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Using Clouds in making strategic decisions

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Jelena has 15 years of TOC experience as a trainer and consultant providing support in TOC implementations in the areas of production, supply chain, project management, sales, marketing and people management.

Jelena has worked in Japan, Poland, Turkey, Italy, Russia, Ukraine, India, China, Chile, Colombia, Mexico and other countries throughout the world.

Jelena is the author of the books *Behind the Cloud – Enhancing logical thinking; Through Clouds to Solutions; and Mistakes and Difficulties Working TOC Logical Tools.* The books present new developments in the area of working logical tools. Together with Oded Cohen, Jelena has co-authored the book Theory of Constraints Fundamentals.

She has authored numerous articles on TOC concepts and implementation, has written several chapters in TOC books and has edited a number of TOC books and publications.

Jelena is International Director of TOC Strategic Solutions Ltd and Founder and Co-President of TOCPA.

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When a strategic decision needs to be made regarding:

Which way should the company take?

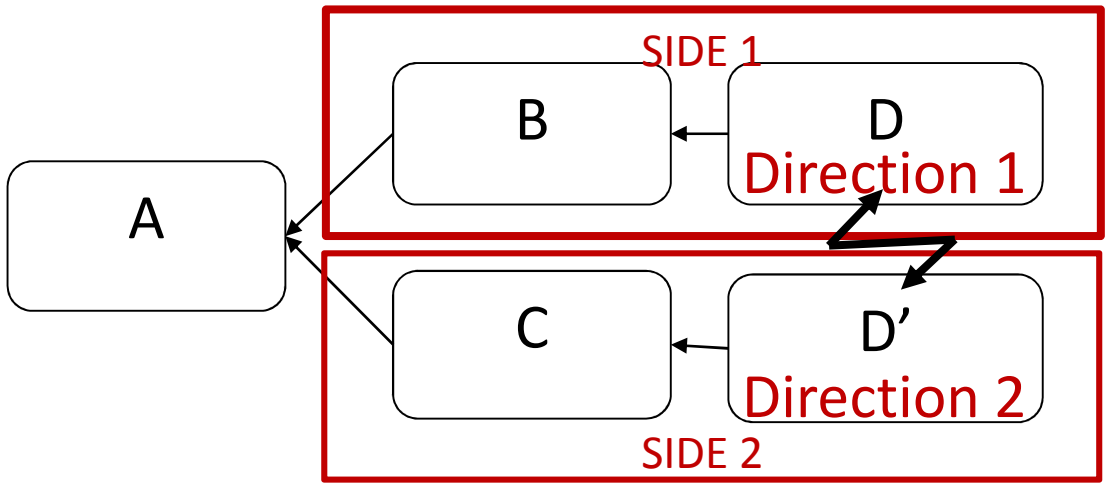
When an organization is stuck in a conflict between valid interests of two powerful sides

Major challenges:

- Each of the two sides is powerful enough to completely block the desired direction of the other side.
- Neither of the sides is willing to give up.
- Each side is and feels responsible and accountable for the future of the organisation.
- The directions are mutually exclusive.
- The position of every side is justified by their former valid experience → They know that their way works!
- Very often, NO compromise is possible, OR
- The compromise is seen by both sides as brining negatives for the organisation.

When an organization is stuck in a conflict between valid interests of two powerful sides

Organizational Interest Conflict Cloud



The fact of determining the common objective of both sides indicates that the sides most probably have agreed on the problem. The disagreement is about the direction of the solution.

It is Level 2 of 6 layers of resisting the change.

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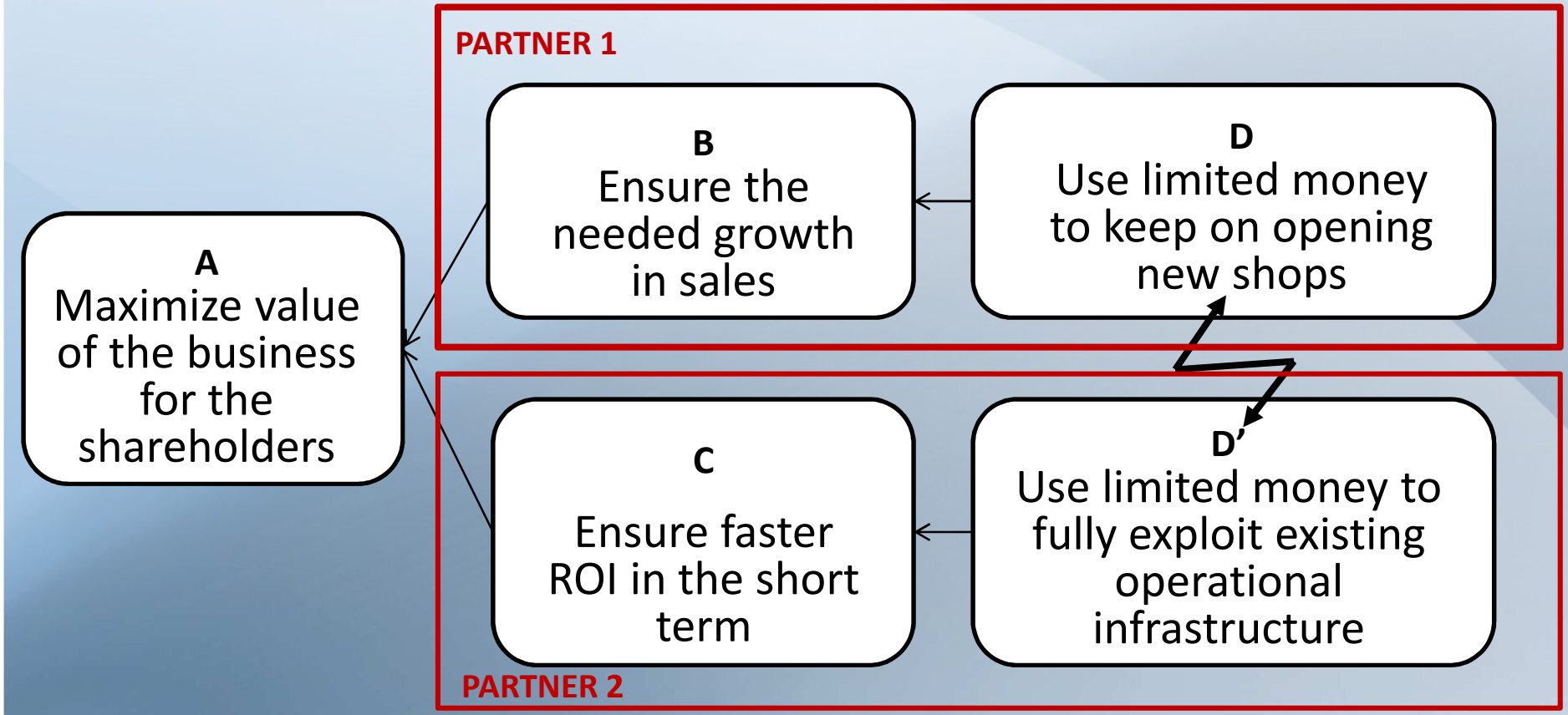
Typical Cloud of a conflict between the two powerful sides in an organisation – Where to spend limited funds?

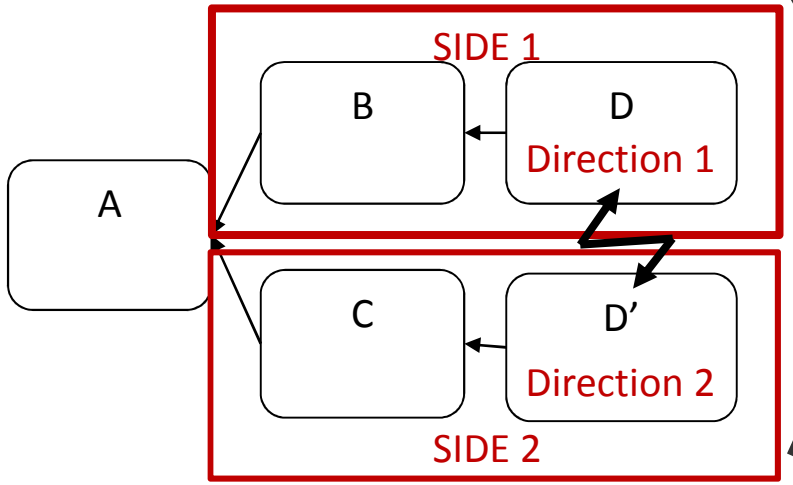
Both partners are owners of this business, with 50-50% of the ownership.



Each side's direction of actions is not just a direction but a set of specific actions that the other side feels is being imposed on them, and which they REFUSE to take. Hence, the situation is stuck.

