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# Rotman

## MANAGEMENT

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# Behavioural Insights

# Four Tools for Better Decisions



AS A MANAGEMENT CONSULTANT, I've seen more than my fair share of ludicrous corporate decisions resulting from hasty leaps to poorly designed solutions. Before becoming a consultant, I was an employee at several companies over the course of 15 years, and I've lived through the ramifications of these poor decisions. I've seen the sales declines, the layoffs, and the damaged lives.

Frankly, I'm tired. Tired of seeing leaders jump to conclusions and taking action without really understanding their problem. Tired of seeing leaders arrive at a 'solution' that doesn't solve the real problem at all. Tired of seeing the staggering waste of money and opportunity caused by this knee-jerk approach to problem solving.

When leadership teams don't understand the real problem and simply jump to a conclusion, they tend to reach for one of three solutions:

1. Shiny new technology
2. Reorganization
3. Money

If one of these is your answer to a problem — stop. Think again. You may actually be right. You might really need to develop new tech, or create a new organizational structure, or spend more money. But more often than not, you're about to go down the wrong road. You'll have a shinier, more expensive, differently organized version of the same problem that you had before.

Except that you'll be two months or two years farther down the road — and farther behind your competitors.

It's natural that we jump to conclusions and come up

with half-baked 'solutions'. We're wired that way. It's an unavoidable aspect of the human condition. In his book *Thinking, Fast and Slow*, Daniel Kahneman describes two different modes of thinking that we use when experiencing the world: System 1 and System 2.

System 1 (or 'fast' thinking) operates most of the time. It's our brain's automatic, intuitive approach to dealing with the external world. It's what enables us to make nearly instantaneous judgments about what we see without having to think too hard. System 1 is what causes you to jump backwards when you hear a rattlesnake's tail. It's what enables you to complete the phrase 'peanut butter and...' It's what you use when you solve '2+2=?' It's what makes you associate 'Rolls-Royce' with luxury. System 1 is essentially unconscious. It's also essentially unstoppable. Just try not solving '2+2=?' — or try not jumping away from the rattlesnake.

System 2 ('slow' thinking) is the opposite: It is effortful, logical, conscious, and energy intensive. You use System 2 when you solve '14 x 24=?' You use it when you're trying to figure out which healthcare plan to select during open enrollment at your company, or how to manage multiple transfers in the Tokyo subway system.

System 1 and System 2 is hard to remember, so let's call them 'Jumping' and 'Analyzing', or the Jumper and the Analyst. We identify with the Analyst. It feels like who we 'really' are — the careful thinker, the rational leader, the prudent decider. But really, most of the time, you're a Jumper. The Analyst is on standby in the background. It kicks in when the Jumper runs into trouble and you need the big cognitive guns to handle the situation.

This division of labour makes life considerably easier than it would be if you operated as an Analyst all the time.

## Data without facts gives you a two-dimensional, black and white view of the world.

Depending on the context, the ability to Jump is not only useful, it can actually be lifesaving (as when you hear a rattlesnake). But defaulting to Jumping creates all kinds of problems. It leads you to conclusions when you should actually be carefully gathering data, weighing evidence, considering options, and only then arriving at a solution.

You'll never get past the tendency to leap to solutions. But there are ways to fight the tendency, to promote deep analytical thinking instead of Jumping. Here's a four-step process to help you activate your inner Analyst and keep you from jumping to ill-informed solutions.

### 1. Go and See

It's easy to jump to conclusions — and lousy solutions — when you don't have a clear picture of what's actually happening. And you can't have a clear picture if you don't leave your desk, your office, or your conference room. Unfortunately, that's where most leaders live.

**Taiichi Ohno** was the father of the **Toyota** Production System, or what is now known as 'lean'. As described in *The Birth of Lean*,

*[Ohno] never rendered judgment simply on the basis of hearing about something. He always insisted on going to the place in question and having a look.*

Ohno said, "Data is of course important in manufacturing, but I place the greatest emphasis on facts." Gathering facts comes from close observation of people, of objects, of spaces. By contrast, spreadsheets, reports, and anecdotal accounts are not facts. They're data. They're two-dimensional representations of reality, which makes it easy to jump to conclusions.

Data tells you how often a machine breaks down on an assembly line. Facts — direct observation — show you that the machine is dirty, covered in oil, and hasn't been cleaned and maintained in a long time. Data tells you that customers applying for a mortgage forget to fill out certain parts of forms, forcing bank employees to follow up with customers and delaying the underwriting process. Facts — close examination of the form, and direct observation of an applicant while filling out the forms — reveal that one of the forms is poorly laid out and so cluttered that it's easy to overlook a box.

Data tells you that the employee attrition rate is higher than industry average. Facts — spending a day in the office

where people work — show that the office is kind of dark and unpleasant, that there's no space for quiet reflection, and that the company you outsource facility services to doesn't do a good job of cleaning the bathrooms.

