

THINK AGAIN

Why Good Leaders Make Bad Decisions and How to Keep It From Happening to You

**SYDNEY FINKELSTEIN,
JO WHITEHEAD
and ANDREW CAMPBELL**

SYDNEY FINKELSTEIN is professor of management at Dartmouth College's school of business. He teaches courses on leadership and strategy. Dr. Finkelstein, a graduate of Concordia University, London School of Economics and Columbia University, is the author of nine books and more than sixty articles.

JO WHITEHEAD is a director of Ashridge Strategic Management Center, a business management research company. He specializes in studying strategic decision making. Dr. Whitehead previously worked for the Boston Consulting Group and as an assistant professor at London Business School. He is a graduate of Cambridge University, Harvard Business School and London Business School.

ANDREW CAMPBELL is also a director of Ashridge Strategic Management Center where he directs research projects and runs management programs. Prior to joining Ashridge, Mr. Whitehead was a Fellow at London Business School's Centre for Business Strategy and also worked for McKinsey & Co. He is the author of ten books and numerous articles in the business press. Mr. Campbell is a graduate of Edinburgh University and Harvard Business School.

The Web site for this book is at www.thinkagain-book.com.

SUMMARIES.COM is a concentrated business information service. Every week, subscribers are e-mailed a concise summary of a different business book. Each summary is about 8 pages long and contains the stripped-down essential ideas from the entire book in a time-saving format. By investing less than one hour per week in these summaries, subscribers gain a working knowledge of the top business titles. Subscriptions are available on a monthly or yearly basis. Further information is available at www.summaries.com.

MAIN IDEA

Even smart and highly experienced leaders can sometimes make appallingly bad decisions which have catastrophic consequences for their organizations. When you analyze what’s going on, you’ll find there are four conditions under which flawed thinking on the part of leaders is likely to happen:

- 1. When leaders have misleading experiences which seem similar to the current situation but in reality are not.
- 2. When leaders have made previous decisions which they incorrectly assume can also be applied to the new situation.
- 3. When leaders have personal interests at stake which clouds their thinking.
- 4. When leaders have some kind of emotional attachments which unbalance their thinking.

To avoid these situations arising in your own organization, there are four safeguards you should consider putting in place:

- 1. Provide decision makers with better data – and insist all decisions should be fact based.
- 2. Encourage group debate about decisions – so a leader’s personal biases can be countered and balanced.
- 3. Set up a governance team – which must independently approve all proposals submitted by the decision team.
- 4. Monitor and track the progress of the decision – record and publicize the actual results of each decision made.

“We believe that it is possible to design some form of safeguard for almost any situation where red flags exist. Of course, we cannot protect all decisions. But careful thought about safeguards can dramatically reduce the number of bad decisions. We are suggesting that decision processes need to be tailored to the red flags that might distort the situation. The elaborate processes that are part of the standard way of making decisions often generate a bureaucratic environment that breeds disrespect for the process. In our view, the standard process should be light, reducing cost and building respect. Safeguards should then be added to the process as needed for particular decisions.”

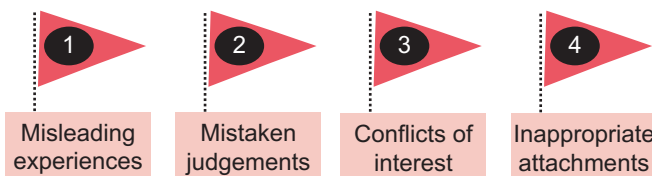
– Sydney Finkelstein, Jo Whitehead and Andrew Campbell

1. How leaders generally end up making decisions Page 2

Experienced people don’t usually do very much deliberate analysis of situations at all. Instead, decisions tend to get made on the basis of a mix of intuition, imagination and prior experience. By and large, leaders select a course of action from their memories of past actions and look for a fit by imagining what will happen if those same actions are applied to the current situation. This can be described as a one-plan-at-a-time process rather than a deliberate attempt to evaluate and compare options and then action the best.

2. Why decisions sometimes go wrong Pages 3 - 5

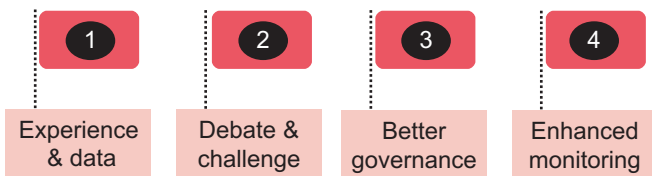
There are four “red flag” conditions where flawed thinking which leads to bad decisions are most likely to happen:



Whenever you notice any of these red flags arising, you should take a breath, step back and take action to make sure your decision does not fall prey to any of these four red flags.

3. How to avoid bad decisions Pages 6 - 8

Four “safeguards” are available which can reduce the risk that red flag flawed thinking conditions will lead to bad decisions getting made. The four safeguards are:



These safeguards act as a counterweight to bad decisions. There is no direct link between any specific red flag condition and a corresponding safeguard. Instead, the most appropriate safeguards should be used whenever and wherever red flag conditions exist.

Summaries.Com

The Ultimate Business Library



We condense **300+ page** business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

Knowledge is Power — Invest in Your Future

For just **\$2 per week**, you will...

- Learn from the mistakes and success of the smartest people in business;
- Get fresh ideas, strategies & motivation that could be worth millions to you;
- Follow emerging trends, so you can catch the wave before your competitors do;
- Catch up on the classics you always wanted to read.

1,000 Top Business Book Summaries

Our catalog includes summaries on a range of topics for aspiring entrepreneurs, managers, and consultants.

BUSINESS PLANS

MANAGEMENT

PRESENTATIONS

SALES

LEADERSHIP

MOTIVATION

STRATEGY

AND MORE

