The Slowdown in Executive Decision-Making

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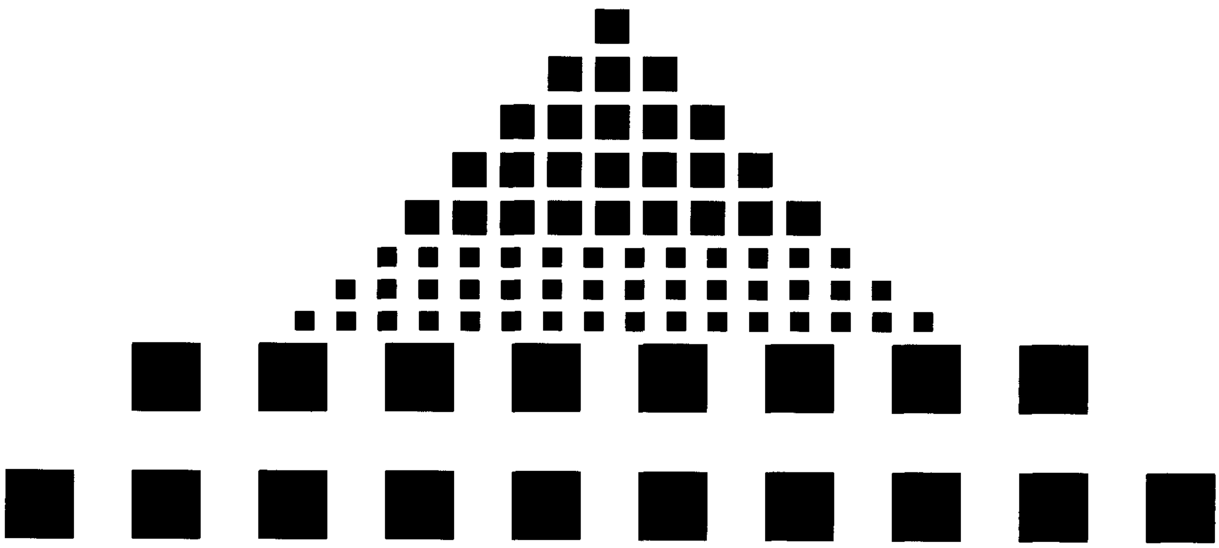

Top management is often criticized for slowness in making decisions or responding to problems and recommendations that are relayed to the executive office. Documentation and staff work may pile up for months on executive desks before action is taken. Meanwhile, those people awaiting clearance or approval mutter and bewail the indecisiveness of their leaders. "I made a thorough investigation and a firm recommendation, with all of the backup information that could possibly be needed, but the response was dead silence," one senior division manager in a large electronics firm told me recently. "No amount of hints or prodding seems to get action."

What is the explanation for this near-epidemic of inaction? Does it lie in a personality quirk common to people in top positions, or is it a systems defect? Are the problems that require decisions structured and presented in a way that encourages procrastination?

In large organizations, this slow-down is often costly and occasionally disastrous. The upshot is missed and flubbed targets. Eventually, "Why bother?" becomes the operating philosophy of many of the organization's subordinate managers.

The Growth of Participation

Twenty-five years ago Clarence Randall, then president of Inland Steel, described the traditional mode of executive decision-making to a writer for *Dun's Review*. "Let's face it," he said. "Free enterprise as we practice it in the United States is authoritarian in principle. One man decides." At each stage of production and distribution the will of the leader determined the direction of the decision. In Randall's time the leader spoke and everyone obeyed, but if he were a CEO, he would be a frustrated and unhappy man, surrounded by unhappy subordinates. The power of the single leader to make decisions unilaterally has been deeply eroded.

Today's leaders live amid what Harlan Cleveland called the "web of tensions." Dozens of constituencies must be considered, including special interest groups outside the organization that limit management's decision-making power. In addition, today's manager is wrapped in a tangled web of laws affecting decisions in hiring, firing, assigning and promoting people. The end result is that decisions cannot be made and problems cannot be solved until every angle has been examined—and this takes time. Even at the division manager level, decision-making capability is eroded as they are assigned more and more time consuming responsibility. Therefore major decisions concerning the character and direction of a division are pushed up to corporate headquarters where each goes on a merry-go-round of approvals.

The way such decisions are slowed down can be illustrated by the case of the large university that decided to erect apartments for married students. A site was chosen on the edge of the campus, some distance from the core, but abutting a middle class residential neighborhood. After construction was well under way, dissident residents organized into a vociferous protest group, hired a lawyer and blocked the entire project. Major revisions were made but ultimately the apartments were moved. Thereafter all decisions made by the university were reviewed by an internal "Committee on Neighborhood and Community Impact." Needless to say, the decisions were often tied up for months or years until every imaginable complaint had been heard, discussed, reviewed, and amended.

