Fast-Cycling Self-Awareness to Develop Better Leaders

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The importance of application in executive learning is well-known, and there are many wonderful innovations today that marry classroom learning to action-oriented initiatives. But the importance of self-awareness and insight in executive development deserves more attention. Understanding oneself is a crucial development path to growing executives who can make decisions that will grow healthy businesses in the long and the short term. In fact, some research suggests that self-awareness may be the single most important characteristic a leader can develop (George, 2007). More can be done to find ways to create intense, fast-cycle learning experiences that produce real insight about how one's personality, beliefs, social needs and thinking skills interact to drive the conclusions individuals reach on complex issues.

Books that explore the irrational side of decision making are popular today, given the recent string of debacles in financial markets. Long ago, Herbert Simon argued in his seminal book on management (Simon, 1947) that executives sometimes approach decision making in rational ways, and sometimes not. Complete rationality is not possible, he argued, because rationality requires complete knowledge and anticipation of consequences that will follow on each choice. Years later, psychologist Irving Janis peeled the onion further, demonstrating that decisions flow from complex relationships among a) personality factors (like high need for social approval or perpetual optimism), b) cognitive beliefs (like ideology and political views), and c) skill levels (Janis, 1989). But while we cannot expect fully rational outcomes from executives (who are human, after all), Janis argued we should expect a rational approach.

Today we might ask, how can we develop executives who will avoid defective, simplistic, irrational approaches to making decisions? If leaders were more self-aware, wouldn't they make better decisions? Isn't self-awareness and insight the right place to start?

Self-awareness Through Simulation

Computer-based management simulations are not typically considered among best practices in the development of C-suite executive potential. But a $17 billion, global manufacturer found real value in the process of prepping a dozen future, senior leaders for

top-executive responsibility – by expecting more self-awareness and insight generated through a highly active learning event. The participants and their bosses learned about the ways they were and were not prepared to take on the heavy responsibilities of enterprise decision making.

The target participants included vice-presidents and senior vice presidents from four countries. They represented senior operational roles and functional roles including

finance, marketing, and legal affairs. They selected these participants because of their potential for being promoted within the next couple of years to a C-Suite position, and each knew it.

The Goal

The objective of the overall executive program was to prepare executives for top-leadership by:

EXHIBIT 1: SAMPLE SIMULATION SCREEN
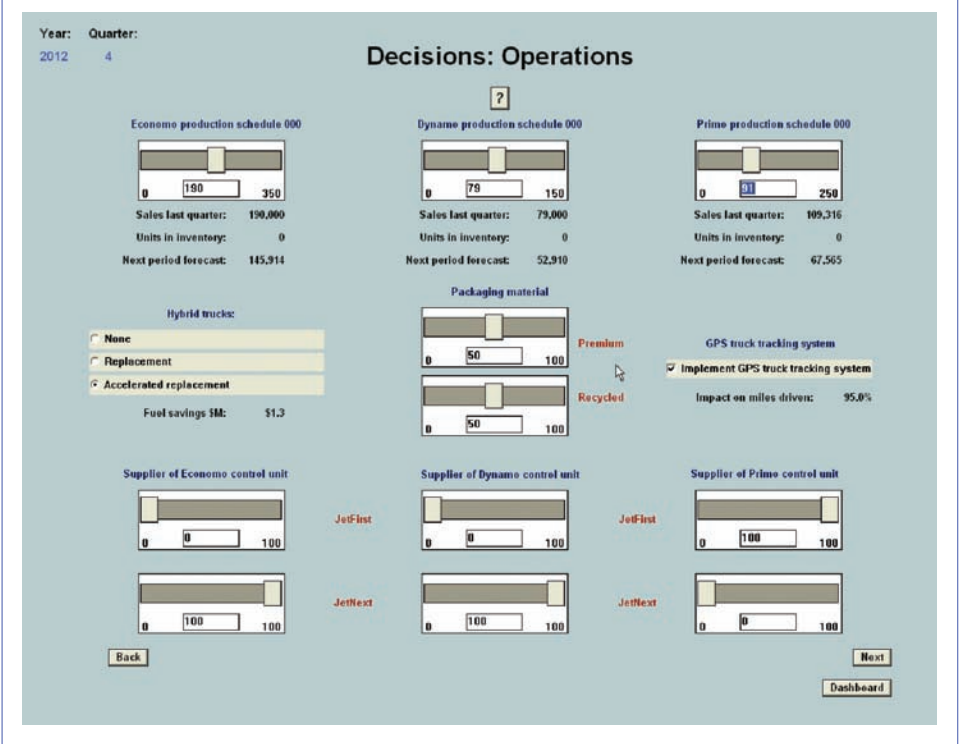
1. Enhancing their ability to make strategic decisions to meet short-term and long-term goals in a complex and dynamic organization.

