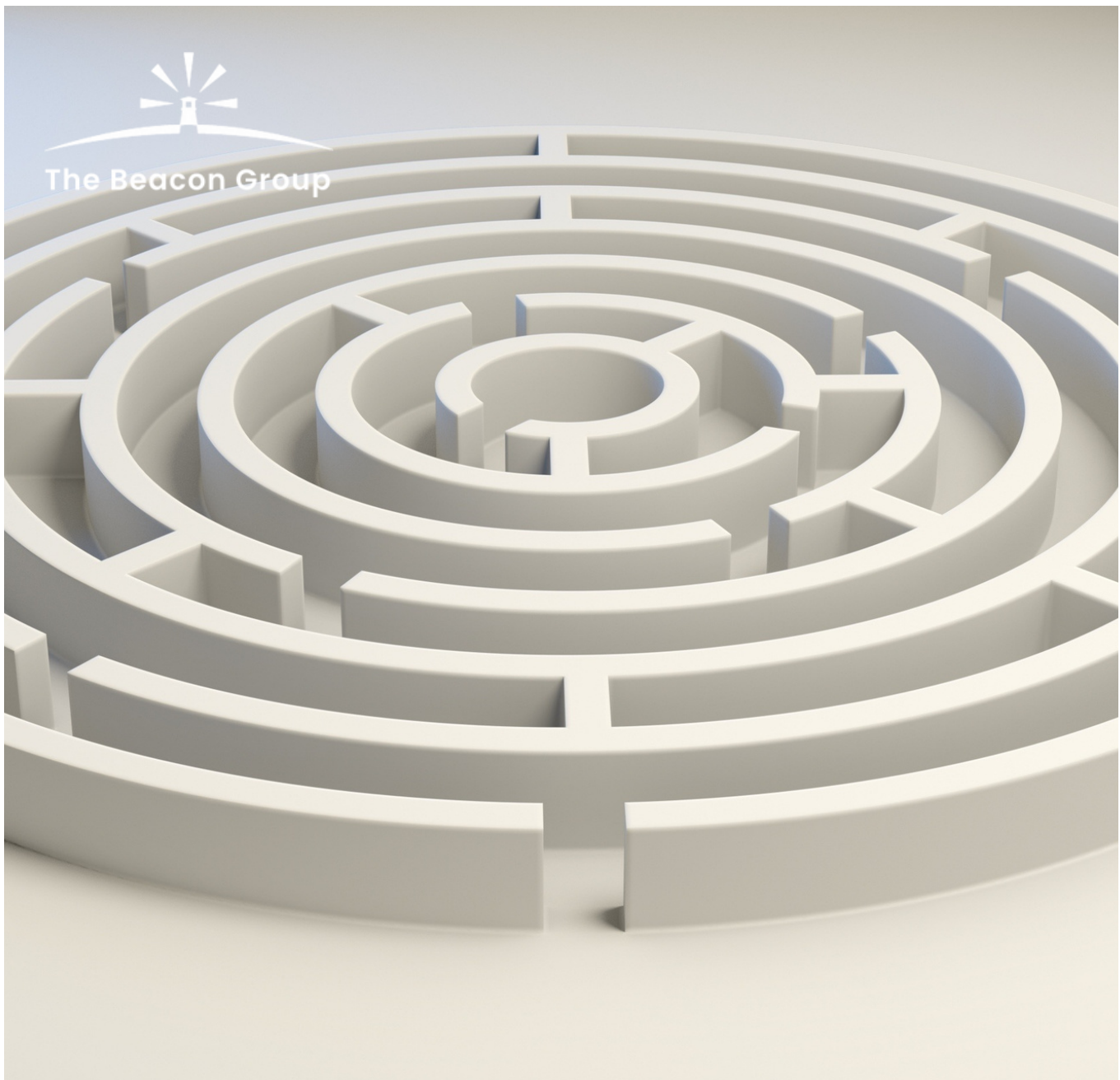


Great Judgment in a World of Uncertainty

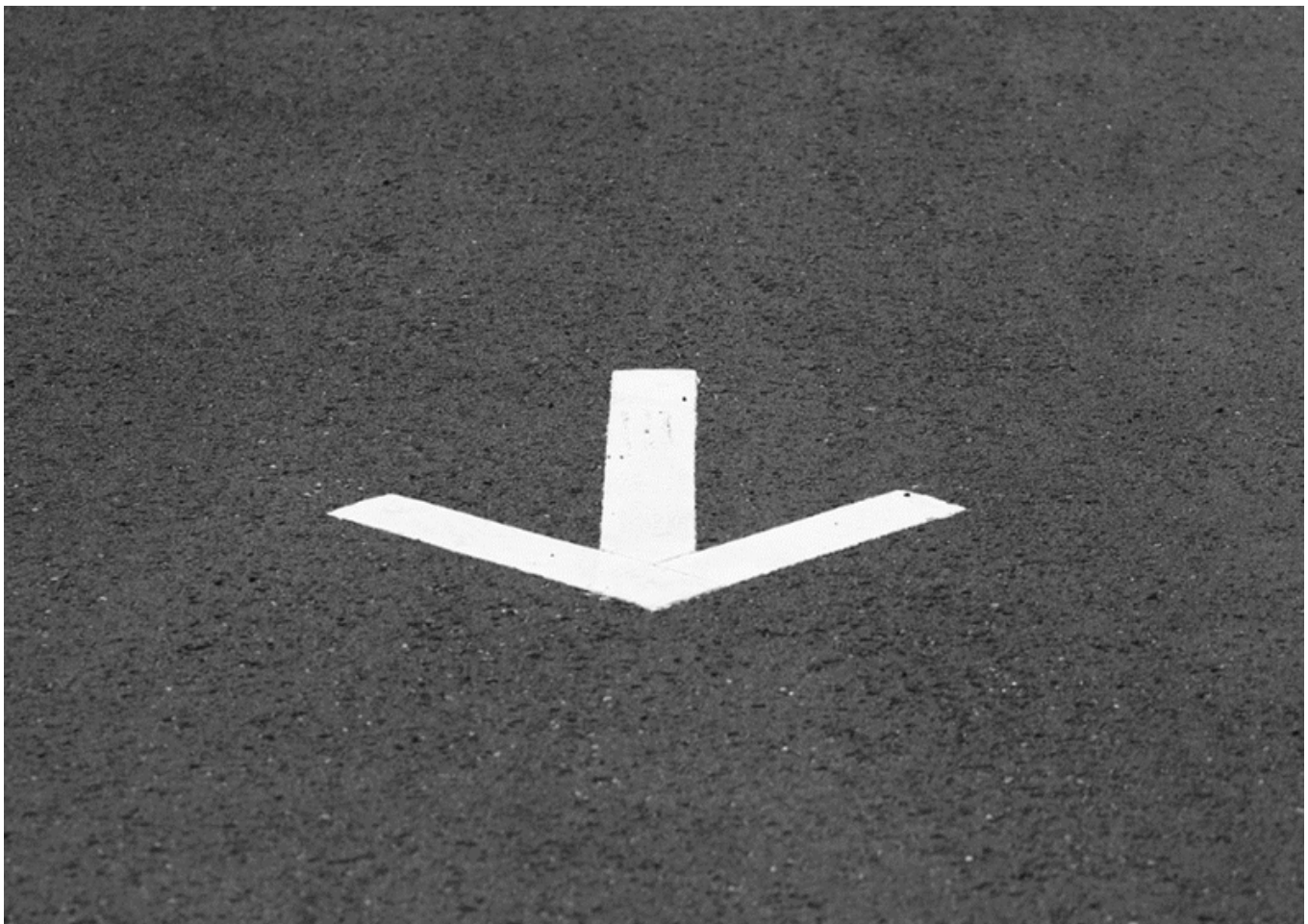


Introduction

Over the years, as part of our work with senior leaders and their organizations, we have been perpetually flummoxed by how often decision making seems to be such a significant barrier to reaching high levels of sustainable organizational performance. Apparently, groups of smart people don't always make the best decisions!

