

What is the first thing that is thrown out of the window when leaders are stressed?

Thursday, 7th September, 2020. Have you ever given a thought to what is going inside the mind of leaders when they make significant decisions that affect our lives?

If the answer to this question is 'no', then you may want to start thinking about it. Because the way our brain operates affects the decision making of even the most intelligent people. And more often than we think, leaders make the wrong decisions and communicate them with self-confidence and passion, leading us to believe that they are right.

Farewell the Common-sense

Decision making is difficult in the best of days. We know from evidence pre the pandemic that 70% of all business transformations fail to deliver value to shareholders and that 40% of senior hires do not last 18 months in their new roles.

Decision making in times of change and uncertainty is even more challenging. Leaders are currently under enormous pressure to make 'good' decisions. But every decision they will make will be perceived as fair by some and dreadful by others. The question of what is the right thing to do and by whom can now have significant wellbeing consequences attached to it. The past six months have been tough times for everyone, including for leaders. The emotional load is draining, and the light at the end of the tunnel is still too far ahead. And this stress affects the quality of leaders' decision making!

Last year at Harvard Kennedy School, Prof Daniel Shapiro opened his lecture by asking our class what the first thing that is thrown out of the window when we are stressed is. The answer was 'common sense', our logical thinking. And there is strong scientific evidence behind this statement.

How we think - is not what we think

In every moment of our lives, our brain has so much information to deal with that we simply cannot logically and consciously analyse everything. Herbert Simon called this the Bounded Rationality. We are bounded in our rationality by our brain; we cannot multi-task our thinking. But what is thinking and how do we think?

We think using two systems (Kahneman):

System One- is the fast, automatic, effortless and unconscious way to tackle the daily tasks. To be able to operate fast and automatically, system one is based on shortcuts and heuristics to associate new information with exiting patterns. In other words, it includes cognitive biases.

System Two- is the slow, effortful and conscious logical thinking. When we learn something new, we concentrate on the learning and use system two.

When we feel confident, we use system one. Think about your first driving lessons. In the beginning, you had to concentrate and think about every movement. Then, after years on the road, you often find yourself arriving home without even recalling what happened on the way. You used system one, your automatic pilot.

So, this is how we think- what's the problem?

First, often we are not aware of which system we are using at the moment. We make decisions and behave in a certain way without knowing what lead them (how we got to the decision), although we feel that we know what our brain is doing. We simply cannot see through our neuroscience.

Second, the real problem begins when we use system one when we need to use system two. And this occurs more often than we tend to think!

Third, there is strong evidence that the more stressed we are, the less access we have to the logical/rational part in our brain (the neocortex) that we use in system two. It's like having a blackout in an exam, without having the awareness that this is happening to us.

And this is what every decision-maker is going through. We unconsciously use system one with its biases to make decisions, when we need to use system two and think logically. This mistake happens to everyone. If you are not biased, you are not human! This mistake frequently happens to our leaders!

Common biases leaders fall into

Many biases affect leaders in making strategic decisions and in assessing risks. I chose to focus in this article on four of them:

WYSIATI- Daniel Kahneman coined the acronym WYSIATI to explain that our brain keeps on telling us "What you see is all there is". We judge and make decisions based on the information that is available to us. Leaders develop stories and narratives based on the information they have at hand, often without asking the question, "what information am I missing"? Leaders need to remind themselves that every report includes biases: someone decided what questions to ask, which information to collect, how to analyse the data, what conclusion to draw from the analysis, what to present and which data not to include in the report and then the recommendations are subjective as well.

Confirmation bias - is the tendency to search for, interpret, favour, and recall information that confirms or supports our prior beliefs and values. We all do that daily- for example, we consume the news from the sources that align with our views and interpret information according to our beliefs. But what if our initial idea is wrong? Great leaders encourage their teams to tell them what they don't want to hear. It is not easy and can be confronting, but it is one of the ways to get over the confirmation bias. When you seek and thank people for their honest opinions, you get the information you need to make an informed decision. When you fall into the confirmation bias, everyone will always tell you exactly what you want to hear, because this is what you appreciate.

Dunning-Kruger Effect is the situation in which people who are unskilled at something do not recognise their incompetence and act like experts. As much as we would like to think that we are all great leaders, no individual can be great in all the leadership competencies. Hence the importance of continuously developing self-awareness and surrounding ourselves with complementary skills- building a complementary leadership team.

The risky shift - complementing leadership teams often fall into group biases. The well-known one is Group Thinking. One of the common biases, yet less spoken about, is the risky shift. This bias occurs when a leadership team agrees on a course of action that is more extreme than what they would have made if each of the team members would have taken if asked individually. This bias could explain the risky decision that the Swedish government has taken in response to the pandemic.

Achieving optimal decision-making outcomes

A chairperson of a listed company recently told me that he could see all the biases of the leadership team and coach them because he is well experienced, educated and is never biased. Well...

Einstein referred to reality as an illusion- we assume that there is 1:1 relationship between the way we perceive things and the way they are. But this is certainly not the case. The cognitive process of thinking is always unconscious, and the procedures that we use to solve problems are often entirely opaque to us. We don't have much insight into our thinking and behaviour and are not much better at predicting others' actions.

Hence, no matter how high you are in the organisational hierarchy, what your education is and how well versed your convincing, influencing and rhetoric skills are- you will always have blind spots that affect your thinking. And the more stressed you are, the chances are that your thinking will increase its reliance on biases.

Real leaders shine in times of crisis; not when everything goes according to plan, and there are only small budget constraints. The pandemic brings to surface leadership and decision-making capabilities.

While we cannot see through our thinking process, awareness of the biases we tend to rely on as a group is critical. To achieve optimal decision outcomes in times of uncertainty, leaders must design a new decision-making environment. They should improve cognitive diversity, self-awareness and understanding of the specific leadership teams' biases. There are simple tactics to use as a team to shield from biases. The first step to take is awareness!

Tips:

- Conduct a blind spot assessment for each member of the leadership team
- Analyse the team's strategic and risk key biases
- Redesign the leadership teams' decision-making process to achieve optimal decision-making outcomes

About Dr Zivit Inbar: Dr Zivit Inbar is a graduate of Harvard Kennedy School Leadership Decision Making Executive Program. She works with boards

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Note to the editor: DifferenThinking™ is a boutique consulting firm specialising in strategic teams, culture, leadership, ethics, innovation and decision making services. At DifferenThinking we are focused on reducing risks and increasing growth by unlocking the potential of your people, culture and innovation capabilities. In times of such uncertainty, failing to transform and develop these aspects of your organisation could have a significant impact on your bottom line.

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