Diagnosing Business Problems

In the last issue, Hr NETWORK interviewed **Dr Andrew MacLennan** on his recent study of strategy execution – the largest ever undertaken. Responding to interest this generated, Andrew leads us through the tricky art of diagnosing business problems – a key challenge for HR that his research identified.

There are some incredible databases available to researchers these days, throwing up publications from thousands of sources across the world on virtually any subject. But if you want a rough idea of how thoroughly any given topic has been explored by humankind, Google it is a sure bet. Type in "diagnosing business problems" and you get only 219 hits – including duplicates (by comparison, "talent management" gets 2.5 million hits).

Amazon produces only five books with the same query, which are mostly irrelevant. These quick searches speak volumes – we don't yet know much about how to diagnose business problems.

This presents a big problem for HR functions. As observed in the last issue's interview, apparent performance failures are often attributed to people matters, so HR regularly gets involved in problem solving. But various pitfalls

await such endeavours.

An important check for every HR function involves examining its interactions with organisational stakeholders. Many HR practitioners intellectually recognise that there is a danger in 'doing whatever the business wants' – because requested interventions might not be optimal ones. Harassed managers without razor-sharp analytical skills are liable to request

Perceived problem	Proposed solution requiring HR support	Diagnostic findings
Poor sales performance	Training for sales staff	Targets set unrealistically high are de-motivating staff. Skills are adequate and not the source of the problem, so training would have no material impact on performance
Low morale amongst middle managers	Pay review for middle managers	Morale is low because of poor leadership. Pay levels are not the source of the problem so increasing them would have no sustained effect on morale
Poor coordination between functions damaging customer service	Manage restructuring from functional to customer segment-based structure	Poor coordination is caused by conflicting management team targets and lack of structured communication between functions. There is nothing inherently wrong with the structure and proposed changes to it would not overcome the reported problems

solutions that address symptoms of problems – not their underlying causes. People-related problems in particular can be complex, and HR has a vital role in diagnosing their underlying causes – not just helping to deliver the solutions. Three real examples of solution-oriented problem solving are provided in the table on page 30, along with the findings from proper diagnostic exercises.

It's important to note that in each case, any number of underlying causes might have created the apparent problem – the true cause uncovered by good diagnosis often bears no relationship to the proposed solution.

Despite the intellectual recognition by HR practitioners of the risks, solution-orientated problem solving remains commonplace for two reasons. Firstly, the pressures that reinforce it are subtle and tricky to unpick. Secondly, identifying underlying causes of performance problems necessitates good diagnosis, which is genuinely difficult. Let's take these issues one at a time.

A reinforcing cycle tends to develop when line managers request solutions from HR rather than assistance to diagnose problems. When managers get speedy reactions from HR that are perceived to 'put out the fire', their satisfaction naturally fuels further similar requests – often of those in HR who are most 'co-operative'. This cycle is further reinforced informally by praise and back-slapping, which encourage more of the same behaviour. The cycle is also further reinforced systematically if HR uses poorly designed performance appraisals or internal customer surveys that essentially test whether line managers approve of their HR contacts' behaviour. Tie such misaligned measures to reward and you virtually guarantee a solution-oriented mindset. All of this can also lead to the most reactionary HR practitioners being selected for key senior roles, who then reinforce an approach that ignores or downplays the need for diagnosis.

It's important to acknowledge the severe risks created by solution-orientated problem solving. If no diagnosis of business problems is conducted, the probability of

