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TITLE   : **Summary of Key Examples of Group Decision Making**

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Strategy 399

Summary of Key Examples of Group Decision Making

1. **Bill Campbell (CEO of Intuit & Apple BOD, bringing together different people)**
   Summary: Randy Komisar commenting on Cambell, as he had worked with him. Bill brought together a "ragtag team of different but exceptionally talented people," let them debate an issue and then make a decision. Work towards consensus, not unanimity.
   File: Komisar Mulcahy 2010
   Quotes: *"Bill had this amazing ability to bring together a ragtag team of exceptionally talented people. Some had worked for successful companies, some had not. Some had been senior managers. Some had been individual contributors. Everybody brought to the table biases borne out of their domains and their experiences. Those experience-based biases probably are not that different at the psychological level from the behavioral biases that economists focus on today.*

   Bill was very capable at balancing out the biases around the table and coming up with really effective decisions and, more important, the groundwork for consensus—not necessarily unanimity, but consensus. I liken it to what I have always understood, true or false, about how President Kennedy ran his cabinet: that he used to assemble the smartest people he could, throw a difficult issue on the table, and watch them debate it. Then at some point he would end the debate, make a decision, and move on. It's also similar to the judicial process, where advocates come together to present every facet of a case, and a judge makes an informed determination. The advocates' biases actually work to the benefit of a good decision, rather than being some-thing that needs to be mitigated." <u>Pg. 4-5</u>

2. **Randy Komisar (Partner at KPC&B, Balance Sheet approach)**
   Summary: Asked talented people with different opinions give you 1 pro and 1 con for a decision without stating their final opinion. Reserve your own personal judgment till the end.
   File: Komisar Mulcahy 2010
   Quotes: *"There's a methodology I've used within companies for making big, hard decisions that I introduced into Kleiner Perkins and that we have been using lately to help decide whether or not to invest in new ventures. It starts with assembling a group that is very diverse. If you look at my partners, you'd see an unruly gang of talented people with very different experiences, very different domain skills, and, consequently, very different opinions.*

   Starting with that, the notion is to put together a simple balance sheet where everybody around the table is asked to list points on both sides: "Tell me what is good about this opportunity; tell me what is bad about it. Do not tell me your judgment yet. I don't want to know." They start the process without having to justify and thereby freeze their opinions and instead are allowed to give their best insights and consider the ideas of others. Not surprisingly, smart people will uncover many of the same issues. But they may weigh them differently depending on their biases.

We do not ask for anyone's bottom line until everybody has spoken and the full balance sheet is revealed. I have noticed my own judgment often changes as I see the balance sheet fill out. I might have said, "We shouldn't do the deal for the following three reasons." But after creating a balance sheet, I might well look at it and say, "You know, it's probably worth doing for these two reasons."

The balance sheet process mitigates a lot of the friction that typically arises when people marshal the facts that support their case while ignoring those that don't. It also emphasizes to the group that each participant is smart and knowledgeable, that it was a difficult decision, and that there is ample room for the other judgment. By assembling everyone's insights rather than their conclusions, the discussion can focus on the biases and assumptions that lead to the opinions. An added bonus is that people start to see their own biases. Somebody will stand up and say, "You're expecting me to say the following three things, and I will. But I've also got to tell you about these other four things, which are probably not what you'd expect from me." Finally, opinion leaders have less sway because they don't signal their conclusions too early. Although this may sound tedious and slow, we're able to move quickly. One reason is that we never try to achieve perfection—meaning 100 percent certainty—around a decision. We just can't get there in the timeframe necessary. The corollary is that we assume every decision needs to be tested, measured, and refined. If the test results come back positive, we proceed; if they're negative, we "course correct" quickly." <u>Pg. 5-6</u>

3. **Anne Mulcahy (CEO of Xerox, Internal Critics)**
   Summary: Cultivate internal critics who will feel comfortable challenging you in group discussions
   File: Komisar Mulcahy 2010
   Quotes: *"My own management style probably hasn't changed much in 20 years, but I learned to compensate for this by building a team that could counter some of my own weaknesses. You need internal critics: people who know what impact you're having and who have the courage to give you that feedback. I learned how to groom those critics early on, and that was really, really useful. This requires a certain comfort with confrontation, though, so it's a skill that has to be developed.*

