

Avoiding the Pitfalls and Developing An Action Plan

“Making mistakes is the key to making progress... Mistakes are not just golden opportunities for learning; they are, in an important sense, the only opportunity for learning something new ... Biological evolution proceeds by a grand, inexorable process of trial and error—and without the errors the trials wouldn't accomplish anything.”

Daniel C. Dennett

The Hidden Pitfalls In Decision Making

The way that people think, both as individuals and collectively within organizations, affects the decisions that they make, in ways that are far from obvious and rarely understood. Writing in the *Harvard Business Review*, John Hammond, Ralph Keeney, and Howard Raiffa have provided some of the most intriguing research and insights in this area. (See John S. Hammond, Ralph L. Keeney, and Howard Raiffa, “The Hidden Traps in Decision Making,” *Harvard Business Review*, September—October 1998.)

Although bad decisions can often be traced back to the way the decisions were made, the fault sometimes lies not in the decision-making process, but in the mind of the decision maker.

! The work of the human brain can frequently undermine our choices and **●** decisions. Avoiding the following traps requires recognizing that they exist and understanding those most likely to cause you problems.

THE ANCHORING TRAP

This occurs when we give disproportionate weight to the first piece of information that we receive. Our immediate reaction to the initial impact of the first information is so significant that it outweighs everything else, “drowning” our ability to evaluate the situation effectively. As a result, the decision or solution is anchored around this one issue. The antidote is to be sure about what is happening and to wait as long as possible to ensure that you have all the information—and to look for different options.

THE STATUS QUO TRAP

This biases us toward maintaining the current situation—even when better alternatives exist—and might be caused by inertia, or the potential loss of face if the current position was to change.

Organizations often have managerial beliefs and approaches that have developed over time from experience and become institutionalized, guiding strategic thinking and action. It is easy to dismiss corporate legend. People may believe that an idea or business formula developed under previously prevailing conditions is still appropriate.

Worse still, there may be vested interests in maintaining the status quo, and people may feel insecure about either admitting that things have changed, or recognizing the need for a new approach. The solution for the individual is to value openness, honesty, and courage. Beyond this, the leaders of the organization also need to build a positive, blame-free culture to ensure that the organization as a whole values questioning, experimentation, and learning. People and ideas undermining this culture need to be challenged.

THE SUNK-COST TRAP

The mistakes of the past are often perpetuated because “We have invested so much in this approach/decision that we cannot abandon it or alter course now.” The management accountant’s view of this is refreshingly sanguine: if it’s spent, it’s spent—worry about the present and future, not the past. This trap is particularly significant when it comes to managing risk and investing in new projects or deals, such as acquisitions or capital investments.

This situation is also known as an *escalation of commitment*, a flawed way of coping with—rather than simply making—decisions, and is discussed further later in this chapter. The antidote is to plan effectively and know in advance where the plan can be modified and by how much. Maintaining a clear focus on the desired outcome helps, as does keeping an overview of the situation.

THE CONFIRMING EVIDENCE TRAP

Also known as confirmation bias, this is when we seek

information to support an existing preference and discount opposing information. It is also a tendency to seek confirming evidence to justify past decisions. People seeking to support the continuation of the current favored strategy frequently manifest this tendency. This way of thinking may lead managers to fail to evaluate the weaknesses of existing strategies, and to overlook important and successful alternatives.

A classic example of the confirming evidence trap is The Waiter's Dilemma—a thinking flaw that is a self-fulfilling prophecy. Consider the situation of a waiter in a busy restaurant. Unable to give excellent service to everyone, the waiter serves only those people that he believes will give a good tip. This appears to work well: only those that he predicts will tip well, do so. However, the waiter fails to realize that the good tip may be the *result* of his actions—and so might the lack of a tip from the other diners. In fact, the only way the waiter can test his judgment is to give poor service to good tip prospects, and excellent service to poor tip prospects. The point here is that original judgments and decisions (such as those made by the waiter) could be less valid than is assumed, as the adequacy of the judgment has not been tested. The solution is for managers to challenge and test existing assumptions, to identify weaknesses in current thinking, and to research alternative approaches to strategic development.

THE OVERCONFIDENCE TRAP

Closely linked to *confirming evidence*, the overconfidence

trap is when a decision maker overestimates the accuracy of their forecasts because of an exaggerated belief in their ability to understand situations and to predict the future. This is particularly true among business leaders and decision makers, who are not known for being particularly timid or uncertain in their views! This trap is actually more subtle and insidious than it may seem.

