

KETTEI CASE STUDIES

Boeing Is Only One Example

29 cases in brief

The cases behind The Board Question, each with its core message

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About these cases

In The Board Question I take a board through the Boeing 737 MAX, where the decisions of August 2011 and March 2016 had no owner once approved. Boeing is the flagship case, and the same pattern runs through the 29 here. I have written each one up, in my Kettei essays and papers or in *Ishi: The Discipline of Determined Intent*, and this paper gives each in about 250 words.

The bold line under each name is the core message, and the paragraphs below it say what happened and what a board can take from it. Where my write-up names a Kettei failure mode, the summary names it too. The last 3, marked Governance held, show part of the discipline working, and each says where its record runs thin.

The facts come from my write-ups and the public records those write-ups cite. Each case stands alone, so start with the one closest to a decision your own board has made.

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American Apparel

A company can burn out under its founder's ungoverned intensity while its purpose stays clear.

Dov Charney founded American Apparel in 1989 to keep manufacturing in the United States and pay higher wages, behind a raw and provocative brand. Through the 2000s it opened stores at home and abroad, and the conviction behind it won customers and staff.

Operational discipline did not keep pace with that growth. Decisions stayed concentrated around the founder, who became a bottleneck, and when pressure rose the response was to push harder. By the early 2010s the company was heavily leveraged and suppliers went unpaid. Charney faced multiple allegations of inappropriate conduct, which he denies, and the board dismissed him.

My book reads this as burnout, the opposite pathology to drift. The company had persistence and no mechanism to govern it, and endurance had become part of its identity. Ryan Holiday, who led its marketing in the later years, describes an organisation unable to slow down without feeling it was betraying itself, where any hint of restraint read as a loss of belief.

American Apparel entered bankruptcy in 2015 and again in 2016, and was dismantled. A board can read in it the cost of a founder fused with the system, where correction felt like an existential threat and attempts to impose discipline came late and met resistance. My book's answer is boundaries, and a willingness to pause while there is still time to choose differently.

Bonza Aviation

An airline launched on genuine intent can fail for want of the reflection to change course when reality pushes back.

Bonza Aviation launched in October 2021 to link regional Australia without going through the major hubs, and to restore routes the large carriers had abandoned. Flights began on 31 January 2023, on a route map that assumed demand would grow because the flights were on offer.

The airline did not build enough operational depth before it sped up. Aircraft deliveries slipped and customer communication broke down under pressure, normal problems for a start-up carrier, and Bonza treated these as noise. By late 2023 funding was tight, reliance on a single overseas investor had become a constraint, aircraft were repossessed and routes were cut.

My book places the failure in endurance and reflection, an imbalance between vision and staying power. No decisive pause came to slow expansion or to reset route economics to cash reality. Optimism crowded out dissent, and warning signs were dismissed as negativity. Persistence became a performance to keep up an image, and public messaging moved towards reassurance.

Bonza went into voluntary administration in April 2024, and the explanations centred on market conditions and funding, both real and incomplete. For a board, the lesson is to keep dissent in the room while optimism runs high, because endurance depends on noticing when pressure is changing shape. Bonza noticed too late, and its reflection came after the collapse.

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Carillion

A control earns its cost only when what it finds can alter a decision someone has made.

On 5 July 2017 Carillion's board minutes recorded work toward "a positive and upbeat announcement" for the following Monday. That Monday the company, then the second largest UK construction company, announced an £845 million provision on its contracts, and by 12 July its share price had fallen 70%.

Carillion went into liquidation on 15 January 2018 with liabilities of nearly £7 billion, although its oversight machinery was in place. Its board of 7 included 5 non-executive directors and an audit committee that reviewed contract revenue papers quarterly. KPMG audited the company for 19 years without qualifying its opinion.

In November 2016 a peer review put the Royal Liverpool University Hospital contract at a loss of 12.7%, while management recorded a profit margin of 4.9%. Deloitte, the internal auditor, later found management had used a higher margin than peer review advised in 42% of cases, against 14% the other way. The audit committee chair, by his account, first heard of the gap in September 2017.

Kettei calls this Governance Theatre, the appearance of governance without any monitoring of whether decisions remain valid. A booked margin is a decision, and with an Owner and a trigger on any peer review that disagrees by a set amount, the 2016 review would have forced a dated revalidation. Whether that would have changed the accounts is beyond what the record can settle.

Challenger

When each review judges new damage against damage already accepted, the standard moves with the evidence.

On 28 January 1986 the Space Shuttle Challenger broke apart 73 seconds after lift-off, killing its 7 crew, on a morning 15 degrees colder than any earlier launch. The Rogers Commission traced the loss to a failed pressure seal on the right booster's aft field joint.

