

When Teams Can't Decide

Are stalemates on your leadership team making you a dictator by default? Stop blaming your people – start fixing the process.

THE EXECUTIVE TEAM is deliberating about a critical strategic choice, but no matter how much time and effort the team members expend, they cannot reach a satisfactory decision. Then comes that uncomfortable moment when all eyes turn to the CEO. The team waits for the boss to make the final call, yet when it's made, few people like the decision. Blame, though unspoken, is plentiful. The CEO blames the executives for indecisiveness; they resent the CEO for acting like a dictator. If this sounds familiar, you've experienced what I call the *dictator-by-default syndrome*.

For decades this dynamic has been diagnosed as a problem of leadership or teamwork or both. To combat it, companies use team-building and communications exercises that teach executives how to have assertive conversations, give and receive feedback, and establish mutual trust. In doing so, they miss the real problem, which lies not with the people but with the process. This sort of impasse is inherent in the act of arriving at a collective preference on the basis of individual preferences. Once leadership teams understand that voting-system mathematics are the culprit, they can stop wasting time on irrelevant psychological exercises and instead adopt practical measures designed to break the impasse. These measures, proven effective in scores of strategy off-sites for companies of all sizes, enable teams to move beyond the blame cycle to a no-fault style of decision making.

Asking the Impossible

Reaching collective decisions based on individual preferences is an imperfect science. Majority wishes can clash when a group of three or more people attempts to set priorities among three or more items. This “voting paradox,” first noted in the eighteenth century by the Marquis de Condorcet, a French mathematician and social theorist, arises because different subsets of the group can generate conflicting majorities for all possible alternatives (see the exhibit “The Boss Is Always Wrong”). A century and a half later, renowned economist Ken Arrow developed his impossibility theorem, which established a series of mathematical proofs based on Condorcet’s work.

Suppose a nine-person leadership team that wants to cut costs is weighing three options: (a) closing plants, (b) moving from a direct sales force to distributors, and (c) reducing benefits and pay. While any individual executive may be able to “rack and stack” her preferences, it’s possible for a majority to be simultaneously found for each alternative. Five members might prefer “closing plants” to “moving sales to distributors” ($a > b$), and a different set of five might prefer “moving sales” to “reducing benefits and pay” ($b > c$). By the transitive property, “closing plants” should be preferred to “reducing benefits and pay” ($a > c$). But the paradox is that five members could rank “reducing benefits and pay” over “closing plants” ($c > a$). Instead of being transitive, the preferences are circular.

When the CEO is finally forced to choose an option, only a minority of team members will agree with the decision. No matter which option is selected, it’s likely that different majorities will prefer alternative outcomes. Moreover, as Arrow demonstrated, no voting method – not allocation of points to alternatives, not rank-ordering of choices, nothing – can solve the problem. It can be circumvented but not cured.

Although the concept is well understood in political science and economics and among some organizational theo-

IDEA IN BRIEF

- **When executive teams hit an impasse deliberating on an important decision, they often look to the CEO to make the final call, only to be displeased with the outcome.**
- **The CEO blames the team for indecisiveness; the team resents the CEO for acting like a dictator.**
- **This problem arises because groups try to reach consensus on the basis of individual preferences.**
- **Use the tactics described here to circumvent this *dictator-by-default syndrome* and create genuine team alignment.**

rists, it hasn’t yet crossed over to practical management. Understanding this paradox could greatly alter the way executive teams make decisions.

Acknowledging the Problem

To circumvent the dictator-by-default syndrome, CEOs and their teams must first understand the conditions that give rise to it. The syndrome is perhaps most obvious at executive off-sites, but it can crop up in any executive committee meeting of substance.

Most executive teams are, in effect, legislatures. With the exception of the CEO, each member represents a significant constituency in the organization, from marketing to operations to finance. No matter how many times a CEO asks team members to take off their functional hats and view the organization holistically, the executives find it difficult to divorce themselves from their functional responsibilities. Because the team often focuses on assigning resources and setting priorities, members vie for allocations and approval for favored projects. When more than two options are on the table, the scene is set for the CEO to become a dictator by default.