One problem with overconfidence is that the solution may sometimes seem obvious, when in fact a better option lies hidden elsewhere. Another danger of overconfidence is casual implementation of the solution.

Many factors can cause overconfidence: a lack of sensitivity, routine, constant success leading to complacency, a lack of criticism or feedback, a confident pre-disposition, or a tendency to make assumptions. Confidence is clearly vital for success, particularly with difficult decisions where a steadfast, determined approach is needed. However, the solution for avoiding overconfidence is to research, investigate, and understand all the possible options and to act appropriately. This means avoiding quick and hasty action. Knowing which approach fits each situation is important for success—another reason why scenario thinking is particularly valuable.

THE FRAMING TRAP

Incorrectly stating a problem or situation completely undermines the decision-making process. This is often, but not always, unintentional. Clearly, how an issue or situation is seen is important in providing the basis for developing

an effective strategy or decision. It is worth noting several points:

- Managers habitually follow established success formulae (sometimes known as managerial recipes), and as a result view emerging issues through a single frame of reference
- People's roles and situation within the organization influence the way problems are framed. For example, if one leader is being judged by the staff turnover in their team, then they are likely to frame a departure in a way that does not undermine their position
- The framing trap often occurs because well-rehearsed and familiar ways of making decisions tend to be dominant and difficult to change
- The framing trap may lead managers to solve the *wrong problem*—decisions may have been reached with little thought and better options may be overlooked
- A failure to define the problem may not only lead to the wrong solution being implemented, but the right solution being implemented incorrectly. The causes of this failure include:
 - Poor or insufficient information
 - A lack of analysis
 - A feeling that the truth needs to be concealed, possibly out of concern
 - A desire to show expertise, or a belief that they have to handle it
 - A lack of time to frame the problem correctly

Clearly, organizations can go out of business if their managers fail to change their frame so that it encompasses—and allows valid insight into—changes in the business environment. Defining the problem is the foundation to solving it. This requires time, information systems, and analysis skills. It also needs a supportive atmosphere of honesty and fairness where issues and concerns can be openly discussed.

THE RECENT EVENT TRAP

This trap gives undue weight to a recent, and quite probably dramatic, event or sequence of events. This is very similar to the anchoring trap, except that it can arise at any time—not just at the start—and cause a misjudgment. This is also known as *hindsight bias*.

In a study, the research group tended to recollect that they had predicted the occurrence of an event with a high degree of confidence. If a named event had not occurred, they either claimed that they had not predicted it, or that they had placed a low degree of confidence on the poor prediction. The research has demonstrated that we believe that our judgments, predictions, and choices are well made, but this confidence may be misplaced. Awareness of this trap and the danger that it might pose in the way decisions are made is vital for avoiding it.

THE PRUDENCE TRAP

This is being overcautious when we make estimates about uncertain factors. It appears as a tendency to be very risk

averse, and is particularly likely to occur when there is a *decision dilemma*: a situation when the decision maker feels that continuing with the current approach carries risks, and that alternative courses of action also carry risks.

In truth, part of successful problem solving and decision making is a willingness and ability to take calculated risks when required, and to minimize those risks. Natural caution, hesitation, and fear of failure are major factors in avoiding risk, but the leader needs to show the way in controlling risk and managing the situation. An unsupportive work environment can also be a factor. The leadership of the organization should therefore set the parameters, clearly demonstrating how and when to manage risk, as well as building a blame-free environment, where experimentation is allowed, properly managed, and controlled.

! It is a flaw to be overcautious. Realism, perhaps erring on the side of caution
● (depending on the nature of the decision), is the antidote, together with effective, active leadership.

Coping with Decisions: Typical Behavioral Flaws

Leaders cope with decisions and situations in various ways, and these often work against finding or implementing an effective solution.

PROCRASTINATION

Frequently, and almost instinctively, leaders look to lower the level of stress inherent in decision dilemmas. This spawns a number of typical coping patterns, as leaders “wait and see” and try to avoid the risk of failure—often by avoiding a decision.