Data without facts gives you an anemic, two-dimensional, black and white view of the world. Facts without data give you color and texture, but not the detailed insight you'll need to solve the thorniest problems. We need both facts and data.

Where do you go to get the facts? The same place that any self-respecting detective goes on a cop show. You go to the 'scene of the crime' — where the work gets done, where customers interact with your company and where the problems occur. Visiting the crime scene is: **Peter Aceto**, the CEO of **Tangerine** (formerly ING Direct), working in the call centre and taking customer calls every day during his first year on the job. It's **James Hereford**, the CEO of **Fairview Health Services** in Minnesota, spending an hour with a different hospital unit every morning. It's **Jim Lancaster**, president of **Lantech**, walking through his whole company every morning for 60 to 90 minutes, visiting each department, observing the work, asking questions, and learning about the problems that his employees are grappling with.

Before you come up with a solution to a problem, go to the 'crime scene' and see for yourself. Make sure you have the facts, not just the data.

### 2. Frame It Properly

Framing the problem properly is the first step on the road towards finding the right solution. Problem statements are deceptively difficult to get right. For one thing, it's easy to mistake the symptoms for the underlying problem. The Jumper inside you gravitates towards symptoms. They're easy to see and comparatively easy to address. It's the Analyst inside you that has the cognitive power to find the root cause of those symptoms, and to really fix the problem.

How many times have you heard something like this (or said it yourself)? 'The problem is that we don't have enough time to do...'. Or, 'The problem is that we need more money so that we can...'. Or, 'The problem is that we don't have enough people for...'

These sound like legitimate problems, right? Not really. The truth is you never have enough time. You never have enough money. And you never have enough people. There's not an organization on the planet — not **Apple**, not **Ama-**

## A well-framed problem statement opens up avenues of discussion and options.

zon, not Google — where people are wishing that the CFO would cut their budget by 20 per cent.

A well-framed problem statement opens up avenues of discussion and options. A bad problem statement closes down alternatives and quickly sends you into a cul-de-sac of facile thinking. Consider these two problem statements:

1. Our sales team needs more administrative support.
2. Our sales team spends six hours per week on low-value administrative tasks.

Although you hear this kind of framing often, notice that the first statement isn't really a problem at all. It's a solution. The only possible response to needing more administrative support is *to hire more administrative support*.

What's the solution to the second problem statement? It's unclear — which is good! The second problem statement pushes us to think analytically. The observable fact (six hours) rather than the implicit judgment (we need more admins) raises other questions that help us develop better solutions: why do they have six hours of administrative tasks in the first place? How can we make the tasks faster? Can we use a computer? Can we use checklists and templates to reduce the burden? Are they actually necessary? Can we eliminate some of them entirely?

If you see that your problem statement has only one solution, rethink it. Reframing the problem can help you avoid conclusion-jumping.

### 3. Thinking Backwards

Since we're trying to avoid the tendency to leap to conclusions, it can be helpful to have a template that spurs our inner Analyst into action. That's where the fishbone diagram comes in.

The fishbone diagram (also known as the Ishikawa diagram) provides a clean, graphic method of identifying the potential factors causing a problem. It helps you understand how you got here — the point where the problem is severe enough that you need to fix it.

The factors are organized into logical groupings, which make the diagram look like the skeleton of a fish: (see **Figure One**.)

The classic fishbone diagram has six categories of factors, but this isn't a rule. You might have four categories or seven, and your categories might be different. The categories

on the major 'bones' of the skeleton are just a prompt to help you organize your thoughts.

Obviously, the fishbone provides structure and organization for your analytical brainstorming. But more importantly, it encourages you to 'think backwards' — to look for the issues that underlie the observable symptoms.

Depending on the problem you're trying to solve, you might not need to identify secondary causes. Or you might need to dive down into tertiary causes. The individual fish bones are less important than the analysis they stimulate. The bones push you past the observable symptoms and encourage you to find root causes.

### 4. The Five Whys

Asking 'why' repeatedly is a powerful way to avoid jumping to conclusions and implementing weak solutions. The concept is simple: ask 'why' multiple times before you settle on a conclusion. Now, it might not take exactly five whys. It might only take three, or as many as eleven, but eventually you'll get to the root cause. The key point to remember is not to accept the first conclusion you reach, which is generally a result of conclusion jumping.

In his book *Toyota Production System*, Taiichi Ohno details the most well-known example of how asking 'why' gets you to the root cause:

1. *Why did the machine stop working?*  
Because the machine overloaded, blowing the fuse in the control panel.
2. *Why was there an overload?*  
Because there was insufficient lubrication to the spindle bearing.
3. *Why was there insufficient spindle bearing lubrication?*  
Because there was insufficient lubrication drawn up by the pump.
4. *Why was there insufficient lubrication drawn from the pump?*  
Because the pump shaft was worn and rattling.
5. *Why was the pump shaft worn?*  
Because there was no strainer on the lubrication device inlet port, and small metal cutting chips entered the system causing damage.

