

White Paper

Making Great Business Decisions

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1. The Role of Business Thinking in Leadership

When we describe leadership we try to break it down into the three distinct areas of Personal Leadership, People Leadership, and Business Leadership.

Personal Leadership is about personal styles and values, authenticity and integrity, and critically the capacity to generate trust. People Leadership moves away from day to day operational management to engaging people, both head and heart, to the journey or direction being taken, and Business Leadership involves seeing the future, establishing pathways to achieve it, and demonstrating great business acumen in everything you do.

Before we can develop Leadership skills it is important to be clear about what actually underpins the way a leader behaves. Whilst this is a most complex area, let's have a look at a simple schematic that identifies a number of areas that have a significant impact on how we behave.



Experience describes the kinds of business situations that leaders should have experienced or have had exposure to through their career to be successful in a particular role. For a CEO for example this may include multinational or international experience, and deep experience with full financial accountability.

Knowledge describes the degree of knowledge required in order to perform effectively in a role. This includes for example detailed industry knowledge or functional knowledge for example retailing or marketing, and can be gained through a range of activities that include formal study, training, coaching, experience and on the job learning, etc.

Personality describes the core personality traits, characteristics and values that support or hinder success even when everything else is effective. These may include for example resilience, social confidence, being forward thinking and being adaptable.

The other attributes Intuition, Perspective and Reasoning tend to have a symbiotic relationship with each other, and are required for the leader to make the great business decisions that define their personal leadership style, their business acumen, and their capacity to engage and motivate the people they interact with.

Leadership in action

Field Marshal Sir Gerald Templer was a British military commander who fought in both World Wars. He was the youngest ever Field Marshall and is best known for his defeat of the guerrilla rebels in Malaya between 1952 and 1954.

Templer, despite coming from the command and control environment of the military and an era that predates many of our modern leadership theories, saw the leadership imperative as:

- Get the priorities right
- Get the instructions right
- Get the organisation right
- Get the right people into the organisation
- Get the right spirit into the people
- Leave them to get on with it

This formula for leadership resonates because of its simplicity, but also because of its balance between seeing the future, planning to achieve it, and engaging others to deliver on it.

Templers' leadership imperative which covers both business leadership and people leadership can also be looked as 'the what', 'the why' and 'the how'. The effectiveness of 'the what and 'the why' is directly linked to a leaders business thinking capabilities!

'The what' can be separated into two distinct parts. 'The what' requires having an appropriate breadth and depth of perspective of the business and the world it operates in, and then having the business thinking tools to leverage this perspective.

Business thinking tools means having the analytical skills to handle the sheer amounts of data presented to us and being able to absorb and make sense of the ever increasing complexities of our world – what used to be one tree is now a forest! Business thinking tools and ultimately 'the what' means being able to make objective, often non-experiential, decisions that are rational and justifiable, whilst also being those bold and innovative decisions that define the future.



'The why' involves the rationality of 'the what' given all of the inputs to the business thinking and decision making process. Also, and most critically for leaders 'the why' means being able to communicate a coherent and cogent view of the world that informs stakeholders, shares with them a vision of what could be, and creates a sense of ownership and urgency.

'The how' involves engaging and leading others to the fulfilment of the vision for the future. If 'the what' and 'the why' won't achieve what really needs to get done it does not matter how engaging and charismatic a leader is or how effective their people leadership skills are!

We applaud the amount of work being done in organisations to assist leaders in engaging their staff in the way ahead, in 'the how', but we also consider that more can be done to help leaders to have the capacity and desire to undertake the thinking and analysis required to deal with the challenges of the world we live in and to make great business decisions.

The Problem

Martin Luther King once wrote:

Rarely do we find men who willingly engage in hard, solid thinking. There is an almost universal quest for easy answers and half-baked solutions. Nothing pains some people more than having to think.

We have been working with our clients for many years to assist them in developing organisational capability, particularly leadership skills, and it is our observation that some 50 years after Martin Luther King made his statement nothing much has changed.