There are several points to note about decision avoidance or procrastination:

- It can actually result in greater risk, for example, by maintaining an increasingly flawed, outdated, or irrelevant status quo
- Over-reliance on a previously successful formula has damaged many businesses that were, in their time, successful first-movers
- A belief that an established approach remains valid and valuable—even impervious to current external changes—is flawed
- Procrastination and decision avoidance invariably worsen the situation, creating greater complexity and making an effective solution much harder to achieve. They give unhelpful attitudes time to harden and allow time for demotivation and cynicism to take hold. These complicating pressures can, in their turn, frustrate effective decisions

Clearly, procrastination can be caused by many factors. The key, however, is to recognize it when it occurs. Some of the most obvious causes of procrastination include:

- Lack of motivation

- Lack of understanding about the importance of solving the problem
- Fear about the consequences of solving the problem or dislike for the methods that will need to be used

Several approaches can tackle this, including:

- Leading by example: demonstrating commitment, diligence, and other qualities needed to resolve the situation
- Breaking the cycle of procrastination by setting clear priorities for the strategy, yourself, and others
- Empowering people to act, giving them the necessary authority, and making their responsibilities clear

If a decision on an issue beyond the authority of the empowered team is required, then the added pressure of the team usually forces a swift solution.

ESCALATION OF COMMITMENT

In this coping strategy, when decisions or strategy start to fail, the leader responsible for the decision typically commits further resources in an attempt to recover the situation. This stems from a need to defend previous choices. Escalation of commitment is characteristic of the manager's need to be proven right, and is, in effect, the sunk-cost trap mentioned earlier.

BOLSTERING

Bolstering occurs when decision makers defensively avoid

the stress of difficult decision dilemmas by uncritically emphasizing one option. This happens most often when there is no “good” option available, only a choice among the “least worst” courses of action. There are several key points to note about bolstering:

- Bolstering is a basic way in which decision makers cope with the threats or opportunities that are often part of crucial decisions
- The problem with bolstering is that it can result in a sense of invulnerability to external events, especially when accompanied by an escalation of commitment to the current strategy
- This, in turn, leads to an inadequate search for information and alternatives that might provide a better choice or a more effective solution (nothing will match the artificially “bolstered” choice)
- Bolstering results in poor contingency planning in the event that the favored option fails

SHIFTING RESPONSIBILITY

Shifting responsibility is often a sign of weak leadership. A decision maker will pass ultimate responsibility for the choice to other individuals or groups, usually because of a decision dilemma. Again, this coping pattern is used to reduce the stress of making decisions.

The Pitfalls of Decision Making Which Involves Groups Of People

Potential pitfalls can also result from the culture

or environment of the organization. The first two, fragmentation and groupthink, can be thought of as the opposite ends of the same spectrum.

FRAGMENTATION

Fragmentation occurs when people disagree with either their peers or their superiors in the organization and has the following features:

- The expression of emerging dissent is usually disguised or suppressed, although it may appear as “passive aggression”
- Dissenting opinion can often fester in the background, for example, mentioned informally in conversation, rather than clearly raised in formal situations, such as meetings
- Each of the fragmented groupings—and there may be several—often show a confirmation bias. In other words, they evaluate incoming information to support initially held opinions, rather than viewing it more objectively
- Fragmentation is corrosive, hindering effective analysis and decision making
- Fragmentation can worsen when the views of one grouping are dominant
- Fragmentation feeds off itself in a loop, with any move to break it cynically seen as an attempt to gain dominance by one side or faction. It can therefore become locked into the organization and be extremely difficult to reverse

GROUPTHINK

Groupthink is the opposite of fragmentation, and is no less of a hindrance to decision making.

- Groupthink occurs when the group suppresses ideas that are critical or not in direct support of the direction in which the group is moving
- The group appears in agreement, and this may be caused by many factors; for example, past success can breed a belief of an infallible team
- Groupthink may occur because the group is denied information, or because individuals lack the confidence or ability to challenge the dominant views of the group
- People may be concerned about disagreeing, because of either past events, present concerns, or a fear of what the future might hold, and so seek safety in numbers
- Groupthink is exacerbated by the fact that cohesive groups tend to rationalize the invulnerability of their decision or strategy, and this in turn inhibits critical analysis and the expression of dissenting ideas. The effect is an incomplete survey of available options, and a failure to examine the risks of preferred decisions
- Groupthink can occur in organizations where teamwork is either strong or weak. As with fragmentation, groupthink is also self-sustaining. Moreover, the longer it lasts, the more entrenched and “normal” it becomes in people’s minds and behaviors. After a little time, it is also very difficult to reverse

