

Preventing Predictable Decision Making Errors

Find Your Go Point

From Michael Useem, Ph.D.

All in all, our decision-making equipment is pretty sound. We don't follow the lead lemming over a cliff. We can't be fooled into thinking that a 99-cent lure is a meal. We don't try to catch car fenders with our teeth. Then again, it wasn't a dog who launched New Coke. So there are a few bugs – little design flaws of the mind – that can have big consequences.

People are clinically overoptimistic, for instance, assigning zero probability to events that are merely unlikely (such as a massive iceberg in the path of a really big ship). We see "patterns" in the random movements of stocks the way our ancestors saw bears and hunters in the scatterplot of the night sky. We make choices that justify our past choices and then look for data to support them. Not only do we make these errors; we make them reliably.

That's the good news. Predictable errors are preventable errors. And a few simple techniques, like those below, can help you steer clear of the most common wrong turns. They can get you to your go point, that decisive moment when the essential information has been gathered, the pros and cons weighed, and the time has come to get off the fence.

Decision Making Problem: Authority Is Not Bestowed

Tool: Pursue Responsibility – For some, responsibility is simply bestowed: a princess is handed the kingdom upon the passing of the monarch; a favorite son inherits the family business. For most, however, the authority to make decisions must be actively sought.

Born in the Bronx of an interracial marriage, Jaime Irick thrived from his earliest days by tackling new challenges. In high school, he jumped into sports; at college, he took on social service projects. After graduation, Irick joined the military, qualified as an airborne Ranger, and found himself promoted up the officer ranks. Back in civilian life, he repeatedly asked for larger and stretch assignments. "I've never been fully qualified on paper for a job that I've had," he told me, yet he so readily embraced his duties that ever more responsibility came naturally his way.

With a new MBA degree in hand, Irick brashly contacted GE's chief executive, Jeffrey R. Immelt, with a simple message: "I always wanted to run something." The personal appeal to the CEO worked. Today, as director of sales in General Electric's Homeland Protection division, Jaime Irick plays a significant role in one of Immelt's growth businesses.

Madhabi Puri Buch did much the same at ICICI, one of India's premier banks, which she joined in 1997. With little experience in fairly specialized fields, she tackled a succession of responsibilities, ranging from Internet trading to mortgage financing. Finally, **she asked chief executive K. V. Kamath to give her a crack at running the "boiler room" of the bank, the back office that handles the enormous volume of paper, telephone, and electronic data that surges through the bank every day.**

"In the past," she explained, "I had been given assignments where I had no experience. Yet they worked well!" Now she upped the stakes by taking on one of the bank's least glamorous but most critical operations. Her friends thought she had been "sidelined." Instead, Buch mastered the essence of still another banking function by taking responsibility for deciding how to remake it.

Decision Making Problem: Unfamiliar Responsibilities

Tool: Appraise the Past – In embracing new responsibilities, past decisions can serve as a natural curriculum for avoiding future mistakes.

Liu Chuanzhi was working at the Chinese Academy of Sciences in 1984 when his country commenced its momentous liberalization. Inspired, Liu formed what would become Legend Group, at first distributing a few foreign personal computers and eventually morphing into China's largest PC producer.

In 2005, rechristened as Lenovo, the company acquired IBM's personal computer line, making it the number three PC producer globally. As a young man, Liu had wanted to become a fighter pilot with the People's Liberation Army. Instead, he became one of the world's most successful entrepreneurs.

When Liu left the state-sponsored research laboratory in 1984, he knew nothing about how to build an enterprise, so he set about learning to do so by studying his own go points in minute detail. At the end of every week, Liu and his top aides met to review major decisions of the past five days. Many errors were committed, he told me, but the weekly debrief helped "to ensure that we don't make [the same] mistakes in the future."

Thanks to the reviews and lessons drawn from them, Lenovo was able to weather China's economic gyrations while others faltered. **By routinely looking back on his decision processes, Liu Chuanzhi constructed his own decision template for going forward.**

Hold After-Action Reviews

The after-action review can be monthly, quarterly, yearly, or even daily, depending on the decision-making tempo. In July 2004, I watched a wild land fire crew in action against a raging blaze in Yosemite National Park. Every afternoon, the incident commander, operations director, planning chief, and a dozen responsible firefighters gathered to review the present day's decisions and decide on the next day's actions.

At the end of each fact-drenched, disciplined review, a participant would pose four questions: What had been planned for the day? What actually happened during the day? Why did that happen? And what should be done next time? Round-robin style, each crew member addressed each of the topics. Only in that way could firefighters stay on top of a situation that changed constantly with the fire's ever-changing momentum. The principle: study the past, even if it is only yesterday, and heed its continuing lessons.

Decision Making Problem: Inexperienced Gut

Tool: Educate Your Instincts - "Go with your gut." "Follow your intuition." "Trust your feelings." The sayings are commonplace, but do our instincts make good decisions? **In fact, blind instinct cannot be trusted, but it can be educated.**

The main purpose of flight simulators, for example, is to allow pilots to experience unlikely surprises so many times that, should one actually occur, their response will be reflexive. "Train like you fly and fly like you train" is how they put it at NASA's astronaut training program at the Johnson Space Center in Houston.

Consistent with that dictum, astronauts undergo an exhaustive curriculum that includes some five hundred simulated landings of the shuttle before flying it. No wonder so many of the space travelers

are apt to say upon returning to Earth, "When something went wrong, I went into my training mode."