Luckily, the emerging field of behavioural economics has given us a much better appreciation of the complex stages and components of the organizational decision making process. As a result, we have come to better understand what ultimately determines the quality of the decisions we make as individuals, teams and organizations.

We wanted to share some of our own insights, and the insights of others, as the current COVID-19 crisis is putting added decision making pressure on leaders at all levels.

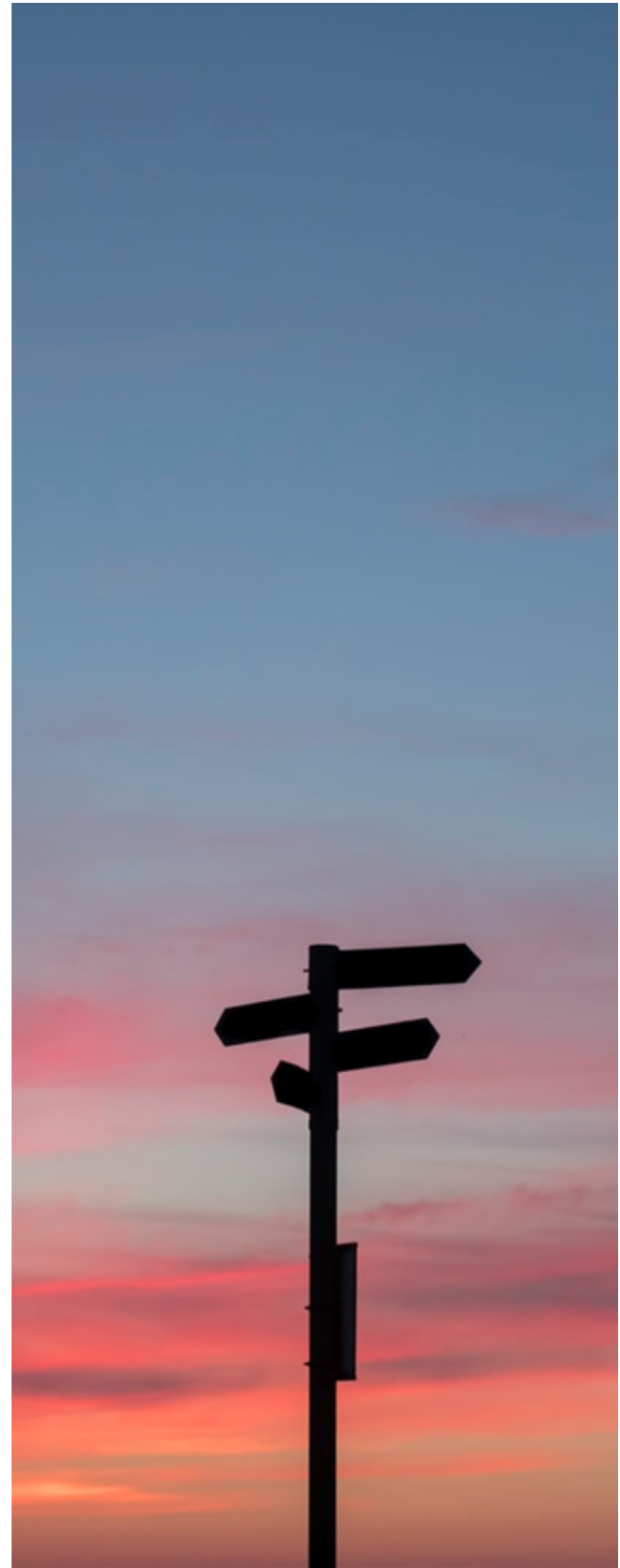


Recognizing the Challenges

We now know that decisions, both big and small, are made with a certain combination of rational thought and emotion. We have come to understand that cognitive blind spots are a serious problem, made worse by the fact that, according to The Center for Decision Research at the University of Chicago, typical business decision makers allocate only 25% of their time to thinking about problems properly and learning from experience.