AN EXAMPLE—AND A SOLUTION—TO THE PROBLEMS OF FRAGMENTATION AND GROUPTHINK

These problems are illustrated by the *Abilene Paradox*, written by Jerry B. Harvey. In the story, a man suggests a family trip to Abilene, a town in Texas that was over 50 miles from the family homestead, on a hot, dry, Sunday afternoon. The man asks each person in the room in turn if they would like to go, and each one says yes. However, only when they are returning from their long, uncomfortable, and unpleasant journey does each member of the family confess that they did not want to go in the first place! The first person that was asked—the man's wife—agreed to the trip because she thought that her husband was keen to go. The son-in-law agreed because he thought his parents-in-law (quite possibly authority figures!) wanted to go, and the others in the family agreed because they did not want to spoil the trip for everyone else—so they all reacted positively. However, even the man who suggested the trip in the first place admits that he only did so because he thought that everyone else would prefer to go out, rather than remaining in the house.

Remarkable though it may seem, this situation often occurs in organizations.

- Decisions are made and choices are validated, even though the people involved have hidden reservations
- Decision making is made complex by human nature, with people either seeking to satisfy and support others, or keen to avoid conflict and the risks that this brings

A further frustration arising from the nature of organizations is the phenomena of *organizational lock-in and feedback loops*, mentioned earlier. These occur when the organization is so fixed on a particular belief or view of the world that all of its actions simply reinforce a flawed perception. This can even go so far as to bring about the expected result—i.e. becoming a self-fulfilling prophecy. Information is collated and analyzed through one specific filter, strengthening a fixed perception. Of course, this perception may be accurate—but nothing is forever. The point about lock-in and self-reinforcing feedback loops is that they are unable to sense, with any accuracy, when circumstances are changing, and more importantly, why they may be altering.

! The solution to organizational problems of fragmentation and groupthink is to

- understand their root causes, to consider how, where, and when they might exist, and then to challenge and confront them.

Clearly, both problems stem from a lack of honesty and understanding.

THE BIGGEST PROBLEM OF ALL: FAILING TO RESPOND TO CHANGE

The need to change is often complicated by such fundamental issues as funding, regulation, customer perceptions, and technology. Be that as it may, the need to change in the right way at the right time—and in

particular, to develop and compete—is axiomatic for any business leader.

If change is so important, what is it about decision making that prevents organizations from achieving it? Put another way, what is it that anchors businesses in their present or past? There are, of course, almost as many answers to these questions as businesses to ask. However, there are several main themes and reasons for failure:

- **A lack of recognizable strategies** in areas such as functional policy, corporate direction, and environmental monitoring. Part of the reason for Enron's failure, for example, was a reliance on financing arrangements, rather than on developing and selling sources of energy. Financial chicanery may have given the impression (and reality) of profit growth and rising shareholder value, but it was no substitute for a strategy to grow and diversify a major energy business. The truth was brutally exposed for Enron when their financial techniques crumbled
- **Weak execution, combined with poor timing of responses to developments**, such as declining customer demand or increasing competition, also causes decline and failure. A clear example of this is the many major airlines that are now grappling with the increasing popularity of low-cost carriers
- **Poor risk taking and poor risk management** are major problems, leaving many organizations overtaken by events. Firms undertake projects that are too large or assess acquisitions too optimistically; for example,

AOL and Time Warner, Daimler and Chrysler—massive corporations that faltered in the execution of their strategies, believing that mergers were substitutes for innovation, risk management, and adding customer value. Allied Irish Bank and Barings Bank are more extreme examples of corporations that simply failed to manage risk

The inability to understand and adapt to change is characterized by a leadership that lacks dynamism and is unaware of the need to compete. This typically underpins organizational inertia, uniting the points above. In addition to underestimating the changing market environment, many organizations fail to see the consequences of increased competition—even when the signals are clear.

Overcoming the Problems of Decision Making

It is often easy to see decision-making flaws, particularly in others, but much harder to remedy them. Most antidotes are common sense and easily recognizable to any experienced manager. However, it is still worth pointing out the solutions and for this reason they are outlined on the following pages.

