Target Canada—A Bad Case of Intelligence Risk Mis-Management

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Every high-stakes business decision is unique, but when it comes to risk analysis, they all share three common challenges – time pressure, infrequent occurrence and an unruly cocktail of facts, data, opinions and assumptions. Considering these challenges, it's not surprising that the gallery of corporate disasters has many rooms. This article explores one of them. As the reader will discover, it's a story of too much bias and too little discipline. It also provides an exemplary platform for demonstrating the preventive power of Intelligence Risk Management techniques in high-stakes business decisions.

Target Canada – A Self-inflicted Disaster

In its first international venture Target opened some 130 stores in Canada between March and December in March 2013; the last one closed two years later in March 2015. The company's hasty retreat across the border left behind some $7.5 billion in sunk costs and close to 18,000 Canadians lost their jobs. In hindsight business pundits penned numerous articles assessing why Target Canada collapsed so quickly. For the most part they looked back and blamed the readily apparent failure of the IT systems and logistics. Customer service, culture, and other business school platitudes made the lists. Their not surprising assessments promised to fuel "they shoulda known better" case studies for years. More platitudes.

In our view, their collective "schadenfreude" has kept them focused on the symptoms, not the causes of a much deeper problem that destroyed Target Canada. At its root we assert that it was an intelligence failure, for which we have coined the term "intelligence risk." This type of risk occurs when information overload, inconclusive data, cognitive biases, different perspectives, organizational influence, and intense time pressure all lead to catastrophically short-sighted and/or imprudent decisions. We argue here that the venture was doomed from its inception in 2011, when the then-CEO made a hasty and ill-considered purchase of some 200 leases from collapsing Canadian retailer Zellers.

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The operation was vast in scope. In order to make our case we looked at the whole history of avoidably bad decisions, and decided to focus most intently on what reportedly occurred at the last senior review meeting held in mid-February 2013. At that meeting, the CEO of Target Canada, Tony Fisher, gave the go-ahead to launch in three weeks despite clear warning signs that it would collapse. [i]

In our look-back at Target's Canadian fiasco we want to make three key points:

- First, Target's failures were above-all process failures: the mechanics of *how* the senior team made tactical and strategic decisions were deeply flawed, which is all too common across organizations. None of the assumptions they made heading into the opening held up. None.
- Second, we contend that private sector decision makers and intelligence analysts share the same world of risk, uncertainty and biases. The same structured analytic techniques (SATs) which US Government intelligence analysts have used for decades to bring additional rigor and discipline to their analysis are equally suited to identifying and managing intelligence risk in the private sector, lowering the incidence and severity of error. [ii]
- Third, SATs are qualitative tools, built around structured discussions. They are not replacements for how decisions are made, whether based on "gut feelings" or predictive analytics. Rather, our contention is that, regardless of how you get to the decision point, you need to stop and check your assumptions.

In a high-stakes situation, such as the Target Canadian fiasco, what all the stakeholders need to know is critically important, and what needs to be known by others cannot be buried in noise and rancor so that it's unable to surface. When decision meetings unravel, even well-understood problems remain unresolved, risks only grow, and the business's environment becomes more and more toxic. This is what happened to Target. Emotions and deeply rooted biases replaced evidence-based decision making. This dimension—the failure of process--is what the pundits missed.

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i. For the account of that mid-February meeting we relied heavily on: is Joe Castaldo, Disaster: *The Last Days of Target [Canada*], Canadian Business, January 2016.

ii. The best assessment of the challenges of being an analyst is Richards J. Heuers, *The Psychology of Intelligence Analysis*, Center for the Study of Intelligence, Central Intelligence Agency, 2009. Hereafter referred to as Heuers.

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A look back at Target Canada's light-speed rise and collapse through the eyes of an experienced intelligence analyst and a financial risk expert shows how using SATs at key decision points during the planning process would have helped Target's senior managers to stand back and, drawing on readily available expertise, make an honest assessment of the intelligence risk they faced.

