

PACDEFF 2017

The Pacific and Australasian CRM Developers' and Facilitators' Forum

The CEO as the Pilot of a Corporation:
Applying 'Human Factors' within
Executive Decision-making Domains

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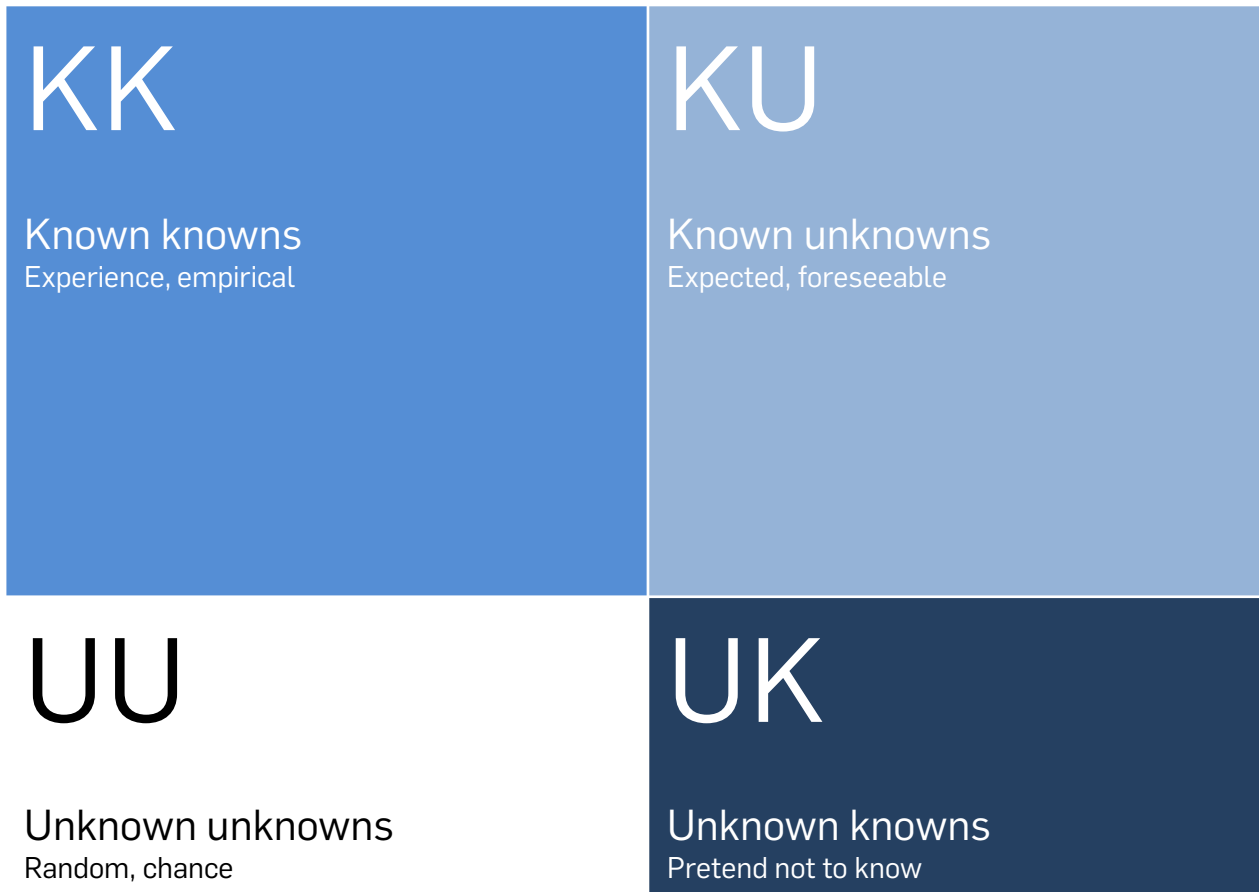
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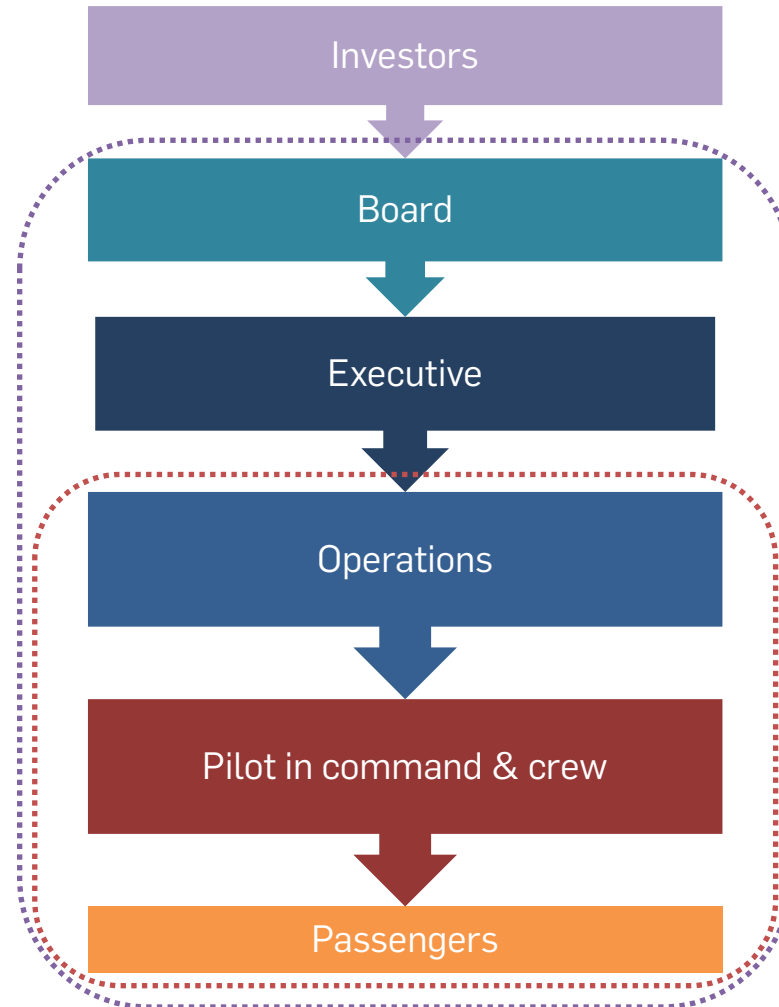
Some background

