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From Dean's Desk: "decision-making"

Decision-making has intrigued people for years. Good decisions, bad decisions and no decisions all have consequences. The process has been studied, discussed and pondered. On the lighter side, before we get into our perspective on the relationship between leadership and decision-making, we thought we might provide some quotations from notable individuals on the topic of decision-making.

Peter Drucker
Whenever you see a successful business, someone once made a courageous decision.

Napoleon Bonaparte
Nothing is more difficult, and therefore more precious, than to be able to decide.

Roy Disney
It's not hard to make decisions when you know what your values are.

Booker T. Washington
The world cares very little about what a man or woman knows; it is what a man or woman is able to do that counts.

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Leadership and Decision-Making
The Chicken or the Egg

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Background
In the previous two issues of Update we looked at the growing dearth of leadership in industry and government and at the lost management skill of observation. Our exploration of leadership included data from polls and surveys that clearly showed how poorly people viewed our recent and current leaders. In this issue we discuss additional emerging data and look at the link between leadership and decision-making. Which comes first?

Introduction
What makes a leader? Are leaders born or can they be developed? How critical is leadership development training? What skills should an effective leader have? There are a myriad of similar questions that management gurus have long pondered. In advancing the concept of Contextual Leadership, we do not suggest we possess all the answers – and we doubt that anyone does or ever will—but we can challenge some current

trends and propose some thoughts on the current state of leadership and how thinking needs to change to reverse the trend of declining confidence in our leaders.

In his 2007 best seller "Where Have All The Leaders Gone?", Lee Iacocca delivers a stinging assessment of both corporate and government leaders. In that book Mr. Iacocca lists his "9 Cs of Leadership":

Curiosity	Creativity
Communication	Character
Courage	Conviction
Charisma	Competence
Common Sense	

Once again, the "9Cs of Leadership" are an attempt to outline the qualities and dimensions of a leader; for the most part, these constitute the competencies of a leader.

In our Contextual Leadership Model, we believe competencies, experience and attributes constitute Leadership Dimensions. Iacocca gives a number of examples of people in leadership positions and how they had exhibited some of these characteristics but fell short in others. We think that it would be extremely difficult to find any individual who was high in all nine competencies; however, these are a good list of qualities and skills sought in an effective leader. We do think there is one key skill that is missing –maybe because it doesn't start with a C. The missing skill is that for which most leaders are selected and well paid – Decision-making. Decision-making is the manifestation of leadership. It is the primary skill expected of leaders and is often the most visible aspect of a leader's performance. Unfortunately, the first leaders who come to mind today are often those who have destroyed companies or made major blunders negatively impacted thousands, if not millions of people. Why are those on Business Week's (January 19.2009) annual list of worst managers from major companies like General Motors, AIG, Circuit City, Yahoo, and Bear Sterns, among others? Similarly, there are too many examples from government – corruption charges, removals from office, and general incompetence. Every case can be distilled to poor decision-making. Both good and bad leaders can possess some of Iacocca's 9 Cs, but the bottom line almost always rests with their decision-making.

There is one other aspect related to decision-making that we must also consider – context. To evaluate good leaders and good decisions fully, we must also look at the context of the leader and his/her decisions. Most would probably agree that Lee Iacocca and Jack Welsh were good leaders and made good decisions that helped their companies and their employees prosper. We can also say that Attila the Hun and Tony Soprano were good leaders and made good decisions that helped their enterprises. Clearly for Attila and Tony, the context in which they were making their decisions and exerting their leadership was completely different from Iacocca and Welsh, and not the context we are seeking in our corporations and government.

The Picture Isn't Getting Any Better

GLOBAL LEADERSHIP FORECAST
2008|2009
Overcoming the Shortfalls in Developing Leaders
Development Dimensions International

Several years ago we teamed with Development Dimensions International (DDI) in a rather large engineering organizational assessment. It was a creative effort that yielded several significant benefits to the organization. It also gave us a great deal of respect for DDI and their people. For the past five years DDI has been publishing a Global Leadership Forecast. To quote the authors in the first line of their introduction "This is not the report we wanted to bring you in our fifth edition of the *Global Leadership Forecast*." They continue to say "We expected to report improvement in this latest survey; instead, we mostly found intensified dissatisfaction."

