



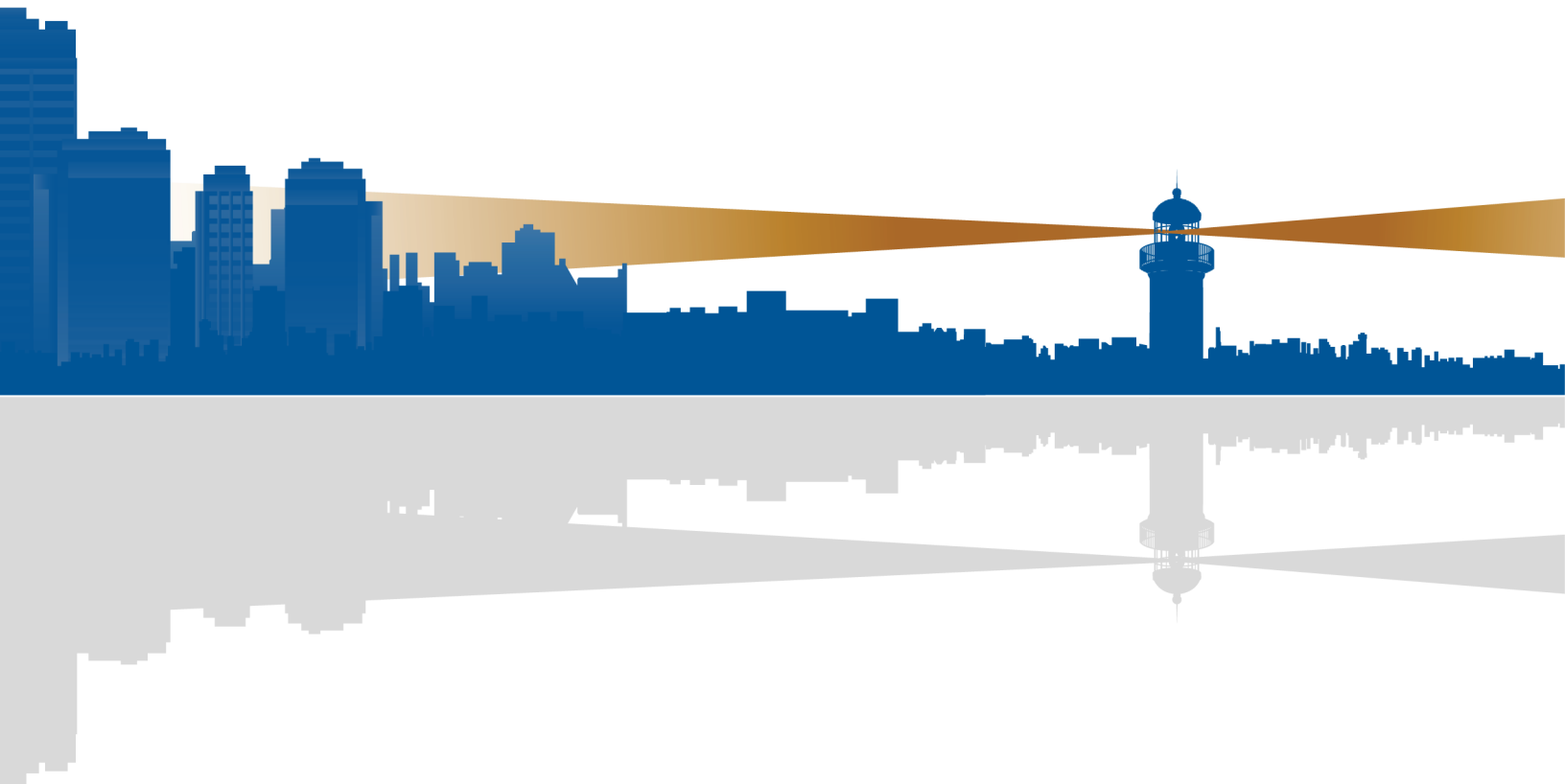
THE BEACON GROUP

Navigate the Future™

Decisive Moments – Standing Up When It Matters

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Our Quarterly Newsletter





In Our View ...