Neither NASA nor its contractor Thiokol expected hot gas to reach the joint's rubber O-rings, yet a primary O-ring came back burned in November 1981. From 1984 flight reviews often accepted new erosion because it fell "within the data base" of earlier flights, and a launch constraint imposed in 1985 was waived for 6 consecutive flights before Challenger.

On the night before launch Thiokol's engineers recommended against launching below 53 degrees, the lowest O-ring temperature of any previous flight. Management reversed that position, in the Commission's words "contrary to the views of its engineers in order to accommodate a major customer." The sociologist Diane Vaughan later named the process the normalisation of deviance.

Kettei counts Normalisation of Deviance among its 16 failure modes, and its remedy belongs to the Validity Boundary. A threshold fixed before the evidence comes in gives later reviews a reference point that no single flight can move, though no record can show a boundary would have stopped this launch. Ask whether each anomaly is judged against the original standard or the last one accepted.

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Columbia

A lesson filed in a report, with no owner and no decision behind it, can be undone over time.

On 1 February 2003 the Space Shuttle Columbia broke apart during re-entry and its crew of 7 died. Foam from the External Tank had breached its left wing during launch, and the investigation board gave the organisational causes as much weight as the foam.

NASA had acted on Challenger. After 1986 it moved management of the Shuttle programme from the Johnson Space Center to its Washington headquarters, to prevent the communication failures of that accident. In February 1996 Johnson became lead centre again over the objection of the headquarters programme head, who said "It is a safety issue" and resigned.

The board's first conclusion was that "the causes of the institutional failure responsible for Challenger have not been fixed." Changes made after 1986 "were undone over time by management actions", and engineers used NASA's lessons learned database "only on an ad hoc basis". Kettei names this Reflection Theatre, organisational learning without consequence.

A recommendation addressed to the whole organisation has no owner. In Kettei a review ends in a change to the decision record, so the 1986 move would have stood as a decision with one Owner and a Validity Boundary, and reversing it in 1996 would have meant a recorded successor decision. Whether that would have changed the outcome in 2003 is beyond what the report shows.

Equifax

A trigger that has lost its sensor is as silent as one whose condition has not been met, so a register can look healthy after it has stopped working.

Equifax inspected the traffic to its consumer dispute portal with an appliance that needed a valid certificate to decrypt it. That certificate expired on 31 January 2016, and by default the device went on passing traffic it could no longer read. Attackers entered the portal on 13 May 2017 through an Apache Struts flaw for which a patch had been released on 7 March.

On 29 July staff uploaded 67 new certificates and almost at once saw a suspicious request. By the House Oversight Committee's count Equifax had no view of the portal's traffic for 19 months, and the consumers affected grew from 143 million to 148 million.

The blindness was on record. A tracker entry dated 20 January 2017 noted that the inspection devices were missing certificates, and at least 324 had expired by the time of the breach. The 2016 patch policy named roles such as system owner, and according to testimony those roles had no official designees. Kettei names the pattern Trigger Register Decay.

Triggers survive on paper after the watching has lapsed. Written as a trigger with a named owner, the certificate's expiry would have come due in January 2016 and come back overdue week after week, though the committee's record does not settle whether that would have caught the attack. The board question is which of its triggers would fire if the condition were met today.

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GM and NUMMI

An organisation can keep the words of a practice for years without the practice, and the test is whether anyone could watch it being done.

General Motors and Toyota opened NUMMI, a joint venture plant in Fremont, California, in 1984. Under GM the plant had been considered the company's worst, with absenteeism routinely over 20 per cent. With the same workforce, John Shook of Toyota recorded, absenteeism fell at once to a steady 2 per cent, and within a year quality went from GM's worst to its best.

Steve Bera, one of 16 rising managers GM sent to Fremont, expected Detroit to ask what the secret sauce was. "No one ever asked us that question," he told This American Life in 2010.

GM had sent the 16 to learn the system and bring it home, and tried to spread NUMMI through tours and a few days on the line for visiting managers, which gave a visitor the words. When Van Nuys tried to rebuild the system without Toyota as a partner, its manager concluded that "an isolated plant can't do this by itself."

By the account of Frank Langfitt, the programme's reporter, change took about a decade and a half even to begin to take hold at GM. Kettei calls this Unforged Governance, keeping the words and documents of a practice and skipping the forging. A board can take each governance word in its own papers and ask whether someone could watch the practice behind it.

HMNZS Manawanui

Routine masked gaps that were knowable in advance, and reflection came only after the ship was lost.

