



# Decisions Decisions

## What CEOs can learn from Star Trek

*Life is full of decision-making with the average person making thousands each day. CEOs, by the nature of their role, are of course likely to have to make more than the average – at least in terms of the ‘big’ ones. As some decisions are made on intuition and others require a broad range of data to support them, we interviewed a number of CEOs about how they make decisions, and how intuition and data can work together.*

When looking at intuitive decision-making versus a reliance on data, some have drawn an analogy with *Star Trek*, with the emotionally-charged Captain Kirk relying on his 'gut' while the ever-logical Mr Spock prefers the facts. Together, they usually save the day and the spaceship. Is there a lesson to be learned from the leadership of the USS Enterprise?

Many would say yes - the recipe for effective decision-making is combining logic (data/analytics) with emotion (gut feel). A pinch of Kirk and a dash of Spock.

To put this to the test, Criticaleye spoke to CEOs from different sized organisations, interviewing **David Brennan**, the CEO of AstraZeneca plc; **Alan Parker**, who stepped down as CEO of Whitbread plc in December; **Geraint Anderson**, the CEO of TT Electronics plc and **Ian Bowles**, the CEO of Allocate Software plc.

#### **We started by asking them if it is possible to separate the role of CEO from decision-making.**

**Geraint:** There is a lot more to the CEO role than decision-making - it's a key component of course, but the role is also about leadership and trying to drive motivation and inspiration. At the end of the day, someone has to make a call and that person sits at the CEO's desk. The better the quality of his/her leadership team, the fewer decisions a CEO has to make: leaders should empower employees to make decisions for themselves and not have to ask permission to do so.

**Alan:** The biggest decisions I made as CEO were creating the strategy and culture for the Company. After that it was to ensure delivery by selecting the right people to make up both the Board and the senior leadership team.

**David:** I believe it is important that the CEO provides leadership and context for the direction and purpose of the organisation. A CEO has to create a team that he/she trusts to make decisions. He/she must be careful not to weigh in when decisions should actually be made by the executives tasked with responsibility. He/she wants to avoid creating a gravitational pull to the CEO as this slows the organisation down and can undermine executives who would ideally be taking the decisions needed.

**Ian:** A CEO in my view is in his or her post to make decisions or endorse decisions made by other executives, with regard to the regulatory environment in which they operate, board approved strategy and of course shareholder value. It is, therefore, impossible to separate the role of the CEO from decision-making.

#### **What steps do you go through to reach a decision?**

**Geraint:** These are the steps that I try to go through when making a decision:

1. Look at the options
2. Analyse the impact of the decision on various stakeholders
3. Data - gather as much data as possible and question its quality
4. Is the decision right for the business or is it just the easiest one for the CEO to make?  
The decision must be right for the business
5. Finally, decisions should be based around a key set of values and principles possessed by the CEO

Elaborating on Step 5, he continued: "The final step in my decision-making is to base it around a key set of values and principles that I have used throughout my career. If I can make the decision and sleep comfortably at night, then I know it is the right one."

**Ian:** My chosen style reflects the size and nature of the decision to be taken. If it is a relatively small operational issue with limited long-term significance, my style is very task orientated, fast and firm. However, if the issue to be decided upon overlaps with several other strands of the business with the ability significantly to impact other decisions already taken or requiring action in the future, with change highly likely, I try hard to adopt an integrated or consultative approach. In these cases, I try to take input from multiple parties both within the company and from external advisors. This makes the process as participative as possible and frames the outcome as a series of choices. This makes it easier to explain the choice made or the conclusion reached (and why).

My own thought process runs through a series of simple gates. Is it legal? Is it appropriate for the circumstances? Is it compliant with regulatory guidelines? Is it moral? Would I be happy to justify the decision to a regulator, a court or a shareholder? Could I accept or understand the decision if I were on the receiving end of the consequence?

#### **How do you balance data with gut feel?**

We took this question to **Graeme Butterworth**, the VP Global Process Services for IBM Europe:

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"When your 'best guess' is no longer good enough, you need hard facts. But when you're drowning in more data than you know what to do with, it's no wonder we revert to acting on informed intuition with a few discernable insights thrown in. For many, the issue stems from an inability to turn complex analytical data into insights that are easy to understand and act on. New tools and communications techniques such as visual dashboards, scenarios and simulations are needed to make the insights come alive, give us a headlights view of what's ahead on the road, and become things we can act upon."

