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# Strategic Decision Making: Technology vs. Your Brain

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**Some information processing shouldn't be left to computers. Here's how to improve your executives' decision-making skills.**

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**C**ompanies today have to make more decisions more quickly. To do so, they're relying on fewer people with access to more information than ever before. They're developing programs to harness information technology, build "learning organizations," and reengineer systems and processes so that information flows more smoothly and quickly. But more information obtained faster does not necessarily result in *better* decisions. What does result is the potential for better-informed decisions. The quality of decisions continues to rest on the decision-making and problem-solving skills of individual managers.

Even in well-managed companies with smart people and effective tools and processes, there is still room for improvement in the quality of decisions made at both the individual and collective levels. Individuals and organizations often lack the skill, discipline, and, they may believe, the time to thoroughly process information as part to their approach to decision making and problem solving. There is, however, a successful method for teaching senior managers critical practices for effectively processing information. The method also provides discipline for using the practices, convinces senior managers that they do have—and must take—the time to thoroughly process information, and, as an added benefit and payoff, helps the organization to attack critical business issues.

## **COMPUTERS CAN'T DO IT FOR YOU**

When we speak of processing information, we are not referring to an organization's information technology capability. We are referring to the capacity of individuals and teams to fully explore, clarify and come to a mutual understanding of all sides of a problem, to its root causes and implications, and to the options for addressing it *before* deciding on and implementing a course of action.

The “program of the month” syndrome with which so many companies seem afflicted illustrates the effects of failing to thoroughly process information when making critical decisions. Genuine desire to do a better job more quickly and at lower cost have resulted in an ongoing search for high-impact solution—reengineering, employee empowerment, customer focus, core competencies, market disciplines—finds some champions among the senior executives. The organization focuses its efforts on this potential solution until another potential solution emerges, at which time new champions take on the new idea and the previous idea begins to lose favor. The company pays a heavy price for this approach to addressing organizational problems,

including frequently shifting priorities that test employees’ faith in management’s competence. Yet the syndrome lives on in many organizations, and may continue to do so until managerial decision-making skills improve.

To strengthen the quality of decision managers in your organization make, teach them to incorporate the critical practices for executive information processing (shown in Table 1) into their individual and collective decision-making and problem-solving efforts. *How to Turn Volumes of Data Into Better Decisions* describes these practices in detail. but the major points are:

**Tolerate ambiguity.** Many executives have been rewarded throughout their careers for having answers and taking quick, decisive action. But speed in execution is desirable only after identifying the right problem and solution. The complexity of many business decisions today requires an openness to the full range of problem definitions and corresponding remedies.

**Balance focus and mass.** Organizations today cannot afford to waste resources of any type, but waste is a risk when resources are spread thinly across multiple initiatives—too thinly to have an impact in any one area. Reducing the number of fronts under attack at any one time permits sufficient fortification of the remaining efforts, thereby maximizing chances for success in those areas. Managers should target additional issues only when the organization is willing to commit to a level of resource clearly sufficient—that is, having enough critical mass—to ensure success.

**Expand perspective.** Most executives are exhilarated when offered a new way of thinking about their world. But the ability to think differently (“out of the box”) doesn’t always come naturally to even the most talented executives. Techniques for creating out-of-the-box thinking become popular among executives introduced to them.

It’s true that instilling these practices (and the disciplined use of them) among senior managers is not as simple as, for example, teaching sales skills to new sales people. It can be difficult to convince some senior managers and executives that they would benefit from any sort of education, particularly in a topic like decision making that they may

## Table 1: Critical Practices for Executive Information Processing

### TOLERATE AMBIGUITY

- **Restrain** the (otherwise helpful) **bias for action**.
- Develop **shared understanding** of the problem **before** selecting and implementing a solution

### BALANCE FOCUS AND MASS

- **Tighten to focus** (*i.e.*, the scope) of the issue under consideration to the narrowest reasonable target.
- Deploy a **critical mass of resources** clearly sufficient for the scope and nature of the issue.

### EXPAND PERSPECTIVE

To challenge existing and to build new perspectives:

- Explore **multiple** (and even opposing) **views** from internal and external experts.
- Use **models and frameworks** that suggest multiple alternative perspectives.
- Aim for a **future-oriented** target. Employ a **4:1 ratio**—front windshield to rearview mirror
- Consider the **breadth** of stakeholders.
- **Elevate thinking** to identify and focus on patterns vs. events.
- Ensure **full exploration** of meanings, applicability and implications

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perceive as “soft.” So it is critical to use an educational method that accomplishes two goals. First, the method must capture the attention of busy, experiences executives. Second, the method must hold their attention long enough to enable real learning—that is, changes in behavior—to occur. The way to capture executives’ attention—and, ultimately, to achieve behavior change—is to put them to work using the new practices to address a current business issue.

