

A man with dark hair, wearing a black suit jacket, white shirt, and patterned tie, is shown in profile from the chest up. He is looking down and to the right. The background is a blurred office setting with window blinds.

BY JAY
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Need *for*

SPEED

*Can executive
decision-making keep
up with today's
accelerating pace?*



On a Wednesday afternoon in fall 2008, Pacific Continental Bank CEO Hal Brown received an anxious call from a federal regulator, with a question about the Troubled Asset Relief Program. He wasn't exactly surprised when the regulator asked whether the bank would be accepting its \$30 million share of TARP, but one condition seemed extreme.

The Feds needed an answer by Friday.

Such impatience is no longer unusual in a society where everything except airport security lines seems to move remarkably swiftly. We count on e-mail replies within hours and often grow restless if one's not forthcoming in minutes. Information-technology systems spew helpful and illuminating data, yet at a volume and rate beyond what most humans can comprehend. And at a time when almost-instantaneous business judgments are demanded, this need for speed may be changing the very nature of executive decision-making.

Indeed, when asked for an answer about TARP in the midst of the nation's economic meltdown, Brown gulped, said maybe, and spent the next day seeking input and studying figures. He concluded that Eugene, Ore.-based Pacific Continental's credit situation was solid, and regardless of whether he would face the congressional smackdowns administered on C-SPAN to larger banks' executives, the CEO was leery of the barbed-wire strings that accompanied the TARP distributions. His instincts suggested that Pacific Continental was better off without, and that's what he told the regulator.

Was the hurried decision the right one? Probably. "We're now very thankful we didn't take the offer," Brown says. But everyone involved would have felt more secure with a few extra days to ponder. "We had waited until the last minute to put in an application and until the last minute to turn it down," he explains, acknowledging that increasingly abrupt deadlines don't give executives the requisite "noodle time" to fully consider decisions—even those that have momentous consequences.

Hal Brown is hardly the only executive recently whipsawed by demands for almost impossibly swift reaction. Consider the plight of Domino's USA president Patrick Doyle last April, when over a weekend two blockheaded employees posted a YouTube video of themselves adulterating a pizza on its way to delivery. Within hours the video, along with comments on Twitter and other social-media sites, began

grossing out millions of booger-averse consumers. By Monday, it appeared that pizza-eaters would forever link Domino's with stomach-turning images, a potentially lethal business blow.

But on that same day, Domino's tracked down the North Carolina franchise where the two worked and had them fired and, by Tuesday, headed for felony prosecution. Doyle and company filmed and posted an apologetic YouTube response Wednesday, reassuring consumers that the incident was a hoax, while reinforcing the point on a new Twitter account. The classic corporate crisis response was perhaps one of the quickest ever.

Now, posting a clip on YouTube is simpler than a nationwide recall of \$100 million worth of Tylenol, part of Johnson & Johnson's legendary 1982 reaction to product tampering. And no chairman worth a corner office is likely to wait six days to make an initial comment on a company-caused disaster, as Lawrence Rawl did after the *Exxon Valdez* hit the rocks in Alaska's Prince William Sound in 1989. But Doyle knew he had to move fast.

That you don't hear much reluctance to order the chain's pizza suggests that the response was effective. And yet several bloggers argued that in an era of pandemically viral social media and 24/7 news cycles that seem to compress time itself, Domino's' actions were not only imperfect but *disappointingly slow*. Sheesh.

THE ACCELERATION PARADOX

These two incidents exemplify how expectations of executive leadership have changed greatly over the past two decades. "When I started my career at Pacific Continental, data processing was handled by a firm based in Portland, a two-hour drive from our headquarters," Hal Brown recalls. "If I had a question, they'd tell me to drop it in the mail, which meant they'd have a couple of days to think and a couple more days before a written reply had to get back to me. Today, I'd expect a response on the same day, even if it's not a complete answer. And the same is true from me. Even if I can't provide an answer, it's important to quickly acknowledge that a point or question has been heard."

Regulators and elected officials assume they'll get fairly swift responses to questions. But so do analysts, employees, reporters, shareholders, vendors, and even self-selected third-party observers. In turn, good organizations are primed to feed executives with facts, figures, and options, while communications professionals help craft timely responses. Meanwhile, ad-hoc teams tackle mergers, acquisitions, and new strategy implementations, which generate their own complex and data-dense choices.

Consequently, even as the pressure to make quicker judgments grows, the task is both aided and complicated by information that flows as deep and wide as the Mississippi but that can thunder down on clear thinking like Niagara Falls. Thus the paradox of acceleration.

