The last bastion of inefficiency

Faster decision making is a vein of productivity gold

BY SANDY MUNRO

An elephant is hiding in the boardroom. A giant of a beast is sucking up vast amounts of profit and time while simultaneously demoralizing the rest of the corporation. It's a behemoth that trumpets inefficiency with defiance, one that has no equal in the rest of the organization. What is this plague on profit and efficiency? How is it that none can detect its massive presence? Who can bring down this usurper?

I use a phrase often: "Today's truth is a lie that hasn't been exposed yet." As a vanguard in the quest for efficiency, I have always been classified as being a little strange and unreasonable, someone who really does not understand "how it's done around here." When you attack the experts who espouse the prevailing wisdom, you are bound to get some flak because business is in many ways like a religion. It has a hierarchy, rules, bibles, rituals, and leaders that dictate what is good and what is bad. Heretics are not usually popular, and execution automatically becomes an option, figuratively speaking.

Attacking the last bastion of waste — slow management decisions — is bound to be taken badly by some.

When I started my career in the 1970s, factories were filthy and dangerous. Phrases such as "lazy American workers" and "production is king" were popular. These sentiments reigned as truth.

Then W. Edwards Deming returned to the United States after a 25-year hiatus spent turning Japan into an industrial powerhouse. He exposed lies about cheap, shoddy war materials and demanded quality. The truth came out, and the world changed. We learned that workers did the best they could under the circumstances they were in, that quality is tantamount to success, and that factories must be spotless and safe because that's the profitable way to do things.

But we forgot or perhaps didn't hear another truth that Deming pronounced (and I paraphrase): Management is the epicenter of inefficiency, and if that area is neglected all the rest of the improvements are pointless.

Deming may have been harsh in his criticism, but then so is the reality of plant closures and unprofitable companies. No matter your political stance, when you look at the response to the Hurricane Katrina disaster in New Orleans it is hard to do anything but point to poor management on the part of both political parties. The biggest complaints involved response time, and decisions that took too long to be made were an important aspect of that problem.

Large companies suffer the consequences of delayed decision making all too frequently. No matter how fast a line worker can

WHY SO SLOW?

Why do decisions, even simple sign-offs, take so long? There are three common reasons.

First, the executives who must approve the initiative have too many decisions on their desks to give each considerable attention. But then why do they have so many decisions? Why not delegate the easy ones at least? Because decision making is power. And in the old command-and-control paradigm, power is nearly everything.

I once addressed a dozen senior executives in a Fortune 100 firm on decision making. At the end of the one-hour session, an exec hung around while the others left. He approached me with this question, "Do you know why I make decisions that should be made by my direct reports and even some of those that belong to their reports?" I wasn't sharp enough to guess his answer. "Because those are the only decisions that I get to make!" he said.

What he meant, of course, was that his decisions were being made by executives one or even two levels above him. The man knew that this upshifting of decision power was wrong for his people and for the organization. The quality of the decisions could only suffer as those at the very top each collected as many decision-making opportunities as possible.

The second reason that decisions don't get made is that if the wrong alternative is chosen (or rather, if the alternative chosen turns out to be the wrong one), someone will be blamed. Obviously, that someone is most likely to be the person who made the decision.

One way to avoid a mistake is to postpone the decision until enough information is in to make it a no-brainer that is obvious to everyone and essentially mistake-proof.

The third reason occurs in the absence of the other two, in organizations that have made the transition from command-and-control to the new paradigm of flatter, faster, more horizontal and process-oriented. When people are finally freed to make the decisions that are in their domain of expertise without fear that one bad outcome will derail their career, they don't know how. They may understand their technical area, can describe efficient engineering process, optimize the living daylights out of a product or project, but they never received training on solid decision making.

Some decisions are easy. Many others are not. They are complicated by multiple objectives, limited quantification, plenty of uncertainty, and different stakeholders who don't share the same objectives. What do you do then?

The answer is the same as for the engineering project: You need a good process. There are people who have worked to understand decision making as a process and to develop frameworks and guidelines for a smooth decision process. Co-author Paul Schoemaker and I offer a four-stage process in our book, *Winning Decisions.*

1. The problem must be framed — structured and bounded — properly. This is like making sure that you're solving the right problem.
2. Gather intelligence, the useful stuff, and don't waste time on what won't really make any difference to the action that you choose.
3. Come to conclusions using a valid method of inference from the gathered intelligence, which among other things, means to avoid deciding solely by using your intuition.
4. Learn from experience to improve each of the first three stages by conducting a lessons learned analysis after the outcome of the decision is known.

