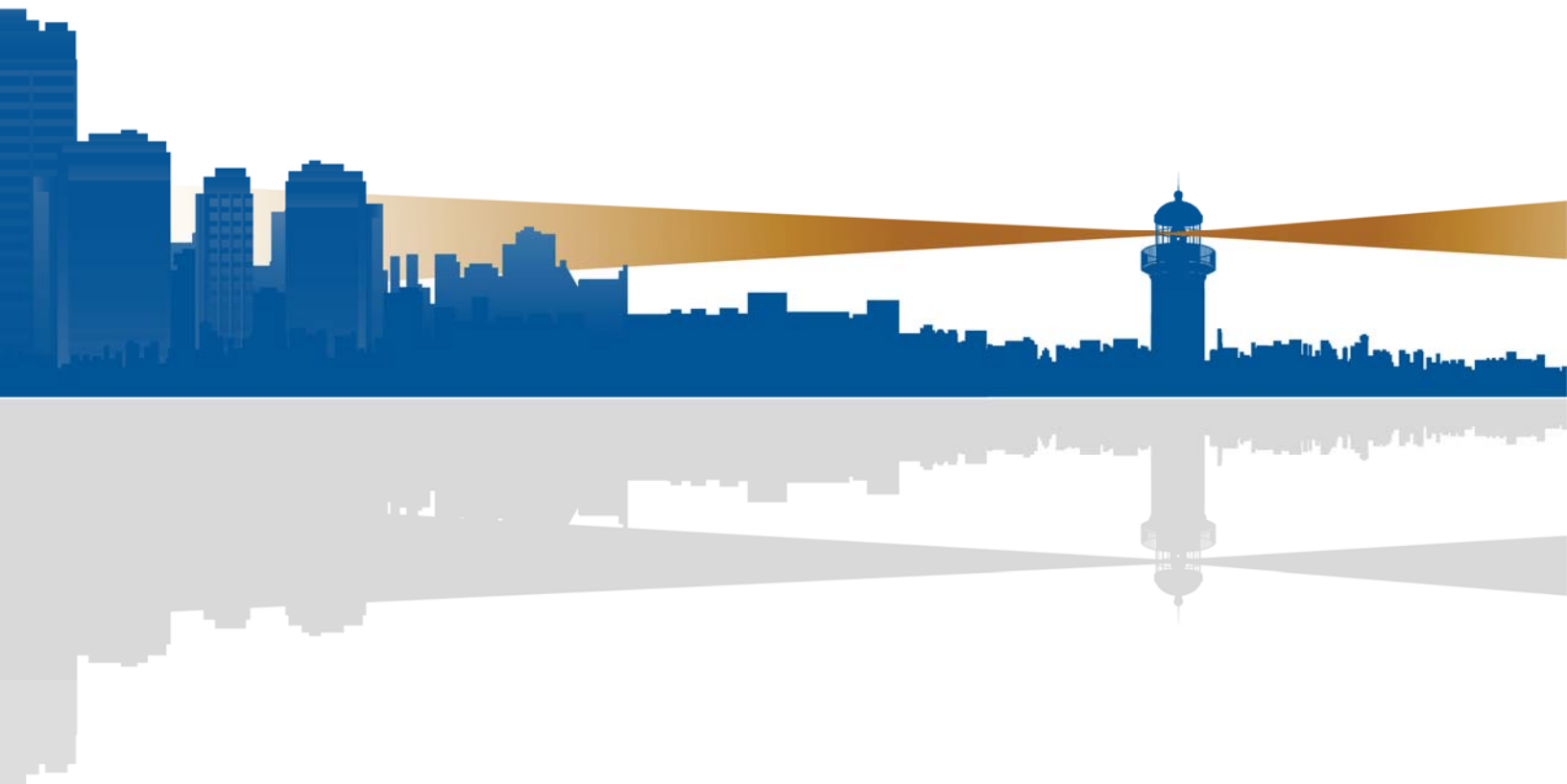# THE BEACON GROUP

Navigate the Future™

"Avoiding Failures in Judgment & Decision Making"

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Our Quarterly Newsletter

In Our View ...