- Investment practitioner who gained some experience operating 'safely' within risky environment & complex systems
- PhD examined *knowledge* of financial markets and *meaning* of finance
- Recognise the rich experience/scientific maturity of safety science

Decision-making & uncertainty



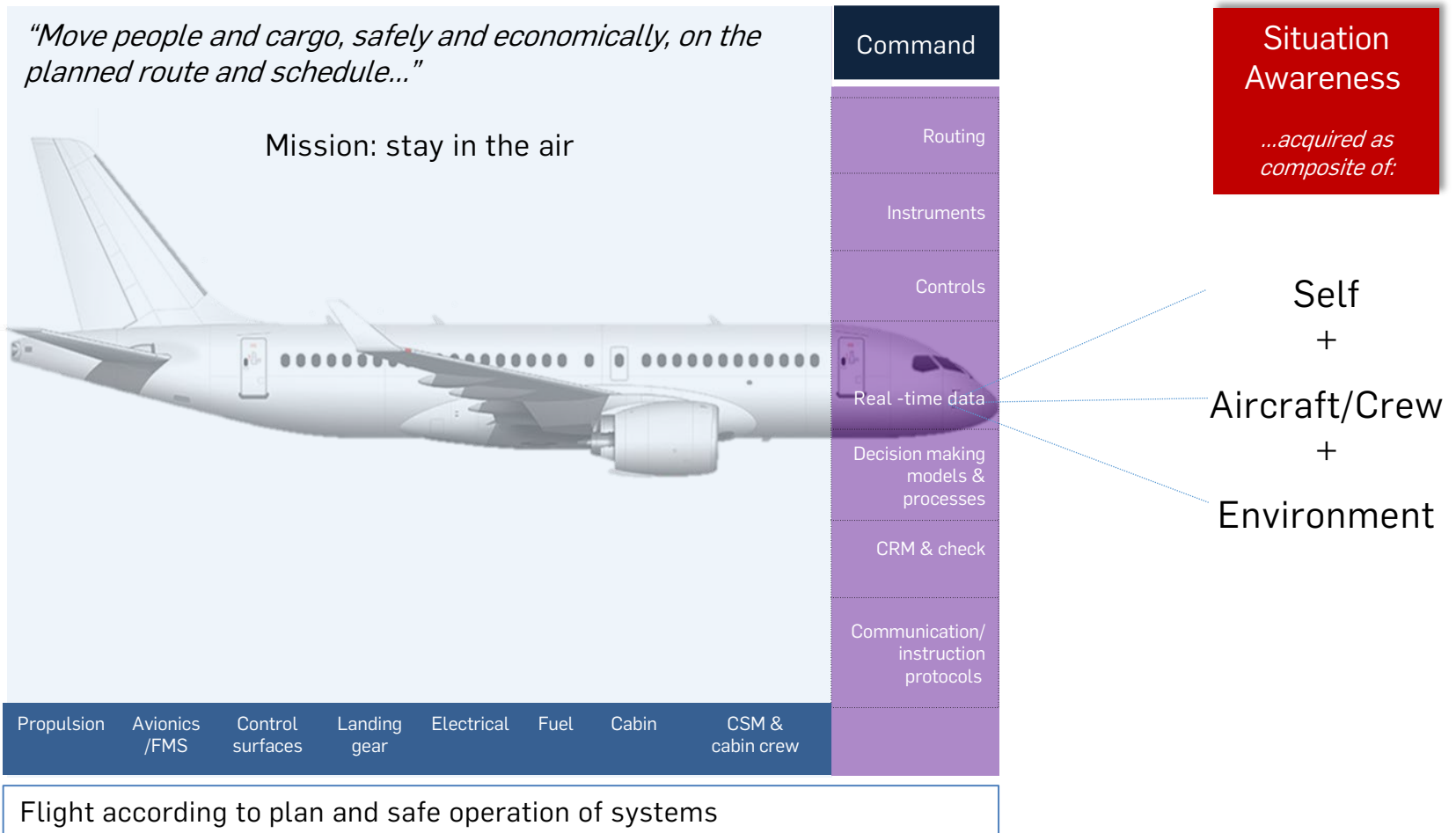
An appropriate application?



