

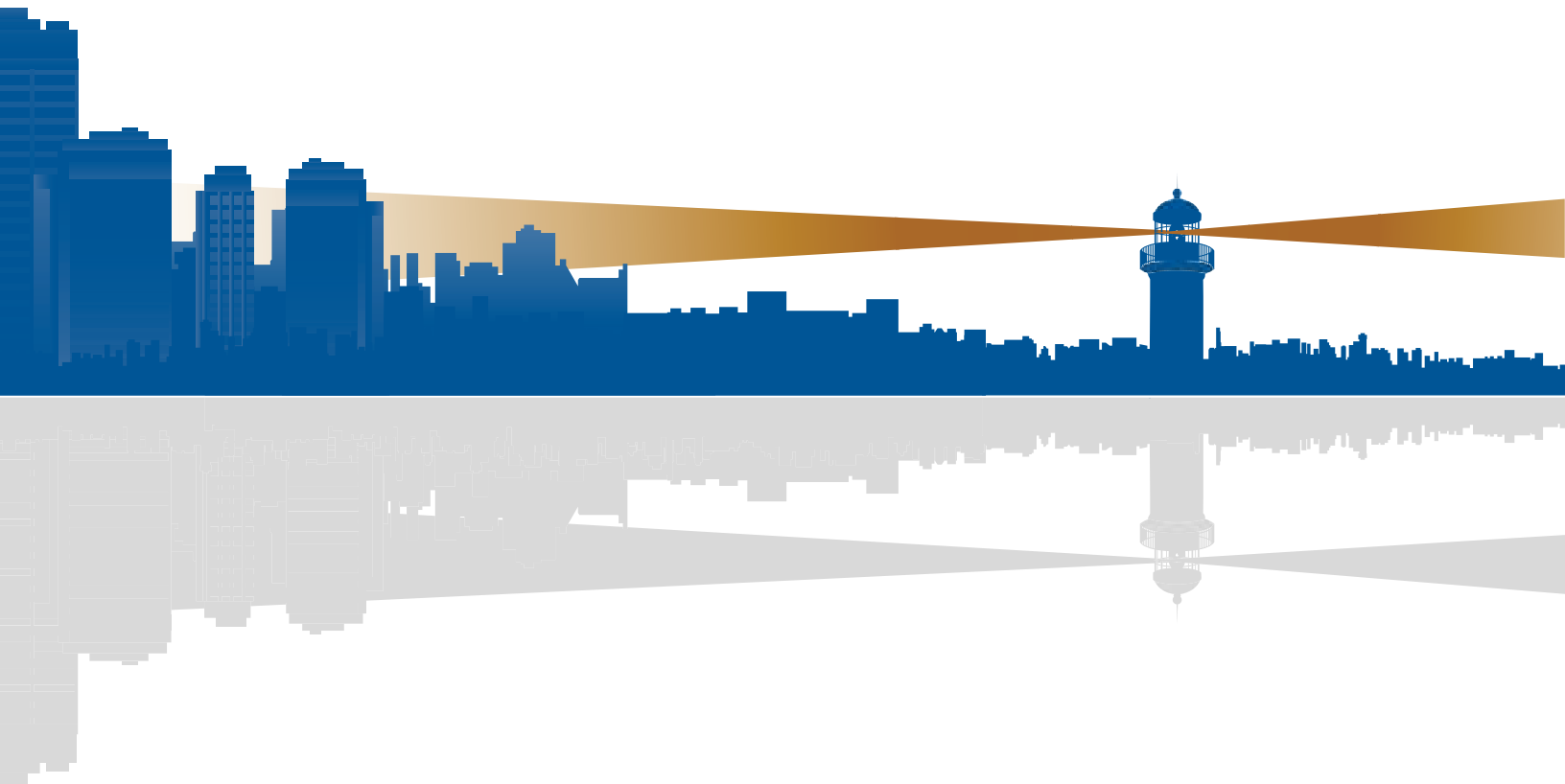


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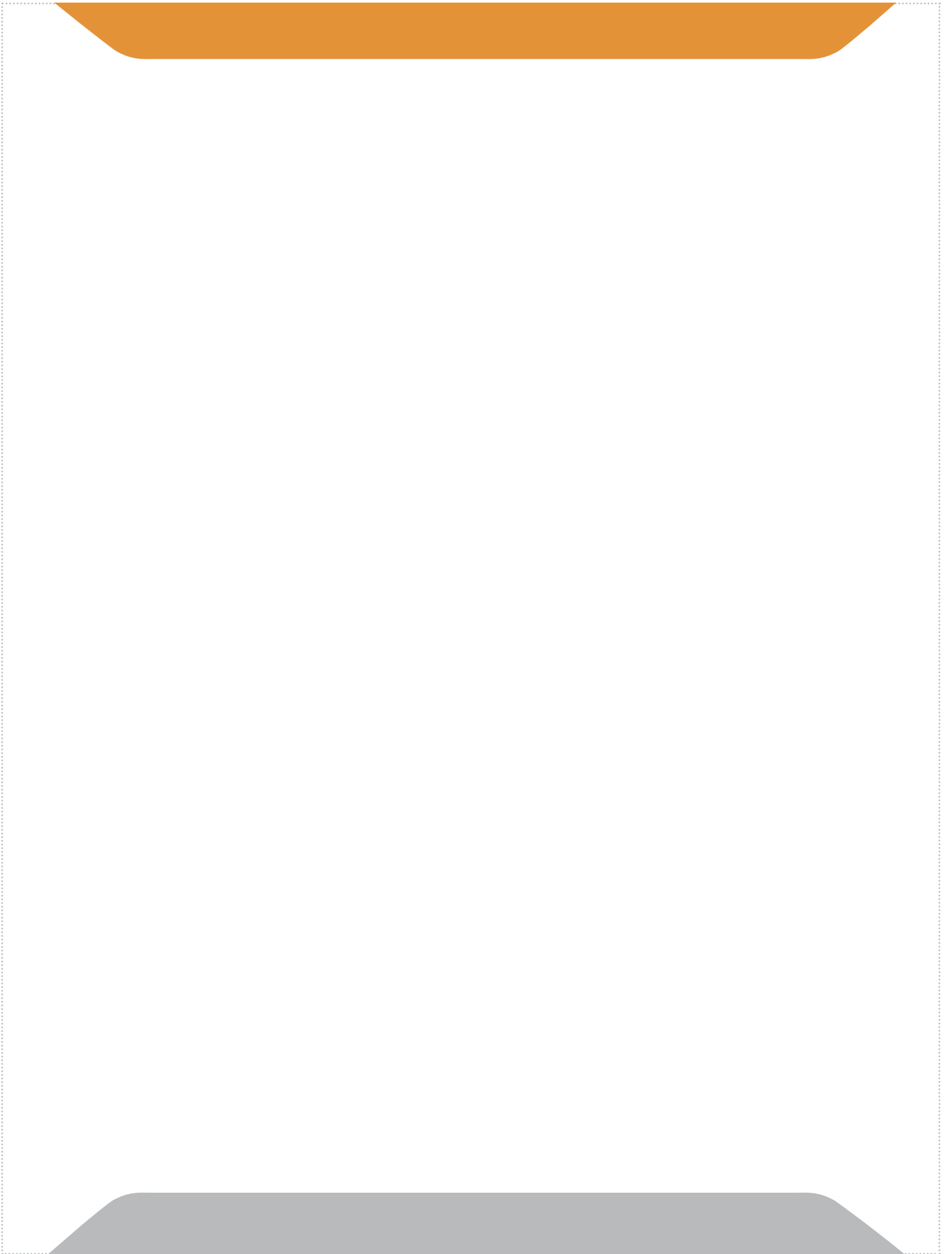
Navigate the Future™

"The Devastating Cost of Bias in Leadership "

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Executive Report on Leadership & Business Strategy





In Our View ...

The job of the business leader has never been an easy one and, with each cascading wave of change in the economic, technological and social environments, it gets even harder. The natural evolution of business requires the leadership "model" to change with the times and, so, the supporting competencies must change along with it. Unfortunately, leaders are failing to keep pace with these rapidly accelerating and unfamiliar changes, and find themselves ill-equipped for the challenges they face.

The failure to reinvent has been the downfall of many a leader!

