



HBR CASE STUDY AND COMMENTARY

What's the
right decision-
making process
for
Nutrorim?

All the Wrong Moves

by David A. Garvin

Four commentators offer
expert advice.

Nutrorim's best-selling sports supplement has been recalled because of a "new and improved" ingredient. The company's CEO wonders: Why do the decisions we make keep coming back to haunt us?

HBR CASE STUDY

All the Wrong Moves

by David A. Garvin

The cold January sky was just dawning gray over Minneapolis as Don Rifkin awoke. With every cell in his body, he longed to put a pillow over his head and sleep, but the alarm added insult to injury. Slapping the off button and pulling on his oversized Turkish bathrobe, he stole from the bedroom and quietly shut the door behind him, leaving his wife to sleep. He padded toward the kitchen and turned on the coffeemaker.

Sitting down at the kitchen table, Don sleepily clicked a few keys on his laptop and began glancing through his favorite stock chat. Scanning the list of senders, he saw a red exclamation point next to the name Stan with the headline "Bad news!" When he read the message, Don gasped:

Did anyone hear that Wally Cummings just resigned from Dipensit? Turns out he lied on his resume—never received that PhD from U.C. Berkeley as he'd claimed! The stock's gonna

drop fast once this hits the street.

Don felt slightly queasy. A year earlier, his own company, Nutrorim, had purchased a small stake in Dipensit. "Sheesh, I didn't exactly trust that guy," he grumbled.

He recalled how smoothly the whole decision process had seemed to go when Laurence Wiseman, the hard-driving CFO of Nutrorim, had championed the purchase of the Dipensit stock, insisting that the small company might make an excellent acquisition candidate in the future. A subcommittee had been formed to carefully review the purchase decision. Don vaguely remembered that there had been a few murmurs of concern—someone had even questioned the credentials of Cummings, the start-up's CEO. But in the end, the subcommittee seemed to have addressed the concerns, and the senior team stood behind the decision.

Don cinched his bathrobe tighter. During the past year, Nutrorim had suffered from a spate

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of bad decisions. In fact, that's what today's meeting was about. A consultant, hired to review the company's decision-making processes, was coming in that morning to present the results of his individual interviews with senior managers.

To Everyone's Taste?

The previous spring, Nutrorim had been at the top of its game. Founded in 1986 by an organic farmer and his wife, the company had sold its products through a network of individual distributors before Don had joined as CEO in 1989. Thanks to a series of testimonials offered by doctors and personal trainers, Nutrorim's products had gained national attention. Then, following an endorsement by a famous Olympic athlete, sales of ChargeUp, the company's organic, performance-enhancing supplement powder, had gone through the roof. As a result, Nutrorim had hired hundreds of new employees, expanded its production facilities, and acquired two vitamin firms. After going public in 1997, the company had expanded distribution of ChargeUp through exclusive deals with nutrition stores and athletic clubs, and by 2002, ChargeUp was the best-selling performance-enhancing sports powder on the market.

The following year, when the new version of ChargeUp had been in its final stages of development, Don and R&D head Steve Ford had dressed in white coats and walked through the company's huge lab, a gleam with chrome and white tile. They wended their way past stainless steel tables where technicians milled seeds and blended the all-organic ingredients that comprised Nutrorim's various lines of vitamins and nutritional supplements.

"Hey, Darlene, how are you?" Don waved at a lab technician who was wearing gloves, a hair bonnet, and a face mask and pushing a trundle cart down an aisle. Though she was recognizable only by the walnut-rimmed glasses she wore, she smiled—he could tell by the wrinkles around her eyes—and said a brief "Fine, boss, thanks."

Don loved being in the lab. Though he was a manager and not a scientist, he was an increasingly enthusiastic student of microbiology; every day, he learned something new about the nutritional benefits of Nutrorim's products. He also believed strongly in management by walking around. From the start, he had tried hard to foster a happy, participatory, democratic cul-

ture at Nutrorim. This had seemed relatively easy, since most of the company's employees hailed from the Minneapolis area, where "Minnesota nice" was practically a state law. It was also partly an act of defiance: When Don was fresh out of business school, he'd had a terrible run-in with his boss, the dictatorial CEO of a retail chain.