In October 2024 the Royal New Zealand Navy's dive and hydrographic vessel HMNZS Manawanui ran aground on a reef off Samoa and later sank. Its 75 personnel were evacuated without fatalities, and a Court of Inquiry reported in April 2025.

The inquiry found no single decisive error. Autopilot stayed engaged when manual control was required, so course corrections made through the azimuth thruster controls had no effect. Gaps also predated that watch, with a Commanding Officer who lacked the required platform endorsement, a survey task the ship was not cleared for and around 20 personnel deficiencies in key positions.

In my book this is an erosion of Shugyo (Forge), with procedures followed in form while purpose went unquestioned. Gaman (Persist) depends on that practice, so persistence continued without vigilance, and Hansei (Reflect) came only after the loss. Charges against 3 officers followed in March 2026, and court martial proceedings were active when my book went to print.

A board's lesson lies in the earlier gaps. The missing endorsement and the uncleared survey task were knowable in advance and recoverable through honest review, without waiting for a grounding to expose either. Even the evacuation showed drift, as improvised tow attachments failed. My book sees the same pattern in boardrooms, where confidence grows while attention thins.

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HMS Artemis

Routine replaced vigilance, and a submarine sank alongside the dock with no material defect.

In July 1971 HMS Artemis, a Royal Navy Amphion class submarine, sank at her moorings at HMS Dolphin in Gosport. Water entered while she lay alongside, and she settled on the bottom of the harbour within sight of the submarine escape training tower.

I was born that year, and 19 years later I joined the Royal Navy as an engineering apprentice, later selected for submarine service. Throughout my time in the Navy the Artemis inquiry was cited in training as the reference case for how competence fails when attention drifts. Its Board of Inquiry found no material defect and no structural weakness in the boat.

An after hatch was left open, shore power cables were routed so that it could not close, trim was poorly managed and watertight integrity was not actively verified. In the inquiry's words, the loss came from "a failure at all levels to maintain basic standards of submarine practice". Experienced watch-keepers were present, and each action made sense in isolation.

I read Artemis in my book as persistence without awareness, where routine replaced deliberate attention and discipline became ceremonial. The board-level warning is diffusion, as activity creates the appearance of control while responsibility spreads and awareness decays. In my time rotation between boats was mandatory, because fresh eyes notice what experienced ones have learned to ignore.

Knight Capital

A decision with no written condition for stopping keeps running while capable people diagnose it, and at the speed of software that cost Knight more than $460 million in 45 minutes.

On 1 August 2012 Knight Capital's automated order router, SMARS, began processing 212 small retail orders. In roughly 45 minutes it sent millions of orders and obtained more than 4 million executions in 154 stocks, according to the Securities and Exchange Commission's order of 16 October 2013. The decisions behind the morning were small and mostly old.

Knight stopped using a function called Power Peg in 2003 and left the code on its servers. In 2012 new code repurposed the flag that once switched Power Peg on, a technician copying it to 8 servers missed one, and on the 8th server the old flag woke the old code. From about 8:01 staff received 97 emails citing "Power Peg disabled" before the open, and Knight had not designed the emails as alerts.

Kettei names this Ungoverned Persistence, because the abort criteria were missing. In the SEC's words, Knight "did not have procedures in place to halt SMARS's operations in response to its own aberrant activity."

Abort criteria, conditions written in advance under which a decision stops, are cheapest to write before the money goes in. Once a decision is running, the people inside it are the worst placed to decide where the line was. A board can ask which of its decisions runs today with no written stopping condition, and who would switch it off.

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Kodak

Kodak kept improving film without asking whether film was still the right system to optimise.

By the 1980s Kodak was an exemplar of operational excellence in film. Defect rates fell and its operations became exceptionally efficient. As digital photography moved from a laboratory curiosity to consumer reality, Kodak kept refining film with ever more precision.

Business writers have covered Kodak widely, and my book uses it because the company mastered improvement too narrowly. Kodak pioneered digital photography and understood the technical trajectory early, so the failure was one of attention and posture. Its engineers studied results and iterated exactly as trained, and improvement continued without a deliberate pause to re-examine intent.

In my book, Kodak shows a broken link between Ishi (Decide) and Hansei (Reflect). Refinement went on without asking whether the original intent still held, and by the time reflection came, market share had collapsed and identity had fused to a dying product. The company had work ethic and technical insight. In 2012 its insolvency went before the US Bankruptcy Court in New York.

Clayton Christensen's *The Innovator's Dilemma* names the trap a board faces, as established firms keep allocating resources to what reinforces the existing profit engine. An organisation can be full of intelligence and still be captured by a governance logic that makes the future hard to fund, and operational excellence then becomes a machine for accelerating yesterday.