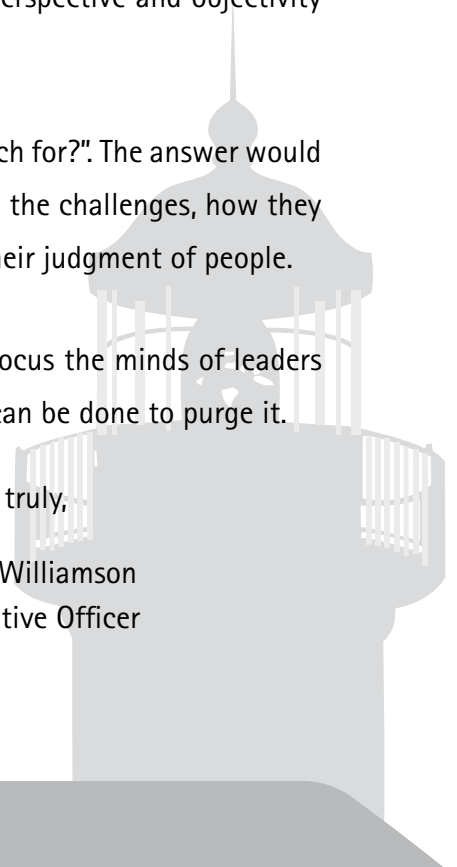
Today, the complexity of markets and the rising demands on business can easily tempt even the best leader to become intoxicated with stockpiles of information, and overwhelmed if they do not keep a clear head. Leaders need to rise above the noise and distraction that surrounds them, and maintain their perspective and objectivity in the midst of unrelenting pressures.

The question might very well be "What must the leader watch for?". The answer would be "bias". Bias in how they view the world, how they frame the challenges, how they arrive at decisions, and bias in their judgment, including their judgment of people.

This issue of Navigate the Future™ is an attempt to help focus the minds of leaders on the toxic impact of bias, and explain the things which can be done to purge it.

Yours truly,

R. Douglas Williamson
Chief Executive Officer



The Form and Nature of Bias ...

As shocking as it may be to admit, we all begin our professional lives imperfect in many different ways. Some of us work on our imperfections and become better over time. Some of us do not! The difference can depend on those we surround ourselves with and learn from, or it can be in how introspective and aware we are about our own faults and shortcomings. We have all seen leaders who are otherwise quite brilliant, but who succumb to the mysterious dark forces of delusion and denial. It is not only sad, but it is also very avoidable!

Almost always, the failure to banish our imperfections causes us to fall short of our potential or, even worse, destroy the potential of others around us.

- Bias is a leadership disease - it can cripple and kill.
- It comes in various forms - often times well hidden from view.
- Leaders who suffer from bias must take the first step - acknowledgement.

Bias must be a significant problem in society because, if you Google "overcoming bias", you get almost six million hits. You can go to www.overcomingbias.com, or any of the other bias related sites, but we wanted to share some thinking on what we consider to be the "Big Five" biases related to business leadership.

Action-oriented Bias | Interest Bias | Pattern-recognition Bias

Stability Bias | Social Bias

There are many others, but for the bias novice - this is a good starting point!

Action-oriented Bias ...

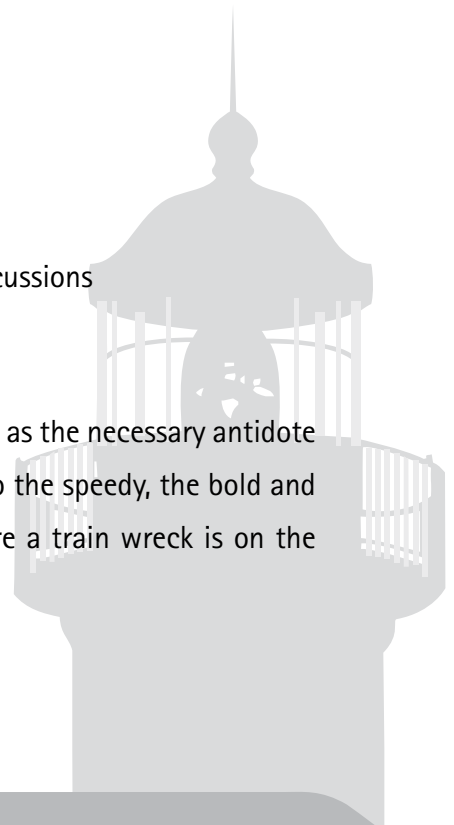
We have all seen instances when someone rushes into action and, in a “blink” (to quote Malcolm Gladwell), jumps to a conclusion because they feel compelled to act, as if driven by some crazy, internal force that defies logic to the more thoughtful.

