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Making Decisions in a Volatile, Uncertain World

Technological development has brought many changes to our lives, largely due to new pace, complexity, and global reach; the impact of critical decisions has never spread so far and fast, which means getting important decisions right is critical. Leadership guidance rarely has much that is both relevant and relatable to say about this core area, primarily because each decision is entirely unique in its context. Yet we often stand or fall by the decisions we make—especially the big calls—and so it is important to discuss the process in the context of crisis management.

One thing is certain—in a crisis state, a leader will find themselves inundated with data intended to inform a response; good leadership is about establishing what is relevant and when to make the decision. This chapter considers challenging questions such as whether to wait for more data to arrive, or act in the hope that the data already available to you will lead to the right decision. Sometimes this is something of a gamble.

Early on in the COVID-19 crisis, many governments were 'following the science', awaiting solid data before making key decisions, a wait that meant the difference between life and death for many thousands of people. Governments fought and indeed still fight criticism from many quarters for their perceived slow responses; as leadership bodies they learnt the hard way that in some situations we have little option but to go with what we have.

We reiterate throughout this book that leadership success is built on the foundations of a high-performing team. In this chapter we will consider how decision making can be used effectively to develop, motivate, and align that team towards the best possible decisions.

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We consider Victor Vroom's particular interest in team development through decision making. We also explore research contributions from Sir Andrew Likierman at the London Business School, whose concern lies with the quality and diversity of available information.

Through specific case studies we examine how and why capable leaders make questionable decisions, and develop a discussion of how we might detach ourselves from personal biases in order to gain more objectivity and ultimately make better decisions.

This chapter will seek to address the following questions:

- How can you improve your decision making?
- What can you do to avoid common and costly mistakes?
- When and why should you involve the team in making the decision?
- How do you pick the right people?
- Should you recruit externally or promote from within?
- How can you learn which key elements to probe and question?
- How can you learn to question your own biases?

The Legacy of Our Decisions

Leaders ultimately stand or fall by the success or otherwise of their decisions, indeed, they are a leader's main legacy. Whilst many would argue that the ability to make decisions is only one aspect of a leader's necessary capabilities, it is the predominant factor which determines the extent of a leader's tenure.

Getting the big decisions wrong usually ends badly for the leader, even if at the crucial moment there may have been widespread support for the choice. If they prove successful in outcome however, then it is onwards and upwards.

A memorable example of this would be the UK Prime Minister Margaret Thatcher, who in 1982 made the decision to send a fleet to the Falklands Islands following occupation by Argentinian forces. As the UK was in the midst of a severe recession this decision received widespread opposition at home. If that mission had failed, Margaret Thatcher's tenure would very likely have been cut short, but it did succeed and, despite enduring and in places, extreme unpopularity, she was re-elected in a landslide victory the following year.

Case Study: Mike Coupe at Sainsbury's

Often whether a decision works out or not dominates almost all other necessary leadership characteristics. An interesting example can be seen in the case of Mike Coupe, CEO of UK grocery chain Sainsbury's. Coupe exhibited most of the positive aspects one would expect from a leader: he is hugely knowledgeable about the grocery industry, charismatic, supremely confident, and a natural communicator, widely respected across the industry.

However, Coupe made two major bad decisions during his tenure. The first in 2016 was to acquire Argos, the online and catalogue seller of an extensive range of household items. You may well be familiar with the company's unique format which involves customers browsing the catalogue, filling in a form, and the item being produced almost instantly from an attached warehousing facility. This format had considerable popularity with a consumer group arguably very different to that of Sainsbury's. The latter predominantly attracts customers who are willing to pay more for Sainsbury's long upheld standards, including the experience of their spacious, pleasant stores.

A problem facing much of the European grocery industry at the time was that maintaining large ranges were costly to service and not valued by many customers. Trade was being lost to competitors with small ranges at much lower prices. The main grocers were actively having to reduce their range in order to cut costs. One consequence was that Sainsbury's had spacious stores and subsequently, scope for shops within shops. Argos was therefore seen as one economic solution to this, considering Sainsbury's already stocked some household and homeware ranges.

Initially the acquisition appeared successful, although there was a lack of hard evidence owing to the fact that figures were rapidly merged into those of Sainsbury's. Some years later it became apparent that over 500 of the Argos standalone stores were to be closed with attendant closure costs, and fewer shops within shops were to be created. The differing nature of the customer base is one reason this may have failed.

In 2019, Mike Coupe opted to merge with a direct competitor, Asda, owned by the US group Walmart, which would have led to a combined dominant market position of more than 30% of all UK grocery sales. No doubt, if the motivations behind the venture—reduced costs and economies of scale—had been a success, it would have led to an unassailable position. However, after many months of deliberation, during which Sainsbury's were steadily losing market share, the UK Competition and Markets Authority turned down the proposal, leaving Sainsbury's with a bill of £50 million in advisory fees. Following the failed bid, Mike Coupe announced his resignation from the board.