2. Developing and applying financial acumen to create value.

3. Building cross-functional and international teamwork and collaboration with their peers.

The simulation was part of a developmental experience embedded within a five-day executive education program. The first three days of the program focused on strategy, finance and influence skills. The simulation was on the fourth day of the program. It was designed to integrate the three previous day's work on strategy, finance and influence skills by applying new tools and frameworks in complex decisions on issues that interacted over time to produce results—both anticipated and unanticipated. It was designed to produce self-awareness and insight into how they make decisions as members of a top-executive team.

decisions in the simulated company. The operational decisions included production schedules, purchasing of fuel-efficient hybrid trucks, packaging material, GPS tracking for delivery trucks, and parts suppliers.

All of the decisions in the simulation involved tradeoffs such as pricing vs. market share, cost vs. quality, and growth vs. profitability. Like decisions in the real world many of the tradeoffs evolved over time and were cumulative in nature. For example, modest short-term price increases did not have a strong impact on market share, but a long series of aggressive price increases had a cumulative effect and a much stronger impact on market share.

The simulation included numerous causal chains — linkages between decisions, dynamics and performance. Severe cutbacks in wage levels caused a drop in employee satisfaction and a resulting increase in defect rates. The increase in defect rates had a negative impact on customer satisfaction, and declining customer satisfaction resulted

action-learning teams further added to a healthy pressure to perform.

Self-Awareness, Insight and Learning

Five big lessons emerged from observing and discussing the results of the simulation with the winning and losing teams. These lessons are broadly applicable to executive learning and performance:

1. Use the tools presented in the learning sessions.

2. Clarify and align to the strategic intent of the business.

3. Be prepared for unanticipated shocks to the business.

4. Decide how to interact and encourage dialogue.

5. Be aware of and manage stress.

Use the Tools

A direct correlation existed between the relative performance of the three teams in the simulation and the extent to which each applied the content of the previous three days work in strategy, finance and influence. The team that won the simulation based their decisions on the strategic, financial and influence principles that they learned earlier in the week. The team that placed second did not start out using these principles, but incorporated them after a mid-course correction. The team that came in last reported that they "blew it" by panicking and by completely ignoring what they had learned.

Why would smart, high-potential leaders choose to ignore tools they had learned only hours before? Janis might have argued they were demonstrating a personality factor he called "chronic lack of openness," which leads to a tendency to apply existing, comfortable routines to practically all problems and initiatives (Janis, 1989).

Align to Strategic Intent

The faculty member who taught the strategy session had stressed that a company's strategic intent is critical in providing overall direction to guide strategic priorities and decision making. During the debriefing following the simulation, the winning team stressed the importance for them of creating a statement of strategic intent. They wrote

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How the Simulation Worked

Participants worked in groups of four, acting as three C-Suite teams. The teams ran a simulated company that was similar to the client company — a manufacturer with three primary product lines and its own distribution system of trucks. Teams made quarterly decisions, and the simulation ran for 20 quarters or five years. After each quarter, teams examined their results and revised their strategies and decisions, as needed, before running the next quarter. Results were provided in real time through numerous tables and graphs.