Potential pitfall	Possible causes	Potential solution
Failure to define the problem—this may lead to the wrong solution being implemented, or the right solution being implemented the wrong way. Either way, the problem persists and potentially worsens.	• Inadequate or insufficient information • Lack of analysis • People hiding the truth out of concern, a desire to show their own expertise, or a belief that they have to handle it • Lack of time	Defining the problem clearly is the key to solving it. This requires sufficient time, information systems, and adequate analysis skills. It also needs a supportive atmosphere of honesty and fairness where issues and concerns can be openly discussed.
Failure to understand the problem and find a solution—sometimes problems can be so complex or fast-moving that finding a solution is difficult. Sometimes there is no satisfactory solution—only a choice between alternatives that are less or more acceptable.	Many of the same factors that stop the problem being clearly defined also combine to prevent it being understood. Information overload or the consequences of the situation can also make it extremely difficult to distinguish between cause and effect.	Understanding the problem will help to highlight possible solutions, or enable a choice to be made between competing options. Ask several key questions: What is the problem? What is not the problem? What is affected by the problem? Who is affected, who is not affected and what is different about those that are affected?

Potential pitfall	Possible causes	Potential solution
Subjective, irrational analysis—this can lead to a solution that fails to solve the problem, or the wrong solution entirely.	This may result from prejudice; being unduly influenced by the “halo” effect (where individuals feel success simply from association with the project, regardless of the likely effectiveness of any decisions); or from expectations or assumptions about behavior or circumstances. Other causes may include casual complacency, arrogance, laziness, tiredness, or overwork.	Check and verify facts and information, avoiding assumptions wherever possible. Objective, rigorous, and unbiased analysis is the best approach.
Laziness or procrastination—avoiding difficult or unpleasant problems invariably makes them worse, or creates time (and other) pressures as additional issues arise and need to be resolved.	This can be caused by lack of motivation; lack of understanding about the importance of solving the problem; fear about the consequences of solving the problem; or dislike for the methods that will need to be used.	• Lead by example, demonstrating commitment, hard work, and the other qualities needed to resolve the situation • Set clear priorities • Monitor key issues and areas of work • Empower people to act by giving them the necessary authority and making clear their responsibilities

Potential pitfall	Possible causes	Potential solution
Lack of sensitivity —failing to appreciate the sensitivity of a situation can result in problems worsening, other difficulties being spawned, and solutions being undermined.	Lack of time, information, and analysis are among the most common causes. A lack of sensitivity may also be a factor, for example, being insufficiently tuned in to people's thoughts and feelings, or failing to show respect.	People are invariably the key to success or failure in problem solving. Influencing, leading, communicating, trusting, and empowering can all help to develop and display sensitivity.
Lack of focus and direction —at best, this erodes efficiency; at worst, it results in the wrong solution or implementation—or no solution at all.	This can occur when there is an absence of leadership or a crisis of leadership, with the person in charge simply failing to lead well enough.	Establish clear priorities and objectives. People need to know what to do, how to do it, and have the necessary skills and resources to ensure success.

Potential pitfall	Possible causes	Potential solution
Lack of creativity and innovation—relying on experience or past approaches, even when tried and tested, is no guarantee to future success. Certain problems may require a new approach for them to be resolved.	People may not see the need for creativity, or they may not have the skills or resources to be sufficiently creative.	The adage that “if you always do what you’ve always done, you’ll get what you’ve always got” is important, highlighting the need for an approach that emphasizes continuous improvement. One way forward is to question everything about the problem, even reconsidering factors that may seem fundamental. Alternatively, don’t look for major leaps forward or visionary breakthroughs, but instead adopt an approach that emphasizes slow, incremental improvements.

Potential pitfall	Possible causes	Potential solution
A focus on peripheral issues, rather than substance—sometimes the facts surrounding a problem are distracting or demanding in their own right, with the result that the problem is tinkered with or simply left to grow.	A lack of information or analysis, or the daunting nature of a difficult, sensitive, important, or highly complex situation. People may take shelter in little issues or problems, rather than struggle to solve the whole thing—expending large amounts of energy and risking failure.	Consider first principles: what is happening, why, what are its consequences and how can it be resolved. Maintain a clear focus on the problem-solving process. Discussing the situation with others can develop a sense of perspective.
Overconfidence—sometimes the solution may seem obvious, when in fact a better solution lies hidden elsewhere. Solutions can be casually implemented because of overconfidence. Never assume that the best solution to any problem is easily available.	A lack of sensitivity, routine, constant success leading to complacency, a lack of criticism or feedback, a confident pre-disposition, or a tendency to make assumptions.	Confidence is often vital for success, particularly with difficult decisions where a steadfast, determined approach is needed. However, acting appropriately means avoiding quick and hasty action where possible. Know which approach fits each situation.