Cognitive Biases: A Common Trap

The literature on biases is vast, but here we want to focus on the extent to which cognitive biases or how what goes on in our heads shapes how we process information[iii]. Once cognitive biases take hold they are difficult to overcome; we become hard wired and resistant to change. Accounts of what happened at Target's February meeting indicate that at that moment Tony Fisher's cognitive biases and those of the broader Target management team put the entire enterprise at risk. Consciously or not, they interpreted unfolding events as they wanted to see them despite overwhelming contrary evidence. The reporting indicates that they believed deeply and without reservation that Target's corporate culture of success could overcome any challenge. Fisher, a 38-year old wunderkind, did not so much ignore the bad news as filter the information through his lens of Target's deeply embedded culture of success. This culture had fueled Fisher's cognitive biases. Overweening self-confidence in his own capabilities and his company's impeccable track record erased memories of two years of bad decisions. Fisher did not believe he could lose until he did and led the company over a cliff - and he lost his job and took the CEO with him.

US Government Intelligence analysts have long integrated structured analytic techniques into their analysis to help mitigate the weight of cognitive biases of the kind that trapped Fisher. Analysts live in a world of ambiguity and uncertainty where the risks of failure in making daily high-risk judgments can translate into much more severe consequences for failure than the collapse of a department store chain. Their smaller margin for error means simply arriving at a consensus is not good enough: the judgments must be right all the time. The assessment of Iraq's weapons of mass destruction program and ISIS' rapid break through are just two well-known examples of what can happen when judgments are insufficiently challenged.

iii. Heuers pp. 111-113

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The intelligence community has identified multiple cognitive biases that that can infect decision making. Figure 1 shows the biases judged most common among intelligence analysts. Biases from each quadrant were readily apparent in Fisher's decision-making as well (in italics).

Perceptual Biases ***Expectations.*** *We tend to perceive what we expect to perceive.* ***Resistance.*** *Perceptions resist change even in the face of new evidence.* ***Ambiguities.*** *Initial exposure to ambiguous or blurred stimuli interferes with accurate perception, even after more and better information becomes available.*	**Biases in Evaluating Evidence** **Consistency.** Conclusions from a small body of consistent data engender more confidence than those drawn from a larger body of less consistent data. **Missing Information**. It is difficult to judge the potential impact of missing evidence, even if the information gap is known. ***Discredited Evidence***. *Even evidence proven wrong may not be sufficient to change perceptions quickly.*
Biases in Estimating Probabilities **Availability.** Probability estimates are influenced by how easily we can imagine or recall similar instances. ***Anchoring.*** *Probability estimates are adjusted only incrementally.* ***Overconfidence.*** *In determining levels of certainty, we are often overconfident, especially experts.*	**Biases in Perceiving Causality** **Rationality.** Randomness, accident and error tend to be rejected as explanations for observed events. ***Attribution.*** *Behavior of others is attributed to some fixed nature of the person or country, while our own behavior is attributed to the situation in which we find ourselves.*

Figure 1: Common biases that can impact decision making[iv]

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Iv. A Tradecraft Primer: Structured Analytic Techniques for Improving Intelligence Analysis, Tradecraft Review, Volume 2, Number 2., page 2. This source is the best guide to structured analytic techniques.

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The risk these biases pose to decision-making underscore the value structured analytic techniques can bring to the process, especially when teams sort through contradictory information and sharp differences spark emotions that can interfere with a tight focus on the data. In fact, in the early 2000s in the wake of investigations that followed the September 2001 attacks Congress mandated their use by intelligence analysts and they remain an integral part of ongoing analytic training. To varying degrees, they are used routinely by a significant percentage of intelligence community analysts, especially those working on high-risk, high-demand accounts.

- Analysts have found that they can shape meeting agendas, help integrate the equities of multiple players from different components and leverage expertise and disciplines that bring different perspectives to the table.
- In addition, analysts often explain in their finished products and briefings how they used SATs to convey how they reached their judgments.

The Key Assumptions Check: A Window into Target's Collapse

Analysts have developed well over 20 SATs. Most are qualitative, using frameworks that shape conversations and drive a team toward a judgment; some more complex tools have started to use off-the-shelf software programs. We have opted for the former, drawing on two well-tested and extensively-used diagnostic techniques to show how SATs might have steered Target Canada away from disaster: The Key Assumptions Check (KAC) and Indicators/Signposts of Change (Indicators).