It has been a particular fascination of ours, since the early 1990's, to try to understand why otherwise smart and experienced executives and their leadership teams continue to make poor decisions that produce repeatedly ugly results. We first came upon research into this particular paradox by The University of Chicago and their prize winning Center for Decision Research several years ago. Since then, we have never failed to be amazed by the fact logic does not always apply the way it should. In fact, people like German Professor Dietrich Dörner have convinced us there is, in fact, a certain logic to failure. Bad decisions and failure don't just emerge like a thunderbolt from the heavens to shed their wrath, they actually emerge over time, according to a predictable course of events.

As both domestic and global market conditions continue to present game changing challenges for most organizations, it is disappointing to see the logic of failure arising over and over again, for the same basic reasons, and to watch business leaders make the same poor choices rather than adapting in the way they should.

When an organization stalls, when its performance comes at too high a price, when it is not as crisp or as focused as it needs to be on execution, and when the organization has trouble reinventing itself, you know the leaders of that organization are having trouble making "good decisions". It is perhaps not entirely by coincidence that our friends at both The Rotman Magazine and HBR have recently dedicated space in their publications to this matter. We thought we would do likewise.

Yours truly,

R. Douglas Williamson
President & CEO



It's All About Value ...

Let's just call it out so we are 100% clear up front.

The number one responsibility of any leader is to create value for all stakeholders, and we believe that should be viewed in the richest and widest possible meaning of the term. It should include not just the shareholders, but also customers, employees, and the community at large.

While some may find that too altruistic the fact of the matter is, if more key business decisions were viewed through that much wider and more holistic lens, the decisions made, at all levels, would very likely be better ones.

Why?

Well, let's begin with the fact they would be more balanced, they would take a longer time horizon into account, they would not favour one group over another, and it would certainly ensure better discipline as every decision would be validated through the same, simple filter of which decision adds the most economic value. Now, if that sounds too simplistic, let us just suggest it is people who create value, not organizations, and they do so through the choices and decisions they make.

As a result, the ultimate value of an organization is the sum total of all of the decisions made, by all of the people, over time. So any organization that wants to be great has to strive to become the ultimate decision making machine. Unfortunately, that is exactly where things begin to break down, because most organizations are simply not built to that high standard. All too often, the decision making process is flawed, right from the top, and the logic of failure presents itself over and over again for all to see.

When that happens, a chain of events is set in motion that makes it harder and harder for an organization to reinvent itself and, when it can't do that, the road to mediocrity and/or irrelevance is virtually guaranteed.

Tough Times. Tougher Decisions ...

The very nature of the times in which we live requires us to up the ante on our individual and organizational decision making prowess. Professor Joseph L. Badaracco, the highly regarded expert in business ethics at Harvard, reminds us the increasing challenge of the modern environment is that more and more of our decisions are being made in the "gray area".

He defines the "gray area" as situations in which:

- You don't have enough information and never will,
- There are fewer precedents to fall back on,
- The complexity is significant, and
- The stakes are high,

One of the key points Badaracco makes involves the risk of what he calls "the seductive power of analysis". In this case the leader believes more data is the only way to solve a tough problem but, in fact, they are really hiding from making a decision at all. What he is saying is that, increasingly, the types of problems we face and the decisions which need to be made do not lend themselves to simple analytical reasoning because they require someone (or some group) to make a hard call, and that takes guts and intuition.

These so called "hard calls" are hard because the choices we need to make are not that obvious. They have risk, and often times significant risk, attached to them and they very likely break from the past and take us into new, uncharted territory. Decisions of this nature are not solved by adding extra layers of analysis to narrow down the choices, but only by adding a greater diversity of insight to effectively widen the lens.

Coming back to business and value creation, if you narrow the focus to remove the risk by charting a path down the illusion of safety in "Analysis Lane" you will, by definition, chose a path that creates less value or creates value for one constituency over another. The minute you do that, you create a vicious economic spiral downward.

