

Managers do the daftest things

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But how can they be stopped?

IN THE film "12 Angry Men", released in 1957, Henry Fonda turns in a remarkable performance as a juror convinced of the innocence of a teenager accused of killing his own father. His 11 fellow jurors are equally convinced of the defendant's guilt. Mr Fonda's character battles to prevent the others from leaping to a hasty verdict—and wins them round, one by one.

Business needs more people like "juror number eight". Mr Fonda's character has the courage to question the rationale for important decisions—even if that means swimming against the tide. Poor decisions in risk management and a host of other areas have helped plunge many of the world's largest banks and other financial outfits into a seemingly bottomless abyss.

Financial firms are not the only ones that have made mistakes. So, too, have business giants such as Yahoo!, which rejected a \$40 billion takeover offer from Microsoft in February 2008, only to see its share price plunge. The woes of GM and Chrysler, which have been forced to grovel for government handouts, are evidence not just of the scale of the downturn but of the decisions in the upper echelons of the two American car giants.

All of this will come as no surprise to the authors of a new book called "Think Again", which argues that even the cleverest business leaders slip up in crucial choices. Its authors—Sydney Finkelstein of the Tuck School of Business, and Jo Whitehead and Andrew Campbell of Ashridge Business School—point out that decision-making in business is often far from the rational, data-driven exercise that companies pretend it is. In fact, a decision is susceptible to a whole range of psychological biases that can trip up even experienced executives.



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One of these biases is to assume that past experience is relevant today, even when the circumstances are different. For instance, Richard Fuld, the former boss of Lehman Brothers, steered the American investment bank through the choppy market during the collapse and bail-out of Long-Term Capital Management, a hedge fund, back in 1998. When credit markets seized up last year, Mr Fuld appeared slow to grasp the extent of the crisis. Perhaps this was in part because his experience at piloting Lehman through that earlier storm had lulled him into a false sense of where the crisis was leading. Ultimately Lehman failed, with earth-shattering consequences.

Another psychological bias is “pre-judgment”. This happens when managers let a strongly held belief blind them to arguments against it. The authors cite the example of Boots, a British pharmacy chain, which expanded into health-care services such as dentistry and chiropody around ten years ago. Some analysts and Boots board members were sceptical, but Steve Russell had concluded it was the way of the future before he took over as chief executive in 2000. In the end, the move flopped because Boots did not have sufficient know-how to manage the activities in-house. His strategy in tatters, Mr Russell departed in 2004.

Managers can make daft decisions for a host of other reasons too—including close friendships with colleagues and pure self-interest in hoped-for bonuses and other rewards. So how can companies try to stop these biases from causing calamities?

Messrs Finkelstein, Whitehead and Campbell suggest several safeguards. One is to seek out as much data from different sources as possible to ensure that managers weigh all sides of an argument. BP, a British oil giant, sometimes hires two law firms to get contrasting views on important decisions such as a potential acquisition.

Another safeguard is to encourage internal debate before a decision, perhaps by formally asking an individual or a team to play devil’s advocate. GE, an American conglomerate with a financial arm that has been battered by the credit crisis, recently announced that it would encourage more “naysayers” to take part in its planning and operating meetings, in order to stimulate debate. A third safeguard is to monitor the progress of decisions so that errors can be spotted fast—though this does nothing to prevent a bad decision in the first place.



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Even with such safeguards, an imperial chief executive surrounded by yes men might neuter the checks—perhaps by undermining devil’s advocates. So boards of directors need a further line of defence. Hence, using their own resources and outside consultants if necessary, they should conduct their own reviews of important decisions.

The book’s authors say that an independent chairman is essential if such oversight is to work. They warn that firms are asking for trouble if they have a single person as chairman and chief executive—as at Marks & Spencer (M&S), a big British retailer. Some M&S shareholders who have been lobbying to reverse Sir Stuart Rose’s appointment to both seats would no doubt agree with that. Better to have a handful of angry executives than an army of angry shareholders.