- *The KAC* measures the validity of assumptions that underpin judgments, including the level of certainty and confidence in the information and their interdependence.
- *Indicators of change* are used to track events to see if the judgment continues to hold up as new information becomes available.

The KAC is especially well suited to review where the Target leadership derailed. In his article, Castaldo used the team's decision-making at the February meeting as the jumping off point to provide context for readers on the decisions that preceded that gathering.

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Using the data and comments he gathered from dozens of interviews with employees, we can approximate the decision-making dynamics sufficiently to show how the KAC could have brought more rigor and discipline to the discussion, and perhaps saved Target Canada and made Fisher a hero instead of unemployed.

Before we go any further, it's important to clarify what we mean by assumptions.

Definitions of assumption abound, but for intelligence analysts and our analysis of Target, assumptions are defined *as conditions that must persist for a judgment to remain valid at the stated level of certainty (probably, likely, unlikely, almost certainly, remotely, could, might, would).*

Example: Commuter calls home: I am on the road now. Traffic looks good so I will be home in 30 minutes."

Multiple assumptions underpin the judgment's high level of certainty. The validity of this judgment is based on the evidence that supports the commuter's assumptions; in this case his judgment holds if traffic continues to look good. If new information (accident ahead, boulder falls in the road, RV's blocking left lane) then the judgment's level of certainty changes as well. The commuter will arrive home, but the time becomes uncertain and so does the judgment ("will be home" becomes: "I am not sure").

Because of the importance of assumptions in decision making, they need to be clearly stated, understood by everyone, and tested against new information. Unstated assumptions are just that: conditions that for some unexplainable reason you are certain will persist but it is not clear to anyone else why. The key assumptions check forces you to articulate and test them.

Figure 2: Common Understanding of Assumptions

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Testing the KAC at Work: The King of Troy Forecasts the Battle's Outcome

A rendering of the well-known legend of Helen of Troy illustrates how the KAC can check your assessments. You know the story: to retrieve Helen, the Greeks launch a thousand ships. The Trojan King is brimming with confidence. The people are worried, but without any basis beyond his "gut feeling," the King tells his people not to worry:

"Troy is well prepared for the siege; we are well supplied and our walls have never been breached, so the Greeks will be kept on the beach."

The army chief is not so sure and wants his intelligence analysts to test the unconscious (read: unexamined) assumptions that the King deeply believes are true. He does not want to tell truth to power without an updated assessment. The validity of the King's judgment will hinge on research (or intelligence gathering) that tells the army chief whether the Greeks have/have not improved their capabilities sufficiently to threaten Troy. Once the team of analysts have reported back, the King's assumptions are then retested using the **KAC**. The judgment may stand as stated or be expressed with less certainty (probably, likely, about even, unlikely or highly unlikely), in which case the King will have to move quickly to make any adjustments if he is to keep the Greeks on the beach and come clean with his subjects.

So, what story does the **KAC** tell? The Trojan analysts have been hard at work and they deliver the completed **KAC** (Figure 3). The analysts' assessment is based on a series of structured conversations moving from left to right on the matrix that test the judgments from multiple perspectives.

1) Write Out Each Assumption That Underpins the Judgment: *What conditions must persist to maintain the validity of my most likely outcome?*	2) Level of Certainty in Evidence (1-10)	3) Level of Confidence in Evidence (1-10)	4) Would this Assumption's Failure Cause Any Others to Fail (1-10)	5) Impact on Judgment if Assumption Does Not Hold (1-10)
1) Greeks Intend to Fight	6	3	6	6
2) Greek Weaponry Remains the Same	4	8	8	9
3) Trojan Internal/External Intelligence Remains Accurate	5	6	10	10
4) Supplies Remain Sufficient	7	8	5	3
5) Trojans Remain Loyal	9	9	10	10
(6-N) One Too Many				

Figure 3: Can the Greeks Be Kept on the Beach?

