When Solutions Are The Problem

The Pitfall of "Knowing" The Right Answer

Often, too often, an obvious solution obstructs a truly great solution. The moment we think we 'know' what the right answer is, no matter how early in the process, we are in jeopardy of settling for a second-rate solution masquerading as a 'No-Brainer'.

Cognitive research reveals startling shortcomings in how intelligent, experienced and motivated people instinctively attack decisions. Innovation is stifled, judgment is clouded, an inferior solution is waved through … and we never know it. The consequences are missed opportunities, lost profits, and lower returns.

The good news? We can avoid these missteps and produce markedly better results. Reliable tools and techniques are available, we just need to put them to work for us …even if we already "know" the right answer.

EXECUTIVE SUMMARY

The morning was unfolding smoothly. The project team members from Operations, IT and Finance were being trained in the company's new approach to problem-solving and the capital approval process. Almost everyone was engaged and enthusiasm was growing as we walked through the techniques for stimulating innovation and squeezing out hidden waste to make tight capital budgets go further. They nailed each of the mini-case studies on brainstorming techniques and now appeared eager to apply what they had just learned to a real project – a project they had earlier been ready to submit for approval.

The project leader was distracted on his smartphone most of the morning, but mentally rejoined us as the training wrapped up. His first comment was, "Thanks. That's good stuff and we'll be sure to use it next time, but we already know what this project needs. Can we start filling out the new forms now?"

The other team members who had been engaged in the morning's work looked at each other with smiles. The leader was still prey to the most basic trap: assuming the obvious solution was the best solution. The rest of the team now wanted to dig for something better.

That is the paradox: A good solution getting in the way of truly great problem solving. It is a natural and well-intentioned reaction to good ideas. "We have the right answer, let's roll!" However, as the playing field gets more complex and the pace of change accelerates, we are very often missing even better solutions.

In our experience, more than a third of the time, even "No-Brainers" can be upended by better solutions. An audacious statement, but when innovative new decision practices are consistently applied, we see at least one out of three project teams coming back with solutions that deliver more profitable growth and higher ROIs – sometimes for less capital.

Seeing ≠ Understanding

When assigned to a project, whether it is solving a problem or exploiting an opportunity, our minds immediately scan for solutions. It takes discipline to restrain ourselves and consider the possibility that we do not even know for certain what the right question is. If we are asking the wrong question, we are likely to get the wrong answer.

"The operating assumption is that someone, somewhere, has a <u>better</u> idea."

Jack Welch

If, at first blush, we see the situation as an IT question, then we assign an IT project manager and staff the team with IT experts (business folks hate being on IT projects). It is no surprise then, when we receive an IT solution. On closer inspection, however, some projects reveal that the question has a more fundamental definition, such as customer service or patient care. If instead of relying exclusively on IT, we brought folks from these other departments into the brainstorming process, better solutions would be conceived, sometimes with only a minimal IT component or none at all.

These break-throughs happen, however, only when someone takes a stand to rein in the momentum generated by superficial diagnoses and initial, "obvious" solutions, and push the team to believe there is something better within their grasp.

Proving ≠ Evaluating

Another common trap early solutions can cause comes in the analysis phase: We strive to confirm our instincts are correct.

Behavioral economics research reveals deeply disturbing insights into how quickly our objectivity erodes when making decisions, such as the decision to recommend a course of action. There is plenty of evidence demonstrating how quickly over-confidence and over-optimism can overwhelm the process.

"It's not what we don't know that gives us trouble, it's what we know that ain't so."

Will Rogers

This is not an issue of intelligence, experience or ethics. We are simply beset by dozens of biases, most of which diligently work to prove our earlier beliefs are correct. Unfortunately, we have been slow in developing and implementing reliable defenses against these biases. Contributing to the lack of urgency are the biases themselves, which convince us that we already view things objectively.

Success ≠ Approval

A final trap that early solutions spring on us is tunnel vision. We become more focused on getting approval from decision-makers than on ensuring we have the best solution. As a result, proposals are pitched to persuade the decision-maker rather than inform a candid discussion of each option's pros and cons.

Securing approval for a big project is an affirmation of a team's performance so walking out of the room with anything smaller is felt as a slight. Often, there is a well-intentioned drive for "efficiency" – to get the project started and finished quickly.

Decision-Maker's Dilemma

So where do we stand by the time a proposal is presented to the decision-maker? He or she may be given work that includes any or all of the following:

- A lack of candor
- Downplaying of risks
- Over-estimates of value
- Dismissal of better solutions

Of course, none of that matters since the team may be answering the wrong question to begin with!

Given how deeply embedded in the proposal these errors in the problem-solving process are, approval meetings are not equipped to scan, detect and address the dozens of potential missteps that lead to the wrong recommendation. Yet any one of these traps can deliver second-rate solutions that masquerade as winners. As a result, the earlier assertion that a third of projects may have missed better solutions becomes highly plausible.

The consequences are severe. Hidden waste can consume up to 10% of the annual capital budget when better solutions are routinely missed due to short cuts and biases. Missed opportunities can have an even greater impact. The result is slower growth, lost profits and a lower ROI.

"We don't know where we're going, but we're making great time!."

Anonymous

A Better Way

Many companies caught a glimpse of better problem-solving during the worst of the financial crisis. Faced with little capital or intent on protecting cash reserves, project teams were forced to solve problems with their intellectual capital because financial capital was restricted. Out of necessity, wonderful creativity was pressed into service with admirable results.

Rather than slide back into old habits as markets trend back toward normal, companies can establish a new normal. There are effective tools and techniques that defend against the traps that cause us to choose those merely good solutions over great solutions. After equipping their project team with the needed tools and establishing a "No Short Cuts Zone", decision-makers can enjoy confidence that their teams are:

- Asking the right questions
- Generating all the options
- Providing thorough, unbiased evaluations
- Identifying the best solution
- Communicating clear insights in proposals
- Learning from prior decisions to improve future decisions

As a result, companies will reap maximum impact from every dollar of available capital, enhanced growth, increased profits, and greater returns.

So, Who Does This?

Applying all we have recently learned about behavioral economics and better problem-solving requires a deep understanding of business, people dynamics and financial fundamentals. At the same time it is as simple as apply seemingly common-sense practices consistently – and there's the rub. We abandon discipline and because we think this time we know right answer so can take shortcuts.

Every-Profit company and Not-For-Profit organization benefits from clearly defined business case disciplines with independent charged with consistently applying those disciplines. Specialists who do not have a dog in the fight so are better positioned to remain objective. Specialists who consciously resist forming conclusions until all the options and assessments are in. Specialists who are brazen enough to even challenge senior executives that are jumping the gun!

If you do not already have people effectively playing this role, get someone. Until you do, business cases will often reflect a one-sided defense for the premature conclusions of teams rather than reliable assessments of all the options at your disposal.

"You have just got to constantly focus on innovation. You've got to constantly produce more for les through intellectual capital.

Shun the incremental, and look for the quantum leap."

Jack Welch

"We've reengineered a lot of things – our processes, our organizational structures.

…this is the time when we could really start to reengineer our decision making."

Thomas Davenport

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