Mid Staffordshire NHS Trust

At Stafford the alarms were precise and delivered, and responsibility for answering each one was spread across bodies with no single owner.

In April 2007 Dr Foster's annual mortality table named the trust running Stafford's main hospital as the second worst outlier in the country. Robert Francis QC, who chaired the public inquiry, called it "a clear alarm bell requiring urgent action". His report of February 2013 found that between 2005 and 2008 conditions of appalling care were able to flourish there.

Inside the Trust an explanation was ready within days, and the discussion focused on clinical coding. Between April 2007 and November 2010 the Trust also received 8 mortality alerts from the Dr Foster Unit at Imperial College, each built to detect a doubling of the odds of death, and Francis found it told neither its strategic health authority nor Monitor about the alerts.

Kettei calls this Signals Ignored, in which a trigger fires and the owner does not act. At Stafford the answer was spread across a board, a strategic health authority, a regulator and an academic unit with no power to ask twice.

Of the 5 parts Kettei gives a trigger, the signal and the threshold were precise, and the owner, the response window and the response rule failed. Francis named among the causes an assumption that monitoring was "the responsibility of someone else". A board can name the signal already in front of it, and the person accountable for answering it.

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NHS National Programme for IT

When the scheduled end of a commitment is a contract expiry date, its validity gets tested on the contract's calendar, years after its reasons may have gone.

The National Programme for IT in the NHS was launched in 2002, and in September 2011 the government announced that it would be dismantled. In 2013 the Public Accounts Committee found that "the component programmes are all continuing, the existing contracts are being honoured and significant costs are still being incurred." The Department of Health counted £7.3 billion spent to March 2012.

CSC's contracts, worth £3.1 billion at 2006-07 prices, were to supply care records systems to 220 trusts, and a decade after signing the committee found "not a single trust has a fully functioning Lorenzo care records system". The senior responsible owner told the committee that the BT and CSC contracts "assumed a single end date" and appeared to assume like-for-like replacement.

A committee member asked who had made that assumption. "I think it is just implicit in the structure of the original contracts," came the reply, which named no person.

In Kettei this is Ungoverned Persistence, work that goes on because the conditions for stopping were not defined. After 2011 each component was to be judged afresh at contract renewal. Kettei gives a decision a validity horizon, the longest it may run before mandatory revalidation, tightest for commitments hardest to undo. A board can write down the condition under which a long commitment ends.

Novopay

A dependency between decisions has to be written down when each is made, or a change to one can undo the safeguard another relied on.

Novopay, the payroll for approximately 110,000 New Zealand teachers and school support staff, went live on 20 August 2012, and after the first pay run about 5,000 people were underpaid and 15 went unpaid. The ministerial inquiry by Murray Jack and Sir Maarten Wevers found that "The actual Go Live decision was made on 31 May 2012", at a stage gate whose criteria had not been met.

Earlier decisions had narrowed the choice, each taken on its own. In February 2012 the Steering Committee replaced the planned pilot with a training environment, and the inquiry found that "The abandonment of the phased rollout and the pilot increased the project's dependency on testing." Testing was then cut back to hold the date, and from 30 June the project had no fall-back plan.

The failure mode is Coupling Blindness. Two coupled decisions are treated as independent, so when one changes the other is unaware.

Kettei's Coupling Dependency property has each decision declare at creation what it depends on and what depends on it, and an upstream change sends each dependant back to its owner. The cut to testing would then have reopened the pilot decision in front of whoever owned it. For a board, the test is which decisions depend on the one it can least afford to reverse, and where that is written.

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Peloton

A capacity decision built on a forecast needs a written condition for review, or the spending runs on after the forecast has changed.

On 24 May 2021 Peloton announced its first US factory, Output Park in Ohio, with about US$400 million committed over a multi-year development. John Foley, its chief executive, said the plant would give Peloton "capacity, quality, and economies of scale" in its bike and tread lines "for years and years to come". The Ohio commitment followed Peloton's US$420 million deal for Precor in December 2020.

Peloton's shareholder letter of 4 November 2021 cut its forecast, citing "a more pronounced tapering of demand related to the ongoing opening of the economy". Construction in Ohio went on, and in the 3 months to 31 December most of the US$91.2 million capital spend went on Output Park. On 8 February 2022 Peloton wound the development down and cut about 2,800 jobs.

The decision was reversed 260 days after it was announced, so the failure on the record is a lag. By its own account the growth premise was in doubt by August 2021.