More insidiously, the problem exists even when a team is considering an either/or choice, despite the fact that

the voting paradox requires three or more options. Framing strategy considerations as binary choices – “We must either aggressively enter this market or get out of this line of business altogether” – appears to avert the problem. However, such choices always include a third, implied alternative: “Neither of the above.” In other words, there could be circular majorities for entering the market, for exiting the business, and for doing neither.

Take, for example, the ubiquitous business case, which usually offers a single, affirmative recommendation: “We should aggressively enter this market now.” The only apparent alternative is to forgo the market – but some team members may want to enter it more tentatively, others may want to enter an adjacent market, and still others may want to defer the decision until the market potential becomes clearer.

The use of the business case, which forces decisions into a yes-or-no framework, is a tacit admission that groups are not good at discussing and prioritizing multiple options. Further, when a team of analysts has spent six months working up the business case and only a half hour has been allotted to the item on the agenda, dissenting team members may be reluctant to speak up. Questions from the heads of sales and marketing, who have spent only a day or two with a briefing book and 20 minutes watching a PowerPoint presentation, would most likely be treated as comments tossed from the peanut gallery. So the team remains silent and unwittingly locked in the voting paradox. Ultimately, in order to move on to the next agenda item, either the team appears to reach a majority view or the CEO issues a fiat. In reality, however, there may be competing opinions, alternative majority opinions, and dissatisfaction with the outcome – all of them unstated.

Managing the Impossible

Once CEOs and their teams understand why they have trouble making decisions, they can adopt some straight-

forward tactics to minimize potential dysfunction.

Articulate clearly what outcome you are seeking. It's surprising how often executives assume that they are talking about the same thing when in fact they are talking past one another. In a discussion of growth, for instance, some may be referring to revenue, others to market share, and others to net income. The discussion should begin with agreement on what outcome the team is trying to achieve. If it's growth, then do all the members agree on which measures are most relevant?

In the absence of clearly articulated goals, participants will choose options based on unspoken, often widely differing, premises, creating a situation that is ripe for the dictator-by-default syndrome. One division of a major industrial company, for example, was running out of manufacturing capacity for a commodity product made in the United States and a specialty product made in Western Europe. Because costs of labor and raw materials were high in both places, the leadership team was considering what seemed like an obvious choice: shutting down the U.S. plant and building a plant in China, where costs were lower and raw materials were closer, to handle the commodity business and any growth in the specialty business. Most members of the team assumed that the desired outcome was to achieve the highest possible return on net assets, which the move to China might well have accomplished.

However, the CEO had been in discussions with corporate managers who were primarily concerned with allocation of overhead throughout the enterprise. The move to China would mean shutting down an additional plant that supplied raw materials to the U.S. plant, with implications for corporate earnings. Once the division team fully understood what outcome the parent company desired – to minimize overhead costs without taking a hit on earnings – it could work on solving the capacity problem in a way that honored the parent's strictures.

It's essential to keep discussion of the desired outcome distinct from discussion about how to achieve it. Sometimes, simply articulating the desired outcome will forestall or dissolve disagreement about solutions because the options can be tested against an accepted premise. It may also help avert the political horse trading that can occur when executives

Europe; or build a commodity plant in China and gradually decommission the U.S. plant.

Test fences and walls. When teams are invited to think about options, they almost immediately focus on what they *can't* do – especially at the divisional level, where they may feel hemmed in by corporate policies, real or imagined.

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try to protect their interests rather than aiming for a common goal.

Provide a range of options for achieving outcomes. Once the team at the industrial company had articulated the desired outcome, it could break the simplistic “accept,” “reject,” and “defer” alternatives into a more nuanced range of options: build a specialty plant in China; beef up the plant in Western

Often the entire team not only assumes that a constraint is real but also shies away when the discussion comes anywhere near it. When team members cite a presumed boundary, my colleagues and I encourage them to ask whether it's a wall, which can't be moved, or a fence, which can.