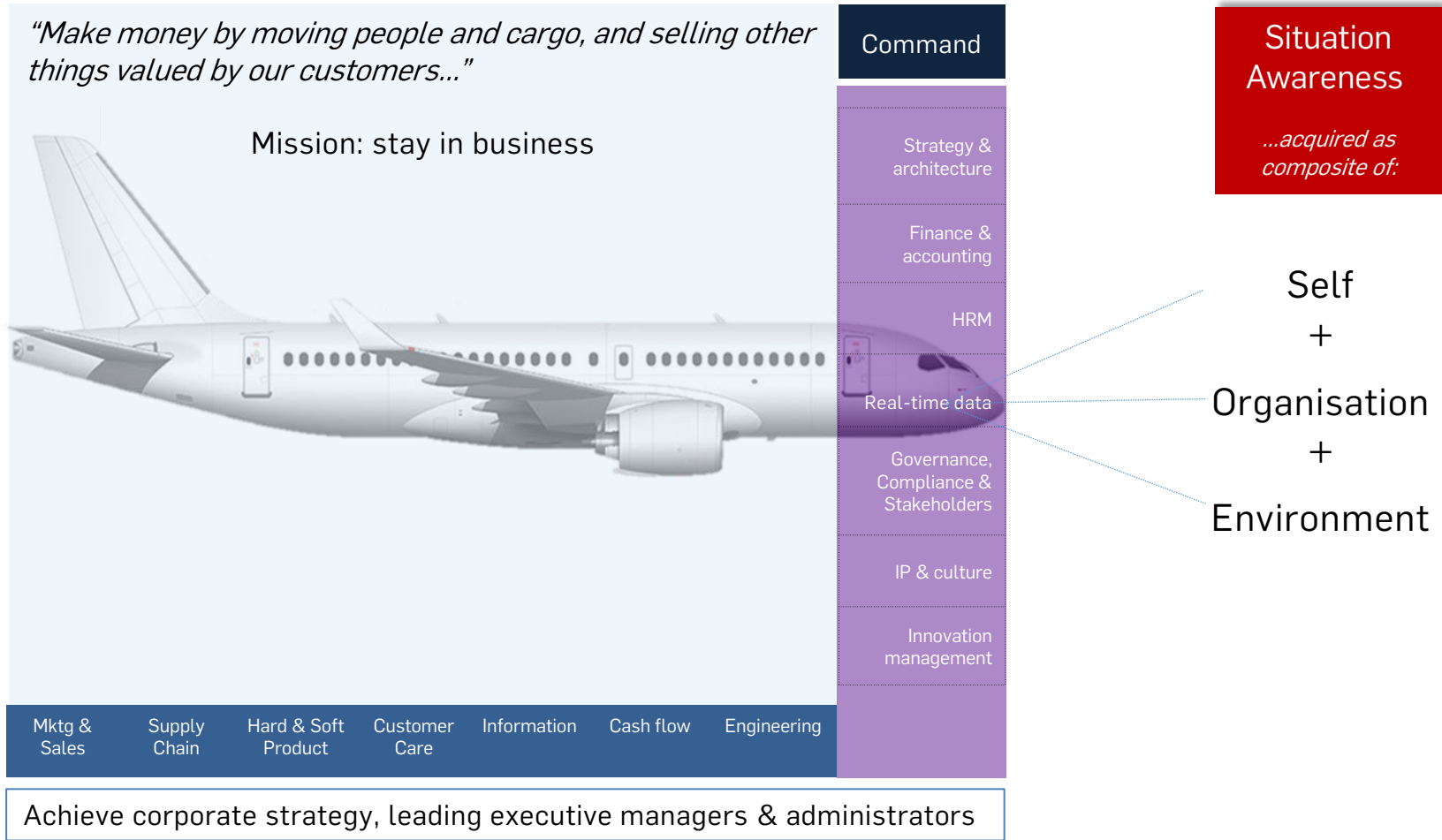
The CEO as a Pilot

- OTT conception...or reality?
 - Rising tempo of EDM, shortening tenure, risk aversion
 - Technological saturation (inc. automation)
 - Catastrophes & risk-to-failure more apparent and prevalent
- Corporate safety resides at the 'blunt end'; however, risks/problems migrate quickly from operations and sentiment at the 'sharp end'

The Pilot's view



The CEO's view



Human factors for EDMs

- Over-emphasis on *process* and *outcomes*: EDMs need better global vision of risk assessment, interactions and *causation*
- Building a resilient and sustainable firm
- Evergreen litigation threats for D&Os: how to articulate a better defence under the Corporations Law 'business judgment rule'

Human factors in B-School

- 'BUS101: How to stay in business'
- Offers greater precision in curriculum design: 'hard' and 'soft' skills
- Focus on self-awareness, organisational design and interactions within the corporate socio-technical system
 - DM under conditions of uncertainty/stress
 - Constructive imagination for strategizing & OD
 - Managing according to a Stakeholder view

'System failure' at UAL

The unfortunate case of Dr Dao:

UAL selected operational data			
Flights operated	1.6 m (annual)	4,500 (daily)	
Customers	143 m		
Fleet	737 (mainline)	494 (regional)	
Involuntary Denial of Boarding (IDB)	Passengers affected	Total customers	Incidence rate
	3,765	86.8 m	4.3×10^{-5}

$n < 1$ in
23,000

Notes:

1. All operational data relates to 2016 calendar year, extracted from Q2, 2017 *Operational Update* (available at ir.united.com).
