Making the critical strategic decisions: How leaders and organizations fall short

2016 Strategic Leader Survey
December 2016
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EXECUTIVE SUMMARY

The 2016 Strategic Leader Survey focuses on improving strategic decisions for greater success. Strategic decisions are the big decisions about the organization’s direction and scope, vision of future success and strategies and actions to attain it.

Our previous Strategic Leader Surveys revealed: 1) how to promote strategic thinking and action; 2) the role of strategic planning in success; 3) the importance of best practices for planning success; and 4) why to consider global risks and opportunities in strategy development.

The 2016 Strategic Leader Survey findings are from e-survey responses by 305 leaders in current or recent decision-making roles. Results offer deep insight on improving decision-making practices for better outcomes. This report benchmarks practices of organizations of varied types and scale against what our continuing research shows will produce better decisions and promote future success.

Key findings from the strategic leaders’ responses include:

- Organizations too often skip using the power of group consensus in making strategic decisions: It is typically used just a third of the time.
- An outside facilitator is rarely used to improve decision quality.
- Few organizations take steps to avoid group biases in decision making.
- Half of organizations skip proven techniques for generating and better assessing strategy options.
- Just a third of organizations formally address risk when making strategic decisions and few consider exposure to “Back Swans” – extreme events.
- Only 60% of organizations monitor the results of their decisions and fewer are quick to change course when a decision is not working out.
- Two-thirds of organizations do not use tools such as score cards, benchmarking, outside assessment and post-mortems to improve the quality of decision making.

A potent insight is that more successful organizations seem more likely to use decision-making “best practices.” They are a third more likely to use consensus, have large and challenging strategic goals and generate many decision options.

Yet, even the more successful organizations fall short in taking powerful steps to assure better strategic decisions. All leaders are encouraged to examine their organization’s decision-making practices as an avenue to achieving greater success.
Making the critical strategic decisions: How leaders and organizations fall short

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For 28 years Forrest Consulting has promoted strategic thinking, planning and action. Our vision is “every organization creates and is acting on a plan with strategies leading to a vision of greater success.”

The case for strategic planning is compelling, yet our research shows three quarters of organizations don’t develop and implement strategies leading to a shared vision of success. Leaders mostly focus on daily operations and problem-solving.

We created the Strategic Leader research program to understand this “strategy gap,” seek evidence on the value of developing and implementing strategies, gain insight on steps organizations and leaders can take to be more strategic, and identify and share strategy development and implementation “best practices.”

- Our 2012 Strategic Leader Survey aimed to help leaders be more effective strategic managers. It confirmed that leaders believe peer support, experienced counsel and expert knowledge can help them think and act strategically and instill strategic planning and effective implementation in their organizations.
- Our 2013 Strategic Leader Survey dug deeper into strategy creation and implementation practices. It found: 1) For organizations in which planning plays a significant role in strategy setting, it is rated an important factor in success; 2) The value given to planning in success seems to correlate with use of planning “best practices;” and 3) Considering global risks and opportunities can make a significant difference in future success.

For access to these survey reports, please see the References section of this report.

Since 2013, we have worked to further identify why planning and execution can fail and steps leaders can take to assure success. Indeed, reasons for failure are many, but the roads and remedies leading to success are clear, if not widely recognized.

However, the problem is deeper than recognizing the importance of planning and then acting. We have concluded that the fundamental issue blocking strategy success is the poor quality of leaders’ and organizations’ decision making.

This 2016 Strategic Leader Survey therefore seeks to understand strategic decision-making practices used in and by organizations, and to learn and share how leaders and organizations can make better decisions for greater success.
CONTENTS

FOCUSING ON SEVEN VITAL FACETS OF DECISION MAKING ......................................................... 6
BIG STRATEGIC DECISIONS ........................................................................................................ 7
STARTING POINTS: ORGANIZATIONAL SUCCESS, SIZE AND TYPE .................................. 8
BIASES AND PRACTICES THAT IMPEDE MAKING GREAT DECISIONS .................................. 9
DECISION MODELS ..................................................................................................................... 15
  A look at a dozen models for making the big strategic decisions ........................................... 15
  Consensus, decision analysis most commonly used decision models ..................................... 16
  Successful organizations are more likely to use consensus ..................................................... 17
  Organization size does not affect use of consensus decision making ..................................... 18
  Non-profits are more likely to use consensus decision making ............................................... 19
HOW DECISIONS ARE MADE ................................................................................................... 20
  Reality: The leader most often consults and then decides .................................................... 20
  With success and size, how decisions are made changes ....................................................... 21
  Non-profits favor consensus over the leader deciding ............................................................. 22
BOARD ENGAGEMENT ............................................................................................................. 23
  In most cases, the board is engaged in strategic decisions ...................................................... 23
  Board role greater with more success, larger size, non-profit status ....................................... 24
THE ORGANIZATION’S STRATEGIC VISION AND GOALS .................................................... 25
  Two-thirds of organizations set challenging goals ................................................................. 25
  A greater share of successful organizations set challenging goals ......................................... 26
  A greater share of non-profit organizations set challenging goals ......................................... 27
DEVELOPMENT OF STRATEGIC OPTIONS ............................................................................. 28
  The leader usually leads team development of options .......................................................... 28
  Successful organizations look to the team for developing options ......................................... 29
  For-profits rely less on the team to develop options ............................................................... 30
USE OF BEST PRACTICES FOR DEVELOPING OPTIONS ....................................................... 31
  Use of best practices for developing options is varied ............................................................ 31
  Successful organizations use more best practices to develop options .................................... 32
  Smaller organizations use a more robust process to develop options ..................................... 33
  For-profits and non-profits are alike in developing options .................................................... 34
EVALUATION OF STRATEGIC OPTIONS ............................................................................... 35
  The team leader usually leads evaluation of options ............................................................... 35
  Successful organizations favor group evaluation ................................................................. 36
  Non-profits are more likely to use group evaluation ............................................................... 37
USE OF BEST PRACTICES FOR EVALUATING OPTIONS .......................................................... 38
  Use of best practices to evaluate strategic decision options varies ........................................ 38
  Successful organizations are much more likely to use best practices .................................... 39
  Organization size makes little difference in use of evaluation practices .................................. 40
  Non-profits are more likely to look for long-term solutions ................................................... 41
ASSESSING EVIDENCE OF THREATS AND OPPORTUNITIES .................................................. 42
  Organizations tend to fall short in assessing evidence ........................................................... 42
  Successful organizations do more to assess evidence ............................................................ 43
  Organization size has little effect on assessing evidence ....................................................... 44
  Organization type affects a few steps in assessing evidence .................................................... 45
USE OF FORECASTS .................................................................................................................... 46
  Three quarters of organizations use forecasts ....................................................................... 46

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SUCCESSFUL ORGANIZATIONS ARE MORE LIKELY TO USE FORECASTS .................................................. 47
LARGER ORGANIZATIONS ARE MORE LIKELY TO USE FORECASTS .................................................. 48
FOR-PROFITS ARE MORE LIKELY TO USE FORECASTS ........................................................................... 49

HOW RISK IS ADDRESSED IN STRATEGIC DECISION MAKING .................................................. 50
60% OF ORGANIZATIONS DO NOT FORMALLY LOOK FOR RISK .................................................... 50
SUCCESSFUL ORGANIZATIONS ARE MORE LIKELY TO ADDRESS RISK ........................................ 51
HOW ORGANIZATIONS ADDRESS RISK VARIES BY SIZE ................................................................. 52
FOR-PROFITS ARE MORE LIKELY TO ADDRESS RISK ....................................................................... 53

STEPS TO IMPROVE STRATEGIC DECISION MAKING .................................................................. 54
STEPS TO IMPROVE STRATEGIC DECISION MAKING ARE OFTEN IGNORED ............................. 54
SUCCESSFUL ORGANIZATIONS DO MORE TO IMPROVE DECISIONS ........................................... 55
USE OF STEPS TO IMPROVE DECISION-MAKING VARIES BY ORGANIZATION SIZE .................... 56
USE OF STEPS TO IMPROVE DECISION-MAKING VARIES BY ORGANIZATION TYPE .......................... 57

PREVALENCE OF DECISION TRAPS, BIASES AND POOR PRACTICES ............................................ 58
NO MATTER THEIR LEVEL OF SUCCESS, SIZE OR TYPE, ALL ARE AFFECTED ........................... 58
MOST EXPOSED TO LEADER BIASES, MANY DON’T USE THE GROUP ........................................... 59
MANY SPURN CONSENSUS BENEFITS, VERY FEW USE AN OUTSIDE FACILITATOR ........................... 60
LEADERS AND BOARDS ENGAGED, BUT PROCESS FOR OPTIONS IS A PROBLEM ........................... 61
MOST EXPOSED TO GROUP EFFECTS, MANY DON’T PURSUE CREATIVE OPTIONS ....................... 62
MANY OPEN TO BIASED GENERALIZING AND THE AVAILABILITY HEURISTIC .................................. 63
FEW CONTROL FOR ORDER EFFECTS, MANY IGNORE RISK MANAGEMENT STEPS ....................... 64
DOWNSIDE, “STRESS TESTING” AND MONITORING OFTEN IGNORED ............................................. 65
AFTER THE DECISION, MANY SEEM TO FORGET RISK AND AVOID LEARNING ............................. 66
MOST DEVELOP OPTIONS, FEWER ASK IF THEY ARE SHORT-TERM .............................................. 67
MOST SKIP STEPS TO EMBED A LONGER-TERM VIEW, IGNORE BLACK SWANS ............................... 68
A MAJORITY INVITE BIASED DECISIONS BY NOT JUMPING OUT OF SILOS ....................................... 69
MOST IGNORE PRIMING AS A POTENTIAL TRAP IN ASSESSING EVIDENCE ...................................... 70
MANY WON’T CHANGE COURSE, MOST IGNORE DECISION IMPROVEMENT STEPS ..................... 71

RANKING OF BIASES AND POOR DECISION MAKING PRACTICES .................................................. 72
WHAT NEEDS MOST ATTENTION – BY LEVEL OF SUCCESS, SIZE AND TYPE ............................... 72
RANKING OF BIASES AND POOR PRACTICES: ORGANIZATIONS OVERALL ..................................... 73
RANKING OF BIASES AND POOR PRACTICES: MORE SUCCESSFUL ORGANIZATIONS .................. 74
RANKING OF BIASES AND POOR PRACTICES: LESS SUCCESSFUL ORGANIZATIONS ...................... 75
RANKING OF BIASES AND POOR PRACTICES: SMALLER ORGANIZATIONS ...................................... 76
RANKING OF BIASES AND POOR PRACTICES: LARGER ORGANIZATIONS ......................................... 77
RANKING OF BIASES AND POOR PRACTICES: FOR-PROFIT ORGANIZATIONS ................................. 78
RANKING OF BIASES AND POOR PRACTICES: NON-PROFIT ORGANIZATIONS ................................ 79

LESSONS LEARNED ............................................................................................................................... 80
ORGANIZATIONS OVERALL .................................................................................................................. 80
MORE SUCCESSFUL AND LESS SUCCESSFUL ORGANIZATIONS ...................................................... 83
SMALLER AND LARGER ORGANIZATIONS ............................................................................................ 85
FOR-PROFIT AND NON-PROFIT ORGANIZATIONS ........................................................................... 87

WHERE TO GO FROM HERE .................................................................................................................. 90
APPENDIX I: ADDITIONAL EXHIBITS ................................................................................................. 91
APPENDIX II: RESPONSE ANALYSIS ................................................................................................ 95
REFERENCES .......................................................................................................................................... 96
ABOUT FORREST CONSULTING ........................................................................................................ 104
ABOUT LEE CRUMBAUGH .................................................................................................................. 105
FOCUSING ON SEVEN VITAL FACETS OF DECISION MAKING

To learn about how organizations and their leaders make strategic decisions, the 2016 Strategic Leader Survey focuses on seven vital facets of decision making:

1. Who in the organization leads and participates in different aspects of the strategic decision-making process.

2. How the organization develops and evaluates strategic options and decides on a course of action.

3. How the organization addresses evidence of strategic threats and opportunities.

4. Whether forecasts are used in decision making and, if so, how they are used.

5. How the organization addresses strategic risk in its strategic decision-making process.

6. How the organization tracks, assesses and responds to the results of its strategic decisions.

7. In what ways, if any, the organization uses formal processes to learn from its strategic decisions and improve the quality of future strategic decisions.
BIG STRATEGIC DECISIONS

Some decisions merit taking a methodical, reasoned approach, but many, many more do not. Those that don’t include the thousands of trivial, usual decisions we make every day (such as what to eat for breakfast), as well as the essential, immediate “fight or flight” decisions about our safety (run from the bear or don’t move!).

Nobel Prize winning psychologist Daniel Kahneman in his best-selling book *Think Fast and Slow* elegantly shows that the “System 1” mode of decision making we are prone to use is autonomous, fast and often unconscious but can lead us astray because of our mental biases and thinking errors.

Kahneman and other researchers urge us to consciously engage the “System 2” mode of decision making when making important decisions that don’t require instant response. While System 2 requires attention and effort and is slow, it enables us to address complex situations and offers us the opportunity to dodge the effects of our mental biases and the thinking shortcuts and traps that can lead us to make bad decisions.

Obviously, the big, important strategic decisions that leaders are called on to make for their organizations merit great attention and effort. They are clearly System 2 decisions.

This study focuses on the extent to which leaders and their organizations engage in System 2 thinking to see the need for and make strategic decisions. It takes a hard look at what steps they might be taking and can take to avoid or counter the individual and organizational biases that can lead to bad decisions and poor outcomes for the organization.

Here’s how we define strategic decisions. They:

- Are the big decisions about the organization's direction and scope.
- Address the vision of future success and strategies for attaining this vision.
- Have long-term impact and involve risk and uncertainty.
- Tend to be complex and affect the entire organization.
- Consider change, competition, threats and opportunities.
- Can involve capabilities, resources, people, products, services, customers and markets.
STARTING POINTS: ORGANIZATIONAL SUCCESS, SIZE AND TYPE

This report analyses replies to the 2016 Strategic Leader Survey provided by 305 “strategic leaders” - executives in current or recent decision-making roles.

A break-down of the leaders’ roles is provided in the appendix of this report.

The robust survey response allows us to dig into decision-making differences among the leaders’ organizations based on:

- The leader’s rating of the success and effectiveness of the organization compared with others of its type. The number of replies indicating success (295) enable us to report under two categories:
  - “More successful” - Excellent or good (74%)
  - “Less successful” - Average, fair or poor (26%)

- The number of people employed by the organization. Replies indicating size (296) let us report as follows:
  - “Small” - 1-200 employees (69%)
  - “Large” - 200+ employees (31%)

- The type of organization. Replies indicating type (260) are sufficient to compare two organizational types:
  - “For-profit” - Corporations, partnerships, etc. (63%)
  - “Non-profit” - 501(c)3s and similar organizations (25%)
BIASES AND PRACTICES THAT IMPEDE MAKING GREAT DECISIONS

Biases, thinking traps and poor practices can produce bad decisions. This study examines the extent to which biases, traps and poor practices are evident in leaders’ and organizations’ strategic decision-making.

Following are explanations of the many biases, traps and poor practices we are looking for in the survey results. Reviewing this list will help the reader understand the problems leading to poor strategic decision making that we are seeking to expose and help leaders and organizations avoid. (References to explore for greater understanding of these biases are provided at the end of this study.)

**Autocratic, leader-centered decision making.**

It is a problem because leaders, in some ways like every individual and in other ways because of their position, have biases:

- **Inability to self assess.** Our self-assessment skills are often flawed, overstating our abilities, competencies and characteristics.
- **Illusory superiority.** Leaders, like the rest of us, tend to overestimate their desirable qualities and underestimate their undesirable qualities relative to others, leading them to think they can make better choices than others can.
- **Illusion of control.** Leaders can overestimate their influence on events and mistakenly think their actions will be effective.
- **Power.** The powerful have a sense of control that can make them overconfident in their ability to make good decisions and to overestimate what they think they know. This can lead to excessive risk-taking.
- **Self-serving bias.** Leaders tend to evaluate ambiguous information in a way more beneficial to their interests than to the organization. An executive paid on sales, not profitability, will tend to strive for higher sales at the sacrifice of higher profits.
- **Luck.** Leaders can lead through claimed expertise when in fact their success was due to luck or unique circumstances.

**Not taking advantage of the group.**

Research shows groups usually make better decisions. Here’s why:

- **Adds context.** A group can offer a richer context to draw from: More experience, insights and knowledge, and greater understanding of trends, opportunities, threats and human biases.
- **Improves effectiveness.** Teams are better able to share expertise, create novel approaches and avoid costly mistakes.
- **Generates options.** The group typically develops and examines more alternatives.
- **More representative.** Team members typically represent groups of people likely to be affected by the decision.
- **Reveals assumptions.** Group members are more likely to find unseen value and see blind spots and implicit assumptions.
- **Drives action.** Group support can promote action. A group decision is more likely to be implemented with broad support.

