



# Avoiding Bad Decision Making

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As 2010 is unfolding, whether you are optimistic or pessimistic about this year, here are some questions to consider:

## What does bad decision making look like in your organization?

Here is a practical definition: a bad decision is a decision made by an individual or a group in your organization *that could have been avoided*, and that results in a *lower total value* (present and/or future) of your organization. Each organization will end up with a slightly different definition, based on what they value (i.e. money, reputation, morale) and how far into the future they plan. But the key principle is that bad decisions *could have been avoided*, through better decision making.

## How much does a bad decision cost your organization?

Of course, that will depend on the situation. For example, is it:

- one person with little influence making one bad decision? (low impact)
- many people with moderate influence making *the same* bad decision? (high impact)
- one person, or a small group, with high influence making one bad decision? (high impact)

## Why do bad decisions happen?

There are several contributing factors in bad decisions, but two which are almost universally present are *not considering important information* and *not examining the assumptions being made*. The economic collapse of 2008-2009 (and other events in recent years) presented many examples of these two mistakes when decisions were made:

- assuming that ratings agencies were doing their jobs
- auto companies ignoring the relationship between auto sales and gas prices, while
- assuming that oil prices would not rise significantly
- companies incenting the sale of mortgages to people who would be unable to renew
- assuming that housing markets would always go up, ignoring the possibility of default
- ignoring U.S. trade and budget deficits
- assumptions about currency exchange rates

Most of these are big picture factors, but I expect you can think of some examples in your organization where decisions were made based on untrue assumptions or while ignoring available information. These can be decisions made by individuals, or they can be "groupthink", where a group of people all make the same assumptions and resultant bad decisions. And of course, this continues to happen.

## **Do you need a crystal ball to predict what will happen in order to avoid bad decisions?**

Although I often use a crystal ball in my presentations, sometimes even making predictions and demonstrating "psychic" phenomenon, I maintain that crystal *clear* thinking is more useful than crystal *ball* thinking.

## **Are bad decisions always about making mistakes?**

Not necessarily; bad decision making can also result in missed opportunities. This most often shows up due to filters such as "we always do it this way" and "we've never done that before."

## **How can you help your people make better decisions?**

The first thing to understand is that *the process people use when making bad decisions is the same process often used when making good decisions. It is natural, automatic, and works most of the time.* The goal is not to eliminate this type of thinking, but make sure people recognize its limits and know when to shift their thinking style.

Better decisions require a better thinking *process*. It is natural for people to make assumptions, ignore information, think short term, jump to conclusions. Unless you have approaches and tools that specifically account for shortcomings in the way people think, you will get mistakes, especially when looking to the future.

I also believe that helping people understand their own natural tendencies in thinking convinces them of the value of these (and other) tools and approaches. In my presentations people learn this experientially, through exercises, optical illusions, brain teasers, and the crystal ball.

## **What gets in the way of your people making better decisions?**

Expecting people to make good decisions without the awareness, training, and tools to do so. And if you add incentives (such as bonuses or stock options, or avoiding conflict with their superior) that reward people when they make "bad" decisions, people's abilities to filter out important information are exaggerated.

Moreover, no two people are looking at a situation the same way. The each have their own experiences, beliefs, education, and assumptions that are filtering how they see the situation and the decisions they make. You have your own filter too, and unless you are aware of it and take it into account when making decisions, two things will happen:

1. you may make decisions based on incomplete or inaccurate information
2. you may think you are communicating clearly to others, but they may interpret things differently

This also points out the need for a clear definition of what your organization values, so individuals can evaluate their decisions against a standard.

## What is **Thinking for Results™** ?

**Externally**, in the big picture view, Thinking for Results is using tools such as Scenario Exploration and System Dynamics to examine and differentiate between driving forces where the future is uncertain and those that can be predicted. Day to day it can be as simple as thinking through decisions and anticipating how customers or co-workers might react to something you are about to say.

**Internally**, it is knowing how you and your colleagues think and make decisions and anticipating how your decision making strengths and weaknesses will affect your results. It is about examining and monitoring how your experience, education, opinions, beliefs, values, and assumptions will affect your decisions.

Thinking for Results is about making crystal clear the factors and the processes used in decision making. It *enhances collaboration* by incorporating all relevant experience; it *speeds decision making* by reducing disagreements based on opinions and assumptions; it *capitalizes on your people's strengths and knowledge*. And it is the most effective approach to planning and executing for the future, especially during times of uncertainty.

## How does **Thinking for Results™** fit with existing tools you are already using?

Maybe you are using decision making tools such as SWOT, Force Field Analysis, Cause and Effect, Six Thinking Hats, or others. Thinking for Results does not contradict nor replace them. It augments these tools and makes them much more effective, because now the users understand the value and necessity of the tools. Rather than simply going through the motions (for example, in SWOT analysis, filling in boxes for Strengths, Weaknesses, Opportunities, and Threats) they see how the tools enhance their thinking. They are more able to identify their particular talents and accept the different talents of others.

## How is **Thinking for Results™** delivered?

Each Thinking for Results program is customized for your needs. The core concepts of Thinking for Results are often delivered in a plenary presentation, a workshop, or a facilitated discussion on their own or in conjunction with an already planned event. Scenario Exploration and/or System Dynamics work is carried out with your input and feedback, in advance and during the process. Other components of the program include pocket reminder/reflection cards, private web pages on our site that are customized for your organization, and more.

Contact us to explore how **Thinking for Results™** can improve your results:

Please call or email to request our "Decision Making Analysis" check list, or for answers to your questions.