Sadly, these examples are the rule rather than the exception for overly confident decision making. So, what drives CEOs and boards to make such poor decisions after a track-record of success?

Case Study: Megamergers and CEO Hubris

Experience has shown that when a business decides on high-risk megadeals, the senior management usually pays the price. A brief review of the major deals in 2015/16 shows that very few senior management teams remained in place. This was typically the consequence of bad strategy, paying too much, or failed integration bids. The resultant loss of market share and failure to realise predicted benefits were soon followed by the loss of key personnel. One contributor to this pattern is that the management were too distracted by what is essentially an internal reorganisation and failed to recognise the warning signs of deteriorating performance.

In the agribusiness arena, German-owned Bayer bought US-based Monsanto for $6 bn, only to find that it had acquired enormous claims liabilities from people producing and using its weed killer 'Roundup'.

An £11 bn UK-based 'merger of equals' between investment fund managers Standard Life and Aberdeen Asset Management resulted in a major loss of customers and slow realisation of cost benefits. The chairman and both company CEOs left.

The global leading brewer Belgian-based AB InBev acquired the world's second largest brewer headquartered in South Africa, SABMiller, for $106 bn to create a global market share of almost 30%. Unfortunately, they paid far too much, only to find the various competition authorities did not like the deal and all relevant acquisition assets in North America, Europe, and China had to be disposed of at a fraction of the price originally paid. Most of the AB InBev top team left and the merged business continues to limp on with enormous levels of debt.

Why Do Capable Leaders Make Bad Decisions?

Some leaders struggle with decision making. Others spend much of their careers making good decisions, but on reaching the top job, manage larger decisions badly (Fig. 3.1).

The Founding Components of Decision Making

'Judgment can be defined as the ability to combine personal qualities with relevant knowledge and experience to form opinions and make decisions' (Likierman, 2020a). The component which is most likely to let us down is personality. Sir Andrew Likierman goes on to say that 'Judgment is not a synonym for being cautious. It implies action and making decisions. You will never have all the information before acting. The judgment call involves recognising when you have to act but also recognising the limits of your knowledge'.

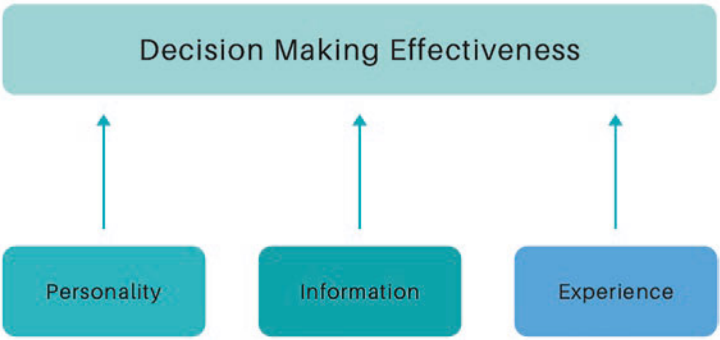

Fig. 3.1 Key elements of effective decision making

Any crisis decision is a product of available time and information. More time will bring more information, but it may mean that circumstances have developed to the point at which action is too late. In the case of government decisions relating to COVID-19 lockdowns any delay that results from waiting for more information means more deaths.

In many decisions, waiting a little longer, if time permits, allows for potentially important information to arrive. It can also be a rationale for failing to make a decision, which in a crisis situation is unforgiveable (Fig. 3.2).

The Five Roads to a Bad Decision

Hubris

'Excessive pride or self-confidence; arrogance.' (*Oxford English Dictionary)*

This generally afflicts leaders with a successful track record. Their subsequent confidence often means they start to believe their own publicity. Perceiving themselves as infallible and disregarding the contributions of advisors is a hubris that often prematurely ends the careers of previously successful leaders.

Sir Terry Leahy at Tesco serves as a possible example. During his 14-year tenure as CEO, he built a huge empire of supermarkets across a number of countries including more than 30% of all UK grocery sales and in 2011 return Profit Before Tax of £3.5 bn on sales of £67 bn. Sir Terry believed that he could also conquer the highly competitive US grocery market, despite optimal locations having been pre-empted, having no supply chain, and without a known brand. Also large well-known and efficient competitors were already