The report is available and if any of our readers are unable to obtain it please contact us and we will send you the complete report. For the purposes of this article we have excerpted sections that highlight some of the key concerns noted in the report.

Seventy-five percent of executives surveyed for the *Global Leadership Forecast 2008|2009* identified improving or leveraging talent as a top business priority. Citing it most frequently among a list of 14 challenges, our world's business leaders signaled at last the importance of leadership for organizational success.

Yet, despite recognition of its importance, leadership development is going nowhere fast. Currently, most leaders are not satisfied with their organization's development offerings. And confidence in leaders has declined steadily over the past eight years. Is there a link here? We think there is.

**FIGURE 4** Confidence in Leaders at Different Levels

The confidence that high-level executives have in the quality of their leaders flies in the face of high failure rates at all management levels. HR professionals indicated that, on average, 37 percent of those who fill leadership positions fail. These leaders left their positions and/or failed to achieve their position's objectives.

This proportion did not vary significantly when open leadership positions were filled by internal or external candidates; nor did it vary by candidates at different job levels.

Clearly, something is wrong with leader selection, leader development, or both.

FIGURE 7   Reasons That Leaders Fail
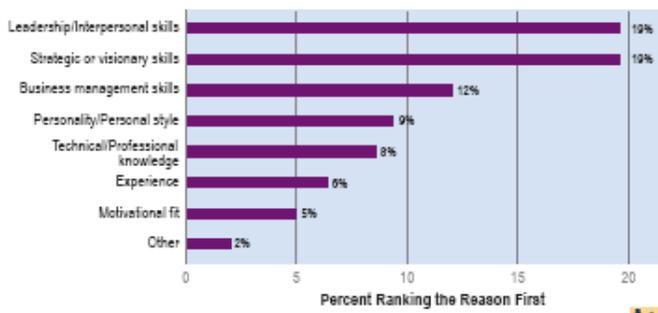
These threatening and dispiriting comments show a lack of even the most elementary principles of good leadership behavior. Running a close second as the primary reason that leaders fail was a lack of strategic or visionary skills; inadequate business management skills was a distant third. Thus, the top three reasons for leadership failure were all skills; personality or personal style, technical knowledge, experience, and motivational fit were ranked considerably lower.

FIGURE 13   Execution of Leadership Development Programs
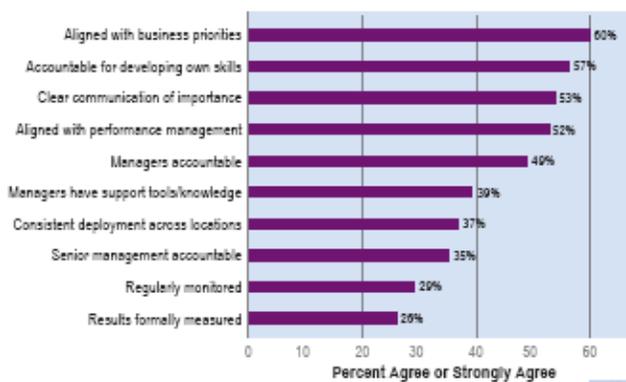
Leadership development programs are launched, and then left to drift.
The above from the DDI report shows the percentage of HR professionals who agreed or strongly agreed with key questions around execution of leadership development programs. In only one area—"aligned with business priori-

ties"—did three out of five indicate that appropriate steps were taken to assure that the programs were well-executed.

Senior management engagement has been called the "linchpin to success" of leadership development primarily because of the need for coordination of multiple processes and for widespread organizational support (Lamoureux, 2007). According to the HR professionals surveyed, only 35 percent of senior managers were held accountable for the success of leadership development programs (see Figure 13). Nearly half of the HR respondents (48 percent) agreed that senior managers did not give enough priority to developing leaders.