Even more disconcerting, the experts tell us that, at the personal level, the least capable people often suffer from the biggest blind spots and have the most significant gaps between what they think they are capable of doing and what they are actually able to achieve. Their judgment is suspect as a result.

At the organizational level, evidence suggests senior executives do not pay enough attention to optimizing the decision making process within their organizations and, yet, they still wonder why so many of the decisions made within the enterprise are either misguided, go wrong or are simply ignored. Given the high stakes, the countless number of unknowns and the vast levels of ambiguity we see in the world today, we believe there is an urgent need to refine and reform organizational decision making.



The Art & Science of Effective Decision Making

In economic terms, we would assert that the true value of any enterprise can ultimately be determined by the sum total of all of the decisions made by all of the people in the organization over time. Any organization is only as good as its ability to repeatedly make great decisions and to have those decisions executed as originally intended. Yet, if you look deep into the workings of most organizations, you will very likely detect more than one flaw in their end-to-end decision making process. The question is why? In this paper, we will suggest ways in which leaders can get to the root cause of decision making underperformance. To begin, there are two basic questions leaders should ask:

- Does your organization make reliably good decisions quickly, or repeatedly poor or sub par decisions slowly?
- Do you follow a disciplined process to frame problems, generate options, foster collaboration and learn from experience, or apply an ad-hoc approach?

As leaders, every decision we make is, in some way, based on an underlying premise, which we may or may not fully understand, or even recognize. In turn, the premise shapes the assumptions we make, and those assumptions combine to form the basis for our argument. Together, they lead directly to the conclusions we draw and, ultimately, to the actions we choose to take or not take. It's a complicated and hazardous process, full of potential for error, confusion and abuse.

Why is it, many leaders have never considered spending any time, money or effort on improving perhaps the most important part of their organization's performance effectiveness plumbing, the decision making process?



Understanding Human Frailty

While properly executing any decision is critically important, since it is ultimately where the rubber meets the road, the process used to make the decision in the first place is just as important. It turns out that, amongst the many factors that go into decision making, there are two mysterious but incredibly powerful functions within the brain that are specifically designed to help us deal with complexity, ambiguity and uncertainty.

These two mental processes help us make decisions when we don't know which way to go:

Pattern Recognition – is our ability to “fill in the blanks” or find the missing pieces. This happens subconsciously because our mind knows we have seen a certain type of pattern in the past and can, therefore, recognize it again. This ability is enhanced and improved through experience: the broader the experience repertoire, the better the pattern-recognition skill is developed and encoded in the brain. The problem is, if our experience repertoire is narrow, we are more likely to be negatively influenced by misleading judgments made from within a shrunken universe of options and alternatives.

Emotional Tagging – allows us to arrive at a decision or make a choice, despite all the empirical or analytical data we might have assembled, and it depends on a spark of human emotion to be activated. The problem is, our emotional tag repertoire can be influenced by inappropriate attachments and inappropriate self-interests. These are the illogical, emotionally biased beliefs we bring into the decision making environment, and which can silently pollute our good judgment.



The Bias Trap

There is nothing more crippling to the ultimate effectiveness of the organizational decision making process than the slippery little mental devil called bias. Even with the best brains and the richest, most varied experience repertoire, there is still a huge risk of being sideswiped or derailed by the biases we don't even know we have. It is always fascinating to see how those who live within an organization, or are products of a certain culture and way of thinking, are simply unable to see what can be so clear and obvious to an objective outsider.