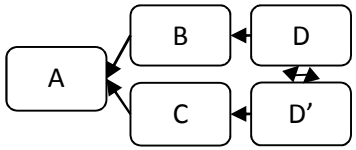
Transferring an Organizational Interest Conflict Cloud into a series of Dilemma Clouds of each side

Organizational Interest Conflict Cloud

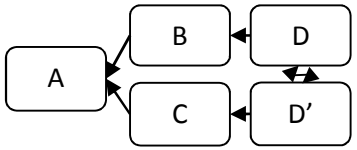


Side 1

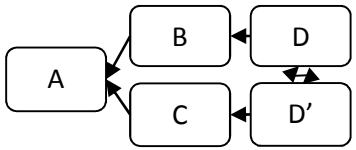
Inner Dilemma Cloud 1



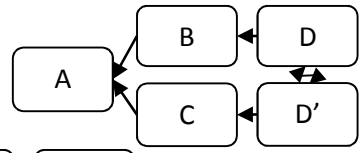
Inner Dilemma Cloud 2



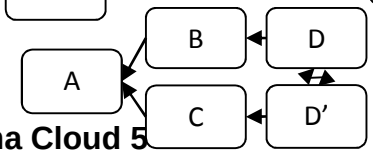
Inner Dilemma Cloud 3



Inner Dilemma Cloud 4

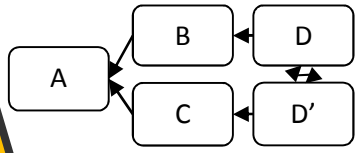


Inner Dilemma Cloud 5

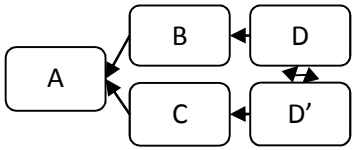


Side 2

Inner Dilemma Cloud 1



Inner Dilemma Cloud 2



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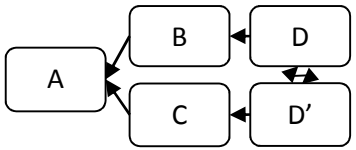
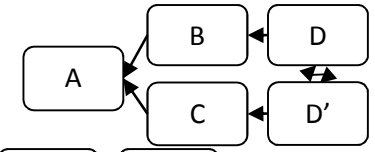
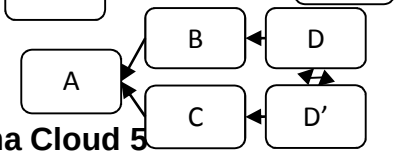


Inner Dilemma Cloud 4



Inner Dilemma Cloud 5



Transferring an Organizational Interest Conflict Cloud into a series of Dilemma Clouds of each side

Step 1. Build an Organizational Interest Conflict Cloud.

Step 2. Surface assumptions to understand the position of each side.

Step 3. Build the simplified NBRs to understand the position of each side.

Step 4. List Imposed Actions as perceived by each side.

Step 5. Each side builds their Dilemma Clouds for each Imposed action.

Step 6. For each Dilemma Cloud each side surfaces assumptions behind the arrow with THEIR Preferred Action.

Step 7. Challenge assumptions under C-D' and develop Injection(s).

Step 8. Take every Injection and check if it is valid.

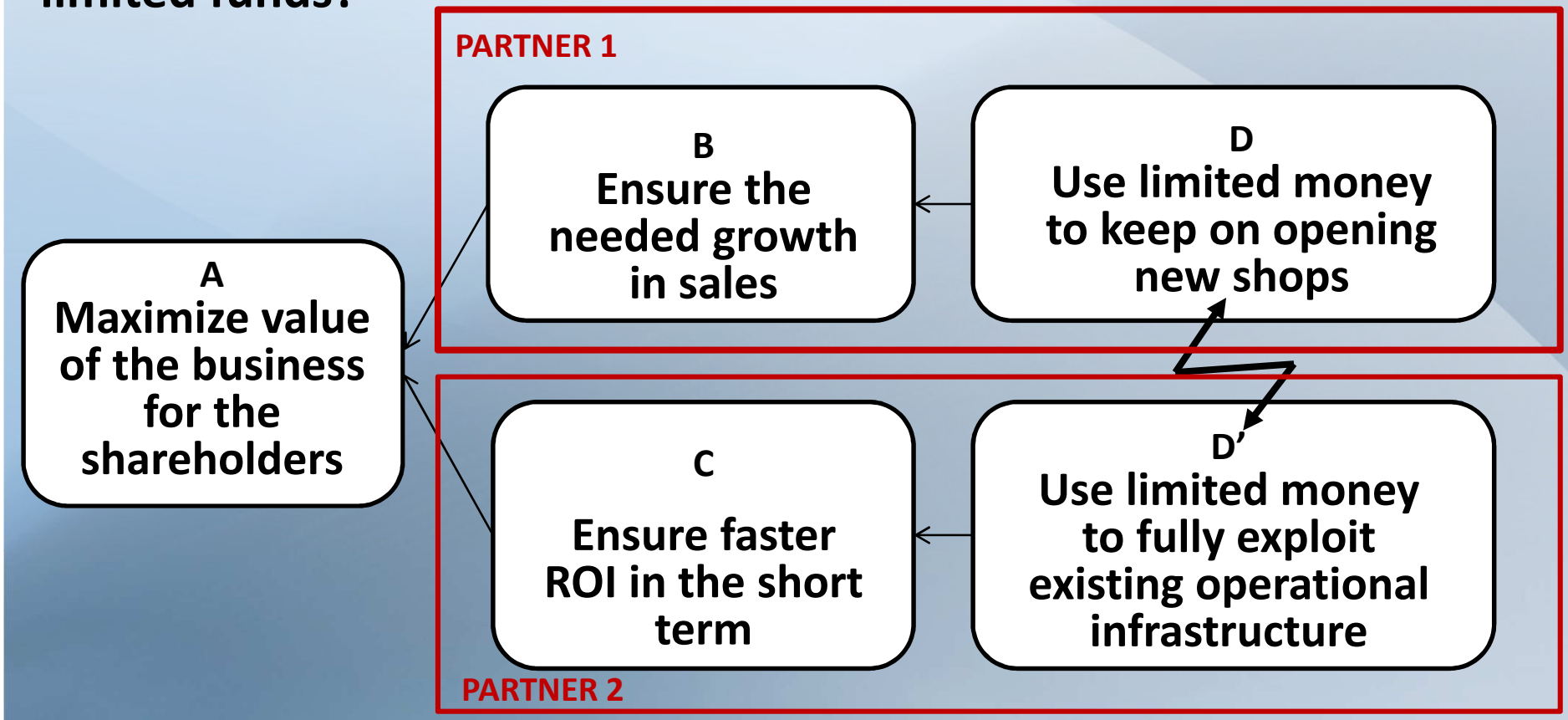
Step 9. Take all suggested Injections one by one and check what elements (actions) this Injection contains that you know now.

Step 10. Make a shortcut check for a potential negative outcome of the Injection.

Step 11. Take ALL Injections developed by BOTH sides and check that the combined list will meet B and C of the initial Organizational Interest Conflict Cloud.

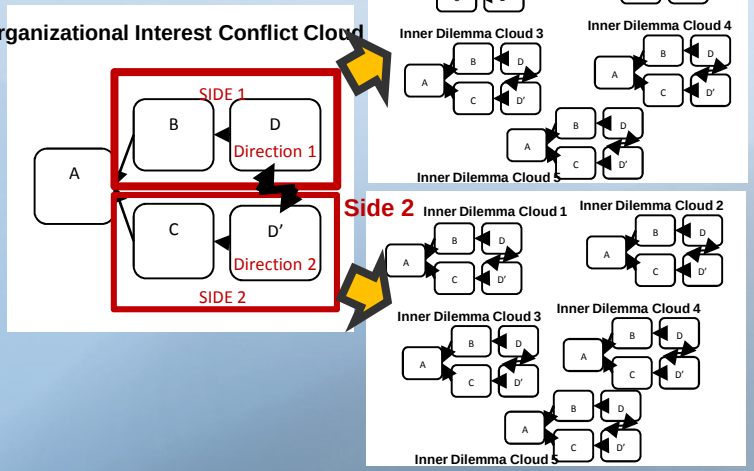
Step 1. Build an Organizational Interest Conflict Cloud

Example – Organizational Interest Conflict Cloud "Where to spend limited funds?"



Transferring an Organizational Interest Conflict Cloud into a series of Dilemma Clouds of each side

This will be the outcome of the work:



But before that we must do the work on the Organizational Cloud that we built in **Step 1**– to better understand the POSITION of each side.

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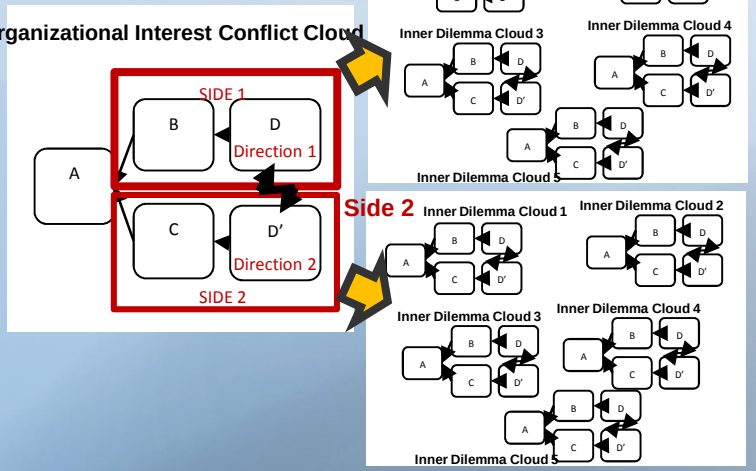
Step 2. Surface assumptions in the Organizational Interest Conflict Cloud to understand position of each side.

