Kingsley Gate

Bad Decisions:
Why Companies
Miss the Most
Important Factor in
Executive Hiring

FT LONGITUDE

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Contents

Introduction

Astonishingly, the skill of making effective, timely decisions is often overlooked in leadership candidates. As companies search for new hands on the tiller to navigate uncertain waters, it is becoming clear that it is essential.

For many senior executives, feeling empowered to make good decisions is a crucial aspect of their remit. This skill feeds into many other areas of responsibility, such as good management practices, communication, strategy and more.

Despite its centrality, new research from Kingsley Gate reveals that decision making is the 'missing piece' in hiring strategy for leadership positions. A quarter of senior executives say they were not asked about their decision making capabilities at interview stage and only around a third **(36%)** say that their decision making style aligns with that of their organization. There is also evidence to suggest that, even when asked about decision making, senior executives are not pressed to elaborate on their approaches to the process and thinking behind their decisions.

This report reveals the many benefits of ensuring that decision making is an integral factor in the leadership hiring process; how to empower senior executives to make good decisions; and how to accommodate contrasting decision making styles.

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Decision making is treated as more of a subpoint in many recruitment processes, rather than a central aspect. We should be explicitly asking people 'to what degree did they think their decision making was clear? Was it ethical, was it transparent, was it empowered?

David Livermore, Professor of Global Leadership at Questrom's School of Business, Boston University

About
Our Research

Purpose

The objective of the research is to explore several dimensions of organizational decision making, including the relationships between decision making and executive leadership, talent strategy, and employee satisfaction.

The Survey

Kingsley Gate commissioned a survey that was conducted by FT Longitude in May and June 2023.

The Respondents Profile

We spoke to senior executives at C-suite, C-1 and C-2 levels. They came from 13 industries and 5 countries in the Americas, Europe and Asia-Pacific (APAC).

The Experts

To find out more about how decision making affects leadership, we interviewed three experts in the field:

David Livermore
Professor of Global Leadership at Questrom's School of Business, Boston University, Founder of the Cultural Intelligence Center in East Lansing, Michigan, and Research Fellow at Nanyang Technological University, Singapore

Jude Reser
Vice Present, HR
Atrium Hospitality

Umesh Ramakrishnan
Chief Executive Officer
Kingsley Gate

Mutual benefit:
How does good decision making help both company and individual?

Our survey reveals that just **49%** of senior executives feel satisfied with their organization's decision making process and ability to make decisions effectively. Over a quarter **(29%)** say they have considered resigning from a job because they were dissatisfied with the way the company made decisions, whilst more than a third **(34%)** said that they even took the decision to resign because of this.
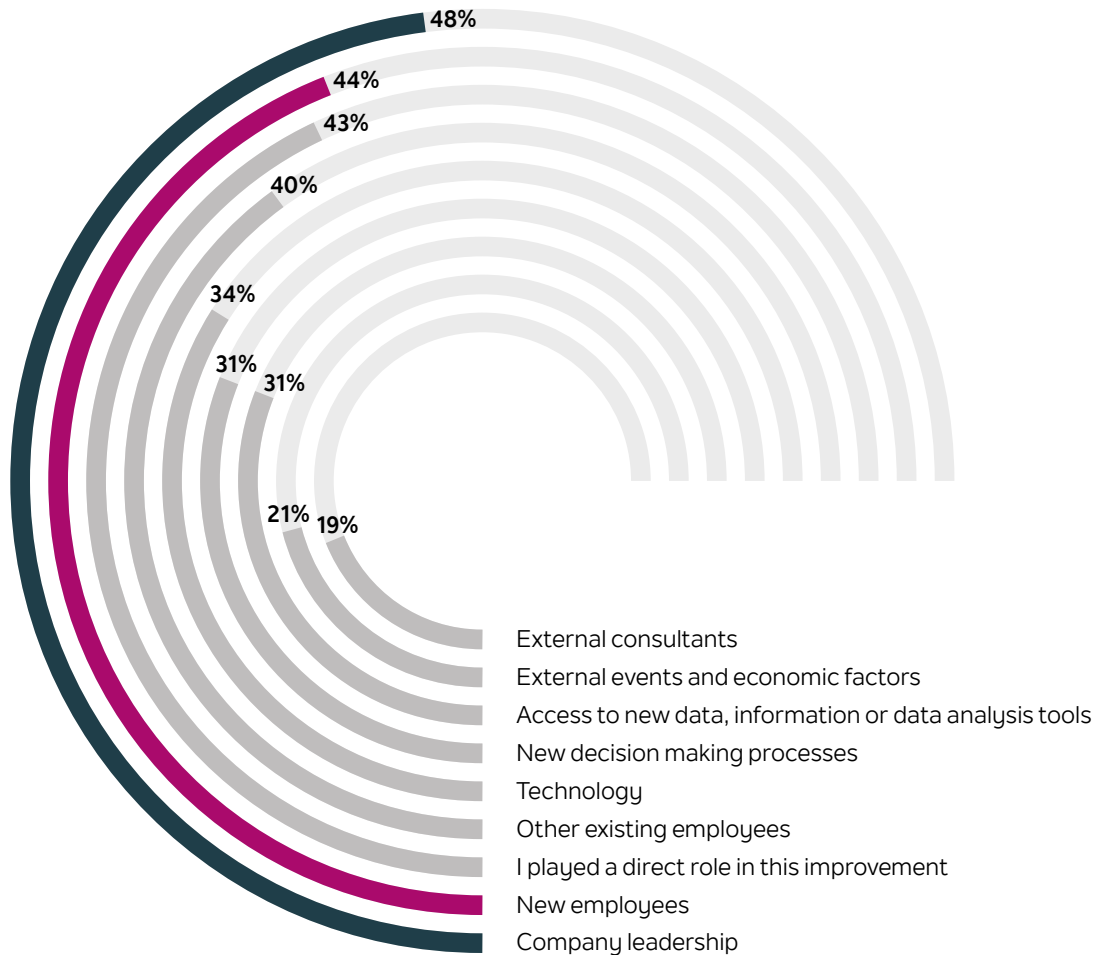
When senior executives are dissatisfied with the way decisions are made, this leads to job dissatisfaction and, potentially, resignation, which could have a profoundly negative impact on an organization. As well as the morale and productivity impact of losing a senior executive, the cost of failing to empower your employees to make decisions can be damaging. It is estimated to cost six to nine months of an employee's salary to replace them—so, to replace an employee making **$600,000** a year, that would be **$300,000-450,000.**[1]