For example, one division of a global provider of financial services was

THE VOTING PARADOX

The Boss Is Always Wrong

A management team is attempting to select a fleet vehicle for its company's senior executives. When asked to rank three choices – BMW, Lexus, and Mercedes – the individual team members reach an impasse.

To break it, the CEO intervenes and picks BMW. But as the table shows, two-thirds of the team would have preferred a Lexus. Had he chosen Lexus, however, two-thirds of the team would have preferred

Mercedes. And had he chosen Mercedes, two-thirds of the team would have preferred BMW. Instead of being transitive – Lexus beats BMW; Mercedes beats Lexus; therefore Mercedes beats BMW – the choice is circular.

Whatever decision the boss makes, the majority of his team is rooting for a different option. Unjustly, but not surprisingly, he is considered a dictator.

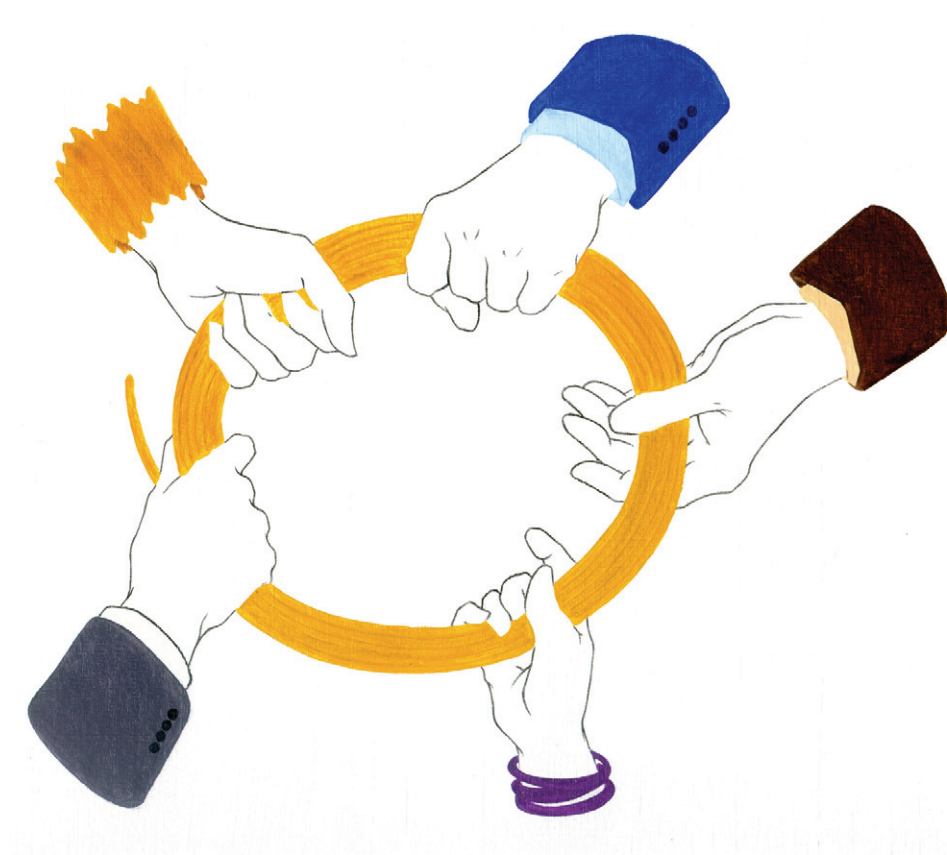
	First Choice	Second Choice	Third Choice
Lou	BMW	Mercedes	Lexus
Sue	Mercedes	Lexus	BMW
Stu	Lexus	BMW	Mercedes

looking at new avenues for growth. Although expanding the division's offerings to include banking services was a promising possibility, the executive team never considered it, assuming that corporate policy prohibited the company from entering banking. When the division head explicitly tested that assumption with her boss, she found that the real prohibition – the wall – was against doing anything that would bring certain types of new regulatory requirements. With that knowledge, the division's executive team was able to develop strategic options that included some features of banking but avoided any new regulations.

