

## Decisions: Intuition, Experience or Logic?

By Skip Reedy

From the time I started working, I began preparing myself to make really good business decisions. Wherever I worked, I always asked people how they made decisions. I got the impression that good decision making was intuitive. You either had it or didn't. I took a Masters in Business Administration and learned formulas, methods, rules of thumb, industry practices, cost accounting, financing, production systems, law, ethics, the works. When I applied this expensive knowledge, I was required to make assumptions about the environment and future that I was planning for. These assumptions had as much bearing on the decision to be made as the data and formulas did. The assumptions determined the resulting decisions. That means that they only provided half of what was needed to make the decision. These tools, by themselves, are not effective for decision making. Intuition or extensive experience was still necessary.

How could I train a new manager to effectively run his part of the business? Is intuition or experience really necessary? So it seemed. It must be experience that guides the decision. Experience is primarily gained from trial and error, not school. If I have the experience of a decision with a good result, will I get a similar result next time? Suppose I get a bad result next time. What will I learn from the experience? Over a period of time, I may learn some real cause and effect relationships. In complex systems, it could take quite some time to sift out the correct decisions from the lucky ones. How could I run a business in a world that was constantly changing? Trial and error would not work.

My light bulb went on the day I started reading a novel entitled *The Goal* by Eli Goldratt. Dr. Goldratt presented a logical method of determining what needed to change for the business to improve, what to change it to, and how to make the change. Fascinating! Dr. Goldratt calls his method, The Theory of Constraints. This is logic: cause and effect.

*“The Goal* is about new global principles of manufacturing. It's about people trying to understand what makes their world tick so that they can make it better. As they think logically and consistently about their problems they are able to determine 'cause and effect' relationships between their actions and the results. In the process they deduce some basic principles which they use to save their plant and make it successful.” [The Goal, Dr Eliyahu M. Goldratt, Third Revised Edition 2004]

The basic principles of the Theory of Constraints (TOC) are anchored on the tenet that every system, no matter how complex, has a constraint, something that limits the

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system's output. If you want more out of the system, focus on the constraint. Fixing any other part of the system is essentially a waste of time and money.

Think of a garden hose with a kink in it. To get more water through the hose, straighten out the kink. Little else will help. There is a direct correlation between what goes through the kink and what comes out the end of the hose.

Even very complex systems usually have only one constraint. That doesn't mean it is easily identified, especially if there are wandering bottlenecks. Find the kink. Help it. Make the best use of it. Out will come extraordinary improvements.

Now comes the best part. To know how the system is performing, focus on the constraint. If the constraint is struggling, the system is struggling. If the constraint is doing well, the system is doing well. Incredible! I found what I was looking for. It is called the Theory of Constraints. Fancy name, powerful method of managing!

I didn't say it was simple. I didn't say it was easy. It's logic and I'm saying TOC works and works well!

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