Of course, there were some exceptions to Minnesota nice, especially among the more competitive, highly analytical types in upper management. Wiseman, Ford, and a group of others tended to form strong opinions and push them aggressively. And while Don had his own opinions—and often voiced them—he also worked hard to keep the company's decision-making processes open and democratic, and made a point of asking for input from as many people as possible.

Steve stopped at a table where a technician was mixing raspberry-colored powder from two large canisters into two beakers of water. "Hey, Jerri, mind if Don does the blind taste test?" he asked.

"Not at all, it would be an honor," Jerri replied, pouring some liquid from a beaker into two cups.

"Shut your eyes," said Steve. Don complied, and Steve handed him one of the cups. "Down the hatch."

Sipping from the first cup, Don recognized the familiar taste of ChargeUp. It smelled like a combination of dried raspberries, newly mowed grass, and burnt toast.

"Here, take a sip of water before you try the next one," Steve offered. Don drank some, then tried the second cup.

"So?" Steve inquired.

"No difference." Don opened his eyes and looked at Steve.

"That's what we like to hear," said Steve. "The only real difference is that the second cup is the one with Lipitrene in it."

"Ah," said Don. Lipitrene, developed in Nutrorim's labs, was a new combination of organic oils and seeds that appeared to enhance fat burning. Steve wore his pride in the new ingredient like a new father.

"We've finished with all the tests, and now we're gathering final input on the taste," Steve said, his eyes glinting. "The handoff to marketing and sales is already in gear." He paused. "In fact, I was invited to the product marketing meeting at 2:00. Any chance you'll be there?"

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“For decisions with a certain amount of built-in predictability...the process seems to work really well. But if a decision involves clear winners and losers, it stalls.”

“I’ll drop in,” Don replied, “at least for a minute.”

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The meeting started out peaceably enough. Cynthia Pollington, the product marketing manager, presented three final designs for the new ChargeUp canister, all of which had “Now with Lipitrene” splayed across them in large, embossed letters. She asked everyone in the room for feedback. In the end, the majority—including Steve and Don—liked the label with the gold letters. But when asked for her opinion, Nora Stern, a former entrepreneur whose company had been acquired by Nutrorim the previous year, was recalcitrant.

“Do I have to vote?” she asked.

“Well, we’d like your opinion, yes,” said Cynthia.

“Okay, here it is,” Nora responded. “I know this whole thing is already a done deal, but I don’t understand why there was this huge need to improve ChargeUp. It’s selling very well as it is. Why fix something that isn’t broken?”

Steve shot back, “Nora, you don’t know what you’re talking about.” Everyone stared at Steve; the silence was palpable.

Don jumped in, feeling the need to restore peace. “Tell you what, Nora and Steve. Let’s take this off-line, OK?”

The Recall

By late September, at the end of the first quarter, sales of ChargeUp with Lipitrene had leapfrogged the standard product by 20% in the test market of greater Minneapolis. Plans for a statewide launch, followed by a national one, were well under way. Don was pleased. In an all-staff meeting, he asked Steve and the ChargeUp team to stand and be recognized. “You have all demonstrated the kind of gung ho spirit that makes Nutrorim a leader,” he noted, nodding to Steve while the audience broke into applause.

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The phone call came on October 5. “Mr. Rifkin?” said a male voice. “My name is Matthew Norton, and I’m an investigator with the Minnesota state department of health. I’m calling because we’ve been investigating 11 cases of gastrointestinal distress among people who took your ChargeUp supplement with Lipitrene.”

“What? Are you sure?”

“Unfortunately, yes,” the inspector re-

sponded. “The affected parties are all members of Syd’s Gyms, and they all recall using the product there between September 25 and 29. The victims range in age from 19 to 55.”

Don felt the blood drain from his face. “Are you telling me that the product has to be recalled?”