There has been a wealth of study into the many types of bias that typically infect the organizational decision making process and lead to errors in judgment. Much of that work has been conducted by the people at Overcoming Bias, whose wisdom is shared widely through its blog www.overcomingbias.com.

Their thinking, and the thinking of academics such as Dr. Sondra Thiederman and Dr. Adam Goldyne, is important and can be codified and applied in any organizational setting.

The long and detailed list of biases fall into four broad categories:

- **Misleading experiences**- experiences from our past that are incorrect, but we are unable or unwilling to acknowledge as flawed.
- **Misleading prejudgments**- seriously flawed or irrelevant judgments that frame our mental mindsets and filter our thoughts.
- **Inappropriate self-interests**- hidden or overt personal interests, or stakes in the decision, which can cause us to draw conclusions that are too narrowly defined.
- **Inappropriate attachments**- personal beliefs that anchor our thinking in faulty ways, but which we are unable or unwilling to alter or abandon.

While it might appear to be mysterious, bias is actually a controllable force and is the single most powerful negative factor that impairs our judgment and limits our success. We are able to mitigate the worst effects of bias, if we have the willpower to do so. The knowledge and know-how exists, but the question is whether we are wise enough to use it.

The Lies We Tell Ourselves

If bias is the “up front” risk in the organizational decision making process, serving as it does to shape and distort our judgment, we also need to understand the “back end” risks associated with a range of inappropriate responses that equally jeopardize our success.

This list can also be bucketed into four broad categories:

- **Denial** - including all the characteristics typically associated with a refusal to accept responsibility and accountability.
- **Overcompensation** - comes in the form of extreme reactions that are inappropriate and out of proportion to the actual situation.
- **Ignorance** - which includes a total lack of awareness of the negative consequences of our decisions.
- **Blame** - a very popular response that attempts to blatantly assign responsibility away from the person who should, in fact, be held accountable.

Leaders have a collective responsibility that transcends any personal agendas. As a result, they cannot allow the people below them to rationalize decisions or actions and hide behind any one of the inappropriate responses listed above. The leader has to constantly be on patrol for the truth, and be willing and able to ask the penetrating questions that allow the team to identify flawed logic. This personality trait, which is part curiosity and part cynicism, is a necessary component of the mind of the leader. Leaders cannot be lured into complacency when it comes to their role as the stewards of common sense, good judgment and brutal honesty.



Decisions, Decisions & More Decisions

Decision Making Intelligence (DMQ) is the ability to solve problems, resolve issues and come to conclusions that satisfy the various stakeholders and leave them feeling fully and clearly committed to the decision. DMQ is one of two key components of personal credibility and trusted judgment, the other being Emotional Intelligence (EQ).

There is a pressing need to improve our individual and collective decision making competence, which ultimately can be the differentiating factor in separating the good from the great. The science of organizational decision making is about to take centre stage as we sit on the cusp of a new and exciting time, where the stakes have never been higher, the changes have never been more significant and the risks and opportunities have never been greater.

Here are some thoughts on how to begin upgrading your organization's ability to apply better collective judgment to a better decision making process:

Step 1: Make the Decision to Improve

Like so many things in life, the first step is making a commitment to yourself to improve. In this case, the commitment must include (i) acknowledging the existence of breakdowns in the current organizational decision making process, and (ii) making a genuine commitment to doing something about them, in full knowledge it will not be an easy or quick fix.

Step 2: Identify the Gaps

It is highly likely the breakdowns will be occurring at more than one point along the decision making value chain. It could be at any one of the four most common congestion points - the framing stage, the divergent thinking stage, the convergent stage or the post-mortem stage. You need to have the courage and tenacity to assess those gaps through a rigorous process of fact-based analysis.

Step 3: Reprogram the DNA

Since all decisions are fuelled by human emotion, you cannot avoid the work that will have to go into changing the mindsets, attitudes, beliefs and behaviours of those in the organization - at all levels. Changing the construct without changing the DNA will not produce the maximum benefit. If the objective is to generate new answers, you need to establish a new set of references for how the organization thinks, acts and decides.

