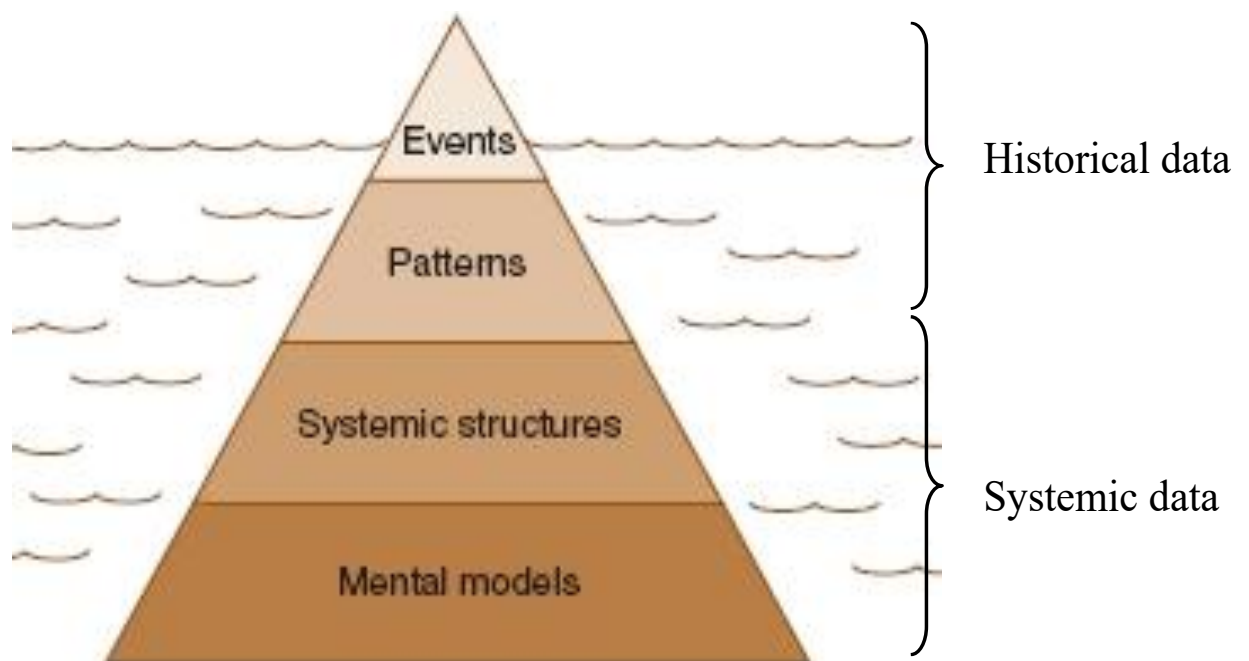


FOUR LEVELS OF THINKING CASE

Is this your story?



SoftTech Case

First Level: Events at Soft Tech

Marketing *“We’re way off our sales targets. We’d better remind the salespeople that they’re still accountable for those targets if they want to get bonuses.”*

Sales *“We need new promotions and lower prices. Otherwise, we’ll have a hard time replacing our lost customers with new ones. I’d like to see us start delivering outside our service areas, too.”*

Manufacturing *“I understand the need to sell at low cost, but we’re getting really behind. With all our new special orders, we can’t do long production runs any more. That’s slowing us down. We’re also getting some technical problems with the equipment. We’ll do our best, but I warn you, we may have to think about adding resources.”*

Finance *“No way. Our finances are too tight right now. You’ll have to make do with what you’ve got.”*

Some “solutions”

It’s at this point, in many organisations that “problem understanding” stops and people jump to solutions. SoftTech’s senior managers did exactly that. They instituted a new system to speed up deliveries. To cut billing errors and improve customer service, they ordered improved training programs and rewrites of the operations manuals. To boost sales, they instituted new pricing promotions, allowed more non-standard deliveries, established better sales incentives, and held motivational meetings, to “put fire under the sales force.”

Results

Unfortunately, profitability and sales dropped even more abruptly during the following three quarters.

Second Level: **Patterns of Behavior**

Six months later.....

CEO *“We need a better way to think about things.”*

General Manager *“I’ve been curious about the trends. We have a lot of seemingly unrelated factors here.”*

They assigned a taskforce to research the patterns of behavior of the system over time. Instead of listing isolated events, the taskforce would select key variables and track them back three or four years.

General Manager *“Look at how our service problems have increased over the past few years.” It takes us more than twice as much time, counting all leads, to close a sale now than what it used to.”*

The trends, the managers quickly realised, did not suggest why some lines were falling while others were rising. Nor did they suggest any steps for action. The trends reinforced the feeling of urgency - but toward what?”

Third Level: **Systemic Structure**

General Manager *“Is it possible that these trends influence each other in a way we haven’t looked at before?”*

Sales *“Well, every time sales go down, we redouble our effort to get new customers. Maybe there’s a causal relationship there.”*

Manufacturing *“I see why the sales force efforts cause service problems. We offer so many promises and special deals. If the customer wants it pink, we paint it. If they want it ten miles outside our normal delivery zone, we send the truck. This stresses the manufacturing and delivery functions, and apparently it created havoc in customer service. But what’s the link between our service problem and sales?”*

General Manager *“Service problems can rise for a long time without any visible effect. But eventually customers hit the threshold point, where they’re too tired irritated to stay with us. You can see the threshold in our sales charts. Despite our heroic efforts, they stopped buying from us.”*

Sales *“As a result we focus even more on gaining new customers. This means service problems continue to go up, and sales eventually drop again, and we try even harder to get new accounts.”*

Marketing *“The harder we try to sell our products, the more sales we lose. It’s a vicious spiral.”*

CEO *“Why do we keep doing this? How come, whenever sales drop, you push harder to get new customers?”*

Sales *“Well, we have to! We have to make our sales targets!”*

SoftTech annually set sales targets as part of their planning process. As each year unfolded, management would monitor these. If sales fell below the targets, pressure would arrive, in the form of incentives and bonuses, to get sales ‘back on track’.

CEO *“We will have to change the system.”*

Fourth Level: **Mental Models**

Within two weeks, a new sales policy was announced at SoftTech. Special deals for new customers were forbidden. New incentives rewarded salespeople who won back old customers

But ...

Sales figures dropped even more. It soon became clear that quick policy reforms, in themselves, would not achieve the desired results.

CEO *“Where is it written that when sales go down, we will make up the difference with new accounts?”*

Marketing *“In fact, it’s written in our beliefs.”*

They would probably have to seek leverage in the mental models of their employees - the prevailing motivations and assumptions held by people, which had allowed this system to remain in place so long, despite the harm it was doing to the company.