

THE SUBSTITUTION FALLACY

Process improvement is a complex combination of art and science. It's all about how value is created for the customer. Typically, you discover that a process is only partially connected to what customers want. Rather, it's rooted in deep traditions and habit. When does a motion picture project move from editorial review to pre-production? When does a truck leave the loading dock? How do we decide to shut down our production line for maintenance? Often it's decided subjectively – by how a manager or supervisor has done it all his life.

We call this the *substitution fallacy*. We assume we can substitute what we've always done for what is best. Or at another level, we assume we can substitute our own likes and dislikes for those of our customers. What's the right color for our packaging? We assume that if we like the packaging, it will sit well with our customers, too. We imagine that our wants, our desires, and our needs are the same as theirs.

But by using systems thinking, we can start to imagine that our customers' desires may be diametrically different from our own. For example, when a large hospital in California wanted to re-engineer its patient intake process, it found that doctors, nurses, and hospital administrators each had their own ideas about what people wanted when they first entered the hospital. Each group was falling prey to the substitution fallacy. Doctors assumed that patients didn't need to see them right away, when in fact patients rated an initial "hello" from the doctor as the most important part of the intake process.

Conducting the research to understand what customers do want is critical to overcoming the substitution fallacy. It means asking tough questions. What criteria should be used to determine when the truck leaves the loading dock? When it's full? Or when the customer wants to receive the order?

Developing policies is important, too, because it reduces the opportunity for substitution fallacy. If some process or decision repeats itself regularly, it should be covered in a written policy. (The problem with policies, of course, is that they become subject to a variation of the substitution fallacy. We assume that the policy must be right and must be followed, even when circumstances have changed!) In high-performing organizations, people are encouraged to challenge whether or not a process is right: "Is this policy up to date? Are we capturing the things that truly are important? If not, then the policy needs to be re-written."