**Not using consensus decision making.**

Research shows that consensus decisions reached by five or more people are qualitatively superior to individual, majority and leader decisions. Consensus decision making:

- **Articulates the common will.** Consensus is reached when all participants are willing to move forward together, even if they do not agree on all the details.
- **Considers more options.** When the group is involved, more information and considerations are processed and a higher quality decision typically emerges.
- **Involves those affected.** Consensus decisions with broad support are more likely to be implemented. In a study of 163 business decisions, only half of the decisions were ultimately successful. The best way organizations found to reduce their failure rate was to involve those affected by the decision in the decision process.
No outside facilitation.
Outside facilitation of the strategic decision making process is a best practice because it provides:

- **Objectivity.** An outside facilitator is less likely to share the biases of the leaders and can be more objective.
- **Process expertise.** Professional facilitators are fair and neutral process experts who bring skills and experience to help the group generate creative solutions, reach consensus and obtain successful outcomes.
- **Input.** An outside facilitator can help shape issues for discussion and obtain valuable stakeholder input.
- **Boundaries and buy-in.** Good facilitators set boundaries, spot biases and promote buy-in and follow-up.
- **Questions and issues.** As a third party, a facilitator can ask questions and spot and raise issues that leaders miss or avoid.
- **Participation and understanding.** A good facilitator promotes discussion, encourages all to contribute, manages dominant participants, elicits divergent views, enables leaders to participate and builds shared understanding.
- **Time sensitivity and closure.** A facilitator is skilled in crafting realistic agendas and moving the process to closure.
- **Output.** A good facilitator captures decisions and unresolved issues and can help assure implementation.

Leader disengagement.
A Gallup study of workplace engagement found that just 35% of U.S. managers are fully engaged in their leadership role. Disengagement blocks effective decision making because the leader:

- **Is read to be signaling failure.** Disengagement can say, rightly or wrongly, that the leader has given up pursuing organizational excellence in the belief that risks are too high or the effort is likely to be wasted.
- **Is not contributing to the solution.** The organization is deprived of the leader’s unique perspective and critical thinking.
- **Will be ill-equipped to lead subsequent change.** Disengagement means the leader is neither learning with the group nor is party to the decisions that will necessitate reinvention of the organization.

No Board involvement.
The specific role the Board of Directors should play in an organization’s strategic decision making may debatable, but there is little doubt the Board needs to be engaged. An uninvolved Board:

- **Is not serving stakeholders.** If a Board absents itself from strategic decisions, it is abdicating its duty of care and concern to the stakeholders whom it represents.
- **Is not providing oversight.** The Board is uniquely positioned to provide oversight and guidance to the organization on the direction of strategy and to weigh its risks.
- **Is not enhancing performance.** Research shows that Boards engaged in strategy enhance organizational performance.
- **Deprives the organization of valuable resources.** Most board members have been involved in making strategic decisions for other organizations, offer an external perspective, and bring access to outside networks and valuable connections.

Too many or too few options.
Traps regarding the number of options that the team considers can impact decision making. They include:

- **False dilemma,** the faulty reasoning that the few choices evident imply we must choose among them, related to the exclusive alternatives trap, in which we see our choice as simple either-or analysis rather than something more complex.
- **Choice overload (also called the paradox of choice),** the effect when the number of options are so many that they become debilitating because of the extreme willpower and capacity needed to process them.
### Group effects.

Group behaviors can adversely impact strategic decision making. Here are examples:

- **Groupthink**, the “bandwagon effect,” when the group gets fixated on a view - in this case positioned against change and what might be a great direction for the organization - regardless of evidence or contrary thoughts.
- **Group polarization effect.** Group discussion tends to amplify people’s initial stances, both for and against risk, and can lead to overly cautious or overly risky decisions.
- **False consensus effect.** We tend to see more agreement for our beliefs than exists: We interpret ambiguity in our favor.
- **Reciprocation.** We are prone to ceding a position to a group member whom we think has similarly “done us a favor.”
- **Escalation of commitment.** We tend to persist in an activity even when the prognosis is poor, because of our past investment of time, money or effort. We feel the need to keep justifying our past decision to engage in the activity. When we keep investing, we then escalate our commitment to something which is sub-optimal.

### Lack of creativity.

Research shows that a climate that favors risk taking, dynamism, freedom and debate promotes creative solutions. Creative leaders are adept at handling challenges that demand solutions outside the norm. Group creativity is inhibited by:

- **Pressure to conform,** to follow rules, think alike and seek unanimity.
- **Lack of collaboration,** opting instead for competition within the group.
- **Defensive communications,** spawned by a climate of evaluation, control, hidden agendas, certainty and superiority.
- **Suppression of divergent views,** through a setting that discourages reticent group members from adding their thoughts to the discussion and that discounts non-conformist views.

### Lack or misuse of evidence when assessing options.

Bad decisions can result from insufficient or misused evidence. We are programmed to immediately "fit" the information we have at hand to our experience – magnified by what is most current and what seems "like" or relevant to the situation - whether it is applicable and sufficient. (An example: in the 1980s FedEx saw rising fax usage as a disruptive technology. It launched a service, Zapmail, for customers to send and receive high-quality faxes using its offices; FedEx did not look further to see the plummeting cost of fax machines and the emergence of email as the real disruptive technology. Zapmail’s failure cost FedEx $320 million.) Many traps can affect how we approach evidence:

- **Availability heuristic.** We often base judgments on available information, even if it is insufficient and not representative.
- **Biased generalizing.** We can misassess the situation by drawing a conclusion from a biased or insufficient sample.
- **Representativeness heuristic.** We often judge the likelihood of an occurrence by matching it with a category or past circumstance, causing errors when the category or circumstance does not fit. When using representativeness, we tend to overestimate the likelihood of an occurrence. Even if something is representative, it is not more likely to occur.
- **Ambiguity effect.** We tend to choose the option with a clear probability of success rather than one whose probability is less clear because of missing information. "Better the devil we know than the one we don’t” goes the thinking. But the option with an unclear probability may have an even higher probability of success and provide a better outcome.
- **Ignoring parsimony.** Parsimony is using the simplest assumption in forming a theory or interpreting data. For opportunities, threats and options, parsimony says to go to what's simplest and appears to be most likely.
- **Not considering degrees of freedom.** We can "over fit" available data to model a predicted outcome that is not valid given the evidence at hand. For developing the best strategies, complex interpretations built on limited information - that is, non-parsimonious models with few degrees of freedom using limited data - are more likely be seen to be in error as more information is introduced.
Not randomizing assessment of options.
Order effects can sway our choices. Presenting options in random order and having different people consider the same list in a different order (“counterbalancing”) can help avoid these effects. Order effects include:
• **Primacy effects**, which make options more likely to be chosen when presented at the beginning of a list rather than at the end. Early items can set a standard of comparison that gets applied to later items, giving early items more significance in later judgments. Items presented early are likely to receive greater thought and influence the judgment of later items.
• **Recency effects**, in which options at the end of a list more likely to be chosen. They tend to appear when many options are presented whose descriptions require recall of greater detail. Recency effects arise because of short-term memory limitations.
• **Middle answer trending**, when people prefer items located in the middle of a list. Especially when the options are vague or unfamiliar, we can unknowingly be attracted to centrally located answer choices.

Not considering risk exposure.
Strategic risks can thwart an organization’s ability to achieve its vision:
• **Strategic choices** carry risks that can not only block achievement of objectives but can harm the entire organization.
• **Strategic risk management** involves understanding the risk exposure - the likelihood of harm or loss and its magnitude - created when choosing and implementing strategies. A Deloitte study suggests that most of the largest companies claim to explicitly manage strategic risk. Whether smaller organizations likewise manage strategic risk is questionable.

Short-term thinking when creating strategy.
Short-term gains can come at the expense of strategic actions that will bring longer-term success. Short-term focus can result from:
• **Pressure from stakeholders.** The demand for short-term results is growing, says a McKinsey & Company survey.
• **Unwillingness to endure the pain of change.** Tackling long-term goals can demand in-depth analysis, compromise, sacrifice and patience. Short-term solutions are easier to understand and pursue, and can enable the organization to “get by.”
• **Temporal myopia.** We find it hard to consider long-term outcomes. We may avoid long-term strategies because we see them as too uncertain. But a short-term focus can miss environmental changes that erode long-term competitive position.
• **Hindsight bias.** We fear change because we see the past as more logical and predictable than the future. We feel more confident in what we knew about events after they have happened. We forget how uncertain the future looked then.
• **Isolated problem trap.** We tend to see a problem as unconnected to its wider contexts. We can become so possessed by our short-term goals that we forget our long-range goals and the broader context in which we are working.
• **Present or current moment bias.** We tend to excessively favor immediate gratification (or avoid non-gratification).

Ignoring or mishandling the possibility of “Black Swan” events.
Nassim Nicholas Taleb calls a Black Swan an extreme impact event (e.g. the 9/11 attacks). History does not convincingly show that the event is possible. Being risk averse limits harm from negative Black Swans. Taking small risks with known maximum losses and large potential payoffs raises the odds of gain from positive Black Swans (e.g. new technology). Black Swans elude us because we:
• **Mistake the absence of evidence (of harm) for evidence of absence.** If we don’t see evidence of something that does not mean that it does not exist or does not have a possibility of existing.
• **Forget that risk is in the future, not in the past,** whatever the data might tell us based on past circumstances.
• **Concoct logical explanations for a Black Swan,** seemingly making it explainable and predictable – when it was not.
• **Epistemic arrogance.** As we learn more, our confidence in what we know grows and we underestimate uncertainty.
Decisions being made in a silo.
Research shows silos—departments, functions and other subdivisions—can impede making good decisions. Silos can resist change to protect their interests, ignore dependencies with other units and inhibit communication and cooperation across the organization. Because we form stronger bonds within small groups rather than with the larger organization, silos can promote:

- **Ingroup bias**, the “us versus them” bias in which we tend to overestimate the abilities and value of our immediate group at the expense of people we don’t know well or at all—such as others in the organization.
- **Shared information bias**, in which the group spends more time discussing information familiar to all members and less time discussing information known only to some members. Information from the greater organization gets short shrift.
- **Social proof heuristic**, the “we must be right” judgment, believing a behavior is correct because others engage in it.
- **Reactive devaluation**, the “not invented here” response in which the group devalues proposals that it did not originate.
- **Availability cascade**, a self-reinforcing process in which a group belief—including one that conflicts with the organization’s needs—gains more and more plausibility through its increasing repetition.

Priming, anchoring and framing.
Priming, anchoring, and the related concept of framing address how the limited information at hand and how it is presented can distort strategic decision making.

- **Priming** is when people’s mental representations are stimulated by information temporarily brought into memory through exposure or events. This information may then affect evaluations and actions. We often are unaware of being primed or don’t believe it will influence us. For example, people were more likely to believe in global warming when asked about it on hotter days and when they had been primed with words relating to heat. Our decisions can be primed by chance exposures or events.
- **Anchoring** is our tendency to compare and contrast a limited set of items. We tend to fixate on a value or number that in turn gets compared to everything else. The classic example is an item at the store that’s on sale; we tend to see (and value) the difference in price, but not the overall price itself. The process usually occurs without our awareness.
- **Framing** is using a mental shortcut to organize complex information into coherent, understandable categories. Framing highlights some aspects and discounts others that seem irrelevant or counter-intuitive. Framing can lead to wrong conclusions about a situation. Different people can frame the same situation differently and thus reach different interpretations.

Ignoring probabilities and the base rate.
Decision makers are subject many traps and biases that cloud their ability to assess the probabilities for opportunities, threats, forecasts and options. These include:

- **Overconfidence trap.** We tend to be overconfident about our accuracy in making estimates or forecasts,
- **Prudence trap.** When faced with big decisions, we tend to adjust our estimates or forecasts “just to be on the safe side.”
- **Memory bias.** Predictions for future experiences are often based on memories of related past experiences. Relying on memories can introduce bias because memory is fallible.
- **Not thinking statistically.** Errors arise when people don’t think statistically. The need for a control group is often not understood. We use the “average” when the variance among items makes their “average” a meaningless statistic.
- **Problem of induction.** Reaching general conclusions from specific instances is problematic. We are challenged to know whether what we see from specific events is sufficient to enable us to determine their other properties.
- **Certainty effect.** We don’t value changes in the probability of gains or losses in linear terms. Raising the odds of winning a prize from 50% to 60% has less emotional impact than raising the odds from 95% to 100% (certainty), no matter that the former is a greater increase.
- **Zero-risk bias** We tend to prefer eliminating a small risk over a greater reduction in a large risk that does not eliminate it.
- **Relative, not absolute.** People think in terms of expected gain or loss relative to a reference point (e.g. how much money I have now) rather than absolute outcomes.
- **Loss averse.** We dislike losses more than equal gains. We are more willing to take risks to avoid a loss.
- **Overestimation of small probabilities.** Research shows that small probabilities are generally overestimated and large probabilities are generally underestimated.
• **Ambiguity aversion bias.** People will bet on vague beliefs when they feel competent or knowledgeable, but they prefer to bet on chance when they do not.

• **Gambler’s fallacy.** We tend to overweight the effect we think past events will have on future outcomes (or predict an effect when there will be none, e.g. thinking a coin is more likely to come up heads when previous flips have yielded tails).

• **Overestimating the probability of conjunctive events.** We tend to exhibit unwarranted optimism in evaluating the likelihood that a plan with related parts will succeed or a project relying on multiple activities will be completed on time.

• **Sample size neglect.** When people without a good understanding of statistical methods deal with data, they often don’t consider sample size when evaluating the probability of something being true or occurring. They fail to understand that more variance is likely to occur in smaller samples. Reaching conclusions from too small a sample can lead to poor judgments.

• **Selection bias.** We may believe that a sample of people or events is representative of a population of people or events, even when it is not. A biased, non-representative sample can lead us to draw conclusions that are not true.

• **Not understanding the probability distribution.** In statistical inference, a probability distribution shows the likelihood of events. It is a list or range of all possible values and likelihoods a random variable can take (e.g. all outcomes of rolling dice). While often assumed to be a bell-shaped curve (Gaussian distribution), a probability distribution can have many shapes that produce different estimates. When the shape is not obvious, a likelihood calculated assuming a bell-shaped curve is suspect.

• **Fallacy of silent evidence (also called survivorship bias).** Historical evidence only shows part of the story. We can forget that some history is silent. The success we see overlooks the stories of those who didn’t succeed or survive. Survivorship bias can lead to overly optimistic estimates because failures are ignored.

• **Bad models.** A trap in decision making is using models to make predictions or see possible outcomes that are based upon unvalidated and incorrect assumptions and are not robust to changes in these assumptions.

• **Base rate neglect.** When we assess if something will occur, we often ignore less conspicuous but more important background evidence and focus on the obvious. We ignore the base rate, whatever may suggest the probability the event will occur across a large population, which, lacking more information, is the best approximation of the situation.

• **Not sufficiently revising predictions with new evidence.** Decision makers mostly use predictive models with frequency distributions. Instead of using a model, a Bayesian uses the base rate to predict the probability of an outcome and then revises that probability as new evidence appears. Bayesian analysis enables immediate updating of a hypothesis with new data.

**Ignoring luck and reversion to the mean.**

We are wired to see causes, patterns and structure when they don’t exist.

• **Underestimating the importance of luck.** We too often underestimate the importance of luck in the outcomes of our and others’ decisions. Luck is something that is outside of our ability to control: We obviously have no control over what random events affect us. Yet observation and research show that decision makers have illusions that the world is more controllable and predictable than it actually is, and these illusions can lead to costly errors. We view luck asymmetrically, quicker to attribute failure to “bad luck” than success to “good luck.” Not understanding the role of luck in great success can lead to excessive risk taking to achieve ephemeral “extreme” success rather than taking more sensible steps to assure a better future while taking on less risk.

• **Reversion to the mean.** Decisions based on or that predict continuation of exceptional outcomes, good or bad, are likely not to be very good decisions. That’s because systems that involve significant amounts of luck, such as investing, revert to the mean for the group over time. Reversion to the mean occurs when an outcome that is extreme is followed by one that is closer to the average. An extreme event is likely to be followed by a less extreme event. For example, baseball performances tend to revert: Top players in any season tend to not do as well the season before or the season after. Likewise, the classic example is that tall parents have (on average) children who are shorter than them and short parents have (on average) children who are taller than them. In both cases the children with parents at the extreme ends of the distribution have heights closer to the population mean height.
DECISION MODELS

A look at a dozen models for making the big strategic decisions

In this study, we analyze usage of a dozen decision-making models and systems. While not all-inclusive, the list was identified through secondary research to encompass the models and systems used by the great majority of organizations. (References to explore for greater understanding of these decision-making models and systems are provided at the end of this study.)

