *x*, *y*, and *z* hold true, we'll stick with course A. But if any two of them prove incorrect, we'll switch to course B." In other words, you don't need to wait until an assumption is disproven to create a replacement strategy.

Furthermore, your contingency plan needn't always be a fallback plan. If assumptions turn out to be too conservative or pessimistic, it may be useful to also have a "seize-the-opportunity" plan.

10. Hedge Your Bets

"Hedging" is one way to prepare for the eventuality of incorrect assumptions. A hedge is a relatively small investment, up front, to mitigate the impact of incorrect assumptions. A hedge might include the purchase of equipment that might never be needed (like a seat belt), training you probably will never need (like CPR instruction), or the right to use or lease something that might never be part of your future.



For example, in a municipality where it hardly ever snows, a savvy mayor might insist on purchasing a single snow plow or, better, snow plow attachments for existing trucks – and annual maintenance and training on the (probably idle) equipment.

Or one portion of a strategic plan might rest on the assumption that, “Public support for our work will continue to grow at its present pace for at least three more years.” But here is the “hedge”: “We will identify three specialists in handling crisis public relations, have their 24-hour contact information, and meet with at least one of them.”

In Summary

Well-considered assumptions make your plan smart and relevant. They give you a logical foundation and an ongoing grounding in reality. And, like many things in life that are both simple and hard, your payoff for careful attention to assumptions will many times exceed your investment.