Research into information overload is shedding light upon its impact on cognition and behavior. But the compression of time, however figurative to students of physics, is a different wedge of the universe. And it could be a defining characteristic of modern society.

"We obviously have the technological infrastructure to support a 24/7 way of life," observes my colleague John Bender, a former Hewlett-Packard executive and today a management consultant specializing in business transformation. "What we don't have is the knowledge of whether the speed of incoming information has decision-making benefits that outweigh the negatives. And while it's clear that productivity is on the increase, it's also not as clear whether access to so much additional information also leads to better decisions."

IT'S BEEN A LONG TIME COMIN'

The compression of time and events is a fact of life on planet Earth. Cultural critic O.B. Hardison Jr. captured this well in his 1989 book *Disappearing Through the Skylight: Culture and Technology in the Twentieth Century*. One elegant chapter summarizes the increasingly rapid development of life, society, and technology. The earth formed six billion years ago, Hardison wrote, with the first single-celled organisms arising three billion years later. Some 600 million years ago, these life forms were joined by more complex creatures, and 350 million later by mammals and dinosaurs. Scientists believe that modern humans with "reflective intelligence" arose 75,000 to 100,000 years ago, while the shift from hunter-gathering to agriculture and cities commenced about 10,000 B.C.E. Roughly five thousand years later, the use of copper for tools gave way to bronze.

Time really began to compress, Hardison suggests, around the death of Christopher Columbus, which was followed 250 years later by the start of the Industrial Revolution, followed by the Age of Steam within a century, and the advent of electricity and the internal combustion engine just fifty years later. Since then—historically, in the blink of an eye—we've developed the automobile, airplane, radio, television, jet travel, atomic fission, space flight, genetic engineering, and the information technology of the Internet.

The evolution of humanity, it could be argued, is Moore's Law writ large.

In fact, Moore's Law is the primary force behind much of the acceleration now compressing executive decision-making. Postulated in 1965 by Intel co-founder Gordon Moore, the proposition is that the number of transistors and resistors on a square inch of a computer chip—a measure of data density—doubles every eighteen months, without increased cost. The increasingly compact and cheaper computing power of the past several decades is what's put the pedal to the metal, as information technology powers not only discourse through communications—both regular and social media—but economic and business advances as well.

We see it in product life cycles. During his tenure at Hewlett-Packard, John Bender watched the start-to-finish development time of a given electronic device fall from two years to as little as nine months for high-end products and four months for low-end items. Unconfirmed rumor has it that some manufacturers are now taking parts made in China and assembling them into computers onboard ships headed to market—yet another uptick in the pace of just-in-time inventory management.

"So just think of what this compression does to executives trying to make the right call on





when to introduce the next generation of hard drives when another generation is right behind it, or when to take advantage of emerging technologies for their latest smart phones,” Bender explains. “Competitors have access to similar information. But with all the rapid and quickly evolving development, it’s obvious that no one ever gets perfectly accurate data on which to make a judgment. And a wrong decision can kill the chances for a stellar product that could make or break an entire company.”

Motorola’s failure to follow up on its RAZR phone is a classic example of opportunity lost, perhaps through a kind of paralysis induced by an overabundance of directions and choice. A counterpoint comes from General Motors, recently emerged from bankruptcy, where CEO Fritz Henderson has stated that he wants the giant company to make quicker decisions and be more responsive to consumers. On August 6, GM unveiled a new Buick sport-utility vehicle—only to cancel production just eight days later, after bloggers, Twitter users, and in-person feedback from potential customers overwhelmingly proclaimed the design “hideous.” At the old General Motors, making a turkey sandwich took longer.

The compression of information and time can have benefits, which was apparent when symptoms similar to a long-ago bout with pneumonia led me to a Kaiser Permanente treatment center one recent weekend. I was sent downstairs for X-rays, and my (negative) results were electronically transmitted and read by both a radiologist and my physician before I made it

back up to her office. The same was true for blood tests that ruled out a myocardial infarction or any other alarming ailment. The collective data—a diagnosis rendered in less than an hour—pointed to a simple digestion issue. In the past and in other settings, this process and decision might have taken a day or more, one reason why the cost-effective compression at Kaiser is a model for national healthcare delivery.

Compression does have its distasteful side, including a shortening in the shameless business of absolution. Only a generation ago, it took a disgraced public figure like Richard Nixon nearly a decade to earn a renewed measure of respectability. By contrast, former New York Gov. Eliot Spitzer began writing op-eds only twelve months after a prostitution scandal forced his resignation. What this says is far more important than a politician shaking off scum; it suggests fragmented thinking and attention, which for business leaders means we live in a culture in which hard, important, and instructive lessons are rapidly forgotten or ignored.