Practice does not always make perfect, but it certainly helps. When he was named Episcopal bishop for the diocese of Pennsylvania in 1998, Charles E. Bennis drew on the three decades of experience since his ordination to tackle a succession of touchy issues. Despite widespread opposition from priests and laity, he pushed through plans to hire a full-time fundraiser to shore up finances for the 162-parish diocese.

Later, again knowing he would encounter protests, he suspended a church rector who opposed the ordination of women and gays. "Day by day I don't have too much doubt because I trust my intuitions," he said. "I may be making big mistakes, but I feel fairly confident on an incremental daily basis that I am in touch and that I am making the right decisions."]p] That doesn't mean Bennis jumps to the go point. Far from it. "I'll stew and waver and listen and take in data and talk to all kinds of people before I feel comfortable with something," he said. But it does mean, that in getting to go, he consults a well-educated gut.

"If you get educated about something and then you live that, the line blurs between what your instincts used to be and what they are now," General Peter Pace explains. "Your mind touches on resources it's not even conscious of touching on." In the words of *Blink* author Malcolm Gladwell, that is the "power of thinking without thinking."

Decision Making Problem: Analysis Paralysis

Tool: The 70 Percent Solution - Only professors and journalists get paid to say, "On the one hand..." When the rest of us continue to mine and massage the data in pursuit of perfect knowledge – and thus perfect certainty – we are edging toward that clinical condition of decidophobia, fear of facing a go point.

The Marine Corps battles this syndrome with the "70 percent solution." If you have 70 percent of the information, have done 70 percent of the analysis, and feel 70 percent confident, then move. The logic is simple: a less than ideal action, swiftly executed, stands a chance of success, whereas no action stands no chance. The worst decision is no decision at all.

Analyze, but not overanalyze: that is the message Hewlett-Packard executive vice president Ann Livermore sends to HP's Technology Solutions Group, a \$30-billion-plus business that encompasses enterprise storage and systems, software and services, and employs 95,000 IT professionals.

She places a **primacy on "fast enough" – decision making based on sufficient information, not perfect data.** GE teaches the same at its retreats. By requiring ranking managers to vote up or down, individually and publicly, on a variety of proposed changes, GE avoids the endless analysis that compromises decision tempo.

Drawing upon his own tumultuous experience as president of Pakistan since 1999, Pervez Musharraf says that while a leader must hear opposing views and engage people in the deliberations, he or she "must never suffer from paralysis."

Moreover, in reaching a decision, rarely are all the data available to be sure of its outcome. **"Decisions are two-thirds facts and figures," Musharraf contends, and "one-third a leap in the dark where you don't have all the facts." If you increase the short side of the equation, you're too impulsive, but if you increase the other side, you're not a leader.**

Decision Making Problem: Mistakes Happen

Tool: Tolerate Them – Once - Short of perfect information and analysis, mistakes are sure to happen. The secret, says Peter Pace, is: “Don’t beat yourself up. If you’re not making mistakes, I don’t need you in my organization,” which in his case, includes some 2.4 million uniformed troops. “I want you doing 90 percent right in a big universe rather than 100 percent right in a small universe.”

Charles Elachi directs the Jet Propulsion Laboratory, NASA’s contract agency for unmanned space missions, including the 2004 Spirit and Opportunity Mars landings that found evidence of water between layers of volcanic rock. **Given the technical complexity of space flight, Elachi insists that every significant pre-mission decision at JPL receive intense peer appraisal and even outsider review.**

To ensure disciplined decision making during a mission, he also insists on resilience. “We operate under very heavy pressure,” he says. “Many critical things are riding on our decisions. You have to have nerves of steel. Everyone involved in the project has to keep calm and composed so that we can think clearly about what is happening. Anyone who panics under pressure is just in the wrong business.”

To instill those steel-like nerves among his 5,500 employees, Elachi requires less experienced workers to witness JPL veterans making decisions.

Predictably, though, some of JPL’s decisions do go wrong. A mission to Mars in 1998 ended in such a high-profile, costly failure that the mission’s top two managers were ready to resign. Elachi would not let them.

“Normally, when a project fails, people look around for someone to blame,” he says, “but if you hang the person who made the mistake, you’ve also lost a lot of experience.”

Instead, Elachi told the two managers, **“We have spent \$400 million training you. You have to learn from those mistakes, and I’m sure you will not repeat them.”** Six years later one of the managers was serving as a mission director and the other as a deputy manager for the highly successful Spirit and Opportunity trips to Mars.

Decision Making Problem: Rush to Judgment

Tool: Preserve Optionality - Many decisions come with looming deadlines: the battle is lost, the market opportunity gone if you do not act in timely fashion. Even without a deadline it can still be tempting to get the hard business of choice making over with. The more one can tamp down the uncertainties and let the pieces fall in place before deciding, however, the more likely one will reach the right go point.

As U.S. treasury secretary from 1995 to 1999, Robert Rubin faced a string of momentous decisions ranging from the bailout of the Mexican peso to China’s application to join the World Trade Organization. Time and again, **Rubin elected to keep his “choices open for as long as possible,” a proclivity that his then-deputy Lawrence Summers calls “preserving optionality.”**

As CEO of Scottish Power, an energy producer with major operations in the United States and United Kingdom including extensive wind farms, Ian Russell makes investment decisions entailing hundreds of millions of dollars at a shot.

One of his new power plants alone can guzzle \$350 million; wind farms have consumed \$3 billion. With so much riding on each go point, a rush to judgment on any one decision could result in a strategic error from which recovery would be extremely costly.

Not surprisingly, Russell takes his time in making such choices. "Let's be careful," he warns, and to that end he works to ensure that his team understands the decision options, appreciates their upsides and downsides, and knows what might go wrong with each so that the company does not look "foolish in a year's time."