The often revered “Type A” leader is particularly vulnerable to this temptation.

While there is certainly much to be admired in the bold and the brave, it would be a lot more comforting if we knew, for sure, they were not unwitting victims of a blinding bias that increased the odds of mistake and failure. The answer, however, is not to slow down and become more conservative or cautious, but rather to ensure they are not ignoring important sources of decision making bias, such as:

- Excessive Optimism
 - wrapped in the thick fog of naïveté
- Overconfidence
 - fueled by ego, bravado and machismo
- Reckless Neglect
 - warped by the miscalculation of repercussions

In the frenetic world in which we live, action is seen by some as the necessary antidote to the sins of procrastination and indecisiveness. Hats off to the speedy, the bold and the decisive, but if it is fuelled by hidden bias, the odds are a train wreck is on the horizon and the cost could be catastrophic.



Interest Bias ...

We all have personal interests and, sometimes, these interests can even contradict each other, as well as collide with the interests of others. The human condition is fraught with complexity based on either the misalignment or misunderstanding of interests. In business, the added layers of complexity can sometimes make it difficult to understand clashes of interest, let alone resolve them.

Outstanding leaders have a knack for knowing how to navigate this hornets' nest of twisted and conflicting interests. They are adept at seeking the common ground on which to build, no matter how small that ground might be. They, as great diplomats in business and politics, have always known how bridges of understanding can be built.

The principle biases buried in the interest realm include:

- Misaligned incentives
 - causing improper responses to stimuli
- Inappropriate attachments
 - to things, emotions and old mental models
- Misaligned perceptions of goals and outcomes
 - resulting in confusion and poor prioritization

The art of building strong bonds of mutual interest is based on a belief that differences are healthy, positive and necessary when you are in pursuit of an optimal outcome. It is the energy inherent in the rub between conflicting forces that sparks the imagination, and fuels breakthrough thinking.

Pattern-recognition Bias ...

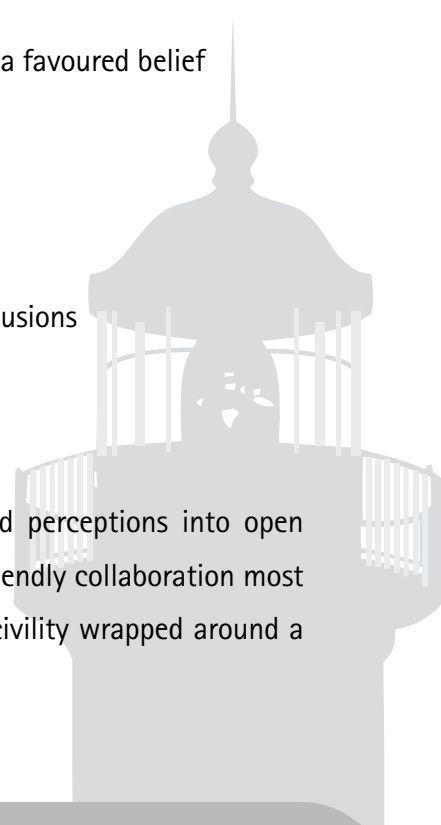
Diversity of thought is the precious foundation on which to build innovative, game changing solutions to the wicked problems that perplex others who get caught in the tug of war between progress and nostalgia. The more people think in independent ways, the more likely they are to see something different in the same situation. It is this unique tapestry of perspectives that allows new insights to arise. Once presented, they can often be the answer to the crippling paradox that may have paralyzed conventional wisdom up to that point.

Unfortunately, the fact people can see different patterns in the same picture (or business case) can be a double-edged sword. The wishful thinking of pattern recognition bias means people can be prone to seeing what they want to see.

Pattern recognition biases come in many forms and disguises.

- Confirmation bias
 - choosing only the facts which support a favoured belief
- False analogies
 - drawing comparisons when none exist
- Misleading experiences
 - revising history to draw different conclusions
- Champion bias
 - falling into the hero worship trap

Leaders need to draw out the biases by putting ideas and perceptions into open competition with one another. This flies in the face of the friendly collaboration most leaders seek, which often turns out to be a thin veneer of civility wrapped around a core of mediocrity.



Stability Bias ...

How sweet and peaceful life would be if there were no bumps in the road, no turbulence in flight, and no unexpected obstacles placed in our way. However, anyone who has been in business for more than a nanosecond knows that is a pipe dream!

