

BEST PRACTICES

FROM GERRY HOFFNER...

Volume V. No. 2

NEWSLETTER

February, 2008

Judgment: Making Great Calls

What is the fundamental essence of leadership? Is it the ability to make consistently good judgment calls?

Realistically, leaders are remembered for their best and worst judgment calls, especially when the stakes are high, information is limited and the correct call is far from obvious.

In the face of ambiguity, uncertainty and conflicting demands, the quality of a leader's judgment determines the entire organization's fate.

That's why leadership experts Noel M. Tichy and Warren G. Bennis claim judgment is the essence of leadership. In their popular book, *Judgment: How Winning Leaders Make Great Calls* (Portfolio, 2007), they write: "With good judgment, little else matters. Without it, nothing else matters."

Judgment has rarely been discussed in academic or popular publications. Until now, it has been a fairly murky concept. Many assume it's an inborn trait, but Tichy and Bennis prove it's a skill that can be developed, refined and nurtured throughout an organization.

In their book, they assert that what really matters is not how many calls a leader gets right, or even the percentage of correct judgment calls. What truly matters is the actual number of *important* calls he or she gets right.

Effective leaders not only make better calls, but they're able to pinpoint the make-or-break decisions and get most of them right.

Who Gets It Right?

The framework Tichy and Bennis lay out in their book is simple and clear. But making good judgment calls when it counts is complicated. To better understand judgment, they examine the good, the bad and the ugly calls of well-known CEOs in leading organizations:



Gerry Hoeffner
President

Gerry has found a unique and energizing approach to training management teams and their employees. His passion for the study of human behavior and his experience in manufacturing, retail sales, financial services, real estate and the medical field imparts a broad spectrum of insight and knowledge to his presentations. Gerry is known throughout the United States and Canada for his high-energy presentations and "straight talking" approach to managing the human side of your business.

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- Jeff Immelt, CEO of General Electric, whose decision to grow his company through research and development transformed GE into the world's premier technology company.
- Joel Klein, chancellor of the New York City Department of Education, who made tough calls about teachers, students and parents, while turning around a troubled school system.
- Jim McNerney, CEO of Boeing, whose strategic judgment helped him reinvigorate his company and restore a culture of trust and respect.
- The late Gen. Wayne Downing, who found an unexpected opportunity amid crisis when he led the Special Operations raid to capture Manuel Noriega.
- A.G. Lafley, CEO of Procter & Gamble, who bet \$57 billion to purchase Gillette and reinvent his company.
- Brad Anderson, CEO of Best Buy, who made the call to commit totally to a customer-centric strategy and led his people to execute it successfully.

The authors are clear: There is no one-size-fits-all way to make a judgment call. If all patients were the same, physicians could take a cookie-cutter approach to care, instead of relying on the science and art required of their profession. The same holds true for business: Every organization has distinct problems, people and solutions.

Rationality Doesn't Always Win

Judgment and decision-making are first beginning to appear in better business schools' curricula, but we don't yet know enough to fully understand how good judgment occurs.

In 1957, Herbert Simon laid the groundwork on the limits of rationality when he attacked classic economics and game theory. His work demonstrated the need to take into account the real world's messiness and irrationality when making decisions.

Psychologist and Nobel Prize Laureate Daniel Kahneman gets credit for digging the grave of rational-choice theories for writing: "Research indicates that people are myopic in their decisions, may lack skill in predicting their

future tastes, and can be led to erroneous choices by fallible memory and incorrect evaluations of past experiences."

Neuroscientists' research also provides proof that, more often than we realize, our brains are influenced by subconscious emotional reactions from their more primitive centers. We're not in control of our rationality and reasoning as much as we'd like to think.

Nevertheless, Tichy and Bennis use their extensive experience in working with major organizations' CEOs to extract some basic frameworks for the process of making good judgment calls.

A Framework for Leadership Judgment

Above all, a judgment call should not be viewed as a single-point-in-time event. At some juncture, leaders do make the call, but this is only one moment in the middle of the judgment process.

The process begins when leaders recognize the need for a decision. They consequently frame and name the issue, align people and continue through successful execution. Leaders are said to have "good judgment" when they repeatedly make calls that turn out well, largely because they've mastered a complex, constantly morphing process that unfolds in several dimensions.