**Ian:** I believe the relative size and or consequence of the decision becomes relevant, but I do not believe the two are mutually exclusive. Gut feel based on experience is good enough for most day-to-day decisions, because the gut feel is based on a number of years of reflective practice. Most decisions also contain an element of risk. However, a CEO is paid to take calculated risks to drive a business forward.

The skill is to agree what information you need, by when and from whom in order to reach a conclusion. In these scenarios an integrated approach is especially useful. However, I have rarely found that all parties come to the same conclusion and so, as CEO, I have to balance all the analysis and advice and make a decision based on my best interpretation of the facts and likelihood of outcome. In essence, this may be considered 'gut feel'.

**Alan:** There should be a balance between 'gut feel' and data. But you must rely on the data – you need to go on facts, not

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on intuition. The significance of data has increased dramatically over time. The more competitive the world becomes, the more organisations need data. Intuition and experience are very valuable in interpreting the data, but you have to start with the data.

**David:** It's a combination. Timely, focused and robust data is vital. The more familiar you are with the subject, the clearer the areas are where you need more data to help inform the decision. There is a danger, however, in less familiar areas, that there is too much data presented which can hamper decisions, so you need to strike a balance between enough data combined with trust in your judgement and instinct to make a decision.

**Graeme:** Our research at IBM has found senior executives now want businesses run on data-driven decisions. They want scenarios and simulations that provide immediate guidance on the best actions to take when disruptions occur - from entry of unexpected competitors to a customer signalling it may switch providers. Executives want to understand possible solutions and they want to be able to take action quickly.

New methods and tools to embed information into business processes – use cases, analytics (data) solutions, optimisation, workflows and simulations – are already making insights more understandable and immediately actionable.

It takes specific actions tied to business strategy to reap the benefits of analytics, and it requires commitment to make these actions part of everyday operations. Analytics can provide a way out of an entrenched 'that's the way we've always done it' mentality and, at the same time, refine the organisation's data and governance approaches. Interestingly, IBM's research has found that top performing organisations are twice as likely to use analytics to guide day-to-day operations and future strategies.

## How do corporate governance guidelines impact your decision-making?

**Ian:** I imagine the majority of CEOs are constantly considering the impact of

various governance codes as they make policy decisions. However, there are often conflicting views within a board as to how these guidelines are to be interpreted or applied. I also find it interesting that different investors have differing views about the level of compliance required.

As a CEO, you have to ensure that management processes are in place to ensure compliance with the relevant corporate governance codes applicable to your business. I try to ensure that all our policies and processes are as compliant with the relevant guidelines that a fully listed company has to adhere to because I want investors and potential investors to have confidence that we are an appropriately run company.

**David:** Clear governance is important for any organisation to ensure executives have clarity on who needs to be involved in decisions.

**Geraint:** You have to have your own values, which should be in line with your organisation's corporate governance code. These guidelines are designed to create transparency and, therefore, should instil transparency into decision-making.

## Has the pressure of new media and CEOs living in a fish bowl of public scrutiny affected their ability to make sound decisions?

**David:** I don't believe that new media impact the ability to make sound decisions. You always have to be prepared to have your decisions open to scrutiny through any channels – it is part of doing business responsibly.

**Geraint:** As social media becomes more prolific, CEOs have to be aware that anything they say or do can become public. You, therefore, have to make decisions that wouldn't embarrass you if they were to become public. It is important constantly to be aware of the environment in which you are operating. The world is now very different. You can't change or fight it, you have to accept and manage it.

**Ian:** I do not believe that the media or the impact of social networks has impacted a CEO's ability to make sound decisions. However, what it has done is to force a CEO and other executives to understand that decisions they make will come under more scrutiny and that the speed and ease of information dissemination will mean that their decisions are communicated to a wider audience far more quickly. It is therefore important that decisions are fully thought through before being made known. I believe it is also important to consider how any decision may be interpreted by others and to have a plan to deal with any negative repercussions, either internally or within the press.

The bottom line though is that, when making decisions, successful CEOs must learn to balance gut feeling with the data available to them. In short, make sure you pay as much attention to your inner Spock as your inner Kirk.

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