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What Each Column Tells You:

Column 1: *Lists the key assumptions*: From a broad list of 20 or so, the team of analysts selects the most important: *these are the ones which must remain true for the judgment to remain valid at the King's level of certainty*. They are written out in full sentences. This grid allows the team to list only five key assumptions. The number is intentionally restricted because the more assumptions listed as key, the more variables must be controlled to support the key judgment, which raises the risk that the judgment will not hold.

Column 2: The group assigns each assumption a strength of evidence rating, based on a review of the reporting views of the evidence supporting the assumption.

Column 3*:* Assesses the confidence the group has in the reliability of the sources of all the reporting. For example, how reliable are the Trojan spies; any surprises?

Column 4: Measures complexity—the interdependence of the judgments. Can the assumption stand if another is shown invalid? *Which assumption is most likely/least likely to create a cascading effect?*

Column 5: Rates the expected impact on the judgment. *It is not a result of the averaging of the numbers, but a separate discussion that could require adjustments elsewhere.*

In each instance, structured discussions—not personalities—among stakeholders drive the process. Once completed, the team will see patterns emerging that can point to areas of the judgment's strengths and vulnerabilities. In turn, these drive the forecast of the level of risk and decisions on next steps.

As Figure 3 shows, the analysts agree that the King's confidence is dangerously misplaced. The one piece of good news is assumption five: The King can count on the Trojans' loyalty; the other assumptions vary in certainty.

- The most critical assumptions are two and three, but they are also the ones that the army chief is least certain will hold because of the lack of good reporting. These become what analysts call the "linchpin" assumptions. They are the most critical vulnerabilities and the Trojans were least certain about them. The assessment got his attention.

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- With that in mind, the army chief explains the city's key vulnerabilities and steps that can be taken to shore up their intelligence. This assessment would likely include Greek trickery and novel weaponry, such as gift horses.

The King decides to come clean with his subjects and says problems have surfaced, and we have a plan to deal with them in the next few days.

Back to Target: Chronology of a Failure

The timeline below is a composite of several different chronologies that appeared in the press and business journals tracking the growing public face of Target Canada. Invisible to the public ahead of the opening was the massive infrastructure construction to support the scores of stores to be opened simultaneously. Most critical among the hundreds of other daily decisions were: completing the three massive distribution centers, installation of the complex IT systems that drove the logistics system, and the hiring and training of up to 20,000 new employees.

January 2011: Target takes aim at Canada**:** CEO Steinhafel announces the purchase of 220 leasehold interests from Zellers, Inc for $1.8 billion and announces that Target will invest over $1 billion more in store upgrades before opening 100-150 stores in 2013. Target names Tony Fisher, a 38-year old high-flyer who was Vice President of merchandise operations, to be CEO of its Canadian business.

May 2011: From the 220 leases, Target picks an initial 105 as store locations across all 10 Canadian provinces. Another 18 are to open by mid-year.

August 2011: Hiring begins of what should be between 18,000 and 20,000 employees.

February 2012: Fashion designer Jason Wu is brought in to whet Canadian appetites for Target Chic.

August 2012: The Canadian public's ire is raised after Target officials imply that former Zellers customers are not their target demographic.

Mid-February 2013: Senior management has its last pre-launch meeting and decides Target is ready to break into the Canadian market.

March-December 2013: 124 stores open—120 of them before July. Goal met: Target leaders ecstatic.

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April 2013: Shoppers flock to Target's Canadian stores and already see empty shelves and limited stock

August 2013: Only 27 percent of shoppers surveyed say they are "very satisfied with their shopping experience."

September 2013: Sales hit $275 million, but losses reach $169 million.

December 2013: 70 million Target customers are hit by the second largest credit card security breach in US history

February 2014: Losses now total close to $1 billion in the first 11 months.

May 2014: Target Canada CEO Tony Fisher is fired. Mark Schindele replaces Fisher; first quarter losses total $211 million.

July 2014: Brian Cornell is named Target Corp. CEO; focuses on Canadian stores as losses continue to mount.

November 2014: Cornell sounds warning to market analysts.