MULTI-RISKING

The biological wiring of the human brain hasn’t changed much in the last five or ten thousand years. We’ve externalized and filed a good degree of intelligence through writing, in film, and in other media. And we now use what’s been called the “hive mind” of the Internet. And though we can build mightily upon previous accomplishments, as a population we aren’t necessarily any smarter than Middle Kingdom Egyptians. If we

As the forces of globalization continue to connect and intertwine commercial and financial markets, and new technologies come online in the marketplace, the time between “event” and “action” is rapidly closing. In the past, managers could take weeks or days to make important decisions. Today, to effectively compete globally, some companies are making critical decisions in hours, minutes, or even seconds. With windows for decision-making closing faster than ever, are your decision-making processes setting you up for success—or failure?

While most would agree that strategic decisions require thoughtful consideration that should rightly stretch out months or weeks, the last year’s financial-market turmoil plainly shows that decision-making windows can open and close rapidly. In fact, as marketplaces grow more complex, and financial markets interconnect in ways analysts still struggle to understand, strategic decisions (even those involving M&As) sometimes need to be made in twenty-four to forty-eight hours.

The window for operational decisions is also shrinking. Companies now need the ability to detect and respond in real time when fraud is occurring, products are out of stock, lines at store checkouts are too long, online shopping carts are abandoned, or customers are calling with product/service quality issues.

There can be significant financial benefit to speeding operational decisions. Case in point is the financial-services industry.

As early as the 1990s, trades were conducted on a system called SuperDOT—though, according to equity-fund manager Richard Bookstaber, there was nothing super about the system. Orders were sent “using primitive 386s communicating via a Hayes Micromodem,” he writes in his 2007 book *A Demon of Our Own Design: Markets, Hedge Funds, and the Perils of Financial Innovation*. “Between the short-sale restrictions and bottlenecks from the excessive volume, there was no guarantee that orders would get executed at all.”

Now let’s fast-forward to the future. In *Technology Review*, an article titled “The Blow-Up” mentions that many high-frequency financial-services traders make 1,500 or more trades a day, whereas the computers at some brokerage firms execute “hundreds of thousands of trades every day”—most of which are automated by computers following complex business rules and require no human intervention. The same article details the “science of event processing, in which the computer reads, interprets, and acts upon the news” to, for instance, make a trade in response to an FDA announcement—in milliseconds.

The ability to act upon information faster than others—in this instance to execute a trade faster than other market participants—can make a huge difference in profits or loss. And high-frequency trading is only a particularly visible example of how the ability to respond faster to customer needs or changing events is conferring competitive advantage. Think of how Net-

flix’s Cinematch algorithm serves up instant movie recommendations based on a subscriber’s past rental history and movie ratings; how airlines reroute flights in real time based on reporting of weather events; how Overstock.com sends out 25 million event-driven e-mails weekly, each with a dozen personalized recommendations, to more than three hundred customer segments; and how, of course, Google instantly serves up customized advertisements based on your browsing history.

In retail, analytical systems are enabling workforce and inventory optimization to ensure plenty of staffing and products, notifying managers of stock-outs, and even helping speed up the checkout process. An *Economist* article titled “Watching While You Shop” describes how one large British retailer is using a system to sense the number of shoppers that enter and leave the store, and then using that data to predict how many checkout counters should be open. Systems predict “up to an hour in advance and monitor average waiting times and queue lengths.” Since most of this retailer’s point-of-sale systems are self-service, the system can detect when lines get too long and open checkout counters accordingly.

Faster and better decision-making can give companies a competitive advantage, but those advantages don’t traditionally last long, since competitors can invest in the same technologies and copy workflows. However, those companies that create a culture based on analytical decision-making are hard to imitate as numerical thinking becomes a way of life.

And the ability to make judgment calls instantly, automatically—the term of choice is *zero latency*—is hardly an unalloyed benefit. After all, making a poor decision—faster—isn’t going to help a company win market share. While companies rapidly upgrade their analytical infrastructure and clean their data, they must also have the right talent in place to constantly tweak and keep their algorithms and models current. The best execution, as ever, will be based on collecting and analyzing data and *then* acting faster than the competition.

As economies, companies, and even individual actions become more tightly coupled, there is increasingly less room for error. Nothing happens in a vacuum anymore. This means there is less time to react as single events often start chain reactions.