Similar experiences are reported by firms whose businesses have real or imagined consequences to the surrounding community. New England towns by the score have enacted laws against the transport of nuclear waste, toxic substances, or other materials viewed as threatening. A Florida nursing home that revealed plans to offer nursing home housing to several AIDS victims stirred up a torrent of resistance, complaints, law suits and shrill cries of dissent. These came not only from neighbors, but employees, other patients, and government officials sensitive to the political ramifications of the case. Obviously, other nursing homes with such plans immediately put them on hold indefinitely. A mining company near a large national park found itself embroiled in a lengthy dispute over its intent to modify the land contour by shaving the tops off several tall hills located more than a dozen miles away.

Paradoxically, the Reagan administration's more tolerant attitude toward federal control of environmental concerns has not eased the situation for many large chemical firms. In fact, the decline of federal regulation prompted a number of states—under citizen pressure—to enact laws limiting corporate actions in many areas of development. Now, instead of dealing with a single federal agency for clearances and approvals, the chemical companies must deal with dozens of states, each with differing requirements, and each causing costly delays in product production and expansion. For industries such as insurance where the regulation has traditionally been state rather than Federal, the web of approvals and constraints is endless because every state must be treated as a separate problem.

Aware of the potentially disastrous consequences of moving too fast in decisions that have public impact, corporations have created internal staff to act as self-regulators of the corporate behavior. The staff must consider not only the response of competitors, but also the public's reaction to unintended effects or side-effects of the proposed new products.

In one large computer firm, the decision to launch a new product is appraised by 2,500 different eyes before approval is given. Since many of these judges have veto power (which one corporation calls "staff disallowance"), hundreds of people may have a foot on the brake while only one or two can operate the accelerator. In such a firm the CEO couldn't make a quick decision if his or her life depended upon it.

The Executive Time and Life

Another reason that decisions get backlogged is that bosses are seldom the master of their own time. Presidents of publicly held corporations today are at the mercy of an endless stream of people who can command their attention and fritter away their time. Every staff department wants to report directly to the president, and many others would like to get the king's ear to compensate for their own lightweight positions. Small wonder that bosses don't have time to listen to every suggestion or to read every report.

Admittedly, such a manager could benefit from learning how to delegate decision-making, but this doesn't always happen. Another solution was adopted by Harold Geneen who often worked all night to resolve a problem; however, few people in management will accept that kind of regimen or make the commitment of after-hours time. One general manager told me: "There's a steady stream of people who come into my office with suggestions and problems that add to my work, but damn few with ways to lessen the load."

Quality Versus Acceptance in Decisions

Norman R. F. Maier, the noted psychologist, did extensive research into the processes of managerial decision-making and problem-solving. His analysis showed that decisions fall into two major categories: those that can be described as quality decisions and those that are acceptable to the greatest number of affected people. In many cases the manager must opt in favor of either a quality decision or an acceptable decision. Maier produced a formula for decision-making: $E = Q + A$, that is, an effective decision (E) has the right mixture of quality (Q) and acceptance (A). The element of acceptance is primarily a function of "motivational merit," or the way people who have to implement a decision feel about it.

Maier stresses that the acceptance of a decision is as important as its quality, but I would argue that a decision that is not accepted does not have quality, for it is a decision that will not be thoroughly implemented. Young people in staff departments, armed with technical expertise, know which decision is technically correct. But if it conflicts with the vested interests of some division manager or another staff department, the decision will never be implemented regardless of how logical it may be. Many staff people tell me that they feel successful if they can get even half of their ideas accepted. Such a high level of realism illustrates how quality and acceptance must be balanced.

The key to developing decisions that are high both in quality and acceptance lies in letting people who have to implement a decision participate in the shaping of that decision. This requires much recycling of ideas through various bases, and may even involve group decision-making which consumes additional time. The enormous amount of time spent in decision-making conferences often seems wasted to the person who originates an idea, so the staff expert would rather submit his or her proposal directly to the boss and ask for a speedy affirmative response. But the boss knows that the idea must first be reviewed by the policy committee, the management committee, or some other such group.

Many proposals die in committee. Often they deserve to die, because even if they are logically desirable there may be too many interested parties with a stake in the status quo for the decisions to gain the acceptance needed to work in practice.

No place equals a college or university for slow decisions. Clark Kerr, when president of the University of California, said that "changing a curriculum is like moving a cemetery." So many relatives of the departed must approve the move, it is not surprising when logic takes a back seat to acceptance.

Autocrats and Experts

But even in organizations where an autocratic manager at the top retains all the decision-making power, decisions are still made slowly. After all, when one person at a high level insists that all decisions come to his or her desk, a logjam will build up. A recommendation from the engineering department might flow to the desk of a chief who is not an engineer. To make the right decision, the chief must first acquire an education in the unknown field, and this takes time. The reasons the chief gives for not delegating are the same reasons for the slowness of the decision-making process.

