Issue 40

CEO Europe CEO Files

Good decisions are not sufficient to avoid bad situations

Consultants with experience and hindsight can help executives make the right decisions and implement them for success.

“Success is 51% good decisions versus 51% bad decisions”. But actually, when making the “post mortem” analysis of a failure, few business decisions can be singled out as "bad". Some weaknesses in the decision processes may explain how a rationally “good” decision may not be “right”. And these weaknesses can be overcome.

Weaknesses in the decision process

Incomplete decisions

1. Incomplete information

When information is incomplete, decision may look good, but be wrong. What if a new regulation is about to change the market situation in a country that you don't know well? What if you are missing a subtle yet crucial element of customer behavior in a foreign country?
I once was expecting a mandatory administrative approval that seemed a small hurdle on my way, as there was no doubt I would get it; I did not know that, for historical reasons, it would take 2 years...
But when preparing for a crucial decision, we also must allocate the time available to gather necessary information. And it is far from obvious to know when we have covered all the crucial information.

2. Cultural biases in unclear situations

Most decisions are not a choice between "yes" or "no". And even then, "pros" and "cons" are not separated by a large margin. Evaluating a situation entails a lot of subjective judgment, possibly affected by cultural biases: years of competition with one company may induce to overlook another threat; a focus on technology may affect the perception of non technological parameters.
Here are a few examples where challenging evidence can be crucial:

- A major distributor is willing to take your product; is it a good enough reason to go for it? (see video case)
- You are heading a small company; would you consider using an

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international mammoth to help you grow, even though he could be a competitor? (see video case)
- You need funding and you are naturally turning towards national VCs; what if international fund raising was easier and bring unexpected additional benefits? (see video case)
- You have started expansion in the US, but you need more growth; would you consider trying Asian government agencies in countries that are on the other side of the map? (see video case)

In case of a crisis, emotional reactions will bias even further the decision process: some managers may become tougher than necessary, while others may not be able to adhere to tough decisions.

3. Ban on intuition

Intuition is merely a consequence of an unconscious analysis of information and processes fueled by one's experience. This does not mean non-rational, but it means that one cannot make it explicit.
An independent boss may impose decisions based on his intuition. But most decisions are collective (from Boards to project teams) and leave no room for intuition. Explain a posteriori why one trusted a wrong intuition is a risk that no manager can take, let alone a decision body.
Decisions must be based on facts and arguments that can be demonstrated to the group. Right intuitions that may make the difference between a good decision and the right decision have no room in Board Rooms.

4. Short term perspective

Masters at chess and go are the ones who can best anticipate possible moves and evaluate the resulting situation. Business is exactly the same, and complexity is at least equivalent.
But the world has evolved: the environment changes faster than ever: a revolution like Gutenberg's printing press, invented in Germany, took decades to conquer Europe whereas the iPad was introduced worldwide in less than 2 months.
Managers now favor reactivity, innovation and adaptability over long term planning. But fast changing world only means less time between crucial moves. It does not reduce the complexity. We used to have 3 weeks to produce a 5 year strategic plan, we now have 3 days to produce a 1 year tactical plan.
Time pressure increases the risk of "apparently good" decisions: less time to consider a wide scope of parameters, to evaluate positions, to challenge cultural biases.

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Decisions not made

Good or bad decisions are not the only thing to consider. There are decisions that are never made: options we do not consider (see before), moves that seem so obvious that we do not even question them and submit them to decision.

At the end of the 90s, the capital venture backed entrepreneurial model was so popular that most innovative companies adopted it without ever questioning the fundamental needs of their business. This model was not adapted for every business. Similarly, transferring a technology from one market to another using the same distribution model that worked once may seem an obvious and unquestionable movement that would not survive in fact any thorough analysis.

Decisions not fully implemented

Approving intellectually the soundness of a decision does not mean being able to implement it with full force and efficiency. And it may make the difference in the end. A good decision only half heartedly implemented may result in delays, and eventually cause a bad situation.

An entrepreneur who has demonstrated his ability to develop aggressively his business will only reluctantly follow a wise decision to slow down. A start-up CEO asked to stop technical development and invest massively in sales and marketing will find it difficult to implement the change, if his background is essentially technical.

Improving chances to make the right decisions

Leave room for experience

Management experience helps questioning what may seem obvious. It also helps perceive the consequences over time of a decision. Operational experience enables to evaluate what actions must follow decisions and how they should be implemented to reach the goals.

Experience is not sufficient without hindsight. Hindsight comes when people take the time to stand back and analyze (something people do more often about failures than about successes). Hindsight adds to experience the capability to formulate in rational terms what is only an intuition for others.

Contract experienced executives

I remember a very short sentence from one of my shareholders, who had been invited to our Board meeting: "You will never be in place on the shelves early enough for Christmas". This warning was ominous and right. Had we listened to him, we would have changed drastically our strategy and avoided a

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crisis.

The competence (experience) was there and available, but we did not include in our decision process to seek after it. The same sentence, from a contractor paid to deliver his wisdom would have probably drawn more attention.

Experience in decision and implementation, analytical skills and hindsight are a precious resource to help executives make and implement the right decisions. These are the people we select for our short consulting missions.

About the author:

Olivier Pujol has worked over 23 years in many countries, positions, and companies. He has conducted business in 12 European countries, in Africa, North America, South America, and Asia, for companies like Schlumberger or Honeywell, as well as SMEs and start-ups. He has been in the position of CEO, COO, field manager, strategy and M&A specialist, business developer, and consultant. He worked on offshore platforms, in the jungle, but also in board rooms and electronic labs.

Over the years, Olivier has specialized in two fields:

- Management of organizations (with the hindsight of many sectors, company policies, and a long practice of management)
- International development of innovative products and solutions (after experimenting himself the challenge of selling innovation)

Olivier holds an MSc of l'Ecole Centrale de Paris, and an MBA from Insead. He can speak 5 languages (French, English, Spanish, Portuguese and German).

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