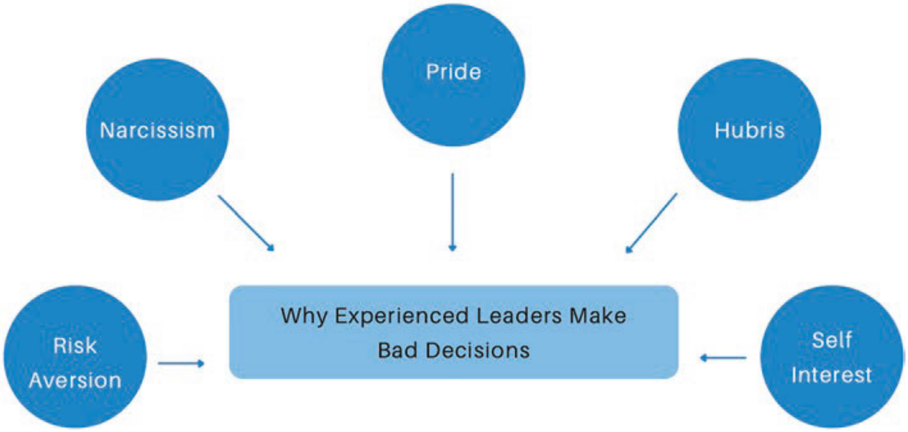

Fig. 3.2 Decision making distortion through personality influences

there. Late entrants without a significant source of competitive advantage or compelling customer value proposition have little prospect and so it was for Sir Terry Leahy. He subsequently retired from Tesco in 2011, and the US excursion was sold off at a vast loss.

Narcissism

'Inordinate fascination with oneself; excessive self-love; vanity.' (OED)

Individuals with this particular egotistical character trait often overestimate their abilities and acquire an excessive need for admiration or affirmation. This may be accompanied by a limited ability to empathise with others or experience emotions. In terms of decision making, this results in decisions being made to impress rather than in the best interests of the organisation or stakeholders.

When the UK government decided to grant India independence from British rule in 1947, Lord Mountbatten was asked to oversee the withdrawal. A partition of predominantly Hindu India from Muslim Pakistan was agreed; however, Mountbatten allowed only four months for this to be implemented. This resulted in chaos and violence erupted as people of respective religions were relocated across the countries and over one million people are believed to have died. Some believe deciding on such a short transition period was more to gain admiration for efficiency from people in Britain than in the best interests of India.

Whilst this example is extreme, recent years have seen a number of narcissistic leaders come to the fore with decisions made for effect as opposed to the greater good. They allow their own career progression and accolades to take precedence rather than the good of the organisation.

Pride

'A high or inordinate opinion of one's own dignity, importance, merit or superiority.' (OED)

In many ways this is an inability to admit there may be better ways of running a business than those previously employed. It exhibits as a reluctance to change as there may be an implicit admission that there are better approaches than one's previous decisions and methods. A common occurrence in manufacturing is the decision to introduce new working methods such as lean, 6 sigma, world-class manufacturing. Typically, they involve the collection of detailed data at the shop floor level and analysis, followed by a review and correction of the sources of waste, such as raw materials, machine time, and improved quality and productivity. The strongest opposition to introduction is normally exhibited by plant management who see this approach as questioning their previous methods. Resistance is often to the point that the plant management have to be replaced.

Risk Aversion

'A strong disinclination to take risks.' (OED)

This is evident in a leader that calls continually for supplementary or marginal information, in the hope that the data will make the decision itself. It seldom does. There is a thin line between having enough information and simply procrastinating on making a decision.

There is evidence to suggest that CEOs in particular become more risk averse as their careers develop. First-time CEOs are often willing to take greater risks and instigate far more change than second-time CEOs, who may be more aware of potential risks and less willing to take them (Hildebrand et al., 2021).

This avoidance of personal responsibility also often manifests in the formation of committees to make decisions and take collective responsibility. Whilst committees may ensure appropriate consultation, they can result in very different and divisive decisions from those made by an individual alone. They can also leave committee members vulnerable to manipulation by individuals.

Favouring Self and Friends

'The practice of giving special treatment to a person or group.' (OED)

We have already discussed the need for some leaders to make decisions in their own best interests rather than those of the stakeholders they represent. Many also surround themselves with cronies who may be no more than 'yes' people when challenge is needed. Friends are also not necessarily the best team you can find. When crises occur or the organisation comes under real pressure, then leaders need the best team they can find. Weak team members will always let you down at the most critical of times.

Meanwhile, friends and cronies are viewed by the rest of the team as not having been selected on their own merit and can create both a lack of motivation on behalf of others, and a lack of respect, none of which is good for the team.

When to Involve the Team in Decision Making and Why?

Many leaders adopt the same approach to decision making regardless of the nature of the decision in question. With some exceptions they fall broadly into two camps: those that consult extensively before almost any decision, whilst others more routinely decide for themselves and then communicate their decision to those who need to know. Indeed, in some organisations, this latter approach may be expected by the team and consultation may be viewed as weakness or vacillation.

It is important to be aware however that different cultures and business environments have diverse approaches. For instance, prior consultation is almost mandatory in knowledge-based organisations, whose workers are unlikely to offer the same motivation and cooperation if they feel they have been excluded from decisions.

