“Why decisions fail: avoiding the blunders and traps that lead to debacles”, by Paul C. Nutt (2002)

What to Do

Setting directions with an objective is more effective than following either an idea or a problem tactic. Next let's look at why objectives are effective and how to fashion them.

Objective Tactics

An objective identifies desired results, such as lower cost or increased market share. An objective works as a direction because it focuses a search on an expected result and thereby gives everyone involved freedom to look at any solution that can realize the intended result. This opens the search up to anything that would provide this outcome.

People have a bias toward action and a fear of being seen as indecisive. This makes objective setting commonly known, but uncommonly practiced. Many of my study participants acknowledge that they had been exposed to objectives during their education, but most are action-oriented and see objectives as an academic exercise. Identifying the desired result does appear to be obvious after a decision is made, and devoting time to something thought to be obvious is irritating. Such decision makers stress the need to “get on with it” and have little patience with objective setting sessions. Also, many decision makers want to be seen as decisive, which creates an artificial pressure for action. This pressure can take several

forms. Decision makers are expected to "put their wake in front of their boat." You are pressured by people in an oversight role for assurances that you can deal with a seemingly important claim before much is known about it. By rapidly indicating what will be done, you seem to be on top of things. The press and many others in an oversight role sneer at authorizing a study with objectives: "What, another study? Why can't we do something?" This makes it difficult for you to champion an orderly process that clearly articulates a desired result (an objective) and to wait for solutions. Decision makers who would prefer to follow such a path are often pressured by higher-ups or people in an oversight role to grab at the first idea that pops up. The people creating such pressure act as if everything has an immediate solution. Even when a decision maker knows it is foolhardy to make decisions this way, the pressure for a quick fix often wins out.

Ironically, setting an objective has the opposite effect. Objectives liberate people to search widely for solutions, which lowers the chance of failure. Consider a hospital CEO who must respond to a threat by a large health maintenance organization (HMO) to cut its reimbursement rates. The hospital's proposed service charges, negotiated by the hospital CEO biannually and formalized as a contract with the HMO, have been rejected because the HMO claims that the hospital is overstaffed. To respond to this threat, the hospital CEO identifies a cost reduction target (the objective) and lets departmental managers come up with ways to make the necessary cuts. The cost reduction target directed the search for ways to reduce labor cost. A successful rate negotiation with the HMO resulted when the CEO demonstrated the cuts that were to be made.

All but an overly demanding objective provides such a result. An objective that is unrealistic, calling for more than can be achieved with the time and resources available, can lead to panic-ridden frustrated behavior (Janis, 1989). The chance of success improves when a realistic objective is set. At this point you must be wondering about the "stretch objectives" found in the writings of TQM and re-engineering. My reading of this literature suggests two explanations. The cases cited in TQM and re-engineering are mostly anecdotal and seem to have one common element—poorly used resources. For example, long-distance carriers Sprint, AT&T, and MCI were not satisfied with Bell Atlantic's time to hook up new customers. Thirteen

hand-offs and seven information systems caused repeated delays as people coordinated with one another or waited for replies, producing a fifteen- to thirty-day waiting period. The objective selected, which was close to ten hours of actual work, is hardly a stretch. This result is explained by redeploying the resources found in unneeded or inefficient procedures, not stretch objectives. On the other hand, the continued use of stretch objectives in stressed companies that are short on resources may be one cause for the erosion of morale and growth of apathy found in many of today's companies (Kelley, 1992).

Finding an Objective

Identifying an objective can be difficult. Many decision makers are primed to think solely in solution terms. And there are no tests to determine whether the "correct" objective has been identified. The dual challenges of dealing with the solution centeredness of people and identifying an objective are considered next.

Uncovering a Tentative List of Objectives

The idea tactic illustrates how people displace to solutions. Many decision makers are decidedly solution centered (Shull, Delbecq, and Cummings, 1970), which provokes the premature commitment blunder. Solution-centered preferences are deeply rooted, and it is often best to accept and work with such preferences rather than to try changing them. To do this, a variation on the group process described in Chapter 4 is offered to uncover a tentative list of objectives. This indirect route has been shown to be effective in my past work.