Final Thoughts

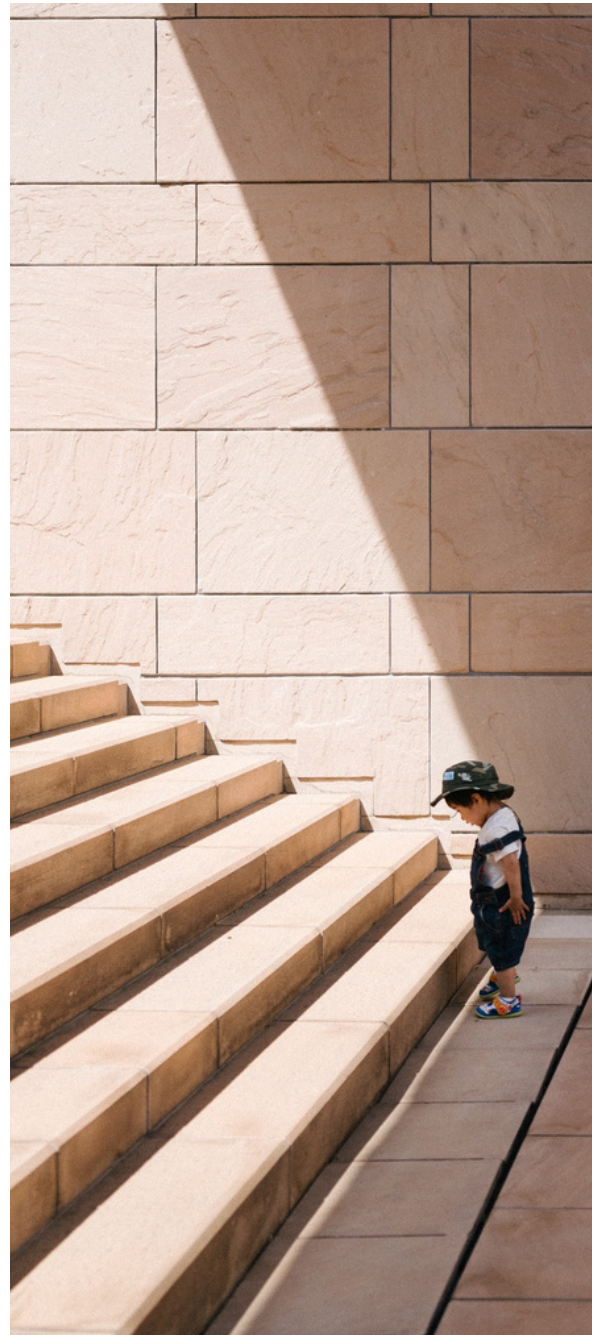
The role of the modern business leader is comprised of many different components, some big, some small, some strategic and some tactical, but they all have two things in common. They all require a problem to be solved and a decision to be made.

We will have to find a better way of putting some disciplines in place to help ensure that the framing, the thinking, the scoping and the learning parts of the decision making equation get attention. In a world where the quality of the thinking, and the decisions that flow from it, will be even more important to creating value and attracting customers than the products we manufacture and the services we sell, we have to wake up. We are in a time where the ability to live comfortably with uncertainty and not allow yourself to become physically frozen or mentally incapacitated with not knowing has become mission critical.



There are very few things in life that are simply black or white and, unfortunately, grey is very likely to be the most popular colour of the future. As a result, leaders are going to have to learn how to become comfortable living in a world of ambiguity and uncertainty. If leaders are paralyzed by uncertainty and cannot operate comfortably in an environment filled with the thick fog of ambiguity, they are not going to be able to make the kind of decisions necessary to keep their organizations moving forward.