   I started making a point of saying, "All right, John-Noel, what are you thinking? I need to hear." And this started to demonstrate that even if I did show my colors quickly, they could still take me on and I could still change my mind. The decisions that come out of allowing people to have different views—and treasuring the diversity of those views—are often harder to implement than what comes out of consensus decision making, but they're also better." Pg. 10

4. **Steve Chang (CEO of Trend Micro, Decentralization to Centralization)**
   Summary: Initially company was very decentralized
   a. Lack of coordination impeded execution of decision
   b. Steve Chang initially said one should respect "gut feeling"
      i. When making decisions, he would typically consult one on one with other executives
   c. **HOWEVER,** "Chang reckoned that achieving sustainable leadership in the global antivirus software market would require a truly global executive team-one that represented key markets around the world, combined entrepreneurial spirit with professional expertise, and grappled effectively with tough decisions."
   d. Need to go from 2-person decision making to a consensus process
   e. New team had cultural differences – page 10
   f. **NEW DECISION MAKING PROCESS –** In meetings, Chang started "to listen more, restrained his own participation, and let the group influence his thinking, rather than immediately answering questions that might arise as had been his previous practice. Allowed everyone to speak and build consensus."
      i. "Get all ideas on the table, get everyone's input and then create alignment out of that"
   g. Post-change: "I even don't make my decision at all now. I try to have those people discuss … Everything comes natural now."
   h. Decision making process now evolving to alignment, more than consensus
   File: Paine Bettcher 2005
   Quotes: *"Management was highly decentralized."*   Pg. 5

   "Lack of coordination impeded execution of decisions, especially in response to competitive threats."   Pg. 5

   "Chang reckoned that achieving sustainable leadership in the global antivirus software market would require a truly global executive team-one that represented key markets around the world, combined entrepreneurial spirit with professional expertise, and grappled effectively with tough decisions."   Pg. 1

   "Chang listened more, restrained his own participation, and let the group influence his thinking, rather than immediately answering questions that might arise as had been his previous practice."   Pg. 13

   "Get all ideas on the table, get everyone's input … then create alignment out of that"   Pg. 13

   [Towards the end of the case] "Begun to think more in terms of a process oriented toward "alignment" rather than "consensus" given the difficulty of getting everyone to agree on any given issue."   Pg. 15

5. **Air Products and Chemicals (Choosing what decision structure to apply)**
   Summary: Managers are trained to determine whether a particular decision should be made unilaterally by one manager, unilaterally after consultation with a group, by a group through a majority vote, or by group consensus. In addition, they determine who will be responsible for making the decision, who will be held accountable for results, and who needs to be consulted or informed.
   File: Davenport 2009
   Quotes: *"At Air Products and Chemicals, for example, managers are trained to determine whether a particular decision should be made unilaterally by one manager, unilaterally aft er consultation with a group, by a group through a majority vote, or by group consensus. In addition, they determine who will be responsible for making the decision, who will be held accountable for results, and who needs to be consulted or informed."*   Pg. 2

6. **Southern Electric (Moving away from risk-averseness)**
   Summary: Managers were very risk averse, upgraded to latest equipment as soon as possible due to some high profile breakdowns. The division head Jack Williams decided that best way to scale back this risk-averseness would be to inject debate into decision making process. Since 100s of these decisions were made annually, he could not personally be involved in it. So he instituted a new group decision making process – he got the unit and function heads to challenge one another, facilitated by a consultant. The new approach was very successful. The reduced capital- expenditure target was met with room to spare and without Williams having to make any of the tough judgment calls himself.
   File: Campbell et al 2009
   Quotes: *"Division head Jack Williams recognized that the managers were also risk averse, preferring to replace equipment early with the best upgrades available. This, he realized, was a result of some high-profi le breakdowns in the past, which had exposed individuals both to complaints from customers and to criticism from colleagues. Williams believed the emotional tags associated with these experiences might be distorting their judgment.*

   What could he do to counteract these effects? Williams rejected the idea of stronger governance; he felt that neither his management team nor the parent company's executives knew enough to do the job credibly. He also rejected additional analysis, because Southern's analysis was already rigorous. He concluded that he had to find a way to inject more debate into the decision process and enable people who understood the details to challenge the thinking. His first thought was to involve himself and his head of finance in the debates, but he didn't have time to consider the merits of hundreds of projects, and he didn't understand the details well enough to effectively challenge decisions earlier in the process than he currently
   was doing, at the final approval stage. Williams finally decided to get the unit and function heads to challenge one another, facilitated by a consultant. Rather than impose this process on his managers, Williams chose to share his thinking with them. Using the language of red flags, he was able to get them to see the problem without their feeling threatened. The new

approach was very successful. The reduced capital- expenditure target was met with room to spare and without Williams having to make any of the tough judgment calls himself." <u>Pg. 7</u>