How can leaders avoid inflicting these negative impacts on both employee and organization? Our research reveals that those who are satisfied with decision making effectiveness in their organization are **3.6 times** more likely to be satisfied with their jobs overall, compared to those who aren't satisfied with decision making. This suggests that effective organizational decision making is a key driver of executive success and happiness.

The findings also reveal that the decision making capabilities of individuals are, cumulatively, the main driver of improving decision making in the organization overall. When asked which factors play the biggest role in driving improvement in their organization's decision making, senior executives cited company leadership as the most influential factor, followed closely by new employees' making a direct improvement. Senior executives ranked these people-centric factors ahead of technology, processes, data-analysis tools and even their own personal, self-reported impact.

[1]Crail, C. (2023). 15 Effective Employee Retention Strategies In 2023. Forbes Advisor. https://www.forbes.com/advisor/business/employee-retention-strategies/

This suggests that effective decision making has mutual benefit for the happiness of the individual and the success of the organization. So, how can companies ensure that this is achieved?

Company leadership and new employees are the top factors in improving decision making capabilities

48%
44%
43%
40%
34%
31%
31%
21% 19%

External consultants
External events and economic factors
Access to new data, information or data analysis tools
New decision making processes
Technology
Other existing employees
I played a direct role in this improvement
New employees
Company leadership

Senior executives who are satisfied with decision making in their organization are

3.6x

more likely to be satisfied with their jobs overall, compared to those who aren't satisfied with decision making.

Senior executives who were asked about decision making in their interview are over

2x

more likely to be satisfied with the organization's decision making, compared to those who weren't asked.

Recruiters should ensure that decision making is discussed with the candidate during the hiring process. Assessing the candidate's decision making ability and style will lead to the company's hiring good decision makers, which, as the research shows, enhances decision making in the company overall. Equally, candidates should have a good idea of the company's decision making style before joining,

Senior executives who were asked about decision making in their interview are **1.4 times** more likely to be satisfied with their jobs overall and are over twice as likely to be satisfied with the organization's decision making process. However, a quarter of senior executives say they were not asked about their decision making capabilities before starting a role.

Senior executives who were asked about decision making in their interview are

1.4x
more likely to be satisfied with their jobs overall, compared to those who weren't asked

David Livermore, Professor of Global Leadership at Questrom's School of Business, Boston University, explains that, even when candidates are asked about decision making, the questions are often superficial. "It's not typically a very sophisticated approach. It's usually, 'Tell me about a time when you made a tough decision.' And it can be useful to hear that, but we don't usually see those individuals pressed for the process that they used to arrive at that decision."