In the science of decision making, we find a well researched and proven "value chain" that helps determine both the nature and the quality of the decisions a person makes. In short, we all base our decisions, especially those we make in business, on a Premise. The Premise (right or wrong), in turn, shapes the Assumptions we then make, which lead to the Conclusions we draw and the Actions we take - or do not take. Technically, it is a little more complicated than that (which we will expand on later in this paper), but for our purposes right now, let's simply say that Premise and Assumption are the raw materials of all decisions.

It has long bewildered us that leaders do not seem to pay enough attention to the decision making processes within their organizations. The same leaders who will spend millions of dollars to improve the efficiency of an outdated IT system, or manufacturing system, or a faulty sales process have, generally speaking, never really considered spending any money on improving the corporation's decision making processes.

We find that both curious and concerning!

In the next few pages, we will do our best to set out the facts and arguments for understanding and improving the decision making process. We wholeheartedly suggest the time is now to consider the obligation we have to lift our game and make sure we do justice to the one element of organizational effectiveness we have been afraid to address for far too long.

Yours truly,

R. Douglas Williamson
President & CEO

Redefining Failure ...

There is a popular phrase we have all used, at one time or another, about how we "learn more from our failures than our successes". If so, then you have to wonder why we have not done a better job of formalizing the "learning from mistakes process" in order to improve the learning itself. Like so many other urban myths, the words are nice, and the thought somehow comfortable and reassuring, but the reality is quite different.

Author and well known "blogger", Seth Godin, wrote about just this a few years ago in the Harvard Business Review. It caught our attention. His essential premise is that in order to get better, we need to redefine what it means to fail. We need to broaden the definition of failure so as to better capture the full magnitude of the disappointment we create by the poor decisions we make.

In short, we will need to apply more rigour and scrutiny to our failures if we want to create new opportunities to reinvent our organizations, the products we offer, the value we create and the people we choose to be our leaders.

We need to examine failure not just through the lens of failed outcomes, but also in terms of:

- Failure of Opportunity

- Failure of Trust

- Failure of Will

- Failure of Priorities

- Failure of Respect

Decision Making :: A Master Competency

Think about it for just a minute.

The "value" created by any leader, team or organization is really the sum total of all of the decisions made by the leader, the team or the organization over time. The improvements we make, the breakthroughs we have, the innovations we spawn and the outcomes we achieve are all, ultimately, based on the quantity and quality of the decisions made, both large and small.

While there has been much literature on the importance of execution (which we do not deny or dismiss) the fact of the matter is, there can be no more important attribute for defining individual or collective success than the ability to make great decisions. In others words, while executing the decision is important, the things that govern the decision and the decision making process itself are equally important.

If so, then:

- What are the processes that lead to the best decisions?

- Who, in our particular organization, best exemplifies good decision making?

- How good are the thinking and decision making processes we use?

- What can we learn in order to improve results?

Flaws in Decision Making ...

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 the issue of complexity, which in turn helps us cope with ambiguity and uncertainty. Both of which are on the rise in today's economic reality.

These two mental processes help us make decisions when we don't know what to decide, and they can either work for good or evil, as long as we know the difference.

They are:

Pattern Recognition

This is our ability to "fill in the blanks" because we have seen a certain pattern in the past and we recognize it. It is enhanced through experience, and the broader the experience repertoire a person has, the better the skill is developed and coded in the brain. The more shallow the repertoire, the more likely we will be negatively influenced by misleading judgments.

Emotional Tagging

Our ability to arrive at a decision, or make a choice, despite all the empirical or analytical data we might assemble, still requires a human emotion in order to activate it. The problem is, our emotional tag repertoire can either help or hinder our decision making depending upon internal processes known as Inappropriate Attachments and Inappropriate Self-interests.

The Importance of Context …

In our own study of decision making, which has taken us from the works of Daniel Kahneman and Herbert Simon to the more recent musings of people like Tim Brown and Roger Martin, we have come across what we believe is the next great leadership insight. It centres on the value and importance of a new leadership attribute called "Contextual Intelligence", or CQ for short.