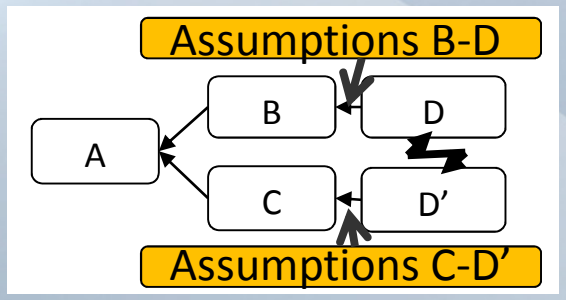
This will be the outcome of the work:



Understanding the position of each side:

Step2: Surfacing two sets of assumptions:

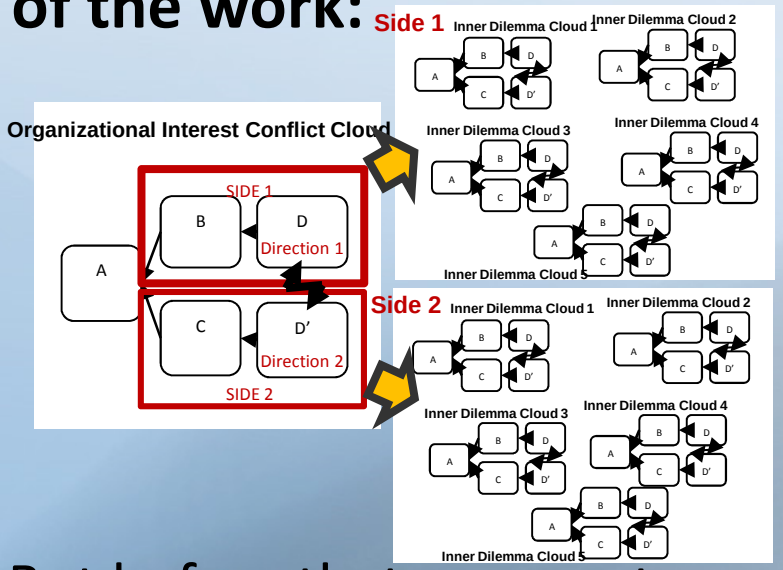
- Assumptions B-D
- Assumptions C-D'



But before that we must do the work on the Organizational Cloud that we built in **Step 1**– to better understand the POSITION of each side.

Step 3. Build the simplified NBRs to understand the position of each side

This will be the outcome of the work:



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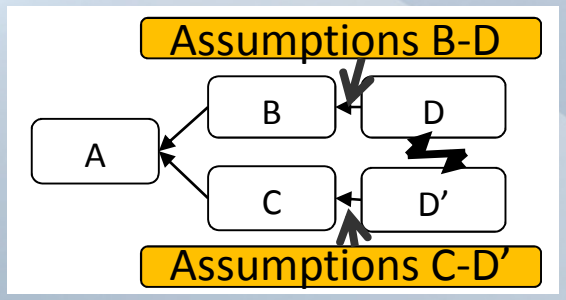
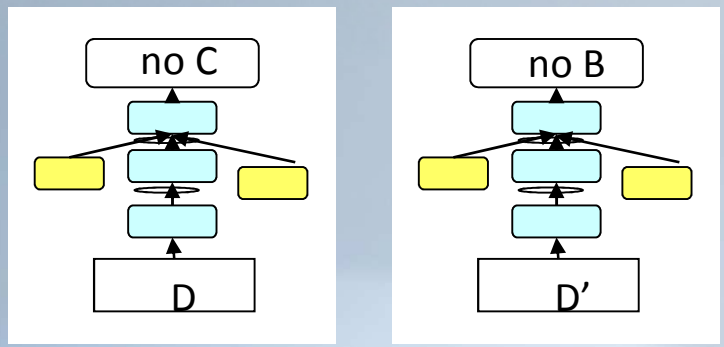


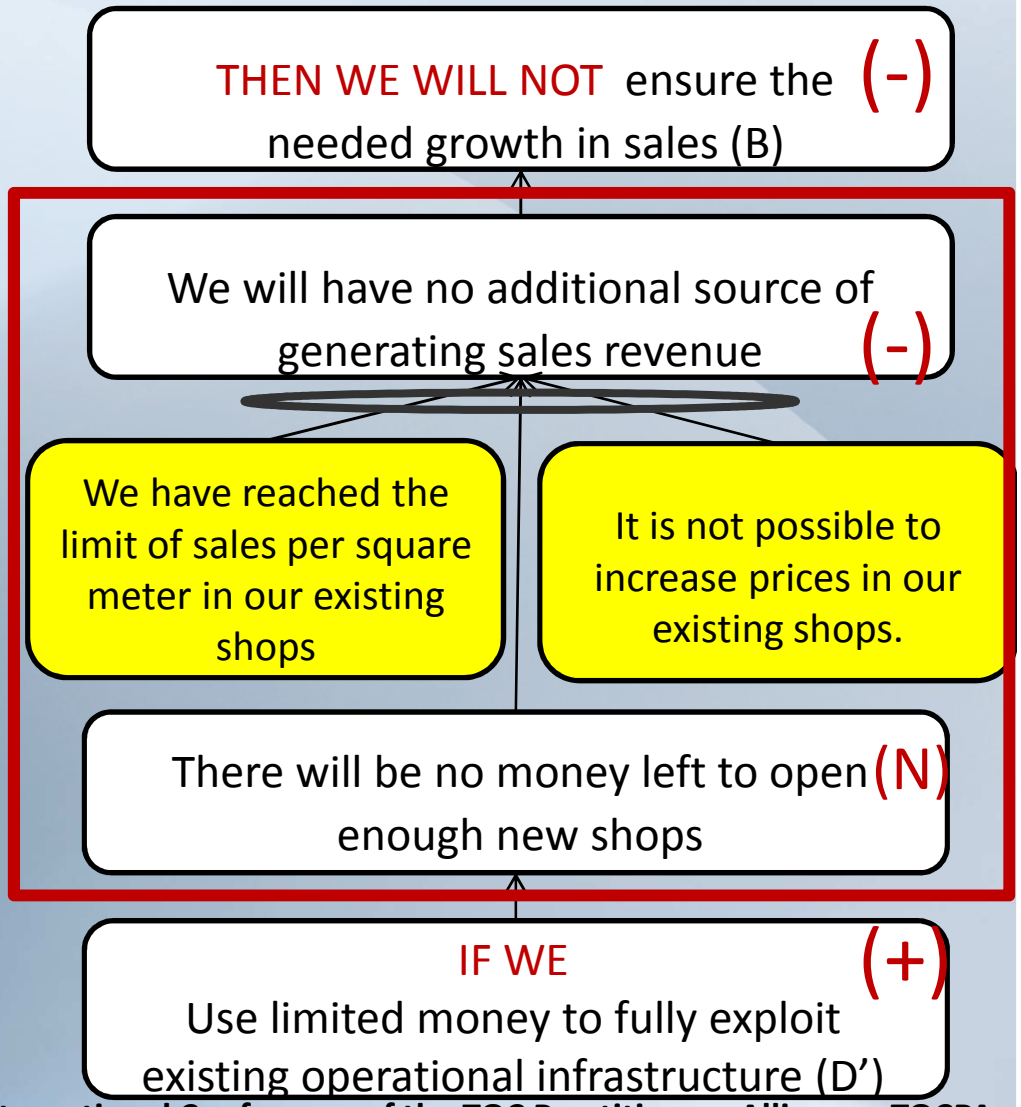
Step 3. Building two simplified NBRs :

- If D, then we will not (fully) achieve C
- If D', then we will not (fully) achieve B



What is a simplified NBR?

