

FOUNDATION BUILDING ADVISORS

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THE COST OF SOLVING THE WRONG PROBLEM

Why Good Solutions Fail When the Diagnosis Is Wrong

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Observe. Understand. Solve. Improve. Pass It Forward.

Organizations rarely suffer from a shortage of solutions.

They hire. They restructure. They purchase software. They replace managers. They increase advertising. They reduce expenses. They add meetings, policies, incentives, dashboards, consultants, training, and technology.

Most of these actions are taken for a reasonable purpose: something is not working, and leadership intends to fix it.

But there is a problem that occurs before any of those solutions are chosen.

What if the organization has correctly solved the wrong problem?

That distinction matters because execution cannot compensate for a faulty diagnosis.

A company can select a capable team, establish a reasonable budget, implement a solution on schedule, and achieve every milestone associated with the initiative - and still leave the organization worse than it was before.

The solution did not necessarily fail. It may have solved exactly what it was designed to solve.

The organization simply misunderstood what needed solving.

The Problem We See Is Not Always the Problem We Have

Businesses are largely managed through observable outcomes.

Revenue declines. Overtime increases. Projects run late. Turnover rises. Margins contract. Customers complain. Cash becomes tight.

Those outcomes deserve attention. But an outcome is not automatically a diagnosis.

Consider a company experiencing persistent overtime. The immediate conclusion may be obvious: We do not have enough people.

Management approves additional hiring. Recruiting begins. New employees are brought in. Payroll increases. Yet overtime remains.

Perhaps insufficient staffing was never the primary constraint. Jobs may be scheduled inefficiently. Materials may arrive late. Employees may be waiting for approvals. Equipment downtime may be disrupting production. Rework may be consuming capacity. Information may not reach the people performing the work when they need it.

In each case, overtime is real. The initial explanation is not.

Hiring more people into that environment does not remove the constraint. It can increase the cost of operating around it.

This pattern appears throughout organizations. A sales decline becomes a demand problem. A demand problem becomes an advertising solution. A missed deadline becomes a labor problem. A labor problem becomes a hiring solution. Employee turnover becomes a compensation problem. The compensation problem becomes a wage increase. Customer dissatisfaction becomes a frontline employee problem. The employee problem becomes a training initiative.

Each progression appears logical because the solution is attached to a plausible explanation. The danger is that plausibility can be mistaken for proof.

Solutions Create Consequences

A wrong diagnosis is not simply an intellectual mistake. It consumes resources.

Every organizational intervention carries a cost: money, management attention, employee time, implementation capacity, disruption, and opportunity.

A company that spends six months implementing the wrong solution does not merely lose the cost of that initiative. It also spends six months allowing the original constraint to continue.

This creates two categories of loss: the cost of the solution, and the cost of the unresolved problem.

Suppose a company experiencing declining margins assumes that supplier pricing is responsible. Leadership negotiates contracts, changes vendors, consolidates purchasing, and celebrates a measurable reduction in material cost. But margins continue declining.

A deeper examination eventually reveals that the larger problem is rework created by inconsistent production specifications.

The purchasing initiative may have succeeded. Material costs actually declined. The company simply improved something that was not driving the outcome it was trying to change.

An initiative can succeed while the organization fails to improve.

This is why activity cannot be used as a substitute for diagnosis. Organizations are often very good at measuring whether something was implemented. They are less consistent about asking whether implementation changed the condition that justified the intervention in the first place.

The Comfort of Visible Problems

Why do capable organizations repeatedly fall into this trap?

One reason is simple: visible problems are easier to act upon.

If employees are working overtime, hiring feels tangible. If sales decline, advertising feels actionable. If information is difficult to access, software feels modern and measurable. If performance varies between employees, training feels responsible.

Diagnosis is less satisfying. Diagnosis requires an organization to remain temporarily uncertain. It requires leaders to say: We know what is happening. We do not yet know why.

That sentence can be uncomfortable in environments that reward decisiveness. But decisiveness and accuracy are not the same thing.

Speed matters after direction is established. Before that, speed can simply move an organization faster toward the wrong destination.