So the bottom line is
• The state of leadership development (globally) is disappointing
• Succession management is incomplete – we have written about lost knowledge and grooming for years but it appears not much progress has been made.
• Transitioning of high-potential individuals into leadership positions is not occuring
• Grooming and developing multinational leaders is a unique yet critical challenge: "When asked to rank the three most important skills and characteristics to be a successful multinational leader in their organization, leaders and HR professionals agreed that the top requirement was being skilled at analysis and decision-making in complex and ambiguous environments."

Let's Look at Decision-making
In our UPDATE article titled *Loss of Instinct & That Old Gut Feeling* we discussed over-reliance on data and numbers to the exclusion of good leadership and qualified and experienced leaders. In that article we also included a chart titled "A Grim Assessment" which we excerpted from the November 19, 2007 issue of *US News and World Report*. The subsequent UPDATE article *The Lost Art of Observation* took the concept of loss of instinct one step further. We developed the position that instinct and the ability to observe/interpret/analyze are corresponding skills. Those leaders who are focused on return on investment (ROI) and who are lacking or ignoring their instinct are also lacking or simply not using their ability to observe what is happening in their company, industry, or governmental constituency.
Then the DDI report. The news is bad, but the dilemma is why? . Consider the resources spent on leadership development, compounded by the time lost on the job for that training. We do have some insight into the problem. It's

simple –ROI. What is the return on that investment? Perhaps that explains the marginal CEO support of these programs. Do CEOs and senior managers really understand the value and importance of leadership development? In our experience, we have seen too many examples where leadership development was defined as attending one or more formal programs with little if any senior management active follow-up to the program. We believe formal programs are valuable, but only if they are well-designed and part of an overall leadership development plan. And that plan must include some personal mentoring in addition to formal training.

A well-known model used to assess the impact of training is Kirkpatrick's *Four Levels of Evaluation:*

Level I: Reaction
Level II: Learning
Level III: Transfer
Level IV: Business results

In typical "leadership development", only the first level is measured through a post-seminar or workshop feedback sheet. Rarely is measurement taken to Level IV.   Perhaps this is the case because it is difficult to determine what to measure. Returning to Iacocca's 9Cs, we can recognize that measuring them in a business result context is difficult. But if those 9Cs are considered in the context of the decisions leaders make, then we have something tangible. This is where our concept of decision-making comes in and it's relationship with leadership. We believe decision-making is a manifestation of leadership, whatever the list of behaviors or qualities or characterizations. Good decisions are made by good leaders and vice versa. It sounds very simplistic, and perhaps it is, but we can measure the outcomes of decisions. The mechanism of decision-making is quite challenging and complex. So from one perspective, if we can demonstrate that a leadership development program will yield better decisions then we have taken measurement to Kirkpatrick's Level IV because good or bad decisions have business consequences. Create your own case study. Think about a situation where a good decision resulted in a positive business result and then when a bad decision resulted in a negative business result. Build on that and attempt to drill down and examine the cause and resulting effects. We went through the same exercise and the findings were very interesting.

Consistent with our overall contextual perspective on leadership, we were once again convinced that context is extremely important in the decision-making skill/

competency.   Therefore, given the rather universal consensus that the level and quality of leadership is on the decline, and that, according to DDI leaders with HR professionals, "the top requirement and one of the most important skills and characteristics to be a successful leader, [is] being skilled at analysis and decision-making," where do we go from here?

What's needed to improve this situation?
Decision-making models abound, as do leadership development programs. We believe in developing a link between leadership and decision-making. Our Contextual Leadership model dispels the notion of born leaders, focuses on leadership dimensions of Experience, Competencies and Attributes, and then adds *context*. In designing a leadership development program, the dimensions as well as context must be considered and included, but more importantly we must design into the program performance measures that focus on business results. This means looking at the decisions our leaders are making and whether a particular leader's decision-making improves after a leadership development program, including leaders at various levels in the organization. Our concept does not focus only on the senior leadership; good decision-making at all levels of the organization is essential. The most important issue here is the linkage between leadership and decision-making.

