

Think carefully before making key decisions

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A corporate longevity forecast by Innosight suggests the average lifespan of an S&P 500 company will drop to just 12 years by 2027, down from 33 years in 1964. The cause, according to Innosight, is “creative destruction” by the likes of Atlassian and Uber.

This shorter lifespan means business leaders are under increasing pressure to be creative and act strategically.

In the past two decades, however, there has been a growing concern that business leaders are struggling to deal with an increasingly complex business world in the face of issues such as globalisation and digital disruption.

A 2008 McKinsey survey showed that 60 per cent of executives surveyed “thought that bad decisions were about as frequent as good ones”.

A decade earlier, Ohio State University’s Paul Nutt conducted research into strategic decision-making that found a mere 50 per cent of decisions were successful. The research analysed about 400 strategic decisions across the US, Canada and Europe.

There are two key components to flawed strategic decisions. The first is a poor decision-making process and the second is a lack of organisational awareness. Understanding the first allows appreciation of the second.

The initial trap that decision-makers fall into is a tendency to take the first idea tabled and run with it. The second trap is a failure to clarify what the idea looks like and what are its pros and cons.

Richard Branson of Virgin has had more wins than losses and has shared his tips on decision-making. His first tip, “Don’t judge a book by its cover”, is his way of emphasising decision-makers should not be fooled by the first impressions of an idea. Tips two through five are all about clarifying. “Do your homework”, “avoid making decisions in isolation”, “do everything you can to protect the downside” and “give it time” for more homework.

While most decision-making addresses these traps, it doesn’t

address lack of organisational awareness. The trap that makes it look like a strategy is being implemented in the dark.

Organisations develop their own way of doing things, their own cultural norms — a form of organisational creed that can override personal goals and even personal values on occasion.

The quintessential example of organisational creed derailing a strategic decision was unveiled by Graham Allison and Philip Zelikow in *Essence of Decision: Explaining the Cuban Missile Crisis*. An observation made by the authors was that the creed is influenced by individual preferences and an individual’s allegiances to one or more senior leaders and to peers. This played out in how analysts filtered

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information on its way to the top decision-makers.

The second observation is even more intriguing. The Soviet mission to create a ballistic missile capability in Cuba was a secret operation. The US was not supposed to know. However, when the Soviet forces built the missile bases they did not camouflage them from the air. The authors suggest this is because the Soviets implemented quickly as they had always done, and according to the manual — no camouflage. There had been no need for it in the Soviet Union.

Organisational creed will dictate to a major extent how a strategic decision plays out. If a leader does not understand its nuances properly, they are working in the dark. To lead through these internal complexities a leader needs to stand in the shoes of the influencers and the implementers and to identify influencing strategies to ensure their intended result.

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