Asking the other questions

Failing to take into account the unquantifiable can ultimately lead to poor business decisions. Learn Sir Donald Cruikshank’s lesson and always keep an open mind.

What you know, and particularly what is quantifiable, is rarely enough information or the right information with which to make a decision. This is actually quite disturbing stuff. It is a question of, “What can we know?”

One of the reasons I keep a diary is not to do with issues facing me, but with issues facing other businessmen or politicians. I write down what the outcome on an issue is going to be and why. In other words I use information available at the time to write my diary.

When the original idea was proposed that Granada, Carlton and BSkyB would get together to deliver digital terrestrial television in the UK. I saw that as being anti-competitive, too much of a concentration of power, particularly since Sky dominated the digital satellite television market.

The competition authorities decided Sky had to leave that consortium, and I have a contemporaneous diary entry saying that Granada and Carlton would be crazy to proceed with their current plans because of the way in which Sky would probably respond; partly through spite, but partly for good management reasons. So what information was missing?

If I put myself in Granada and Carlton’s shoes, all the market analysis was still the same - the propensity of people to have a box in their home, which would pick up a digital terrestrial signal. None of that had changed and neither had the financial analysis.

What had changed was the competitive context in which they were now launching that service. What they failed to understand was how Rupert Murdoch and Sam Chisholm, chief executive at that time, would react... in part, it has to be said, irrationally because they were angry about being thrown out of the original idea.

As far as I know, the executors of Granada and Carlton made no real effort to understand the new context in which they were working. In particular, they made no effort to try and judge or find out what Sky might do in the circumstance.

It is interesting that the main reason for outcomes being different from what you predicted is not that you misinterpreted information, which you had available at the time, but that you were missing information.

Missing information - particularly about other incentives and other people - can often be hard to pick up. It tends to be the way in which customers and markets evolve, and just human nature.

The other area that is difficult is the tendency - in your own head, and certainly among your staff - to present analysis that tends to rely firmly on the things that can’t easily be quantified. It’s the pressure, particularly in the private sector, to translate things into balance sheet and...
So the things you don’t know – plus this pressure on yourself and on your staff to just use that which is quantifiable – often leads to poor decision-making.

Now we come to the issue of; “Well, what do you do about it?” And this is where experience comes in. It’s important to be open-minded and to understand what the scientists are doing ‘in the garage’. It’s the accumulation of all this peripheral information – partly from your own experience and partly from interaction with others way outside the immediate network of decision-makers.

Keep an open-mind, and that will increase your chances of making the right decisions where the information is actually not available in any form that can be quantified and translated into an argument.

LESSON SUMMARY
■ You are rarely armed with enough knowledge to make a decent decision: it is often missing information that leads to poor decision-making.

■ Making an effort to understand market forces, such as competition, can stand you in good stead; as can attempting to empathise with other organisations and second-guessing their next steps.

■ Remaining open-minded and accepting influences from beyond your everyday sources of information can help guide you in terms of decision-making.

■ An over-reliance on quantifiable information can often stop creative or lateral decision-making dead in its tracks.

IDEAS FOR ACTION
■ Become familiar with problem solving by keeping a diary and considering what you would do if you were faced with the problems confronted by politicians and business leaders.

■ Keep on top of how consumer trends are changing by identifying appropriate market research partners. They can organise focus groups from which they can glean quality insights that can help inform decision-making.

■ Maintain a current awareness of market conditions by creating a competition task force, which meets monthly.

■ Interact with peers in different organisations and industry sectors by accepting invitations to attend lunches, dinners and other networking opportunities.

Find out more
This article is transcribed from 50 Lessons’ library of over 500 video lessons given by 100 business leaders. To view and hear the full interview online, visit 50lessons.com

SIR DONALD CRUIKSHANK’S CAREER MILESTONES
Knighted in 2006, Sir Donald Cruickshank is the former chairman of the London Stock Exchange and a current director of Qualcomm (since June 2005).

■ A consultant at McKinsey before joining Times Newspapers as commercial director, he then moved to the role of managing director (MD) of the information and entertainment division of Pearson.

■ In 1984 he became managing director of the Virgin Group, where he spent the next five years.

■ He was chief executive of the National Health Service in Scotland from 1989 to 1993.

■ From 1993-1998 he was director general of OFTEL.

■ He then spent three years as chairman of Action 2000, the UK Government’s Millennium Bug campaign.

■ Sir Donald was appointed by chancellor at the time Gordon Brown to be chairman of the government’s review of the UK banking sector in 1998. His report was published in March 2000.

■ He became chairman of the London Stock Exchange in May 2000, a position he left in July 2003.

■ Sir Donald also served as chairman of SMG from 1999 to 2004, Formscape Group Ltd from 2003 to 2006, and Clinovia Group Ltd. from 2004 to 2006.

■ He became chairman of the mobile and web platform Audiboo in April 2010.