1. **Consensus (shared) decision making**
   Using a team to develop options and align on a course of action

2. **Creative decision making**
   Devising a novel course of action for an unfamiliar situation through conscious thought, gaining expertise and information, and allowing the solution to incubate over time

3. **Decision analysis**
   Framing the situation, discovering options and information gaps, analyzing options for value and risk, designing the approach to best create value and manage risk, implementing

4. **Emotion-based decision making**
   Finding varied options using imagination, emotion, possibility, vision, inspiration and creativity

5. **Intuitive decision making**
   Unconsciously using experience to consider only one course of action at a time and selecting the first that works

6. **MBTI Z model**
   Using the Meyers Briggs framework to consider all sides of a decision: Sensing, intuition, thinking and feeling

7. **Recognition-primed decision making**
   Doing what worked in the past

8. **Rational decision making**
   Using weighted decision-making criteria to find the optimal alternative

9. **Rule-based decision making**
   Going “by the book” according to policies and procedures

10. **Satisficing (bounded rationality) decision making**
    Limiting options and going with the first solution that is good enough (satisfactory and sufficient)

11. **Situational decision making**
    Fitting the decision-making process to the situation. Example: Cynefin framework

12. **Systems thinking decision making**
    Viewing problems in the context of the organizations overall system, building conceptual models to find solutions and modifying the system for desired change
Consensus, decision analysis most commonly used decision models

Consensus decision making and decision analysis are the decision-making models leaders say their organizations most commonly use.

Two-thirds of organizations use consensus decision making, which harnesses the group and is a best practice.

Decision analysis (used by 62% of organizations), as well as rational decision making and systems thinking decision making (both used by a third of organizations), are rigorous but do not necessarily involve a group process.

More ad hoc systems are used, as well: creative (46%), situational (34%), intuitive (29%) and emotion-based decision making (20%).

On the other hand, nearly a quarter of organizations commonly use rule-based decision making.

Few organizations use satisficing (11%) and the MBTI Z model (4%).
Successful organizations are more likely to use consensus

Separating organizations by the leader’s rating of success reveals that organizations rated excellent or good are more likely to commonly use consensus decision making.

Half of the less successful organizations commonly use consensus while two-thirds of the more successful commonly use it.

More successful organizations are also more likely to commonly use rigorous systems (decision analysis, rational decision making, and systems thinking decision making), rule-based decision making and creative decision making.

Organizations rated as less successful are more likely to commonly use more ad hoc systems, including emotion-based, intuitive and recognition-primed decision making.

<table>
<thead>
<tr>
<th>Decision-making models and systems commonly used, by rating of organization's success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excellent or good</strong></td>
</tr>
<tr>
<td>Consensus (shared) decision making</td>
</tr>
<tr>
<td>Creative decision making</td>
</tr>
<tr>
<td>Decision analysis</td>
</tr>
<tr>
<td>Emotion-based decision making</td>
</tr>
<tr>
<td>Intuitive decision making</td>
</tr>
<tr>
<td>MBTI Z model</td>
</tr>
<tr>
<td>Recognition-primed decision making</td>
</tr>
<tr>
<td>Rational decision making</td>
</tr>
<tr>
<td>Rule-based decision making</td>
</tr>
<tr>
<td>Satisficing (bounded rationality) decision making</td>
</tr>
<tr>
<td>Situational decision making</td>
</tr>
<tr>
<td>Systems thinking decision making</td>
</tr>
</tbody>
</table>
Organization size does not affect use of consensus decision making

At least in use of consensus, size does not make a difference.

Consensus decision making is commonly used by the same ratio of smaller and larger organizations (just under 60%).

Likewise, differences in use of decision analysis, rational decision making, recognition-primed decision making and systems thinking decision making are not significant.

Size differences do emerge in use of other models.

- Smaller organizations are more likely to use creative, emotion-based and intuitive decision making.
- Larger organizations are more likely to use rule-based decision making and situational decision making.

Decision-making models and systems commonly used, by number of employees

<table>
<thead>
<tr>
<th>Model</th>
<th>1-200</th>
<th>201+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consensus (shared) decision making</td>
<td>59.3%</td>
<td>57.6%</td>
</tr>
<tr>
<td>Creative decision making</td>
<td>41.7%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Decision analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotion-based decision making</td>
<td>18.6%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Intuitive decision making</td>
<td>27.5%</td>
<td>19.6%</td>
</tr>
<tr>
<td>MBTI Z model</td>
<td>3.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Recognition-primed decision making</td>
<td>27.0%</td>
<td>30.4%</td>
</tr>
<tr>
<td>Rational decision making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rule-based decision making</td>
<td>15.2%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Satisficing (bounded rationality) decision making</td>
<td>9.8%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Situational decision making</td>
<td>23.5%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Systems thinking decision making</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Non-profits are more likely to use consensus decision making

Non-profit organizations are more likely than for-profit organization to use consensus decision making (67% versus 55%).

Two other models that appear more likely to be used by non-profits are recognition-primed and rule-based decision making.

For-profits are more likely to use creative decision making.

Differences in usage of other decision making models by non-profits and for-profits are not significant.
While examining what decision making models and systems organizations commonly use is revealing, it hardly tells the full story.

The role of the leader in decision making is a prime factor.

As the pie chart shows, organizations typically make strategic decisions without the leader obtaining consensus: In two-thirds of organizations the leader typically decides.

In more than half of organizations the leader typically consults with individuals or groups and then makes the strategic decision.

The leader typically obtains consensus for strategic decisions in only 29% of organizations.
With success and size, how decisions are made changes

Leaders of more successful organizations are somewhat more likely to use consensus, but, still, only a third of these organizations typically make strategic decisions by obtaining consensus.

Leaders are more likely to consult and then make the decision in more successful organizations. The leader decides without consultation in a higher share of less successful organizations.

The leader typically obtains consensus to make strategic decisions in an even smaller share of large organizations.

When looking at how decisions are typically made based on organizational size, the only significant difference is that the leader obtains consensus in less than a quarter of larger organizations, versus in a third of larger organizations.
Non-profit organizations show the greatest propensity to make strategic decisions through the leader obtaining consensus.

In half of non-profits, strategic decisions are typically made through the leader obtaining consensus. In contrast, in just over 20% of for-profit organizations are strategic decisions made through the leader obtaining consensus.

In nearly two-thirds of for-profits, the leader typically consults with others and then makes the decision. This is true for only a slightly over a third of non-profits.
BOARD ENGAGEMENT

In most cases, the board is engaged in strategic decisions

A best practice for the Board of Directors to play a role in strategic decision making.

In nearly three quarters of organizations with a Board, leaders report that the Board is involved in making strategic decisions.

Board of Directors involvement in making strategic decisions

- Yes: 52%
- No: 14%
- Don’t have a Board: 34%
Board role greater with more success, larger size, non-profit status

More successful organizations are significantly more likely to involve their Board of Directors in making strategic decisions.

In more successful organizations with a Board, 85% have Board involvement. In less successful organizations with a Board, less than two-thirds have Board involvement.

Likewise, larger organizations with a Board are more likely to have the Board involved in strategic decisions than smaller organizations with a Board (86% versus 65%).

Also, non-profits with a Board are far more likely to have the Board involved in making strategic decisions than for profits (95% versus 69%).
THE ORGANIZATION’S STRATEGIC VISION AND GOALS

Two-thirds of organizations set challenging goals

According to the leaders surveyed, **two-thirds of organizations have a large and challenging strategic vision and strategic goals.**

For 12% of organizations, the vision and goals are essentially “business as usual” and for another 11% of organizations the vision and goals are not large and are not very challenging.

For a small share of organizations the vision and goals are either unrealistic and/or unattainable or do not exist.
A greater share of successful organizations set challenging goals

Nearly three quarters of more successful organizations have a large and challenging strategic vision and/or goals, while only half of less successful organizations have a large and challenging strategic vision and/or goals.

Higher percentages of less successful organizations have a vision and/or goals that are “business as usual” or that are unrealistic and inattainable.

Little difference is observed between larger and smaller organizations regarding the extent to which their strategic visions and/or goals are large and challenging.
A greater share of non-profit organizations set challenging goals

Non-profit organizations appear to be a little more likely to have a strategic vision and/or goals that are large and challenging than are for-profit organizations.

Conversely, for-profits appear to be somewhat more likely to have a strategic vision and/or goals that are not large and challenging.

Extent to which organization’s strategic vision and/or goals are large and challenging, by organization type

<table>
<thead>
<tr>
<th>Description</th>
<th>For-Profit</th>
<th>Non-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>We don’t have a strategic vision and/or goals</td>
<td>4.3%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Our strategic vision/goals are essentially “business as usual”</td>
<td>13.6%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Our strategic vision/goals are not large and are not very challenging</td>
<td>13.6%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Our strategic vision/goals are large and challenging</td>
<td>64.2%</td>
<td>72.1%</td>
</tr>
<tr>
<td>Our strategic vision/goals are unrealistic and/or unattainable</td>
<td>4.3%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

For-Profit  Non-Profit
A key step in strategic decision making is development of the decision options to be considered.

Important aspects of this step are who develops the strategic options and who leads this process.

Leaders say that in nearly 80% of organizations the relevant team develops the options:

- In two-thirds of organizations, the team leader leads the process.
- In 9% of organizations, a team member, not the leader, leads the process.
- In just 4% of organizations, an outside facilitator leads the process.

13% of organizations leave options development to the decision maker and 8% of organizations don’t consciously develop options.

Who most often develops the organization's options to consider in making strategic decisions:

- The relevant team develops the options, with the team leader leading the process (66%)
- The relevant team develops the options, with a team member, not the team leader, leading the process (9%)
- Whomever will make the decision develops the options (13%)
- We don't consciously develop options (8%)
- The relevant team develops the options, with an outside facilitator leading the process (4%)
Successful organizations look to the team for developing options

More successful organizations are much more likely to use the relevant team to develop strategic options.

Three quarters of more successful organizations have the team develop the options with the team leader leading, versus only 46% of less successful organizations.

Conversely, in 23% of less successful organizations the decision maker develops the options versus just 9% in more successful organizations.

Smaller organizations appear to be a little more likely than larger organizations to have the team develop the options with the team leader leading.

Who most often develops the options for strategic decisions, by rating of organization's success

<table>
<thead>
<tr>
<th>Options Developed</th>
<th>Excellent or good</th>
<th>Average, Fair or Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>We don’t consciously develop options</td>
<td>3.2%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Whomever will make the decision develops</td>
<td>9.1%</td>
<td>22.7%</td>
</tr>
<tr>
<td>The relevant team develops, with the team leader leading</td>
<td>3.2%</td>
<td>74.7%</td>
</tr>
<tr>
<td>The relevant team develops, with a team member leading</td>
<td>9.1%</td>
<td>9.7%</td>
</tr>
<tr>
<td>The relevant team develops, with an outside facilitator leading</td>
<td>4.5%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Who most often develops the options for strategic decisions, by number of employees

<table>
<thead>
<tr>
<th>Options Developed</th>
<th>1-200</th>
<th>201+</th>
</tr>
</thead>
<tbody>
<tr>
<td>We don’t consciously develop options</td>
<td>6.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Whomever will make the decision develops</td>
<td>11.5%</td>
<td>15.4%</td>
</tr>
<tr>
<td>The relevant team develops, with the team leader leading</td>
<td>9.2%</td>
<td>69.0%</td>
</tr>
<tr>
<td>The relevant team develops, with a team member leading</td>
<td>3.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>The relevant team develops, with an outside facilitator leading</td>
<td>10.3%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>
For-profits rely less on the team to develop options

Continuing an emerging theme, for-profit organizations appear to be somewhat more autocratic in who develops the organization’s strategic options and who leads that process.

For-profits appear to be less likely than non-profits (64% versus 73%) to have the relevant team develop strategic options with the team leader leading.

Instead, for-profits are more likely to have the decision maker develop the options than are non-profits (16% versus just 7%).
USE OF BEST PRACTICES FOR DEVELOPING OPTIONS

Use of best practices for developing options is varied

Best practices organizations use most often for developing strategic options are:

- Encouraging team members to raise new ideas and alternatives (67%).
- Having a group discussion about the options (also 67%)
- Consulting people and resources not on the team for ideas and options (41%).

Best practices used less often for developing options are:

- Having group members individually develop options before sharing them (14%).
- Developing long list of options (22%).

For 21% of organizations, their options mostly come from competitors.

For 10% of organizations, their options tend to remain the same over time,

We develop a long list of options

Team members are encouraged to bring up new ideas and alternatives

We have a group discussion about the options

Before any group discussion, we start with each group member writing their own list of options and then share these individual lists

We consult people and resources not on the team for their ideas for options

Our options tend to remain the same over time

We mostly look at what others (such as competition or leading organizations) are doing for our options

How the organization develops options for strategic decisions

- 22%
- 67%
- 67%
- 14%
- 41%
- 10%
- 21%
Successful organizations use more best practices to develop options

Organizations rated as more successful are significantly more likely to use best practices to develop strategy options.

Contrasted with less successful organizations, more successful organizations are:

• Half again more likely to encourage team members to raise new ideas and alternatives (63% versus 40%) and to develop a long list of options (22% versus 15%).

• A third more likely to have a group discussion to develop options (63% to 47%) and to consult people and resources not on the team (38% versus 26%).

Less successful organizations are nearly four times as likely than more successful organizations to have options that tend to remain the same over time (21% versus 6%).

How the organization develops options for strategic decisions, by rating of organization's success

- We develop a long list of options
- Team members are encouraged to bring up new ideas and alternatives
- We have a group discussion to develop options
- Before discussion, we have each group member write their list of options and then share these lists
- We consult people and resources not on the team
- Our options tend to remain the same over time
- We mostly look at what others are doing for our options

[Graph showing percentages for each practice by success rating]

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Smaller organizations use a more robust process to develop options

Smaller organizations are somewhat more likely than larger organizations to use best practices to develop strategic options.

- 63% of smaller organizations as opposed to 47% of larger organizations have a group discussion to develop options.
- 59% of smaller organizations as opposed to 52% of larger organizations encourage team members to raise new ideas and alternatives.
- 14% of smaller organizations as opposed to 8% of larger organizations have group members individually develop options before sharing them.

Otherwise, the differences between smaller and larger organization in use of practices to develop options are not significant.
For-profits and non-profits are alike in developing options

Only minor differences are seen between for-profit and non-profit organizations in their use of best practices in options development.

For-profits appear to be a little more likely to develop a long list of options (20% versus 15%) and have team members write their individual list of options before sharing them with the team (13% versus 8%).

Non-profits seem to be a bit more likely to consult people and resources not on the team (38% versus 32%).

The organization develops options for strategic decisions, by organization type:

<table>
<thead>
<tr>
<th>Method</th>
<th>For-Profit</th>
<th>Non-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>We develop a long list of options</td>
<td>19.8%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Team members are encouraged to bring up new ideas and alternatives</td>
<td>54.0%</td>
<td>58.9%</td>
</tr>
<tr>
<td>We have a group discussion to develop options</td>
<td>54.5%</td>
<td>58.9%</td>
</tr>
<tr>
<td>Before discussion, we have each group member write their list of</td>
<td>12.8%</td>
<td>8.2%</td>
</tr>
<tr>
<td>options and then share these lists</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We consult people and resources not on the team</td>
<td>31.6%</td>
<td>38.4%</td>
</tr>
<tr>
<td>Our options tend to remain the same over time</td>
<td>10.2%</td>
<td>11.0%</td>
</tr>
<tr>
<td>We mostly look at what others are doing for our options</td>
<td>16.6%</td>
<td>16.4%</td>
</tr>
</tbody>
</table>
EVALUATION OF STRATEGIC OPTIONS

The team leader usually leads evaluation of options

The next key step in strategic decision making is evaluating the strategic options that the organization could pursue.

As with development of strategic options, most often the team leader leads group evaluation of strategic options.

Strategic leaders say that in 75% of organizations the relevant team evaluates the options:

- In 64% of organizations, the team leader leads the evaluation process.
- In 6% of organizations, a team member, not the leader, leads the process.
- In just 5% of organizations, an outside facilitator leads the process.

A quarter of organizations leave options evaluation to the decision maker.

Who most often evaluates the organization's options for strategic decisions

- A team member, not the team leader, leads our group evaluation of the options 6%
- We use an outside facilitator for our group evaluation of the options 5%
- Whomever will make the decision evaluates the options 25%
- The leader of the team leads our group evaluation of the options 64%
Successful organizations favor group evaluation

More successful organizations are much more likely to use the relevant team to evaluate the strategic options.

