

A Consultant's View

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The Chain of Command is Broken

American businesses have built up a chain of command (especially after World War II). This chain of command has allowed the businesses to grow into global corporations. Unfortunately, it is broken.

We need a chain of command. There are just too many people in a modern global corporation to not have one. However, the chain of command has several major problems to it. It distorts information. It hides

ethical problems. It keeps the business from the future that the business needs.

In theory, the chain of command passes information up the chain so that the top managers have a clear view of the whole

company. In practice, the manager at each layer changes the information a bit according to his own self interest. Managers pass information down more than they pass information up. Some important information never gets up the chain.

This leads right into the ethical problems. Managers will hide ethical lapses and hide problems. For example, the practices that led to the huge losses at JP Morgan Chase were hidden from the top managers. As long as the practices were making money, the managers could keep them secret. It wasn't until the losses got so big that they couldn't be hid anymore that the top people at the bank knew what was going on. The real question for Chase is, have they changed any practices because of the losses? The temptation is to call this the work of a rogue operator

and not consider that there were systemic problems.

The other aspect of ethics is that the chain of command does not always communicate the ethics clearly. The top managers may have one set of ethics and those below them have quite another.

The worst example of this was with Union Carbide and the Bophal disaster.

The top people at Union Carbide had been well known for their safety

emphasis. Yet, the operators of the plant in Bophal did not share the same ethical stance and that lack brought down the whole corporation.

Because of these distortions, the people at the bottom often feel that the top people are out of touch with the reality that

In Practice Information Is Distorted

they face.

Every organization is designed for stability. The organization learns one way of doing business and every member works to keep the organization along that path. This means that the organization will not quickly change how it does business even when it is clear that a different way is needed. In many cases, the organization has to fail before the members are able to change to a new way.

So, how can we work around these problems? Some places do constant "re-organizations" in order to break up the ossification. Other places encourage managers to "walk around". One key aspect is to be listening to the problems. One place suggests asking the question, "If you could change one thing at this company, what would that be?"

While may have to live with the chain of command, we can also work around it.

What is your Planning Process?

There are a number of different ways that companies do planning. These can range from the "no planning at all" to the "death by planning". Each style of planning has its place, strengths, and weaknesses. In all cases, "fact free" planning is best avoided.

The "no planning" style of planning works in certain start up companies where the cost of entering new markets is low. Many of these companies are sales driven and jump into market after market depending on what their next customer is asking for. Such companies succeed because they are sales driven, sell products and services designed by others, and never engage in heavy research and development.

Certain other industries require a far more involved planning process. Companies that have to satisfy federal safety regulators will have a detailed planning process. We do not want more surprises such as a major nuclear meltdown or chemical plant explosion.

It is instructive to look at the history of planning at companies such as Boeing. When it started, the planning process was fairly small. Contrast that with how much effort went into finding a way to prevent the batteries in the new plane from catching fire.

Fact free planning has been common in many a computer software company. This type of "planning" was not based on actual projections of what it would take to do the job, but on egos, customer wishes, and "poker bets". A deadline would be set and then people would try to figure out how to put all the desired features in prior to that deadline. Many such projects fail.

Planning needs to be appropriate to the industry and to the people involved.

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