We regularly meet managers and leaders who rely on obvious solutions or past experience as a platform for business thinking and decision making, rather than undertaking deeper, more insightful, thinking exercises. They appear to struggle with the many challenges of our dynamic business environment, and can be overwhelmed with our changing landscape, and the sheer amount of data and inputs they have to deal with.

This significantly limits their ability to function in our complex business world, and ultimately becomes a real constraint to their business and people leadership effectiveness and capacity to deal with the dynamic and changing business environment we find ourselves in.

Leaders and managers business thinking must be challenged and their capacity to undertake 'hard, solid thinking' must be developed as a platform for achieving high impact business leadership and decision making and in changing and enhancing people leadership behaviours.

Further, having the right business perspective and business thinking tools is a must as a platform for high impact leadership behaviours.

Organisations need to arm leaders so that they can:

- Investigate and understand the competitive external market.
- Understand and articulate key organisational drivers.

- Describe the drivers of business success for their area of responsibility and for the broader organisation.
- Build a vision of what the future could like, and the steps to achieving this.
- Build commercial and financial acumen – hard business thinking skills.
- Develop strong non experiential decision making tools using as appropriate systems, linear, and non linear thinking techniques.
- Make bold and innovative decisions.
- Manage the tension between reasoned and intuitive decision making.
- Communicate the vision, the rationale and the way forward ('the what', 'the why' and 'the how') in a compelling way that drives rational engagement, and lays a platform for people leadership that also drives emotional engagement and buy in.

Ultimately these tools are needed to help leaders and managers deliver high performing teams and businesses each and every day through refined business acumen, financial acumen and decision making tools, and by coaching business focused behaviours in their teams

Our clients confirm that placing a major emphasis on business thinking and having the appropriate business perspective does facilitate enhanced personal, people and business leadership skills and in so doing drives high levels of performance and achievement of business goals across all areas.

A word of warning!

We have concentrated on the capacity to undertake deep and solid business thinking, however this presumes the desire to undertake robust thinking and then the organisational capacity to embrace this.

We believe that if you desire to change your business culture and ways of thinking and working you need to overcome institutional inertia and work on the system of beliefs, values, and behaviours of your leaders.

Importantly, you must ensure that the organisational system is sufficiently understood and "disrupted" to allow for the new ways of working to take hold rather than be eventually submerged and drowned beneath existing cultural paradigms and traditional ways of thinking.

2. What drives Great Business Decisions

Making decisions is the most important job of any executive. It's also the toughest and the riskiest. Bad decisions can damage a business and a career, sometimes irreparably.¹

Whilst this seems to be stating the obvious, it's also clear that business thinking and decision making are areas that often do not receive sufficient attention in recruitment, training, talent development or succession planning.

Hammond et. al. (2013) go on to explain how we use unconscious routines to cope with the complexity inherent in most decisions, but researchers have identified a whole series of flaws in the routines we use in making decisions. These include sensory misperceptions, unconscious biases, and even irrational anomalies in our thinking. What makes all these traps so dangerous is their invisibility.

Because these routines are hardwired into our thinking processes we are not even aware of them, so unless we do something about our hard wiring we continue to risk making flawed business decisions time after time.

Why we make bad business decisions

Evidence suggests that we mostly make decisions unconsciously using experience, intuition and imagination. Imagination is used to test the practicality of the decisions derived from experience and intuition, often subconsciously.

The evidence is very strongly that we do not normally do much conscious analysis.

Our emotional judgements often come before our rational judgements, many times driven by feelings we are not aware of or if we are often we can't explain them. This means that often our decisions are based on intuition and past experience rather than a logical, rational thought process.

For executives, whose success hinges on the many day-to-day decisions they make or approve, these decision making processes are especially dangerous.

In the excellent book *The Righteous Mind: Why Good People are Divided by Politics and Religion* (2012), Jonathon Haidt argues that people are too quick to denigrate other points of view without giving those views full consideration.

We constantly see this in business where, in Haidt's words "Intuitions Come First, Strategic Reasoning Second".