It's asking about that point in time when they took that fork in the road. What could have happened had they taken the opposite path? Was that path fraught with danger or was there potential for success? And what did they find more appealing about this path that caused them to take it? I've never seen that level of interviewing either for a new candidate or even for a promotion.

Umesh Ramakrishnan, Chief Executive Officer, Kingsley Gate

As previously mentioned, our research reveals that those who are satisfied with decision making effectiveness in their organization are **3.6 times** more likely to be satisfied with their jobs overall. This statistic is relatively on par with how other elements feed into employee satisfaction, such as compensation and benefits, workplace culture and career growth. As well as ensuring that decision making is an integral part of the interview process, companies should regard it as a crucial element in employee satisfaction, alongside more widely recognized indicators.

Hiring good decision makers/ ensuring decision making is part of the interview process

Job satisfaction for senior executives

Better decision making in organization

Different styles: How do beliefs, values, and culture drive decision making?

Senior executives say that their decisions are more rationale/data-driven than intuition-driven. However, nearly three-quarters **(74%)** of senior executives say that their personal values and beliefs often influence the way in which they make decisions. This ties in with the finding that people are the main driver of improvements in decision making, ahead of data and processes.

This could suggest that, even when decision makers use data and processes, personal values and beliefs still come into play, and personal subjectivity is necessary to make decisions. A report on personal values and decision making biases produced by Bournemouth University suggests that people are rarely completely rational in their decision making and, even when they endeavor to be, perceptions of risk, past experiences, cognitive biases and personality all come into play.[2]

This links in with the topical subject of AI and its role in decision making. Whilst AI has evolved to compete with a human brain in many areas, other elements such as empathy, knowledge of the people involved and recognizing the many nuances of a real-world situation are not as advanced.[3] 'Human' qualities, such as values and beliefs are, therefore, necessary components of decision making.

Strikingly, 60% of senior executives say they frequently rely on intuition or 'gut instinct' when making decisions; this rises to **76%** for C-suite respondents. Umesh Ramakrishnan, CEO of Kingsley Gate, explains that, for him, this is usually because he trusts that the analysis has already been done by others. "As a CEO, any decision that comes up to me has already been through a rigorous analysis. So, I am less interested in the data and more interested in who is saying what about the data," he explains. "I may ask questions about data, but that final yes or no is almost always [down to] gut instinct. If I didn't have that level of trust in my employees, the decisions would take a long time to make."

[2]Griffiths, N. (2021). Personal Values & Decision-Making Biases. OSF. https://osf.io/53mva/download
[3]McKendrick, J & Thurai, A. (2022). AI Isn't Ready to Make Unsupervised Decisions. Harvard Business Review. https://hbr.org/2022/09/ai-isnt-ready-to-make-unsupervised-decisions

C-suite respondents are also the most likely to say their decision making style is unconventional or unique, which ties in with the finding that only a third **(36%)** of senior executives say their style of decision making aligns with their organization's style.

Most senior executives say their personal values and beliefs influence the way they make decisions

I carefully consider the impact or significance of my decisions when making choices.	87%
It is very important for me to know that other people approve of and respect my decisions.	78%
I look for input and validation from others before I finalize my decisions.	77%
When making decisions, I frequently prioritize the well-being or protection of others over my own needs.	75%
My personal values and beliefs often influence the way I make decisions.	74%
When making decisions, I frequently prioritize financial considerations over other factors.	64%
I often feel the need to justify or defend my decisions to others in order to appear credible or knowledgeable.	62%
I frequently rely on intuition or gut feelings when making decisions.	60%
My decision making approach is often a bit unconventional and unique to others.	59%

74% of senior executives say their personal values and beliefs influence the way they make decisions

This prevalence of 'unconventional' or 'unique' decision making styles among the C-suite could relate to the fact that this group are more likely to rely on instinct when making decisions, in contrast with other employees who are perhaps more data- or process-driven. C-suite members could be said to offer a different approach or perspective. However, ensuring that this approach doesn't differ wildly from the ethos of the company as a whole is crucial. Focusing on decision making styles during the interview process will ensure that C-suite employees bring a fresh perspective without causing friction.

Does decision making differ between cultures?

If beliefs and values impact styles of decision making, does culture feed into this?

Our research shows that decision making approaches vary between countries. However, people centric factors (i.e. company leadership and new employees) rank highly across all countries for driving improvements in decision making.