Surface preferences early. Like juries, executive teams can get an initial sense of where they stand by taking nonbinding votes early in the discussion. They can also conduct surveys in advance of meetings in order to identify areas of agreement and disagreement as well as the potential for deadlock.

A global credit card company was deciding where to invest in growth. Ordinarily, executive team members would have embarked on an open-ended discussion in which numerous countries would be under consideration; that tactic would have invited the possibility of multiple majorities. Instead, they conducted a straw poll, quickly eliminating the countries that attracted no votes and focusing their subsequent discussion on the two places where there was the most agreement.

Using weighted preferences is another way to narrow the decision-making field and help prevent the dictator-by-default syndrome. The life and annuities division of a major insurance company had developed a business plan that included a growth in profit of \$360 million. The executive team was trying to determine which line of business would deliver that growth. Instead of casting equally weighted votes for various lines of business, each executive was given poker chips representing \$360 million and a grid with squares representing the company's products and channels. Team



Proposing options early and allowing people to tailor them reduces the likelihood of a stalemate.

members distributed their chips according to where they thought the projected growth was likely to be found. After discussing the results they repeated the exercise, finding that some agreement emerged.

By the third and final round of the exercise, this weighted voting had helped them narrow their discussion to a handful of businesses and channels, and genuine alignment began to develop among team members. Equally weighted votes might have locked the executive team into the voting paradox, but this technique dissolved the false equality of alternatives that is often at the root of the

problem. Proposing options early and allowing people to tailor them reduces the likelihood that executives will be forced into a stalemate that the CEO has to break.

State each option's pros and cons.

Rather than engaging in exercises about giving feedback or learning how to have assertive conversations, executives can better spend their time making sure that both sides of every option are forcefully voiced. That may require a devil's advocate.

The concept of a devil's advocate originated in the Roman Catholic Church's canonization process, in which a lawyer

is appointed to argue against the canonization of a candidate – even the most apparently saintly. Similarly, in law, each side files its own brief; the defense doesn't simply respond off-the-cuff to the plaintiff's argument.

In business, however, an advocate for a particular option typically delivers a presentation that may contain some discussion of risk but remains entirely the work of someone who is sold on the idea. Members of the executive team are expected to agree with the business case or attack it, although they may have seen it only a few days before the meeting and thus have no way of producing an equally detailed rebuttal or offering solid alternatives. Further, attacking the business case is often perceived as attacking the person who is presenting it. Frequently the only executives with open license to ask tough, probing questions are the CEO and the CFO, but even they lack the detailed knowledge of the team advocating the business case.

By breaking the false binary of a business case into several explicit and implicit alternatives and assigning a devil's advocate to critique each option, you can depersonalize the discussion, making thorough and dispassionate counterarguments an expected part of strategic deliberations. This approach is especially valuable when the preferences of the CEO or other powerful members of the team are well known. If assigning a devil's advocate to each option appears too cumbersome, try a simpler variant: Have the CEO or a meeting facilitator urge each team member to offer two or three suggestions from the perspective of his functional area. Instead of unreasonably asking executives to think like a CEO, which usually elicits silence or perfunctory comments, this tactic puts team members on the solid ground of their expertise and transforms an unsatisfying false binary into far more options for discussion.

A major internet entertainment company adopted a novel version of the devil's advocate approach. The company maintains a council to consider its many

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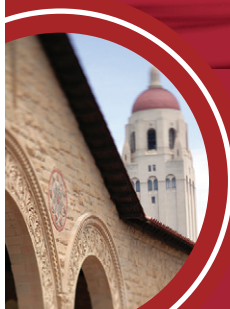
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potential investments, from upgrading its server farms to adopting new technology to creating special entertainment events on the web. In the past, each opportunity was presented to the council as a business case by an advocate of the investment, and each case was evaluated in isolation.