January-March 2015: Cornell announces plans to close Canadian stores in mid-January. Last store closes in March. Target stock bumps up four percent. Wall Street lauds Cornell for pulling the plug and turning the company's focus back to the US.

Failure: Target Never had a Chance

Castaldo's article remains the best account of the collapse. Looking back, he argues that the project was in trouble the minute Target bought the leases in a hasty and ill-considered purchase. The company greatly overpaid for the leases ($1.8million), because the CEO was concerned that Wal-Mart would make the buy first and he believed that the best chance to break into the crowded big-box market—and start to recoup costs--was to jump in on a large scale rather than piecemeal. The CEO had spent his entire highly successful career with Target and led the company to expansion and steady revenue growth; he was confident in the company's well-validated culture of success. According to Castaldo's interviews, Target personnel attributed the CEO's confidence that his decision was sound in his belief that his two underlying assumptions would hold:

- Target was capable of launching a massive opening within two years starting from zero.

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- This could be achieved because the Target model was readily transferable outside the US.

The CEO's wildly optimistic deadline and assessment of the start-up's complexity shocked the staff. Both the CEO's critical assumptions were quickly disproven.

- A close read of Castaldo's article indicates that, in fact, these two assumptions rapidly morphed into over a dozen as the project's complexity became more apparent and dependencies multiplied. Fisher's overconfidence in Target's corporate culture and the power of the brand that drove his process never faltered.
- The account suggests the team at least questioned these assumptions at different points in the process, but the problems that surfaced on opening day indicate they were not properly, if ever, addressed.

To give you a sense of the depth of Target's real vulnerabilities, we constructed a list of assumptions that at least two senior team members mentioned to Castaldo or to another journalist or that another observer pointed out. None held up. None.

In no particular order:

- Zellers locations are good enough: Target is a destination.
- A website can come later.
- The stores will "feel" like Targets.
- Target can double Zeller's sales.
- The stores will be profitable in year one.
- Three new distribution centers will be ready.
- The logistics system will keep all planned 133 stores stocked.
- Target's US-based IT system would be able to "talk" to the IT systems chosen for Target Canada - SAP, JDA, and Retalix - in 18 months.
- Problems with IT systems can be fixed while stores are operating.
- Inventory data processing can be outsourced to India.
- Staff and managers will be ready without standard extensive training.
- Price differences with US stores won't matter.
- Target's long and successful "can-do" culture will triumph.

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The three distribution centers opened but because of the decision to outsource inventory data processing to India they were not properly integrated into the logistics system. So, they only belatedly functioned properly when it was too late to matter.

As the problems mounted, the company deployed more resources to Canada, eventually growing to some 400 staff and managers in the days ahead of the opening. Even so, a sense of doom steadily overtook the staff. Castaldo's account indicates that daily planning meetings had become increasingly tense and the CEO less visible. Fisher, however, clung to his belief that he could push the team to solve the deepening problems. Asking for a delay would have been a sign of weakness, he reasoned. Clearly, he was aware of the challenges, but the CEO's assessments of the intelligence risk and the scope of Target's vulnerabilities became subjective and way more optimistic than the data warranted.

Multiple biases, long baked into the Target culture, worked against any other outcome from the moment the company bought the empty stores in 2011. Together, these biases created an echo chamber that just repeated company mantras and management glossed over even the most critical—and readily apparent—vulnerabilities.

The February 2013 meeting was the last chance to stop the launch. According to Castaldo's interviews with senior officers, a group of them gathered one last time to assess the company's readiness to launch in less than a month. According to the reporting, one of the three team members in charge to the IT systems warned Fisher that unresolved supply chain problems threatened to wreak havoc with customers. The other officers reportedly remained silent hoping Fisher got the message; he did not and decided to launch.

An Imagined KAC Exercise Unpacks Fisher's Calculus

Let's conduct another key assumption check, this time imagining how Fisher might have assessed the soundness of his decision to launch ahead of that meeting. Most importantly, Castaldo's account suggests Fisher judged that integration of the multiple software packages could be performed while the stores were operating. He also reasoned that:

- Delays would impact new hires and compound mounting financial pressures.