Faced with a tough decision in an unfamiliar or complicated area, today's autocratic manager tends to seek the advice of an expert. With advice in hand, the autocrat will then make the decision, but of course the expert's influence and knowledge have shaped the outcome. Few autocrats in corporate executives' suites fly boldly in the face of contrary advice from their investment banker, tax accountant, or patent attorney. In other areas of judgement, however, such as selecting an advertising program or personnel policy, recommendations are more likely to be overridden by the autocratic manager because he doesn't value expertise in these areas sufficiently to overrule his own intentions and biases. In recent years extremely costly law suits in the field of personnel have caused some executives to rethink their assumption that all personnel matters are simplistic and amenable to their judgement. Because of age and sex discrimination suits, among others, personnel experts are listened to more often than in the past.

Boards of directors on the other hand have traditionally held only fragmented power to affect the decisions by a strong and successful autocratic chief executive, although this is changing somewhat. As Myles Mace of Harvard once said, the board of directors serves as a mirror of ideas from below, and doesn't really direct. Their major function, with some exceptions, is to choose the chief executive, remove him if gross malfeasance is evident, and otherwise going along with managerial decisions. Strong directors who attempt to affect the decisions of management are less likely to be invited to serve a second term on the board. This has led to some conflicts, particularly where the chief is engaging in practices that might result in lawsuits against individual board members. The extraordinary rise in liability insurance rates for directors has made it harder to find good directors to serve on a corporate board, and is making directors more aggressive in questioning management practice. Thus, an even greater force is created to slow down management decisions.

Today, boards of directors are a major factor in executive decision-making. When executive decisions falter and the stock price is depressed, the corporate raider stands in the wings. Flanked by investment bankers, lawyers, and accountants, the raiders move with daring and style which makes them the darling of the business press. In contrast, the investing public may perceive corporate management as timid, and defensive, and overly circumspect. Working with other people's money in the form of junk bonds or similar creative financing tools, the raiders make decisions quickly and sometimes, move with breathtaking speed.

Faced with the prospect that their empire may be sacked by the raiding Huns, corporate executives and their boards are jolted into somewhat quicker decision-making. Golden parachutes, changes in by-laws to create poison pills and other defenses can be enacted with amazing speed when the raider is at the door.

Coping with Executive Stress Requires a System.

Too few managers have developed rigorous or systematic methods of decision-making and problem-solving. If decisions are based largely on intuition, the decision-maker simply lets the problem sit around until inspiration strikes. He or she may talk to a number of advisors and in the process pick up several different explanations of the problem and, accordingly, several different recommendations for its solution.

Problems have both rational and emotional components. Because problems, by definition, deal with things that have gone awry, emotions of fear and anger are bound to interfere with the use of rational problem-solving techniques. If I suddenly learn that something serious has gone wrong, I may be terrified that things are really in chaos. And if I read something critical about my organization in the morning paper, regarding a situation I know nothing about, I may fly into a rage. While such incidents can happen in even the best run organizations, if they occur too often executives become shell-shocked and a harmful form of stress sets in. One common symptom of stress is when managers retreat into an inner office and become unwilling to make even simple decisions.

Hans Seelye, the noted authority on stress, points out that we all have different levels of adaptation. Lee Iacocca's ability to adapt to the stress of his early days at Chrysler was phenomenal, but the response of many managers in such a stressful environment would be to resist the problems or give up trying to find solutions. Ultimately, however, even the most durable person reaches the stage of exhaustion.

Seelye states that it is possible to train and develop adaptation skills for small or intermittent doses of stress, but for the most part the powers of adaptation are genetic. On the other hand, people can develop a systematic way of dealing with problems and making decisions that facilitates working under pressure. That's where training and experience in problem-solving and decision-making comes in.

There are three basic approaches which managers can follow:

(1) Say "No" to everything. This may not be very good for the organization, but it eases stress on the decision-maker. It makes an indecisive boss appear firm and decisive, and it gives subordinates a speedy response. The answer may be wrong, but it is fast and unambiguous.

(2) Say "Yes" to everything, even when the response should be "Hell, no!" or a request for more information. This sort of manager is the best-liked person around for a while and enjoys managing, until the company goes broke or a crisis results from some giant error.

(3) The ideal system for making rational decisions is to treat every problem as a deviation from a standard: respond to requests for a decision by asking for all of the facts; get some agreement on the ideal outcome or objective; specify the problem, and ask people for alternative solutions that might produce the desired

result.