Frustrated with this haphazard approach, the company established a new system: The council now considers all investment proposals as a portfolio at its monthly strategy meetings. All proposals follow an identical template, allowing for easy comparison and a uniform scoring system. Finally, each one needs sign-off from an independent executive.

This system incorporates the devil's advocate role at two levels. For each proposal the validating executive, not wishing to be accountable for groundless optimism, considers carefully all of the counterarguments, does a reality check, and makes sure the sponsor adjusts the score accordingly. At the portfolio level, the comparative-scoring system reminds the team that the proposals are competing for limited resources, which prompts a more critical assessment.

Devise new options that preserve the best features of existing ones. Despite a team's best efforts, executives can still find themselves at an impasse. That is a measure of both the weightiness of some strategic decisions and the intractability of the voting paradox – it's not necessarily an index of executive dysfunction.

Teams should continue to reframe their options in ways that preserve their original intent, be it a higher return on net assets or greater growth. When they feel the impulse to shoehorn decisions into an either/or framework, they should step back and generate a broader range of options. For instance, the executive team of the property and casualty division of a large insurer wanted to grow either by significantly increasing the company's share with existing agencies or by increasing the total number of agencies that sold its products. Before the leadership team took either path, it

needed to decide whether to offer a full line of products or a narrow line. As a result, team members found themselves considering four business models: (1) full product line, existing large agencies; (2) narrow product line, existing large agencies; (3) full product line, more small agencies; and (4) narrow product line, more small agencies. Dissatisfied with those choices, they broke the business down into 16 value attributes, including brand, claim service, agency compensation, price competitiveness, breadth of product offering, and agency-facing technology. Some of these value attributes might apply to all four of the original business models; others to three or fewer. Agent-facing technology, for example, is typical of working with many small agencies, because their sheer numbers preclude high-touch relationships with each one.

The team then graded its company and several competitors on each attribute to find competitive openings that fit with the division's willingness and ability to invest. Instead of four static choices, it now had a much larger number of choices based on different combinations of value attributes. Ultimately, it chose to bring several lagging attributes up to market standard, elevate others to above-market standard, and aggressively emphasize still others. This turned out to be a far less radical redirection than the team had originally assumed was needed.

Two Essential Ground Rules

So far, I have outlined several tactics that leadership teams can use to circumvent the dictator-by-default syndrome. These tactics can be effective whether they are used singly or in tandem. But if teams are to thwart this syndrome, they must adhere to two ground rules.

Deliberate confidentially. A secure climate for the conversation is essential to allow team members to float trial balloons and cut deals. An executive who knows that her speculative remarks about closing plants may be circulated throughout the company will be

reluctant to engage in the free play of mind that unfettered strategy discussion demands. Moreover, team members whose priorities don't prevail in the deliberations must be able to save face when the meeting is over. If they are known to have "lost" or to have relinquished something dear to their constituents, their future effectiveness as leaders might be undermined.

Deliberate over an appropriate time frame. All too often the agendas for strategy off-sites contain items like "China market strategy," with 45 minutes allotted for the decision. The result is a discussion that goes nowhere or an arbitrary decision by the CEO that runs roughshod over competing majorities for other options. When new options are devised or existing ones unbundled, team members need time to study them carefully and assess the counterarguments. Breaking up the discussion into several meetings spaced widely apart and interspersed with additional analysis and research gives people a chance to reconsider their preferences. It also gives them time to prepare their constituencies for changes that are likely to emerge as a result of a new strategy.

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Leadership and communication exercises have their merits. A team can't make effective decisions if its members don't trust one another or if they fail to listen to one another. The problem I see most often, however, is one that simply cannot be fixed with the psychological tools so often touted in management literature. If executives employ the tactics described here, which are designed to fix the decision-making process, they will have far greater success in achieving real alignment. ▢

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