

Guide to Decision Making

Helga Drummond

The Economist

**Helga Drummond is the professor
of Decision Sciences at Liverpool
University management school.
This is her 12 th book.**

We make our decisions, our decisions make us and our organizations.

No organization makes perfect decisions all the time. Decision making is a lot harder than the books suggest.

In 1980, Shelley Taylor, a psychologist published a book 'Positive Illusions' in which the theme was that most people are out of touch with reality most of the time.

Research into gambling behavior has shown that players often behave as if they can control chance events. For e.g., they shake the cup hard if they want a high number and softly if they want a low number on the dice.

Our innate tendency to overestimate our abilities means we often see ourselves as superior to other people. We also view ourselves more positively than others see us. In group work, most people remember their own contribution rather than those made by other group members.

**Nothing succeeds like success,
according to the proverb. Yet
repeated success can destroy us.
This is because if we are
consistently successful, we expect
to succeed.**

Success in business requires skill and luck. Strategy matters, but so too does the roll of the dice.

Bunker mentality is the ultimate over confidence trap. Bunker mentality refers to decision makers who cut themselves off and as a result, lose touch with reality.

Bunker mentality is a flight to psychological safety

The trouble is that overconfidence can tempt decision makers to disregard the self discipline that made them successful in the first place.

Risk is from Italian 'risicare' meaning to dare. This portrays risk as a choice rather than a fate.

Expectations are powerful realities. Once we formulate an explanation for something, rather than adjust our explanation as new information emerges, we rationalize the new information to fit the existing explanation.

Avoid Judgmental traps

Separate fact from assumption

- What do I know?
- What do I think I know?
- How do I know?

**All decisions are influenced by
emotion.**

By definition, hierarchies distance decision makers from other people's realities.

Often it is the way we think about problems that stops us from seeing a solution. If we assume planes need pilots, we will never invent unmanned planes, if we assume guns need bullets, we will never imagine laser. Question the central idea or the popular assumption.

Quality does not reside in having the most information. Effective decision making is about being able to sense the limits of information, treating it as a 'liar in service of truth'

There are 2 types of panic. One is where individuals rush around pointlessly, as if their hair were on fire and the other is where they freeze.

Firms facing severe threat behave rigidly, they :

a. Restrict action to tried and tested routines

**b. Restrict access to information
restrict decision making power to senior management**

Planning can also impart an illusion of control. For example, firms refer to 'forward planning', who ever plans 'backwards'? Planning is alluring because uncertainty is officially abolished.

Planning is only 'dreaming with discipline.'

Blame is a socially useful device. In times of crisis, assigning blame to individuals can help restore stability by making sense of untoward events and giving the impression that something is being done. Naming scapegoats deflects attention from other potentially culpable individuals.

The right question is not ‘ who is to blame’, but, ‘ why did this happen’?

One thing groups are good at is making mindless decisions-a phenomenon known as groupthink.

Symptoms of groupthink

- **Self serving explanations**
- **A sense of moral superiority**
- **Superficial analysis**
- **Stereotyping**
- **Self-censorship**
- **Pressure to conform**
- **An illusion of unanimous agreement**
- **The emergence of mind guards and kitchen cabinets**

Blaming global HQ is the best example of poor groupthink, always wins.

Good team values

- **Receptive to new information, not just recycling familiar arguments**
- **Value diversity, not conformity**
- **Active listening and asking questions, not just interrupting**
- **Mutual respect, not following the party line**
- **Unity of actions, not unity of thought.**

Leaders can promote mindfulness by encouraging the group to seek more nuanced information and make fine grained interpretations. Open questions is a way to do this.

‘A camel is a horse designed by a committee’ Anonymous

Power is the ability to achieve goals despite resistance. Although people refer to 'having power over' someone, power is not possession but a relationship.

Firms try to impose control by laying down the rules. Yet, control is never perfect. Rules do not apply themselves. Only people can do this.

Ambiguity is another reason why control is seldom perfect.

Healthy debate untarnished by internal politics is something all organizations should aspire to. The starting point is to recognize that there are two types of disagreement-substantive disagreement is about the principle, the second is interpersonal tensions. The second should never be tolerated or even practiced in good groups.

Knowing when not to fight is as important as knowing how to fight.

Getting people to raise their game is integral to reducing conflict and lifting performance.

**Don't keep seeking consensus.
What matters is that people have
had the opportunity to express an
opinion. Whether they agree with
the final decision is a different
point, the final decision is that of
the leaders and not of opinions.**

Politics feeds off uncertainty. If decisions are cut and dried, there is nothing to squeal about and resist.

When the desire for continuity prevails over pressure for change, firms can end up 'drifting idly towards eternity' and eventually die.

Options

- **An option is a toehold investment that confers the right but not the obligation to take action in the future.**
- **Options are a style of thinking, and in terms of strategic choices, a firm's resources, that is ,its capabilities , knowledge and assets can be thought of as a storehouse of options.**
- **Decision making focusses on avoiding uncertainty, in contrast options thinking embraces uncertainty**

The task of decision making is complicated by the weaknesses and contradictions in our knowledge.

All decisions involving uncertainty run the risk of failure. As a decision maker remember these three things :

- 1. PAUSE and THINK (most important of the three)**
- 2.Subtract EGO from the equation and**
- 3.Question the KNOWN KNOWNS, something you are most sure of.**