First, participants in a group are asked to identify solutions. People are prone to do this. They may insist on doing so in your decision as well, so allow participants to displace to solutions. But make a deal. Ask the group members to also write down the results they expect for each solution that they uncover. In the silent generation phase, each group member lists solutions on the left side of a page and the result that this solution is expected to provide on the right until all solution ideas are exhausted. In the listing phase, the facilitator uses two sheets, recording solutions on one and expected results on the other. This decouples solutions from expected

results. The facilitator then helps the group prioritize the expected results that were uncovered.

If the expected results that are offered are connected to the solutions, the facilitator can show that broad scale solutions fit only with broad scale expected results but that narrow solutions can be fit in many places. This illustrates how a narrow objective limits search. The demonstration shows that a narrow objective is less desirable because it excludes many kinds of solutions. It also shows how a broad scale objective expands a search. Finally, this approach plays into the task of finding appropriate objectives, discussed next.

Individuals can apply this approach to uncover candidate objectives as well. List solutions that have cropped up from your own ruminations, the claims made, the ideas offered by stakeholders, and other sources. When this list is complete, list the results each solution can provide. This gives you a list of tentative objectives for the next step of the objective setting effort. When comparing the hoped-for results, look for a broad objective and a narrower one to see the scope of solutions that would match each. This gives you some guidance as to how broadly you want to pitch your search effort.

Selecting Objectives

The difficulty of objective selection can be best demonstrated with an example. Consider an organization in which decision makers have a cash flow concern because the company's receivable and payable accounts are unbalanced. Should this be attacked with an objective to increase cash flow or should an increase in revenue serve as the objective? If the revenue-generation objective is addressed, a redesign of products and services might be considered, along with marketing to find new customers. If the cash flow objective is addressed, solutions take shape as ways to balance the flow of funds in the company. These solutions are very different and illustrate how an objective can narrow a search or broaden it.

The Hierarchical Relationship of Objectives. Objective selection creates a paradox. Each objective identifies a system. Every system is part of a larger system and contains many smaller ones, so all systems have a hierarchical relationship. Choosing the scope of a system to be addressed is similar to choosing an objective, but it is not clear which system should be

selected. To overcome the paradox, two tests are offered. You may choose to limit your purview to those systems over which you have control, or you may select some that stand out from the others due to their seeming urgency and importance.

To make this choice less arbitrary, system theorists look for an objective that identifies a system that is both larger and smaller than the focal system. Looking at objectives in this way can be justified on two counts. Virtually everyone recommends developing multiple options because decisions with multiple options are more successful. Dual objectives encourage this. Also, when options stem from broader objectives, it opens up inquiry. Options that balance accounts payable and receivable are quite different from those that increase revenue. The DIA decision seemed to identify lots of options, but each was a variation on the new airport theme. Options that are broadly defined, as in the previous example, overcome this difficulty.

Consider a Toyota dealer who had been getting troublesome signals after a long period of sales growth. Declines in the closing ratio (a measure of lost sales) were noted and profit had leveled off. The owner attributed this to staffing difficulties. Growth had added salespeople who lacked enculturation into Toyota's way of doing business, suggesting that training was lacking. This seemed unlikely to me. To break out of this bind, the training direction was expanded and narrowed. The narrower view focused on the behavior of salespersons, attempting to identify things that were turning off customers. Remedies would be limited to ways to modify the undesirable behavior. A broader objective was set to look for ways to expand profits, bringing into view options such as promotions, buyer incentives, cost cutting, and pricing policy. This allowed me to open up the search without ignoring the owner's wishes.

Note how objectives in the Toyota decision have a hierarchical relationship. The owner must find ways to overcome behavioral problems to do training, and training must be in place before promotions, cost cutting, and the like will work. Creating objectives that uncover options in this way brings to light hidden difficulties that have eluded decision makers and must be rectified to ensure success.