Overall, the UK seems to adopt a more conservative approach to decision making compared with other countries surveyed. For example, the UK is least likely to

• Rely on 'gut instinct' or intuition

• Agree that their decision making approach is unconventional

Executives in UAE, meanwhile, favor a consensual approach, with **82%** looking for input from others when making decisions, compared to **77%** overall and **86%** prioritizing the wellbeing of others when making decisions, compared to **75%** overall.

David Livermore of Boston University explains that the decision making style of the UAE is reflective of its innovative and diverse workforce. "The UAE thrives on innovation. Most measurements of national differences would tell you that the UAE is extremely top-down and hierarchical, based on the Middle Eastern culture. And yet—the majority of businesses in the UAE are led by people from all over the world where a more democratic, innovative style of leadership and decision making is used."

This variation could be because different cultures have different perceptions of authority from a young age. For example, in some countries, figures of authority such as parents or teachers are seen as facilitators and equals who

can be challenged. However, in other cultures, contradicting someone senior to you would be considered poor behavior. These attitudes then filter into perceptions of authority in the workplace and decision making styles vary accordingly.[4]

As well as authority, cultural factors such as an acceptance of uncertainty or ambiguity; individualism vs collectivism; and attitudes towards different gender identities can come into play when determining decision making style.[5] If a candidate is asked the right questions in the interview process, their decision-making style will become apparent, and the relevant leaders can then assess whether they are a good fit for the company. A 'good fit' doesn't necessarily mean that the individual perfectly emulates existing decision making styles, but can bridge the gap between the culture today and where it wants to be tomorrow, facilitating progress. This involves both respecting and challenging the decision making status quo. Clearly, there is no 'one-size-fits-all' when it comes to making decisions, and this should be remembered by in-house talent acquisition teams and executive search firms as they build leadership teams.

There is a diversity of perspectives. Personality-wise, culture-wise, industry-wise, etc., people have different degrees of tolerance towards uncertainty. For those of us who lean towards being comfortable with risk, we wouldn't necessarily need our leader to be super explicit about what we are empowered to decide. But somebody who has less tolerance of uncertainty may need and want more guidance on this.

David Livermore, Professor of Global Leadership at Questrom's School of Business, Boston University

[4]Meyer, E. (2017). How Authority and Decision-Making Differ Across Cultures. Harvard Business Review. https://hbr.org/podcast/2017/07/how-authority-and-decision-making-differ-across-cultures

[5]Müller, R, Spang, K & Özcan, S. (2008). Cultural differences in decision making among project teams: examples from Swedish and German project teams. Paper presented at PMI® Research Conference: Defining the Future of Project Management, Warsaw, Poland. Newtown Square, PA: Project Management Institute. https://www.pmi.org/learning/library/cultural-differences-decision-making-international-7131

Bad Decisions: Why companies miss the most important factor in executive hiring

As Livermore suggests, leaders also need to be able to decipher what decisions need to be made and by who. Are decisions being made at the right level, or should they be delegated? Energy management company, Schneider Electric, introduced a "delegation of authority pathways" framework during the pandemic, which meant that layers for technology- and budget-related approvals were reduced, allowing the company to maintain speed and agility across the 100 countries in which it operates. It also gave employees opportunity to demonstrate their decision making abilities.[6]

As well as delivering the framework and training to reduce any risks associated with delegating decisions, it was the responsibility of the senior team to identify the risks that they didn't want anyone else to take. It could be said that taking a considered approach towards delegation is a key skill for a senior executive, as well as making effective decisions directly.

[6]Mitchell, R. (2023). Delegation: The biggest test for transformational CIOs. CIO. https://www.cio.com/article/419320/delegation-the-biggest-test-for-transformational-cios.html

True empowerment: What helps and hinders good decision making?

David Livermore of Boston University explains that, before starting a role, candidates often believe that they will have more decision making power than they do in reality. "I've seen many instances of individuals who think they are going to have all kinds of autonomy or authority, and have actually found themselves in a very consensus oriented environment, or have eventually realised that someone else entirely is driving the decisions. This makes me think—what would recruiting and onboarding for decision making look like to avoid these scenarios?"

Only **49%** of senior executives are satisfied with how their company makes decisions and **63%** have resigned or considered resigning from a job because they were dissatisfied with how decisions were made. This could be because a greater level of transparency is needed in the recruitment/onboarding process so candidates understand the level of autonomy they will have before starting a role. Candidates should ensure they get a clear picture of decision making processes from their prospective employer through asking questions such as, "will I be given autonomy to take ownership of and make decisions?", "how much freedom do I have to drive innovation in this role?" and "what decision making processes do you have in place?"