introducing inappropriate solutions is huge. If this happens, underlying problems constraining business performance are not solved, investments are wasted and new problems are often introduced (as the systems being changed are not properly understood). This subtle pattern is summarised in the diagram.
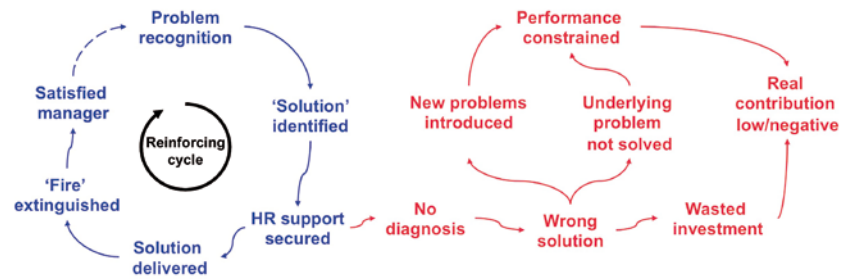
Even HR functions that fully recognise the value of good diagnosis face a big challenge – how should they actually do it, bearing in mind the apparent lack of guidance in this area? It's fine to challenge managers' requests on the basis that underlying problems have not been identified, but what steps should then be taken to carry out proper diagnosis?

It is very tempting to gather all kinds of information that might relate to the issue at hand and trawl through it looking for clues. However, such an approach is time-consuming and laborious – a common excuse for side-stepping systematic diagnosis completely. There is rarely enough time available and elongated investigations risk 'paralysis by analysis'. This approach is also

rarely productive. It is usually guided by guesses about possible causes of observed performance problems. But even intelligent guessing is inadequate because of the sheer range of factors that can constrain performance. Consider the example of the training request above. Underperformance of the

sales team might feasibly have been caused by competitor activity, promotion mishaps, capacity management problems, resourcing failures, misaligned performance measures or a bullying manager – to name just six possibilities from dozens. Making intelligent guesses about performance problems is akin to playing darts blindfolded.

Fortunately, such 'shotgun' approaches are unnecessary. A properly structured approach can slice through the issues much more quickly, easily and fruitfully. Every situation is unique, but seven key steps are set out below.

1. Set aside the rationale behind requested solutions

As should by now be obvious, others' assumptions about problems and their sources cannot be relied upon

HOW SOLUTION-ORIENTED IS YOUR ORGANISATION? TAKE THE TEST TO CHECK FOR WARNING SIGNS…

1. What best describes typical interactions between HR and its stakeholders?
(a) HR is tasked when initiatives need implemented to sort problems – 'fire fighting' is the norm.
(b) HR is consulted on how initiatives should be implemented.
(c) HR helps generate and assess options for organisational initiatives.
(d) HR draws management attention to issues needing diagnosed and involves others in this work.

2. What best describes HR's provision of management information to stakeholders?
(a) HR provides management information ad hoc, following stakeholder requests.
(b) HR provides basic people management data to key stakeholders on a regular basis.
(c) HR provides a range of people management data and associated commentary to key stakeholders on a regular basis.
(d) HR provides sophisticated people management data explicitly linked to key business objectives and facilitates examination of trends with key stakeholders.

3. What best describes the effects of changes made?
(a) Change is always rushed and creates conflict, confusion or duplication.
(b) Change often takes longer and costs more than expected and creates some conflict, confusion or duplication.
(c) Change occasionally takes longer and costs more than expected and only minor adjustments to plans are required.
(d) Change usually progresses as planned and results in simplification of organisational activity – things happen more smoothly.

4. Which of the following best describes structural change?
(a) Our structure is always changing, especially with senior management changes, often returning to similar forms as used in the past.
(b) Our structure changes fairly often when it isn't working optimally (e.g. when there is conflict, confusion or duplication).
(c) We make changes to our structure when there's a fundamental change to the organisation's activities.
(d) We make small changes to our structure over time as activities change, but focus mainly on making it work through better coordination mechanisms.

5. What best describes the reaction to change by those affected by it?
(a) There is a huge backlash (whether openly voiced to management or not) of cynicism, complaining, resistance and sometimes sabotage.
(b) Efforts to communicate engage some but many others become more resistant and cynical upon hearing the detail of proposed changes.
(c) Consultation deals with many anxieties but some cynicism and resistance remains in pockets.
(d) Most people are involved in diagnosing the problems change responds to, or are aware of this from early on and broadly comfortable with changes as a consequence.