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Worksheet

A Warm up

THESAURUS

stupid showing a total lack of good sense or good judgment. Stupid sounds very strong and is often used when you are annoyed or strongly criticizing someone's behaviour: *I wish you'd stop asking stupid questions.* | *It was stupid of me to leave the door unlocked.*

silly doing or saying things that are not sensible or serious, and that may make you feel embarrassed later. Silly sounds much gentler than stupid: *a silly mistake* | *Don't be so silly! There's nothing wrong with you.*

daft informal not sensible, often in a way that is also amusing: *Is this another of your daft ideas?* | *Don't be daft! Of course you're not too old to go clubbing.*

dumb informal especially AmE stupid: *a dumb question* | *He was dumb enough to believe her.*

foolish stupid. Foolish sounds rather formal and is used mainly in written English. The usual words to use in everyday English are silly or stupid: *It was a foolish thing to say.* | *They did not want to look foolish.*

unwise formal done without thinking carefully enough about the possible disadvantages that may result: *She knew the marriage was unwise.* | *an unwise choice of words*

VERY STUPID

crazy not at all sensible or reasonable - used when you are very surprised by someone's behaviour or what they have said: *Ian's got some crazy plan to drive across Africa.* | *She looked at me as if I was crazy!*

ridiculous extremely stupid: *You look ridiculous in that hat.* | *Some people spend a ridiculous amount of money on cars.*

absurd/ludicrous extremely stupid - used especially when an idea or situation seems strange or illogical: *How can a return ticket cost less than a single? It's totally absurd!* | *It was a ludicrous idea.*

laughable so stupid that you cannot believe someone is telling the truth or being serious: *The accusations were almost laughable.* | *a laughable suggestion*

[from LDOCE 5th edition © Pearson 2008

1 Look at this collection of words meaning *stupid*.

The title of the article is "Managers do the daftest things". How would this be said in American English?

2 Look at the words in the box below. Work in groups explaining the meanings to each other. Look up the words you do not know.



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juror	abyss	grovel	upper echelons	susceptible	choppy
seized up	slow to grasp	devil's advocate	nay sayers	yes men	hoped for bonus

3 Complete the sentences using the words and phrases from the box.

- a I started at the bottom but after 20 years I've reached the _____ of the company.
- b Is this area _____ to earthquakes?
- c I missed my deadline so I'll have to _____ to my line manager.
- d The oil pump stopped working so the engine quickly _____.
- e She was a _____ in a murder trial.
- f There was a strong wind so even the water in the lake was _____.
- g He appointed a lot of _____ to the board who would support his proposals.
- h Many people will resist any form of change. There are always _____ in any community.
- i They fell into an _____ and dropped down and down.
- j Don't make the mistake of spending your _____ before you actually get it.
- k He always adopts the role of _____ and argues why a new proposal will fail.
- l The young couple were _____ the disruption that their new twins would create in their lives.

B Comprehension

4 Read the text. Mark the sentences true or false.

- a Microsoft offered \$40 billion to buy Yahoo! T/F
- b The troubles in GM and Chrysler were caused by poor management decisions. T/F
- c The authors of *Think Again!* are surprised that so many poor decisions are made. T/F
- d Most companies say their decisions are based on data and rational thought. T/F
- e The authors of *Think Again!* identify and use examples to illustrate different reasons for mistaken decisions. T/F



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- f Close relationships with colleagues and the desire to be awarded a bonus can lead to the wrong decisions being made. T/F
- g The belief that “History always repeats itself” always leads to good decisions. T/F
- h Boots attempts to offer healthcare services failed because they did not know how to manage these activities. T/F
- i The authors suggest different safeguards to prevent poor decisions. T/F
- j A devil’s advocate would prepare arguments in favour of the project. T/F
- k When the Chairman and the CEO are the same person, there will be fewer board-level arguments and sensible decisions can be implanted quickly.