Of more successful organizations, 70% have the team evaluate the options with the team leader leading, versus only 47% of less successful organizations.

Conversely, in 39% of less successful organizations the decision maker evaluates the options versus 20% in more successful organizations.

The differences between smaller and larger organizations regarding who evaluates the strategic options are not meaningful.

<table>
<thead>
<tr>
<th>Who most often evaluates the options for strategic decisions, by rating of organization's success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whomever will make the decision evaluates the options</td>
</tr>
<tr>
<td>The leader of the team leads group evaluation of the options</td>
</tr>
<tr>
<td>A team member leads group evaluation of the options</td>
</tr>
<tr>
<td>An outside facilitator leads group evaluation of the options</td>
</tr>
<tr>
<td>Number of employees</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>Excellent or good:</td>
</tr>
<tr>
<td>Average, Fair or Poor:</td>
</tr>
</tbody>
</table>

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</tr>
<tr>
<td>The leader of the team leads group evaluation of the options</td>
</tr>
<tr>
<td>A team member leads group evaluation of the options</td>
</tr>
<tr>
<td>An outside facilitator leads group evaluation of the options</td>
</tr>
<tr>
<td>Number of employees:</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>1-200:</td>
</tr>
<tr>
<td>201+:</td>
</tr>
</tbody>
</table>
Non-profits are more likely to use group evaluation

Adding to the theme, for-profit organizations appear to be somewhat more autocratic regarding who evaluates the organization’s strategic options and who leads that process.

For-profits are less likely than non-profits (59% versus 73%) to have the relevant team evaluate strategic options with the team leader leading.

Instead, for-profits appear to be somewhat more likely to have the decision maker evaluate the options than are non-profits (29% versus 21%).

Who most often evaluates the options for strategic decisions, by organization type

<table>
<thead>
<tr>
<th>Option</th>
<th>For-Profit</th>
<th>Non-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whomever will make the decision evaluates the options</td>
<td>29.4%</td>
<td>21.0%</td>
</tr>
<tr>
<td>The leader of the team leads group evaluation of the options</td>
<td>58.9%</td>
<td>72.6%</td>
</tr>
<tr>
<td>A team member leads group evaluation of the options</td>
<td>7.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>An outside facilitator leads group evaluation of the options</td>
<td>4.3%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>
USE OF BEST PRACTICES FOR EVALUATING OPTIONS

**Use of best practices to evaluate strategic decision options varies**

**Over half of organizations use six best practices to evaluate strategic options:**

- Have group discussion of each option (65%).
- Assess them on potential return, revenue/expense and/or competitive advantage (61%).
- See if they are short- or long-term solutions (60%).
- Seek more data (58%).
- Assess their risk (53%).
- Study their impact on the wider organization (51%).

**Fewer organizations:**

- Seek contrary views and employ alternative explanations (35%).
- Strive for low-risk/low-cost options with large upside potential (35%).
- Reduce options to a short list (24%).
- Have individuals assess options before discussion (9%).

Almost no one randomizes how options are presented.

### How the organization evaluates options for strategic decisions

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We often seek additional data to assess options</td>
<td>57.6%</td>
</tr>
<tr>
<td>We have a group discussion of each option</td>
<td>65.0%</td>
</tr>
<tr>
<td>Before discussion, we have each member write their own assessment of each option</td>
<td>8.6%</td>
</tr>
<tr>
<td>We seek contrary views and explore alternative explanations and outcomes</td>
<td>35.0%</td>
</tr>
<tr>
<td>We look beyond the obvious for how options will impact the wider organization</td>
<td>50.6%</td>
</tr>
<tr>
<td>We consider whether options are short-term or long-term solutions</td>
<td>59.5%</td>
</tr>
<tr>
<td>We assess options on the basis of organizational risk</td>
<td>52.9%</td>
</tr>
<tr>
<td>We assess options based on potential return, revenue/expense, and/or...</td>
<td>61.1%</td>
</tr>
<tr>
<td>We strive for low risk/low cost options with large upside potential</td>
<td>35.0%</td>
</tr>
<tr>
<td>We randomize the order in which the options are presented to reduce bias</td>
<td>2.3%</td>
</tr>
<tr>
<td>We use a process to reduce the number of options to a short list</td>
<td>23.7%</td>
</tr>
</tbody>
</table>
Successful organizations are much more likely to use best practices to evaluate strategic options.

The largest differences in use of best practices by more successful organizations as compared to less successful organizations are in:

- Having a group discussion of each option (60% versus 43%).
- Looking at short-term versus long-term solutions (56% versus 34%).
- Assessing based on return, revenue/expense, competitive advantage (56% versus 38%).
- Seeking additional data (53% versus 38%).
- Looking at the impact on the organization (49% versus 29%).
- Assessing the options based on organizational risk (49% versus 33%).

How the organization evaluates options for strategic decisions, by rating of organization’s success:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Excellent or good</th>
<th>Average, Fair or Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>We often seek additional data</td>
<td>53.0%</td>
<td>38.2%</td>
</tr>
<tr>
<td>We have a group discussion of each option</td>
<td>59.8%</td>
<td>42.1%</td>
</tr>
<tr>
<td>Before discussion, we have each group member write their assessment of each option</td>
<td>33.8%</td>
<td>21.1%</td>
</tr>
<tr>
<td>We seek contrary views and explore alternative explanations and outcomes</td>
<td>48.9%</td>
<td>28.9%</td>
</tr>
<tr>
<td>We look beyond the obvious for the impact options will have on the wider organization</td>
<td>56.2%</td>
<td>34.2%</td>
</tr>
<tr>
<td>We consider whether options are short-term or long-term solutions</td>
<td>49.3%</td>
<td>32.9%</td>
</tr>
<tr>
<td>We assess options on the basis of organizational risk</td>
<td>56.6%</td>
<td>38.2%</td>
</tr>
<tr>
<td>We assess options based on potential return, revenue/expense, and/or...</td>
<td>38.2%</td>
<td>30.1%</td>
</tr>
<tr>
<td>We strive for low risk/low cost options that have large upside potential</td>
<td>30.1%</td>
<td>28.9%</td>
</tr>
<tr>
<td>We randomize the order in which options are presented to reduce bias</td>
<td>2.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>We use a process to reduce the number of options to a short list</td>
<td>21.0%</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

We often seek additional data
We have a group discussion of each option
Before discussion, we have each group member write their assessment of each option
We seek contrary views and explore alternative explanations and outcomes
We look beyond the obvious for the impact options will have on the wider organization
We consider whether options are short-term or long-term solutions
We assess options on the basis of organizational risk
We assess options based on potential return, revenue/expense, and/or...
We strive for low risk/low cost options that have large upside potential
We randomize the order in which options are presented to reduce bias
We use a process to reduce the number of options to a short list
Organization size makes little difference in use of evaluation practices

How smaller and larger organizations evaluate options for strategic decisions differs for only a few best practices.

A slightly larger share of small organizations:

- Have a group discussion of each option (57% versus 50%).
- Assess options based on organizational risk (52% versus 42%).

Likewise, a slightly larger share of large organizations strives for low risk/low cost options with large upside potential (34% versus 28%).

How the organization evaluates options for strategic decisions, by number of employees

- We often seek additional data
- We have a group discussion of each option
- Before discussion, we have each group member write their assessment of each option
- We seek contrary views and explore alternative explanations and outcomes
- We look beyond the obvious for the impact options will have on the wider organization
- We consider whether options are short-term or long-term solutions
- We assess options on the basis of organizational risk
- We assess options based on potential return, revenue/expense, and/or competitive advantage
- We strive for low risk/low cost options that have large upside potential
- We randomize the order in which options are presented to reduce bias
- We use a process to reduce the number of options to a short list

<table>
<thead>
<tr>
<th>Practice</th>
<th>1-200</th>
<th>201+</th>
</tr>
</thead>
<tbody>
<tr>
<td>We often seek additional data</td>
<td>50.0%</td>
<td>46.7%</td>
</tr>
<tr>
<td>We have a group discussion of each option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before discussion, we have each group member write their assessment of each option</td>
<td>8.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>We seek contrary views and explore alternative explanations and outcomes</td>
<td>31.4%</td>
<td>28.3%</td>
</tr>
<tr>
<td>We look beyond the obvious for the impact options will have on the wider organization</td>
<td>43.6%</td>
<td>43.5%</td>
</tr>
<tr>
<td>We consider whether options are short-term or long-term solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We assess options on the basis of organizational risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We assess options based on potential return, revenue/expense, and/or competitive advantage</td>
<td>41.7%</td>
<td>52.2%</td>
</tr>
<tr>
<td>We strive for low risk/low cost options that have large upside potential</td>
<td>27.9%</td>
<td>33.7%</td>
</tr>
<tr>
<td>We randomize the order in which options are presented to reduce bias</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use a process to reduce the number of options to a short list</td>
<td>21.6%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>
Non-profits are more likely to look for long-term solutions

For most options evaluation best practices, use by for-profits and non-profits varies little.

Two exceptions:

- **More non-profits (59% versus 47%)** consider if options are short- or long-term solutions.
- **More for-profits (57% versus 44%)** assess options using return, revenue/expense and/or competitive advantage.

Otherwise, slightly larger shares of non-profits seem to:

- See if options are short- or long-term solutions (59% versus 47%).
- Have a group discussion (59% versus 52%).
- Seek more data (52% versus 46%).
- Look at the impact on the wider organization (47% versus 41%).
- Seek contrary views and alternative explanations (34% versus 29%).

### How the organization evaluates options for strategic decisions, by organization type

<table>
<thead>
<tr>
<th>Activity</th>
<th>For-Profit</th>
<th>Non-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>We often seek additional data</td>
<td>46.0%</td>
<td>52.1%</td>
</tr>
<tr>
<td>We have a group discussion of each option</td>
<td>51.9%</td>
<td>58.9%</td>
</tr>
<tr>
<td>Before discussion, we have each group member write their assessment of each option</td>
<td>8.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>We seek contrary views and explore alternative explanations and outcomes</td>
<td>28.9%</td>
<td>34.2%</td>
</tr>
<tr>
<td>We look beyond the obvious for the impact options will have on the wider organization</td>
<td>41.2%</td>
<td>46.6%</td>
</tr>
<tr>
<td>We consider whether options are short-term or long-term solutions</td>
<td>47.1%</td>
<td>58.9%</td>
</tr>
<tr>
<td>We assess options on the basis of organizational risk</td>
<td>43.9%</td>
<td>45.2%</td>
</tr>
<tr>
<td>We assess options based on potential return, revenue/expense, and/or competitive advantage</td>
<td>57.2%</td>
<td>43.8%</td>
</tr>
<tr>
<td>We strive for low risk/low cost options that have large upside potential</td>
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<td>28.8%</td>
</tr>
<tr>
<td>We randomize the order in which options are presented to reduce bias</td>
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<tr>
<td>We use a process to reduce the number of options to a short list</td>
<td>21.4%</td>
<td>19.2%</td>
</tr>
</tbody>
</table>
ASSESSING EVIDENCE OF THREATS AND OPPORTUNITIES

Organizations tend to fall short in assessing evidence

A primary source of error in decision making is ignoring or mishandling evidence.

In strategy setting, proper assessment of evidence is vital to understand threats and opportunities.

Leaders say to understand evidence of opportunities and threats their organizations are most likely to:

- **Seek more evidence** (69%).
- **Seek alternative explanations** (44%).
- **Consider if what is seen will revert to the mean** (36%).

They are less likely to:

- **Develop explanatory stories** (29%).
- **Look for the base rate** (25%).
- **Look for priming** (25%).
- **Compute probabilities** (20%).
- **Consider luck as the explanation** (9%)

### How the organization seeks to understand evidence of threats and opportunities in the external environment

- **We continue to seek more evidence**: 69.2%
- **We develop stories to try to explain what might be happening**: 28.5%
- **We seek alternative explanations for what the evidence might suggest**: 43.9%
- **We use a process to compute the probabilities of various outcomes suggested by the evidence**: 19.8%
- **We assess a seeming threat or opportunity by considering whether luck is the explanation**: 9.1%
- **We assess a seeming threat/opportunity by considering if it is an exception that will revert to the mean**: 36.4%
- **We assess a seeming threat/opportunity by looking for the base rate to understand its probability**: 25.3%
- **We consider if priming leads us to overweight evidence and see causality and connections that don’t exist**: 24.9%
Successful organizations do more to assess evidence

More successful organizations are more likely to take steps to assess evidence of threats and opportunities.

More successful organizations especially seem more likely than less successful organizations to:

Seek more evidence (62% versus 47%).

Consider whether what is seen will revert to mean (36% versus 17%).

They also appear to be a little more likely to seek alternative explanations (38% versus 33%).

Yet even for more successful organizations many steps that can help assess evidence appear to be little used.

How the organization seeks to understand evidence of threats and opportunities in the external environment, by rating of organization's success

- We continue to seek more evidence
  - Excellent or good: 61.6%
  - Average, Fair or Poor: 47.4%

- We develop “stories” to try to explain what might be happening
  - Excellent or good: 24.7%
  - Average, Fair or Poor: 23.7%

- We seek alternative explanations for what the evidence might suggest
  - Excellent or good: 37.9%
  - Average, Fair or Poor: 32.9%

- We use a process to compute the probabilities of various outcomes suggested by the evidence
  - Excellent or good: 17.4%
  - Average, Fair or Poor: 13.2%

- We assess a seeming threat or opportunity by considering whether luck is the explanation
  - Excellent or good: 6.8%
  - Average, Fair or Poor: 9.2%

- We assess a seeming threat or opportunity by considering if it is an exception that will revert to the mean
  - Excellent or good: 36.1%
  - Average, Fair or Poor: 17.1%

- We assess a seeming threat or opportunity by looking at its base rate to understand its probability
  - Excellent or good: 23.3%
  - Average, Fair or Poor: 17.1%

- We consider if priming leads us to overweight evidence and see causality and connections that don’t exist
  - Excellent or good: 22.4%
  - Average, Fair or Poor: 17.1%
Organization size has little effect on assessing evidence

The differences between how smaller and larger organizations assess evidence of opportunities and threats are not great.

In any case, whether the organization is large or small, many steps to assess evidence appear to be little used.

Smaller organizations appear to be slightly more likely than large organizations to:

- Seek alternative explanations (38% versus 33%).
- Develop explanatory stories (27% versus 20%).
- Look for priming (24% versus 15%).

Larger organizations appear to be more likely to compute the probabilities of various outcomes suggested by the evidence (20% versus 15%).

How the organization seeks to understand evidence of threats and opportunities in the external environment, by number of employees

- We continue to seek more evidence
- We develop “stories” to try to explain what might be happening
- We seek alternative explanations for what the evidence might suggest
- We use a process to compute the probabilities of various outcomes suggested by the evidence
- We assess a seeming threat or opportunity by considering whether luck is the explanation
- We assess a seeming threat or opportunity by considering if it is an exception that will revert to the mean
- We assess a seeming threat or opportunity by looking at its base rate to understand its probability
- We consider if priming leads us to overweight evidence and see causality and connections that don’t exist

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Organization type affects a few steps in assessing evidence

Organization type appears to make a difference only for a few steps the organization can take to assess evidence of opportunities and threats.

For-profits are more likely to:

- Seek alternative explanations (39% versus 27%).
- Consider whether luck is the explanation (11% versus 3%).

Non-profits appear to be more likely to consider if priming leads them to overweight evidence and see causality and connections that don’t exist (25% versus 18%).

In all other cases, how for-profits and for-profits assess evidence is the same and, in general, many steps to assess evidence appear to be little used.
Forecasts and predictions of important trends and events are often used in strategic decision making.

However, the questionable reliability of many forecasts and predictions and their misuse by decision makers mean they can contribute to bad strategic decisions.

Leaders say 75% of their organizations use forecasts when making strategic decisions.

More organizations use forecasts for a sense of direction (59%) than for creating scenarios for setting strategies or for risk reduction (40%).

Only a limited share of organizations assesses the accuracy of previously used forecasts (33%) and few use the proven technique for improving accuracy of averaging multiple forecasts (8%).
Successful organizations are more likely to use forecasts

More successful organizations are more likely to use forecasts in strategic decision making than less successful organizations (81% versus 72%), but they are also much more likely than less successful organizations to retrospectively assess forecast accuracy (33% versus 15%).

More successful organizations also appear to be more likely to use forecasts:

- For a sense of direction (53% versus 45%).
- To create scenarios for setting strategies or risk reduction (38% versus 20%)

To the small extent that organizations average forecasts for greater accuracy, less successful organizations appear to be more likely to do so (11% versus 6%).
Larger organizations are more likely to use forecasts

Use of forecasts in strategic decision making appears to be higher for larger organizations than for smaller organizations (84% versus 76%).

However, smaller organizations seem to be more likely to look back at previously used forecasts to assess forecast accuracy (34% versus 26%) and to average multiple forecasts (11% versus 5%).