The Perils of Ego & Rationalization ...

In order to make a hard call in the gray area, which is where business value is created today, Badaracco suggests we also need to escape what he calls our "egocentric prison", in other words, the need to be right all the time. He goes on to say that one egocentric trait we can all easily fall prey to is actually shrinking the size of the problem in order to make our ego look even bigger and brighter. This would mean rejecting alternatives and limiting the diversity of inputs in order to push a particular agenda - our own. In others words, kind of fitting the facts to suit the decision we prefer.

Badaracco believes the better way is to accept the emotional and psychological risk that comes with making tough decisions. He is telling us that more numbers and Gant charts will not give us the answer to anything other than a low level, routine problem. When we move up the complexity hierarchy, he suggests it is ultimately our judgment which must replace analytics as the flint to trigger a decision. In turn, good judgment requires a "fusion of your thinking, feeling, experience, imagination and character".

In a crazy, noisy, unpredictable world, we simply can't use the same tools we may have used in the past. We can't judge the efficacy of complex decisions by the evidence we find in mathematical algorithms. We need a different toolkit, a toolkit fit for the times. It has to be one that actually simplifies the decision making process, rather than wrapping it in layers of false evidence, all designed to prove the unprovable.

There is one big positive about leading a business in tough times and that is the fact that when the swamp has been drained because your reality is more stark, it is easier to see the rocks that may have been hidden under the surface. In this case, the business leader needs to stop rationalizing the situation and face the facts as they are, not as they wish them to be. The so called hidden rocks (aka the uncomfortable truths) present the leader with the opportunity to make a bold decision and not fall back into making a limp decision based on the ugly sisters - hope and denial.

The Hidden Cost of Inconsistency ...

Daniel Kahneman is a name you should know, and a thinker you should follow, in the old fashioned sense of the word since he does not have a Twitter account (as far as we know). He is a Nobel Prize winner, an author and Professor Emeritus at Princeton.

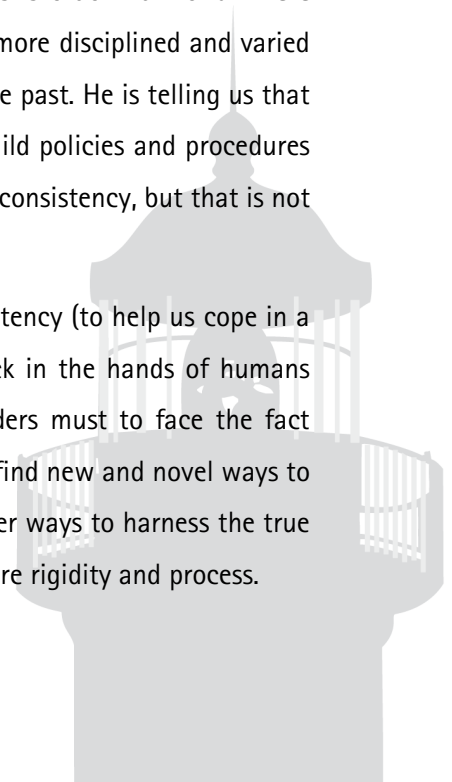
In other words, he is a really smart guy!

Here is a short summary of his thinking":

- Reliable, consistent decision making only applies to the low level, most routine and most basic of decisions.
- Higher order decisions cannot be systematized since they are all subject to variables we cannot necessarily predict.
- Human beings, left to their own devices, are unreliable decision makers since they can be strongly influenced by irrelevant factors.
- Noise, bias and ego all negatively impact our decision making and serve as a "hidden tax" on our decision effectiveness.

The point Kahneman has been making since the early 2000's is that in a world where there is less routine and more complexity, we need to bring more disciplined and varied thinking to our decision making processes than we have in the past. He is telling us that in a simpler, slower and more predictable world, we could build policies and procedures into our organizations that would give us both reliability and consistency, but that is not the world of business we live in today.