Yet – we still find leaders whose main purpose in life seems to be avoiding all surprises, eliminating all risk and injecting the need for absolute certainty into every vein of the organizational operating system. This preference for stability is a bias. It can not only add to the cost of unexpected events, but can cause the organization to be blindsided when the events of the future were actually predictable in advance.

The psychology of stability bias can best be described by reference to its many faces.

- Anchoring
 - to an old paradigm or practice that is false
- Loss aversion
 - to overestimate the loss and underestimate the gain
- Sunk cost fallacy
 - the factoring of past costs into future opportunity
- Status quo bias
 - defiance of the natural pressures of progress

The pursuit of stability in a world that always has been, and will continue to be unstable is a bias of ignorance that defies logic. Rather than seeking stability, the best leaders know that reasonable risk requires reasonable assumptions about the discontinuity of markets and the opportunity that sits rich in those very moments.

Social Bias ...

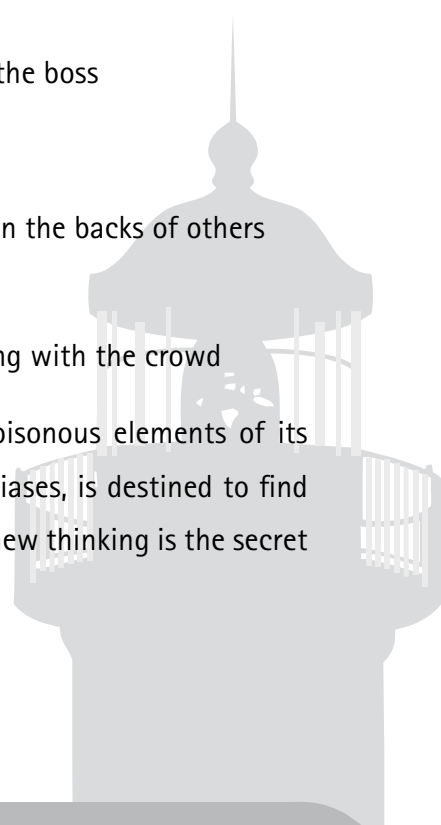
Humans prefer peace and harmony over conflict and discord. At times, we may even prefer false harmony over hard facts and cold objectivity. The net result is, we often chose to avoid the uncomfortable in order to buy time for the sun to rise and wash away our anxiety.

The world of business is not built on the fairytale belief we can eliminate conflict and disagreement and still achieve superior performance. In fact, high performing organizational cultures require some grit in their wheels and a tolerance for heated debate, especially in the presence of senior leaders.

The risk of social bias creeping into organizational culture is high. It includes:

- Groupthink
 - a belief in consensus as the holy grail of decision making
- Sunflower management
 - the tendency to keep bad news from the boss
- Passive aggressive malfeasance
 - nodding heads while planting knives in the backs of others
- Superficial congeniality
 - the desire to win favour by going along with the crowd

An organization which does not carefully tend to the poisonous elements of its culture, and reveal themselves in these and other social biases, is destined to find itself irrelevant in a world where diversity is an asset, and new thinking is the secret to serial success.



Clear Heads & Cognitive Maturity ...

It should not surprise anyone to learn that senior leaders and executives can be just as immature as their most junior employees. Scary thought when the stakes are much higher on the executive floor than on the loading dock. While it might be easy to sympathize with the pressures felt by executives who have incoming missiles aimed squarely at their heads, it is not unreasonable to expect them to be able to think clearly, even in the midst of crisis and confusion.

Yet – that is the exception rather than the norm!

Leaders need to excel at many things, but cognitive maturity is the least we can expect of those whom have been entrusted with guiding our organizations. The number one cause of poor judgment is bias, and the fact that bias impairs the decision making acumen of leaders has not had enough discussion, debate or research.

As a result, it is left to leaders to police their own leadership teams and their organizations. It only makes sense that tools and practices be put in place by leaders to eliminate the risk of bias.

Cognitive maturity means:

- widening the intellectual lens
- broadening the diversity of ideas and insights
- deepening the experience repertoire of their team

Leaders need to work harder at examining the quality of their own decisions, as well as those made at all levels below them.

Curing Macular Degeneration ...