1. Put D at the bottom and C at the top/ D' at the bottom and B at the top.
2. Ask: 'Describe the scenario – outline 2-3 intermediate steps that will lead from the bottom entity to the top entity.' Put them in between the 2 entities (on the "spine").
3. Mark the bottom entity as POSITIVE (+), the top entity as NEGATIVE (-), mark the "neutral" entities with N, and check which one of the newly introduced entities starts being negative. "Marking" must be done either by the side whose direction is standing at the bottom, or by a mediator.
4. Take the LOWEST NEGATIVE entity and the entity below it and find out ON WHAT CONDITIONS a positive or neutral entity will lead to a negative entity. (It will not happen on itself!) Use the phrase "If…then..because"



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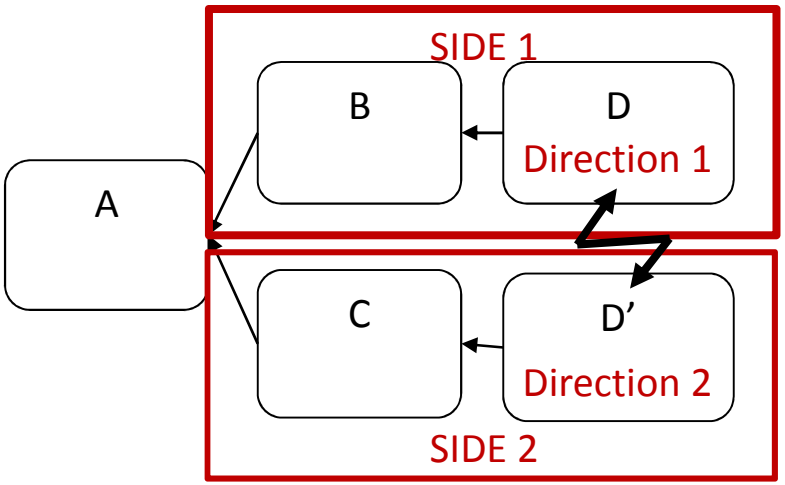
Moving to unfolding each side of the Organizational Interest Conflict Cloud into a series of Dilemma Clouds

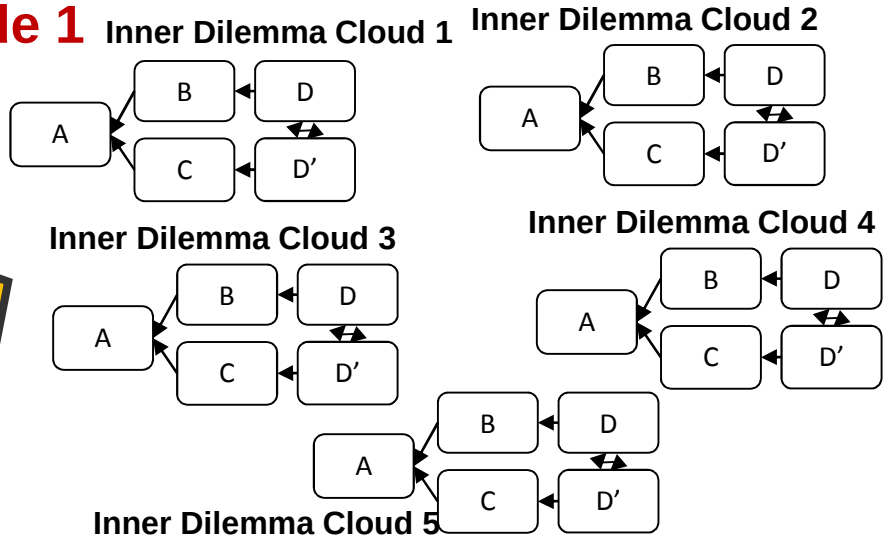
Organizational Interest Conflict Cloud



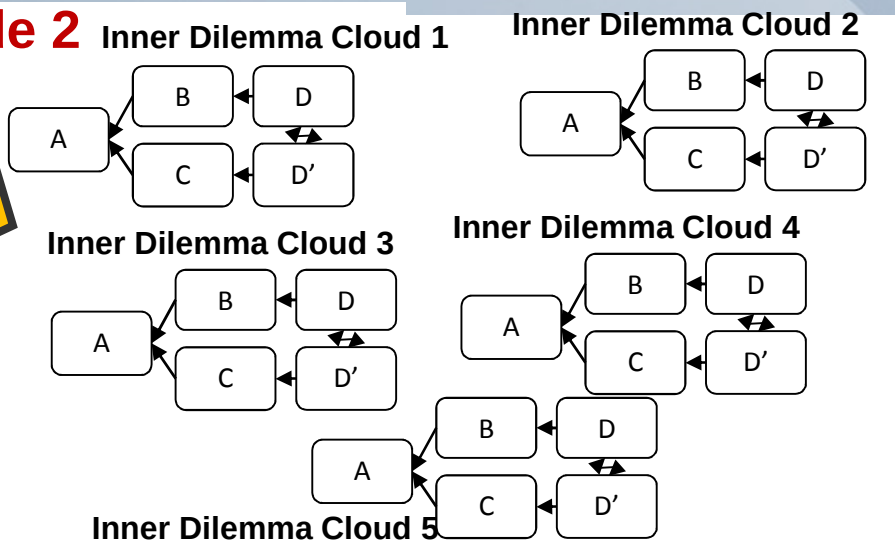
Step 4. Each side builds a list of "imposed actions" by the other side.

Step 5. Each side builds for each imposed action a Dilemma Cloud putting the imposed action in D ("forced action") and an opposite of D in D'.