The following example of one organization describes an approach to develop the desire and ability among senior managers to use the critical practices of executive information processing. Gold Processes, Inc. (a fictional name for an actual company) is a 40-year-old global manufacturer with 45,000 employees, \$30 billion in annual revenues, and locations in 17 countries.

#### **GOLD PROCESSES: FIRST STEPS**

When the chief executive of Gold Processes wanted to revive Gold’s executive education function, the manager assigned to the new effort worked with the CEO and other senior managers to establish the purpose of executive education as that of helping achieve critical strategic objectives. To further clarify the purpose, an outside consulting firm conducted a series of interviews with senior management to answer a number of questions, including “What are Gold’s key emerging business issues?” and “What are the critical success factors in Gold’s ability to deal with these issues?”

The interviews resulted in a list of 24 items, and from those, the senior management team identified and ranked a smaller number of items upon which to focus their efforts and those of the larger organization.

To achieve this focus the first two two-and-a-half day meetings explored just a few critical factors in the emerging external environment: a broad look at geopolitical, social, and economic trends and issues from the perspective of a consumer activist (traditionally, “the enemy”): Wall Street; and a look at the likely future availability of critical natural resources. This meeting served several purposes: It provided a heavy dose of external reality; it explored the future-oriented research and opinions of several

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***The skill, discipline, and time to process information relevant to business decisions are strategic necessities, not luxuries.***

experts on critical topics; and, as a result, it challenged and expanded the perspectives of Gold executives. To date, like their peers in other companies with strong “grow your own” management traditions, Gold executives had not always maintained a strong balance in the amount of attention paid to internal and external concerns.

While the executives themselves had, during the interviews, acknowledged a need to build their tolerance for ambiguity, the first meeting provided a test of their commitment to doing so. Initial reactions to some of the information could not be put to immediate use, the information was irrelevant to the business and they were wasting their time. Challenged to consider whether their reactions might be a bit hasty, particularly in light of their expressed desire to build tolerance for ambiguity, the group sat back, took a collective deep breath, and began to identify some critical implications of what they were hearing.

Although the first meeting was just two-and-a-half days long, critical mass began to form in several ways. First, 300 executives worldwide (in groups of 25) participated during an intense eight-month period. Second, the event was tightly focused on the objective of scanning key factor is in the external environment. The original list of needs contained 24 factors thought to be critical for Gold’s future success, but only a few were selected for attention in the first meeting. The group was able to make progress toward fully appreciating the complexity

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of the selected topics because 20 other issues weren't clamoring for attention at the same time.

A third component of critical mass was world-class, external faculty in each subject area who provided constant challenges to existing perspectives. For example during one session, several executives questioned the accuracy of faculty member's data. They were not happy with what the data were saying, and felt sure they knew their business better than the academic. Shortly after the program ended, the executives called the faculty member to apologize; they had checked his and their information further, and concluded that he was right.

This exposure to outside perspectives is very valuable, even to the most experienced, well-grounded groups of executives. While an organization's executive team may, collectively, be in touch with external, industry issues, a given executive is likely to be current and knowledgeable on only one or two of them. A valuable outcome of processing information in the manner described is that the group as a whole comes to share knowledge in many areas critical to the organization's success.

#### **ELEVATED THINKING**

As a result of the first series of meetings, there was a significant change in the executives' understanding of the issues facing Gold Processes. Whereas the original needs analysis had produced a list of 24 factors believed to be critical to Gold's future success, the factors tended to be either external and tactical (e.g., "We'd better know what we're going to do about regulatory issues.") or internal and organizational ("Will our management system continue to serve us well?").

After a focused exploration of only four of the external factors, during which the top 300 executives came to a greater, common understanding of those factors, they elevated the critical issues from those of tactics and organization to those of long-term vision and strategy. They came to realize that as a group they did not understand the existing vision as broadly as they should for it to be effective, and, even more important, they were questioning whether the vision and its corresponding strategies would serve them as well in the future as they had previously believed.

## ***Including customers in intimate discussions about Gold's future made a few executives uneasy at first.***

Although the executives made some important changes immediately after the first series of meetings (e.g., adjusting corporate financial measures to better focus on creating shareholder value), for the most part, the Gold executives kept in check their tendency toward taking immediate action long enough to embark upon another exploration, this time concerning the larger issues of vision and strategy. Opening this second meeting was an exercise that juxtaposed the key information about the emerging external environment (from the first meeting) against Gold's traditional criteria for making strategic decisions, resulting in a framework for thinking about the future called a "decision criteria matrix."

The matrix turned out to serve more than one purpose. First, as intended, it pushed the executives to take a long look at exactly why and how their future strategic decision-making processes might need to differ from those upon which they had relied historically. Their understanding of Gold's future challenges, already much enriched as a result of the first meeting, reached an even greater level after this exercise—driving home the point that, though they had developed a stronger collective understanding of Gold's key issues (the vision and corresponding strategies), they were still not ready to move to the stage of selecting and implementing solutions.