In this environment, successful leaders will no longer be judged by how much they know about something, but rather how good they are at accessing what they need to know when they need to know it. As author and professor Mihaly Csikszentmihalyi described so well in his book *Flow*, success in the leadership world of tomorrow is no longer about accumulating stocks of information, it is about accessing the flow of knowledge. The leader must have the ability to help the organization “think in the future tense” and, therefore, more comfortably compete in the realm of the unknown. This ability, the definition of which was coined by cultural anthropologist Jennifer James, is very likely to be in increasingly high demand in the uncertain future we face.



Leaders who do not have the ability to properly and accurately orient themselves and their organizations in time and space, will find themselves sucked into a “black hole.” Leaders must bring a sense of fresh perspective to the table, not about the past, which we already know, but about the future we do not yet understand. In his book *Churchill on Leadership*, Steven Hayward quotes Churchill: “In a quarrel between the past and the present, we shall find we have lost the future”. It’s time to move forward. Begin by deciding to take the first step.

APPENDIX

Select Quotes from Some Learned People

Judgment: How Winning Leaders Make Great Calls (Tichy & Bennis)

“When organizations become effective decision machines we call it good organizational judgment.

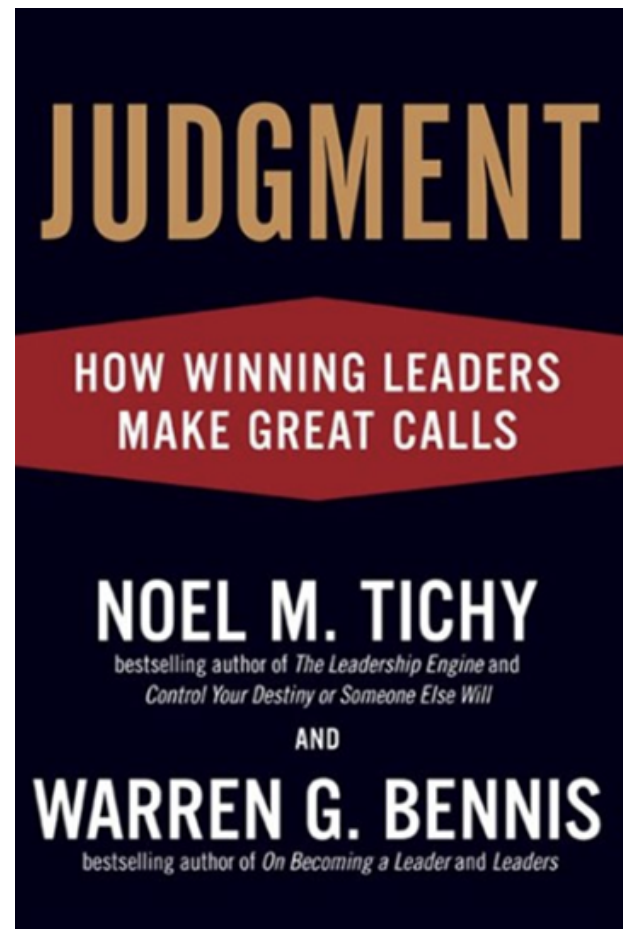
Good leaders create the agenda of decisions to be made. They set the tone for culture and decision processes. They encourage the diverse members of their organizations to step up and participate in deliberations and decisions.

The role of the great leader is not to decide important questions alone—but rather to ensure that all the right things happen across their organizations so that the best thinking and the best problem solving results in a better answer. In every great organization, decision making functions as a participative problem-solving process.

In a recent study, Karl Weick and Kathleen Sutcliffe analyzed what they called “high-reliability organizations” - and what they do to perform consistently.”

They noted five attributes of these organizations:

- Commitment to tracking small failures,
- Ability to recognize and understand complex issues,
- Real attention to frontline (operational) workers,
- Ability to learn from and rebound from errors, and
- Ability to improvise effective response to crisis.