It occurs to us that if "experience repertoire" is critical to improving the quality of the decisions a person makes, then it is essentially based on having a rich, robust and diverse past, rather than a shallow one.

However, since the past may not be a good predictor of the future, there must be a companion competency that is forward oriented, and can help us deal with the complexity of the unknown, and that is Contextual Intelligence.

Together, they create the powerful mix that creates decision making excellence.

Contextual Intelligence is the ability to:

- Accurately assess the changing environment

- Read and interpret the important shifts

- Make sense out of things

- Distil and simplify

The Bias Trap ...

There is nothing more crippling to the decision making process than bias. Even with the richest, most varied experience repertoire, and the best honed contextual intelligence, there is still a huge risk of being sideswiped or derailed by bias.

In our work with organizations, we see bias all the time. It is always fascinating to see how those who live within an organization, and are products of a certain culture and way of thinking, simply do not see what can be so clear to the objective outsider.

As it turns out, there has been a wealth of study into the identification of the many types of bias that infect organizational decision making and lead to errors in judgment. The long list of biases fall into four broad categories.

Misleading Experiences

- Conclusions we draw from the past that are incorrect

Misleading Prejudgments

- Mental Mindsets that are flawed or irrelevant

Inappropriate Self-interests

- Conclusions we draw that are too narrowly defined

Inappropriate Attachments

- Beliefs which anchor our thinking in faulty ways

Inappropriate Responses …

Let's just take a moment and summarize what we have been trying to explain so far, and see whether or not the logic is sound, the argument valid and the conclusion reasonable.

Premise: Better decisions are the objective of any good leader.

Assumption: Value is created by the sum total of the decisions we make.

Conclusion: Decision making is a process and it can be improved continually.

If this is a reasonable and rational conclusion, then we should be interested in making it happen, and the way to do that would seem to lie in improving the experience repertoire and contextual intelligence of our leaders.

So, if bias is the "up front" risk in the decision making process that can shape or distort our judgment, then we also need to understand it has to be the "back end" risk of inappropriate responses that equally jeopardize our success.

This list of these responses can also be bucketed into four broad categories:

- Denial

- Overcompensation

- Ignorance

- Blame

Thinking by Design ...

A rich and wonderful body of learning has come forward in the past 10 years or so, led by the design profession and matched by our own rising respect for how things look and feel. Our aesthetic tastes have been developed to a point where we all now increasingly appreciate and value the importance of design, whether it is in the cars we drive, the appliances we use, the experiences we crave or the products that we allow to seduce us.

In this regard, we are huge fans of Tim Brown and his work at IDEO, the industrial design firm from Palo Alto, California that has captured so much acclaim for its work and its philosophy on how you make better decisions in order to innovate.

Their premise is elegant in its simplicity. They believe, as leaders and designers of new organizational structures and new solutions for new markets and customer needs, we need new choices. They also believe we have been limiting ourselves to too small a tapestry, and that we have, primarily done so as a coping mechanism in response to rising uncertainty.

They suggest the menu of choices lies across a spectrum as follows:

	Existing Users	New Users
New Offerings	Extend (Evolutionary)	Create (Revolutionary)
Existing Offerings	Manage (Incremental)	Adapt (Evolutionary)

Design Thinking ...

The essential premise of our argument is that better decisions come from better thinking, and that we have not appropriately adjusted our thinking to the changing context. If we want better choices, and we want to create new and different possibilities, then we have to address the fact the more traditional linear thinking approach is just not very well suited to the complex, ad hoc world in which we now live.

In fact, it is inappropriate, and will only lead to flawed or sub-optimal decisions. The answer is simple, but certainly not convenient or comfortable. We need to change the way we think, and then change the way we decide.

If the outcome is new answers to new questions, in order to create new solutions to new problems, then we need to understand what actually leads to the generation of new ideas, and that is something called Design Thinking. At the core of the Design Thinking premise is the belief that new ideas, Ideation, need to be fuelled by something, and that something is Inspiration. Simply put, we need to place a torch under that part of the human spirit which sparks Imagination.