Kettei's name for this is Assumption Drift, and its remedy is the Validity Boundary, which records the principal assumptions when a decision is made, with a horizon for forced review and triggers that force an earlier one. The Ohio release named no condition for looking again. The question to put to each commitment is which forecast it rests on, and what reading would bring it back for review.

PerformO

Ownership without an obligation to watch a decision's validity is authority without governance.

In April 2004 I opened a BodyO_2 altitude training franchise in Christchurch after 10 minutes' thought over a coffee. I decided the studio would fund a technology start-up of my own, resting on 2 assumptions I did not write down, that it would earn enough and that the franchise would stand.

John Hellemans, the coach who wrote my first Ironman programme, told me at the outset that the business would work physiologically and fail commercially, and I dismissed it. By September my cash flow had gone, and by the end of the year revenue was lower than a single salary. In February 2005 the bank withdrew my credit line and I was insolvent.

I kept going, first as BodyO_2 and from 2006 under my own brand, PerformO, until I closed it after the global financial crisis. The franchisor collapsed, and the business became a retailer of nutrition and clothing without my deciding it would. One of my staff took shares in lieu of pay, and she could see the reality I was still denying.

When I set my case beside Knight Capital, the missing piece was the same, abort criteria. I explained each signal away because I had not written down what would make me stop, and it cost me the best part of a million New Zealand dollars. Today Hellemans's warning would go on the page first, with an abort criterion fixed before the doors opened.

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Piper Alpha

A procedure on paper protects people only when the shift practises it, and an absence of reported problems says little about whether it does.

On 7 September 1987 a rigger, Mr F Sutherland, was killed on Piper Alpha in a job that passed from the day shift to the night shift. Occidental, the operator, pleaded guilty to a prosecution that specified "inadequate communication of information from the preceding day-shift to the night-shift". Witnesses told the public inquiry that no changes were made to handover practice after the death.

At the evening handovers of 6 July 1988 the removal of a pump's safety valve went unmentioned, and the night shift moved to restart the pump. The disaster that followed killed 167 people.

Occidental had a written permit to work procedure, a manual and a handbook for newcomers. Lord Cullen found the procedure "habitually or frequently departed from", with no formal training for its own staff, and summed up: "The safety policies and procedures were in place: the practice was deficient." Kettei's name for the gap is Documentation-Reality Divergence.

Management relied, in Cullen's words, "on the absence of any feedback of problems as indicating that all was well." In Kettei a procedure counts as working when its people can demonstrate it without the document, and a death like the one in 1987 sends it back for revalidation. Of any dangerous procedure, a board can ask what it says and what the last shift did.

Post Office Horizon

A decision that has come to stand for an institution's competence is shielded from the evidence, so a board names in advance what evidence would reopen it.

The Post Office introduced Horizon, a computer system for branch accounts, in 2000, and from then on sub-postmasters began to report unexplained discrepancies and losses. Many hundreds brought group litigation in the High Court. The Post Office maintained that the systems "were and are robust, and extremely unlikely to be the cause" of the shortfalls.

In March 2019 Mr Justice Fraser cited internal documents, the first from November 2000, showing that some Post Office personnel believed at the time that Horizon caused at least some of the discrepancies. He found that "There was no mechanism adopted by the Post Office to resolve such disputes." In December 2019 he held that "Legacy Horizon was not robust".

Fraser observed that robust "has been at the heart of the Post Office's defence of the Horizon system for many years", found "institutional obstinacy or refusal to consider any possible alternatives" and likened the approach to maintaining "that the earth is flat". Kettei names this Institutional Moralisation. The label is mine, and the judgments make no finding about motive.

Kettei's Validity Boundary covers the claims used to defend a decision as well as the decision. Written that way, "Horizon is robust" becomes an assumption with a named owner and a condition that would reopen it, such as a rising count of disputed shortfalls. A board can settle in advance what evidence it would accept against its own position.

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Prevention of Terrorism Act

Crisis powers need a written condition for ending, because a review that asks only whether the danger persists keeps finding that it does.

On 25 November 1974, soon after the Birmingham pub bombings killed 21 people, the Home Secretary, Roy Jenkins, asked the Commons for powers he called “Draconian”. The Prevention of Terrorism (Temporary Provisions) Act received Royal Assent 4 days later. Section 12 wrote an expiry into law, allowing continuation for no more than 6 months at a time, by order approved by affirmative resolution.

The powers were renewed and re-enacted, and the 1989 version still had Temporary in its title. In 1998 a Home Office paper noted that 24 years on “those temporary powers are still on the statute book”. The Terrorism Act 2000 replaced the annual vote with an annual report, and the 1989 Act ceased to have effect in February 2001, just over 26 years after the first grant.