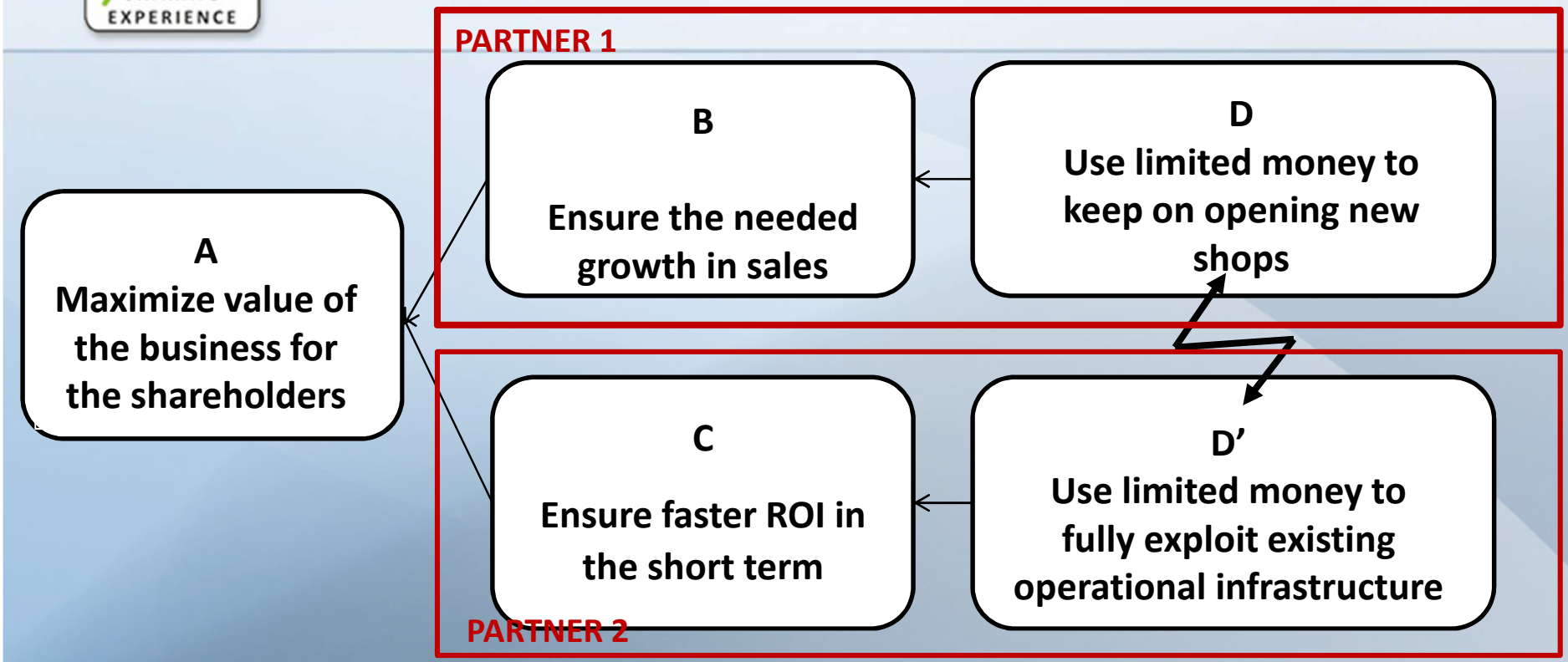
Side 1



Side 2



Step 4. List Imposed Actions as perceived by each side



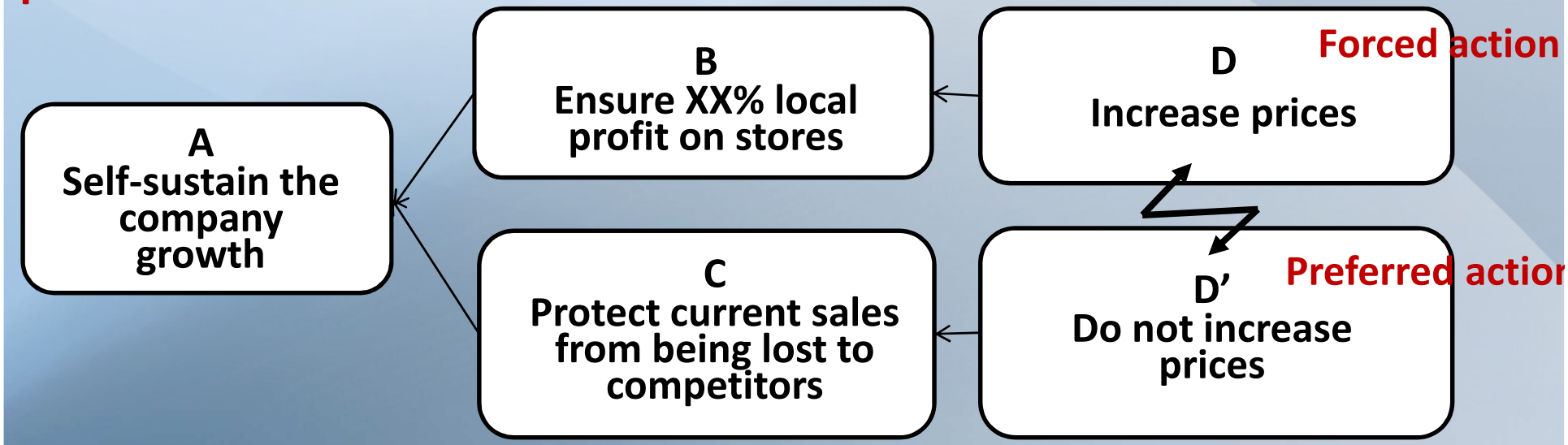
What actions does PARTNER 1 feel as being imposed by PARTNER 2 within the framework of the direction in D'?

1. Increase prices by 3% through overall price increase, and additionally by 5% through cutting discounts and promotions.
2. Increase the number of units sold at full price in every shop by 4% daily.
3. Buy the inventory cheaper by 4%

Step 5. Each side builds their Dilemma Clouds for each Imposed action

PARTNER 1's Internal Dilemma Cloud 1

Imposed action 1 by Partner 2: Increase prices by 3% through overall price increase, and additionally by 5% through cutting discounts and promotions.



Step 6. For each Dilemma Cloud each side surfaces assumptions behind the arrow with THEIR Preferred Action

Why should each side surface assumptions for the arrow that connects **THEIR Preferred action** to their Need?

Wouldn't it be more "natural" to try and prove that it is the other side who operates on the erroneous assumption?

The purpose of this work is to help the sides **find the solution** to the Cloud.

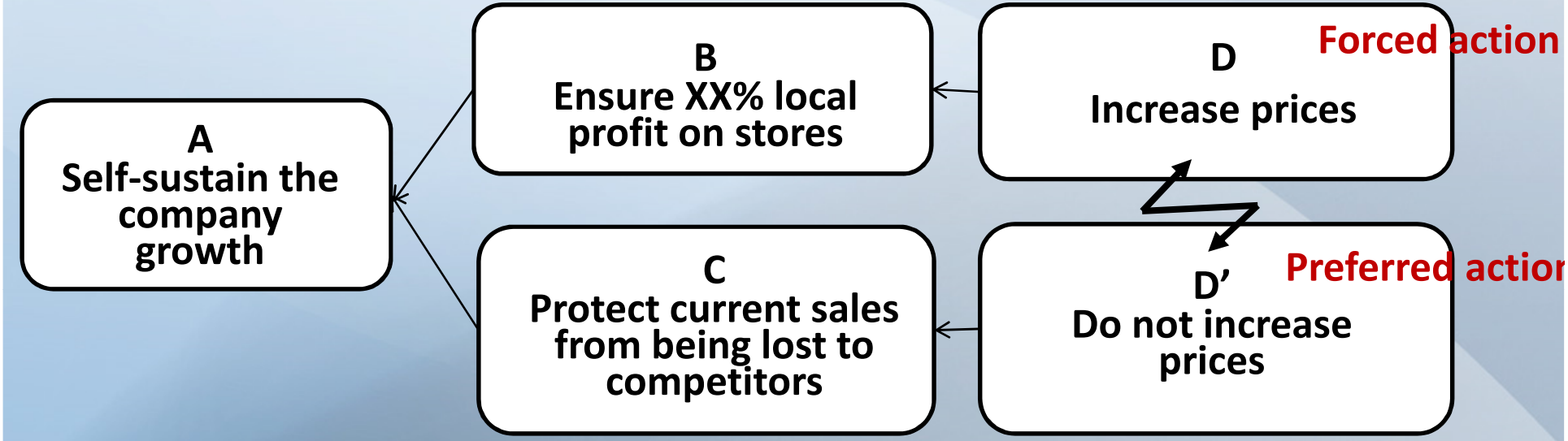
The Forced Action is the other side's position.

Even if Partner 1 finds the erroneous assumption on the side of Partner 2 (B-D) – the very high chance is that Partner 2 will not be willing to agree that it is an ERRONIOUS assumption, and will not agree to break the Cloud on their side.

Partner 1 needs to try and find **THEIR OWN assumption that they themselves may challenge.**

Step 6. For each Dilemma Cloud each side surfaces assumptions behind the arrow with THEIR Preferred Action

PARTNER 1's Internal Dilemma Cloud 1 and assumptions C-D'

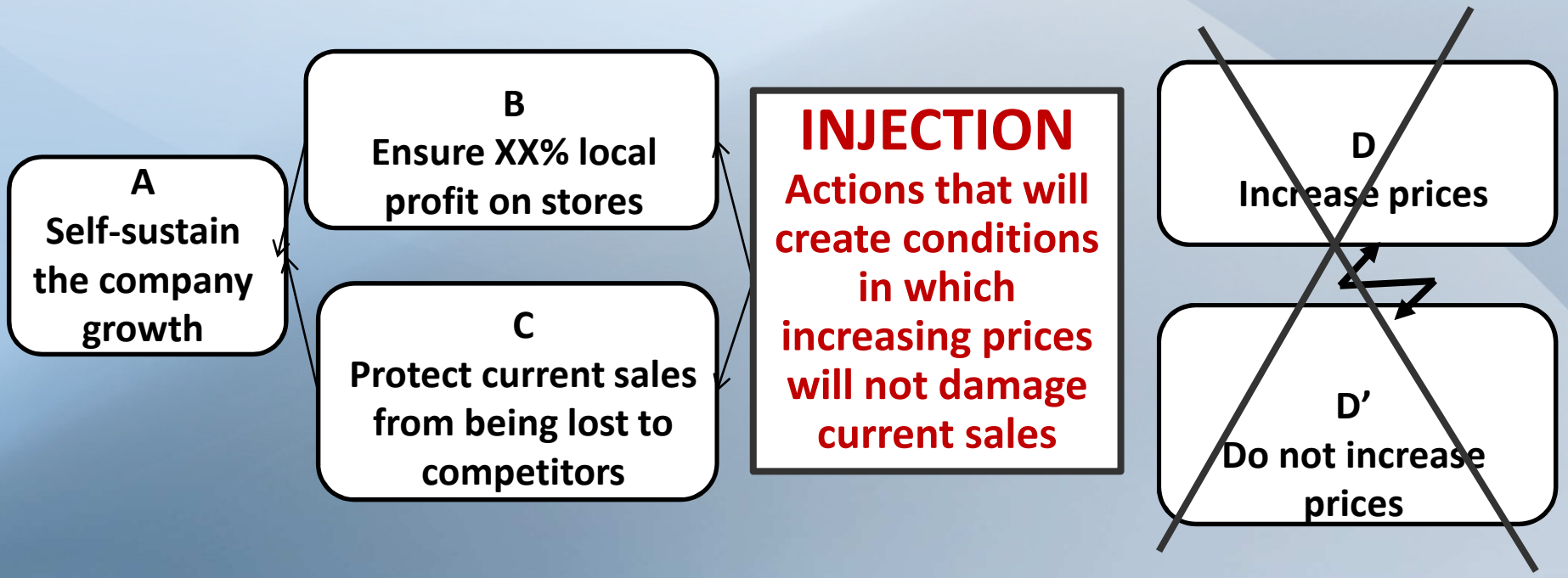


C-D' 1: Our product is the same as competitors'.
C-D' 2: Customers will never return to our stores if they see the same product at a lower price in our competitors' stores.
C-D' 3: Price is a major decision criteria for people.

Each side repeats Steps 5 and 6 for all Imposed actions in their list.