Conversely, in manufacturing environments there is often the assumption that decisions will simply be relayed and executed. In effect, an autocratic, decisive approach such as this is expected by many: the hierarchical business structure expects commands, whilst the flat, knowledge-worker structure expects consultation. This can also apply in different countries and cultures. For example, Swedish culture is highly consultative and direct commands are unlikely to be successful, whilst in Greece and some other Mediterranean countries, decisions with limited consultation may be the norm.

Victor Vroom (Vroom, 2003; Vroom & Sternberg, 2002; Vroom & Yetton, 1973) proposes approaches to decision making based on key factors which determine when and how to consult the team. As he explains, there are various approaches from consulting individuals or as a group, to facilitating a discussion or indeed delegating the decision entirely. We take the view that leaders vary their decision making approach depending on variables, such as how much time is available to make the decision, what expertise the team has to contribute, and how likely they are to implement the decision effectively without consultation. Figure 3.3 provides a brief summary of some of the factors which may help a leader to decide how a decision might best be made.

What Factors Mitigate Against Team Involvement?

- **Self-interest**
  Decisions which involve terms and conditions, remuneration, relative status, and especially terminations are best served with limited group discussion. Consultation in these circumstances is easily interpreted as a negotiation, and much time and energy can be expended trying to reach a solution deemed satisfactory by all. Senior management can be particularly status-conscious and so cars, offices, and other conspicuous signs of status are debates best avoided. Indeed, many would argue that they are best removed altogether, whilst others may deem this to be unrealistic.

Fig. 3.3 When to involve the team

- **Time**
  If, as in crisis situations, there is limited time, then it may simply not be possible to consult as extensively as one would like. However, even in fast-moving crises, it's important to consider where the expertise and experience may reside within the team—they often have the capability to solve major problems beyond your knowledge-base. On other occasions, the decision may be relatively minor, and time and resources would be wasted by protracted discussion.

What Factors Suggest Consultation with the Team Is Advisable?

- **Expertise**
  In senior positions, detailed expertise in certain areas often resides at a lower level. For example, a Finance Director might have separate managers for tax, treasury, legal, management and financial accounting, information systems and estates, to name a few. In reality, the real knowledge in those areas resides at that level, and so consultation on issues concerning them has to take place either with the relevant manager or the team. The FD's job is to ensure that their team is working in the best interests of the organisation and supporting its strategy. Similarly, at the board level, the CEO may have functional directors for marketing, sales, operations, finance, and so on; each will have a much greater knowledge of their own area than the CEO or MD, making consultation both advisable and efficient. On occasions though, the CEO or MD may take the view that they have enough expertise or experience not to consult.
- **Development**
  Ultimately, developing a cohesive, motivated team is best served by involving individuals in decision making, and to some extent, making decisions successfully has a strong experiential element. To a point the more decision making one does the better, and so introducing developing individuals into the process may be helpful to all involved. Consistently sitting outside leads to double-guessing based on limited information, and rarely offers valuable learning experience for team members. There is a significant difference between having the responsibility for a decision and being a bystander. The views from each side are quite different.
  The objective of any leader is to develop their team to optimum effectiveness and ultimately provide both succession and better-quality resources

for the organisation as a whole. Team members do not always share the same enthusiasm for more difficult work, which decision making ultimately is. For some it may seem safer to do the easier jobs and avoid the inevitable responsibility associated with decisions.

- **Delegation**
  Leaders will only find the time, energy, and clarity to lead if they are not hindered by doing the work of the team. Delegation is absolutely key. Delegation and open leadership develop the team whilst still allowing the leader to create the agenda. It also ensures the work of the team closely supports and develops the strategy of the organisation. The job is to motivate, lead, and to make the important decisions to the best of your ability.
- **Alignment and Motivation of the Team**
  People are more motivated if they are consulted at the time of making a decision. Being part of the process helps people understand the reason for certain decisions, and gives them the opportunity to suggest improvements. Clearly, in some time-bound circumstances, such as crisis management, teams should understand a lack of consultation and still support implementing decisions. However, when time is available, team members are more likely to align with both the organisation and team's objectives if they have been part of its development.

Many at the CEO level will tell you that the hardest part of the job is persuading board members to work cooperatively. Each will have their own ideas on how the business should be run; if they have had the motivation and ambition to reach the top table then they may not necessarily work well with other major egos in achieving the organisations' ends. Whilst they may appear friendly, courteous, and open to cooperation, they may also have elements of the 'Five Routes to a Bad Decision' addressed earlier in this chapter. The leader must constantly focus on facilitating teamwork.

How Open-Minded Are We?

My personal approach to decision making is usually to consult with two or three of the most senior directors separately, before proposing a decision to the Executive Committee for discussion. As Managing Director, I found the key was to avoid making a decision with which I did not feel entirely comfortable, unless, of course, it is a matter entirely within the jurisdiction of one director, in which case they must take responsibility for the outcome.

