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Decision-Making for Complex Situations

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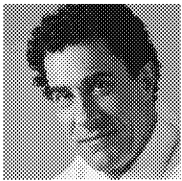
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WHEN LEADERS FACE COMPLEXITY, ineffective deliberations and decision making are often the result. In our experience, this occurs because they fail to differentiate *complex* situations from *complicated* ones. As a result, they engage in superficial team discussions often relying on one perceived expert opinion — and they take shortcuts in the decision-making process.



The fact is, *complex* situations are materially different from *complicated* ones — and increasingly common in today's environment: building earthquake-resistant towers is complicated; tackling climate change is complex. Managing inventory is complicated; mapping out corporate strategy is complex. Diagnosing a machine's performance is complicated; assessing a CEO is complex.

Complicated situations are characterized by many moving parts, whose interactions may or may not be immediately obvious, but whose consequences are decipherable and predictable. The signals that allow us to unravel complexity, on the other hand, are more deeply buried, ambiguous and inconsistent from one situation to another. When we interact with complex systems, the feedback we get is indirect, delayed and even distorted. Such ambiguous patterns and feedback make predicting complex phenomena very difficult and expertise nearly impossible to develop.

Based on our work with clients, we have identified four distinct stages for handling complex situations. Each is

designed to avoid the decision-making mistakes that leaders and their teams are vulnerable to when confronting complexity.

1. Differentiate complex problems and opportunities from complicated ones, so that they can be handled differently;
2. Shepherd competing arguments to bring contradictions and unspoken assumptions to the surface, while avoiding the recognized traps to which groups are vulnerable;
3. Integrate various perspectives by synthesizing insights into a coherent plan. In our experience, it is this dynamic process of *integrating disparate views* that distinguishes an effective leader of complexity from an ineffective one; and finally
4. Learn how to respond to the unpredictable feedback of complex systems, by continually fine-tuning your plan.

The four stages in our model contain eight decision strategies. We will now take a closer look at each stage in the complex decision-making process.

STAGE 1: DIFFERENTIATE COMPLEXITY

Strategy 1: Disaggregate the complex from the complicated. Some issues are obviously complex, while others are obviously just complicated. But today's leaders often face more subtle distinctions because many of their challenges and opportunities have both complicated *and* complex aspects to them. That's why it is so important to work with

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diverse teams to disaggregate these hybrid situations by first identifying their complex aspects those elements with a high degree of ambiguity and uncertainty.

Strategy 2: Unravel causal complexity. As indicated, it is the multiple, interacting causal and stakeholder factors that define complexity and demand a distinct approach, but tackling complexity depends on first recognizing it. ‘Systems thinking’ is the essential tool for separating ‘noise from signal’ in complex situations, because deciphering complex causality relies on hunting for the missing information that lurks within a system. Effective systems analysis takes time, patience and perseverance. Leaders and teams need to account for hidden and ambiguous causal relationships and a lack of predictability. Then, they must allocate sufficient time in their meeting agenda to explore the entire system of causal factors that are contributing to make a situation complex.

STAGE 2: FACILITATE DIALOGUE

Strategy 3: Foster deep question asking. Leaders must cultivate a culture of question-asking in order to ensure that silent voices are heard, unspoken assumptions are surfaced and latent concerns are identified. They can do this by limiting their own explicitly-stated opinions and by spending a disproportionate amount of their ‘talking time’ asking questions to ferret out the missing information that characterizes all complex situations. They can also encourage question asking within their teams by signaling greater enthusiasm for incisive questions than for shallow opinions.

Strategy 4: Encourage constructive dissent. High-quality dialogue is not self-generating. It requires a certain skill in facilitation to engender constructive dissent—the hallmark of generative conversations. To generate divergent ideas and solutions, leaders need to leverage the diverse perspectives on a team in order to surface implicit assumptions and contrary viewpoints. They need to celebrate and validate alternative viewpoints and proactively seek out contrary

opinions, rather than dismissing voices of dissent. This entails watching out for the following red flags: unanimous views, reticent or frustrated participants, dominating personalities that overwhelm others, and extreme positions that can limit creativity.

STAGE 3: SYNTHESIZE INSIGHTS

Strategy 5: Integrate perspectives. Leaders must coach their teams to resist the instinct to draw premature conclusions when facing complexity. They must recognize that solutions to complex issues usually result from integrating multiple solutions that represent a synthesis of many alternatives. The best solutions are rarely the initial ones proposed but, instead, are a blend of different perspectives that represent the best parts of a number of ideas and solutions. In other words, complex problems demand solutions that are ‘artful tapestries’ of varied components.

Strategy 6: Assess outcome probabilities. Leaders need to cultivate ‘probabilistic thinking’, rather than leaning towards dichotomous (i.e. black-and-white) thinking. They can do this by keeping themselves and their teams honest with a simple but powerful question: What probability should we assign to...? The probability question should be applied to the likelihood that (a) all the relevant information has been surfaced and discussed, (b) the interpretation of the information is accurate, and (c) the outcome of the decisions will unfold as predicted. With complex situations, the only type of ‘truth’ that is useful is the provisional kind, represented by subjective probability estimates.

STAGE 4: REFLECT AND REFINE

Strategy 7: Establish ‘pre-mortem’ plans. Because complex situations defy perfectly-accurate predictions, alternate ‘pre-mortem’ or back-up plans (‘Plan Bs’) are essential to mitigate the risk that the chosen solution will not fulfill its promise. The higher the assessed probability of risk of failure (strategy #6), the greater the need for a Plan B. Leaders and their teams need to engage in ‘pre-mortem’



examinations of ‘what might go wrong?’ and identify, in advance, the agreed-upon indicators of whether or not the complex solution is unfolding as anticipated.

Strategy 8: Course correct, gracefully: Leaders and their teams need to keep a watchful eye on how a complex solution is unfolding in reality by seeking customer feedback and scheduling early and regular assessments of their implemented decisions. Because the feedback about complex issues is often uneven, there is great danger in over-reacting to ‘noise’ as well as in under-reacting to signals that indicate a course correction is required. Leaders and their teams need to be disciplined in analyzing their learnings and ready to shift direction by gracefully moving to predetermined backup plans, or modified versions of them.

In closing

Successful navigating today’s complex environment demands that leaders embrace complexity and view it as a core characteristic of their ongoing deliberations. Leaders need to unravel and fully understand the unique elements associated with complex situations, gain insight by asking deep

questions and encouraging constructive dissent, discover innovative solutions by integrating perspectives and assessing outcome probabilities, and then course correct as reality unfolds. These four stages of decision-making for complex situations can make the difference for an organization during these challenging and uncertain times. **RM**

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