Paradoxically, at the very time we crave reliability and consistency (to help us cope in a complex world), we have to put our organizational fate back in the hands of humans who we know are unreliable decision makers. Business leaders must face the fact they need to make a decision on decision making. They must find new and novel ways to make better decisions, and that will be through building better ways to harness the true intellectual capital and richness of people, not just adding more rigidity and process.



Thinking Better to Decide Better ...

The thinking we share with the likes of Kahneman and Badaracco, as well with other great thinkers of a truly Canadian variety like Roger Martin of University of Toronto and McGill's Henry Mintzberg, seems almost too obvious to sound interesting.

The premise is as follows:

- We need our leaders to make better decisions.
- Better decisions are the direct outcome of better thinking.
- We need better thinking to take advantage of discontinuous change.
- The environment is perfect for seizing the opportunities of that change.
- We need to change the way we think and decide in order to create value.

The challenge is not in stating the obvious, but rather in getting leaders to let go of what they are doing, and have done, and accept the fact they need to quickly do things differently if they want different results.

Thinking is the raw material of the decision making process, and you are only as good as the raw material you have to work with, so, the decision you have to make is, how can I improve my supply of ready, dependable, high quality raw material?

The answer is actually pretty simple, but seemingly very hard to implement since its logic does not intrinsically appeal to most hard nosed executives of a certain vintage.

Here is the formula:

1. Get the "right" people into the thinking and decision making tent.
2. Place the premium on the quality of their thinking, not their tenure or title.
3. Demand a rich diversity of original thinking and alternative points of view.
4. Create an environment in which great ideas can co-mingle and have sex.
5. Insist on the discipline of always producing more than one "right" answer.

Innovation & Value Creation ...

The most recent issue of Rotman Magazine focused on the worthy subject of disruption and how you can master disruption to create value. While they are not the first to offer up their own recipe to this new and trendy idea, and they certainly will not be the last, the fact of the matter is they are on the right page.

Their essential message is spot on.

"Leaders don't innovate themselves, they create the context for others".

We like this train of thought because it debunks the myth of the lone genius, and it goes even further by quoting Andrew Atkins and Michael Seitchik by adding:

"Innovation isn't about leaders' ideas: its about enabling great ideas to be born and flourish. The essential role of the leader is to shepherd creativity through to productivity."

Unfortunately, what we see most often are senior leaders and their teams who:

- Must always have it their way
- Focus on narrow domains of subject matter expertise
- Don't know how to facilitate on open conversation with opposing views
- Settle for the second/third best choice because they want to reach consensus

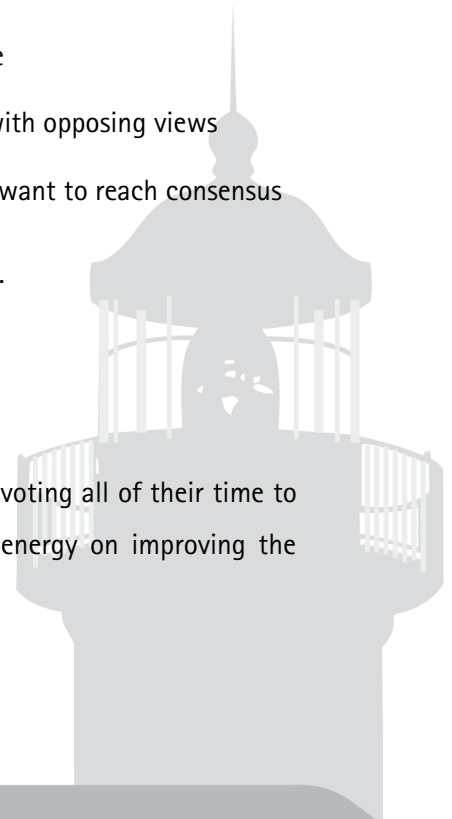
That's just not the way to create opportunity out of challenge.