5 Read the text. Answer these questions.

- a The authors say that incorrect decisions are often the result of psychological biases. which of the following is not a psychological bias?
- (i) Assumption that past experience is relevant in different circumstances.
- (ii) Strongly held beliefs leading to pre-judgement.
- (iii) Rational, data driven decisions.
- (iv) Decisions influenced by personal friendships or a desire to meet a target which would lead to a bonus.
- b The authors offer a real-life example of an incorrect decision made as a result of each psychological bias. Which example is offered for each of the three correct answers above?
- c The authors suggest that companies should use a number of safeguards to avoid psychological bias. What are these safeguards?

C Language

- 6 The writer frequently uses metaphorical language. Look at the words and phrases below. What metaphorical imagery is the writer using?

swimming against the tide	plunge into a seemingly bottomless abyss	the choppy market
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- 7 The Longman Language Activator suggests the following words connected with *sensible* when referring to decisions. Use these words in the sentences below.

make sense	logical	be a good idea	calm	reasonable
rational	practical	realistic	pragmatic	wise

- a An experienced structural engineer could help us to find a _____ solution to this problem.
- b You cannot expect _____ decisions from a man who is in love or drunk.
- c Our employees want to spend time with their families. We can't ask them to work 18 hours every day. We must be _____.
- d The mathematician offered a _____ solution based on statistical information.
- e Although your proposals are good, I don't think the public will be able to _____ of them.
- f Your ideas are very good in theory, but we need a _____ solution.
- g Don't get so angry! Let's try to make a _____ decision.
- h Listen to the _____ words of George. He has worked in this business for fifty years.
- i It would _____ to install smoke alarms in the warehouse.
- j What would be a _____ price to charge for this product?

D Roleplay

- 8 Your company's car park is too small for all the employees to park their cars. Group A should suggest different solutions. Group B should act as devil's advocate.

E Twelve Angry Men

Twelve Angry Men directed by Sidney Lumet and starring Henry Fonda is set in the jury room of an American court. They are trying to decide whether a young man is guilty or innocent of the murder of his father. It is a hot, humid day and the 12 jurors are locked in the jury room. In the first vote, 11 jurors vote guilty. Only Henry Fonda votes Not Guilty. over the next 95 minutes he persuades the 11 jurors to change their votes. There are no women, no car chases, no spectacular scenes and yet the film can give the viewer the most gripping 95 minutes for many years. Everyone should watch it.



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Teacher's Notes

Abstract

A new book, *Think Again!* identifies psychological biases which contribute to bad decisions illustrated by example from commerce. The authors suggest safeguards which can help firms to overcome these biases.

- A1 An American writer would probably write “ Managers do the dumbest things”.
- A2 *Encourage sharing of knowledge before students consult dictionaries and other resources.*
- A3 a) upper echelons, b) susceptible, c) grovel, d) seized up, e) juror, f) choppy, g) yes men, h) nay sayers, i) abyss, j) hoped for bonus, k) devil’s advocate, l) slow to grasp
- B4 aT, bT, cF, dT, eT, fT, gF, hT, iT, jF, kF,
- B5 a (iii), b (i) Lehman Brothers, (ii) Boots, (iv) no example, c) data from many sources, get contrasting views, encourage internal debate, monitor the progress of decision, boards of directors should review all decisions, The chairman must be independent from the executive.
- C6 The writer uses images of the sea.
- C7 a) practical, b) rational, c) realistic, d) logical, e) make sense, f) pragmatic, g) calm, h) wise, i) be a good idea, j) reasonable
- D Adopting a devil’s advocate position is a useful linguistic and intellectual challenge. After completing one roleplay, ask the teams to swap sides and repeat the task.
- E Intermediate – Upper Intermediate students should have no difficulty in following the film in English. If you can, show the 1957 Henry Fonda version, not any of the remakes. The film can be viewed in shorter sections allowing students to discuss the progress and attempting to predict the next juror to change his vote.