Results
For each question score: a=1, b=2, c=3, d=4
1-8: Your organisation shows signs of being highly solution-oriented. It is likely any diagnostic efforts undertaken are inadequate to uncover underlying causes of problems. Initiatives to solve problems are likely to be ineffective and risk introducing new problems. The organisation is probably exposed to serious risks given its inability to control performance.
9-12: Your organisation shows signs of being solution-oriented. It is likely that diagnostic efforts are not uncovering underlying causes of problems. Initiatives to solve problems might be ineffective and risk introducing new problems. The organisation may be exposed to risks through its limited ability to control performance.

13-16: Your organisation shows some signs of being able to diagnose the underlying causes of problems and attain some control over organisational performance as a result. It is vital to further develop and reinforce this ability to ensure that initiatives to solve problems are effective and reduce the risks of introducing new problems.
17-20: Your organisation shows signs of effectively diagnosing the underlying causes of problems and attaining high levels of control over organisational performance as a result. It is important to reinforce and enhance this good practice to ensure it is sustained.

without decent diagnosis and need to be put to one side. However, this is easier said than done for two reasons. Firstly, we are all susceptible to the effects of 'framing'.[1] When an issue is presented to us one way, it's difficult to take a step back and reframe things from first principles. Secondly, it takes considerable skill to constructively challenge line managers without ruffling their feathers. Developing these soft skills is essential. So too is proactively influencing stakeholders to put good diagnosis before knee-jerk solutions.[2]

2. Don't guess about underlying causes
There are lots of plausible-enough-if-nobody's-thinks-too-hard-about-it answers to any apparent business problem. But as explained above, the odds of hitting the right answer without diagnosis is really low, so it's as important to guard against self-induced 'framing' as that imposed by others.

3. Define the problem for the stakeholder(s)
Lots of stakeholder requests are disguised, whether deliberately or not. Using the training example above, it's useful to understand why the sales manager really picked up the phone to HR. She said staff were "underperforming" but really meant "I'll

forego my bonus if they don't hit target". Understanding the genesis of requests frames challenges more accurately.

4. Determine the fundamental question to answer
You're much more likely to find the right answer if you ask the right questions in the right order. In the example above, the first question to ask is not, "How can I get this training delivered?" but "Is there really a performance problem?" and then "How have the targets been set?"

5. Use an appropriate framework to simplify the diagnosis
Selecting the right conceptual framework – one appropriate to the issue now cleanly defined – allows 'bulk' elimination of possible causes of problems and progressive focus on a limited number of issues for deeper analysis. For example, in the example above, the sales process is an ideal framework. A glance at volumes of queries, inbound calls and so on quickly determines if demand is causing any performance shortfall. If it's not, data on activities like lead generation and call answering speedily assess capacity. Assuming sales opportunities are arising and the organisation can physically handle them, then – and only then – is it appropriate to examine capability and commitment. Without an appropriate framework,

this filtering process is impossible.

6. Focus on the 'hotspot'
With this progressive filtering complete, the range of possible underlying causes should be narrowed-down hugely. Then a deeper analysis of specific data is appropriate. Sometimes new data need collected but more often, existing data simply need analysed through the lens of the now well-defined problem.

7. Generate & test potential explanations
Examining the right rich data closely usually produces good hypotheses about problem causes. It's then essential to test theories against all the data and determine if they fit. If the data are robust and the explanation doesn't fit, it needs further refined or a fresh explanation explored. Typically, the right explanations fit well and point to further corroborating evidence.

As the seven steps show,

diagnosis is not easy but it need not consume vast amounts of time. With experience, the right questions can be posed early on and rapidly progress thinking in the structured fashion outlined above. With proactive shaping of the demand upon HR and steady enhancement of performance measurement systems to support good diagnosis, an enormous impact can be made over time.

Most HR practitioners are professionals – they do things right. But without good diagnosis embedded in their approach, can they be confident they are doing the right things?

References:
1. Tversky, A. & Kahneman, D. (1981) The framing of decisions and psychology of choice. Science, 211, 453-458.
2. MacLennan, A. & Lee, G. (2007) Challenging Customers: 10 tactics every HR Business Partner should know. Hr NETWORK (Scotland), 2 (3), 28-30.

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