Second, before the exercise began, Gold had no formal list of strategic decision criteria. After the exercise, senior management could build the list from formal and informal, written and unwritten

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“rules” that were consistently (though not always consciously) applied to strategic decisions. Thus, the process of creating the matrix became an unanticipated occasion to specify and clarify the criteria while also challenging perspectives, as senior managers debated each other over whether an item belonged on the list and why some items had come up in the first place.

A few of the executives, observing the success of the first set of meetings both in communicating strong common message to the whole group and in getting people excited about those messages, saw the second set of meetings as a vehicle for communicating messages they felt were important. These executives believed that work process reengineering and harnessing of information technology for competitive advantage were going to be critical for Gold’s future success regardless of the vision Gold eventually chose to pursue. No doubt they were correct in the long run, but the timing of the introduction of these topics to the organization was awkward. These topics represented solutions at a time when most of the executives were still grappling with defining the problem. Reengineering and information technology were thus put at risk to become programs-of-the-month, because they did not yet fit into a larger context of mutually agreed-upon solutions to a mutually understood problem. (One topic they eventually dropped from the event; the other remained alive but was not, in the immediate future, pursued by the executives with the same vigor as were the vision and strategy issues.)

#### **PERSPECTIVES OF AND ON STAKEHOLDERS**

To expand executives’ perspectives regarding stakeholders, key customers participated in every session of both meetings. Including customers in intimate discussions about Gold’s future made a few Gold executives uneasy at first, but their unease was quickly dispelled when customers began to state that they were already aware of challenges with which Gold was grappling, and that many of their companies were facing the same challenges. Looking at the issues through each others’ eyes and building common understanding of shared issues strengthened the partnerships between Gold and its customers to a degree not previously achieved through customer focus groups.

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All sessions of the two meetings allowed for the full exploration of meanings, applicability, and implications. External faculty members were carefully selected not only for their expertise and presentation skills, but also—and this is crucial—for their ability to engage senior executives in active discussion of the topic at hand, including, when appropriate, confronting and challenging existing perspectives. An experienced external facilitator continued the pattern of exploration and challenge during morning debriefing sessions and on the final half-day of each session, which was devoted to synthesizing what the group had learned and identifying questions and concerns requiring further attentions.

Finally, Gold’s management committee received a list of these questions and concerns immediately after each session. This feedback kept the committee in close touch with the larger group of executives, assured the larger group that its ideas and questions were heard, and helped the committee prioritize needs and keep the ongoing work focused.

As a result of the second series of meetings, the Gold executives concluded that they needed to rethink Gold’s vision for the future and its strategies for achieving that vision—a position they did not hold some 20 months earlier, when the CEO decided to revive executive education. Through a focus on key emerging business issues and an approach to learning that emphasized the thorough processing of information about those issues, the executive program, as the CEO later stated, “turned the company on its ear.”

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No doubt the Gold executives considered the primary objective of the executive education initiative to have been one of addressing strategic business issues. Because most busy, experienced executives are not interested in programs for developing “soft” skills, the Gold executives were never told that the meetings were intended to improve their decision-making skills by strengthening their ability to effectively process information. (In fact, anyone considering an executive program for which the publicly-stated purpose is “to improve decision-making skills” should expect a tough sell.)

But the program engaged the Gold executives because it put them to work on live business issues. They honed their information-processing abilities by using and experiencing the power of the critical practices while working on matters they found compelling. Significant changes in behavior occurred not only between the first and second sets of meetings, but also between the first session of the first meeting—when participants started out uncomfortable with ambiguity and with challenges to their perspectives—and later sessions of the first set of meetings, by which time executives were vying for the opportunity of participate and have their comfort levels challenged.

#### **HOW GOLD'S APPROACH CAN WORK FOR YOU**

As Gold Processes, Inc. illustrates, an organization can change significantly when the critical practices of executive information processing are brought to bear upon strategic decision making and problem solving. It is not necessary to have a business challenge as substantial as the involvement of 300 executives

## ***Combine work on real business issues with a lesson in the “soft” area of decision making.***

in the creation of a new corporate vision in order to benefit from the approach. The same basic approaches to learning experiences can work in a range of situations, from a one-day meeting for eight people to process involving full-time teams of executives for as long as three months. One common thread among these different situations is a recognition that, in the information age of today and tomorrow, effective decision making is becoming increasingly difficult and more critical. The skill, discipline, and time to thoroughly process information relevant to key business decisions are strategic necessities, not luxuries.

A second common thread is the approach of combining work on real business issues with a developmental opportunity in the “soft” area of decision-making. This approach provides a double return on the investment in executive education: The education and development of the participants enables an organization to expect better decisions in the future, and the development occurs while the executives make significant, real-time progress on one or more current business issues.