The decisions you feel uncomfortable with but allow to proceed are those you regret most. In effect, retain a veto on important matters. Having said that, my mind was typically in varying stages of commitment to a decision. For some, I might have effectively decided what I wanted to happen before hand; whilst for others I had a completely open mind. Whatever your thoughts are, little is to be lost from discussion. New solutions, ideas, and concerns all add to the balance.

When it came to picking the top team however, it was my prerogative alone. Human resources may offer an opinion, but I took the view that success or failure resided in the team. If they did not perform, then it would be me, not human resources that paid the price, so who was selected had to be my decision. On occasions there would be pressure from the CEO to take someone from head office, which I would advise anyone to be cautious of—it is rare they are as good as their publicity suggests and may not fully 'fit' in a new environment and business culture.

Ultimately, when it came to big decisions on which my own future rested, I had to be happy with the decision.

Whose Got Your Back? How to Pick the Right People

In their 2007 paper 'Making Judgment Calls', Noel Tichy and Warren Bennis situate the key decisions senior leaders may face into three categories—people, crises, and strategy (Tichy & Bennis, 2007). As leading in crises and strategy are dealt with elsewhere in this book, here we will focus predominantly on people.

Key Decisions—Strategy, Crises, and People

Recruiting the right team is critical. When crises arise, weak members will be the first to let you down. Indeed, weak members can reduce the motivation of others and be a constant source of distraction and difficulty. Pulling together the right team is anything but straight forward and in many organisations—particularly those with the added challenge of cultural and structural barriers—present major problems.Where extensive attempts at remediation and development of an underperforming individual have failed, then removal, transfer, or promotion elsewhere may be advisable. A leader must have influence when it comes to selecting their team.

Case Study: Right for the Role?

A long-term colleague was recruited to the CEO position of a smaller listed company. His main strengths included an immense network of contacts, a sociable personality, and excellent communication skills. He was also highly popular as an empathetic and supportive team leader.

The business was previously owned by private equity and an entrepreneur who had sold their shares by floating the business on the stock market. The previous CEO had lacked the communication skills vital in the major transition from private equity to listed company leadership, where the sentiments of stakeholders are paramount. It rapidly became apparent to the new CEO that the Finance Director could not manage the demands of his role.

The new CEO was unwilling to make changes, adamant that he could develop the team to manage the new challenges ahead. After a period of poor performance, the FD explained without warning to the CEO that they had seriously breached their banking covenants. This was the first the CEO and board had heard of what was an extremely serious mistake. Immediately a stock market announcement had to be made, the shares collapsed, and the bank assumed various rights, opening an immediate investigation into the financial situation of the business. Only then was the FD invited to leave the business two years too late. The failure to replace the FD had been a catastrophic failure of judgment.

Appointing a Team: Internal or External?

A key dilemma facing leaders when making appointments is whether to recruit from outside the organisation or from within. The general and logical rule is that if the team or organisation is running well, then an internal appointment may be most appropriate. If performance is disappointing, however, and change is necessary, then the successful candidate may well be better found externally. In these circumstances the key consideration is to identify and invite new thinking, new blood, and a change in strategy. You must be prepared to expect that external appointments may well bring wholesale change. Typically, new leaders bring a new strategy and make a number of changes to the top team. Sometimes the entire team may be replaced, which also means the loss of a long-standing body of knowledge and experience. In the UK and US, the average tenure for CEOs of listed businesses is less than 5 years and that figure is ever-declining. Constituencies making such appointments need to be clear on the degree of change they want to see before making the decision. As the opening of this chapter stated, technology has brought with it pace, reach, and volatility; organisations today have to survive major change more frequently.

Turnarounds are typically performed by leaders external to the organisation. Without the psychological 'baggage' of continuation they may provide the necessary objectivity to see what needs doing, unimpeded by previous strategy, past initiatives, or team loyalties. This also may mean they will select their own best team to make the necessary transformation.

Case Study: Tesco's Post Sir Terry Leahy

Tesco, the UK's most dominant supermarket chain, was led by Sir Terry Leahy from 1997 until 2011. During his tenure, Sir Leahy massively expanded activities and diversified into a wide variety of other markets including software, cafés and restaurants, mobile telecoms, banking, toys, and furniture. International expansion into Turkey, Japan, Thailand, Poland, USA, and six other countries was also pursued. Sales turnover reached £67 bn in 2011 with Profit Before Tax (PBT) of £3.5 bn.

Looking for continuity as opposed to overhaul, Leahy's successor was an insider, Philip Clark. However, Tesco's market share began to fall under pressure from cost champion German supermarket chains Aldi and Lidl. The overseas investments began to underperform, diversifications were questioned, and, following various unrealised profit forecasts, there arose the view that Tesco had over expanded and needed significantly scaling back.