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- Target's long-standing and deeply embedded culture of success would be able to overcome any problem and his senior staff would not fail.

Based on Castaldo's interviews (no comment from Fisher) the figure (Figure 4) below represents our reconstruction of Fisher's risk assessment.

1) The conditions that must persist for the judgment to remain valid	2) Strength of Evidence Supporting Assumption (1-10 highest)	3) Level of Confidence in the Reporting (1-10 highest)	4) Impact on Other Assumptions if It Fails (1-10 highest)	5) Impact on Key Judgment if Assumption Does Not Hold (1-10 highest)
Target Brand Will Bring Shoppers to Zeller Sites	10	10	THE	ONLY
Distro System Operational	10	10	ASSUMPTIONS	TARGET'S
Staff Meets Target Criteria	10	10	WILL	CAN DO CULTURE
IT Systems Operational	10	10	ALL	MATTERS (REALLY)
Corp Culture Trumps All	10	10	REMAIN VALID	10
Eight More Assumptions	10	10	NO PROBLEM	10

Figure 4: Our reconstruction of Fisher's risk assessment

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Though exaggerated for effect, our imagined **KAC** tells a clear story: he was supremely confident that managers raised in Target's strong corporate culture would find a way around the long list of problems without asking for a delay. Target Canada paid a high price for his errors in judgment.

Let's briefly assess each of the key assumptions against the expertise that Fisher's staff reportedly had at hand, but ignored. Note the assumptions' close interdependence. The **KAC** would have captured that cascading effect.

Assumption 1: The Target brand alone will bring shoppers to even out-of-the-way Zeller sites.

- For the first time, Target stores were integrated into strip malls versus traditional and easily recognizable stand-alone buildings.
- Target calculated that its brand would draw shoppers, even to marginal neighborhoods that did not map to Target's US-based demographic.
- Ahead of the launch, well-established rivals Costco and Wal-Mart took important steps to prepare for the new competition. Dozens of other mid-sized businesses also upped their game.

Assumption 2: The three distribution centers will be operational.

- The three centers were constructed and stocked.
- Their ability to stock the stores spread across the country, however, depended on functioning logistics systems which in large part had been outsourced to India.
- When inventory backed up, Target was forced to store the overflow in dozens of rented storage facilities.

Assumption 3: The staff, including managers, will be "Target-ready."

- Target managers were generally hired right out of college and put through extensive training to absorb the company's unique culture. Employees also received ongoing training specific to their departments, much of it from their experienced managers.
- Target Canada employees and managers received training, but it was not of the same depth.
- One more point: Target promised that it would retain as many of Zeller's former employees as possible, which proved to be untrue: the chain drew only

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one to two percent of the nearly 20,000 new hires from laid-off Zellers workers. Reports tell of deep resentment in affected communities.

Assumption 4: The new IT systems would be operational.

The CEO believed the IT systems developed by Target in the US would easily transition to the new environment, but the technicians quickly learned that could not work in French or in Canadian currency.

- To address the problem Target turned to System Applications Product, known widely as SAP, to install an enterprise-wide system only 18 months before launch. This system works well, but it is complex, requires extensive staff training, and experts agree that it needs years for retailers to fit their work flows into the software—not the other way around.
- To fix that problem Target Canada decided to introduce two new software products along with SAP: JDA's supply chain management software and Retalix, which is omnichannel software, to establish an interface with their existing US-based system.
- As we already noted, Target also decided to outsource inventory data entry to a company in India. Quality control was weak, mistakes mounted and the entire inventory control system—the secret to Target's success—collapsed.
- Consequently, warehouse managers did not know what to ship and so guessed, which left Target's shelves sometimes full of laundry detergent but devoid of what shoppers really wanted. Pictures of empty shelves or aisles of laundry soap, long lines at registers, and pictures of sloppy displays quickly appeared in the Canadian newspapers.
- Also, because the IT systems were not in place and operational when the stores opened, the undertrained staff did not understand the point of sale or stock control systems.
- Fisher believed the systems could be fixed while the stores were in operation.

