EDITORIAL

Forget The Long Range Plans

What is it about us all that loves a straight line? Nowhere is this inclination more obvious than in the murky realm of forecasting. Nine times out of ten, when it comes to pondering the future, we inevitably take past results and extrapolate them on a straight line into the indefinite future. If the past tells us anything, it is simply that future events are tough to call. Why is it, then, that if a business expanded 8% a year over the past decade, management's projections invariably call for...you guessed it... 8% annual expansion for the coming decade?

A statistician will tell you that if you flip a coin there is a 50% chance it will land heads up, or that in ten tosses, you're likely to get heads five times. They also caution, however, that past performance provides no guarantees. It may be unlikely, but you could flip a coin and get 100 heads in a row.

This is a roundabout way of saying don't put too much stock in sweeping forecasts for the future. Not only are they likely to be wrong, but they also have a tendency to restrict your point of view and obscure major opportunities. A few examples illustrate this. In the early '70s, central to General Motors future sales forecasts were two premises that were viewed as absolute: GM would maintain a 54% share of the U.S. market, and the American public would continue to equate bigger with better. Then came an unexpected flood of well built Japanese compact cars that demolished both premises in less than a decade. In 1978 IBM predicated aggressive growth projections on assumptions about the use of main-frame computers. Two years later the personal computer emerged and stood those projections on their heads.

Mistaken projections are not only the province of arrogant *Fortune 500* companies. On the heels of a record year in 1979, Kimball Piano management declared, "After 18 consecutive years of sales increases, we are confident that we will continue to grow at a rate consistent with our past record." Last month the company liquidated its piano division, citing shrinkage in market size. In 1984 Tom Beckmen, then president of Roland US, boldly announced that "in the near future music making will be done with computers and digital technology," and that "traditional instruments will dwindle to insignificance." Needless to say, consumer applications of computers and music have remained limited, and the appeal of "traditional instruments" has proved more durable. Elsewhere in this issue we reproduce 40 years of "informed," albeit somewhat apocalyptic, forecasting on the imminent demise of school music programs. Last time we checked, though, the pundits were still wrong, and school music seemed to be faring reasonably well.

Given that forecasts are wrong more often than they're right, what to do? Our suggestion is pretty straightforward: Forget about them. If you're dealing with products like commercial aircraft, which have ten-year lead times, obviously some type of projections are important; however, that isn't the problem in the music products industry. When asked about "long-range planning," Sam Walton, founder of Wal-Mart, was fond of saying, "Whenever we came across a good idea, we acted on it." This straightforward advice is a lot harder to implement than it sounds.

If you're in retail, you get confronted with new great new ideas every day when you scan newspaper advertising, walk the aisles of a grocery store, or shop in a department store. Customer complaints and suggestions are also a great source of ideas for improvement. Yet after seeing a great ad or a creative display system, the universal tendency is to say "We should do something like that" and then forget about it a week later.

In the long run, the sorry truth is that we'll all be dead. This somber truism should provide an incentive to seize the moment. If you act on all the good ideas that pass before you, the future should take care of itself.

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