This transparency and two-way communication in the recruitment process should also filter into decision making in general. Our research findings show that greater transparency is the most important factor in improving decision making. This was ranked ahead of speed, thoroughness and being held accountable for the outcome of any decisions.

Bad Decisions: Why companies miss the most important factor in executive hiring

Jude Reser, Vice President, HR at Atrium Hospitality, explains that two-way communication is needed at all levels. "I think the ability to have input in decisions that are being made is very important at all levels of the organization," she explains. "If there isn't two-way communication, this negatively affects engagement and productivity, but also increases turnover because people feel that they are stagnant, that they're not being heard, that nobody cares. And so they will leave to work for somebody who does."

However, while others should naturally feed into your decision making to some extent, having to accumulate endless layers of approval is often the opposite of empowering. A third **(33%)** of senior executives with their own area of responsibility say that they have decision making power that is subject to review or approval. A recent report from McKinsey suggests that empowerment involves giving people a strong sense of ownership of the decision in which they're involved, which also involves providing a space where people can fail safely.[7]

> **We all want some measure of autonomy — we don't want somebody telling us how to cross the street. But the degree to which people want to or should completely own decisions should be considered. I've watched people make decisions, and then that led to their downfall in the organization. There was no shared support for it. So, as well as some measure of autonomy, there needs to be trust and a tolerance for failure.**

David Livermore, Professor of Global Leadership at Questrom's School of Business, Boston University

Ensuring that the topic of decision making is integral to the interview process would mean that candidates can understand the level of autonomy that they'll have in the role and be able to assess if they're comfortable with this. Additionally, it would also allow organizations to reflect more regularly on their own decision making processes. Making effective decision making a key part of performance reviews would provide a space for employees at different levels to assess what they are doing well and what could be improved. This, in turn, will drive overall improvement to ensure that individuals are empowered to make good decisions.

[7]Aminov, I, De Smet, A & Jost, G. (2019). Decision making in the age of urgency. McKinsey & Company. https://www.mckinsey.com/capabilities/people-and-organizational-performance/ our-insights/decision-making-in-the-age-of-urgency

Working in harmony: How do best in class leaders align individual and company decision making?

Only just over a third **(36%)** of senior executives say their decision making style aligns with that of their organization and nearly a quarter **(23%)** say they conflict. The remainder were neutral **(42%).** Moreover, just **49%** of respondents say they are satisfied with their current organization's decision making process and effectiveness. And the majority say they have either resigned, or have considered doing so in the past, because they were dissatisfied with the way decisions were made.

So, should the decision making styles of the individual and the company align?