Participants made decisions about operations, sales and marketing, business development, and human resources. Exhibit 1 (p. 50) provides a sample screen of what participants saw when making operational

in declining market share, which resulted in lower profits. Most of the relationships in the simulation were nonlinear. Spending on employee training was beneficial up to a certain point, but lavish spending provided little incremental benefit.

The teams competed against each other based on specific performance measures. Metrics included stock price, customer satisfaction, market share and social responsibility. Yearly scorekeeping allowed all teams to compare their results to those of the other teams. They presented the final results of the simulation in front of all teams and key members of the client company's C-Suite team.

To bring authenticity and a sense of consequences to the action, the simulation included board meetings and debriefs with top executives from the real company. Subsequent development plans and involvement in

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their statement of strategic intent on a flip chart that they kept in front of them at all times. The flip chart served as a constant reminder of their strategic priorities as they were making decisions.

In the absence of a clear strategy, the losing team defaulted to ad hoc and sometimes reactive decision making. Their lack of a clear strategy was apparent during the simulated board meeting. After the team left the room, one of the board members said, "They don't know what their strategy is. They are going to lose." The third team, after floundering for two years, clarified their strategy. In the simulation debrief, they identified that event as the turning point that allowed them to ultimately achieve strong performance.

Participants that struggled might ask themselves, do I lack the conceptual skills to define issues in the context of the big picture, or do I under-value the benefits of clear and compelling strategic direction? How does it affect decisions I make in my role in the business?

Prepare for Shocks

The faculty member who taught the strategy session also emphasized the importance of anticipating business environment changes, and the simulation contained a business environment "shock" — a large spike in fuel prices. The possibility and implications of a large spike in fuel prices was incorporated into the simulation case. The winning team made some investments to hedge against a fuel price spike, and when the shock occurred, they adapted quickly. The other two teams did not hedge as effectively.

Team members that suffered the worst results might ask: Am I prone to "chronic optimism" or do I often act without conscientiousness?

Encourage Dialogue

The session on influence and collaboration had focused the importance of balancing advocacy and understanding the viewpoints of others. During the simulation debrief, the winning team described their approach to

influence and collaboration. They decided early on to utilize explicit guidelines for making decisions and managing their time. They did this through what they described as an "offsite"; they left the room and spent nearly an hour developing their strategy and discussing how they would work together. They also applied the "ladder of inference," a tool from the previous sessions, to help them determine when to advocate for a particular position and when to inquire about someone else's point of view.

By contrast, the losing team never took time to discuss how they would work together or how they would make decisions. During the simulation debrief, they identified this as an important limitation. Each person worked separately, and then advocated for a particular decision-making approach. They had difficulty influencing each other and reaching consensus.

On reflection, each team member might learn something about the effects of introverted personal styles or about high needs for control and power in relationships. Lower performing teams especially, should ask themselves what is dysfunctional about their interaction patterns and how could they fix them. Oftentimes, all it takes is conscious efforts to engage people.

Manage the Stress

Research links high stress with lower levels of creativity (Amabile, Hadley & Kramer, 2002) and reduced reasoning and planning (Goleman, 1998). All three teams reported high degrees of stress caused by time constraints. Some found it easier than others to resist the temptation to make a move too quickly, when it was important to slow down. Each became quite aware of how stress affected their behavior. Low stress tolerance is a hardwired trait, but one that can be stretched with meditation, vigorous exercise and other tactics. The winning team noted that the time they took to define a process early on, made it easier to go faster later. Observers noticed they did not seem to experience quite as much tension as the other teams.

Accelerating Decision-making Skills

Decision making is the essence of business leadership. Fundamentally, it is what executives are paid to do. On the other hand, decision making is very difficult to teach. Personal awareness and insight are part of the individual maturity and wisdom that lead to better decisions. Simulations that capture the complexity and interaction of today's challenging issues have a lot to teach executives — about themselves. **P&S**

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