“I don’t have the authority—or the evidence—to make you do that. So for the time being, I’d simply like your cooperation in conducting an investigation. I understand that distribution is limited to the Twin Cities area, is that correct?”

“Yes.”

“That’s fortunate. Meanwhile, you may want to consider a voluntary recall,” he said just before hanging up.

Don asked his assistant to call an emergency meeting with the heads of PR, sales, R&D, Sports Supplements, and legal.

As he described his discussion with the inspector to the team, PR director June Rotenberg looked increasingly grim. When Don finished, she spoke up. “I just checked my voice mail,” she said. “It was Linda Dervis at KXAQ radio. One of the people who got sick must have contacted her.” She looked around the room. “Guys, once this news hits, things are going to go downhill quickly.”

Jerry Garber, the general counsel, chimed in. “I think we have no choice but to pull ChargeUp off the shelves,” he said. “If we don’t, we could be facing a class action lawsuit. Talk about PR problems...”

“Why are we even considering a recall?” asked Ned Horst, who headed the Sports Supplements division. “There’s nothing wrong with the product. I should know, because I’ve been using it since it came out.”

“I suspect you’re right,” Jerry added. “And a recall will cost us.”

“Well, thank God we haven’t expanded distribution yet,” said Don.

“Recalls are expensive,” said June. “But under the circumstances, I’m with Jerry. Besides, think about the cost of not recalling a potentially bad product.”

“Damn it, people, there’s no way ChargeUp is unsafe!” Steve exclaimed, slamming his hand down on the conference table. “We put Lipitrene through two full years of testing. We ran all kinds of toxicity studies in animals and on human volunteers. Then we did another tier of clinical trials in humans.” He looked hard at

"It seems like everything is a matter of debate." Nora sighed. "Ever since I came here, I've been in too many meetings about meetings."

June. "If you need me to defend ChargeUp to the health department, the reporters, or anyone else, I have about 500,000 pages of documentation to show them."

"Of course we all believe you, Steve," June replied tentatively, "but that kind of response can look like defensiveness, and it can backfire." She looked pleadingly at Don. "I've already drafted a press release saying we'll fully cooperate with any investigation, but that's not enough. The public always seems to remember how a crisis is handled more than the crisis itself. People will remember only how long it takes us to act."

Suddenly everyone began talking at once. Steve took an increasingly entrenched position against June, who tried to get him to see things from the public's perspective. Ned worried openly about Nutrorim's relationships with Syd's Gyms and other channel partners. Jerry tried to remind everyone of famous recall cases—the Tylenol crisis faced by Johnson & Johnson, Suzuki's recall of its 2002 and 2003 auto models—and noted how the companies dealt with them.

The din in the room grew louder and louder. Don, frustrated, whistled everyone to attention. "Look, we're getting nowhere," he said. "The first question here is, What are the criteria for making a recall decision? What lenses should we use to reach such an important decision?"

We need that kind of framework to come up with an answer, and we need that answer fast. You, you, and you," he said, pointing to June, Jerry, and Ned. "Go find out as much relevant data as you can, and pull together an analysis in the next 24 hours. I'll meet with you, and we'll form a preliminary view. I'm calling all the senior managers for an 8 AM meeting tomorrow. You can present our findings, and we'll take a vote."

He looked hard at Steve, who was scowling. "Steve, I want you out of the discussion for the time being. You're a little too passionate about this, and I need some cool analysis here. You can speak your mind at tomorrow's meeting."

The following morning, after hearing the analyses and prognoses, the majority of senior managers quickly agreed with the subcommittee's view that recalling the product was the only choice. Following the meeting, June issued a press release announcing the decision. The release included a quote from Don, assuring the public that Nutrorim was

"doing everything possible to cooperate with the investigation."

Two weeks later, Don received another call from Matthew Norton. "I have good news," he said. "It turns out that the people who got sick picked up a bug from the gym's smoothie bar."

Don gasped. "So that means Nutrorim is exonerated?" he asked.

"Yes, and fully," the inspector replied. "We'll send out a press release saying so today."