To thrive in a global economy, companies must be able to make the best decisions based on accurate data sources that present as complete a picture as possible. Windows of opportunity are opening and closing faster than ever before. The ability or inability to capitalize on those open windows could be the difference between sustained competitive advantage and obsolescence.

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were, we'd more closely resemble those huge-headed humanoid carcasses allegedly in cold storage in Roswell, N.M.

The computers on which we depend are another matter. Technology is fast approaching the point at which, according to futurist Raymond Kurzweil, "machine intelligence will surpass human intelligence." (Sometime before 2045, he predicts.) And people are falling behind in developing coping mechanisms for working with devices that are intended to save time but more often divert and overwhelm.

Indeed, most people in business remain blithely unaware of the ramifications of being almost permanently enmeshed with electronic devices. Who hasn't complained about meandering meetings full of people distracted by laptops, BlackBerries, and iPhone applications? (If you haven't, you're likely a repeat offender.) But these distractions lead to what cyberspace expert Linda Stone has called "continuous partial attention," which is an awfully nice term for technology-induced attention deficit disorder.

Young folks who have grown up in this environment multitask with abandon, claiming it's an effective use of time and a clear sign of superiority over geezers not up to supple mental juggling. But there's also a bit of hubris behind the insistence that all of the tasks can be done well simultaneously. Look only at the automobile-accident statistics linked to cell-phone use while driving—figures equal to those for motorists with a blood-alcohol content that, in most states, guarantees a DUI. The same is true for fiddling with a radio, eating, or talking to a passenger.

It's not a great leap in logic, then, to assume that continuous partial attention influences performance in other dimensions, including executive decision-making. Trying to manage a multitude of tasks at the same time is taking a multitude of risks of errors and omissions. For proof, simply re-read some of those evening e-mails dashed off one-handed while downing a cocktail, glancing at *Wall Street Journal* columns, and catching the last few innings of a ballgame.

Whether we'll adapt to and eventually master the speed and volume of such input remains arguable. A little over a year ago, writer Nicholas Carr asked, "Is Google Making Us Stupid?" in *The Atlantic Monthly*, describing how the information-dense Internet was making careful and relaxed reflection more difficult for our brains. A few months ago, the same magazine published an article by futurist Jamais Cascio, arguing that Google is actually "making us smarter."

In his more optimistic version of technology's interface with humans, Cascio points out that humans have been augmenting their ability to think for millen-

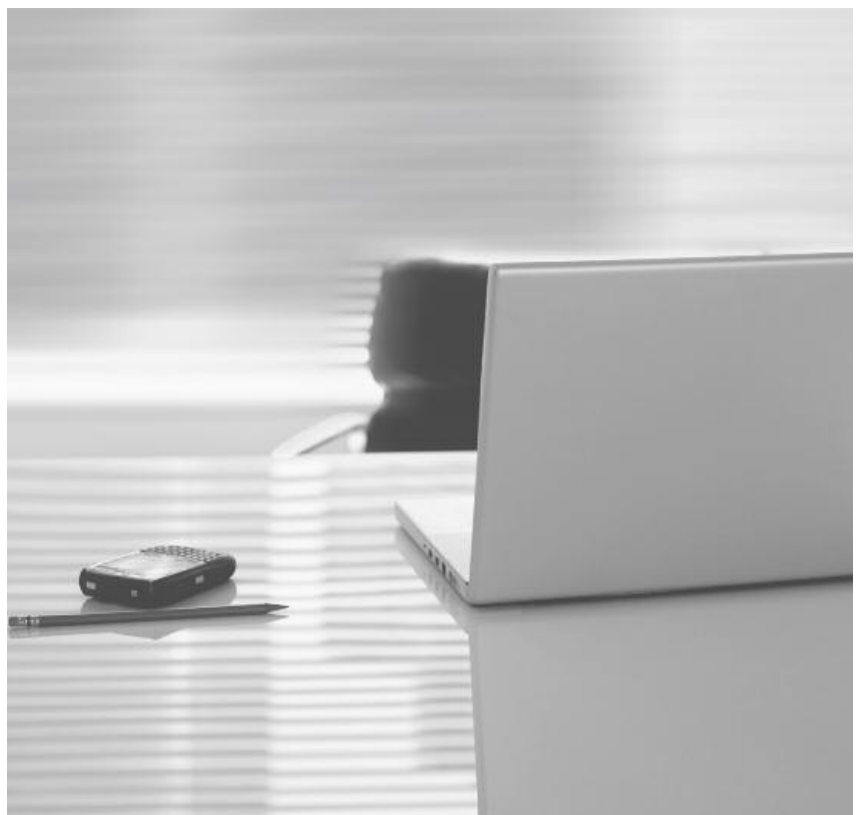
nia, through writing, the printing press, the telegraph, radio, television, and the Internet, each of which has further increased functional memory and our ability "to share insights and knowledge across time and space." He also predicts that by 2030, "we'll likely have grown accustomed to (and perhaps even complacent about) a world where sophisticated foresight, detailed analysis and insight, and augmented awareness are commonplace."