¹ The Hidden Traps in Decision Making
by John S. Hammond, Ralph L. Keeney, and Howard Raiffa, published in HBR's 10 Must Reads on Making Smart Decisions. Harvard Business Review Press. 2013.

But what does this really mean?

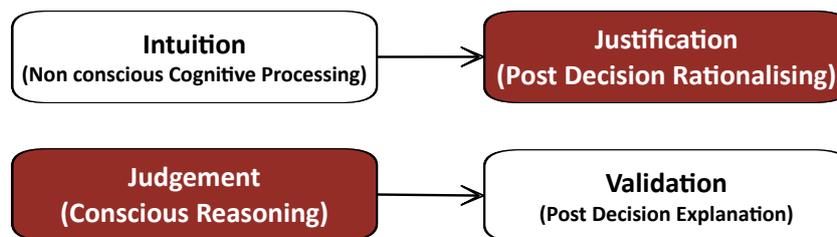
Cognition just refers to information processing. There are two very different kinds of cognitive processes at work when decision making or problem solving.

The first is called Lower Cognition, and is loosely described as Intuitive Thinking, or more correctly Non Conscious Cognitive Processes, and has two levels:

- “Seeing-that” is the pattern matching that brains have been doing for millions of years. It is the intuitive response to the situation. At it’s rawist it’s Fight of Flee, but in a decision making or problem solving environment it means instant decisions based on immediate stimuli. There is no consideration for all the facts, not are alternatives or choices considered. The risk is that under pressure, for example time pressure, pressure from the boss, money constraints, etc. we will revert to this state and flawed decision making processes.
- “Reasoning-why”. As brains got larger and more complex, we stated making choices, but again based on the stimuli around us, for example weather conditions or food availability. “Reasoning-why” occurs only for creatures that have language and need to explain themselves to other creatures. Again this is based on pattern recognition, and whilst choices are considered this process can be flawed as it is based on the immediate and obvious.

This brings us to Higher Cognition, often called Conscious Reasoning or Judgement. This involves processing immediate stimuli, including emotions of yourself and others, maintaining a broad and holistic perspective, delving into further and deeper information, generating a range of options, developing a rationale for considering the various options and only then making decisions.

If we bring all of this together we end up with:



Plato said that reason ought to be the master, others that reason is and ought to be the servant of the passions, or ought to be co-rulers.

We agree that you cannot take intuition out of decision making, nor do you want to, but the more complex the issue, the less experience you have in it, the more mission critical the decision, the more you need to move to conscious reasoning, as the chances of making the right intuitive decision, based on immediate inputs and stimuli becomes unacceptably low.

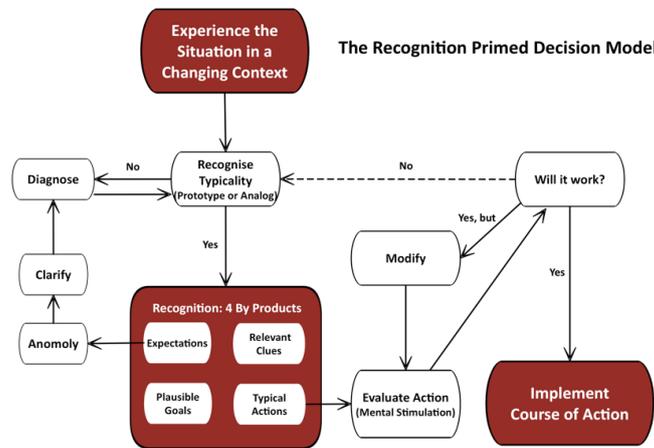
When is it okay to act instinctively?

Emergency Situations

Gary Klein in his book “Sources of Power: How people make decisions” (1999) talks about naturalistic decision making and defines conventional sources of power to include deductive logical thinking, analysis of probabilities, and statistical methods.