Our research shows that over three-quarters **(76%)** of those whose decision making style aligns with their organization are satisfied with their jobs overall. This drops to just **43%** of those whose decision making styles diverge.
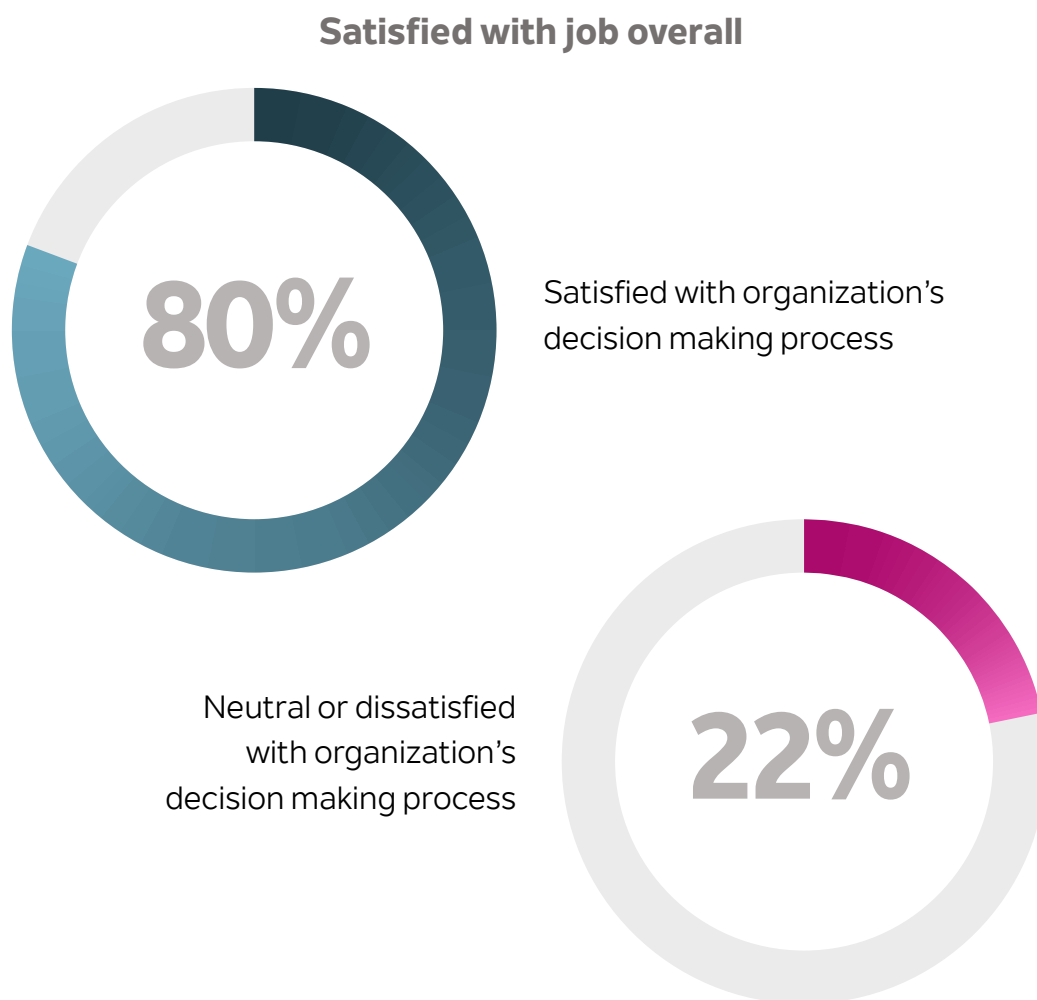
"

Your ability to make decisions and the process you use should fit synchronously with your environment. You could have two entities, one an individual, one an organization, which have both been very successful with their process and decision[-making] styles. But, if they serve as a horrible fit for each other and incentives aren't aligned, you're setting both entities up for failure."

Umesh Ramakrishnan, *Chief Executive Officer , Kingsley Gate*

Assessing decision making style at interview stage will give a much better chance of recruiting individuals whose leadership style fits in with or facilitates the progress of organizational culture. Senior executives who didn't discuss the decision making topic before taking their current roles are **30%** less satisfied with their current jobs overall and **54%** less satisfied with decision making effectiveness at their companies, compared to those who did discuss decision making.

Satisfaction with organizational decision making leads to overall job satisfaction

Satisfied with job overall

80%

Satisfied with organization's decision making process

Neutral or dissatisfied with organization's decision making process

22%

C-suite members are most likely to perceive that company style aligns with their own — although still less than half agree with this **(46%)**. This group are also most likely to say their decision making style is 'individual' or 'unique'. It could be that, to push an organization forward, those in the C-suite need to adopt a style that is slightly different from the norm. Introducing decision making into the interview process will help companies understand if a candidate's decision making style can facilitate progress without contrasting drastically with the organization overall. Therefore, the question companies need to ask themselves is, how aligned does a senior executive need to be, and how divergent?

"

Questions we ask during the recruitment process include 'how do you keep your skills current?' There's an old saying: 'leadership isn't necessarily having all of the great ideas. Leadership is being able to recognise a good idea when you see it.

Jude Reser, Vice President, HR, Atrium Hospitality

Finding the missing piece: Why is decision making effectiveness a crucial aspect of assessing leadership candidates?

Senior executives who discussed decision making before taking up their role are more likely to be satisfied:

- In their roles overall
- With their organization's decision making process and ability to make decisions effectively
- With the degree to which they are empowered to make decisions
- With many elements of their roles, such as workplace culture and environment, opportunities for career growth and having a sense of purpose
- Are also more likely to have seen an improvement in their organization's decision making over time

This shows that decision making shouldn't just be one element of the recruitment process; rather, it should play a central role in hiring senior executives. The first step is ensure that they have the education, experience and skills to make effective decisions in the role. Following this, decision making style should be discussed. Not only is establishing candidates' decision making style and their level of compatibility with organizational style key to enabling them to thrive, but it could also be instrumental in improving the decision making of the organization once they join.

As well as discussing decision making before a senior executive is hired, introducing it into performance reviews, 'lessons learnt' sessions and other reflective milestones would feed into a 'virtuous upward spiral' that would see improvement of decision making on both individual and organizational levels.

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