Therefore in 2014, Dave Lewis was recruited from Unilever to replace Philip Clark who was viewed widely as having been dealt a bad hand and only partly responsible for Tesco's misfortunes. By the time Lewis voluntarily stepped down in 2020, it was generally accepted that he had addressed the key issues: many previous diversifications were disposed as were a number of the overseas operations. The US Fresh'n Easy venture closed at a cost believed to be £1.2 bn. Cuts in the UK included 43 stores closing and a further 49 proposed new stores cancelled. Food counters and bakeries were closed, and suppliers pressured into better terms. Product ranges were reduced and prices cut. Market share has stabilised at around 27% (from 30.6% in 2011) and profits reached £1.6 bn in 2019 in much more competitive markets. In this case, it required an external leader to turn the company's fortunes round and make the brutal but necessary cuts.

In Peter Capelli's, 2019 Harvard Business Review article, 'Your Approach to Hiring is All Wrong', he bemoans the deteriorating diligence in hiring as businesses more and more look for their talent outside and overlook the talent within. However, hiring mistakes can be extremely costly, particularly in more senior jobs. Capelli makes the point that very few businesses routinely monitor the success or otherwise of their newly hired recruits.

Khurana and Nohria (2002) explored this further, studying CEO recruitments made from outside the organisation compared to providing succession from within. They examined data from 200 organisations over a 15-year period identifying four different scenarios (Fig. 3.4):

Internal vs. External

Previous Firm Performance	New CEO Performance	
	Internal CEO	*External CEO*
Good	Remains Good	Deteriorates
Poor	Remains Poor	Improves

Fig. 3.4 Business performance before and after CEO change

1. Insider promoted in a high-performing firm.
2. Insider promoted in a badly performing firm.
3. Outsider hired in a firm doing well.
4. Outsider hired in a firm doing badly.

In both 1 and 2, the firms continued much as before and in effect, progression from within was accompanied by limited change—ideal if the business is doing well, but less so if doing badly. In 3, performance deteriorated significantly, suggesting that internal succession would have been much better for the business. Whilst in 4, the firms improved significantly, indicating that if major change is necessary, then an outside candidate is the better option. The conclusion arrived at was to only recruit from outside when a turnaround is needed; otherwise, internal succession is better for the business (Fig. 3.5).

From an extensive literature review Fernandez-Araoz, Nagel, and Green's paper 'The High Cost of Poor Succession Planning' (2021) concludes that getting CEO appointments wrong comes down to five factors:

- Lack of succession attention.
- Poor leadership development.
- Suboptimal board composition.
- Lazy hiring practices.
- Conflicted research firms.

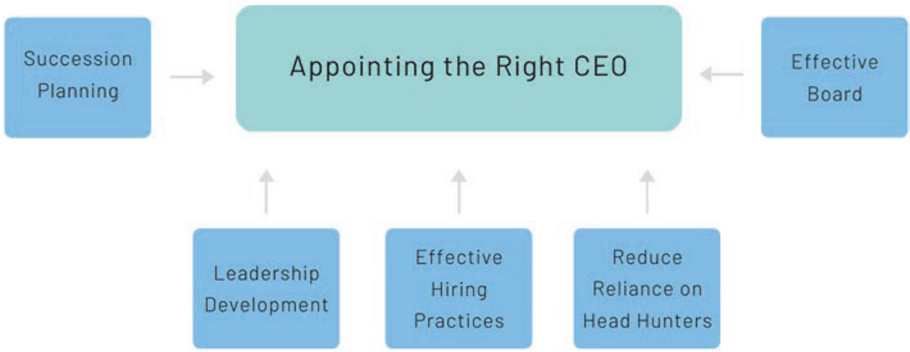

Fig. 3.5 How to appoint the right CEO

The first three of these are about preparing for the future. Sometimes identifying and developing potential successors can make CEOs feel insecure and unwilling to act. In these circumstances, the Non-Executive Directors (NEDS) should be insisting that a proper process and training are put in place.

The final two factors can sometimes only be solved by outsourcing, for example, using headhunters to provide more independence into a selection process. However, headhunters frequently charge large fees that might be unnecessary had a CEO been preparing their own successors. Incentives for headhunters are aligned towards appointing outside candidates, earning them a far greater fee than looking inside an organisation.

The Potential Risks of 'New Blood'

Let us consider the extent of risks associated with bringing in 'new thinking' and 'new blood' from outside.

- **Limited Knowledge**
  Although they may look good on paper and perform well at interview, you still have little knowledge of their strengths and weaknesses—information that they will hardly disclose and that may cloud judgement when looking internally. This is a significant advantage external candidates have over internal options where both strengths and weaknesses are known in some depth.

- **Repeat Performance?**
  Historic success can be difficult to replicate when the environment, business circumstances, culture, and timing are quite different. Success may be as much a case of luck as it is of skill. Different circumstances bring differing outcomes.
- **The Learning Time-lag**
  Getting to know a business—its market, culture, and competition—takes time, a learning process that may delay the effectiveness any new leader may have to offer.
  Subsequently, they may feel under pressure to act, and force rapid decisions based on limited understanding.