Calling All Volunteers

The boardroom was abuzz as Nutrorim's 15 top managers settled into their seats. The consultant sat quietly on Don's right, sipping coffee.

"Okay, let's get started," said Don. "As you all know, we're going to hear this morning from Synergy Consulting Group's Gibson Bryer, who will present his preliminary findings. But first, let me review quickly why I, with the full support of the board, wanted this process review."

Don reported that the board had been heartened by a recent analyst's report calling the series of unfortunate events with ChargeUp a "fluke" for an "otherwise solid firm that has a history of making sound decisions." Despite the fact that the analyst had recommended a "buy," the board members were concerned about the damage to the ChargeUp brand and adamant about making absolutely sure that this type of thing would never happen again. To that end, the board strongly recommended a top-to-toe process review. Gibson, having worked with two CEOs who sat on the board, was the "obvious choice" for a consultant.

Someone turned down the lights as the first PowerPoint slide appeared on the conference room screen. "I want to thank each of you for allowing me to speak with you during the past month," the consultant began. "My initial findings show areas of agreement and disagreement about the effectiveness of the decision-making process at Nutrorim." He clicked to another slide. "You told me that for decisions with a certain amount of built-in predictability—decisions like how to improve your distribution network, whether to alter your print ads—the process seems to work really well." He clicked to the next slide. "But if a decision involves clear winners and losers, it stalls." Click. "A preliminary survey about the inner

Nora tightened her lips. "Maybe it's time for you to take a more dictatorial approach to decision making."

workings of the process itself, however, reveals mixed reviews." Click.

"Some of you feel that this company is too consensus driven and that things don't get done in a timely fashion." Click. "Others say that the decision-making process is fine the way it is. Still others get a bit frustrated at times, wishing that the CEO would make definitive calls more often." Click. "Some say that the company deals well with tough issues; others say that conflict is too often suppressed or swept under the rug and that this causes resentment." Click. "Some feel that the culture of the company is democratic and inclusive; others worry that the louder voices and squeakier wheels dominate. Lights up, please. I'm assuming many of you have questions."

Some hands went up, and Bryer spent 45 minutes methodically addressing the concerns. Don looked at the clock and then stood up to thank him. "It's almost time for us to end this meeting, but before we do, I need three volunteers for a subcommittee," he said. "The next phase of our work with Gibson is to come up with a better, more resilient decision-making process that works well both in calm times and in rough. Anyone?"

No one volunteered. Then Anne Hannah, who headed the vitamin division, and Ned Horst tentatively raised their hands. Don looked around the room and gazed at Nora, the former entrepreneur. "Nora, I'd like you on the team," he said. "Your perspective is always invaluable."

Just Make a Decision!

"Hey, Nora," Steve said sarcastically, waving to her as the meeting disbanded, "congratulations for volunteering. Jolly good show."

Don, who was talking to another manager,

pretended not to hear. A few minutes later, he walked to Nora's office and tapped on the door. "Got a second?" he said, poking his head in the door.

Nora nodded, and Don perched on the corner of her desk. "You don't look very pleased about this," Don said soothingly.

"Well, no," Nora said, clearly peeved. "I'm completely buried in this marketing launch at the moment, and I have other fish to fry. And to be honest," she went on, "I'm pretty tired of all this navel-gazing nonsense."

"Well, I picked you because you seem to hold back in the senior management meetings," Don replied, trying his best to be gentle. "You know, the ChargeUp problem presented us with a real opportunity to look at what's broken. You come from outside the company, and you have clever, fresh ideas. I think you are just the person to bring these issues to the fore."

"Look, Don, I appreciate that, and I completely sympathize with what you're trying to do. But I come from a company where all decisions were made in the room. I didn't allow anyone to leave until a call was made. Here, it seems like everything is a matter of debate." She sighed. "You know, this consultant-driven committee is just more evidence of what's wrong. Ever since I came here, I've been in too many meetings about meetings."

She tightened her lips. "Maybe it's time for you to take a more dictatorial approach to decision making."

What's the right decision-making process for Nutrorm? • Four commentators offer expert advice.