Section 12 named no condition under which the powers would end. A review could only ask whether danger persisted, and for 24 years the answer came back yes.

Kettei calls this Authority Capture, and treats a crisis grant as a decision, with abort criteria written before anyone holds the power and has reasons to keep it, and a named owner who answers when a trigger fires. In a company it may be a spending limit moved up a level during a crisis. A board can ask which approval structure was built for a crisis, and when it reverts.

Queensland Health payroll

Queensland Health’s payroll went live through test gates rewritten to let it pass, so a board told that criteria are met needs to see which criteria.

On Sunday 14 March 2010 the Project Board decided by telephone to go live, told that “predefined criteria have been met”. The system then failed to pay a large number of staff and paid an even larger number inaccurately.

IBM had signed in December 2007 at A$98 million, with the payroll for about 80,000 staff due by 31 July 2008, and go-live came after 10 aborted attempts. In July 2013 Commissioner Richard Chesterman estimated that keeping the system running would cost about A$1.2 billion over 8 years, and wrote, “It may be the worst.”

The system entered later test phases without meeting the entry criteria, defects were downgraded in severity, and Change 208 to the contract lowered the exit criteria and deemed the system to have passed. Kettei calls this Normalisation of Deviance. Chesterman found that the response to the test manager’s final report was issued “with the obvious desire to neutralise it”, which is Signals Ignored.

Escalation of Commitment followed, and an official told the inquiry the project was “so far in that you had to actually keep going”. On paper the board’s briefing of 14 March was accurate. Kettei makes each change to a gate’s criteria a recorded decision with an owner and a date, so a board can set the criteria met beside the criteria first agreed.

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Silicon Valley Bank

Compliance asks whether the rules were followed and validity asks whether the conditions behind a decision still hold, and at Silicon Valley Bank the second question had no owner.

A rule required the bank to have a chief risk officer, and from 29 April 2022 it did not. Supervisors could have cited the breach and chose not to, because a search was under way.

Between 2019 and 2021 deposits from venture-backed technology companies took the firm from US$71 billion to over US$211 billion in assets. Much of the money went into long-dated securities held to maturity, US$91.3 billion at amortised cost against a fair value of US$76.2 billion at the end of 2022, resting on an assumption about interest rates.

The Federal Reserve's review names no rule that the position itself broke, and the accounting, applied as written, had narrowed the room to sell. Plenty was flagged. Supervisors found interest rate risk deficiencies in 3 consecutive examinations, and the bank had 31 open findings when it was closed on 10 March 2023, about triple its peers.

Those findings were about practices, programmes and ratings, and the question the decision needed was missing from the list. Kettei gives a position like this one person answerable for its assumption, with a validity boundary and a trigger written down when the decision is made, so the board hears about the decision as well as the findings around it.

Target Canada

At Target Canada a decision formed at head office reached the shelves as a date to hit, and the assumptions it rested on stayed out of sight of the people doing the work.

In 2011 Target paid $1.8 billion for the leases to the Zellers chain, which committed it to opening fast. It opened 124 stores in Canada in fiscal 2013, "the biggest single-year store opening cycle in the Company's history".

Former staff interviewed by Canadian Business describe a status meeting in February 2013, a month before the first openings, that heard about distribution centres unable to move goods onto shelves. Two people voiced reservations, and the doors opened on schedule. An internal team had put product data at about 30% accurate in 2012, against 98% to 99% in the US.

On 15 January 2015 Target announced it would stop operating in Canada, with 133 stores, about 17,600 employees and expected pre-tax losses of about US$5.4 billion. The failure mode is Strategic-Tactical Chasm, a decision formed at strategic altitude that does not form as a governable object at tactical altitude.

Accurate data was a principal assumption of the plan, and in the published account the assistants entering it were not told it had to be right. A board can test the descent by asking the people executing a decision to state its scope and its validity boundary without borrowing the board's words.

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Taurus, London Stock Exchange

The accounts of Taurus record no condition set at the start for stopping it, so it ran on while problems were known and ended about 10 days after an outsider priced the rest of the work.

On 11 March 1993 the board of the London Stock Exchange stopped work on Taurus, the system meant to take British share settlement off paper. The chief executive resigned the same day.

By its own account the Exchange had spent £75 million, and the Independent reported City losses of at least £275 million. Many institutions had known of fundamental problems for at least 18 months, the paper reported, while the chairman said the board learned only late in 1992 that the parts developed did not operate properly.