The purposes for which forecasts are used in strategic decision making appear not to vary by organization size.
For-profits are more likely to use forecasts

For-profit organizations are significantly more likely than non-profit organizations to use forecasts when making strategic decisions (82% versus 67%).

Also, for-profits appear to be more likely to look back to assess the accuracy of previously used forecasts (32% versus 23%) and (to the small extent that any organization is likely to use the practice) to average multiple forecasts to improve accuracy (9% versus 4%).

For-profit leaders also report:

- Much higher usage of forecasts for giving a sense of direction (56% versus 38%).
- Slightly higher usage of forecasts for creating scenarios to set strategies or for risk reduction (35% versus 29%).

How the organization uses forecasts when making strategic decisions, by organization type

- We don’t use forecasts
  - For-Profit: 18.2%
  - Non-Profit: 32.9%

- We use forecasts to give us a sense of direction
  - For-Profit: 55.6%
  - Non-Profit: 38.4%

- We use forecasts to create scenarios for setting strategies or for risk reduction
  - For-Profit: 35.3%
  - Non-Profit: 28.8%

- We average multiple forecasts
  - For-Profit: 8.6%
  - Non-Profit: 4.1%

- We look back to assess the accuracy of forecasts previously used in decision making
  - For-Profit: 31.6%
  - Non-Profit: 23.3%
Organizations fall short in addressing risk when they make their all-important strategic decisions.

In a disturbing finding, only a minority of organizations:

- Use a process to identify emerging risks (39%).
- Use worst case forecasts (36%).
- Develop scenarios for risks for future action (35%).
- Broadly define and track competition (35%).
- Model the risk profile for potential options (28%).
- Delay responding to potential risks until having better data (24%).
- Conduct “pre mortems” to identify potential causes for failure (21%)
- Cut exposure to negative “Black Swans” (20%).
- Add exposure to positive “Black Swans” (9%).
- Run simulations or “war games” to see outcomes (8%).

### How the organization addresses risk when making strategic decisions

- **39.4%** use a process to identify emerging risks to their organization.
- **35.3%** broadly define and track competition, including new disruptors (e.g. Uber, Airbnb).
- **36.1%** use worst case forecasts.
- **24.1%** use worst case forecasts.
- **19.7%** seek to cut exposure to negative extreme "Black Swan," events.
- **8.8%** seek to increase exposure to positive "Black Swan" events.
- **28.1%** model the risk profile for each potential option or strategy.
- **34.9%** develop scenarios for a limited number of risks to help us respond should they arise.
- **7.6%** run simulations and/or war games to see what the outcomes might be.
- **20.5%** conduct pre mortems as if our decisions went wrong to see causes of failure and how they might be...
Successful organizations are more likely to address risk

Whether the organization is more or less successful does not change the fact that only a minority of organizations take important steps to address risk in strategic decision making.

That said, more successful organizations appear to be more likely than less successful organizations to take risk reduction steps, including:

- Using a process to identify emerging risks (37% versus 20%).
- Broadly defining and tracking competition (33% versus 20%).
- Developing scenarios for risks to guide future response (31% versus 25%).
- Modeling the risk profile for potential options (25% versus 18%).
- Cutting exposure to negative “Black Swans” (19% versus 11%).
How organizations address risk varies by size

Smaller and larger organizations favor different steps to address risk when making strategic decisions – but, for both, use of risk reduction steps is generally falls short.

Smaller organizations seem more likely to:

• Broadly define and track competition (33% versus 23%).
• Conduct “pre-mortems” to see what might cause failure (19% versus 14%).
• Seek to increase exposure to positive “Black Swans” (9% versus 4%).

Larger organizations seem more likely to:

• Use a process to identify emerging risks (36% versus 31%).
• Model the risk profile of options (30% versus 20%).
• Run simulations or “war games” to see outcomes (19% versus 14%).

How the organization addresses risk when making strategic decisions, by number of employees

<table>
<thead>
<tr>
<th>Activity</th>
<th>1-200</th>
<th>201+</th>
</tr>
</thead>
<tbody>
<tr>
<td>We use a process to identify emerging risks to our organization</td>
<td>31.4%</td>
<td>35.9%</td>
</tr>
<tr>
<td>We broadly define and track competition, including new disruptors (e.g. Uber, Airbnb)</td>
<td>32.8%</td>
<td>22.8%</td>
</tr>
<tr>
<td>We use worst case forecasts</td>
<td>29.9%</td>
<td>31.5%</td>
</tr>
<tr>
<td>When we spot a potential future risk, we don’t factor it into decisions until data become more apparent/reliable</td>
<td>19.6%</td>
<td>21.7%</td>
</tr>
<tr>
<td>We seek to cut exposure to negative extreme “Black Swan,” events</td>
<td>17.6%</td>
<td>14.1%</td>
</tr>
<tr>
<td>We seek to increase exposure to positive “Black Swan” events</td>
<td>8.8%</td>
<td>4.3%</td>
</tr>
<tr>
<td>We model the risk profile for each potential option or strategy</td>
<td>20.6%</td>
<td>30.4%</td>
</tr>
<tr>
<td>We develop scenarios for a limited number of risks to help us respond should they arise</td>
<td>28.9%</td>
<td>29.3%</td>
</tr>
<tr>
<td>We run simulations and/or war games to see what the outcomes might be</td>
<td>3.4%</td>
<td>13.0%</td>
</tr>
<tr>
<td>We conduct pre mortems as if our decisions went wrong to see causes of failure and how they might be remedied</td>
<td>18.6%</td>
<td>14.1%</td>
</tr>
</tbody>
</table>
For-profits are more likely to address risk

For-profit organizations generally are more likely to take risk reduction steps than non-profit organizations. But, for both organization types, overall usage of steps to address risk is not high.

For-profits seem more likely to:

- Broadly define and track competition (35% versus 21%).
- Use a process to identify emerging risks (34% versus 29%).
- Develop scenarios to help respond to future risks (31% versus 22%).
- Cut exposure to negative “Black Swans” (18% versus 10%).
- Increase exposure to positive “Black Swans” (9% versus 3%).

Non-profits appear to be more likely to use worst case forecasts (33% versus 28%).

How the organization addresses risk when making strategic decisions, by organization type

<table>
<thead>
<tr>
<th>Step</th>
<th>For-Profit</th>
<th>Non-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>We use a process to identify emerging risks to our organization</td>
<td>33.7%</td>
<td>28.8%</td>
</tr>
<tr>
<td>We broadly define and track competition, including new disruptors</td>
<td>34.8%</td>
<td>20.5%</td>
</tr>
<tr>
<td>We use worst case forecasts</td>
<td>27.8%</td>
<td>32.9%</td>
</tr>
<tr>
<td>When we spot a potential future risk, we don’t factor it into decisions until data become more apparent/reliable</td>
<td>21.9%</td>
<td>21.9%</td>
</tr>
<tr>
<td>We seek to cut exposure to negative extreme “Black Swan,” events</td>
<td>18.2%</td>
<td>9.6%</td>
</tr>
<tr>
<td>We seek to increase exposure to positive “Black Swan” events</td>
<td>9.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td>We model the risk profile for each potential option or strategy</td>
<td>25.7%</td>
<td>23.3%</td>
</tr>
<tr>
<td>We develop scenarios for a limited number of risks to help us respond should they arise</td>
<td>31.0%</td>
<td>21.9%</td>
</tr>
<tr>
<td>We run simulations and/or war games to see what the outcomes might be</td>
<td>7.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>We conduct pre mortems as if our decisions went wrong to see causes of failure and how they might be remedied</td>
<td>18.7%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>
Organizations can take many steps to improve decision outcomes and the quality of future decisions. Unfortunately, many organizations are not taking these steps.

The two steps more than half of organizations take involve tracking results:
- Monitoring results (59%).
- Reporting results to decision makers and stakeholders (52%).

Alarmingly, only 44% of organizations are quick to modify a course of action when a decision is not working as expected.

A minority of organizations:
- Assess results (47%).
- Do post mortems (33%).
- Keep scorecards (33%).
- Document processes (25%).
- Benchmark (20%).
- Use outside assessment (15%).

<table>
<thead>
<tr>
<th>How the organization tracks, keeps score on and assesses the results of strategic decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>We regularly monitor the results of our decisions</td>
</tr>
<tr>
<td>We regularly report on the results of our decision, good or bad, to decision...</td>
</tr>
<tr>
<td>We keep scorecards on the results of our strategic decisions</td>
</tr>
<tr>
<td>We document the processes used to make our strategic decisions</td>
</tr>
<tr>
<td>We conduct internal assessments on the results of our strategic decisions</td>
</tr>
<tr>
<td>We have outside individuals or organizations assess the results of our strategic decisions</td>
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<td>We benchmark the results of our strategic decisions against those of other organizations</td>
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<tr>
<td>We conduct post mortem sessions to understand the results of our decisions and...</td>
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Successful organizations do more to improve decisions

No matter how the leader rates the success of the organization, it is more than likely that the organization is ignoring many steps that can improve decision outcomes and the quality of future decisions.

However, successful organizations still show a higher propensity than less successful organizations to take steps to improve decisions, including:

- Monitoring results (54% versus 37%).
- Reporting results (48% versus 33%).
- Conducting internal assessments (45% versus 22%).
- Changing course when a decision is not working out (38% versus 33%).
- Documenting processes (24% versus 15%).
- Using outside assessment (15% versus 9%).

How the organization tracks, keeps score on and assesses the results of strategic decisions, by rating of organization's success

- We regularly monitor the results of our decisions
- When we see that a decision is not working out as expected, we are quick to modify or change our course of action
- We regularly report on the results of our decision, good or bad, to decision makers/stakeholders
- We keep scorecards on the results of our strategic decisions
- We document the processes used to make our strategic decisions
- We conduct internal assessments on the results of our strategic decisions
- We have outside individuals or organizations assess the results of our strategic decisions
- We benchmark the results of our strategic decisions against those of other organizations
- We conduct post mortem sessions to understand the results of our decisions and how to improve them

[Bar chart showing percentage of organizations with different strategies, e.g., 53.9% for monitoring results, 36.8% for when a decision is not working out, etc.]
Use of steps to improve decision-making varies by organization size

Organization size seems to be associated with greater use of steps to improve outcomes and future decision quality – yet, again, we must recognize that many organizations are not taking the various steps that can improve strategic decisions.

Larger organizations seem more likely to:

- Monitor results (55% versus 47%).
- Report results (48% versus 42%)
- Keep scorecards (37% versus 24%).
- Benchmark results (24% versus 14%).

Surprising, perhaps as a mark of agility and less bureaucracy, smaller organizations are more likely to modify a course of action when a decision is not working out as expected (41% versus 28%).
None of the steps listed for improving decision outcomes and quality are used by more than half of organizations, whether they are for-profit or non-profit.

However, non-profits appear to be more likely to:

- Report results (47% to 40%).
- Document decision-making processes (26% to 17%).
- Benchmark decision results against those of other organizations (22% versus 13%).

For-profits seem to be more likely to monitor results (50% versus 44%).
PREVALENCE OF DECISION TRAPS, BIASES AND POOR PRACTICES
No matter their level of success, size or type, all are affected

The major finding of this study is that virtually all organizations are unnecessarily exposed to leader and group decision-making traps and biases. They use poor decision-making practices that invite bad decision outcomes.

These poor practices include:

- Leader-centered decision making.
- Not seeking consensus.
- No outside facilitation or consultation.
- Lack of consideration of how best to develop and evaluate strategic options.
- Ineffective use of the group.
- Misuse and insufficiency of evidence.
- Not considering strategic risk.
- Not monitoring the results of decisions and taking steps to improve results.
- Not learning from decision-making outcomes.

The following section explores the prevalence of these poor strategic-decision making practices, the various traps and biases they invite and the benefits that organizations lose by not using better practices.
Most exposed to leader biases, many don’t use the group

We like to think we are beyond the days of command and control organizations (except perhaps the military and other regimented entities).

Yet, a strong majority of organizations exhibit autocratic decision-making practices, with the leader deciding and often without a group discussion to develop decision options. (Non-profits appear to be a little less likely to use autocratic decision making.)

Leader-centered decision making opens the organization to leader biases, including illusory superiority, illusion of control, overconfidence, overestimation of knowledge, self-serving bias and not recognizing the role of luck.

Not using the group deprives the organization of expertise, insights and knowledge, added alternatives, eyes that can spot assumptions and blind spots, and much more.

<table>
<thead>
<tr>
<th>PREVALENCE OF DECISION-MAKING BIASES AND POOR PRACTICES</th>
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<tr>
<td><strong>Autocratic, leader-centered decision making</strong></td>
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<td><strong>Not taking advantage of the group</strong></td>
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| ![Graph showing the prevalence of decision-making biases and poor practices](image)

- More successful
- Less successful
- Smaller
- Larger
- For-profit
- Non-profit
Many spurn consensus benefits, very few use an outside facilitator

Consensus decision making is superior to autocratic decision making for strategic decisions. By involving stakeholders, it opens the process, promotes development and assessment of options, and adds the team’s knowledge and expertise. Consensus decisions have greater potential for success because the process promotes agreement and ownership, and fosters greater cooperation in decision implementation.

It is thus disturbing (but not surprising) to see that up to three-quarters of organizations don’t use consensus to make strategic decisions.

It is equally disturbing that over 90% of organizations do not use outside facilitation for strategic decision making. They are missing the objectivity, process expertise, input, boundary setting, promotion of buy-in, wider participation and greater understanding that a professional facilitator brings.
Leaders and Boards engaged, but process for options is a problem

Poor practices for strategic decision making include disengaged leaders and non-involved Boards of Directors.

This study shows that neither leader disengagement nor non-involved Boards are an issue for most organizations.

What is an issue is poor practices in developing decision options.

Specifically, eight in ten organizations have no process for reducing decision options to a small set that then can be thoroughly vetted. Too many options lead to choice overload and the various options getting short shrift.

On the other hand, the same share of organizations does not even create a long list of options from which to pick. Having just a few choices for options leads to missing more creative strategies and can create a false dilemma, forcing a poor choice.

PREVALENCE OF DECISION-MAKING BIASES AND POOR PRACTICES

Leader disengagement
No Board involvement
Too many or two few options

More successful | Less successful | Smaller
Larger | For-profit | Non-profit
Most exposed to group effects, many don’t pursue creative options

An ill-managed group can make poor decisions because of group effects, e.g. groupthink, group polarization, false consensus, reciprocation and escalation of commitment.

An effective technique to reduce group effects is to have participants develop their own list of options before the group develops options, and, likewise, to have them each evaluate the group’s list of options before the group evaluates options.

Most organizations invite group effects because they don’t have participants develop or evaluate options ahead of group discussion.

Also, lack of creativity in developing options is evident: Most organizations tend to look at what others are doing for options and many don’t encourage participants to come up new ideas and alternatives.
Many open to biased generalizing and the availability heuristic

Proper use of evidence of potential threats and opportunities is essential for good strategy decisions.

Traps that can lead to and arise from mishandling evidence include the availability and representativeness heuristics, biased generalizing, and the ambiguity effect.

Many organizations don’t use the best practices of seeking more evidence and alternative explanations for what the evidence might suggest.

Most organizations also seem to mistakenly impose the frame of a “story” on the evidence, rather than letting facts continue to accrue so a more nuanced or even different view can emerge.

Many organizations even skip harder edged analysis of evidence using financial and marketplace metrics to evaluate the potential impact of opportunities and threats.

PREVALENCE OF DECISION-MAKING BIASES AND POOR PRACTICES

Lack or misuse of evidence

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<tbody>
<tr>
<td>Developing explanatory stories</td>
<td>25%</td>
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<td>41%</td>
<td>44%</td>
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<td>Not seeking more evidence</td>
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<td>Not evaluating using return, revenue/expense, competitive advantage</td>
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<td>61%</td>
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Few control for order effects, many ignore risk management steps

Order effects arise when options on a list get favored, disfavored or ignored just by their position on the list.

**Few organizations randomize** – have individuals and the group consider strategic options, threats and opportunities in random order – to avoid order effects.

Good strategy decisions depend on understanding risk exposure: how much options and the environment carry exposure to potential negative outcomes or lack of success.

Ways to see risk include using a process to identify emerging risks, defining and tracking competition, modeling risk exposure and running simulations or “war games.”

**However, these practices are generally ignored.**

Seeing risk is only the start. **Yet, 80% of organizations are slow to act when they see potential future risks.**

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<td>Not using a process to identify emerging risks</td>
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<td>Not broadly defining and tracking competition</td>
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<td>Not modeling the risk exposure of options</td>
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<tr>
<td>Delaying action on potential future risks</td>
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<td>Not running simulations or “war games”</td>
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More successful | Less successful | Smaller  |
Larger | For-profit | Non-profit
Downside, “stress testing” and monitoring often ignored

Additional methods to see and address risk exposure include:

- Using worst case forecasts,
- Creating scenarios,
- Seeking low-cost and low-risk options with large potential upside payoffs.
- Conducting “pre-mortems,” assuming a decision has gone bad and assessing the presumed causes of failure.