See [Case Commentary](#)

by Christopher J. McCormick

What's the right decision-making process for Nutrorim?

If I were to give points for good intentions, then Don Rifkin would score pretty well. He seems honest and genuinely interested in doing the right thing. Both are laudable attributes in a leader, but they go only so far. Rifkin does not appear to have a problem making decisions and, as evidenced by his choice to launch the new and improved ChargeUp, he appears to encourage creativity, innovation, and risk taking.

On the other hand, it seems that Rifkin has created a culture devoid of candid inquiry, where objective analysis and oversight take a backseat to maintaining a “happy, participatory, democratic culture.” As a consequence, Rifkin now realizes that the outcomes of decisions made in this kind of culture are leading to an unhealthy organizational dynamic, paradoxically creating the type of corporate culture he disdains.

Rifkin's biggest problem is that he doesn't ask enough questions. I often say that my company's greatest asset is its people, and that this asset is at its best when *engaged*. Without a culture of inquiry, engagement doesn't happen. In addition to being a champion of innovation, a CEO is responsible for constantly assessing risk through questioning. Unfortunately, Rifkin is not asking the types of questions that will create the environment of accountability his organization needs to succeed.

By not probing the experts on his staff, Rifkin has missed a huge opportunity to reshape the culture of his organization and establish himself as a strong leader. A stricter mode of inquiry would have, among other things, made the decision about whether to recall ChargeUp much easier.

Of course, it must be understood that successful top managers are rarely experts in more than a few organizational disciplines. But how they utilize and play off the strengths and skills of their in-house experts is key. This ability to juggle skill sets includes knowing how to leverage personalities so that each team member is continually challenging status-quo thinking

and developing new problem-solving techniques. For Rifkin in particular, this skill also involves asking the right questions of the people he relies on to provide critical information. Granted, there is an art to creating this type of engagement, but it seems as though Rifkin doesn't have even the slightest idea how to initiate those conversations.

A look back at how my organization recently responded to a change in local labor market conditions speaks to the value of this interplay. As site work began on a new L.L.Bean customer contact center, another company announced its plans to locate an even larger call center right next door. Because this development posed a reasonable threat to our seasonal staffing needs, the challenge I put forward to the organization was “Is it too late to reconsider? What are our options, and what are the costs?” These questions led to countless others that immediately mobilized the entire company to consider alternatives, despite the fact that ground had already been broken. The result is that we found a new location and started operations in the same amount of time and on better terms than we had for the original project.

Rifkin's challenge is complicated by the fact that his decision-making process has led to a reactionary culture characterized by considerable resentment and second-guessing on the part of his management team. With a renewed focus on inquiry, Rifkin would experience two important benefits. First, he would create access to the information he needs to make better decisions. Second, he would set an example for his own managers that speaks to the value of diligence and personal accountability.

By asking people the right questions, Rifkin would put into play healthy dynamics that would lead to more cross-functional collaboration, greater acceptance of decisions, and better business results in which his entire team would feel more fully vested.

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By asking the right questions of the experts in his organization, Rifkin would put into play healthy dynamics that would lead to more cross-functional collaboration.

by Hauke Moje

What's the right decision-making process for Nutrorim?

Rifkin wants to be a better leader than his former boss and has strived to form a corporate culture that takes into account the “Minnesota niceness” of most of his employees. While these objectives are good starting points, the lack of consistency in Rifkin’s approach to management and decision making undermines trust. It’s difficult for teams to function well together when there is so much inconsistency and volatility at work.

Let’s start with Rifkin’s leadership style. In the case of the bad stock purchase, he showed poor judgment, a lack of professionalism, and an inability to view facts objectively. In addition to not taking simple business precautions by personally vetting Dipensit, Rifkin demonstrated selective hearing that kept him from absorbing dissent.