It is clear that there are significant risk factors to both external and internal appointments. Some may be discouraged from considering the latter simply by overlooking an individual's ability to grow into bigger jobs and, given the chance, contribute new thinking. Knowing the business and its workers well may mean they are able to initiate changes rapidly, and with an understanding of what they are inheriting, the possibility of destroying competitive advantages is far less likely.

In regard to outside hires, perhaps a third subsequently have to be despatched after much cost and damage to the business, even if only through treading water during their tenure. Another third may well be acceptable to the degree that it is not worth changing them, but we might question whether we would recruit them again. The final third typically achieve expectations and perform as we had hoped. Overall, we should perhaps give more consideration to how our existing management can be further developed.

Case Study: BPB plc—Global Leader in Plasterboard

In the decade between 1995 and 2005, BPB plc became the world leader in plasterboard, with a global market share of around 20% and operations in more than 50 countries. The business was acquired in a hostile takeover by the French multinational St Gobain for a headline £3.9 bn although the total cost with buying out share options and funding pension schemes was around £4.6 bn.

At its simplest, the plasterboard business is a capital-intensive manufacturing process which relies on finding and developing local gypsum reserves. These are naturally occurring, although also arise from desulfurising emissions at coal-fired power stations.

In the decade of rapid expansion from 1995 up to acquisition, the main growing pain was the lack of leadership talent required to run new operations in Russia, South America, Southeast Asia, China, and India.

Problems began in the early 1990s when the retiring chairman and CEO selected an external CEO to run the business. Like the above scenario, they lacked conviction that there were internal candidates adequately skilled for the

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demands of such posts. The recruit was highly charismatic, articulate, and well-connected yet then proved disinclined to develop any real depth of knowledge in the existing business. He focussed instead on diversification, exploring, and acquiring other major, but often unrelated building material producers such as roofing tiles and cement manufacturers. This was a risky path to take and the CEO was sacked after just one year in office.

The next two CEOs were internally sourced and far more successful. They stuck with what they knew and, by focussing on plasterboard and plaster systems—the organisations' original purpose—developed a rapidly growing global lead in the product.

A number of senior management positions were filled from outside the business in an attempt to bring 'fresh eyes', but far less were successful than expected. There were few competitors within the respective countries to recruit people from who might have industry knowledge, and although those appointed were highly presentable, spoke a variety of languages and talked of doing a great job, they showed a marked reluctance to develop any depth of understanding in the industry. Most left; although a small number of notable successes did bring much needed new ideas.

Improving Your Decision Making

As a long-standing researcher in the field of decision making, Sir Andrew Likierman of the London Business School has plenty of advice for developing leaders (Likierman, & Stern, 2020). Much of his advice is appropriate at the board level and is useful in providing a 'gateway' to ensuring that decisions are thoroughly considered and consistent with the organisation's objectives. Individual biases and personal interests discussed earlier in this chapter may apply just as much to leaders of divisions, sections, and subsidiary businesses who submit their plans for approval; whether you sit on a board or not, the basic concepts still apply to how you approach decision making.

Much of Sir Andrew's advice concerns the quality, reliability, and extent of information presented, plus the adequacy of available options and whether the ability and resources to implement them are available. He suggests that the leader making decisions should approach all supplied information with a high degree of scepticism and, where he is not satisfied, be willing to request more. He also advises the need for diversity of thought within the decision making body and discusses strategies as to how to deal with implicit biases which can influence opinion. Consider the following factors that contribute to the most suitable decisions at a given time (Fig. 3.6).

Fig. 3.6 Improving your organisation's decision making

Asking the Right Questions

- **Question the Information**
  Data and information arrive frequently from team members, but what of this is relevant and what irrelevant? Some data will already have been interpreted by others: does it have an inbuilt 'spin' or 'positioning'? Other reports may later be ascertained to be 'fake' news, accidental or otherwise. Sorting the 'wheat' from the 'chaff' is a critical leadership skill.
  Similarly, you must ascertain what is *not* there: are there inconsistencies that raise suspicion? Unless it really is a time-sensitive critical decision, then ask for more information, especially if there are holes and inconsistencies in what has been presented.
- **Question the Available Options**
  Limited options are often presented which may initially look to narrow and simplify the decision, but are these the only options? If time allows, ask to discuss or brainstorm more options, evaluate possible outcomes, and consider what would happen if the team chose to do nothing.
  Example: A business subsidiary wants to build a new manufacturing plant at a cost of £70M as the forecast demand looks set to increase beyond existing local capacity. Is the forecast accurate though? Can the business import from a nearby group company? This option is often unpalatable for local management but attractive to the organisation. What are their motives?

Local management may well want to be in control of their own plants in order to retain the profits of their own manufactured sales rather than lose them through transfer pricing.

