Hard Facts: Why Are Business Decisions So Seldom Based On Them?

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May 9, 2006

We love the quick fix; we love to be wowed and entertained by the latest business management fad; we love to be part of the cheering crowd swept up in the glory of self-congratulation. What we don't love nearly as much is doing the hard work and the hard thinking that is required to get the job done right. I have now inhabited the cubicles and offices and wandered the halls of corporate America for a quarter century. I learned long ago—much to my initial surprise and dismay—that the decisions of most businesses are seldom based on solid evidence. Unquestioned belief, unshakeable trust in what has worked in the past (often elsewhere), emotion, gut instinct, ego, bias, politics, and the latest management revelations lining the bookshelves in the business section inform far more decisions than wise assessments of the facts. Why is this so? Peter Drucker had a ready answer when asked about this: "Thinking is very hard work. And management fashions are a wonderful substitute for thinking." (Tom Davenport, "Peter F. Drucker – A Meeting of the Minds," *CIO Magazine*, September 15, 1997.)

What does this have to do with business intelligence (BI)? Business intelligence and that subset of it that I focus on—data visualization—exist for one purpose: to support intelligent decisions by providing the means to base them on solid evidence. Business intelligence is only valued by a company to the degree that its leaders believe in and practice evidence-based management. Business intelligence can only support this goal when it skillfully considers the evidence, interprets it accurately, and then clearly communicates the truth it has learned to decision makers.

I spend a great deal of my time supporting business intelligence by promoting and teaching simple data visualization principles and practices that really work. Just as business gurus with star power and snappy sound bites often distract business people from evidence-based management, superficial BI marketing campaigns and flashy dashboards and graphs distract data consumers, analysts, and communicators from the simple but effective tools and techniques that alone can extract truth from data.

It is useful to recognize the intimate connections between business management and the BI efforts (including data visualization) that support it, as well as the common problems that distract them both from achieving their mutual goals. As BI professionals, you must understand business and especially the needs of management to do your jobs effectively. Getting too caught up in the bits and bytes of the work can isolate you from the broader knowledge and objectives that inform what you do. With this in mind, allow me to recommend a wonderful new book that, even though it isn't flashy and intentionally dresses itself in humble garb, is brimming with wholesome wisdom about business management. The book is *Hard Facts, Dangerous Half-Truths and Total Nonsense: Profiting from Evidence-Based Management* by Stanford professors Jeffrey Pfeffer and Robert I. Sutton. They summarize their basic argument in the following paragraph:

> *Evidence-based management proceeds from the premise that using better, deeper logic and employing facts to the extent possible permits leaders to do their jobs better. Evidence-based management is based on the belief that facing the hard facts about what works and what doesn't, understanding the dangerous half-truths that constitute so much conventional wisdom about management, and rejecting the total nonsense that too often passes for sound advice will help organizations perform better.* (Jeffrey Pfeffer and Robert I. Sutton, <u>Hard Facts, Dangerous Half-Truths, and Total Nonsense,</u> Harvard Business School Press: Boston, MA, 2006, page 13)

Pfeffer and Sutton feel strongly about this. Part of why I like this book so much is because I recognize in their message and spirit a kinship with my own work in the domain of data visualization. Just as I cringe when I see what usually passes for adequate data analysis and communication, they bemoan the sad state of business management because they know how much better it could be done.

> *If doctors practiced medicine the way many companies practice management, there would be far more sick and dead patients, and many more doctors would be in jail…Many companies and leaders show little interest in subjecting their business practices and decisions to the same scientific rigor they would use or technical or medical issues. It is a pity, because we actually know a lot about how to make organizations and people more effective. Every day there are opportunities for companies to use better information to gain an advantage over the competition. Doing so simply entails using evidence-based management.*
> (Ibid, pages 5 and 12)

Our businesses are plagued by a lack of commitment at many levels and in many domains to what really works, to the intellectual rigor that is needed for businesses to function well. Pfeffer and Sutton expose this laziness where it infects and subverts management, and I do much the same where it robs business data analysis and communication of meaning and clarity.

They tell many stories about problems, including outright disasters, that businesses have faced because they based their decisions on management beliefs and methods that were either total nonsense, without any foundation in the evidence, or were insidious half-truths that wrought destruction when they were embraced and applied without understanding the half that was false. These half-truths include:

- Work is fundamentally different from the rest of life and should be.
- The best organizations have the best people.
- Financial incentives drive company performance.
- Strategy is destiny (that is, figuring out what to do is more important than the ability to actually do something).
- Constant change and innovation are critical to survival.
- Great leaders are in control of their companies and ought to be.

All of these statements are true to some degree, in some ways, and in some companies, but they are also false to some degree, in some ways, and in some companies. Missing this fact and applying these beliefs to your business can bring down a rain of destruction.

I especially enjoyed Pfeffer's and Sutton's treatment of the current emphasis on business strategy. Although important, coming up with the right strategy isn't all it's cracked up to be. As they point out, "… what actually provides competitive success and what is difficult to copy is not so much knowing what to do—deciding the right strategy—but instead having the ability to do it." (Ibid, page 145)

Pfeffer and Sutton practice what they preach by advocating only what the evidence clearly supports and by admitting the need for caution when the evidence isn't firm. Rather than just railing against the questionable advice of many business gurus and against the whole culture of guru worship that makes so many of us gullible, they meticulously refrain from setting themselves up as gurus, making it clear that the only authority one should trust is the evidence—fully tested and fully understood. They also go well beyond a mere critique of popular management beliefs and practices by providing a wealth of practical advice, such as a great list of questions that businesses should ask before launching any major change.

I hope this book does well. Most businesses desperately need it. I know it won't be the next fad in management thinking; it lacks the glitter and simple-mindedness that adorn most fads. Managers who want to be stars won't find it to their liking, but managers who take real pride in their work and care about doing what can actually help the business to succeed will appreciate it and learn from it. In like manner, people who take the work of business intelligence seriously will demand tools and practices that really work. They'll see past the superficial dazzle of products that are downright pitiful underneath a thick coat of gaudy cosmetics and instead seek real substance. If enough of us raise our voices, speak reasonably, and demonstrate the benefits of mining the truth in the data and basing decisions on the truth, perhaps we will each do our part—however humble—to make the world a better place.

About the Author

Stephen Few has worked for over 20 years as an IT innovator, consultant, and teacher. Today, as Principal of the consultancy Perceptual Edge, Stephen focuses on data visualization for analyzing and communicating quantitative business information. He provides training and consulting services, writes the monthly *Visual Business Intelligence Newsletter*, speaks frequently at conferences, and teaches in the MBA program at the University of California, Berkeley. He is the author of two books: *Show Me the Numbers: Designing Tables and Graphs to Enlighten* and *Information Dashboard Design: The Effective Visual Communication of Data*. You can learn more about Stephen's work and access an entire library of articles at www.perceptualedge.com. Between articles, you can read Stephen's thoughts on the industry in his blog.