No more than a third of organizations use any one of these risk management practices.

Further, no matter what the assessment of risk is before a decision, real risk, anticipated or not, and portents of failure can appear after a decision is implemented.

That’s why it is alarming to see that, in general, only half of organizations monitor the results of their decisions to see how they are working out.
After the decision, many seem to forget risk and avoid learning

More ways to deal with post-decision risk and further help the organization assess and handle risk include:

- Regularly reporting on the results of decisions to the team and stakeholders.
- Conducting post mortems to understand how decisions did or did not work out as anticipated.
- Conducting internal assessments of decision effectiveness.
- Having outsiders assess decision effectiveness.
- Benchmarking decision results against those obtained by other organizations.

Not one of these methods for addressing post-decision risk and gaining insight on the organization’s effectiveness in handling risk is used by more than half of organizations.
Most develop options, fewer ask if they are short-term

Short-term thinking can result in taking actions at the expense of future success.

A heartening finding is that more than 80% of organizations have a vision and strategic goals beyond “business as usual.” (The share reported for less successful organizations drops to 74%.)

Also, most organizations consciously develop strategic options. (Those less successful lag at 82%.)

And most organizations use forecasts, presumably to counter temporal myopia.

Yet, many organizations can do more to help assure that options really are strategic.

- Up to two thirds do not consciously consider if options are short-term or long-term solutions.
- Many do not use forecasts for a sense of direction.
Most skip steps to embed a longer-term view, ignore Black Swans

Two ways to embed longer-term thinking are keeping scorecards on the results of strategic decisions and documenting processes used to develop these decisions.

However, these easy steps are often avoided: Most organizations don’t keep decision scorecards and even fewer document their decision-making processes.

Another pitfall, the risk of Black Swans (unforeseen extreme impact events), is mostly not accounted for.

Negative Black Swans call for being risk averse in most activities, but more than 80% of organizations do not seek to cut exposure to negative Black Swans.

Positive Black Swans call for taking small risks with known maximum losses and large potential payoffs, but less than 10% of organizations seek to increase exposure to positive Black Swans.
A majority invite biased decisions by not jumping out of silos

If an isolated leader or a group not representative of the full organization makes strategic decisions, the decisions are less likely to be good ones.

“Siloed decision making” can be flawed by ingroup bias, shared information bias, the social proof heuristic, reactive devaluation and the availability cascade, favoring the interests of those in the silo and skewing decisions at the expense of the organization.

The “isolated leader” problem seems to be limited: **Few have the leader develop options and a minority have the leader evaluate options.**

But organizations are missing steps to assure decisions are not siloed: **Two-thirds do not reach beyond the team to consult outside people and resources and only half explicitly look at the impact options will have on the wider organization.**
Most ignore priming as a potential trap in assessing evidence

We can be unconsciously “primed” by irrelevant or inaccurate information before making a decision. Priming can lead us to a bad decision by over-weighting evidence or using spurious evidence.

A wise practice is to see if events are priming perceptions (e.g. seeing threats as larger than they really are or chasing illusive opportunities). Yet, most organizations do not look for priming.

When decision making relies on recognizing what worked previously or on intuition, decisions can go awry due to priming, faulty memory and ignoring current probabilities for success. A quarter of organizations use these troubling methods.

Few organizations deny probabilities for change by having unchanged strategies, but most ignore the proven technique averaging multiple forecasts to increase forecast accuracy.
Many won’t change course, most ignore decision improvement steps

Traps and biases cloud our ability to assess probabilities for opportunities, threats and options. Mishandling probabilities can cause strategies not to play out as intended.

When strategies are not working out, best practice is to modify them with an updated understanding of probabilities, events and conditions.

Yet, perhaps due to the same biases that cause mis-assessment (e.g. the sunk cost fallacy), more than half of organizations do not modify strategies that are not working out.

Nor do most take other steps that can improve decisions, including assessing the accuracy of previously used forecasts, looking for the base rate as the starting point for assessing probabilities, considering luck as cause for evidence, and considering if what’s seen is an exception that will revert to the mean.

### Prevalance of Decision-Making Biases and Poor Practices

#### Ignoring probabilities and the base rate

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<td>Not modifying strategies when not working out</td>
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<td>72%</td>
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#### Ignoring luck and reversion to the mean

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<td>Not considering luck</td>
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<td>Not considering reversion to the mean</td>
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RANKING OF BIASES AND POOR DECISION MAKING PRACTICES
What needs most attention – by level of success, size and type

Following are rankings of the share of organizations that exhibit poor decision-making practices and that are exposed to decision-making traps and biases, overall, by level of success, by size and by type of organization.

These ranking visually show the frequency of use of poor practices. They demonstrate the extent to which all organizations are open to making bad decisions because of these practices and how much strategic leaders and organizations are exposed to individual and group decision-making biases and traps.

These rankings offer leaders a starting point for considering what practices might need attention in their organizations to assure better strategic decisions and outcomes.
Ranking of biases and poor practices: Organizations overall

- Not randomizing assessment of options: 98%
- No outside facilitation to develop options: 96%
- No outside facilitation to evaluate options: 95%
- Not considering risk exposure: Not running simulations or “war games”: 92%
- Ignoring probabilities and base rate: Not averaging multiple forecasts: 92%
- Group effects: Not having individuals first evaluate options: 91%
- Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans: 91%
- Ignoring luck and reversion to the mean: Not considering luck: 91%
- Group effects: Not having individuals first develop options: 86%
- Not considering risk exposure: Not having outsiders assess: 85%
- Not considering risk exposure: Not benchmarking: 80%
- Ignoring “Black Swans”: Not seeking to cut exposure to negative Black Swans: 80%
- Not considering risk exposure: Not conducting “pre-mortems”: 79%
- Too few options: No long list: 78%
- Too many options: No process to reduce: 76%
- Not considering risk exposure: Delaying action on potential future risks: 76%
- Short-term thinking: Not documenting processes: 75%
- Priming and anchoring: Not considering if priming leads to overweighting evidence: 75%
- Ignoring probabilities and base rate: Not looking for the base rate: 75%
- Not considering risk exposure: Not modeling the risk exposure of options: 72%
- Not typically using consensus: 71%
- Not taking advantage of the group: Leader decides or delegates decision making: 69%
- Not considering risk exposure: Not conducting post mortems: 67%
- Short-term thinking: Not keeping scorecards: 67%
- Ignoring probabilities and base rate: Not assessing the accuracy of previous forecasts: 67%
- Autocratic, leader-centered decision making: Leader decides: 66%
- Not considering risk exposure: Not broadly defining and tracking competition: 65%
- Not considering risk exposure: Not seeking low cost/low risk options with large upside: 65%
- Not considering risk exposure: Not using worst case forecasts: 64%
- Ignoring luck and reversion to the mean: Not considering reversion to the mean: 64%
- Not considering risk exposure: Not using a process to identify emerging risks: 61%
- Not considering risk exposure: Not using forecasts to create scenarios: 60%
- Decisions made in a silo: Not consulting people and resources not on the team: 59%
- Lack of consensus: No process to reduce: 59%
- Not considering risk exposure: Not using forecasts to create scenarios: 56%
- Ignoring probabilities and base rate: Not modifying strategies when not working out: 56%
- Decisions made in a silo: Not looking at the impact of options on the wider...: 53%
- Not considering risk exposure: Not regularly reporting on the results of decisions: 49%
- Not considering risk exposure: Not regularly monitoring results of decisions: 48%
- Short-term thinking: Not using forecasts for a sense of direction: 48%
- Short-term thinking: Not considering if options are short- or long-term solutions: 40%
- Lack of consensus: Not documenting processes: 39%
- Not considering risk exposure: Not conducting internal assessments: 39%
- Decisions made in a silo: Not consulting people and resources not on the team: 38%
- Lack of consensus: Not prioritizing options: 38%
- Not taking advantage of the group: Lack of group discussion to evaluate each option: 35%
- Not taking advantage of the group: Lack of group discussion to develop options: 33%
- Not using consensus at all: 33%
- Lack of creativity: Not encouraging new ideas and alternatives: 33%
- Ignoring probabilities and base rate: Using recognition-primed decision making: 33%
- Lack of consensus: No process to reduce: 33%
- Ignoring probabilities and base rate: Using intuitive decision making: 29%
- Ignoring probabilities and base rate: Using recognition-primed decision making: 29%
- Short-term thinking: Not using forecasts: 25%
- Decisions made in a silo: Decision maker evaluates options: 25%
- Short-term thinking: Vision/goals are “business as usual” or non-existent: 21%
- Lack of creativity: Looking mostly at what others are doing for options: 21%
- No Board involvement: 17%
- Short-term thinking: Vision/goals are “business as usual” or non-existent: 13%
- Decisions made in a silo: Decision maker develops options: 10%
- Ignoring probabilities and base rate: Having unchanged strategies: 8%
- Short-term thinking: Not consciously developing strategic options: 3%
## Ranking of biases and poor practices: More successful organizations

|Bias | 98% | 97% | 95% | 94% | 93% | 93% | 93% | 91% | 87% | 85% | 84% | 83% | 78% | 76% | 74% | 72% | 68% | 62% | 57% |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|Not randomizing assessment of options | | | | | | | | | | | | | | | | | | |
|No outside facilitation to develop options | | | | | | | | | | | | | | | | | | |
|No outside facilitation to evaluate options | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Not averaging multiple forecasts | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not running simulations or “war games” | | | | | | | | | | | | | | | | | | |
|Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans | | | | | | | | | | | | | | | | | | |
|Ignoring luck and reversion to the mean: Not considering luck | | | | | | | | | | | | | | | | | | |
|Group effects: Not having individuals first evaluate options | | | | | | | | | | | | | | | | | | |
|Group effects: Not having individuals first develop options | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not having outsiders assess | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not conducting “pre-mortems” | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not benchmarking | | | | | | | | | | | | | | | | | | |
|Ignoring “Black Swans”: Not seeking to cut exposure to negative Black Swans | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Delaying action on potential future risks | | | | | | | | | | | | | | | | | | |
|Too many options: No process to reduce | | | | | | | | | | | | | | | | | | |
|Too few options: No long list | | | | | | | | | | | | | | | | | | |
|Priming and anchoring: Not considering if priming leads to overweighting evidence | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Not looking for the base rate | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Not documenting processes | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not modeling the risk exposure of options | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not conducting post mortems | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not seeking low cost/low risk options with large upside | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Not keeping scorecards | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not using worst case forecasts | | | | | | | | | | | | | | | | | | |
|Not typically using consensus | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not broadly defining and tracking competition | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Not assessing the accuracy of previous forecasts | | | | | | | | | | | | | | | | | | |
|Not taking advantage of the group: Leader decides or delegates decision making | | | | | | | | | | | | | | | | | | |
|Autocratic, leader-centered decision making: Leader decides | | | | | | | | | | | | | | | | | | |
|Ignoring luck and reversion to the mean: Not considering reversion to the mean | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not using a process to identify emerging risks | | | | | | | | | | | | | | | | | | |
|Lack or misuse of evidence: Not seeking alternative explanations | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not using forecasts to create scenarios | | | | | | | | | | | | | | | | | | |
|Decisions made in a silo: Not consulting people and resources not on the team | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Not modifying strategies when not working out | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not conducting internal assessments | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not regularly reporting on the results of decisions | | | | | | | | | | | | | | | | | | |
|Decisions made in a silo: Not looking at the impact of options on the wider... | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Not regularly monitoring results of decisions | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Not using forecasts for a sense of direction | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Not considering if options are short- or long-term solutions | | | | | | | | | | | | | | | | | | |
|Lack or misuse of evidence: Not evaluating using return, revenue/expense, advantage | | | | | | | | | | | | | | | | | | |
|Not taking advantage of the group: Lack of group discussion to evaluate each option | | | | | | | | | | | | | | | | | | |
|Not considering risk exposure: Lack of group discussion to develop options | | | | | | | | | | | | | | | | | | |
|Not using consensus at all | | | | | | | | | | | | | | | | | | |
|Lack of creativity: Not encouraging new ideas and alternatives | | | | | | | | | | | | | | | | | | |
|Lack or misuse of evidence: Not seeking more evidence | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Using recognition-primed decision making | | | | | | | | | | | | | | | | | | |
|Lack or misuse of evidence: Developing explanatory stories | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Using intuitive decision making | | | | | | | | | | | | | | | | | | |
|Decisions made in a silo: Decision maker evaluates options | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Not using forecasts | | | | | | | | | | | | | | | | | | |
|Lack of creativity: Looking mostly at what others are doing for options | | | | | | | | | | | | | | | | | | |
|No Board involvement | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Vision/goals are “business as usual” or non-existent | | | | | | | | | | | | | | | | | | |
|Decisions made in a silo: Decision maker develops options | | | | | | | | | | | | | | | | | | |
|Ignoring probabilities and base rate: Having unchanged strategies | | | | | | | | | | | | | | | | | | |
|Short-term thinking: Not consciously developing strategic options | | | | | | | | | | | | | | | | | | |
|Leader disengagement | | | | | | | | | | | | | | | | | | |
### Ranking of biases and poor practices: Less successful organizations

<table>
<thead>
<tr>
<th>Bias and Poor Practice</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not randomizing assessment of options</td>
<td>99%</td>
</tr>
<tr>
<td>Group effects: Not having individuals first evaluate options</td>
<td>97%</td>
</tr>
<tr>
<td>No outside facilitation to develop options</td>
<td>95%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not running simulations or “war games”</td>
<td>95%</td>
</tr>
<tr>
<td>No outside facilitation to evaluate options</td>
<td>94%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not having outsiders assess</td>
<td>92%</td>
</tr>
<tr>
<td>Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans</td>
<td>92%</td>
</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering luck</td>
<td>91%</td>
</tr>
<tr>
<td>Group effects: Not having individuals first develop options</td>
<td>89%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not seeking to cut exposure to negative Black Swans</td>
<td>89%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not averaging multiple forecasts</td>
<td>89%</td>
</tr>
<tr>
<td>Too few options: No long list</td>
<td>85%</td>
</tr>
<tr>
<td>Short-term thinking: Not documenting processes</td>
<td>85%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not assessing the accuracy of previous forecasts</td>
<td>85%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not benchmarking</td>
<td>84%</td>
</tr>
<tr>
<td>Priming and anchoring: Not considering if priming leads to overweighting evidence</td>
<td>83%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not looking for the base rate</td>
<td>83%</td>
</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering reversion to the mean</td>
<td>83%</td>
</tr>
<tr>
<td>Too many options: No process to reduce</td>
<td>82%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not modeling the risk exposure of options</td>
<td>82%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using a process to identify emerging risks</td>
<td>80%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not broadly defining and tracking competition</td>
<td>80%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using forecasts to create scenarios</td>
<td>80%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not conducting “pre-mortems”</td>
<td>80%</td>
</tr>
<tr>
<td>Not considering risk exposure: Delaying action on potential future risks</td>
<td>79%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not conducting internal assessments</td>
<td>78%</td>
</tr>
<tr>
<td>Short-term thinking: Not keeping scorecards</td>
<td>78%</td>
</tr>
<tr>
<td>Not typically using consensus</td>
<td>76%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not conducting post mortens</td>
<td>75%</td>
</tr>
<tr>
<td>Decisions made in a silo: Not consulting people and resources not on the team</td>
<td>74%</td>
</tr>
<tr>
<td>Not taking advantage of the group: Leader decides or delegates decision making</td>
<td>73%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not seeking low cost/low risk options with large upside</td>
<td>71%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using worst case forecasts</td>
<td>70%</td>
</tr>
<tr>
<td>Autocratic, leader-centered decision making: Leader decides</td>
<td>68%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not seeking alternative explanations</td>
<td>67%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not regularly reporting on the results of decisions</td>
<td>67%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not modifying strategies when not working out</td>
<td>67%</td>
</tr>
<tr>
<td>Short-term thinking: Not considering if options are short- or long-term solutions</td>
<td>66%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not regularly monitoring results of decisions</td>
<td>63%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not evaluating using return, revenue/expense, advantage</td>
<td>62%</td>
</tr>
<tr>
<td>Lack of creativity: Not encouraging new ideas and alternatives</td>
<td>59%</td>
</tr>
<tr>
<td>Decisions made in a silo: Not looking at the impact of options on the wider</td>
<td>59%</td>
</tr>
<tr>
<td>Not taking advantage of the group: Lack of group discussion to evaluate each option</td>
<td>58%</td>
</tr>
<tr>
<td>Short-term thinking: Not using forecasts for a sense of direction</td>
<td>55%</td>
</tr>
<tr>
<td>Not taking advantage of the group: Lack of group discussion to develop options</td>
<td>53%</td>
</tr>
<tr>
<td>Not using consensus at all</td>
<td>53%</td>
</tr>
<tr>
<td>Lack of creativity: Not seeking more evidence</td>
<td>53%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker evaluates options</td>
<td>53%</td>
</tr>
<tr>
<td>No Board involvement</td>
<td>33%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Using recognition-primed decision making</td>
<td>32%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Using intuitive decision making</td>
<td>30%</td>
</tr>
<tr>
<td>Short-term thinking: Not using forecasts</td>
<td>28%</td>
</tr>
<tr>
<td>Short-term thinking: Vision/goals are “business as usual” or non-existent</td>
<td>26%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Developing explanatory stories</td>
<td>24%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker develops options</td>
<td>23%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Having unchanged strategies</td>
<td>21%</td>
</tr>
<tr>
<td>Short-term thinking: Not consciously developing strategic options</td>
<td>18%</td>
</tr>
<tr>
<td>Lack of creativity: Looking mostly at what others are doing for options</td>
<td>17%</td>
</tr>
<tr>
<td>Leader disengagement</td>
<td>5%</td>
</tr>
</tbody>
</table>
### Ranking of biases and poor practices: Larger organizations