Decision making is power, but it is also a responsibility. To do it well requires a satisfactory process — and the continual improvement of that process within yourself until you have become a genuinely skilled decision maker.

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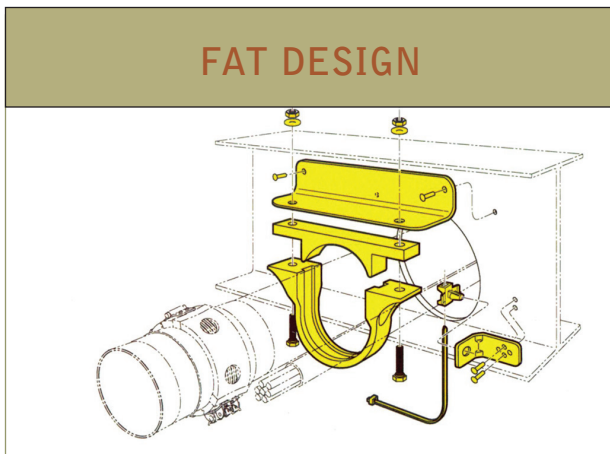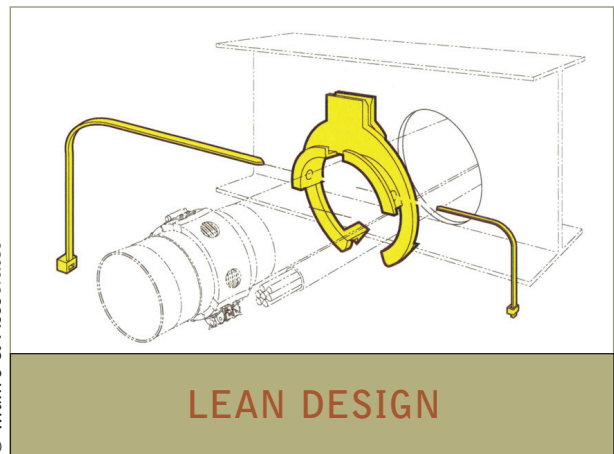
Figure 1. A "fat design" includes parts that have a single function.

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Figure 2. Multifunctional parts are an important cost-saving aspect of lean design.

identify a problem, no matter how fast an engineer can find a solution, no mater how fast a supplier can implement a change, actual results come down to an executive signature that could languish on a desk for months.

Improving the speed of management decision making at all levels marks the last vein of easy gold to be mined from every large industry. But be warned: This will be the mother of all productivity battles.

Consider the aircraft industry, for example. Many people may still remember the company formerly known as McDonnell Douglas. The corporate executive in charge of the commercial aviation division managed to drop McDonnell Douglas' market share from 50 percent to near zero in less than a decade. This is a staggering failure in itself, but the real question is how did it happen? How does a company freefall into oblivion in such a short time?

There are many speculative conclusions. However, I believe in a Newtonian law that isn't as well publicized but has equal importance to some of the others: If you have no numbers to support your theory, you know naught of what you speak. With that in mind, note the numbers that serve as proof from the documentation of the participants involved.

The waste pipe bracket in Figure 1 is a classic example of how old commercial aircraft was designed. The "fat design" is a piece functional liner design in which every part has a single function and as such constitutes a need. It's an old way of design and is

easily eclipsed by a multifunctional design represented by the lean design in Figure 2. A quick look at the numbers in Figure 3 shows some obvious improvements, but according to one senior McDonnell Douglas engineer, "it took 21 months of arguing to get this small change implemented." With that being the case, how long would it take these executives decision makers to implement more hearty cost-saving measure?

So what decisions did this titan of industry make? The normal ones: re-stripping the parking lot, pay cuts, layoffs, outsourcing, and an "improved" form of total quality management that entailed firing everyone then forcing them to beg for their jobs back. This new twist was never adopted by the employees at Toyota, and it's defiantly not what Deming had in mind.

The aircraft industry isn't alone in making slow decisions. The auto industry often appears to be at death's door before decisions are made, according to prominent case studies.

What causes a decision maker to sit on an idea that could save the company a few million dollars? Many executives have adopted the same work ethic that lower-level personnel have. That may be OK for people in a subordinate position, but a company will soon deteriorate if the leadership adopts a lax attitude.