Cascio believes we'll then have the capacity to shift from a state of partial attention to a laser-like focus that supports complex analysis and informs difficult decisions—all without double doses of Red Bull. He actually advocates something stronger: drugs that enhance memory, attention span, and cognition.

KEEPING 5 PERCENT IN RESERVE

I've personally watched the acceleration paradox develop over a quarter century with a Fortune 5 corporation, much of it spent working closely with senior executives. In the 1980s, the executives had to process a tremendous volume of material daily, but it pales next to the two large computer screens on the elevated desk of my last supervisor, who often stood there drinking rivers of information from several operating units. Around the year 2000, the company's CEO wanted an analysis of the overall business unit's performance within a few days of a quarterly close. In 2002, after being surprised by several market-driven downturns, he ordered up performance forecasts several days *before* each monthly close.

It was done and done well by a finance staff that worked long into many nights and weekends. The new speed at which the information was acquired also enabled my supervisor and his staff to make faster adjustments to market conditions. But I've wondered of late how others view the phenomena of acceleration or are dealing with it.



I began by asking Bay Area-based consultant Robert Sher, who collaborates with and guides CEOs as they navigate their firms through critical passages. On the board of directors of the Bay Area's Alliance of Chief Executives, he's well attuned to what leaders are facing and saying.

Agreeing that the pace of business has accelerated, Sher advises his clients on how they should react to the speed. "Fundamentally, I tell them that they need to learn to preserve

call. It's what is needed to get in tune with good intuition."

"It's actually kind of amazing that we're doing as well as we are with all of the acceleration that's gone on," says consultant Jim Horan, author of *The One Page Business Plan*. "I think the human brain is struggling to catch up with the technology and speed. And I've wondered if in some ways the whole financial debacle we're now in is the proof of shallow and short-term thinking, as our common-sense skills didn't keep up with all

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at least 5 percent of their capacity," he explains. "So many executives are putting out 110 percent, day after day. Those individuals need to push a few unimportant things off the plate and learn to be very focused. If they don't, they'll end up being reactive to situations, when being proactive is the most important role for a CEO."

And the pressure on executives to make decisions that can make or break their jobs is only increasing, John Bender adds. "In my consulting work, I see executives who are fearful because they're forced to make those calls before getting all of the information needed to make a well-informed decision," he says. "And the wrong one can be catastrophic to both their organization and their personal way of life. Now, people don't always get fired for making a bad call, but there are also not a lot of places where failure results in a soft landing. Consequently, some executives are inclined to sit tight and wait out the fast-moving change, which in turn contributes to a lack of movement within a company."

A LINE IN THE SAND

Under pressure to do *something*, still others decide in haste, dodging left or right with the hope that the oncoming truck swerves in the opposite direction. But at least it's a conclusive choice. "Almost every executive decision involves some degree of intuition," Bender says, "since there are too many external unknowns rapidly developing. But I also recommend that executives sit back and reflect on the options before making the

of the complex claims about these new and quickly developing financial instruments."

Although Horan acknowledges the good and bad aspects of acceleration, his core recommendation for any CEO is to take the complex and make it simple, concise, and compelling—the essence, of course, of a One Page Business Plan. "It's the painful nature of disciplined thinking but critical to taking what's in your head and putting it in a way that other people can understand and take action on it," he says. "Intuitive people who rise to the top have either an innate or learned ability to pick out what's critical in making a decision. Others will pick out the unimportant and make a mistake." Finding the simple and key points around any question, he contends, will remove much of the confusing incoming chatter that swarms over so many executives.

So: With events, information, and demands for responses rocketing like a bat out of hell, the best suggestion for executives is to draw a line in the sand, take time to simplify the issue at hand, and then go with a gut feeling, albeit a fairly well-informed breadbasket. What's more, CEOs don't even need to fall into the speed trap. After all, it's the chief operating officer and other managers who are sprinting along the tightrope. "I seldom have to give a great deal of thought to operational details," says Hal Brown. "The devil is in the details, but I appreciate that in my position there's some wiggle room, some time to think about the big picture."

It's one of the luxuries, he allows, of being the chief executive. ■