The picture is different in the case of the recall. If you look at it from the perspective of decision theory, Rifkin reacted in a rational manner. Nutrorim faced two scenarios: Either ChargeUp with Lipitrene would be found to be the cause of the customers’ illness, or it would not. Likewise, Nutrorim had two options: Recall the product, or don’t. If the product turned out to be faulty, keeping it on the market would most likely have meant the company’s demise, given the possibility of a lawsuit. Management could not take that risk, since the probability of the product being faulty was obviously beyond a negligible level and there was no time for further investigation. Rifkin did a good job of hearing people out and decisively following the subcommittee’s recommendation to withdraw the product immediately.

But Rifkin’s inconsistent approach to these events undercuts his authority and the overall quality of decision making. Fortunately, there are a few things he can do to improve matters. First, he should demonstrate strong leadership by setting firm management process rules—especially for investment and M&A decisions, product launches, and risk management—that

are easy to apply and transparent to everyone.

M&A decisions, for example, should be formed on the basis of precisely defined criteria that cover everything from due diligence, strategic and operational aspects of the merger, and a clear exit strategy. Transparent rules prevent management from growing too bullish, practicing selective hearing, and ignoring risks. They also go a long way toward establishing trust, because people know what to expect and what they’re responsible for.

I would also recommend that Rifkin undergo intensive coaching to help him develop a consistent leadership style and learn to take a more active role in managing his team. Coaching could help Rifkin do a better job of developing his people. For example, it’s clear that Nora Stern is a hands-on manager, rather than a talker, so Rifkin should keep her on practical tasks—such as giving her responsibility for a plant where she can develop her skills—rather than force her onto subcommittees. He should also let his managers know what is expected of them, especially in terms of team behavior. He can praise Steve Ford for his R&D expertise but make him understand that his is only one viewpoint among many, and that he must remain a team player even if he does not agree with particular decisions.

As the Swiss novelist Max Frisch wrote, “A crisis is a productive situation—you only have to take away the flavor of catastrophe.” The decision-making crisis at Nutrorim is a blessing in disguise, for it offers Rifkin a chance to install firm management rules. And Rifkin can build trust within his management team by setting an example and openly communicating his intentions and goals for the company. In accomplishing both, he’s doing what is necessary to improve the company’s decision-making processes.

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The decision-making crisis at Nutrorim is a blessing in disguise, for it offers Rifkin a chance to install firm management rules and build trust within the company.

by Ralph Biggadike

What's the right decision-making process for Nutrorim?

I agree with Gibson Bryer that the current decision-making process at Nutrorim seems to work fine for decisions with some built-in predictability but not for those with clear winners and losers. Day-to-day operational and procedural issues are one thing; important problems or strategic matters that involve conflict or debate are quite another. And when it comes to the latter, the process at Nutrorim is broken.

The problems with the decision-making process at Nutrorim stem primarily from Rifkin's aversion to conflict. He believes that he keeps the process open and asks for input, but he doesn't realize that his approach to building a friendly culture squelches dissent and debate. He's trying to build a "nice" culture by making it homogeneous, and that's causing trouble. Murmurs go unaddressed, opinions are unbalanced, top managers feel increasingly frustrated, and bad decisions are the norm. Hence, the final question—"What's the right decision-making process for Nutrorim?"—raises another question: "What's the right decision-making process for Rifkin?"

It would help if Rifkin could view conflict as an important source of energy and see that it's his responsibility to understand all sides of an issue. To do this, he needs to explore his own issues first. If I were coaching him, I would begin by asking him why he hasn't investigated the "murmurs" he's overheard, and why he chooses to deal with conflict in private rather than in public. I might ask, "How has the decision to take things off-line helped you in the past? What are the benefits and drawbacks of doing things this way?" The difficulties he's had with his managers reflect his aversion to conflict. All leaders face people like Steve Ford from time to time. Commitment and passion are worth encouraging in direct reports, but assertiveness and conviction can have their downsides. To become more comfortable dealing with people who possess these qualities, particularly in group settings, Rifkin needs to get away from his and others' personal feel-

ings. In a group meeting, he could say, for example, "We've heard a strong case for Y. Does anyone else have data or experiences that might suggest another approach?"

