

Is This the Right Problem To Solve?

Should you go quickly to a solution or seek out more data? Management team members often disagree. Delay could make things worse. More data analysis may greatly improve the ultimate solution. Which method is usually best?

The Problem

The problem is that personal style too often decides the course: the ready-aim-shoot crowd versus the shoot-ready-aim group. Some problems do not need analysis (“if you see a snake, kill it”) and others deserve a great deal (major strategic shifts in products or services). The majority of senior level problems fall somewhere in between.

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MY PREDICTION:

Our failure to take the time to define the real problem – the actual core or root cause – is a bigger issue than speed versus analysis. I believe this is true for entrepreneurial companies (and could help them reduce failures), as well as larger organizations. Time, resources and goodwill wasted solving the wrong problems are major drains on business. Albert Einstein famously said “If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it.”¹

Moderately complex problem identification, research, clarification and justification processes exist for the big decisions.¹ What about the mid-level issues that arise in every business? Where is the right place between action and analysis?



HOW TO PREPARE:

A time-tested method that balances the time required with the analysis needed is “Five Why’s” invented by Toyota in the 1980’s. Five Why’s helps identify the root cause of a problem. The idea is moderately complex problems have multiple inputs and potential causes that are often obscured.

The Five Why’s force you to consider the “chain of causality”² step by step until you arrive at the root cause. At each step, think “why did this process fail?”. It may take 4 Why’s or 7 Why’s. Five is simply a common number. Here’s how it might work.

Let’s say customers are now paying at 90 days on average versus 60 days last year. This is the kind of “get out the firehose” problem that leads to responses such as have A/R call all the late accounts, send out statements, have the salesperson make a contact, send a letter threatening to cut off shipments until payment is current, etc. Will those solutions work? Use the Five Why’s instead:

First Why? The average is up because the largest 20% of invoices are at 120 to 150 days

Second Why? Because they are large companies with billing guidelines

Third Why? Because the guidelines require 90 days to process if in by the 25th

Fourth Why? Because we hold all invoices until ready to go around the 5th

Fifth Why? Because we did not want to have two billing deadlines each month

Sixth Why? We never considered real-time billing as an option

The best solution is one that addresses the root cause. You may need two billing deadlines, or maybe move all billing to the 25th. The point is, this problem is more about billing processes than collection activity. Think of all the problems that may have a different root cause than first appears. Loss of customers in a specific niche, quality problems in a product, turnover among the workforce, excessive maintenance costs on the building, low participation in the 401(k) or inventory missing in the storeroom. The solution will be wrong if the wrong problem is identified.

Stop to ask yourself “Five Why’s” the next time you feel the need to act too quickly or analyze too much.

1: “Are You Solving the Right Problem?” Harvard Business Review, Sept. 2012.

2: Five Why’s description from Wikipedia.

Contact me directly if I can help you or your team.

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