Creating an Objective Hierarchy and Using It to Uncover Objectives. You can use a laddering technique to create a hierarchy of objectives and interpret it to find the most appropriate objectives to follow. This tech-

nique helps you around two difficulties: (1) people who become fixated on a particular objective and (2) arranging a large number of objectives, uncovered by a group process, to reveal their relationships. In both instances one needs to construct a hierarchy of possible objectives to find the broader and narrower ones. The laddering technique provides a way to expand a pool of objectives and give them the needed logic. The objective suggested by a powerful stakeholder, or one that has been assumed without much thought, can be used as a starting point.

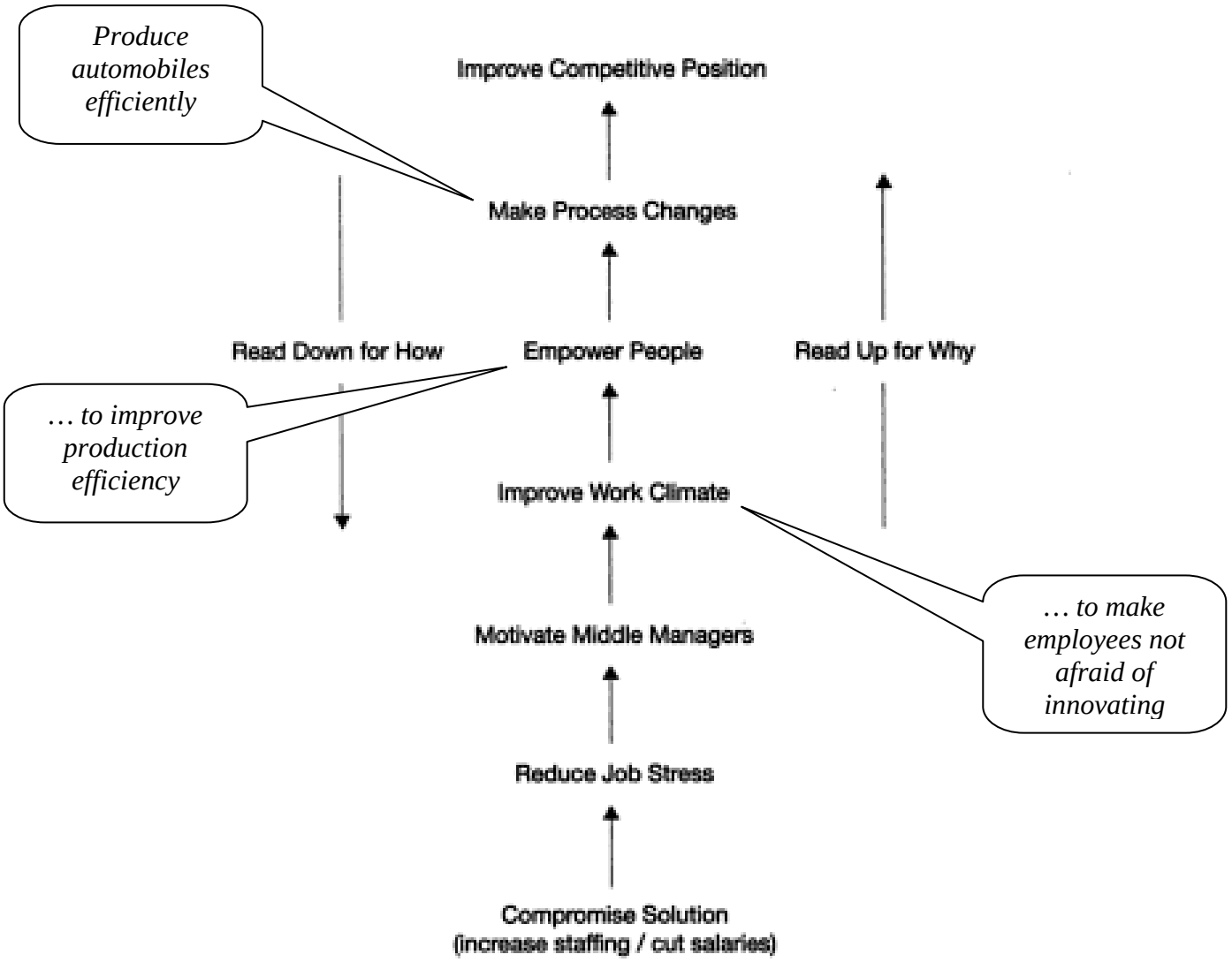
My analysis of Ford's transformation in the 1980s shows how to apply the laddering technique (Nutt and Backoff, 1998). In the 1970s the Ford Motor Company found itself in decline, with a critical leadership decision to make (Pascale, 1990). According to industry observers, the decline was prompted by a management that stifled new ideas, lagging productivity, disputes about the type of leadership needed, lack of cross-functional cooperation, an emphasis on control, a silo mentality, and Ford's reputation as a "bad place to work." A visionary leader, Don Peterson, fashioned a remarkable turnaround for Ford. Peterson's tenure was marked by fostering a team approach in top management to deal with the difficulties at Ford. Spreitzer and Quinn (2001) point out new concerns that stemmed from perceptions about who got what during the Peterson era. Key middle managers were found to have blocked further change because they had smoldering grievances and because they were excluded from Peterson's teams. New difficulties emerged due to slow sales and cost reductions that squeezed tradition-ridden work units. This suggests that further transformation at Ford depends on addressing these overlooked difficulties.