This latter type of manager knows that problem-solving means changing condition A into condition B, even though B is still not perfect. It might also mean identifying and eliminating the differences between conditions A and B. In any event, this approach is sometimes known as the General Problem-Solving model (GPS) and millions of managers around the world recognise it as the basis for the popular Kepner-Tregoe problem-solving and decision-making course. The payoff for the many managers who have been trained in the GPS approach is being able to live in the web of tensions that surround their jobs because they have a rational decision-making system. While this approach does not produce a solution to every problem, it helps solve many of them.

If you have a system you can solve most of the problems that come to your desk. That is all an organization can reasonably ask of its managers.

However hopeful this may sound, the truth seems to be that decision-making today at the top tends to be increasingly intuitive, based upon bias, and some experience. A survey of several hundred managers by *Omega Magazine*, a Journal for Management Scientists, revealed that a majority of executives use the back of an envelope when confronted with calculations needed for making a decision. Twenty-years ago, Peter Drucker said, "The days of the intuitive manager are numbered." Nevertheless, the days of systematic decisions appear to be some distance away. Meanwhile, under the pressures of conflicting demands, the whole decision making process at the top seems to be slowing down.

Helping a Slow Decision-maker

It takes much patience to deal with a superior who is slow in deciding, especially when his lack of speed affects one's ability to make things happen. Yet, learning to manage a boss is increasingly required for able and ambitious managers. The first step is understanding the parameters within which the boss must make decisions. The non-decision may in fact be a very explicit decision in many cases. It is sometimes better to let people below wait than to give a specific yes or no, especially if an explanation of the delay looks like indecisiveness. Henry Ford II's creed—"Never complain, never explain," may be a suitable rationale for not giving excuses. A boss should not cultivate popularity or sympathy with subordinates by criticizing those above him, such as the board of directors, angry stockholders, or disaffected publics. Dealing with these elements is part of top management's job, dumping those problems onto lower ranks is not productive or fair. Kepner and Tregoe, consultants on decision making and problem solving, suggest that 80% of top management's decisions deal with the environment, whereas, only 20% of workers' decisions are apt to be environmentally determined. Understanding this can ease the waiting process.

Subordinates can expedite the decision-making process at higher levels by adopting the following procedures:

(1) *Do thorough staff work.* When a proposal goes forward it should be complete in detail analysis and offer firm recommendations. Too many subordinates send up half completed work, hoping that the boss will read between the lines. Dr. Henry Kissinger is reported to habitually reject staff work with queries such as "Is this the very best possible solution? Could it be improved in any possible way?" Usually the startled subordinate takes back the proposal and polishes it some more. Finally when no more polishing can be done, Kissinger accepts it and reads it. The boss should not have to do the polishing, as this can slow down the decision. In addition, bouncing endless drafts off the boss is a certain prescription for slowing down decisions. Writing proposals means rewriting proposals before they are sent upward. The proposal sent up with recommended action stands a better chance of being approved than one that is waffling and hesitant.

(2) *Consider training in decision making.* It could be helpful if the boss would take a course in systematic decision-making, but how does a subordinate make the suggestion? A better approach is to sharpen your own decision skills. These can be improved through training. Learn how to identify problems clearly, spell out objectives, define alternatives, and screen the alternatives against criteria. When your proposals are shaped they will be crisper, more defensible and more persuasive.

(3) *Be clear on your objectives and the boss's objectives.* Frequently a proposal that

seeks a decision is sent into a cloud of uncertainty about its reception. To get a picture of the areas that are off base and out of bounds, seek a prior face to face meeting with the boss. This will prevent a great deal of wasted time and energy. If you have been asked to prepare a report or proposal, find out the limits within which you are working before you start shaping the plan.

(4) *List risks and contingency plans.* When a proposal or other report requiring a decision goes upward it should spell out all of the risks that accompany any recommendation. Any assumptions underlying the proposal should be stated briefly. For example, "This presumes that inflation will remain under 4% next year." Present a contingency plan or back up plan. What could go wrong, and how important would that be? What could you do to prevent that from happening? Suppose it happened anyway, what would you do then? As one venture capitalist said to me "I always get all of the favorable sides of the story, and why it can't fail, but I also need to know what might happen if it did. Without that I get suspicious."

In summary, you need to realize that decisions are slowed down these days by environmental conditions and the multiple constituencies that must be taken into account. You increase the likelihood of obtaining timely decisions from above if you provide guides to selling your proposal or obtain prior clearances from the network of people who must approve the idea.

Dr. Odiorne consults and publishes extensively, including a bi-monthly executive skills newsletter.

Suggested Readings

Kepner, Charles and Tregoe, Benjamin, THE RATIONAL MANAGER, McGraw Hill, 1961.

Odiorne, George S., MANAGEMENT DECISIONS BY OBJECTIVES, Prentice-Hall, 1969

Simon, Herbert, THE NEW SCIENCE OF MANAGEMENT DECISION, Harper and Row, 1961

Huber, George P., MANAGERIAL DECISION MAKING, 1980, Scott Foresman