Assumption 5: Target's can-do culture would overcome these challenges.

- The chain did make important fixes heading into 2014, but by then customers had fled the stores.

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- Protestors appeared asking Zellers to come back. Customers felt betrayed. The chain's death spiral was terminal.

An Evidence-Based Risk Assessment

Below is an alternative reconstructed version of Fisher's **KAC** that integrates this more sober assessment of his assumptions. This time, it's the product of his team working alone and presenting him with their independent findings (see Figure 5).

What Conditions Must Persist to Maintain the Validity of My most Likely Outcome	**2) Strength of Evidence Supporting Assumption (1-10 highest)**	**3) Level of Confidence in the Reporting (1-10 highest)**	**4) Impact on Other Assumptions if It Fails (1-10 highest)**	**5) Impact on Key Judgment if Assumption Does Not Hold (1-10 highest)**
Target Brand Will Bring Shoppers to Zeller Sites	4	8	8	7
Distro System Operational	5	9	10	10
Staff Meets Target Criteria	4	8	7	8
IT Systems Operational	4	10	10	10
Corp Culture Wins	5	10	10	10
Eight More Assumptions				

Figure 4: The experts' assessment of the timing of the launch

The results of the expert-facilitated **KAC** exercise tell a very different story.

- Not surprisingly, the exercise confirmed that the readiness of the IT systems and confidence in Target's corporate culture were the two most critical assumptions. They were also the most vulnerable to failure and were critical to the validity of the other assumptions. The findings warranted a warning to delay the launch.

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- To reach that assessment, the team agreed that the evidence supporting the assumptions was weak (column 3), and they had high confidence that this was the case (column 4). So, they were most certain that this was the most critical vulnerability.
- The company's vaunted corporate culture, for example, had never been tested outside the US, and the IT experts knew that the IT infrastructure was months away from being operational.
- Beyond these linchpin assumptions, other parts of the system also showed serious weaknesses and needed to be addressed.

Hind Sight: KAC Outcome Drives Mitigation Strategies and Indicators

The results of the alternative **KAC** would have turned the team toward mitigation strategies. The problems that surfaced in the exercise told the team that fixes were required end-to-end, but some were more important than others. There was no mystery about what they had to do. The team also knew that their strategies had to be tested extensively before the launch and then repeated periodically to look at problems as they surfaced or resurfaced. Their goal would have been manageable risk.

- As part of the process, the team would have developed a set of indicators to track progress against a new set of metrics. Indicators would be observable events that were diagnostic: observable and collectible. These indicators could also be used to track events, spot new trends, and warn of change.
- Suitable indicators might have included: training completed, successful tests of the IT systems, or results from store openings.

In this scenario, Fisher would have traveled to Minneapolis with his team and used their **KAC** to make the case for a delay. Headquarters would have listened and five months later Target Canada's stores would have opened to stay.

Final Take Away: SATs are About Managing Risk, Not Avoiding It

Intelligence analysts and private sector decision makers share a world of intelligence risk and uncertainty awash with information of uncertain reliability. SATs are tools proven capable of helping navigate risk, to more effectively and

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efficiently identify it and develop mitigation strategies. They are not about avoiding risk, but bringing rigor and discipline to identifying it. So, there are good reasons why intelligence analysts and private sector counterparts should use the same tools that they have used for decades to test their judgments and leverage expertise and diverse views. Even in the most intense environments these can bring more rigor to how decisions are made, methodically focusing on the data and minimizing the impact of emotions and personal differences.

Could SATs have made a difference to Target? Frankly, a company with Target's track record should have been able to manage without them. Target's leaders had control over all the variables. All of them. Then why and how did a world class brand bungle an opportunity to break into an important market? In retrospect, Target Canada's leadership underestimated the risk and uncertainties of moving into a foreign market (yes, Canada is a foreign country), and they had no real idea what they were in for. The decision to put a 38-year-old merchandise manager in charge and the chaos that dominated the development process from start to finish makes that point. Under these conditions SATs could well have at least forced the conversations that needed to take place to stop the list of key assumptions growing from two to over a dozen. Target should have known better.

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