That's just not the way to build and foster original thinking.

That's just not the way to create true economic value.

Leaders need to lead by making the decision to lead - not devoting all of their time to trying to improve the outcomes, but rather focusing their energy on improving the inputs (i.e. the thinking) in order to drive better outcomes.

Garbage in. Garbage out.



Culture of Originality ...

While it might be nice, and would certainly be more convenient, to believe leaders need to possess a full suite of capabilities to be successful, the truth is far from that. The fact of the matter is, the competencies, aptitudes and mindsets of great business leaders are different from those of managers, different again from those of administrators, and distinctly different from those of innovators.

Since we don't believe business leaders make the best innovators, we need to define what their role is in the innovation and decision making process. Sad to say, but the day of the omnipotent, charismatic, all knowing leader are gone and have been replaced by a different type of leader. A leader better suited to the times in which we live and better suited to the value creation formula of today, where, to quote Seth Godin:

"It's no longer the big that eat the small, it's the fast that eat the slow."

In our view, the role of the leader is to:

- Select the brightest minds, no matter where they come from
- Challenge them to compete for ideas with other bright minds
- Set the context and frame the essential business challenge/dilemma
- Provide the right environment for others to do the heavy lifting
- Get out of the way except when they need you to remove a barrier to their work

While perhaps utopian in sentiment, this is anything but utopian in practice. Instead, like all worthy endeavours, it is a very difficult transition to make. It is difficult for the very reason we need to make it - the fact the old model is no longer valid. It has become outdated and even obsolete because the world has changed. Like it or not, we must now fight for survival in a market where value is created through an organization's ability to harness fresh, new thinking, not through perfecting the next new lean process.

The economics of incrementalism have been replaced by the economics of originality.

Mindset of the Innovator ...

In order to be the leader you need to be in today's reality, and we need to redefine what it means to lead. This is not new thinking. Business guru Ram Charan spoke about the importance of making transitions in his book *The Leadership Pipeline* over 10 years ago.

The premise was both simple and elegant.

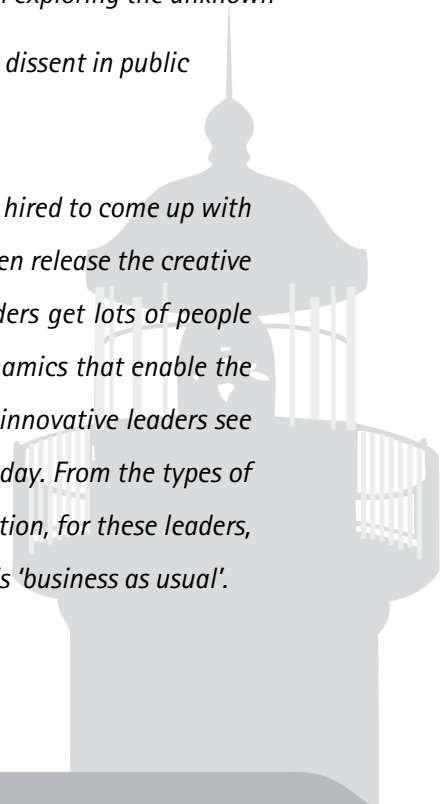
He said that leaders need to deliberately shift gears as they rise up in an organization, and as the external climate changes. If they don't shift, and shift at the right time and in the right way, they risk becoming irrelevant, either because they are doing someone else's job (those below them), or they are leaving a void in the space they should occupy.

We think Andrew Atkins and Michael Seitchik (mentioned earlier) have a very interesting and useful view on this. They suggest three things they have observed from their research and which stand out as unique qualifiers for the modern leader.