Potential pitfall	Possible causes	Potential solution
Being too risk averse—part of successful problem solving and decision making can be a willingness and ability to take calculated risks. Hesitation and fear of failure are natural, but the leader needs to show the way in controlling risk and managing the situation.	Natural caution is one of the biggest factors in avoiding risk, but an unsupportive work environment can also be a factor.	The leadership of the organization or team needs to set the parameters, clearly demonstrating how and when to manage risk, as well as building a blame-free environment, where experimentation is allowed and properly managed and controlled.

Using Scenario Thinking to Overcome Problems

The *strategic conversation* is the continuous process of planning, analyzing the environment, generating and testing scenarios, developing options, selecting, refining, and implementing. It is a central part of the increasingly popular and successful approach of *scenario planning*. Scenarios are effective because:

- They provide a framework for combining the formal and informal elements of the strategic conversation
- They enable decision makers and strategists to examine a wide range of information, to understand the drivers

of the present and the future, and to articulate and challenge their assumptions as to how and why the future may evolve

- The outcome of the scenario process is a deeper understanding of alternative views, and a new and more sophisticated language approach to strategic decisions, largely resulting from an enhanced “strategic conversation”

! Scenarios may not predict the future but they do illuminate the causes of change—

- helping managers to take greater control when conditions shift.

! If enacted effectively, scenario thinking challenges managers’ mental models and

- orthodoxy in a way that fosters a shared understanding and leads to joint action.

Scenario thinking is such a potent technique for “wind tunneling” decisions and solutions—as well as understanding, preventing, and pre-empting problems—that its benefits deserve explanation.

THE BENEFITS OF SCENARIOS

- **Understanding the present.** Scenario thinking provides a better understanding of how different factors affecting a business affect each other. It can

reveal linkages between apparently unrelated factors and, most importantly, it can provide greater insight into the forces shaping the future, delivering real competitive advantage

- **Overcoming complacency.** Scenarios should be designed to challenge established views, overcoming “business-as-usual” thinking and enabling established formulae and new ideas to be tested. Seeing reality from different perspectives mitigates the pitfalls of groupthink, procrastination, hindsight bias, bolstering commitment to failing strategies, and shifting responsibility
- **Promoting action and ownership of the strategy process.** Scenario thinking helps break the constraints on traditional strategic practices as it enables those involved to discuss the complexity and ambiguity of their perspectives in a wide context
- **Stimulating creativity and innovation.** Scenarios encourage the opening of minds to new possibilities and the excitement of how they may be realized. The process leads to a positive attitude that actively seeks the desired outcome
- **Promoting learning.** Scenarios help people to understand their environment, consider the future, share knowledge, and evaluate strategic options. Information is better evaluated and integrated in the scenario planning process, which enables those involved in it to recognize and react to emerging circumstances

- **Creating a shared view.** Scenario thinking works because it looks beyond current assignments, facts, and forecasts. It allows discussions to be more uninhibited and it creates the conditions for a genuinely effective shared sense of purpose to evolve. Getting support for strategic decisions requires involving those that matter in the scenario planning process

ACTION CHECKLIST: SCENARIO PLANNING

The scenario thinking process is not one of linear implementation; its effectiveness lies in stimulating decisions, in the *strategic conversation*—a process that is refined with further environmental analysis.

! There are two things we can say for certain about the future. It will be
● different—and it will surprise.

- 1 **Planning and structuring the scenario process.**
 The first stage is to identify gaps in organizational knowledge that relate specifically to business challenges whose impact on the organization is uncertain. To do this, create a team to plan and structure the process. The team should probably come from outside the organization and its members should be noted for their creative thinking and ability to challenge conventional ideas. An external team is better placed to provide objective support, free from internal agendas or tensions. In discussion with the team, decide on

the duration of the project; ten weeks is considered appropriate for a big project.