2. Source of IDB data: *United Express Flight 3411 Review and Action Report*, April 2017 (available at https://s3.amazonaws.com/unitedhub/United+Flight+3411+Review+and+Action+Report.pdf?utm_source=Direct)

'System failure' at UAL

Date	Event
9 Apr 2017	<p data-bbox="359 422 1306 458">Planned departure of UA3411 Chicago O'Hare to Louisville (5:40PM).</p> <p data-bbox="359 504 1798 725">Passenger Dr Dao was issued notice of Involuntary Denial of Boarding (IDB) and forcibly removed from the aircraft by Chicago Department of Aviation Security Officers, twice (Dr Dao had ran back onto the airplane after being removed once, and was removed unconscious on the second occasion). Video footage is uploaded by a passenger to Twitter showing forcible removal of passenger (5:21PM), and another to Facebook (6:30PM). Another video is uploaded to Twitter showing the removal of Dr Dao (7:01PM). All customers were deplaned.</p> <p data-bbox="359 772 1798 839">UA3411 is re-boarded without the Daos and departs for Louisville ~2 hours later than scheduled (7:21PM) arriving safely at Louisville International Airport (9:01PM), two hours later than scheduled.</p> <p data-bbox="359 886 884 915">UAL releases statement to the media:</p> <p data-bbox="455 962 1798 1093">Flight 3411 from Chicago to Louisville was overbooked. After our team looked for volunteers, one customer refused to leave the aircraft voluntarily and law enforcement was asked to come to the gate. We apologize for the overbook situation. Further details on the removed customer should be directed to authorities.</p> <p data-bbox="359 1140 1798 1208">(The company later clarified that the flight was not overbooked; the actual reason was 'Crew movement').</p>

