

# The unexpected effects of acting in the short term

New research shows it pays to think long and hard before making decisions that deliver immediate gains, writes Emma Boyde

Every so often a story emerges where the good guy wins and the bad guy loses, where the short-term bottom line and commercial interests do not win out. Now, if the conclusions of recently published research\* by Freek Vermeulen of London Business School and Mihaela Stan of University College London are adopted, such stories could become just a little more common.

Prof Vermeulen, an associate professor of strategic and international management, and his co-researcher Prof Stan, an assistant professor of strategy, decided to investigate the success rates of in vitro fertilisation (IVF) clinics. Using data on British fertility clinics, they wanted to examine the impact of "selection at the gate" – a process whereby organisations try to improve their success rates by selecting promising cases.

Fertility clinics, many of which are located in London's Harley Street area, adjacent to London Business School, are required to publish their success rates.

"One of the competitive elements is success rate, inevitably, and you've got to do all that you possibly can to maximise your outcome and one of those, of course, is to select your patient," says one senior doctor, interviewed for their research.

The professors defined their criteria for difficult cases as women who had failed to conceive under previous IVF treatment, women who produced relatively few eggs and women who were aged 35 or over.

The pair's results were counter-intuitive, although of no surprise to Prof Vermeulen. They found that those clinics that selected easier cases enjoyed an early advantage in terms of success rates. However, those that were non-selective soon caught up and subsequently overtook them.

"What surprises me is that it surprises people in the industry that people are not aware at all of these long-term consequences," says Prof Vermeulen.

The problem, he says, is that people do not see the long-term consequences of a decision simply because any consequences are in the future. They only see the short-term effects.

To verify their findings, the professors investigated to see if clinics with more difficult cases had brought in additional specialists or made use of superior technology. They discovered that clinics with more difficult cases had no more resources than their more choosy peers.

Prof Vermeulen believes the enhanced learning and skills that these clinics had to develop to handle more difficult cases led to the improved success rates over time. The difficult cases promoted experimentation and the codification of new knowledge, the professors add.

"It's basically a feel-good story," says Prof Vermeulen, in which "villain" clinics who are focused more on their bottom line eventually lose out to the heroes who are more focused on the patient.

However, the implications of the research are much broader, he says. Organisations should not necessarily embrace difficulty, although that could be beneficial. Rather, they should look very hard at decisions that will deliver short-term gains.

"Focusing on the easy things that seemingly make you the most money can have adverse consequences in the long run," he says.

He and Prof Stan refer to other academic studies that have shown how downsizing programmes to cut costs and boost profits have been shown to have adverse consequences. Outsourcing certain activities has also been shown to have unanticipated negative effects.

"I think my main task here is simply to raise awareness that sometimes long-term consequences are very different to short-term consequences," Prof Vermeulen adds.

For women hoping to use the professors' work to inform their choice of IVF clinic there is no easy solution. Without access to the huge amount of data gathered for the research it would be hard to know at what stage the clinic was in its learning process. If, however, a clinic has turned you away as a patient, that might be no bad thing.

*\*Selection at the Gate: Difficult Cases, Spillovers and Organizational Learning.*