Coopers & Lybrand, asked in the final weeks, put the rest at 2 to 3 years more and up to double the cost so far. In Kettei the pattern is Escalation of Commitment, persistence on the strength of prior investment when current evidence points the other way. When the people involved have more to lose from stopping than from continuing, continuing is what the organisation has chosen.

The remedy is Abort Criteria, set when a decision is formed and before sunk cost builds up, observable and with a named owner. For Taurus in 1987 that might have been a delivery date and a cost ceiling, and the 18 months of known problems would then have met a line drawn before the money went in.

Uber

Read as a set, the remedies Uber's board adopted in June 2017 suggest that authority had spread faster than the capability to govern it.

Uber hired Eric Holder and Tammy Albarrán of Covington & Burling on 20 February 2017. Susan Fowler, a former engineer, had published a blog post the day before alleging harassment, discrimination and retaliation.

After over 200 interviews and a search of over 3 million documents, Covington made 13 pages of recommendations, adopted unanimously by the board on 11 June 2017. A chief operating officer would "act as a full partner with the CEO", and new managers were to get significant training. Human resources was to be "vested with true authority to act on all issues affecting employees".

Covington's conclusions were not published, so what follows is my own inference. Kettei names the pattern Capability-Governance Mismatch, the mode in which decision-making authority scales faster than governance capability. I was programme manager at Navman while it grew from 30 to 200 engineers, and growth on that scale multiplies the people entitled to commit an organisation.

A hiring plan can add headcount within a quarter, and the habits that keep decisions governed take longer to build. Kettei treats governance capability as a condition of expanding authority, with an Owner for each consequential decision and a Scope that records what authority was delegated and where it stops. Covington's list reads as the price of closing that gap after the fact.

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UK Ajax armoured vehicle

Ajax had a named owner throughout, and for years that owner had a tenth of a week for the programme and learned of crew injuries months after others held the evidence.

In 2014 the Ministry of Defence agreed a £5.522 billion firm-priced contract for 589 vehicles with General Dynamics Land Systems UK. By December 2021 it had paid £3.167 billion.

The National Audit Office reported in March 2022 that the senior responsible owner "was initially allocated to the programme for 10% of his time", rising to 30% in 2018. Earlier owners held the same role on the Boxer and Challenger programmes at the same time. Five people held the seat from November 2011, and the first full-time owner was appointed in October 2021.

From late 2019 the Army's trials team raised concerns about vibration, and it began reporting injuries in July 2020. The owner was told about the noise, the vibration and the potential injuries in September 2020, and Clive Sheldon KC's review of 2023 found significant concerns decided within the procurement agency's chain of command without the owner's input.

Decision Vacancy is the Kettei name for it, and Ajax shows how easily it is missed, because the box had a name in it. The Owner is one person accountable for whether the decision is still valid, and a change of owner is a recorded event. For any programme a board sponsors, the test is who holds that validity, by name, and for what share of the week.

Wirecard

Wirecard's boards accepted reassurance over evidence until €1.9 billion of cash proved not to exist.

Wirecard, based in Munich, joined Germany's DAX index in 2018 as a homegrown fintech set to take on the American payments giants. In June 2020 it admitted that €1.9 billion recorded on its balance sheet did not exist. Within days it was insolvent, and its chief executive was arrested.

The decay had run for years while the company reported growth and innovation. Offshore structures multiplied, and each workaround could be defended on its own. Inside the firm critics were isolated and loyalty was rewarded over curiosity, while outside it journalists met legal intimidation. Trustee accounts and confirmations were taken at face value, with no independent check.

My book reads Wirecard as Hansei (Reflect) actively resisted, because reflection put at risk the story that kept the momentum going. Persistence was present and misdirected, so the company dug in when it was criticised. Auditors signed off accounts without checking the cash, and regulators went after journalists and restricted short-selling just as scrutiny needed to tighten.

The lesson for a board lies with the supervisory boards that took reassurance over evidence while the reported cash grew implausibly large. Documents went unchallenged because a challenge would have broken the story the company needed to believe. Germany tightened oversight and whistleblower protection after the collapse, and reflection done after failure does not prevent failure.

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GOVERNANCE HELD

Data monitoring committees

Trials keep the people who watch the evidence apart from the people who decide, and a boundary agreed in advance fixes when the question is asked while people give the answer.

The US Food and Drug Administration's 2006 guidance dates the committees in some trials to at least the early 1960s. Independence is greatest when members have no part in the trial beyond the committee.

On 31 May 2002 the independent board of the Women's Health Initiative found the design-specified statistic for invasive breast cancer at minus 3.19, against a boundary of minus 2.32, in a trial of 16,608 women. It recommended stopping the combined hormone component and continuing the parallel trial, where the balance of risks and benefits was still uncertain.