There are many horrific diseases in our world, but the loss of your eyesight must surely be among the more frightening and debilitating. Macular degeneration is a disease that slowly shuts down your field of vision and leaves you with a blank spot in the centre. This is exactly what happens to some leaders!

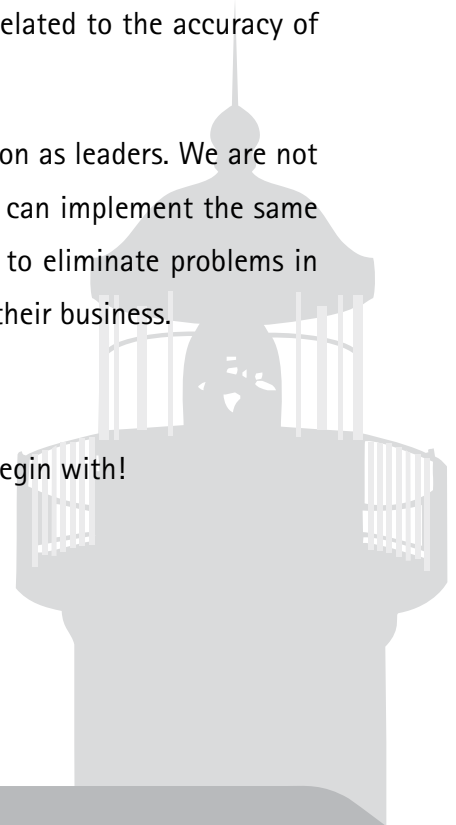
Their biases block out the objectivity of good vision and distort, or even hide, some of the most important information needed to make great decisions. Bias can cloud the judgment of all of us, but it is especially damaging in the executive suite where access to data, insights and experience should all come together into a rich pool from which the leader can draw to validate their perspective.

Too often, the greater the bias the harder it is to penetrate the walls of those cocooned inside their false belief. In organizational life, there is rarely a reward given to those who stick their neck out and express a contrary view – let alone dissent. The fallacy in this logic is strange since the degree of risk is directly related to the accuracy of how a situation is viewed.

Curing diseases of the eyesight is something we can work on as leaders. We are not helpless victims on a one way road to irrelevance. Leaders can implement the same type of rigorous discipline to eliminate bias that they use to eliminate problems in other precious parts of the value creation equation across their business.

The starting point?

Overcoming our bias about the fact we have no biases to begin with!



Steps to Take :: Actions to Consider

The biases that undermine strategic decision making often operate in full force during meetings. The suggestions below, which were developed by Dan Lovallo of The University of Sydney and Olivier Sibony of McKinsey, are useful.

Make sure the "right people" are involved

Ensure diversity of backgrounds, roles, risk aversion profiles, and interests. Cultivate critics within the top team. Invite contributions based on expertise, not rank. Don't hesitate to invite expert contributors to come and present a point of view, without attending the entire meeting.

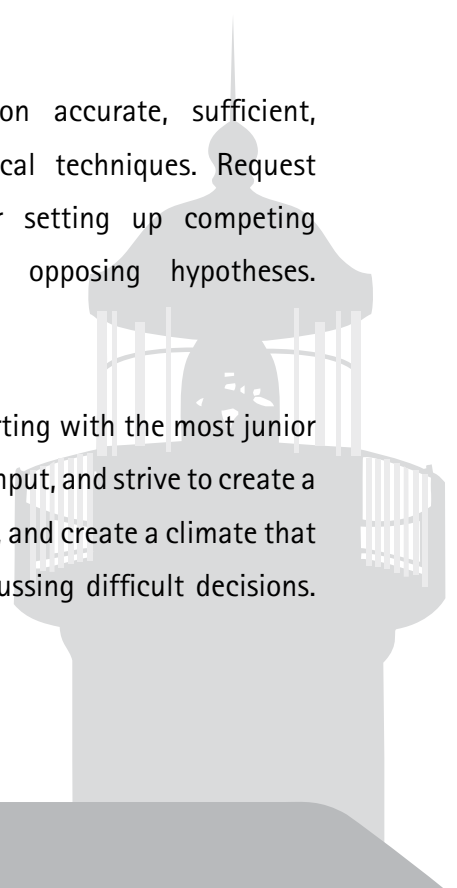
For the portion of the meeting where a decision is going to be made, keep attendance to a minimum, preferably with a team that has experience making decisions together. This loads the dice in favour of depersonalized debate.