'System failure' at UAL

Date	Event
10 April	<p>UAL begins directing complaints /inquiries about the incident to "authorities" via Twitter (5:03AM).</p> <p>A further post from UAL's Twitter account tells customers that the incident only escalated after a customer refused to leave the flight (5:36AM).</p>
	<p>CEO Munoz issues first statement via Twitter (11:27AM) calling the episode an "...unsettling event".</p> <p>Later that evening, he writes to all staff commending the crew's actions for following established procedures, and referring to Dao as "disruptive" and "belligerent".</p>
11 April	<p>US Senate Committee on Commerce, Science and Transportation writes to UAL CEO Munoz and the Commissioner of Chicago International Airport requesting further information about the incident by 20 April 2017.</p>
12 April	<p>CEO Munoz issues statement taking full responsibility for passenger mistreatment..."I promise you we will do better."</p>
13 April	<p>Munoz appears on <i>Good Morning America</i> stating that he "felt shame" when he viewed the video, stating that '...this can never happen again.' UAL later offers all passengers on the flight a full refund.</p> <p>At a press conference, Dr Dao's daughter and lawyer refute UAL's assertion that Munoz had reached out to Dr Dao to apologise.</p>

'System failure' at UAL

Date	Event
21 April	<p>US Senate Committee releases statement as both UAL and Chicago Airport have not responded to the Committee's request:</p> <p>Getting answers for the public about what happened and what can be done to prevent such an incident from happening again is a priority for the members of our committee. We find any further delay in getting necessary answers unacceptable.</p>
20 April	<p>UAL announces an amendment of Munoz's earlier employment agreement, deferring the anticipated time at which he would assume the additional position of Chairman of the Board at the 2018 Annual Meeting. In its SEC filing UAL also stated [Munoz] opted '...to leave future determinations related to the Chairman position to the discretion of the Board...'</p>
27 April	<p>UAL releases the investigation within its promised 1-month deadline (United Express Flight 3411 Review and Action Report) which identifies 4 failures of policy and improvements.</p> <p>UAL also states: '...We are pleased to report that United and Dr. Dao have reached an amicable resolution of the unfortunate incident that occurred aboard flight 3411.'</p>
15 June	<p>UAL announces expanded roles for three executive vice-presidents, including 2 direct CEO reports.</p>
18 July	<p>UAL reports 2Q 2017 earnings of \$2.75 per share, beating market consensus (17 analysts) estimates of \$2.67. It has beaten analysts' consensus estimates in 11 of 12 trailing quarters (3Q, 2014).</p>

'System failure' at UAL

- Stakeholder feedback
 - Almost instantaneously, users on a number of social media platforms urging a customer boycott of UAL
 - The US Senate Committee criticises UAL's delayed response as "unacceptable"
 - President Trump described the scandal as "horrible"
 - Warren Buffett states Munoz made a "mistake"...
- Catastrophe for the self-interested CEO: Munoz denied ascension to Chair before the UAL's corporate investigation was even completed!

Some early feedback

- Hollnagel: '...the situation you try to manage is less structured than the bread and butter conditions of human factors. It may be more a question of managing uncertainty and using constructive imagination. The further ahead a target is, the less information there will be and the more imagination. To put it differently, the situations that requires 'awareness' are far into the future, hence there is nothing really to be aware of - except in the mind of the DM.'
- Amalberti: 'I fully agree with the idea that some risks escape the pure logic of technology, and even more may paradoxically result from the multiple, fragmented and accumulated layers of system safety (as Perrow said a long time ago). However, I should not say that they are 'bad luck' since this is an accumulation of poor decisions and lack of global vision...'

Your feedback and ideas, please