- 2 **Exploring the scenario context.** Team members should be interviewed to highlight the main views and to assess if these ideas are shared among different team members. Questions should focus on vital issues such as sources of customer value, the current success formula, and future challenges, identifying how each individual views the past, present, and future aspects of each issue. The interview statements should be collated and analyzed in an interview report, structured around the recurring concepts and key themes. This now sets the agenda for the first workshop and should be sent to all participants. It is also valuable to identify the critical uncertainties and issues, as perceived by the participants, as a starting point for the workshop.
- 3 **Developing the scenarios.** The workshop should identify the forces that will have an impact over an agreed period. Two possible opposite outcomes should be agreed and the forces that could lead to each of them should be listed. This will help to show how these forces link together. Next, decide whether each of these forces has a low or high impact and a low or high probability. This information should be displayed on a 2 x 2 matrix.

By clearly presenting two polar outcomes and all the driving forces, the team can then develop the likely “histories”—or scenarios—that led to each outcome. These histories of the future can then be expanded

through discussion of the forces behind the changes. The aim is not to develop accurate predictions, but to understand what will shape the future and how different events interact and influence each other. All the time, discussions are focused on each scenario's impact on the organization.

This part of the process opens up the thinking of the members in the team and it makes them alert to signals that may suggest a particular direction for the organization. The outcomes of different responses are "tested" in the safety of scenario planning, avoiding the risk of implementing a strategy for real.

4. **Analyzing the scenarios.** The analysis stage examines the external issues and internal logic. Consider:
 - What are the priorities and concerns of those outside the organization who are also responsible for the main decisions in the scenario?
 - Who are the other stakeholders?
 - Who are the key players and do they change?
 - Would they really act and make decisions in the way described?

Systems and process diagrams can help address these questions, as can discussions with other stakeholders. Remember, we are not trying to pinpoint future events, but to consider the forces that may push the future along different paths.

5. **Using the scenarios.** Working backwards from the future to the present, the team should formulate an action plan that can influence the organization's

thinking. Next, it should identify the early signs of change so that when they do occur, they will be recognized and responded to quickly and effectively. The process then continues by identifying gaps in organizational knowledge. The participatory and creative process sensitizes managers to the outside world. It helps individuals and teams to recognize the uncertainties in their operating environments so that they can question their everyday assumptions, adjust their mental maps, and think “outside the box.”

Checklist: Assessing Behavioral Problems and Challenges

Decision-making flaws are common in every organization. To assess the situation and start improving decision-making capabilities, it is helpful to consider the extent to which the hidden traps of decision making hamper the organization, by asking whether people regularly:

- Give disproportionate weight to the first piece of information they receive
- Seek to maintain the status quo
- Pursue failing decisions, in a forlorn attempt to recover past investments and credibility
- Seek confirming evidence to justify past or present decisions
- Display overconfidence
- Display excessive caution
- Incorrectly frame or state an issue—often leading to a flawed decision

- Give undue weight to a recent or dramatic event
- Procrastinate—delaying important decisions

As well as these common problems and behaviors, strategic decision making in groups is often hampered by groupthink and fragmentation.

- To what extent do these approaches affect key decisions?
- How prepared is your organization to drive and respond to change? Can you recall examples when the company has driven change, responded to it, or failed to do either? What are the reasons for this failure?
- What is the solution? (Understanding the root causes and then confronting them is the best approach—although this simple advice may often mask a complex and sensitive, even explosive, situation.)

Planning to Improve Decision Making and Problem Solving

If you develop a personal action plan to improve decision making and problem solving, this should take account of the following challenges:

BALANCE ANALYSIS WITH THE NEED FOR ACTION

- Highlight major points in the data—keep to single words or one-liners
- Identify the critical detail required to make decisions
- Look for relationships and trends in the data
- Keep informed about relevant issues and trends

with weekly updates, reports, and discussions with colleagues

- Build informal networks with colleagues and others outside the organization whose insight will be valuable later
- Establish a relationship with a mentor who can (a) help to develop decision-making skills, and (b) provide a sounding board when urgent decisions are needed
- Generate mutual understanding and respect with colleagues— especially those people whose information, position, and skills will be needed when you have a crucial decision to make
- Find out about incisive thinking techniques, such as Kepner-Tregoe analysis, lateral thinking, and mind mapping

BE PROACTIVE

Here are ten things that proactive decision makers and problem solvers do:

1. Question the appropriateness of previous decisions.
2. Involve stakeholders in making decisions to build commitment.
3. Actively search out information from a variety of sources.
4. Identify the non-negotiable constraints in a decision.
5. Search for a broad range of alternatives.
6. Look for long-term solutions.
7. Create new options by combining features of other options.