<table>
<thead>
<tr>
<th>Bias and Poor Practice</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not randomizing assessment of options</td>
<td>97%</td>
</tr>
<tr>
<td>Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans</td>
<td>96%</td>
</tr>
<tr>
<td>Group effects: Not having individuals first evaluate options</td>
<td>96%</td>
</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering luck</td>
<td>95%</td>
</tr>
<tr>
<td>Group effects: Not having individuals first develop options</td>
<td>95%</td>
</tr>
<tr>
<td>No outside facilitation to evaluate options</td>
<td>93%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not averaging multiple forecasts</td>
<td>93%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not having outsiders assess</td>
<td>92%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not conducting “pre-mortems”</td>
<td>89%</td>
</tr>
<tr>
<td>Ignoring “Black Swans”: Not seeking to cut exposure to negative Black Swans</td>
<td>87%</td>
</tr>
<tr>
<td>Priming and anchoring: Not considering if priming leads to overweighting evidence</td>
<td>87%</td>
</tr>
<tr>
<td>Too many options: No process to reduce</td>
<td>86%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not looking for the base rate</td>
<td>85%</td>
</tr>
<tr>
<td>Not typically using consensus</td>
<td>85%</td>
</tr>
<tr>
<td>Not considering risk exposure: Delaying action on potential future risks</td>
<td>83%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not broadly defining and tracking competition</td>
<td>83%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not benchmarking</td>
<td>83%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not conducting post mortems</td>
<td>82%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not modifying strategies when not working out</td>
<td>79%</td>
</tr>
<tr>
<td>Not taking advantage of the group: Leader decides or delegates decision making</td>
<td>79%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not modeling the risk exposure of options</td>
<td>70%</td>
</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering reversion to the mean</td>
<td>70%</td>
</tr>
<tr>
<td>Autocratic, leader-centered decision making: Leader decides</td>
<td>68%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using worst case forecasts</td>
<td>68%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not seeking alternative explanations</td>
<td>67%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not assessing the accuracy of previous forecasts</td>
<td>64%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using a process to identify emerging risks</td>
<td>64%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using forecasts to create scenarios</td>
<td>64%</td>
</tr>
<tr>
<td>Short-term thinking: Not keeping scorecards</td>
<td>63%</td>
</tr>
<tr>
<td>Decisions made in a silo: Not consulting people and resources not on the team</td>
<td>63%</td>
</tr>
<tr>
<td>Not using consensus at all</td>
<td>62%</td>
</tr>
<tr>
<td>Decisions made in a silo: Not looking at the impact of options on the wider...</td>
<td>62%</td>
</tr>
<tr>
<td>Not taking advantage of the group: Lack of group discussion to develop options</td>
<td>56%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not regularly reporting on the results of decisions</td>
<td>56%</td>
</tr>
<tr>
<td>Short-term thinking: Not using forecasts for a sense of direction</td>
<td>52%</td>
</tr>
<tr>
<td>Not taking advantage of the group: Lack of group discussion to evaluate each option</td>
<td>50%</td>
</tr>
<tr>
<td>Short-term thinking: Not considering if options are short- or long-term solutions</td>
<td>50%</td>
</tr>
<tr>
<td>Lack of creativity: Not encouraging new ideas and alternatives</td>
<td>48%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not evaluating using return, revenue/expense, advantage</td>
<td>48%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not regularly monitoring results of decisions</td>
<td>45%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not seeking more evidence</td>
<td>42%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Using recognition-primed decision making</td>
<td>30%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker evaluates options</td>
<td>26%</td>
</tr>
<tr>
<td>Lack of creativity: Looking mostly at what others are doing for options</td>
<td>17%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Developing explanatory stories</td>
<td>16%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Using intuitive decision making</td>
<td>15%</td>
</tr>
<tr>
<td>Short-term thinking: Vision/goals are “business as usual” or non-existent</td>
<td>14%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not evaluating using return, revenue/expense, advantage</td>
<td>14%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using forecasts</td>
<td>13%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker develops options</td>
<td>13%</td>
</tr>
<tr>
<td>No Board involvement</td>
<td>13%</td>
</tr>
<tr>
<td>Short-term thinking: Not consciously developing strategic options</td>
<td>12%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Having unchanged strategies</td>
<td>8%</td>
</tr>
<tr>
<td>Leader disengagement</td>
<td>8%</td>
</tr>
</tbody>
</table>
Ranking of biases and poor practices: For-profit organizations

- No outside facilitation to develop options: 98%
- Not randomizing assessment of options: 98%
- No outside facilitation to evaluate options: 96%
- Not considering risk exposure: Not running simulations or “war games”: 93%
- Group effects: Not having individuals first evaluate options: 91%
- Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans: 91%
- Ignoring probabilities and base rate: Not averaging multiple forecasts: 91%
- Ignoring luck and reversion to the mean: Not considering luck: 89%
- Not considering risk exposure: Not having outsiders assess: 88%
- Group effects: Not having individuals first develop options: 87%
- Not considering risk exposure: Not benchmarking: 87%
- Short-term thinking: Not documenting processes: 83%
- Priming and anchoring: Not considering if priming leads to overweighting evidence: 82%
- Not considering risk exposure: Not conducting “pre-mortems”: 81%
- Ignoring “Black Swans”: Not seeking to cut exposure to negative Black Swans: 81%
- Too few options: No long list: 80%
- Not typically using consensus: 79%
- Too many options: No process to reduce: 79%
- Not considering risk exposure: Delaying action on potential future risks: 78%
- Not taking advantage of the group: Leader decides or delegates decision making: 77%
- Autocratic, leader-centered decision making: Leader decides: 76%
- Ignoring probabilities and base rate: Not looking for the base rate: 76%
- Not considering risk exposure: Not modeling the risk exposure of options: 74%
- Not considering risk exposure: Not conducting post mortems: 73%
- Not considering risk exposure: Not using worst case forecasts: 72%
- Short-term thinking: Not keeping scorecards: 72%
- Not considering risk exposure: Not seeking low cost/low risk options with large upside: 69%
- Decisions made in a silo: Not consulting people and resources not on the team: 69%
- Ignoring luck and reversion to the mean: Not considering reversion to the mean: 68%
- Not considering risk exposure: Not using a process to identify emerging risks: 66%
- Not considering risk exposure: Not broadly defining and tracking competition: 65%
- Not considering risk exposure: Not using forecasts to create scenarios: 65%
- Lack or misuse of evidence: Not seeking alternative explanations: 61%
- Ignoring luck and reversion to the mean: Not assessing the accuracy of previous forecasts: 61%
- Not considering risk exposure: Not regularly reporting on the results of decisions: 60%
- Ignoring probabilities and base rate: Not modifying strategies when not working out: 60%
- Not considering risk exposure: Not conducting internal assessments: 60%
- Decisions made in a silo: Not looking at the impact of options on the wider context: 59%
- Short-term thinking: Not considering if options are short- or long-term solutions: 53%
- Not considering risk exposure: Not regularly monitoring results of decisions: 50%
- Not taking advantage of the group: Lack of group discussion to evaluate each option: 48%
- Lack of creativity: Not encouraging new ideas and alternatives: 46%
- Not taking advantage of the group: Lack of group discussion to develop options: 45%
- Not using consensus at all: 45%
- Short-term thinking: Not using forecasts for a sense of direction: 44%
- Lack or misuse of evidence: Not evaluating using return, revenue/expense, advantage: 43%
- Lack or misuse of evidence: Not seeking more evidence: 41%
- No Board involvement: 31%
- Decisions made in a silo: Decision maker evaluates options: 29%
- Ignoring probabilities and base rate: Using recognition-primed decision making: 27%
- Ignoring probabilities and base rate: Using intuitive decision making: 26%
- Lack or misuse of evidence: Developing explanatory stories: 22%
- Short-term thinking: Vision/goals are “business as usual” or non-existent: 18%
- Short-term thinking: Not using forecasts: 18%
- Lack of creativity: Looking mostly at what others are doing for options: 17%
- Decisions made in a silo: Decision maker develops options: 16%
- Ignoring probabilities and base rate: Having unchanged strategies: 16%
- Short-term thinking: Not consciously developing strategic options: 8%
- Leader disengagement: 1%
### Ranking of Biases and Poor Practices: Non-profit Organizations

<table>
<thead>
<tr>
<th>Poor Practice</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not randomizing assessment of options</td>
<td>97%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not running simulations or “war games”</td>
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<td>Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans</td>
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<td>Ignoring luck and reversion to the mean: Not considering luck</td>
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<td>Group effects: Not having individuals first evaluate options</td>
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<td>Ignoring probabilities and base rate: Not averaging multiple forecasts</td>
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<tr>
<td>No outside facilitation to develop options</td>
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<td>92%</td>
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<tr>
<td>Ignoring “Black Swans”: Not seeking to cut exposure to negative Black Swans</td>
<td>90%</td>
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<tr>
<td>Not considering risk exposure: Not having outsiders assess</td>
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<tr>
<td>Not considering risk exposure: Not conducting “pre-mortems”</td>
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<td>Too many options: No process to reduce</td>
<td>81%</td>
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<tr>
<td>Not considering risk exposure: Not broadly defining and tracking competition</td>
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<tr>
<td>Not considering risk exposure: Delaying action on potential future risks</td>
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<td>Not considering risk exposure: Not benchmarking</td>
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<tr>
<td>Ignoring probabilities and base rate: Not looking for the base rate</td>
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<td>Priming and anchoring: Not considering if priming leads to overweighting evidence</td>
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<td>Not considering risk exposure: Not conducting post mortems</td>
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</tr>
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<td>Short-term thinking: Not documenting processes</td>
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<tr>
<td>Lack or misuse of evidence: Not seeking alternative explanations</td>
<td>73%</td>
</tr>
<tr>
<td>Short-term thinking: Not keeping scorecards</td>
<td>73%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using a process to identify emerging risks</td>
<td>71%</td>
</tr>
<tr>
<td>Not considering risk exposure: Not using forecasts to create scenarios</td>
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</tr>
<tr>
<td>Not considering risk exposure: Not using low cost/low risk options with large upside</td>
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<tr>
<td>Not considering risk exposure: Not using worst case forecasts</td>
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</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering reversion to the mean</td>
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<td>Ignoring probabilities and base rate: Not modifying strategies when not working out</td>
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<tr>
<td>Not considering risk exposure: Not conducting internal assessments</td>
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<tr>
<td>Not typically using consensus</td>
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<tr>
<td>Not taking advantage of the group: Leader decides or delegates decision making</td>
<td>47%</td>
</tr>
<tr>
<td>Autocratic, leader-centered decision making: Leader decides</td>
<td>44%</td>
</tr>
<tr>
<td>Lack or misuse of evidence: Not seeking more evidence</td>
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<tr>
<td>Not taking advantage of the group: Lack of group discussion to develop options</td>
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<td>Short-term thinking: Not using forecasts</td>
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<tr>
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<td>Short-term thinking: Vision/goals are “business as usual” or non-existent</td>
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</tr>
<tr>
<td>Ignoring probabilities and base rate: Having unchanged strategies</td>
<td>08%</td>
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<tr>
<td>Short-term thinking: Not consciously developing strategic options</td>
<td>07%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker develops options</td>
<td>05%</td>
</tr>
<tr>
<td>No Board involvement</td>
<td>03%</td>
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<tr>
<td>Leader disengagement</td>
<td>03%</td>
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</tbody>
</table>
LESSONS LEARNED

Organizations overall

Summing up the 2016 Strategic Leader Survey findings, we can be heartened that leaders report that organizations make strategic decisions using various steps and practices that help them avoid negative outcomes produced by leader and group decision-making traps and biases. However, the bigger picture is that organizations in general remain at risk for making poor strategic decisions.

Use of poor practices and exposure to traps:
Organizations generally at risk
A majority of organizations:

- **Are engaged in making strategic decisions:** They have leaders and Boards that are engaged in strategic decision making.
- **Have a large and challenging strategic vision and/or goals.**
- **Use some best practices to develop options for strategic decisions:** They have the relevant team develop the options, encourage team members to raise new ideas and alternatives, and have a group discussion about the options.
- **Use some best practices for evaluating strategic decision options:** They have the relevant team evaluate the options, have group discussion of each option and assess options on potential return, revenue/expense and/or competitive advantage. They see if options are short- or long-term solutions, seek more data, assess options’ risk and study their impact on the wider organization.
- **Seek more evidence to understand evidence of opportunities and threats.**
- **Use forecasts for a sense of direction when making strategic decisions.**
- **Take several steps to improve decision outcomes and the quality of future decisions:** They monitor results and report results to decision makers and/or stakeholders.

However, a majority of organizations also invite bad decisions by pursuing poor practices and not taking steps to avoid or counter leader and group biases. They:

- **Make strategic decisions without consensus:** The leader typically decides.
- **Don’t gain the benefits of an outside facilitator:** They have the team leader lead the team in developing and evaluating strategic decision options.
- **Ignore important steps for developing strategic options:** They do not consult people and resources not on the team for ideas and options, do not have group members individually develop options before sharing them, and skip developing a long list of options.
- **Ignore important steps for evaluating strategic options:** They do not seek contrary views and employ alternative explanations, nor do they strive for low-risk/low-cost options with large upside potential. They skip reducing the options to a short list, do not have individuals assess options before discussion, and forego randomizing how options are presented.
- **Do not take many important steps to understand evidence of opportunities and threats:** They do not seek alternative explanations, do not consider if what is seen will revert to
the mean, overlook the base rate and priming, do not compute probabilities, and ignore luck as the possible explanation.

- **Miss important considerations when they use forecasts:** They do not create scenarios for setting strategies or for risk reduction. Neither do they assess the accuracy of previously used forecasts nor average multiple forecasts to improve forecast accuracy.

- **Don’t formally assess risk when making strategic decisions:** They do not use a process to identify emerging risks nor use worst case forecasts. They do not develop scenarios for risks for future action nor do they broadly define and track competition. They skip modeling the risk profile for potential options and delay responding to potential risks until having better data. They do not conduct “pre mortems” to identify potential causes for failure, nor do they cut exposure to negative “Black Swans” or add exposure to positive “Black Swans.” They do not run simulations or conduct “war games” to see outcomes.

- **Don’t take many steps to improve decision outcomes and the quality of future decisions:** They are not quick to modify a course of action when a decision is not working as expected. They do not assess results, nor do they conduct post mortems, keep scorecards, document processes, benchmark, or use outside assessment.

Further, a significant minority of organizations are highly exposed to decision-making traps and biases that lead to bad strategic decisions. They:

- **Use ad hoc decision making:** They do not use rigorous decision-making models.

- **Ignore the power of a compelling strategic vision and goals:** Their strategic vision and goals are either “business as usual” or are not large and are not very challenging.

- **Don’t have tailored nor dynamic strategic options:** Their strategic options mostly come from competitors or the options tend to remain the same over time.

- **Don’t use the group to evaluate options:** They leave options evaluation to whomever will make the decision.

- **Develop explanatory stories for evidence of threats and opportunities.** These stories frame the evidence and thereby short-cut seeing other explanations and possibilities as more evidence appears.
LESSONS LEARNED

More successful and less successful organizations

The survey results show that organizations rated less successful by their leaders are more likely to use poor decision-making practices and generally have greater exposure to leader and group decision-making traps and biases.