There is another difficulty. The first explanation offered for a problem often becomes attached to organizational identity and responsibility. If declining performance is defined as a sales problem, Sales owns it. If it is defined as an operations problem, Operations owns it. If it is defined as a people problem, Human Resources owns it.

Once that happens, the organization can begin debating responsibility before it has established causality. The conversation shifts from 'What is creating this outcome?' to 'Who needs to fix it?' Those are not the same question.

The Solution Can Hide the Problem

Some interventions are particularly dangerous because they temporarily reduce the symptom.

Overtime is high, so additional employees are hired. The workload becomes manageable. Problem solved. Perhaps.

But suppose the original operation was losing productive capacity to waiting, rework, scheduling conflicts, and preventable downtime. Adding labor may reduce overtime without recovering that capacity. The symptom improves. The underlying weakness remains.

The organization has effectively purchased enough additional capacity to tolerate the inefficiency.

This is one reason growing organizations can carry unresolved problems for surprisingly long periods. Revenue can finance inefficiency. Additional people can compensate for weak processes. Strong managers can compensate for poor systems. Experienced employees can compensate for missing documentation. Cash can compensate for bad inventory practices. Heroic effort can compensate for inadequate planning.

Until it cannot.

The organization interprets continued operation as evidence that the system works. In reality, people and resources may simply be absorbing the cost of a system that does not.

The eventual failure can then appear sudden even though the underlying condition existed for years.

Distinguish the Signal From the Source

Effective diagnosis begins by separating three things that organizations frequently combine: the observed condition, the proposed explanation, and the proposed intervention.

The observed condition asks: What is actually happening? The proposed explanation asks: Why do we believe it is happening? The proposed intervention asks: What do we intend to change?

That separation sounds elementary. In practice, it is powerful.

Consider the statement: 'Our problem is that we need a new CRM.' That is not a problem statement. It is a solution.

Or: 'Our problem is poor management.' That is not an observation. It is a diagnosis.

A more useful starting point might be: 'Qualified opportunities are converting below the organization's established baseline, reducing monthly booked revenue below target.'

Now the organization has something it can investigate. Perhaps the CRM is responsible. Perhaps management is responsible. Perhaps neither is.

The point is not to eliminate judgment. The point is to delay judgment long enough to collect evidence.

A useful diagnosis should survive the question: What evidence would cause us to conclude that our explanation is wrong? If the answer is 'nothing,' the organization is not testing a diagnosis. It is defending a belief.

Follow the Problem Upstream

Business problems rarely respect organizational charts.

The symptom may appear in one department while originating somewhere else.

Production may appear responsible for late orders when Sales is committing to unrealistic lead times. Sales may appear responsible for weak revenue when production capacity prevents additional orders from being accepted. Purchasing may appear responsible for material shortages when inaccurate forecasting is driving emergency orders. Employees may appear unproductive when poorly designed workflows force them to spend hours searching for information. Managers may appear ineffective when authority and accountability have been separated.

This is why local optimization can produce organizational deterioration. Every department can improve its own metric while the company becomes less effective.

The relevant question is not merely: Where is the problem visible? It is: Where does the condition begin?

That requires tracing the flow of work, information, decisions, materials, incentives, and authority across the organization.

Problems should be followed upstream until the organization can explain a plausible mechanism connecting cause and effect and support that explanation with evidence.

The Foundation Diagnostic Sequence

At Foundation Building Advisors, our operating philosophy begins with a simple sequence:

OBSERVE -> UNDERSTAND -> SOLVE -> IMPROVE -> PASS IT FORWARD

The order matters.

OBSERVE. Begin with what can actually be established. What changed? When did it change? Where does the variation occur? How large is the gap? Who or what is affected? What happens immediately before the failure becomes visible? Observation should describe the condition without prematurely explaining it.

UNDERSTAND. Investigate the system producing the outcome. Follow the work. Follow the information. Follow the money. Follow the decision. Follow the handoff. Test competing explanations. Complex organizations can contain interacting constraints; the objective is to understand enough of the causal structure to know where intervention is likely to matter.

