

For those too busy:

The latest research, thinking
& news on growth pace and delivery
from around the world

Decision-making: how to avoid your leadership team acting like teenagers

Most leadership meetings are ineffective or dysfunctional – according to research. At the heart of this challenge of meetings is decision-making. We look at the wide range of recent research (often inspired by Nobel Prize-winning economist Daniel Kaneman) about what gets in the way of teams making good decisions and what to do about it.

The research shows that a good *approach* to decision-making is six times more likely to lead to positive outcomes than just good evidence and analysis. Successful approaches appear to balance the two psychological modes of decision-making: fast, instinctive and effortless vs slower, reflective and harder. Achieving this balance is thankfully easier to manage as a group than on your own.

So what gets in the way of good decisions?

- 1. Too much confidence:** we put too much faith in what we already know and are biased towards evidence that supports it. Seniority increases the tendency to ignore other advice.
- 2. Too much (emotional) comfort:** a team can drift into groupthink, over-familiarity with an issue, being persuaded by colleagues who we like or we have an aversion to loss that means avoiding tough calls.
- 3. Too much conflict, or distraction:** if we are angry, we are less open and make poorer decisions. When we are hungry, tired or trying to do several things at once (Blackberries, iPads!) we are drawn towards easier, more instinctive decisions.
- 4. Too much data:** the more data on the table, the more focus on detail rather than the big picture. Data is only a starting point and does not tell you future outcomes – this is why academics and experts are no better than the law of averages at prediction
- 5. Too few options:** Decisions with 2 or 3 good options are 6 times as likely to turn out well as a single 'yes/no' option. Yet only 29% of leadership teams look at more than one option - a similar proportion to that of teenagers, widely researched as the least functional age-group for decision-making.

Rationally, we may believe we will not fall into such traps. But our decisions are driven by deep, emotional intuition (Darwinian survival has depended on it). We should all assume our mind and body works this way.

The research suggests clear and practical ways to help

- 1. More challenge (of yourself and your team):** Raise self-awareness, prepare to be open-minded and keep assumptions in check. Make diary space before big meetings to start calm and focused. Try not to be over-swayed by people you are closest to.
- 2. More challenge (of the decision):** Ensure robust debate and constructive challenge and ask colleagues to make the case for the unpopular or less obvious options.
- 3. More choice:** Ensure several good options. Even a classic yes/no investment case can look at alternative uses of the resources, or the positive outcomes of saying no.
- 4. More perspective:** Stand back from the detail. Ensure the framing is wide enough (“What will increase market share?”, rather than “Which is the best new product?”).
- 5. More preparation (for failure):** We cannot ensure a successful decision. We can pilot until we find what works. We can prepare for what can go wrong and respond if events change. Research shows that entrepreneurs (unlike corporate leaders) tend to avoid big assumptions or planning in favour of testing, learning from life and responding fast.