He notes however that sources of power needed in natural settings (particularly for example in emergency services) include:

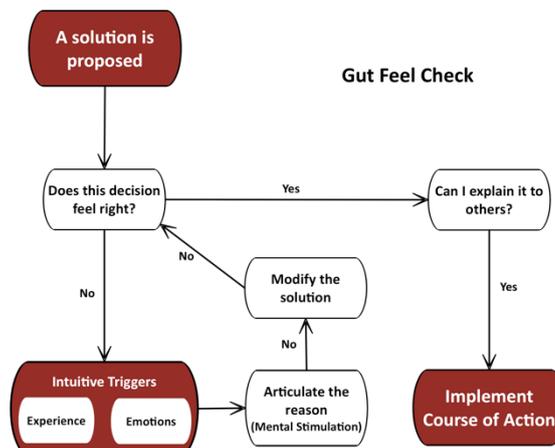
- the power of intuition (to sum things up quickly),
- mental stimulation (imagine how a course of action may be carried out),
- metaphor (using experiences by suggesting parallels between the current situation and some thing else we’ve experienced),
- and storytelling (consolidate our experiences to make them available in the future).



Klein’s Recognition Primed Decision Model is absolutely critical in situations requiring immediate action, for example during an emergency, where a more slow paced, rational decision making process will not be successful.

The Gut Feel Check

We also like to incorporate Intuition into rational decision making. This is the gut feel check. We will explore this further, as it does look like this:



When creativity counts

Interestingly enough we often meet people who tend to make intuitive or non conscious cognitive processing complain about not being very creative.

Whereas rational thinking follows certain patterns and processes, for example data analysis, or problem solving techniques, our intuition, if genuinely unharnessed encourages unconstrained thinking and innovation. If let free it gives us the ability to be creative, to question the status quo, to be original and to create meaningful new ideas and concepts.

As we will discuss later, creativity and innovation do however need to fit into an overall pattern of rational decision making so as to ensure these ideas are captured and given traction.

So can you train yourself to think differently?

Thinking is a behaviour

Leaders aren't born, they are made. And they are made just like anything else, through hard work. And that's the price we'll have to pay to achieve that goal, or any goal.

Vince Lombardi

Thinking as observed by Klein is often experiential and intuitive. This is an example of a behaviour as is rational decision making, and we believe that anything that is a behaviour can be learned.

The Cambridge Dictionary describes behaviour as:

The way that someone behaves.

The way that a person, an animal, a substance, etc. behaves in a particular situation or under particular conditions.

As children we just do what our instincts tell us – we are hungry so we cry – but as we grow older we learn to behave differently – we are hungry we ask for food. This changed behaviour comes from a variety of sources, including parental guidance, watching and mimicking, etc. The child has learned to modify their behaviour, and as a result, because crying could be caused by many different causes, gets a better outcome – food more quickly.

The second definition is enlightening as it recognises that behaviour changes depending on the circumstances, which simply means that if we choose we can control our behaviour.

The old instinctive crying now extends to a rational choice of how we choose to behave when we are hungry.

Similarly, business thinking is a behaviour and therefore, if we have strong levels of self awareness, a desire to change how we think, and a way of gaining the tools, for example rational decision making processes, there is no reason why managers, leaders and decision makers can't expand the way that they think, and enhance their decision making effectiveness.

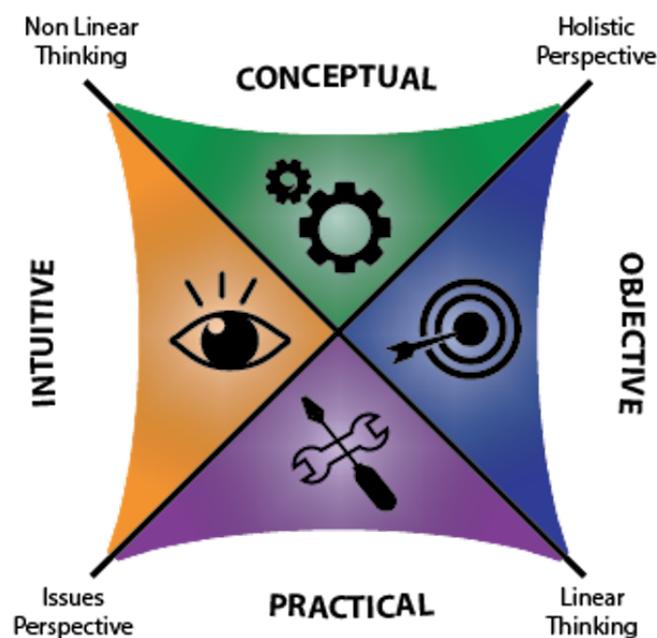
Learning to expand the way we think, and learning to balance experiential, intuitive and rational decision making is in effect Metacognition, which really is thinking about thinking or more formally cognition about cognition. Metacognition allows us manage our own cognitive processes, for example stopping and thinking rather than just reacting. It also allows us learn different decision making techniques and evaluate when and where they are appropriate to use.

