



When Tackling a Problem, Start with the Facts

By Michele Hujber

Time and financial resources may be wasted without proper up-front fact-gathering, says David Wagstaff, managing principal, Clarity FI.

Typically, when business leaders detect a problem in their company, they are able to analyze the situation and come up with an effective response. But sometimes, solutions are elusive and the problem-solvers hit a wall, time and time again. When this happens, what can be done to break through and move forward or, better yet, prevent such a stalemate from happening in the first place?

Insights recently posed this question to David Wagstaff, Managing Principal of Clarity FI. He suggested that business leaders need to ask themselves whether the problem they are trying to solve is the actual underlying problem. “All too often, people end up solving a symptom, rather than the root cause of the problem,” he said.

Wagstaff went on to explain that finding the root cause of a problem and solving that problem requires a solid foundation of facts. To prevent problem-solvers from becoming overwhelmed by the volume of facts and data, he also recommended using analytics, which present facts in a digestible form.

“Analytics are great tools that enable business leaders at all levels of the organization to achieve both high-level understanding and drilling into data to uncover important insights,” he said. “I believe that analytics are a critical component of leadership. They’re one of the primary things around which I’ve geared my consulting practice.”

Q. How do you know if you're solving a symptom and not the real problem?

Wagstaff: You know you're looking at a symptom if you've repeatedly tried to solve a problem the same way. Here's an example. I worked with a credit union a few years ago that had 20 people in their lending function. They thought there were too many employees, since other financial institutions handled roughly the same total loan balances with only two employees. They had tried to resolve this over the years by laying people off, by outsourcing, and by replacing the manager. Finally, they called me in and I met with them for a couple of days. I saw that the staff was very efficient, but that there was an underlying problem: they were benchmarking their operations against financial institutions handling mortgages, while the credit union was dealing with used auto loans. It was the underlying business model that was the challenge, not the efficiency of the staff: handling used auto loans is much more labor-intensive than handling mortgages. With this insight, the management team was able to reframe the problem in a way that did not question the efficiency of the team.

Q. How do you get started with finding the underlying cause of the problem?

Wagstaff: It is critically important to understand the key challenge before you try to solve a problem. Look for what's missing. If there wasn't something missing you would have already solved the problem.

Once you understand the underlying problem, start gathering the facts to be analyzed. If you do not take the time to gather and analyze the facts, time and financial resources may be wasted, theories may remain untested, and team members may become argumentative as they adhere to their own opinions.

Include both quantitative and qualitative data in your analysis. Quantitative data will help you understand your market, customers, financial performance, human capital, performance, and use of resources. Qualitative forms of research, such as talking to people, generate data that quantitative research may miss.

For intractable problems, it may be helpful to bring in a fresh set of eyes and bring in an outsider. An outsider (often a consultant) has an ability to more easily uncover and identify challenges. Internally, people may be blinded by a fixed way of seeing the challenge. Additionally people are set up in a specific role, in which they can try to improve that specific space. But there are things that fall outside of their purview. Consultants can come in and look across the organization. They look at things the company has already looked at and at things the company has overlooked. They consider the issue that the client has identified as the challenge, but also consider what hasn't been said.

Q. What should the balance be between qualitative and quantitative data?

Wagstaff: If you just look at quantitative data, you may miss important insights. In the credit union example, the data would have said there were too many people in the lending function. When we looked at the data of the past trends and compared the data to the profitability, it looked like they had too many people. But when I talked to people, I began to understand that there was more data out there that needed to be considered.

People often fall into the trap of solely looking at data because there is so much of it. To save expenses the trend for many organizations has been to hire people to work in "dumbed-down" roles that anyone can perform. Therefore, organizations would rather rely on hard facts than on what their employees have to say. This is risky: they're not giving enough credit to the people who are actually doing the work.

Having as many views as possible from both qualitative and quantitative sources will help you to understand the underlying problem and ask the right questions. Look at different views of the information, because one data source may have a flaw embedded in it. Different sources of information could include written reports for what's been done in the past and interviews with senior management, staff, and customers. Look at financial performance, at Human Resources. Look at marketing reports, operational reports, look at all the business functions.

Q. How do you know you have enough data to solve the problem?

Wagstaff: This question reminds me of a project we did a couple of years ago, where a company had spent two years gathering all the facts. They had a team of 5 or 6 people to find out how, across seven different business units, they could perform better financially. They had created over 1000 process maps to understand every process across all the different organizations. After 2 years, they hadn't produced any meaningful insights that people could change or do something with. They were still stuck in the fact-gathering stage. Management had lost patience, because they kept saying that they needed more detailed information.

So, how do you know when you have enough information? A lot of that is just judgment. Understanding when you have enough to make a good decision, balanced with how much time you have available. You can always have more information, but often the last 10 percent is the hardest to get, and it doesn't add that much more to the insight.

You have enough data when you are able to frame the question effectively and when a real solution becomes obvious. Like with the credit union, once we had enough information to understand that the question was about the business model, the solution was obvious.

Q. What additional advice would you give to help companies avoid the potential pitfalls of fact-gathering?

Wagstaff: You periodically have to look up from the data and ask where you are in terms of solving the critical issues. Trying to study every transaction can become overwhelming. One needs to both aggregate information to the right level and be able to drill into details as necessary. Higher level data can point you in the direction of significant opportunities where detailed data is necessary to produce tangible results.

The company that took two years to collect the data was not looking at the higher levels or using strategic thinking. It had "analysis paralysis." When we were brought in as consultants, it only took us six weeks to review existing data and to collect some additional key findings that the detailed process mapping had failed to capture. We were then able to recommend the centralization of many financial functions, such as accounts payables, accounts receivables, data warehousing, and analytics to be shared across the various business units and housed at the enterprise level. After a two-year-long stalemate, the company was able to solve its problem by completely transforming the financial function across all business units.

Q. How would you summarize your advice on how to solve tough problems?

Wagstaff: The message to take away from this discussion is that when people are having trouble finding solutions to business problems, it is because their limited perspective prevents them from seeing the solution. They need to understand the underlying problem by gathering data from as many different sources as possible. Then they need to use analytics to make sense of the data. Often, an outsider can provide fresh perspectives and objectivity that will keep the problem-solving process on track. If you know what you're looking for, where to look for it, and recognize it when you see it, you can find a solution to your business challenges.

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