7. **European multinational (created sub-group)**
Summary: MNC had an underperforming division, but division head was part of executive group, so hard to openly debate the situation. Further, division heads would not challenge whatever CEO said. So Chairman created a steering committee which included CEO and CFO so chairman and CFO could challenge CEO's thinking.
File: Campbell et al 2009
Quotes: *"The head of the underperforming division was a member of the executive group, making it hard for open debate to occur. So Grunweld proposed a steering committee consisting of himself, Thaysen, and the CFO. Even if Thaysen strongly pushed for a particular solution, Grunweld and the CFO would make sure his reasoning was properly challenged and debated. Grunweld also suggested that Thaysen set up a small project team, led by the head of strategy, to analyze all the options and present them to the steering committee."* <u>Pg. 7-8</u>

John F Kennedy and Foreign policy – Bay of Pigs Invasion v. Cuban Missile Crisis:
8. **Bay of Pigs Invasion (JFK, advocacy based model)**
Summary: CIA was a huge advocate for the invasion plan which was originally developed under Eisenhower. Because CIA's power and their clear stance as a strong advocate of the plan, key people were excluded from the decision making due to their likely opposition. Further, others were hesitant to challenge such a strong CIA position. As a result, there was little debate, and the group failed to test some critical underlying assumptions, For example, they didn't question whether the landing would in fact lead to a rapid domestic uprising against Castro, and they failed to find out whether the exiles could fade into the mountains (which were 80 miles from landing site) should they meet with strong resistance. The incident ended up being a major embarrassment for JFK and the US.
File: Garvin Roberto 2001
Quotes: *"The first group, charged with deciding whether to support an invasion of Cuba by a small army of U.S.-trained Cuban exiles, worked in advocacy mode, and the outcome is widely regarded as an example of flawed decision making. Shortly after taking office, President Kennedy learned of the planned attack on Cuba developed by the CIA during the Eisenhower administration. Backed by the Joint Chiefs of Staff, the CIA argued forcefully for the invasion and minimized the risks, filtering the information presented to the president to reinforce the agency's position. Knowledgeable individuals on I the State Department's Latin America desk were excluded from deliberations because of their likely opposition. Some members of Kennedy's staff opposed the plan but held their tongues for fear of appearing weak in the face of .Strong advocacy by the CIA. As a result, there was little debate, and the group failed to test some critical underlying assumptions, For example, they didn't question whether the*

landing would in fact lead to a rapid domestic uprising against Castro, and they failed to find out whether the exiles could fade into the mountains (which were 80 miles from landing site) should they meet with strong resistance. The resulting invasion is generally considered to be one Iof the low paints of the Cold War. About 100 lives were lost, Ind the rest ofthe exiles were taken hostage. The incident was a major embarrassment to the Kennedy administration and dealt a blow to America's global standing." <u>Pg. 5</u>

9. **Kennedy's new inquiry-based group decision making process (used during Cuban Missile Crisis)**
   Summary: Kennedy conducted a review after Bay of Pigs failure. Changed the foreign policy decision making process. Transformed process into one of inquiry, not advocacy.
   Cuban Missile Crisis: Same group of people as with Bay of Pigs, but result was much better. Challenged assumptions had open debate. Followed above approach.

   File: Garvin Roberto 2001
   Quotes: *"First, people were urged to participate in discussions as "skeptical generalists"-that is, as disinterested critical thinkers rather than as representatives of particular departments. Second, Robert Kennedy and Theodore Sorensen were assigned the role of intellectual watchdog, expected to pursue every possible point of contention, uncovering weaknesses and untested assumptions. Third, task forces were urged to abandon the rules of protocol, eliminating formal agendas and deference to rank. Fourth, participants were expected to split occasionally into subgroups to develop a broad range of options. And finally, President Kennedy decided to absent himself from some of the early task force meetings to avoid influencing other participants and slanting the debate."* <u>Pg. 5</u>

