

Fall for the Planning Fallacy

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Perhaps a better title would be: *Don't Fall for the Planning Fallacy.*

So what is it...

The *Planning Fallacy* is a term that was developed by Daniel Kahneman and Amos Tversky in 1979 and it's described as a "tendency to underestimate the time it will take to complete a project while knowing that similar projects have typically taken longer in the past. So it's a combination of optimistic prediction about a particular case in the face of more general knowledge that would suggest otherwise."¹

...and what does it look like?

Here's a familiar scenario, and I've spoken about this before: You have an older structure on the farm, be it a barn, sugarhouse, or other outbuilding, and you're considering retrofitting, remodeling, or razing it to make way for growth of the farm business. You've priced out a new structure that would fit your needs exactly, but you've done some of this type of retrofit work before and you've seen professionals do most of the rest of it. So you figure you can save a boatload of cash by doing it yourself, and do it faster because you won't have to be waiting on the contractor's schedule. Unfortunately, you dismiss the disparity in skill levels between yourself and the professionals, the amount of tinkering required to retrofit 21st century technology into a 19th century building, the availability of the necessary tools and materials, and lastly, how you're going to fit it in with daily chores, planting, first cutting, etc. (This is why I advise that if a retrofit/remodel is 50% or more of a new structure go for the new structure because we tend to *overestimate* the value of the existing structure and *underestimate* the time, talent, and treasure required to rework it.)

How to avoid it

1. Use past performance to predict future completion. This is where actual history is your friend. If it took you X-weeks to complete a similar project, figure on it taking X-weeks again even if you gained more experience and competencies last time. Better to finish early and

start the next phase than to fall behind and never catch up. If this is a new one for you, seek out others with comparable skill levels who have completed similar projects. Ask them how long the project took and what things they would do differently next time.

2. Be pessimistic. Murphy said, "... what can go wrong, will go wrong," and at the most inopportune time (emphasis added). I've yet to have a plan go exactly according to design. There have always been problems. Whether it's a missing or defective part, wrong material, delayed delivery, weather, etc. there has always been something. I'm not saying you need to take on the persona of Eeyore (apologies to A.A. Milne), but be conservative and always have a Plan B (risk management). That way the project can still progress even if you're waiting for a part, a delayed delivery, the weather, etc.

3. Ask a skeptic to give you some honest feedback on the plan and the proposed timeline. Ask them if they think the plan is not only feasible, but also realistic. Many times when we've worked and reworked a plan for so long we often miss key items. Having someone else look it over may help you find the voids and flawed assumptions in your plan.

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Check your work

Finally, build some key performance indicators (KPI's) into your plan so that as you go to implementation you can make sure that everything is going "according to Hoyle" and not running off the rails. In practice this might be "defined milestones". For example, by some set date you will have completed items A, B, and the first part of D. If this doesn't happen then you'll know you need to rework the plan.

¹ – Anthony, Scott D., *The Planning Fallacy and the Innovator's Dilemma*, Harvard Business Review, Aug. 2012. <https://hbr.org/2012/08/the-planning-fallacy-and-the-i>