8. Figure out how to improve the best option and make it even better.
9. Ask “What could go wrong?” and plan preventive actions.
10. Anticipate and plan for future decision points.

Think about the decisions you make:

- Which of these ten things do you do consistently?
- Which of these ten things can you start doing more often?

! Thinking critically means asking
“Why?,” “What else?,” and “What if?”
● questions to probe thinking.

It is also useful to:

- Challenge the thinking of others, even when they appear to be on firm ground
- Identify and challenge the assumptions or rationale that underpin decisions
- Get others to pinpoint the exact reasons for their views
- Challenge and provoke—look for radical change
- Play devil’s advocate and go for the opposite of current practice
- Avoid acceptance of the status quo

IDENTIFY OPTIONS

This can be accomplished by brainstorming the available options and highlighting the most favorable ones.

Techniques that can help include:

- Reducing your list of available options by ruling out those that miss some agreed criteria
- Identifying one vital question that if answered would provide the information needed to proceed—how can you get this answered?
- Calculating which option gives most benefit after taking into account the costs
- Using others' experiences to see how they would tackle the task
- Avoiding always choosing the easiest option

USE LATERAL THINKING

Find other ways of generating solutions and ideas by:

- Brainstorming ideas without criticizing them
- Saying something silly or provocative to get the creative juices flowing
- Drawing a picture to describe how things could change
- Avoiding a conservative or “safe” approach

CONCEPTUALIZE

Create an ideal picture of how you would like an issue to be resolved or progressed.

- Think of *what* you are trying to achieve not how you will achieve it
- Establish the end point in your mind—what the initiative will achieve—and work backward to see which method best achieves this goal

CONSIDER CUSTOMER NEEDS

The single biggest influence on entrepreneurial decisions is how it affects customers. Focusing on customers is a vital part of making the best decisions and it can be achieved by:

- Putting yourself in the customers' shoes and seeing areas of vital importance
- Brainstorming what you could do to best meet their needs and objectives
- Researching your intended changes to ensure that customers want them
- Prioritizing the list of actions that you need to take
- Avoiding assuming you know what the customer wants
- Finding out about the customers' aims and aspirations
- Looking to offer options to the customer in most standard situations
- Avoiding accepting without question the customers' first statement of need
- Looking for opportunities to talk informally to customers
- Following up on sales to see what happened post-sale
- Using customer feedback as evidence in making internal recommendations
- Anticipating customer needs, where appropriate, by taking time to review their long-term plans

MASTER THE ESSENTIALS

- Anticipate the impact of major decisions
- Find out about decision analysis techniques
- Keep informed about relevant issues and trends

- Build informal networks
- Deal with ambiguity and risk
- Take unpopular decisions when needed. This may mean you need to:
 - Prepare an honest explanation and keep putting the message over
 - Explain the implications of not taking the decision
 - Involve those affected by the decision wherever possible
 - Keep people informed of progress
 - Paint clear pictures of the desired result
 - Avoid delay or signs of personal uncertainty
 - Achieve consensus

FINALLY, ACCEPT PERSONAL RESPONSIBILITY

This may mean that you need to:

- Ask for comments from colleagues on the effectiveness of a recent decision or the way it was made
- Discuss and explicitly agree with your manager the extent of your decision-making responsibilities
- Talk through the expected outcome of a decision with your manager or team before making the decision—and remain accountable for the results
- Find a challenging issue and take responsibility for delivering an effective solution (working with others as necessary)

Dos And Don'ts

DO:

- Clarify the issues, working out what is essential and what is desirable
- Consult widely to gain a comprehensive perspective
- Gather information and remain objective
- Look for other situations when similar solutions and ideas were required
- Review past situations—what worked, what failed, and why?
- Understand where the risks lie and take action to control and reduce these
- Communicate—people need to know what decisions are being made and why, if they are to be successful
- Challenge existing thinking and orthodoxy—brilliant decisions and solutions are rarely routine

DO NOT:

- Let personal preferences or preconceptions cloud your judgment
- Forget to consider implementation: decisions need to be pragmatic and workable
- Neglect to monitor or follow up decisions—decisions need constant attention and leadership. Don't just decide and never look back!
- Forget customers—what will the decision mean for them?
- Rush to an obvious decision or solution—a better alternative may exist