   "The inquiry mode was used to great effect when in October 1962 President Kennedy learned that the Soviet Union had placed nuclear missiles on Cuban soil, despite repeated assurances from the Soviet ambassador that this would not occur. Kennedy immediately convened a high-level task force, which contained many of the same men responsible for the Bay of Pigs invasion, and asked them to frame a response. The group met night and day for two weeks, often inviting additional members to join in their deliberations to broaden their perspective. Occasionally, to encourage the free flow of ideas, they met without the president. Robert Kennedy played his new role thoughtfully, critiquing options frequently and encouraging the group to develop additional alternatives. In particular, he urged the group to move beyond a simple go-no-go decision on a military air strike. Ultimately, subgroups developed two positions, one favoring a blockade and the other an air strike. These groups gathered information from a broad range of sources, viewed and interpreted the same intelligence photos, and took great care to identify and test underlying assumptions, such as whether the Tactical Air Command was indeed capable of eliminating all Soviet missiles in a surgical air strike. The subgroups exchanged position papers, critiqued each other's proposals, and came together to debate the alternatives. They

presented Kennedy with both options, leaving him to make the final choice. The result was a carefully framed response, leading to a successful blockade and a peaceful end to the crisis."

10. **US Constitutional Convention, 1787**
Summary: A group of 55 representatives from the 13 states came together to decide on what sets of truths will govern the new nation. The final US Constitution was even referred by some as a "bundle of compromises."

How the Constitutional framers made group decisions – no one person has complete authority. Washington was appointed to preside over the proceedings.
- Each state had 1 vote – was the result of a significant compromise as big states wanted more influence than small states
- Strict secrecy was to be preserved
- No issue was to be regarded as closed and could be revisited for debate at any time
- 7 of 13 states constituted a quorum

File: Vile 2006
Quotes: *"The first rule that the Committee had therefore proposed, and the convention had adopted, called for each state to have a single vote."*

"Whenever they were faced with a conflict that seemed to be insoluble under normal decision procedures, the convention delegates would deliberately select a compromise committee composed of moderates on the issue. After relatively brief deliberation, this committee would return to the floor with a proposal acceptable to neither extreme but supported by a majority. Such a compromise solution, when accepted by the convention, rapidly deflated the salience, centrality, and potential for future divisiveness of the issue."

11. **Gore-tex CEO hiring decision**
Summary: Board of Directors polled a large number of Gore employees and asked them who is someone they'd be willing to follow. Employees chose Terri Kelley.
File: Hammel Breen 2008
Quotes: "The board of directors supplemented its discussion by polling a wide cross-section of Gore associates. They were asked to pick someone they'd be willing to follow."

12. **Gore-tex product decisions**
Summary: No assigned VPs or bosses, only leaders. So a boss does not decide, but instead a group of people decide. Power does not reside with a title, but with how many people are willing to follow you. If you want to play around with a new product idea, see how many of your peers are willing to help you with it. So you don't have a division head saying, lets invest in

Product X – instead, if Product X is a good idea, a lot of people will organically coalesce around it and try to make it successful; if Product X is a bad idea, fewer people will help out.

File: Hammel Breen 2008

Quotes: *"At its core, Gore is a marketplace for ideas, where product champions like Myers compete for discretionary time of the company's most talented individuals, and where associates eager to work on something new vie for the chance to join a promising project … As one engineer put it: "If you can't find enough people to work on your project, maybe it's not a good idea."*

<div align="right">Pg. 9</div>

13. **International Olympic Committee's host decision**

Summary: Each of the 100-plus active members of the IOC general assembly gets one vote to choose the new Olympics host city. Members who reside in a country that has a city on the final list cannot participate in the voting process as long as that city is in contention.

A first round of secret votes is taken. If no city wins a majority of votes, the city that received the least amount of votes is removed from the list and the general assembly members vote again. The results of each vote are made public as soon as the votes are counted. Voting continues in this manner until a selection is made and announced.

File: Hansen Sandersoon 2009

Quotes: *"In selecting a host city, the IOC, acting like a papal conclave, takes a series of votes until a candidate receives a majority.Each of the 100-plus IOC members gets one vote, and after every round the city with the fewest votes is eliminated."* Pg. 1

14. **Academy Awards (Oscar winner decision)**

Summary: A large group of committee members decide who wins Best Actor, Best Picture etc.

Nomination process: The academy uses the *preferential system* for major award categories, including best movie, best actress, and best actor. The preferential system the academy uses is a variation of a decision rule known in the literature on election procedures as *single transferable vote* (STV). STV has been supported as an election procedure for many years. It has been used for governmental elections in a few countries, including England, Ireland, and Malta.

