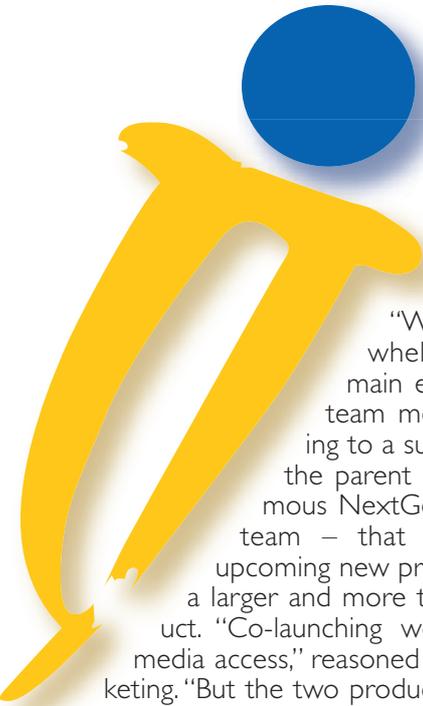


Next Practice

from Imagination Lab

Reaching Better Decisions Through Guiding Principles



Develop a shared set of guiding principles to improve your decision-making processes.

The NextGen Team Debates a Big Decision...

"We can't do it—they'll overwhelm us!" exclaimed the main engineer in the NextGen team meeting. He was responding to a suggestion from CoreCo – the parent company of the autonomous NextGen product development team – that the team combine its upcoming new product launch with that of a larger and more traditional CoreCo product. "Co-launching would give us far better media access," reasoned NextGen's head of marketing. "But the two products are aimed at different customers and channels," replied the head engineer, who continued: "CoreCo just doesn't really understand how innovative our product really is".

The NextGen team was in a quandary. After two years of hard development work, it was almost ready to go to market on its own when, suddenly, it had to face the possibility that its innovative discovery would be overshadowed by a more conventional product from its parent company. A decision was needed quickly, as CoreCo had invited NextGen to be part of a press conference announced for the following day. How should the team respond to this possibility that had such huge potential upside *and* downside? One team member proposed drawing up a comprehensive list of the pros and cons of co-launching, and weighting the possible options. A few other members nodded their heads in agreement. Given the urgency of the situation, however, the team leader recommended drawing on the team's guiding principles in making a decision, an approach that had served NextGen well before.

Guiding Principles: What Are They?

At the Imagination Lab, we have explored how decision-making processes were played out in practice in several management teams, including NextGen's. We found that when making decisions under tight time and/or other constraints, efficient teams do not conduct an exhaustive examination and evaluation of all possible alternatives as theory would suggest. Instead, they fall back on a shared set of *guiding principles*.

Principles are deep, shared understandings among people that can provide guidance in decision-making. Unlike rules – where the final wording defines the right decision – the discussions and conversations that lead up to the development of guiding principles are more important than their final phrasing. Principles can guide teams' decisions, without specifying a particular choice in the manner of a

Decision Making: Is it Really All In Our Heads?

Most economists would argue that the NextGen team member proposing the comprehensive list is right. It is well known that decision theory is based on the idea that any rational person in the same situation could come to the same solution that yields the highest return or *payoff*. Yet we *never* have all the relevant information and our rationality is always *bounded* – especially in complex, fast-moving environments. Real decisions involve complicated streams of interconnected issues that unfold over time, and impact a wide number of individuals – including our boss, our colleagues, our customers, and our suppliers. It is unrealistic to expect managers to make decisions solely based on pure rationality.

Social psychologists have found that we are guided by mental frameworks or *schema* that have worked in the past, and which we apply – sometimes unconsciously – to new situations. When teams make decisions they take *group norms* – patterns of behaviour that regulate how members interact with each other – and team members' *mental models* into account when assessing and evaluating options. Yet while such frameworks explain part of the decision-making puzzle, they are far from the whole story. Most of these psychologists study teams in laboratory settings, rather than looking at how management teams make real decisions in their organizations.

rule. In clarifying the guiding principles behind the rules, the teams we studied were able to make sense of existing options and even to create new ones.

As The Team Debated...

In deciding how to respond to the co-launch suggestion, the NextGen team invoked its guiding principle of *Stay in Orbit* – developed at an earlier stage to deal with a different situation. Drawing on the metaphor of a satellite (NextGen) orbiting a planet (CoreCo), the principle was for the team not to get too close to the parent and “burn up”, or drift too far away and “get lost”. Although it didn’t specify exactly what to do about the co-launch, this principle helped clarify the team’s relationship with its parent, at which point its course of action became clearer. *Stay in Orbit* helped the team to realize that it did not face a black-and-white choice. Other articulated guiding principles used by this team included *Parallel Process* (conduct tasks in parallel rather than step-by-step), and *Be a Real Partner* (treat external alliance partners as equals and not as outsiders).

Characteristics of Guiding Principles

After studying the guiding principles used by the NextGen and other-management teams, we found that such principles appeared to share three important characteristics:

1. *Guiding principles are grounded in identity.* Each of the guiding principles we observed built on a shared awareness of the identity of their organization. Knowing who we are in the here and now is critical to taking coherent actions and making good decisions. This means that guiding principles are not necessarily meaningful to outsiders, and don’t have to be. *Stay in Orbit* meant something to the NextGen team because it described the team’s reality of being semi-dependent on its parent company.
2. *Guiding principles are built around shared stories.* Each guiding principle can be thought of as the headline of a more elaborate story, which when invoked provides guidance on a course of action. Stories help us keep track of and consolidate our experiences to make them available now and in the future, either to ourselves or to others. In the NextGen team, *Parallel Process* called to mind the story of the upstart team’s radical refusal to adopt a slower parent company’s incremental operating procedures.

3. *Guiding principles are grounded in emotional and rational considerations.* The stories underlying the guiding principles evoked strong feelings; they were not just rational chains of events. Stories having an emotional component better alert us to important environmental changes, to appropriate responses, and to anchor important events in our long-term memories. To the NextGen team, *Be a Real Partner* conjured up the story of the small team building a network of partners that together would do more than simply launch a product—they felt it would change the world.

NextGen’s Successful Decision

The NextGen team decided to go along with the co-launch while ensuring that many elements of its distinctive identity made it into the final public relations launch. In proceeding with the co-launch in a manner consistent with its guiding principles, the NextGen team made a rapid decision that helped it go on to be the most successful CoreCo launch in decades—far outshining the more traditional product.

Conclusions

Our research suggests that managers can improve their decision-making processes by developing and using guiding principles instead of relying on a more traditional – and often rigid – evaluation and weighting *pros and cons* approach. By clarifying your guiding principles now, you can enhance your ability to quickly identify and evaluate existing options – and possibly even uncover new ones.

The ideas in Next Practice represent the collective wisdom of the Imagination Lab Foundation research team. Contact David Oliver (david@imagilab.org) if you are interested in the topic of Vol. 2, NR. 1, 2003. Established in 2000 Imagination Lab Foundation is a non-profit research foundation that conducts research on play, imagination and emergence as it relates to life primarily in organizations.



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