SOLVE. Only after the condition is understood should the organization select an intervention. A solution should address an identified cause or constraint - not merely resemble something that worked elsewhere.

IMPROVE. Implementation is not the end of problem-solving. Measure the resulting system. Did the targeted condition actually change? Did another constraint emerge? Did the intervention create unintended consequences? A solution should be treated as a testable intervention, not a declaration of victory.

PASS IT FORWARD. Preserve what was learned. Document the reasoning, not only the procedure. Future leaders should know why the organization made the change, what evidence supported it, what alternatives were considered, and what indicators should cause the decision to be revisited. Otherwise the organization eventually inherits the solution while forgetting the problem it was designed to solve.

Before You Authorize the Solution

Before committing significant resources to an organizational problem, leadership should be able to answer several questions:

What specifically is happening? Can the condition be described without embedding an explanation inside the description?

What evidence supports our diagnosis? Not what makes the explanation reasonable. What makes it probable?

What alternative explanations have we considered? If only one explanation has been discussed, diagnosis may already have become assumption.

Where does the condition originate? Is the department experiencing the symptom actually creating it?

What should change if our diagnosis is correct? A good intervention should produce an observable consequence.

How quickly should that change become visible? Without a timeframe, ineffective solutions can survive indefinitely.

What result would tell us we were wrong? Leadership needs permission to revise the diagnosis without defending the original decision.

These questions do not eliminate uncertainty. They make uncertainty visible. That matters because hidden uncertainty is frequently converted into false confidence.

The Management Problem Beneath the Business Problem

There is a deeper lesson here.

Organizations naturally reward problem-solving. The person who fixes the machine, saves the account, fills the vacancy, resolves the complaint, or rescues the project is visible.

The person who prevents the problem through careful observation and system design is much harder to see.

That can create cultures optimized for reaction. Problems become emergencies. Emergencies create action. Action creates recognition. And the organization becomes exceptionally capable at repeatedly solving problems it should no longer be having.

The highest form of problem-solving is not becoming faster at extinguishing fires. It is understanding why the organization keeps producing fire.

That requires leadership to value diagnosis as work. Time spent understanding a problem is not necessarily delay. Sometimes it is the shortest route to improvement.

Good Execution Cannot Rescue a Bad Question

Businesses understandably focus on execution. Execution matters.

But execution begins downstream from a more consequential decision: What are we trying to change, and why do we believe this action will change it?

If that reasoning is weak, better execution simply increases the efficiency with which resources are committed to the wrong intervention.

This is the paradox. The more capable the organization, the more effectively it may implement a mistaken solution.

A strong team can execute the wrong strategy beautifully. A well-funded company can scale the wrong process rapidly. Sophisticated technology can automate the wrong decision. Experienced managers can optimize the wrong metric.

None of those capabilities are inherently protective against misdiagnosis. Sometimes they magnify it.

The Question Before the Solution

There will always be pressure to act. Customers are waiting. Employees need answers. Budgets are closing. Targets are being missed. Competitors are moving.

Leadership cannot investigate indefinitely, nor should it.

The alternative to premature action is not endless analysis. It is disciplined diagnosis.

Observe enough to distinguish the condition from the explanation. Understand enough to identify the mechanism likely producing it. Intervene where evidence suggests the system will respond. Measure what happens. Adjust when reality disagrees. Preserve what was learned.

The purpose of diagnosis is not to make organizations slower. It is to prevent them from spending months moving quickly in the wrong direction.

Because one of the most expensive mistakes in business is not failing to solve a problem.

It is successfully solving a problem the organization never actually had.

Selected References

This publication is an executive analysis, not an academic literature review. The sources below support the underlying discussion of problem formulation, reframing, and organizational problem-solving.

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5. Foundation Building Advisors. "When the Work Becomes Real." *The Foundation Journal*. Foundation's operating sequence: Observe. Understand. Solve. Improve. Pass It Forward.

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Foundation Insights examines the systems, decisions, and operating conditions that shape organizational performance. The objective is not to provide universal answers, but to improve the questions leaders ask before committing people, capital, and time.