The intent is to encourage nominators to give their true preference rankings on ballots by limiting the penalty for voting for a heavily favored candidate. Nominators can rank their true preferences without fearing that they are wasting their entire vote on their most-preferred candidate, when that candidate is a guaranteed winner.

Final selection process: All academy members vote and the one with most votes wins. Gehrlein and Fishburn (1978) showed that when voters' preferences are statistically independent, the plurality rule is the weighted-scoring rule least likely to select the Condorcet winner. Thus, the tradeoff of recognizing excellence as opposed to mass appeal continues.

File: Gehrlein Kher 2004

Quotes: *"The preferential system the academy uses is a variation of a decision rule known in the literature on election procedures as single transferable vote (STV). STV has been supported as an election procedure for many years."*   Pg. 2

[Further explanation of STV given further down on pg. 2]

"At the final stage, voting is open to all active and lifetime academy members, and it is done using the plurality rule in each category."   Pg. 7

15. **Microsoft decision making with different units**
    Summary: Earlier Ballmer used to work with each unit head to develop individual unit strategies – this was leading to stagnation in product ideas. Given that Microsoft's different units are so deeply interconnected, this also was not effective. So in 2004, a new process was developed: Ballmer developed agreement among his leadership team on what the set of strategic themes should be, so stuff like PC market, entertainment market etc. Now, the unit heads and Ballmer discuss what each unit can do to strengthen each theme, rather than meet to discuss their isolated units. CLASSIC EXAMPLE OF SILO-ED ORGANIZATION ADAPTING AND DEVELOPING BETTER GROUP DECISION MAKING PROCESS. New process led to far more new ideas being generated!
    File: Mankins Steele 2006
    Quotes: *"In late 2004, faced with a perceived shortage of good investment ideas, CEO Steve Ballmer asked Robert Uhlaner, Microsoft's corporate vice president of strategy, planning, and analysis, to devise a new strategic planning process for the company. Uhlaner put in place a Growth and Performance Planning Process that starts with agreement by Ballmer's leadership team on a set of strategic themes – major issues like PC market growth, the entertainment market, and security–that cross business-unit boundaries. These themes not only frame the dialogue for Microsoft's annual strategy review, they also guide the units in fleshing out investment alternatives to fuel the company's growth. Dialogues between the P&L leaders and Ballmer's team focus on what the company can do to address each strategic theme, rather than on individual unit strategies. The early results of this new process are promising."*   Pg. 7

16. **CEO of Global manufacturer revamping strategic decision making process**
    Summary: CEO realizes that current strategic decision making process was poor, he revamped the process to have lots of time to debate questions and for execs to actually see the business units. Yet, this process failed – people thought it's too slow and very few decisions were actually made.
    File: Mankins Steele 2006
    Quotes: *"The old approach, which required business-unit heads to make regular presentations to the firm's executive committee, had broken down entirely. The ExCom members – the CEO, COO,*

CFO, CTO, and head of HR – had grown tired of sitting through endless PowerPoint presentations that provided them few opportunities to challenge the business units' assumptions or influence their strategies. And the unit heads had complained that the ExCom reviews were long on exhortation but short on executable advice. Worse, the reviews led to very few worthwhile decisions."   <u>Pg. 1</u>

"The revamped process incorporated state-of-the-art thinking about strategic planning. To avoid information overload, it limited each business to 15 "high-impact" exhibits describing the unit's strategy. To ensure thoughtful discussions, it required that all presentations and supporting materials be distributed to the ExCom at least a week in advance. The review sessions themselves were restructured to allow ample time for give-and-take between the corporate team and the business-unit executives. And rather than force the unit heads to traipse off to headquarters for meetings, the ExCom agreed to spend an unprecedented six weeks each spring visiting all 22 units for daylong sessions. The intent was to make the strategy reviews longer, more focused, and more consequential. It didn't work. After using the new process for two planning cycles, the CEO gathered feedback from the participants through an anonymous survey. To his dismay, the report contained a litany of complaints: "It takes too much time." "It's at too high a level." "It's disconnected from the way we run the business."And so on. Most damning of all, however, was the respondents' near-universal view that the new approach produced very few real decisions. The CEO was dumbfounded."   <u>Pg. 2</u>

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<div align="center">**Project Sources**</div>

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