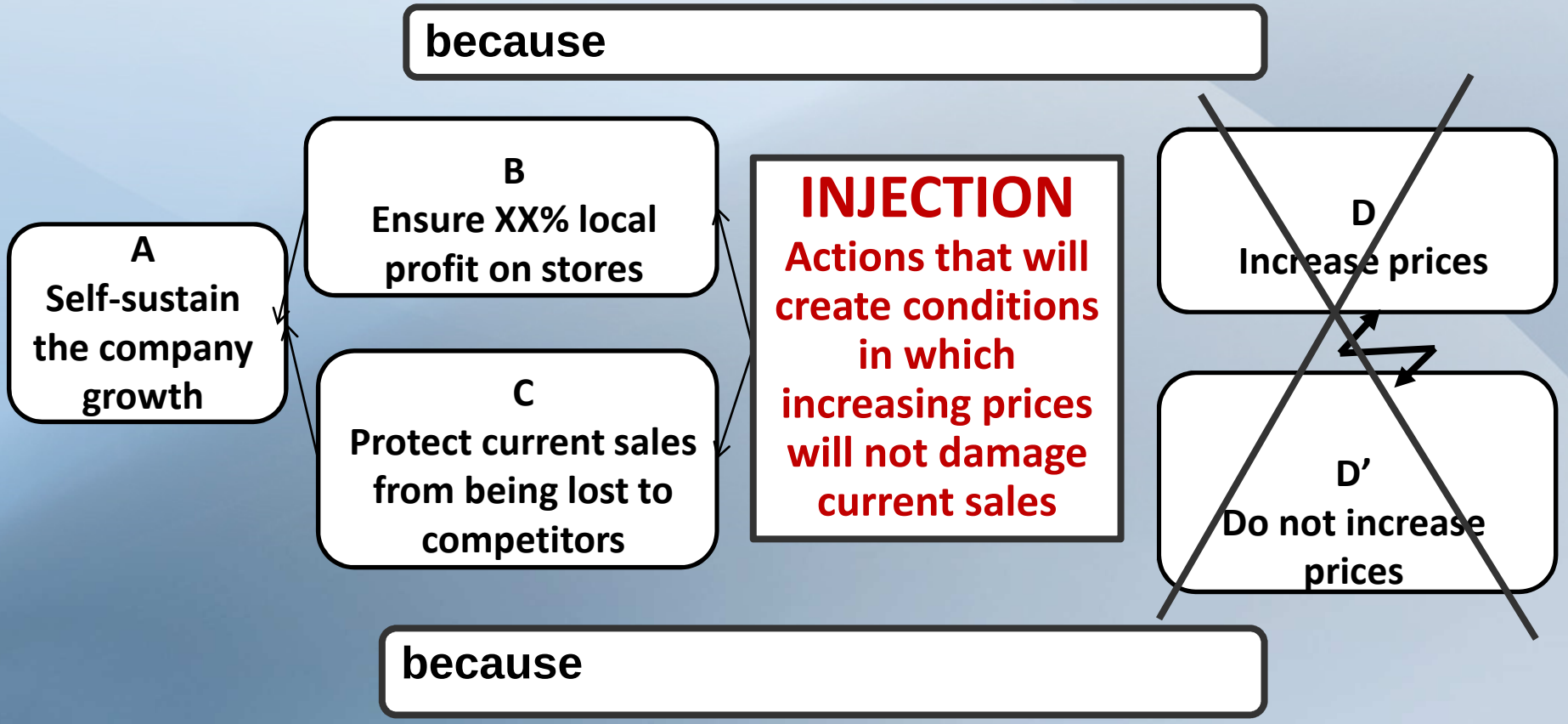
Step 7. Challenge assumptions under C-D' and develop Injection(s)

Injection to PARTNER 1's Internal Dilemma Cloud 1

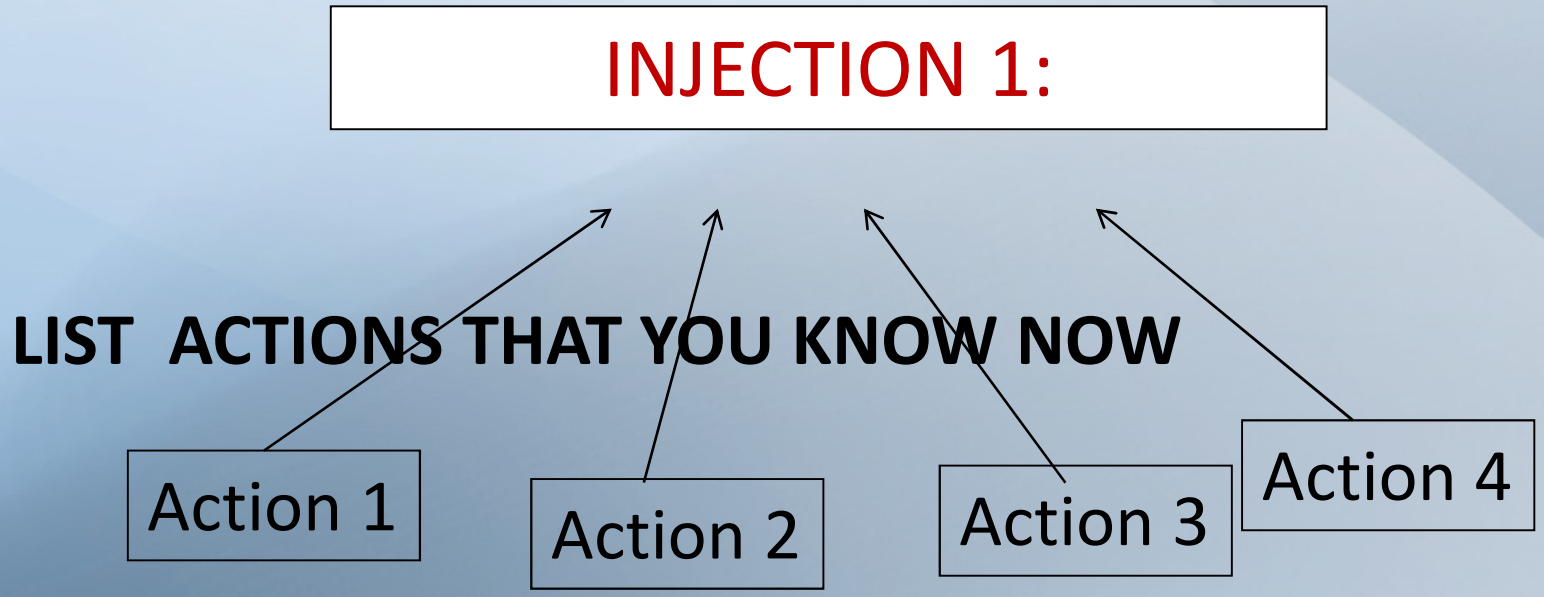


Step 8. Take every Injection and check if it is valid

Injection to PARTNER 1's Internal Dilemma Cloud 1



Step 9. Take all suggested Injections one by one and check what elements (actions) this Injection contains that you know now



Step 10. Make a shortcut check for a potential negative outcome of the Injection

POTENTIAL NEGATIVE OUTCOME

INJECTION 1:

What needs to be done NOT to get there:

ACTION 1: xxxxxxxxxxxxxx

Who: xxxxxxxxxxxx

ACTION 2: xxxxxxxxxxxxxx

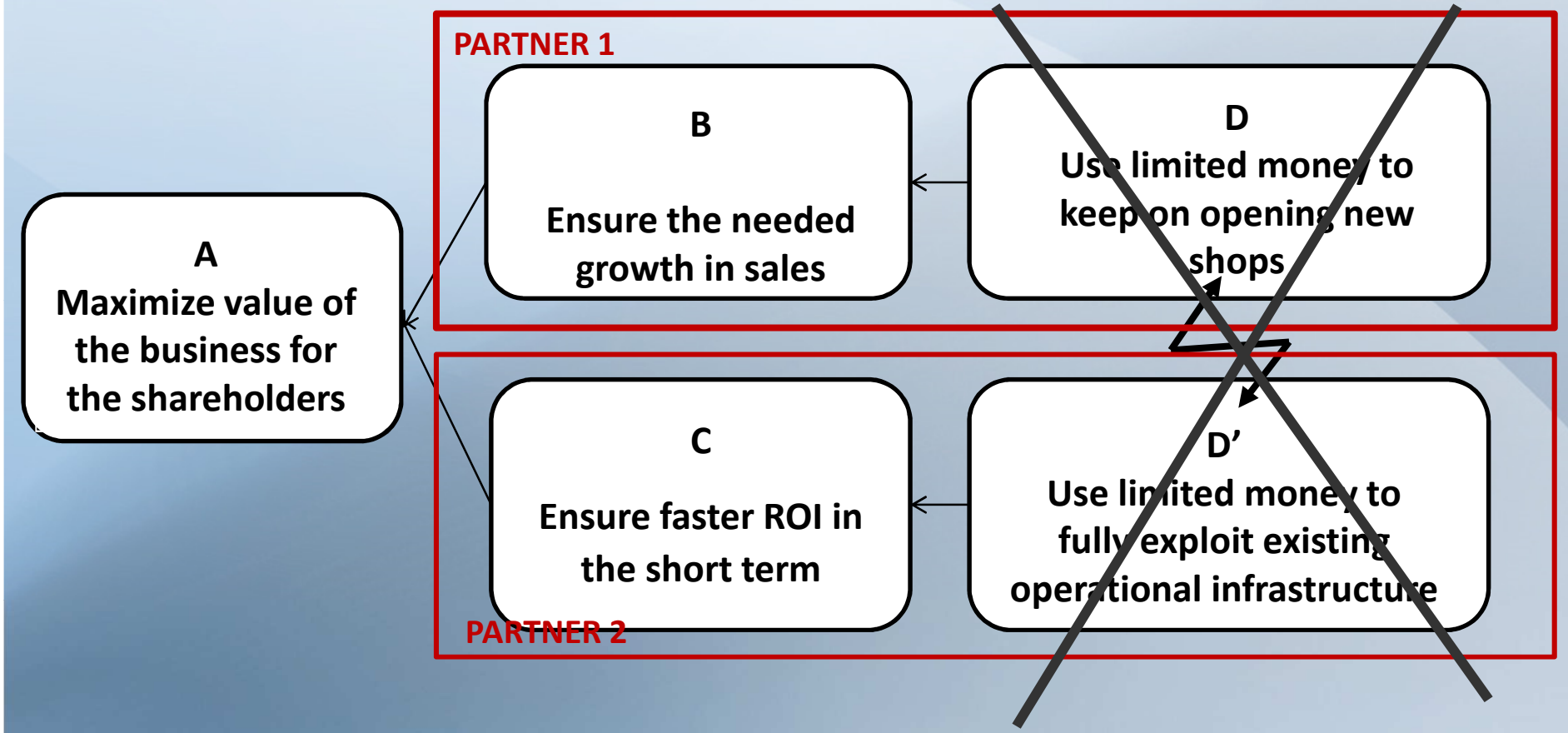
Who: xxxxxxxxxxxx

Why a "shortcut check"?

At this stage it is curtail to demonstrate to the sides that the suggested Injections are doable – so that they see that they can get out of the stalling situation.

Steps 9 and 10 allow to produce a "good enough" draft of an action plan.

Step 11. Take ALL Injections developed by BOTH sides and check that the combined list will meet B and C of the initial Organizational Interest Conflict Cloud



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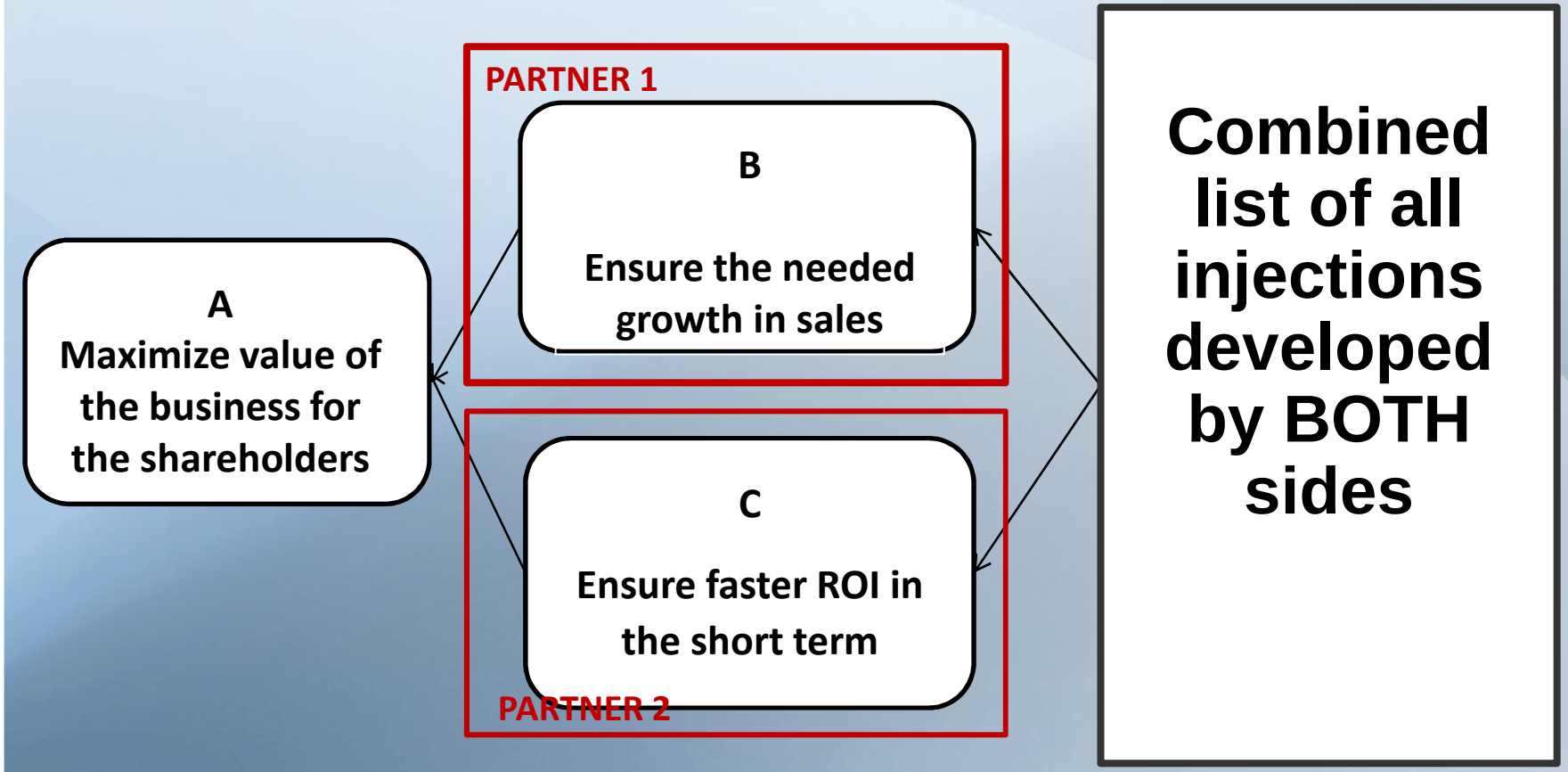


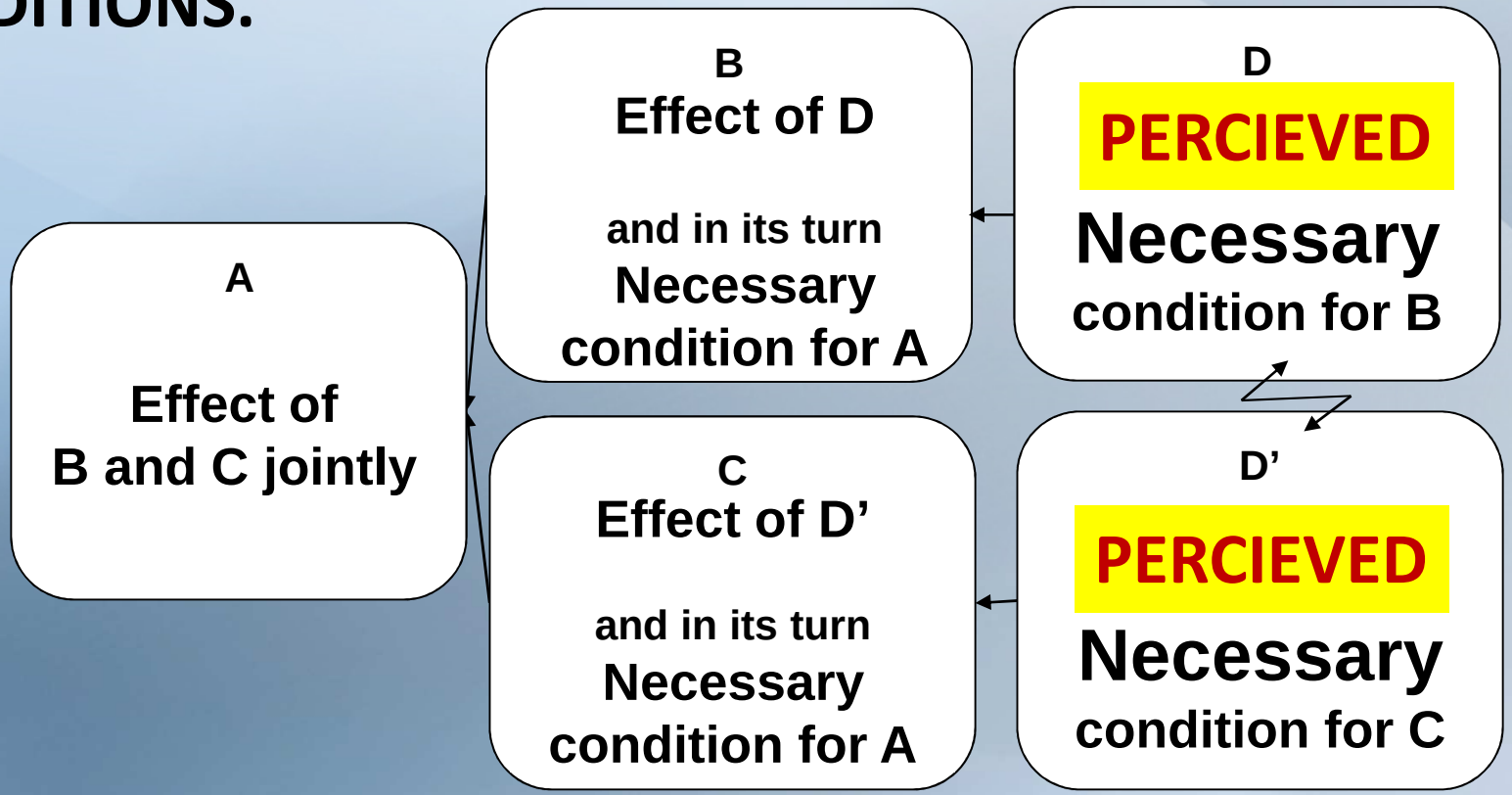
Why can we REMOVE THE CONFLICT IN THE CLOUD?