While at Ford in the early 1980s, I tracked a purchase order that was critical to a productivity improvement at one of their engine plants. When we started to shut down car plants, my boss sent me to the engine division headquarters to walk the

BE A MINDFUL LEADER

Managing a crisis is no easy task. A crisis can take over and create more chaos, loss of confidence in leaders, and reduced sustainability of the organization. Being mindful of what it means to be a leader is important. Trying to become the leader you want to be during a stressful situation or ballooning crisis is the wrong time for self-reflection. That reflection is necessary before one accepts a leadership role.

Communication and engagement with employees are vital to success. Managing a crisis does not automatically translate into long-term organizational success but may merely be a matter of survival and containment until a solution is devised and implemented. A crisis can propel organizational leaders to greatness or reveal weakness in the way they manage their organization.

Stressed organizations in crisis can be managed effectively if leaders fundamentally understand that success stems from the way a person thinks and if they realize that employees observe and take their cues by example. Effective leaders recognize that personal history affects their leadership style, their capacity for translating and synthesizing the expectations they agree to accept, when they need to expand their sphere of influence, and when they need to delegate it to others. Effective leaders create systematic approaches to leadership.

Successful leaders are mindful of their actions and abilities when the crisis occurs. They create transparency and ensure legitimate honesty in leadership. Leadership possesses a natural yin and yang, a normal tension that accompanies the role. It is paradoxical that the more empowerment employees are granted, the more power and control a leader receives.

Consider simple guidelines to follow in stressful situations:

- Plan ahead and imagine the what-if scenarios that may seem impossible but could be possible. Pay special attention to potential high-impact events.
- Assess the situation before acting and verify the facts if you can. First reports are often wrong, and haste can be damaging.
- Identify competent, capable, and well-trained individuals to be the crisis command, control, and communications team.
- Choose one individual to be the chief of communications and ensure that person has the correct message.
- Implement and distribute a continuity plan to members of the communications team, and incorporate their comments where appropriate.
- Designate specific roles for all employees.
- Create an environment of trust, transparency, and appreciation, and be approachable to employees who have concerns.
- Maintain control of personal emotions and voice levels.
- Trust the judgment of those in the field; they have the best perspective of what is happening.
- Rely on innate wisdom and life experience in decision making without regret.
- Maintain a sense of calm. Find a place to retreat to evaluate the situation before making more decisions.
- Know when to stop leading and let others lead.
- Accept responsibility for all decisions and actions.

Great leaders know that when the crisis is over, the most important question is, How did we do?

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DESIGN COMPARISON

	Fat	Lean
Assembly operations	210	8
Parts	15	3
Assembly time	46 minutes	1.5 minutes
Labor cost	$35.27	$1.15
Material cost	$28.74	$2.44
Tooling cost	0	$14,522
Total cost	$64.01	$3.59
Mass	2.1 ounces	0.8 ounces

Figure 3. Although the benefits of lean design are obvious, many companies waste time making the decision to implement easy changes.

paperwork through the system. I found the PO languishing on executive desks covered by a stack of other direly needed items. He was first too busy, then on a Japanese fact-finding mission, followed by a well-deserved three-week vacation. Although we at the plant had put in the urgent request in April, it was late August when I had located the unsigned document and took it to the senior vice president of the division. He signed mine along with all the other requests, thereby eliminating any future problems.

So what is the business case? What are the numbers? Remember Newton? I have been lucky enough to watch many companies rise like phoenix from their own ashes, and because we do root cause analyses, we have been privy to the documentation that plotted a company's demise. Extrapolating from reams of raw data, it would appear that variables associated with a project are divided in thirds (and each third equals high cost).

The first third is the problem, which is usually obvious to everyone and requires a simple study and redesign. With budgetary funds acquired and suppliers picked, it's easy to move to the last third — the implementation phase. This means equipment has been modified, workers retrained, and old stock purged. These two thirds are easy, simple, and quick because they have been studied, made lean, and made the subject of procedures that track the outcome.

However, there is the frozen middle to contend with, the decisions phase, which is above the rules of lean and difficult for any subordinate to drive with anything but pleading and begging. This is the last real stronghold of untapped waste, and it falls into the hands of the top officials of the company. How big is the number? I believe it's huge. The average large company could cut as much as one-third of its time to market. The general rule of thumb is that if a product hits the market six months early, it's worth 30 percent more net profit, but most large programs such as aircraft and automobiles take three years or more. Who knows what the price of indecision could potentially be beyond the net 30 percent?

Sloth, procrastination, and indecision are choices that many executives pick. When Chapter 11 happens, executives usually insist their companies were put out of business. On the contrary, companies choose to go out of business when they don't choose a course of making appropriate decisions quickly. ❧

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