Use of poor practices and exposure to traps:
Less successful organizations at greater risk
Survey results indicate an association between organizational success and use of decision-making best practices. Contrasted with organizations whose leaders rate them less successful, organizations rated more successful are more likely to make strategic decisions using steps and practices that help them avoid negative outcomes from leader and group decision-making traps and biases. More successful organizations are more likely to:

- Commonly use consensus decision making.
- Make the strategic decision by obtaining consensus.
- Have leaders consult and then make the decision.
- Involve their Board of Directors in making strategic decisions.
- Have a large and challenging strategic vision and/or goals.
- Use the relevant team to develop strategic options.
- Use best practices to develop options: Encourage team members to raise new ideas and alternatives, develop a long list of options, have a group discussion, and consult people and resources not on the team.
- Use the relevant team to evaluate the strategic options.
- Use best practices to evaluate options: Have a group discussion, look at short-term versus long-term solutions, assess based on return, revenue/expense and competitive advantage, seek more data, study the impact on the organization, and assess options based on organizational risk.
- Assess evidence of threats and opportunities: Seek more evidence, consider whether what is seen will revert to mean and seek alternative explanations.
- Use forecasts: Retrospectively assess forecast accuracy, and use forecasts for a sense of direction and to create scenarios for setting strategies for risk reduction.
- Take risk reduction steps: Use a process to identify emerging risks, broadly define and track competition, develop scenarios for risks to guide future response, model the risk profile for potential options and cut exposure to negative “Black Swans.”
- Take steps to improve decisions: Monitor and report results, conduct an internal assessment, change course when a decision is not working out, document processes and use outside assessment.

Yet, no matter how apparent it is that more successful organizations are likely to use better decision-making practices, we should not overlook the underlying reality that all organizations generally fall short in using best practices and avoiding decision-making traps and biases.
LESSONS LEARNED

Smaller and larger organizations

While the survey results show that larger organizations may be just slightly more likely to use poor decision-making practices and have a bit more exposure to leader and group decision-making traps and biases, organizations of all sizes are at risk.
Whatever the survey results might indicate about slightly greater use of decision-making best practices in smaller organizations, it is critical to remember the overarching finding: All organizations generally fall short in using decision-making best practices.

Smaller organization are more likely to:

- Use creative, emotion-based and intuitive decision making.
- Have the leader obtain consensus.
- Have the team develop the options with the team leader leading.
- For developing strategic options, have a group discussion to develop options, encourage team members to raise new ideas and alternatives, and have group members individually develop options before sharing them.
- Have a group discussion of each option and assess options based on organizational risk.
- For assessing evidence of strategic threats and opportunities, seek alternative explanations, develop explanatory stories, and look for priming.
- Look back at previously used forecasts to assess forecast accuracy, and average multiple forecasts.
- For addressing risk, broadly define and track competition, conduct “pre-mortems” to see what might cause failure, and seek to increase exposure to positive “Black Swans.”
- Modify a course of action when a decision is not working out as expected.

Larger organizations are more likely to:

- Use rule-based decision making and situational decision making.
- Have the Board involved in strategic decisions.
- For developing options, strive for low risk/low cost options with large upside potential.
- Use forecasts in strategic decision making.
- For addressing risk, use a process to identify emerging risks, model the risk profile of options, and run simulations or “war games” to see outcomes.
- For improving decisions, monitor and report results, keep scorecards, and benchmark results.
LESAONS LEAERED

For-profit and non-profit organizations

The survey results show that for-profit and non-profit organizations are similarly at risk of using poor decision-making practices and having exposure to leader and group decision-making traps and biases.
The results suggest that non-profit organizations are somewhat more likely than for-profit organizations to use decision-making best practices. However, for-profit organizations are more likely to explicitly address risk.

In any case, it is critical to keep in mind that many organizations of both types generally fall short in using decision-making best practices.

For-profit organizations are more likely to:

- Use creative decision making.
- Have the leader typically consult with others and then make the decision.
- Have the decision maker develop the options.
- In developing options, develop a long list of options and have team members write their individual list of options before sharing them with the team.
- Have the decision maker evaluate the options.
- In evaluating options, consider if options are short- or long-term solutions, and assess options using return, revenue/expense and/or competitive advantage.
- In considering opportunities and threats, seek alternative explanations and consider whether luck is the explanation.
- Use forecasts when making strategic decisions, look back to assess the accuracy of previously used forecasts, average multiple forecasts to improve accuracy, use forecasts for giving a sense of direction, and use forecasts for creating scenarios to set strategies or for risk reduction.
- To address risk, broadly define and track competition, use a process to identify emerging risks, develop scenarios to help respond to future risks, cut exposure to negative “Black Swans,” and increase exposure to positive “Black Swans.”
- To improve decisions, monitor results.

Non-profit organizations are more likely to:

- Use consensus, recognition-primed and rule-based decision making.
- Make strategic decisions through the leader obtaining consensus.
- Have the Board involved in making strategic decisions.
- Have a strategic vision and/or goals that are large and challenging.
- Have the relevant team develop strategic options with the team leader leading.
- In developing options, consult people and resources not on the team to develop decision options.
- Have the relevant team evaluate strategic options with the team leader leading.
- In evaluating options, see if options are short- or long-term solutions, have a group discussion to evaluate options, seek more data to assess options, look at the impact of options on the wider organization, and seek contrary views and alternative explanations.
- In considering opportunities and threats, consider if priming leads to overweighting evidence and seeing causality and connections that don’t exist.
- To address risk, use worst case forecasts.
- To improve decisions, report results, document decision-making processes, and benchmark decision results against those of other organizations.
WHERE TO GO FROM HERE

For strategic leaders, the clarion call of the 2016 Strategic Leader Survey’s results is loud and clear: it’s time to conduct a full examination of the organization’s processes and practices for making strategic decisions. Understanding the decision traps and biases that can trip up leaders and decision-making groups, and adopting and using a well-considered strategic decision-making process, can promote organizational success and help avoid strategic shortfalls or even organizational failure.

Obviously, many organizations are succeeding in spite of themselves. Their leaders apparently don’t see the risks they are creating and the potential for greater success they are foregoing by not pursuing better strategic decision-making practices. These leaders will be well-served by learning from cases of organizational disaster and even failure for seemingly highly successful organizations resulting from faulty strategic decisions brought on by biases, traps and bad practices. Three super-sized examples:

• The serious financial and reputational harm to BP because of faulty strategic decisions that led to its oil rig explosion in the Gulf of Mexico.
• The thousands of lives lost and years of turmoil resulting from the U.S. decision to invade Iraq.
• The failure of Lehman Brothers because of its decision to over-leverage through use of derivatives.

For researchers and advisors in strategy, important questions remain to be addressed. These include:

• To what extent are use of strategic decision-making best practices and avoidance of decision-making traps and biases correlated with organizational success? (While survey results show an association between use of best practices and success, survey methodology is insufficient to measure the extent to which these practices and success are correlated.)
• What are the most effective ways to help strategic leaders realize the risks they are taking on by ignoring decision-making traps and biases and pursuing poor practices?
• What are the most effective steps that strategic leaders can take to change their organization’s culture so strategic decisions are better founded and lead to greater success and less risk?

Forrest Consulting very much appreciates the 315 respondents from North America, Central America, Europe, Australia, Asia, Africa and the Middle East who participated in our 2016 Strategic Leader Survey. We are especially indebted to the 305 organizational leaders in current or recent decision-making roles who took the time to offer information on the strategic decision making practices used by their organizations.

Two appendices follow, with additional exhibits of survey results, and analysis of response and respondents’ characteristics. We welcome your thoughts on this research.
APPENDIX 1: ADDITIONAL EXHIBITS

Percentage of organizations at risk, by trap or poor process

Percentage of organizations whose decision making appears to be at risk because of exposure to biases and traps and poor processes, overall and by the organization's level of success, size and type.

Key:
- 0% - 20% are exposed to trap or use poor process: A small share of organizations can improve
- 20% - 40% are exposed to trap or use poor process: Some organizations can improve
- 40% - 60% are exposed to trap or use poor process: Many organizations can improve
- 60% - 80% are exposed to trap or use poor process: Most organizations can improve
- 80% - 100% are exposed to trap or use poor process: Almost all organizations can improve

<table>
<thead>
<tr>
<th>Trap or poor process, by category</th>
<th>Overall</th>
<th>More successful</th>
<th>Less successful</th>
<th>Smaller</th>
<th>Larger</th>
<th>For-profit</th>
<th>Non-profit</th>
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</thead>
<tbody>
<tr>
<td>Autocratic, leader-centered decision making: Leader decides</td>
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<td>64%</td>
<td>68%</td>
<td>64%</td>
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<td>65%</td>
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<td>37%</td>
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<td>40%</td>
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<td>Too few options: No long list</td>
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<td>Group effects: Not having individuals first develop options</td>
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<td>Group effects: Not having individuals first evaluate options</td>
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<td>Lack of creativity: Not encouraging new ideas and alternatives</td>
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<td>Lack of creativity: Looking mostly at what others are doing for options</td>
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<td>Lack or misuse of evidence: Not seeking more evidence</td>
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<td>42%</td>
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<td>Trap or poor process, by category</td>
<td>Overall</td>
<td>More successful</td>
<td>Less successful</td>
<td>Smaller</td>
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<td>For-profit</td>
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<td>Lack or misuse of evidence: Developing explanatory stories</td>
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<td>Lack or misuse of evidence: Not evaluating using return, revenue/expense, advantage</td>
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<td>Not considering risk exposure: Delaying action on potential future risks</td>
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<td>14%</td>
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<td>8%</td>
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<td>44%</td>
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<td>Trap or poor process, by category</td>
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<td>83%</td>
<td>74%</td>
</tr>
<tr>
<td>Ignoring “Black Swans”: Not seeking to cut exposure to negative Black Swans</td>
<td>80%</td>
<td>81%</td>
<td>89%</td>
<td>82%</td>
<td>86%</td>
<td>81%</td>
<td>90%</td>
</tr>
<tr>
<td>Ignoring “Black Swans”: Not seeking to increase exposure to positive Black Swans</td>
<td>91%</td>
<td>93%</td>
<td>92%</td>
<td>91%</td>
<td>96%</td>
<td>91%</td>
<td>97%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker develops options</td>
<td>13%</td>
<td>9%</td>
<td>23%</td>
<td>12%</td>
<td>15%</td>
<td>16%</td>
<td>7%</td>
</tr>
<tr>
<td>Decisions made in a silo: Not consulting people and resources not on the team</td>
<td>59%</td>
<td>62%</td>
<td>74%</td>
<td>66%</td>
<td>63%</td>
<td>69%</td>
<td>62%</td>
</tr>
<tr>
<td>Decisions made in a silo: Decision maker evaluates options</td>
<td>25%</td>
<td>20%</td>
<td>39%</td>
<td>25%</td>
<td>26%</td>
<td>29%</td>
<td>21%</td>
</tr>
<tr>
<td>Decisions made in a silo: Not looking at the impact of options on the wider organization</td>
<td>49%</td>
<td>49%</td>
<td>59%</td>
<td>56%</td>
<td>56%</td>
<td>59%</td>
<td>53%</td>
</tr>
<tr>
<td>Priming and anchoring: Not considering if priming leads to overweighting evidence</td>
<td>75%</td>
<td>78%</td>
<td>83%</td>
<td>74%</td>
<td>85%</td>
<td>82%</td>
<td>75%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Using recognition-primed decision making</td>
<td>33%</td>
<td>27%</td>
<td>32%</td>
<td>27%</td>
<td>30%</td>
<td>27%</td>
<td>33%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Using intuitive decision making</td>
<td>29%</td>
<td>23%</td>
<td>30%</td>
<td>28%</td>
<td>20%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Having unchanged strategies</td>
<td>10%</td>
<td>6%</td>
<td>21%</td>
<td>10%</td>
<td>8%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not averaging multiple forecasts</td>
<td>92%</td>
<td>94%</td>
<td>89%</td>
<td>95%</td>
<td>89%</td>
<td>91%</td>
<td>96%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not modifying strategies when not working out</td>
<td>56%</td>
<td>62%</td>
<td>67%</td>
<td>59%</td>
<td>72%</td>
<td>61%</td>
<td>64%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not assessing the accuracy of previous forecasts</td>
<td>67%</td>
<td>67%</td>
<td>85%</td>
<td>74%</td>
<td>66%</td>
<td>68%</td>
<td>77%</td>
</tr>
<tr>
<td>Ignoring probabilities and base rate: Not looking for the base rate</td>
<td>75%</td>
<td>77%</td>
<td>83%</td>
<td>78%</td>
<td>79%</td>
<td>76%</td>
<td>78%</td>
</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering luck</td>
<td>91%</td>
<td>93%</td>
<td>91%</td>
<td>92%</td>
<td>95%</td>
<td>89%</td>
<td>97%</td>
</tr>
<tr>
<td>Ignoring luck and reversion to the mean: Not considering reversion to the mean</td>
<td>64%</td>
<td>64%</td>
<td>83%</td>
<td>69%</td>
<td>70%</td>
<td>68%</td>
<td>67%</td>
</tr>
</tbody>
</table>
Level of position in organization

- Director: 25.3%
- Manager: 19.3%
- Owner: 19.0%
- CEO: 13.3%
- President: 12.7%
- Other: 10.0%
- VP: 8.3%
- Partner: 5.7%
- CFO: 5.7%
- Senior: 4.7%
- Other C-level: 3.3%
- COO: 3.0%
- CMO: 1.3%

Note: Percentages sum to greater than 100% because some respondents hold positions in multiple categories.
APPENDIX II: Response Analysis

How response was acquired
This e-survey was administered from September 9, 2016 to September 28, 2016 using Survey Gizmo. Respondents were acquired through:

- Email solicitations to a list of 2,173 known decision makers. (232 initial responses from this list.)
- LinkedIn InMail solicitations and email solicitations to decision makers found through LinkedIn.
- Messages posted in LinkedIn groups of decision makers.

Overall response:
- Total initial respondents: 315
- Respondents currently in leadership with a decision-making role: 268
- Respondents formerly in leadership with a decision-making role: 37
- Disqualified respondents: 10
- Total qualified respondents: 305

Overall confidence interval, based on a Gaussian probability distribution:
- 4.86% at a 95% confidence level for a 25% percentage.
- 5.61% at a 95% confidence level for a 50% percentage.

Response by organization level of success – 295 total respondents
- More successful: 219, Less successful: 76

Confidence intervals:
- More successful: 5.73% at a 95% confidence level for a 25% percentage, 6.62% for a 50% percentage.
- Less successful: 9.73% at a 95% confidence interval for a 25% percentage, 11.24% for a 50% percentage.

Response by organization size – 296 total respondents
- Smaller: 204, Larger: 92

Confidence intervals:
- Smaller: 5.94% at a 95% confidence level for a 25% percentage, 6.86% for a 50% percentage.
- Larger: 8.85% at a 95% confidence interval for a 25% percentage, 10.22% for a 50% percentage.

Response by organization type – 260 total respondents
- For-profit: 187, Non-profit: 73

Confidence intervals:
- For-profit: 6.2% at a 95% confidence level for a 25% percentage, 7.17% for a 50% percentage.
- Non-profit: 9.93% at a 95% confidence interval for a 25% percentage, 11.47% for a 50% percentage.

Caveat
Acknowledging concerns raised in this study, we ask the reader to keep in mind that, as is the case for all survey research of this type, conclusions may be colored by small sample variance (sample size neglect), a non-representative sample (selection bias) or a non-Gaussian probability distribution (not understanding the probability distribution).
REFERENCES

Strategic Leader Studies


How we make decisions


Decision-making approaches and models


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Decision-making practices


**Strategic risk**


**Decision-making traps and biases**


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Strategist, leader, author and presenter

Lee Crumbaugh is Forrest Consulting’s President and Managing Consultant.

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  Member, International Association of Facilitators; co-founder, Chicago Chapter.
  
  Completed education requirement and written examination for Institute of Management Consultants’ Certified Management Consultant designation.

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  University of Illinois: B.S., communications.
  
  Colorado State University: Technical journalism.
  
  Indiana University: Financial executive program.

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  Continental Illinois Corporation/Continental Bank – Vice President, Public Affairs.
  
  DuPage Area Association of Business & Industry – Executive Director.
  
  Forrest Consulting – President.
  
  LFC Publishing, Inc. – President.
  
  U.S. League of Savings Institutions – Vice President.
  
  United Way of Suburban Chicago – Chief Operating Officer.
  
  Vinyl Fence, Deck & Railing Manufacturers Association – Executive Director.

- **Author**
  
  
  *Big Decisions: Why we make decisions that matter so poorly. How we can make them better.* (Publication expected in 2017).
  
  *Strategic Thinking & Strategic Action* blog (http://leepublish.typepad.com/strategicthinking/).

- **Presenter**
  
  Speak to and teach leaders and professionals about strategy, leadership and decision making.

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