Confusing claim that the Cloud is <u>built on</u> the Necessity logic

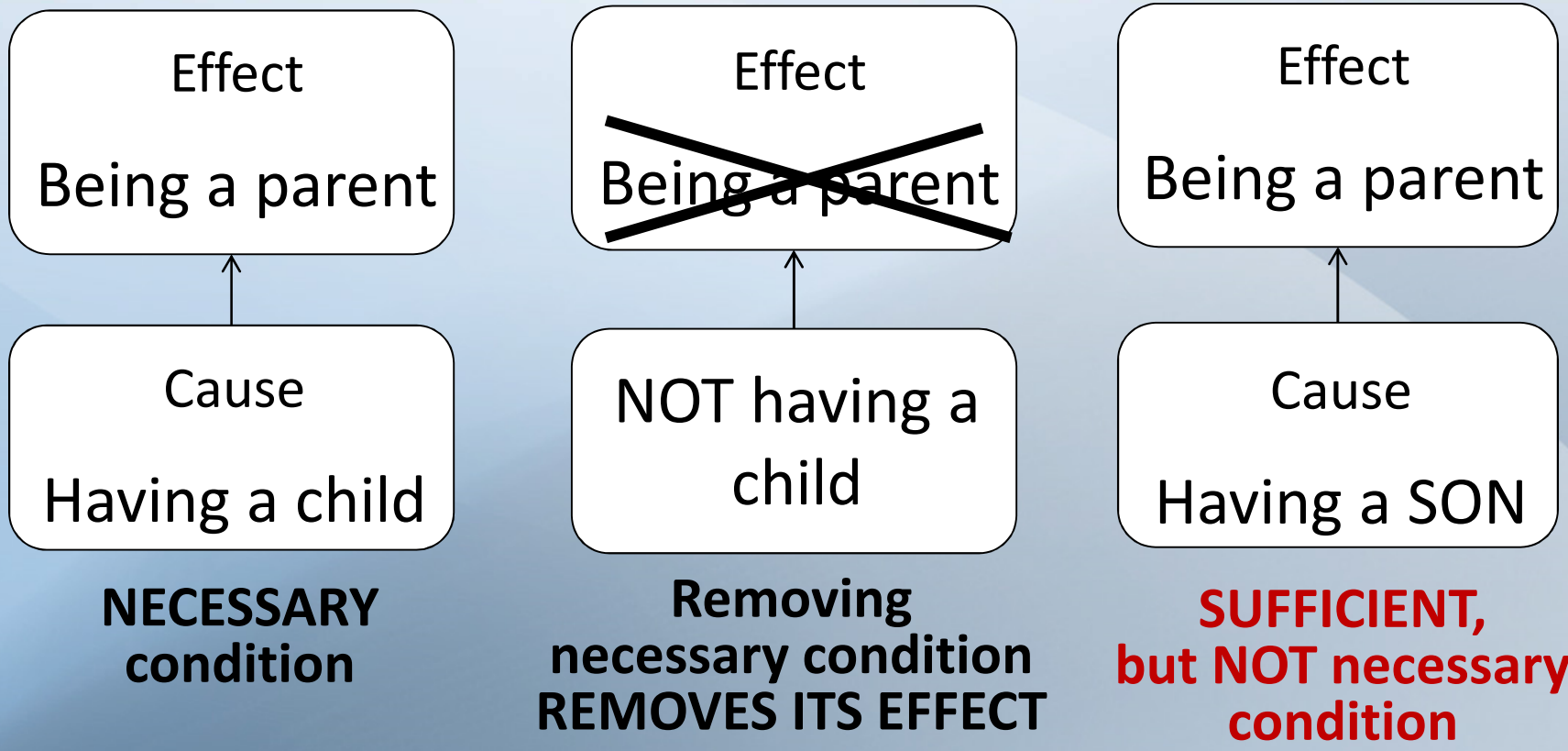
Necessity or Sufficiency relationship in the Cloud?

Why does the conflict exist?

Because in a specific context (a problematic situation) people **BEHAVE** AS IF D and D' are NECESSARY CONDITIONS.



Necessity vs. Sufficiency



However, it would be WRONG to say that *IF ONE DOES **NOT** HAVE **A SON**, THEN HE/SHE IS **NOT** A PARENT.*
Having a son is **SUFFICIENT** to be a parent, the same as having a daughter.

Necessity or Sufficiency relationship in the Cloud?

Why does the conflict exist?
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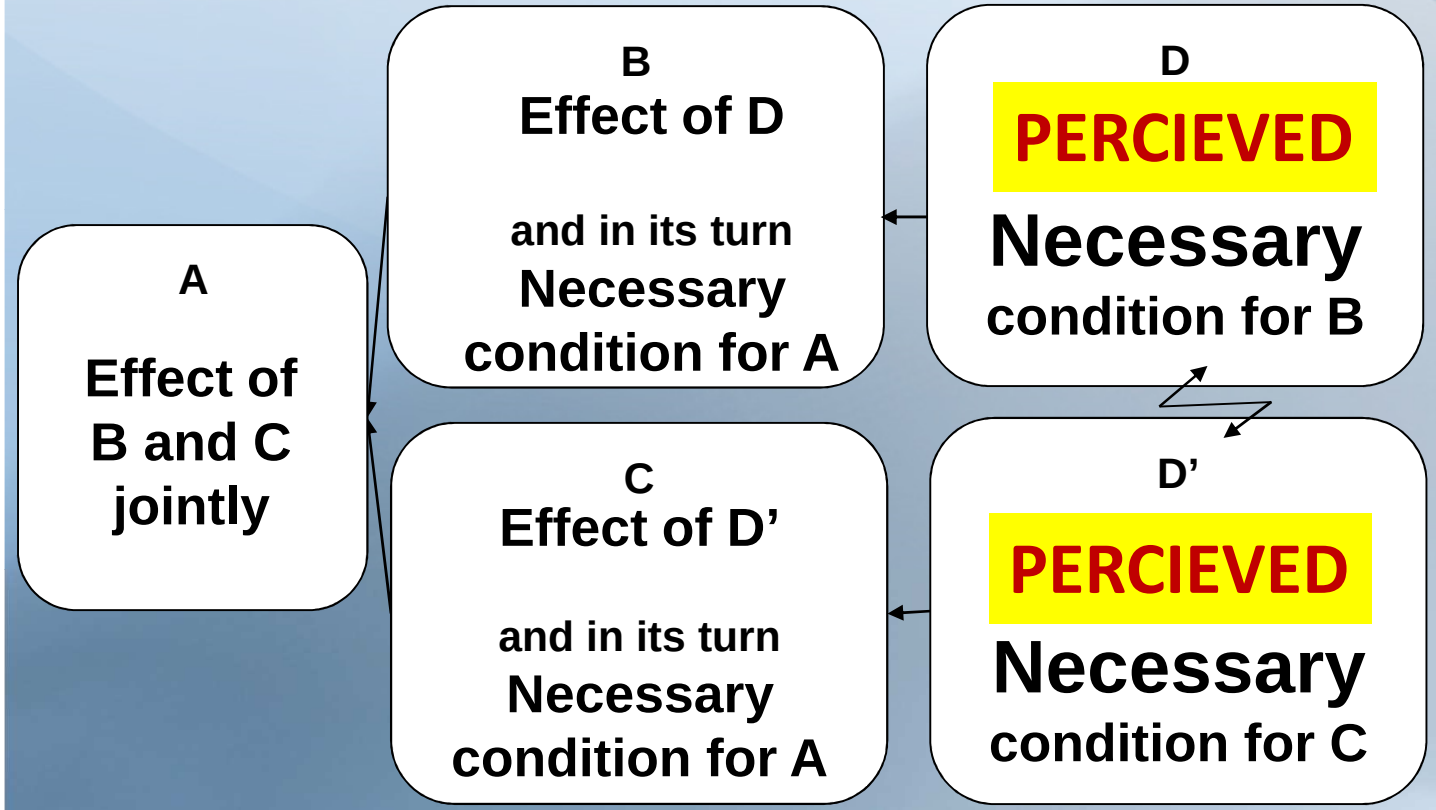

If D was a TRUE Necessary condition for B, then removing D would automatically cause B to stop existing.
The same is true for D' and C.

However this is NOT the case. The whole work with the Cloud is in order to find an INJECTION that will REMOVE the conflict and keep the B (the effect of D) and C (the effect of D').

The Cloud is a COMBINATION of Necessity and Sufficiency