- **Question the Ability to Implement**
  Who will reliably execute the decision? Does the organisation have the resources and capabilities to deliver within the planned time and cost? Enthusiasm and optimism may sometimes engulf management into approving schemes, have they fully appraised whether resource requirements are really available?
  Example: A business with demand collapsed by COVID-19 was attempting to rapidly reorganise itself from five plants to three whilst also closing the head office. Too few managerial individuals were available leading to inevitable consequences: poor service, major cost overruns, and protracted delays.
  Ultimately the cost base was significantly reduced, but a number of important customers were lost. Whilst circumstances may have made the move time-critical, the planning and availability of resources should have been given more attention and, if necessary, more external resources introduced to help.
- **Question the Diversity of your Team**
  Many organisations have a template for recruitment and progression based on their rubric of an 'ideal' company employee. However, this inadvertently but easily precludes diversity of thought and background within a team.
  Examples:

  – In a major French multinational company, all of the board's executive directors were male, French, and had been to one of two schools. Needless to say, they had a similar approach to making decisions and strategic thinking, which did not necessarily guarantee the best interests of the business, particularly in a more volatile environment.
  – In private equity, virtually all the partners have strong financial backgrounds and are recruited from quite limited areas, such as investment banking. However, they do recognise the limitations of this and consciously introduce management diversity into running their investments.
  – Multinationals should have diverse boards. They contribute a broader perspective to worldwide business practices. However, few boards do, or appoint 'token' employees to create an impression of diversity yet remain aligned to home country thinking. Similarly, gender diversity enriches

debates and encourages more innovative solutions that bring better solutions.
  - Team members should be selected for their ability to recognise and communicate what you need to know, rather than what you want to hear. A frequent complaint issued by CEOs is that bad news travels slowly up an organisation; trusted people tell you what you need to know, however unpalatable.
- **Question Objectivity**
  We all have biases and carry allegiances to people and past decisions. Perhaps we have previously supported or introduced failing initiatives and subsequently struggle to admit defeat or curtail investment. Are there colleagues we have built good relationships with but who cannot manage an increased role and should be replaced? There are things which cloud our judgement when making decisions and reconsidering strategies. Detachment means stepping back, taking time to think, and adopting as objective a view as possible. This may be difficult for those that have built a team and business over some time. Turnaround leaders almost invariably come from outside the business for exactly these reasons—they have no allegiances to people or the business and will do what is necessary to change its fortunes.
- **Examine Behavioural Biases**
  Similarly, decision making bodies and individuals tend to suffer biases. The most common may include:

  - Confirmation bias: looking for information to support a decision you have already made whilst discarding suggestions that don't fully support it.
  - Anchoring or latching onto an early idea and then ignoring what comes after.
  - Desperation for consensus in meetings that lead to a lack of progressive solutions.
  - Appetite for risk varies between leaders. Some struggle with the risk associated with decision making and engineer deference. Others may be impulsive and act before fully appraising available information. Sometimes they simply want to look decisive or get the decision out of the way.

These are all biases a leader must acknowledge and negotiate within a group decision making process.

Learning Points

- A major threat to effective decision making is allowing certain character traits to develop; identify hubris, narcissism, pride, impulsivity, or risk aversion: Intelligent people make poor decisions when not vigilant to personal flaws.
- Unless lack of time precludes, then team consultation for major decisions is valuable. It taps expertise, motivates, aligns, and critically helps develop a team. Leadership is principally about developing your team to outperform.
- Actively seek diversity of thought and background. Recruit the best team you can find. Although they may be more difficult to manage, people who offer challenge in its proper place usually result in more innovative decision making. 'Yes' people tell you what you want to hear rather than what you need to know.
- External recruitment is high risk. The internal development of talent not only reduces risk but permits the evolution of strategy and trains potential successors. When major change is required, then recruitment from outside sometimes supplies necessary objectivity. However, do not be too quick to assume internal candidates lack productive and innovative ideas as to how the business can be better run.
- Be sceptical of information, options, and ability to implement decisions. Question deficiencies and inconsistencies. Ask for more options and an implementation plan if you are concerned.
- Leaders and teams may suffer from behavioural biases such as anchoring, confirmation bias, and achieving consensus. Awareness of these potential inclinations contributes greater objectivity to the process.

The ability to negotiate fast-moving, complex business environments are some of the greatest challenges faced by today's leaders; often solutions lie with the capability, experience, and ability of the team. The decision making process can improve and develop the team, their ability to work together towards a common purpose, and their subsequent capacity to support and challenge the leader. In the current business climate, it is our teams which will decide whether we win or lose. Pick them wisely and, where possible, fully involve them in your thinking and decision making.

Reflection

- To what extent and in what circumstances would you involve the team in making decisions?
- Can you think of ways of drawing the team into the process?
- Consider carefully: will this improve motivation, alignment, and team commitment?

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