

Moving Beyond the Status Quo

By David Gibbons



Why is it so hard to make strategic decisions?

Most people like to think that they're above average decision makers. But this is simply not true and the research out there confirms it. This is because when it comes to making decisions, particularly strategic ones, the cards are stacked against us.

To examine some of the challenges in strategic decision making, take the example of Tom, the owner/manager of a sporting goods store. One of Tom's most important decisions for his store is where to place each product on the shelves. The result of this decision will have a significant impact on product sales so he wants to make sure that he places his products throughout the store in a way that optimizes the store's profitability. How might he approach this strategic decision? Let's explore some of the traps awaiting Tom. These are noted in "The Hidden Traps in Decision Making", a Harvard Business Review article by Hammond et al.

Anchoring

When we anchor we place a disproportionate weight to one piece of information we receive. We can anchor on initial data, advice, estimates and impressions. These anchors can affect future decisions. For

Tom, he might anchor to the advice that he received from the former owner of the sporting goods store. He advised Tom to always place higher priced items such as hockey pads in prime locations and lower priced items in mediocre locations in the store.

Going with the Status Quo

When we do nothing or take no action, we may be falling into the status quo trap. In Tom's situation, he would be falling into this trap if the hockey pads were always stocked in the back of the store and he chose to keep it that way because it seemed like the first best option. Most of us forget that when we choose to continue along the same path, we have in fact made a decision. As Hammond et al. point out, many of us fall into this trap in an attempt to protect ourselves from taking responsibility, and opening ourselves to criticism and regret.

Seeking out Confirmatory Evidence

This bias leads us to seek out information that supports our existing instinct. If we have fallen into this trap, we also tend to avoid collecting information that goes against our point of view. Coming back to Tom, his decision making may be blurred by seeking out confirmatory evidence in

the following scenario: He is considering placing college basketball team jerseys in prime locations throughout the store because he believes that doing so could attract new customers to the store. Prior to doing this he wants to check with others to see if this is a good idea. The people that he decides to call are in other sports stores that he knows have had success with using basketball jerseys for customer attraction. By taking this action Tom is deliberately searching for evidence that supports his initial instinct.

Do any of these decision making traps sound familiar to you? You are not alone, and what's worse is that there are still more biases to fall victim to such as the recency, overconfidence, framing, availability, sunk cost and retrievability traps. With all these biases out there it is no wonder why strategic decision making can be so difficult.

So what can you do to avoid falling into these traps and make better decisions?

Awareness

Seeing a pot hole in the road ahead will help us do a better job of avoiding it. The first step in making better strategic decisions is to be aware that we are all subject to these biases. We must be self-reflective when

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making decisions. Ask yourself questions: Am I weighing all the options fairly? Am I asking the opinions of people with varying perspectives or ones that support my initial instinct?

Environmental Scanning

Another technique is to consistently scan your environment for new alternatives to the decisions you are making. Examine what's occurring in your industry and others by attending conferences, joining associations, reading trade journals and conducting your own research. Research suggests that those organizations that engage in substantial environmental scanning enjoy more success (Miller and Friesen, 1997, Newgren et al., 1984). By looking outwards managers can attempt to mitigate many of the biases.

Demand Evidence

In their article "Evidence-Based Management", Pfeffer and Sutton report how managers are prone to make decisions and rely on knowledge that in many cases

is obsolete and unproven. Essentially, these managers are falling into many of the traps identified by Hammond et al. Pfeffer and Sutton recommend that to avoid these traps managers ought to learn from practitioners of evidence-based medicine. Rather than relying solely on tradition, past schooling and experience, a growing number of physicians are looking to proven research for answers. To make good decisions, managers must do the same—ground decisions in the latest and best knowledge of what actually works. If you demand evidence of yourself and others when making decisions, you will become more disciplined at evaluating alternatives and avoid many of the decision making traps.

Use a Process

Use a decision making process to step through a decision (and around these traps). William Altier recommends in "The Thinking Managers Toolbox" that it is through a process that managers can avoid losing their objectivity. The process must be

used consistently from decision to decision so that a common vocabulary, transparency and understanding can be built around decision making. This common understanding will also help to ensure decision outcome success when it comes time to implement.

The bottom line is that given all the challenges managers face, managers must be rigorous and disciplined when making decisions. This is not an easy task, but by following some of the recommendations put forth here, managers will make better decisions.



David Gibbons is a Senior Consultant with The Refinery Leadership Partners Inc. David will be presenting Strategic Decision Making at the CMA Members Conference on May 27th.

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