3. Converting Thinking Concepts into hard core Commercial Acumen

So how do you go about expanding the way you think? How do you balance Conscious Reasoning and Rational Decision Making with the Non Conscious Cognitive Processing we call intuition? How do we balance rationality with intuition and creativity?

How do you engage leaders to understand there are other ways of seeing the world and processing inputs? Other ways that give new insights and enhance the capacity to deal with complexities, make better business decisions, and communicate in a powerful and engaging way?

Before answering this, let's have a look at some different thinking styles, and how they may apply in a business sense. The chart below is one we use to help decision makers understand how a combination of perspective and thinking styles allows them to consider and deal with a full range of issues, opportunities and problems presented to them regardless of their level of seniority or experience.



The perspectives axis recognises the range of perspectives required from at the left hand side short term and situational to on the right hand side a more long term and holistic perspective. Whilst not losing sight of the fact they do need to be able to drop into the specific and situational as issues require this, this more holistic perspective is critically important to senior leaders who are responsible for strategy, planning and creating the future.

This perspective is often called systems thinking, which is an approach that views issues, opportunities and problems as parts of an overall system. Rather than reacting to specific issues and potentially incurring unintended consequences systems thinking is based on the belief that the component parts of a system can best be understood in the context of relationships with each other and with other systems, rather than in isolation.

The thinking axis recognises different thinking styles, with on the left is unstructured non linear, often called lateral, thinking which has its strength in innovation and creativity through to more structured and analytical thinking often called linear thinking.

When combining these two continuums we get The PT Matrix where there are four distinct quadrants, all of which have application in an impactful decision makers tool kit.

The green quadrant reflects working in a more conceptual space with a clear understanding of the world around us and interconnections between the different parts of the business and the environment. The green is well suited to creating the vision for the future and developing strategy. It is innovative and creative.

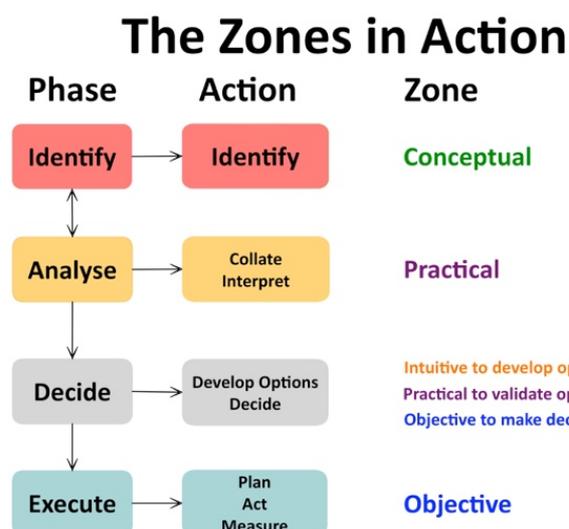
The blue zone is very objective. Again it understands the business as a holistic unit, but is very practical and takes an analytical and rational approach to dealing with issues and opportunities.

The purple zone also brings this analytical and rational approach to bear, however its focus is much more insular and issues related. Strengths are around deductive problem solving, technical problems, and systems and process issues.