- Humility - *knowing you don't have all the answers or even all the questions*
- Discovery - *in the form of curiosity and a comfort with exploring the unknown*
- Facilitation - *the master skill of drawing others out to dissent in public*

To quote Atkins and Seitchik:

"Remember, as a leader, your job is to lead: you didn't get hired to come up with 'the next big thing' on your own. Your job is to hire and then release the creative forces of the talent in your organization. Innovative leaders get lots of people into the game, actively solicit ideas and create group dynamics that enable the best ideas to get discussed and implemented. In the end, innovative leaders see their role as that of a facilitator, shepherding ideas every day. From the types of meetings they hold to the ways they encourage collaboration, for these leaders, fostering innovative behaviour isn't an annual exercise, it's 'business as usual'."



Steps to Take :: Actions to Consider

Leading a business, or being part of a senior leadership team, is very worthy, exciting and rewarding work – when things go well. When an organization is growing, when its people are learning and everyone is contributing to the very best of their ability, it can be the best place in the world. But when it is not – it's not.

In our experience, very few organizations reach, let alone sustain, this perfect state of nirvana, and those that don't all seem to struggle with the same predictable list of failures, the most important of which is the failure to reinvent.

Instead, they begin to make poorer and poorer decisions over time. They lose the ability to think, let alone think clearly or in the future tense, because they are so busy trying to deal with the crisis of the moment. The more their collective brain begins to ossify, the more certain their ultimate demise becomes. The best antidote for a dreadful decline into painful irrelevance (either personally or organizationally) is to prime the thinking machine so you can make better decisions.

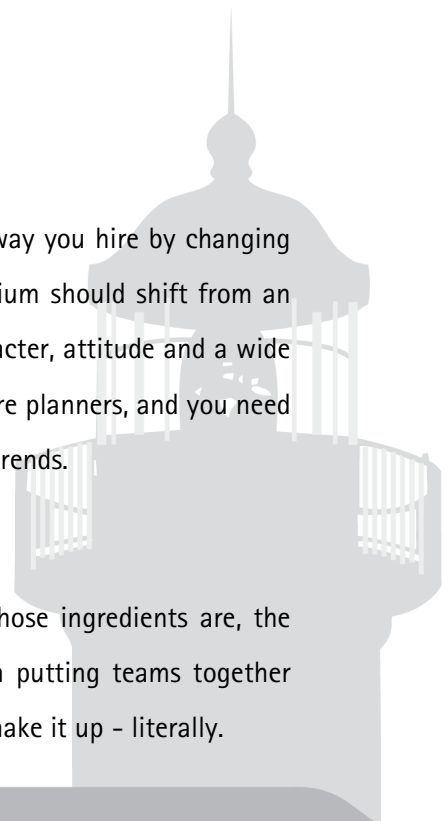
Here are some of the things you can do.

Change the Way You Hire

In a changing world it may just be time to change the way you hire by changing where you look and what you are looking for. The premium should shift from an accent on skill sets and deep technical expertise, to character, attitude and a wide diversity of experiences. You need more thinkers, not more planners, and you need people who can connect the dots and make sense out of trends.

Mix the Cocktail

The more ingredients you have, and the more diverse those ingredients are, the more it becomes important to mix them well. Focus on putting teams together that are more temporary in nature and less permanent. Shake it up – literally.



Grow the Pie

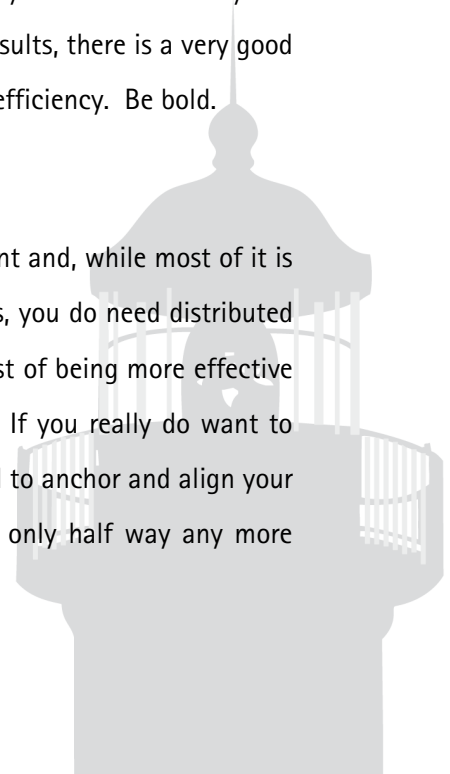
Reliable growth is typically the panacea for a whole bunch of business pain, and so it is time to reboot the growth engine rather than focus on costs efficiencies. When the dull and rather primitive instrument of arbitrary cost cuts is used, in a false belief it is better to share the pain, you are actually hurting the growth engine the most. In effect, by doing so you are basically deciding not to decide. Think again, invest in the future, and be very intentional in your decisions.