Assign Homework

Make sure pre-decision due diligence is based on accurate, sufficient, and independent facts, and on appropriate analytical techniques. Request alternatives and "out of the box" plans. Consider setting up competing fact-gathering teams charged with investigating opposing hypotheses.

Create the Right Atmosphere

As the final decision maker, ask others to speak up (starting with the most junior person), show you can change your mind based on their input, and strive to create a "peer-like" atmosphere. Encourage expressions of doubt, and create a climate that recognizes reasonable people may disagree when discussing difficult decisions.



Manage the Debate

Before you get going, make sure everyone knows the meeting's purpose and the criteria you will be using to make that decision. For recurring decisions, make it clear to everyone that those criteria include "forcing devices" (such as comparing projects against one another).

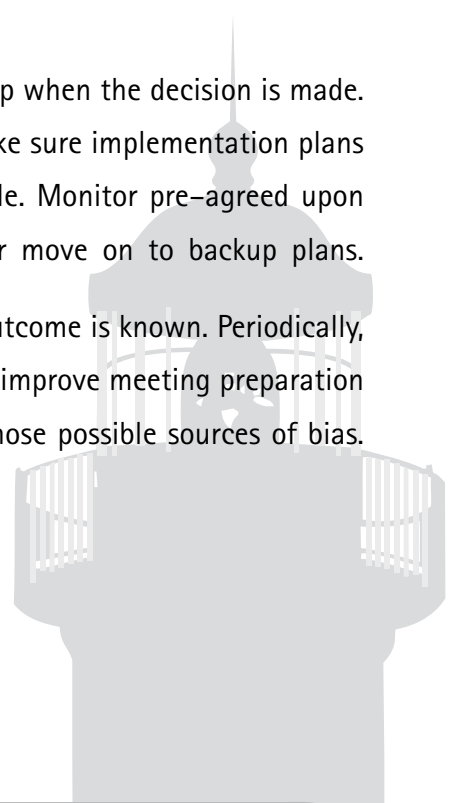
Take the pulse of the room - ask participants to write down their initial positions, use voting devices, or ask participants for their "balance sheets" of pros and cons.

Use pre-mortem techniques to expand the debate. Promote counter anchoring by postponing the introduction of numbers, if possible. As well, "reframe" alternative courses of action as they emerge by making explicit "what you have to believe" to support each of the alternatives.

Follow up

Commit yourself to the decision. Debate should stop when the decision is made. Connect individually with initial dissenters and make sure implementation plans address their concerns, to whatever extent possible. Monitor pre-agreed upon criteria and milestones to correct your course, or move on to backup plans.

Conduct a post-mortem on the decision once its outcome is known. Periodically, step back and review decision making processes to improve meeting preparation and mechanics, using an outside observer to diagnose possible sources of bias.





The Beacon Group is ...

The Beacon Group is a Canadian-based professional services firm supporting clients throughout North America and around the world. We work with organizations in all sectors and industries in the development of their business strategies and in leveraging their investment in human capital. Our full line of service offerings ensures we are not only able to help leaders understand the strengths, weaknesses and opportunities of their organization, but also develop and deliver programs that address their key areas of concern.



Our Core Values

In all aspects of our client relationships we commit to being:

Progressive - Forward thinking | Pragmatically radical

Thought Leaders - Innovative | Audacious

Responsive - Fast acting | In touch

Agile - Enthusiastic | Nimble

Passionate - Loving what we do | Creating passion in others

Customer Driven - Dedicated, involved | Totally committed



The Beacon Group is represented by a diverse group of talented individuals who come from a wide variety of professional backgrounds. This breadth of knowledge and experience is what we believe sets us apart.

Our essential goal is to assist senior leadership teams in their efforts to:

- **Optimize** – their strategic positioning and market opportunities.
- **Maximize** – long-term organizational health and effectiveness.
- **Develop** – overall leadership competency and fitness.
- **Create** – sustainable levels of superior performance.

We do this by partnering closely with our clients to ensure their strategic business objectives are fully and adequately aligned with the capacity and capability of their people.

Our ultimate aim is to ensure leaders, at all levels within an organization, are better able to understand the world in which they live, better able to make sense of the conditions they face and better equipped to deal with challenges as they arise. As a result, we ensure they are better able to influence their future and realize their potential.



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