The orange zone, a bit like a traffic light warning is an area to be handled with care. This quadrant has an issues or specific focus, however business thinking tends to be more lateral and non linear. Whilst this encourages unconstrained thinking and innovation it does risk unaligned and insular thinking that drives non rational decision making.

It is our experience that leaders, managers and decision makers have a preferred think and perspective style. This is fine, as it these very attributes that make them successful. The opportunity however is to develop flexibility in thinking and expand the way they think – to add skills – to ensure that regardless of the situation they face, they are able to take advantage of it.

Lets have a look and see how business thinking and decision making work within The PT Matrix.



As an organisational level, particularly for business leaders, and for developing strategy and business plans flexible thinking looks like this:

Action	Thinking Style	Perspective	Quadrant
Understanding the world around us	Linear Thinking for processing information	Holistic (Systems Thinking) for context	Blue
	Non Linear Thinking for conceptualising a complex world		Green
Creating the Vision	Non Linear Thinking	Systems thinking	Green
Developing the strategy to deliver on the Vision			
• Develop options	Non Linear Thinking	Holistic	Green
• Develop decision criteria	Linear Thinking	Holistic	Blue
• Measure Risk	Linear Thinking	Issues	Purple
• Understand Implications	Linear Thinking	Holistic	Blue
• Map options to decision criteria	Linear Thinking	Holistic	Blue
• Decide	Linear Thinking	Holistic	Blue
Act			
• Plan	Linear Thinking	Issues	Purple
• Communicate	Non Linear Thinking	Holistic	Green
• Act	Linear Thinking	Issues	Purple
• Measure	Linear Thinking	Holistic	Blue

For problem solving at all levels on management and leadership we get:

Action	Thinking Style	Perspective	Quadrant
• Identify problem	Linear Thinking	Issues	Purple
• Collate information and analyse	Linear Thinking for collating and processing information	Issues	Blue
	but sometimes... Non Linear Thinking for conceptualising a complex problem		
• Develop options	Non Linear Thinking	Issues	Orange
• Develop decision criteria	Linear Thinking	Issues	Purple
• Measure Risk	Linear Thinking	Issues	Purple
• Understand Implications	Linear Thinking	Holistic	Blue
• Map options to decision criteria	Linear Thinking	Holistic	Blue
• Decide	Linear Thinking	Issues	Purple

There is no doubt that business thinking requires a high degree of flexibility and managers and leaders must be able to let go their preferred thinking styles, as for example even simple problem solving requires a blend of linear and non linear thinking, and a blend of issues and holistic perspectives!

The question then is how do we help managers and leaders release themselves to think differently? Research and our clients confirm, that placing a major emphasis on 'learning by doing' with actual organisational data is highly impactful. The challenge of course is being able to manage the issue of objectivity and capacity to step away from traditional thinking and personal biases. A practical, yet theoretically robust approach drives very strong learning retention and on the job application is required.

4. Barriers to changing the way we think about Business

We are asking our managers, leaders and decision makers to really stretch themselves to adopt what is often a totally different thinking style. This requires them to have the emotional intelligence and self awareness, to have the Metacognition, to be aware of their preferred styles, a recognition of the benefits of changing how they think, and a desire to challenge themselves and take a risk.

It also places requirements on the organisation to actively encourage new ways of thinking, to provide ongoing guidance and support to their managers and leaders and to establish a culture of learning and having a go! This sounds simple, but in reality requires significant effort from leaders and HR professionals, and ultimately strong sponsorship from the most senior levels of the organisation.

Both aspects offer significant challenges to the leaders of the organisation. Some of the statistics available on low learning retention and poor or minimal on the job application make for scary reading. We would bet that most readers have seen programs that had great merit fizzle and not get the traction they deserved back in the workplace. This is a waste of resources, especially time and money, but equally it diminishes the reputation of business learning and may make it very difficult to gain funding for future projects, particularly in tough business environments.