A compromise that trades off pay with reduced job demands provides a place to start and simulates the situation wherein an objective is suggested by a powerful stakeholder. To construct a ladder, the facilitator looks for the objective of this trade-off: Why compromise by adding people and cutting salaries, asks the facilitator? An answer might be to reduce job stress. This identifies the most basic objective. The same question is posed again: Why reduce job stress? An answer might be to motivate middle managers. By continuing in this way, a ladder is created as shown in Figure 6.1.

The ladder addresses why and how questions in a hierarchy of objectives. Moving up the ladder answers the "why" question (reduced stress produces more motivated middle managers). Moving down the ladder

Figure 6.1

THE LADDERING TECHNIQUE AT FORD



answers the "how" question (one motivates middle managers to help rid them of job stress). One motivates to improve climate (why), and an improved climate can motivate (how). Improved climates empower (why), and empowerment improves the climate (how), and so on down the ladder.

By moving up the ladder, participants can be shown larger spaces or larger systems in which actions can be sought. A bigger space is better because it has fewer constraints (Rothenberg, 1979). Participants in a development effort who see how a broad scale search can open up the decision-making process to more possibilities are more apt to adopt a broader objective to guide their efforts.

Problem Definition Scope

It is recommended that participants explore the scope of actions open to them before selecting an objective to guide their search for solutions. If only one is used, the broadest feasible objective is always best. Better yet, objectives that are broader and narrower than the one initially adopted can be used to initiate a search for a string of actions, or options "broadly defined," to make needed changes.

▼ Key Points

- Decision makers drawn to power and repelled by ambiguity find it difficult to set a direction.
- Avoid using an idea as a direction. People are drawn to the idea—either to support or to resist it. Debates about what is needed get lost in debates over the merit of the idea, making purpose unclear and argumentative. Hold back ideas until a thoughtful direction is set that indicates the desired result.
- Resist analyzing problems. A problem direction narrows search to the vicinity of the problem. For instance, the problems of excessive absenteeism entice one to look for who is absent in order to hand out rebukes. Such an approach is not likely to discover the causes of absenteeism, such as jobs that lack challenge.
- Forget about uncovering problems and go directly to objectives. Setting objectives is more effective because it opens up the decision process to new possibilities. This opening up enables a decision maker to move away from stereotyped responses and traditional ways of acting.
- State objectives in performance terms to provide a target.
- Use objectives that are narrower and broader in scope than the focal objective to expand the pool of options. This can bring to light a series of actions needed to be effective. Such actions overcome hidden difficulties that have eluded people's attention and must be dealt with to ensure good results. Guide the overall effort with the broadest objective that people will accept.
- Unrealistic objectives, given time and budget constraints, reduce the chance of finding answers. Objectives that call for big results are less apt to be taken seriously when time constraints and budgets make such

results seem out of reach. Leaders who treat objectives in a cavalier manner are less likely to elicit the support they need to find a useful remedy. The objective must appear to be attainable to realize a good outcome.