One way to make this linkage is what we refer to as Prudent Risk. The key is understanding the process and the value proposition. Not all decisions need to be a complex process – from a leadership perspective, the more and better decisions made at lower levels in the organization yield higher ROI. To achieve this return requires significant leadership challenges. An example is a concept we have developed for the past several years, Prudent Risk. Very quickly, if a culture within the organization allows for Prudent Risk (within specified guidelines), decision-making can be scaled accordingly. If good decisions are made at the appropriate level within the organization, those decisions cost less than if they have to be "run up the flagpole and back down." The challenge to leaders is establishing an acceptable level of Prudent Risk and how to deal with prudent risks that go bad. We welcome the opportunity to discuss this concept and how it applies to your organization. We can demonstrate that it is very viable and results in significant savings.

Another example is decision-making checkpoints. This process involves validating decisions from the initial identi-

fication of need to the point of implementation and be-yond.   It is, in essence, a combination of leadership re-sponsibility and appropriate performance measures along the process. The key point is to validate the thought proc-ess and decision-making in a progression so bad decisions don't build on bad decisions. We asked you to think about experiences or situations of good and bad decision-making earlier in this paper. We now ask you to think about the consequence of compounding bad decisions and how long those consequences can haunt an organization.   It seems like (based on our 30 years of consulting) bad decisions have a long life span that tends to drag an organization down over time, and consumes a tremendous amount of energy to correct.

Finally, the performance measures associated with deci-sion-making are also tailored because in business one size does not fit all.   Imagine an organization that consistently makes measurable decisions that result in positive business outcomes.

Here's a tool to gain some insight into the decision-making culture of your organization
Let's say you have read though this article and are wonder-ing *how does this relate to me and my organization? Informa-tion like this is important to know but how is it action-able? What should I do with it?*

The Macris Group has designed, as a complimentary tool for our readers, a self-assessment instrument that will paint a picture of the culture of your organization's decision-making.   If you wish to distribute the survey throughout your organization to gain a greater perspective, please let us know. If you are willing to take the time to respond to this instrument seriously we will also take the time to ana-lyze it and with our expertise provide you candid feedback as to where you stand individually and against other re-sponses. Based on the analysis, we may be able to provide you with some suggestions on best addressing any needs you may have. As always individual responses will be kept confidential.

For your convenience we also have an online version avail-able at this link: http://www.surveymonkey.com/s.aspx?sm=_2fy1jZsXILzO8aXe6kJAZdQ_3d_3d
the password is Update.

We appreciate your participation and once again, if you

would like to distribute it to others in your organization please contact us and we will provide a dedicated link and password.

As in all issues of UPDATE, we welcome your feedback. If you agree or disagree with our premises please let us know. Your feedback helps us plan for future UPDATE articles.

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Organizational Decision-Making Self-Assessment
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On a scale of 1 to 6, please rate how strongly you agree or disagree with the following statements about aspects of your organization's decision-making.

1.   We have a structured decision making process to drive our organization.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

2.   We select the right people for the right jobs.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

3.   Our supervisory staff members make decisions that benefit the group they supervise and the organization as a whole.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

4.   Our supervisory staff members exhibit leadership skills commensurate with what is required for their positions.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

5.   Our organization has active programs to develop leadership skills.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

6.   Our leadership development programs include measures to determine their benefits.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6	N/A

7.   We make decisions that result in tangible benefits.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

8.   Our staff members at all levels of the organization, understand our corporate mission and purpose.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

9.   Our staff members at all levels of the organization make decisions that support the mission and purpose of our organization.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

Organizational Decision-Making Self-Assessment

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10. We routinely assess our operational and administrative processes to make sure that our decision-making remains relevant.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

11. We have an environment that encourages people to identify and implement process improvements in the workplace.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

12. Research and discussion are used to solicit information before decisions are made by key individuals.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

13. Our organizational culture empowers people to make decisions based on a prudent level of risk.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

14. Decisions made at lower levels of the organization do not have to be "run up the flagpole" for approval before they are implemented.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

15. The culture of our organization fosters critical evaluation to minimize the possibility of "Group Think".

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

16. The culture of our organization allows for "gut" feeling as a check and balance in the decision-making process.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6

17. We do "sanity checks" on data-driven decisions to satisfy ourselves that the decision is right for the organization.

Strongly Disagree   Strongly Agree

1	2	3	4	5	6