

**TIME
FOR
ACTION**

WHY DO LEADERS FAIL TO ACT?

A time worn piece of wisdom says that “if it ain’t broke, don’t fix it”. This is good advice, tinkering can do more harm than good, but what if there are problems, issues or “challenges”? From Nero fiddling as Rome burned, to boards seeming to ignore unsustainable performance, there are many dramatic examples of failures by leaders and managers to act in the face of deteriorating performance. Our experience shows that the same inactivity is even more common on a smaller scale. We routinely see indecisiveness and a lack of proactivity, with problems receiving little or no attention until they become critical, and sometimes not even then.

Why do these intelligent, competent and motivated individuals choose not to act when there is an opportunity to do so?

HOW WE THINK...

People are great at learning. The amount of knowledge that we can store in our heads, in the form of information or skills, is practically limitless. Whilst storage capacity (in “long-term” memory) isn’t an issue, our ability to access that knowledge is very variable and depends in part on how practiced we are in using it.

When a situation is familiar, knowledge is made available **automatically**, but when it is new or unclear, then we can struggle, and need to apply more **controlled** thought processes that use our “short-term or working memory”. This allows us to control and manipulate information in much more complex ways than those provided by automatic processing. It is a powerful tool but relatively slow and has limited capacity. **Our ability to focus on more than one difficult task at a time is pretty much non-existent.**

The difference between controlled and automatic mental processes is important, because it is impossible to consciously think about everything. We use automatic processes much of the time, because this type of processing is quick and not constrained by our mental resources.

We have a number of words for automatic processing: when it is routine, we call it a habit - something we do without thinking; when it is useful, we often call it expertise - an expert has developed habits in thought and action that make certain activities more effective; when the results are negative, one word we use is bias - an unwanted influence on what we do that we don’t completely control, caused by the automatically supplied knowledge not fitting the situation. **We are all experts in many parts of our lives, but not having to think about this behaviour means that it is very difficult to change.**

HOW WE WORK

**NOTICE
THE PROBLEM**



**CONSIDER
THE PROBLEM**



**MAKE
DECISIONS**



NOTICING A PROBLEM

We are bombarded with information all the time and one of the characteristics of business problems is that they tend to be complex, meaning that there are multiple variables and information that is missing or not clear. The volume of data captured these days means that it is difficult to know which information is important, and when data hasn't been used it is often incomplete or difficult to understand. In the absence of clear signals to grab our attention we simply do not notice an issue until it has grown large enough to impact the bottom line, which may be too late.

Another characteristic of business problems is that they invariably develop over time; we are programmed to notice contrasts, and this often leads to “**change blindness**” - our inability to recognise small, incremental changes in our environment. If a problem is not noticed, it is unlikely to be acted upon.

CONSIDERING THE PROBLEM

Remember that we are all good at learning, and that what we have learnt is made available automatically. This leads to three influences on how we perceive and think about what is going on around us: availability, representativeness, and baseline. These are often called biases, but they can be positive as well as negative.

Availability: describes how easily an idea comes to mind. This could be because we have experienced a situation before, or because it is important to us; the same mechanism as when we notice things. People will tend to use familiar information and solutions to problems. Note that this diagnosis is quick and easy but may not be correct.

Representativeness is how well an idea fits with the picture we have of the situation, based on what we see and hear, and also the fit with beliefs and assumptions that we have learned and use to fill in gaps in the picture.

Baseline is what we compare things to. Remember that we notice contrasts? The baseline (often called an “anchor”) is what we are comparing to. We make judgements based on how large the gap is between what we see and what we expect.

So: people like what is familiar and known, with as complete a set of information as possible. The best match for this is the recent past, which immediately makes **inactivity and maintaining the status quo a very attractive option.**

MAKING DECISIONS

Baselines become very important when we make decisions. Every decision involves putting value on where we are now and where we could be, involving some sort of gain or loss. Both gain and loss are always involved, as in doing one thing we lose the opportunity to do something else, and any change results in losing continuity (**people love continuity, it makes life predictable and safe**).

A critical point in how people make decisions is that they value losses more than gains: people feel the pain of a loss more than the pleasure of the same sized gain. This leads to “**loss aversion**” where avoiding a loss will normally be preferred to achieving a similar gain.

Loss aversion adds yet more weight to the “do nothing” option when examining a problem – and do nothing is always an option. **People invest a lot of themselves in the decisions they have made and how they choose to work, so changing incurs a significant loss for them.**

CLOSING THOUGHT

When we consider our cognitive psychology, the surprise is not why leaders choose not to act in the face of problems, but why they would ever act at all! We are all hard wired to avoid losses and protect what we have, to trust what we know over uncertainty, even when what we know isn't true!

We can overcome these barriers to action by engaging our controlled thought, to think beyond the immediate and use additional information to plan ahead. This also enables us to modify what we have learned and modify our automatic responses in the future. In a changing world, knowing when our habits, expertise and biases work best, and how to update them when they don't, is the key to improving both our personal and businesses performance.

We help leaders: assess, establish or improve their businesses performance management frameworks to ensure their teams, managers and leaders always take action to improve performance.