Think Outside the Box

In this case, the "box" is the way in which you currently think and make decisions. It's time to smash the old ways and outdated models to smithereens. Decide to go about your business differently, and change the various decision making processes you have one by one. Change the recruiting process, the capital allocation process, the budget process, the review process - change it all. If you don't think they can all be improved, with the intention of producing better results, there is a very good chance you are wrong, and perhaps even blind to their inefficiency. Be bold.

Devolve to Deliver

There has been way too much written about empowerment and, while most of it is well intentioned, it is seriously wrong-headed. The fact is, you do need distributed decision making, but it should be in the economic interest of being more effective and efficient, not to drive better employee engagement. If you really do want to devolve more authority and accountability, then you need to anchor and align your decision makers in a much different way. You can't go only half way any more than you can be half pregnant. Decide to get serious.



The Beacon Group ...

We are a Canadian based professional services consulting firm supporting a diverse portfolio of clients throughout North America and around the world. We work with senior leadership teams in all sectors and industries, in the development of their organizational strategies and in leveraging their human capital.

We advise senior leaders on how to transform their culture, improve performance and build effective leadership capability at all levels. We help:

Identify critical gaps – which impact organizational and leadership effectiveness

Facilitate crucial conversations – in a direct, "straight talk" manner

Align resources – to achieve sustainable high performance

Develop talent – in order to navigate the future

Our practice is divided into four main areas of expertise.

OUR MISSION :: BUILDING THE HIGH PERFORMANCE ORGANIZATION OF THE FUTURE

ORGANIZATIONAL TRANSFORMATION

LEADERSHIP DEVELOPMENT



FACILITATION

We facilitate...

- ▶ Leadership Team Offsites
- ▶ Competency Design Sessions
- ▶ Strategic Planning Sessions



ORGANIZATIONAL ASSESSMENTS

We provide assessments of...

- ▶ Organizational Culture
- ▶ Employee Engagement
- ▶ Team Effectiveness



INDIVIDUAL ASSESSMENTS

We design and deliver...

- ▶ 360° Feedback Programs
- ▶ Talent Assessments
- ▶ Individual Diagnostics



DEVELOPMENT

We provide...

- ▶ Executive Development
- ▶ Management Training
- ▶ Executive Coaching

Our Point of View ...

Times have changed.

Organizations are facing difficult and complex challenges.

Leaders are being asked to make different choices to confront crucial problems.

In times of turbulence and uncertainty, The Beacon Group helps organizations navigate the future. We help senior leaders redefine their strategic ambition and identify the stubborn barriers that are getting in the way. We help them reimagine a new path and then support them as they take practical steps to enhance performance, improve effectiveness and achieve new levels of sustained excellence.

Our Promises ...

We Believe – mindsets, attitudes, behaviour and character matter and that clear, consistent and authentic relationships are at the very heart of any “Trusted Partnership” with a client.

We Commit – to being a progressive, passionate, customer driven partner. We are thought leaders who are not only responsive, but agile as well.

We Support – progressive leaders and ambitious organizations in transforming business performance, organizational culture and leadership potential.

We Partner – with senior leaders to help create robust strategies, solid frameworks and pragmatic solutions to their most difficult challenges and intriguing opportunities.

We Achieve – results that make a difference and allow our clients to lead with confidence, and execute with clarity and accountability.



Organizational Transformation | Leadership Development



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