Rifkin should also take a good, hard look at the way he selects members of his subcommittees. In his desire to avoid disagreements, he seems to seek out homogeneity. Public relations and legal, for example, are corporate kindred spirits, and leaving the head of R&D out of a discussion on a product recall looks a lot like deck stacking. If Rifkin wants a better balance of views and, hence, better decisions, he should choose members more carefully.

Nora Stern makes an important point when she says that in her former company, debate was held out in the open, and differences were worked out in the group. Following this example would cut down on the frustration among Rifkin's managers, reduce lobbying, and bring to light some key opinions. I recommend that Rifkin use subgroups to gather data, identify assumptions, and create options. Each subgroup should report regularly to the larger group, which can then debate a given issue's pros and cons. These groups can be set up like teams of lawyers, with one critical exception: Those individuals with the strongest opinions should argue the case for the opposing side. This kind of decision-making structure can go a long way toward unearthing the opinions of all involved, including those who feel left out, and toward building the kind of balance Rifkin needs to develop in his company.

I would stress to Rifkin that he has two primary responsibilities: to guide the decision-making process so that all the data, opinions, assumptions, and options are identified and fairly discussed, and to make the final decisions. It would also help if he explained the reasoning behind his decisions to his direct reports.

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"What's the right decision-making process for Nutrorim?" raises another question: "What's the right decision-making process for Don Rifkin?"

by Paul Domorski

What's the right decision-making process for Nutrorim?

Nutrorim needs a serious reality check. Nora Stern, as the outsider, is the voice of reason when she notes that there is too much navel-gazing at the company. Too many people, including Rifkin, are operating on hunches and gut reactions that could put the company at risk. Rifkin abdicates his responsibility when he fails to sponsor a learning organization that builds knowledge as a competitive advantage. He needs to show leadership and a willingness to make decisions.

The stock purchase is a perfect case in point. The CFO, Laurence Wiseman, may have his talents, but it seems he pushed through the decision to purchase stock in Dipensit without exercising due diligence. Investing in a company is like buying a house: One makes the purchase decision based on a combination of hard factors such as price, condition, and school system, as well as soft factors such as general impressions, conversations with neighbors, and so on. It is inexcusable that Rifkin allowed shareholders' money to be spent on a stake in Dipensit without having launched a thorough investigation of the CEO's background when questions first arose. Rifkin and his team should have delved into any rumors, probed any allegations, studied the business model, and fully understood any contractual obligations.

The same fact-finding failure occurred with the ChargeUp fiasco, which should have been investigated immediately. Rifkin should have dispatched a qualified team to Syd's Gyms to investigate the facts and interview the people affected. Ford and his team should have reviewed the allegations in light of earlier toxicity studies and clinical trials to determine whether any of the alleged problems had ever occurred during testing. Indeed, a thorough investigation might have prevented the crisis in the first place.

Rifkin can't allow his team members to create their own versions of reality. For example, Ford, the R&D head with vested interests and a difficult personality, prevents people from

having candid conversations when they are most needed—during times of crisis. Rifkin needs to buckle down and make it clear to Ford and everyone else that they will be held accountable for their actions and their results and that no one gets to steamroll others. Without this rule, the company can only react after the horse has left the stable.

To ensure better decision making, Rifkin should work hard to create a culture that rewards on the basis of unit performance as well as individual contributions. He should spend more time developing leaders—I like to think of them as mini-CEOs—who have a passion for results and understand how their actions affect the company. Rifkin's job is to monitor his managers' progress, motivate them, and give them feedback. He should make sure that results are openly celebrated and that when failure occurs, everyone learns from it. Like members of a sports team, every one of these individuals is accountable for his or her own assignment. Without that accountability, the team cannot win. In the end, Rifkin should play the role of a quarterback and be the one calling all the plays. Getting this role right sometimes leads to tough discussions, but the results can be outstanding.

Sometimes the answers to dilemmas will be obvious; other times, more analysis will be required. Either way, the teams at Nutrorim must do a better job of getting at the heart of problems. The payoff for a lot of hard work and seemingly endless preparation occurs when it's time to make hard decisions.

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