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Stop Managing from the Spreadsheet

In this series, professionals predict the ideas and trends that will shape 2016. Read the posts here, then write your own (use #BigIdeas2016 in your piece).

Many executives have a love affair with spreadsheets. I am not one of them. In fact, I encourage my team to approach spreadsheets with a healthy dose of skepticism, and I caution everyone else to do the same.

That's hard to do in the midst of planning for the upcoming year. Like other corporate teams, we are knee-deep in spreadsheets, studying their data and looking for trends. We are not, however, looking for answers about the future, only guideposts toward it.

That may seem like semantics, but let me explain.

Spreadsheets are no doubt very useful tools, but too many executives view them as the be-all and end-all for their planning. They manage from the spreadsheet, viewing it as an oracle, rather than as the map that it actually is. They collect the data and project into the future, grasping for concrete answers about what tomorrow holds. They make decisions believing the numbers of the past loaded into the spreadsheet foretell future outcomes, when in reality their trust is completely misplaced.

I understand why they do this: The future is filled with uncertainty and no one likes uncertainty. Uncertainty implies risk, and we all seek ways to minimize risk. The hard numbers of the spreadsheet make the future seem more certain. However, a spreadsheet is only one possibility of the answer, not the answer itself. A spreadsheet is merely a way to organize data. Its numbers generally capture trends of the past, but it is in no way predictive of what's to come.

That's not to say spreadsheets are not useful instruments. Of course, they allow you to make judgments about your future based on what has happened in the past. But those judgments are merely assumptions; they are not set in stone. The best strategic

decisions reflect a healthy balance of historic data and well-considered knowledge. We need to look to other companies and industries as models for what will happen in the future.

Here's a metaphor: 16-year-olds. If you are familiar with any 16-year-olds, you know they can be terrors to live with. Given raging hormones and the developmental need to question and reject authority, 16-year-olds can truly test the parent-child bond. I know of what I speak. If I looked at the accumulating data related to my 16-year-old son's recent behavior and projected that into the future, I would consider putting him up for adoption. I'm not going to do that, however, because I know the past is not likely to be predictive of what's to come. By the time most 16-year-olds reach the age of 25, they lose much of their edge and morph into wonderful adults — at least that's what I see when I look at my friends' older children. The spreadsheet I would build based solely on the behavior of 16-year-olds may reflect what is going on in the recent past and today, but not the changes that looking to other models tell us will occur in future months and years.

Similarly, a spreadsheet cannot anticipate the unexpected events that inevitably disrupt a business plan. Sure, you can model different scenarios, anticipating costs for occurrences still to unfold, but some disruptions are so out of the ordinary that their consequences cannot be anticipated, much less reflected, in a spreadsheet. Recall 9/11 or think of major weather events, such as devastating tornados or the historic snowfalls tallied in the Northeast in early 2014 and then again in early 2015. I like to call such events "life." There's no way a backward-looking spreadsheet realistically factors in future life events.

For this reason, spreadsheets need to be created with ranges of the future built into them. I think of it as akin to driving from Boston to Chicago for a Saturday wedding. You make a plan to leave Wednesday morning, expecting to drive seven hours a day for two consecutive days, so you can spend Friday sightseeing. But Wednesday night your daughter comes down with the stomach flu, halting travel and keeping you hotel-bound for all of Thursday. Your spreadsheet could in no way reflect this unexpected event. You still have to make your goal, the wedding, but now you have to change your plan and cut out your visits to the Shedd Aquarium and the Museum of Science and Industry.

French writer and philosopher Voltaire noted long ago that "Doubt is not a pleasant condition, but certainty is absurd." Today's executives would be wise to apply that thinking to spreadsheets. Their data reveals yesterday's truths; their spreadsheets of tomorrow are merely one possibility, but not a likely outcome. What they need is perspective and guardrails.