There are three phases to the process:

1. Time: This includes what happens before the leader makes the decision, framing and naming the issue, what the leader does during the moment of the call, and what he/she must oversee to ensure the call produces the right results.
2. Domains: The three critical domains are judgments about people, strategy and leadership during crises.
3. Constituencies: Leaders make judgment calls in relation to those around them. Relationships are crucial sources of information, and they must be managed during all phases of the process to achieve a successful outcome. Leaders must use their knowledge of self, social networking, the organization and the decision's context.

Three Judgment Domains

People: Leaders cannot set sound direction and strategy for their enterprises or deal with crises without smart judgment calls about the people on their teams. This is definitely the most complex domain. Sound judgments about people require leaders to:

1. Anticipate the need for key personnel changes
2. Specify leadership requirements with an eye toward the future — not the rearview mirror
3. Mobilize and align the social network to support the right call
4. Make the process transparent so it can be deemed fair
5. Make it happen
6. Provide continuous support to achieve success

Strategy: When the current strategic road fails to lead to success, the leader must find a new path. The quality and viability of a strategic judgment call is a function of:

- The leader's ability to look over the horizon and frame the right question
- The people with whom he/she chooses to interact

Crisis: During a crisis, leaders must have clear values and know their ultimate goals. Crises handled poorly can lead to an institution's demise.

The Process of Making Judgment Calls

In all three domains, good judgment calls always involve a process that starts with recognizing the need for the call, with steps that facilitate effective execution.

1. **The Preparation Phase:** This phase includes sensing and identifying the need for a judgment call, framing and naming the judgment call, and mobilizing and aligning the right people. While these steps may seem obvious, many factors can contribute to faulty framing and naming, which can result in a bad judgment call. It's important to allow "redo moments" and continually adjust to get it right.
2. **The Call Phase (Making the Judgment Call):** There's a moment when leaders make the call, based on their views of the time horizon and the sufficiency of people's input and involvement.

3. **The Execution/Action Phase:** Once a clear call is made, execution is a critical part of the process. Resources, people, capital, information and technology must be mobilized to make it happen. During this phase, feedback loops allow for adjustments.

Unlike decision-making, judgment is a continuous process, from inception to execution. During all three phases, there are moments when adjustments can be made ("redo" loops). With feedback and continually adjusting parameters, calls can be revised to maximize results.

When it comes to judgment, the only measures of success are results and outcomes.

Resources and Constituencies

The quality of leaders' judgment depends on their ability to marshal resources and interact well with appropriate constituencies. Four types of knowledge are necessary for making judgment calls:

1. **Self-Knowledge:** Leaders who exercise good judgment calls are able to listen, reframe their thinking and give up old paradigms.
2. **Social-Network Knowledge:** Leadership is a team sport. There must be alignment of the leader's team, the organization and critical stakeholders to create the ongoing capacity for good judgment calls. This is why cultivating solid relationships is crucial.
3. **Organization Knowledge:** Good leaders work hard to continuously enhance the team, organization and stakeholder capacity at all levels to make judgment calls.
4. **Stakeholder Knowledge:** Good leaders engage customers, suppliers, the community and boards in generating knowledge to support better judgments.

Leaders' Storylines: Teachable Points of View

How a leader works the judgment process depends to a great extent on who he/she is. Winning leaders — the ones who continually make the best judgment calls — have clear mental frameworks to guide their thinking.

They tell visionary stories about how the world works and how they envision results. They energize and enroll people through stories.

Winning leaders are teachers, and they teach by telling stories. They develop a teachable point of view: valuable knowledge and experiences that convey ideas and values to energize others.

This teachable point of view is most valuable when it's weaved into a storyline for the organization's future success. As a living story, it helps the leader make the judgment call and makes the story become reality because it enlists and energizes others.

Winning story lines address three areas:

1. Where are we now?
2. Where are we going? (The inspirational storyline boosts the motivation for change and defines the goal.)
3. How are we going to get there?

The storyline is never complete, and it's always being modified by the leader's judgments. But without a solid storyline, the leader's judgments are disconnected acts that may not mean anything on an emotional level. That's why storylines are necessary to motivate and energize the organization so everyone can move forward and make things happen.



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