How the Wise Decide (Zeckhauser & Sandoski)

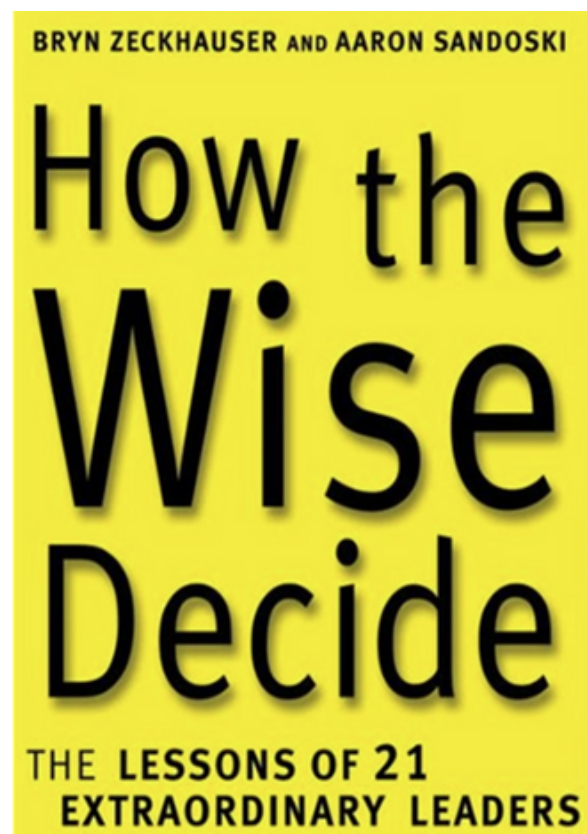
“I have found we humans are brilliantly designed for an older, less connected, and more predictable version of the world. In today’s highly interconnected, fast-changing world, we need to take some of that brilliant design and purposefully reshape it to be fit for the unpredictable future that is unfolding. When we do this, we find that not only does the complex world of today seem less overwhelming, but we also solve problems more effectively, our relationships improve, and we even like ourselves better.

Part cognitive bias, part neurological quirk, part adaptive response to a simple world that doesn’t exist anymore, they are “mindtraps.” These mindtraps combine to mislead us about the fact that we’re in traps at all.

These are the most pervasive of these mindtraps.

- We are trapped by simple stories.
- We are trapped by rightness.
- We are trapped by agreement.
- We are trapped by control.
- We are trapped by our ego.

In a simpler world, where there were guides who could tell us what was right or wrong, where professions and sets of expertise stayed fairly constant across a person’s life span, there was little reason to grow beyond this form of mind. In the self-authored form of mind, the identity we protect and defend is the internal operating system we have assembled for ourselves - our values and systems of belief. This protection might cause us to slip into righteous certainty because we are more oriented to the worth of our own judgments than the ideas and perspectives of others. Eventually, what was once such a gift when we first developed it, can turn into a liability.”



Practical Intelligence (Karl Albrecht)

"There are four mental habits, features of our mental software, that allow us to put our natural, inbuilt range of mental skills to effective use."

- **Mental Flexibility** - the absence of rigidity
- **Affirmative Thinking** - the habit of perceiving, thinking, speaking and behaving in ways that support a healthy emotional state in yourself as well as others
- **Semantic Sanity** - the habit of using language consciously and carefully to promote mental flexibility
- **Valuing Ideas** - the habit of offering a "tentative yes" to all new ideas at the first instant of perception"

There are four kinds of thinkers:

Simplex Thinkers - People who typically, out of fear and ignorance, crave simple answers, simple world views, simple explanations, simple opinions and simple solutions

Duplex Thinkers - People who have acquired a measure of social sophistication but who have arrested their mental development at the level of two-value thinking

Multiplex Thinkers - People who have developed a high tolerance and even a preference for ambiguity and uncertainty

Omniplex Thinkers - People who have not only become tolerant of ambiguity and complexity but who seem to enjoy it