Ultimately the answer to this we think has to be dealt with in two distinct elements, but let's have a look at what the Australian Psychological Society has to say. An article under their umbrella² lists the following as key ingredients for facilitating successful behaviour change:

- Building self-efficacy while recognising autonomy
- Identifying and facilitating readiness to change
- Facilitating motivation to change
- Helping to prevent and manage relapses
- Fostering a good working alliance
- Using evidence-based procedures
- Providing relevant information and advice
- Allowing sufficient time to change

It's clear that some of these are issues for the individual, for example comments about motivation and self-efficacy, but clearly a number of these issues are reliant on the organisation changing the ways it does things, so let's look at each of these challenges in turn:

How do we release the individual to think differently?

To ensure that individuals can take the opportunity to think differently at work where it really counts an integrated approach to development is required. This has elements of both a push (I want to develop my skills) and pull (we want you to change) strategy.

² Australian Psychological Society: The keys to successful behavior change. An article by Dr. Bob Montgomery FAPS. <http://www.psychology.org.au/publications/inpsych/behaviour/>

There are key actions organisational leaders and program sponsors need to undertake before, during and after learning interventions take place.

Before: This means that prior to the learning experience organisational leaders and program sponsors must:

- clearly reinforce the need for change including all of the elements of change management that facilitates successful organisational and personal change, and
- assist individuals develop a strong self awareness about their preferred thinking style, their personal barriers to change and the implications of not changing the way they think and behave.

During the intervention: Edgar Dale³ in his Cone of Learning identifies that after 2 weeks we tend to only remember 10% of what we read, 20% of what we hear, but retain 90% through simulating the real experience or doing the real thing. Therefore it is critical that the program:

- is relevant to the individual, and
- reinforced by learning by doing and also fun!

A generic, one size fits all program is unlikely to deliver on Dales Cone of Learning as by its nature it is homogenised and most unlikely to simulate the real experience.

We work with our clients to create environments that are relevant, interesting and which simulate the environments of the various participants, so we are confident that with careful design very high learning retention rates can be achieved.

Post intervention: There are a range of post intervention activities that will facilitate the on the job application of these new thinking styles, but in essence they all revolve around:

- senior sponsorship,
- internal coaches,
- champions role modelling these behaviours,
- active plans to bring the new skills into the workplace,
- reward and recognition,
- accountability, and
- reinforcement.

Fundamentally however, it is our observation that an overall environment of learning accountability – “We invested in you, we expect you to use the new skills” – is the most critical element of all!

How do we release the institution to allow the individual to think differently?

It is our experience that this is often a bigger challenge than releasing the individual to think differently. We’ve all heard the stories or joked about turning the juggernaut around, but unfortunately this is quite an apt metaphor!

³ Edgar Dale, Audio-Visual Methods in Teaching, Holt, Rinehart and Winston.



this is about changing culture as anything else is transient and not sustainable in the long term. Whilst this is not meant to be a treatise on changing culture a few points do need to be made.

Changing a culture takes time and needs:

- A clear linkage to the aspirations of the organisation
- A clear articulation of the benefits of the new culture and why the old ways can't continue
- Executive and senior staff genuine buy in and sponsorship. They must talk the talk and walk it all the time!
- Leaders must be able to and want to act as coaches
- A culture that embraces learning, change, innovation and considered risk taking
- A articulation of the culture in terms that are clear and unambiguous
- A performance based element that encourages adherence to the culture and to learning payback

If organisations see 'training' rather than organisational change, growth and development and don't make a significant commitment to change the way they do things then ultimately all they get is 'training'! If the commitment is there then they get sustainable change.

One of our clients for example recognised the need to change the culture of the organisation as a key component of their business transformation strategy, (the largest retail transformation in the world over the last few years). They have made a significant and long term commitment to leadership development as the driver of cultural change towards their Way of Working. They committed to this program for over four years, and there is no doubt that the new culture is contributing significantly to the successes they have had to date and continue to have in a very competitive and crowded marketplace.

This in all likelihood would not have happened without significant and sustained commitment from the most senior levels of the organisation to the new way of working, the new culture and enhanced leadership behaviours!

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