We need to improve our decisions, and their originality, through better:

- Insight – not just better information

- Observation – not just better analysis

- Empathy – not just more rationality

Steps to Take :: Actions to Consider ...

In this paper, we have tried to be as clear as we can be about the pressing need to improve our individual and collective decision making competence. We believe it will become the differentiating factor in the separation of great from good. In our view, the science of decision making is about to take centre stage, and the early adopters will have first mover advantage in the New Economy in the same way they did in the Agricultural Era and the Industrial Era.

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.

To those who see it and feel it, it offers energy and excitement.

To those who don't, it offers a one-way ticket down a very limited path to a dead end.

Here are some thoughts on how that fate can be avoided.

Decide to Improve

Like so many things in life, the first step is to make a commitment to yourself. In this case, the commitment has to be to acknowledge the likely existence of breakdowns in the organizational decision making process and make a decision to do something about it, in full knowledge it will not be any easy fix.

Identify the Gaps

It is highly likely the breakdowns will be occurring at more than one point along the value chain. It could be in any one of the most common trigger points. You need to have the courage and tenacity to assess those gaps through a rigorous, but not burdensome, process of fact based analysis.

Evaluate Cost & Consequence

In our experience, once you have identified the gaps and breakdowns in the process, you will then be able to put a hard number on the costs involved and project the benefits of going forward. It is equally important to identify the non-financial benefits related to improved knowledge sharing and cross functional collaboration.

Reprogram the Organizational DNA

Since all decisions are fuelled by human emotion, you cannot avoid the necessary work that will have to go into changing the mindsets, attitudes and beliefs of those in the organization – at all levels. Changing the construct without changing the DNA will not produce the maximum benefit.

Stretch the Frontal Lobe

If the objective is to generate new answers, you will need to establish a new set of references for how the organization thinks. If the desire is to move to true Design Thinking, then you will have to role model and stimulate originality of thought and promote lateral, rather than linear, thinking.

Formalize the Review Process

The decisions you make going forward must be better than the ones you have made in the past. The only way to ensure they are having the desired impact is to introduce a Decision Review Process that looks not only at the outcome of the decisions made, but examines the full value chain discovering ways to learn from experience and continuously improve.
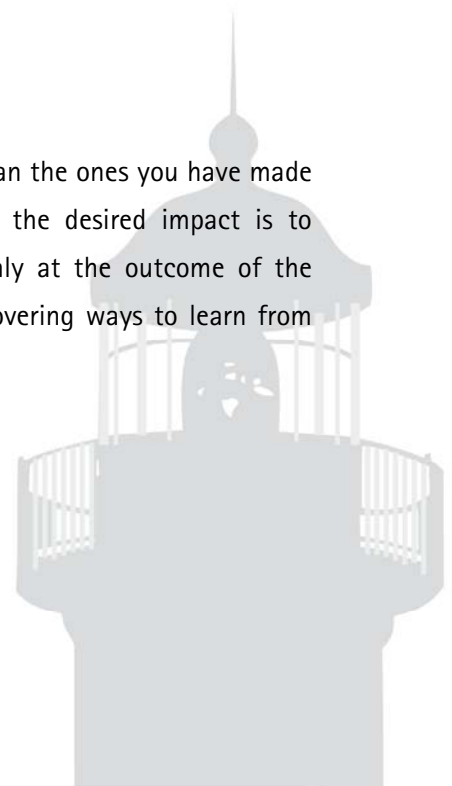
The Beacon Group ...

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 <u>how</u> 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	**ORGANIZATIONAL ASSESSMENTS**	**INDIVIDUAL ASSESSMENTS**	**DEVELOPMENT**
We facilitate...	*We provide assessments of...*	*We design and deliver...*	*We provide...*
Leadership Team Offsites	Cultural Effectiveness	360° Feedback	Executive Development
Strategic Planning	Employee Engagement	Talent Assessments	Management Training
Competency Design	Team Effectiveness	Individual Profiles	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