Each question pushes you to a deeper understanding of the real problem. Stopping after any of the first four 'whys?' would result in a Band-Aid that treats the symptom, rather

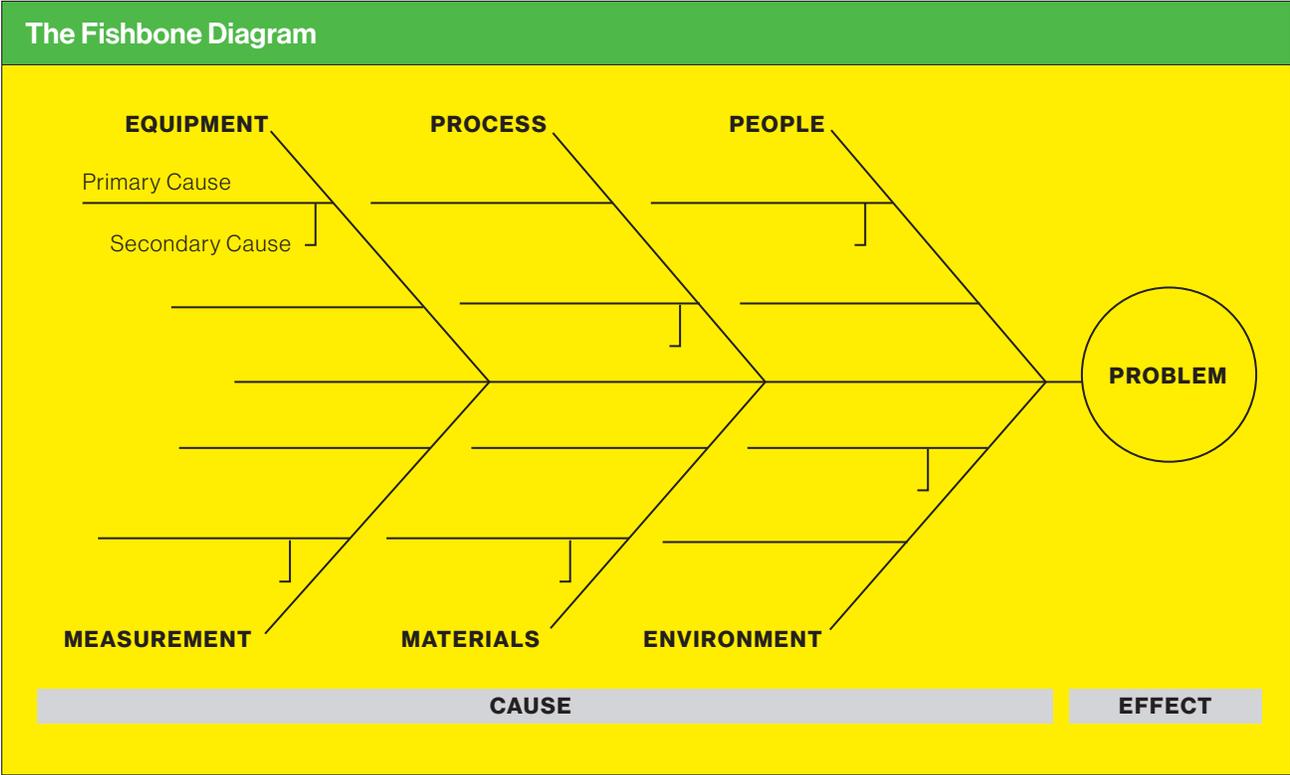


FIGURE ONE

than a solution that addresses the root cause. You could replace the fuse, add lubricant, get a new pump, or replace the pump shaft, but eventually your machine would once again break down.

**In closing**

The four steps discussed herein build on each other and work powerfully together to help you find effective and durable solutions to your problems. But let’s be clear: these four steps aren’t actually a solution. They will only provide you with a good problem statement — that is, a clearly defined problem. And although that’s less immediately gratifying than a solution, it’s a necessary precursor to finding something that really works.

This kind of problem solving requires breaking cognitive behavioural habits that you’ve developed over years, if not decades. It necessitates that you establish a new way of thinking, one in which you trust the ambiguity of the ‘why’ over the warm comfort of the quick and easy answer.

It forces you to build a new kind of muscle — a cognitive muscle. And just as you need to go to the gym regularly to develop physical muscles, you have to go to the mental gym regularly to exercise this new way of thinking. Of course, you’ll never get past the tendency to jump to conclusions. No one does. That’s part of the human condition. **RM**

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