The committee recommends and the sponsor decides. In the guidance a committee is advisory to the sponsor "in almost all cases", and "will usually recommend termination when these thresholds are crossed, but it is not obligated to do so". RECOVERY, a COVID-19 trial, set no hard stopping rules, and its committee still advised unblinding in June 2020.

These cases do not prove Kettei, and stopping on a boundary has risks of its own. In Kettei a trigger is the andon cord anyone watching may pull, and the decision's Owner, and only the Owner, declares the abort, so the resemblance lies in keeping the watching apart from the deciding, with reasons on the record.

GOVERNANCE HELD

Netflix and Qwikster

One owner withdrew Qwikster by itself 22 days after announcing it, while turning back was still cheap, and a trigger written in advance makes that kind of reversal independent of the person in the seat.

On 18 September 2011 Reed Hastings, co-founder and chief executive, opened a Netflix blog post with "I messed up. I owe everyone an explanation."

The same post announced that the DVD service would be renamed Qwikster "in a few weeks", with its own website, separate billing and its own chief executive. On 10 October 2011 a post signed by Hastings withdrew the plan, because for many members 2 websites "would make things more difficult". It read "This means no change" and closed on "no Qwikster", and the July price change stayed.

On the record the announcement and the withdrawal went out under the same name, and the withdrawal was narrow, so one decision was separated from its neighbour and withdrawn by itself. It came before the notice that qwikster.com was up and ready, which the September post had promised, while turning back was still cheap.

This is a partial case. Hastings's hedge, "It is possible we are moving too fast", had no condition attached, and no trigger or abort criterion written before 18 September appears in either post. The reversal rested on one owner's judgement under pressure, and a trigger written in advance turns that judgement into a mechanism independent of the person in the seat.

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GOVERNANCE HELD

Toyota after Tōhoku

Toyota fixed an order of priorities in the first days after the earthquake, with production third, and that order answered the choice between output and community before it came up.

The earthquake of 11 March 2011 struck off Miyagi Prefecture at magnitude 9.0, and tsunami followed. Toyota counted 659 damaged supplier sites, against 13 in 1995.

Its companywide countermeasures headquarters set the order as protecting human life and providing relief to victims, then aiding rapid recovery of disaster regions, then resuming production. On 12 March Toyota decided to suspend its plants in Japan from 14 March, to put the safety of employees and of employees' families first. The same day it sent 60 employees as an emergency relief team.

A year later its Annual Report 2012 gave the reason, that "recovering production is impossible without revitalizing communities". It also gave the rule for alternatives, "Look into finding substitute products, but only when restoring onsite production is problematic", which behaves like a trigger inside a Validity Boundary. Restoring on site was the standing course.

The Kettei interpretation is mine, and the record runs thin. "Problematic" has no threshold, neither source names who judged it, Abort Criteria appear in neither document, and I make no claim that the order produced the pace of recovery. An order of yielding, fixed in the first days and restated a year later, gave a choice between output and a stricken community its answer before it came up.

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Take one of these cases to your next board or steering meeting, and put its question to a decision of your own. Most cases close on a lesson for a board.



The session online

The post about this session
https://kettei.substack.com/p/next-week-my-first-kettei-workshop

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Where I am going

These cases come from a body of work I am building in the open. *Kettei: The Discipline of Governed Intent* is my third book, after *Ishi: The Discipline of Determined Intent* and *Kaizen of the Day*, and it is the third of 5 books I am building. I wrote it for the CTOs and programme directors who hold consequential decisions after board approval.

My book goes to Leanpub in draft as I write it, so you get the argument while it can still be argued with. Alongside it I publish a Kettei essay of about 1,000 words on each working day, 5 a week for 12 weeks, 60 essays in total. On Thursdays the free Kettei Decision Digest pulls the week's essays into one argument.

Kettei needs no software. Once the setup is done it takes about 20 minutes a week inside meetings you already hold. Scan to follow the essays on Substack, or to read my book as I write it on Leanpub.

The Kettei essays and the Decision Digest
kettei.substack.com

My book, as I write it
leanpub.com/kettei-dogi

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KETTEI

More Kettei case studies on Substack

The remaining Kettei case studies, the Kettei essays and the weekly Kettei Decision Digest are on Substack.

KETTEI ON SUBSTACK

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THE FLAGSHIP CASE: THE DECISION THAT COULD NOT EXPIRE: THE BOEING 737 MAX

kettei.substack.com/p/the-decision-that-could-not-expire