



Executive Summary

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Stanford Strategic Decision and Risk Management eBriefing

Executive eBriefing®

Destructive Decision Habits: Leverage Your Strengths and Conquer Your Weaknesses

Featuring: **Paul Marca, Jennifer Meyer, Carl Spetzler, and Hannah Winter**

Following is the summary of the Executive eBriefing covering:

- How behavioral challenges can affect decision-making
- How personality can influence framing and content in decision-making
- How personality can influence processes and teaming among individuals
- How to avoid destructive decision-making habits
- How the Stanford Center for Professional Development is helping train professionals in applying the understanding of personality types to strategic decision-making.



Destructive Decision Habits: Leverage Your Strengths and Conquer Your Weaknesses

- Speakers:** Paul Marca, Deputy Director, Stanford Center for Professional Development
Jennifer Meyer, Senior Engagement Manager, SDG
Carl Spetzler, CEO, SDG; Program Director, Stanford Strategic Decision and Risk Management Certificate Program; Lecturer in Economics, Stanford Graduate School of Business
- Moderator:** Hannah Winter, Partner, SDG; Associate Program Director, Stanford Strategic Decision and Risk Management Certificate Program

Overview

Personality types play a tremendous role in the processes and applications of decision-making. These personality types can be identified and explained using the Myers-Briggs Type Indicator (MBTI), a personality assessment tool widely used in the business world. Each of the MBTI personality types applies the six elements of quality in strategic decision-making in varying ways. By better understanding these variations and how people of different personalities make decisions, destructive decision-making habits can be avoided and behavioral challenges resolved. A hierarchy of decision types also exists, helping people determine the optimal approach and amount of time for addressing decision problems.

SDG and Stanford University have developed the Stanford Strategic Decision-Making and Risk Management (SDRM) Certificate Program, which with its companion executive seminar conveys to decision-makers and their staffs the principles and tools that ensure quality and value creation in strategic decision-making.

Context

The SDG speakers explored the impact of personality types on the decision-making process. They described techniques to avoid destructive decision-making habits and how personalities react to certain decision-making situations. Paul Marca described the educational program at Stanford in strategic decision-making and risk management.

Key Learnings

Many behavioral challenges affect decisions.

Personality traits tend to exert some of the greatest influence on decision-making, sometimes to the extent of becoming behavioral challenges, because they encompass the preferences, content selectivity, habitual framing of problems, and comfort zones of a person. Personalities also tend to be innate, changeable, and observable. All these factors determine how a person will choose to perceive, approach, and reach any decision. Understanding one's traits may very well aid in understanding one's decision styles.

“If we can understand our natural styles, that can be very powerful.” — Jennifer Meyer

The Myers-Briggs Type Indicator (MBTI) is used to find such understanding of one’s natural styles. This personality assessment tool focuses on preference rather than skill and uses self-supported information. The results of the MBTI are characterized by the daily behavior of the individual. This thoroughly researched and widely used formula for personality assessment divides natural human styles into four dimensions:

- Thinking (T) vs. Feeling (F)
- Extrovert (E) vs. Introvert (I)
- Sensing (S) vs. Intuitive (N)
- Judging (J) vs. Perceiving (P).

Each dimension influences how a person frames and interprets the content of a decision problem.

S, N, T, and F are the four functions of the MBTI.

The dimension of Sensing (S) and Intuitive (N) refers to how personality types interpret and process information. S types pay attention with their five senses to gather data, whereas N types use a “sixth sense” (inferences, hunches, connections, unseen meanings).

The dimension of Thinking (T) and Feeling (F) refers to how personalities reach conclusions. T types base conclusions on impartial data, cause and effect reasoning, solid truths, and logic. F types make conclusions based on values, people-centered ideas, and harmony. These two dimensions of the MBTI greatly affect how people apply the six elements of quality in strategic decision-making:

1. *Appropriate frame.* S types use well-defined, clear, very detailed frames, while N types use broader frames filled with novelty and ambiguity. T types focus on the “what” when setting a frame, whereas F types emphasize “who” in their framing.
2. *Creative, doable alternatives.* S types create alternatives that stress realism and doability. N types harness great creativity and change in their alternatives. T types are objective and technical when creating alternatives, but F types are subjective and relational when developing alternatives.
3. *Meaningful, reliable information.* S types focus on data analysis, while N types focus on scenarios and future possibilities. T types use objective facts and probability forecasts in contrast to F types, who use opinions and anecdotes that create a strong emotional effect.
4. *Clear values and tradeoffs.* S types stress realism when identifying tradeoffs, but N types focus on inspiration. T types use value metrics that emphasize justice and fairness when determining values and tradeoffs, whereas F types reinforce a value system of harmony and compassion.
5. *Logically correct reasoning.* S types use incremental optimization, while N types use strategic argument. T types reason deductively and inductively, whereas F types reason using relationships and personal anecdotes.
6. *Commitment to action.* S types thrive on real action. However, N types approach commitment to action more as a principle than actual acting. T types focus on the “what” in execution of a decision, and F types concentrate on the “who” in execution.

Personality types can be a combination of the two dimensions: NF, NT, SF, or ST. NF types, for example, would focus on the large picture, future possibilities, and relationships

in decision-making; SF types would rely on reality, facts, the present time, and individual relationships when making decision.

“If you really want to make good decisions, you really need both [S and N qualities].” — Carl Spetzler

E, I, J, and P of the MBTI influence what processes are used in decision-making.

The dimension of Extrovert (E) and Introvert (I) refer to energy levels during social interaction. E types are highly energized by contact with others and operate well in the “outer world.” I types, however, are best energized by solitude and generate ideas during “quiet time” in the “inner world.” The dimension of Perceiving (T) and Judging (J) refer to a person’s approach to life. J types lead an ordered life that is goal-oriented and structured. P types desire a spontaneous life with flexibility and new possibilities.

The most effective and efficient decision-making model involves four steps: (1) framing the decision problem, (2) building a decision basis from alternatives, information, and values, (3) evaluating the alternatives, and (4) improving the frame and decision basis and acting. P types enjoy the first two steps in the process, allowing them to expand possibilities. However, J types prefer the last two steps for decisiveness and order. E types would rather talk things out throughout the process, and I types would like to work in private. These differences explain how people choose processes that fit their attitudes and habits.

Decision-making occurs on three levels.

Frequent or emergency decisions are made quickly, in minutes or moments. Most behavioral research is based upon people’s

quick decisions. Quick decisions can be improved by developing *decision fitness*. Decision fitness is having forethought, commitment, repetition, and the ability to recognize when one is unfit to make a decision. Using this method, one’s comfort zone can be avoided and the true need for a decision can be found.

“Reflex [quick] decisions we make tend to be ones that show our nature or our personality types and our habits and biases the most.” — Carl Spetzler

Significant decisions are important but easy or difficult but unimportant; they are decided on within hours. When dealing with significant decisions, a person must be able to distinguish between his or her natural tendencies to make the decision and what is truly needed to make the decision. Then an appropriate frame can be chosen and the problem solved using the decision quality checklist and the four steps of decision-making.

Strategic decisions are often difficult and take weeks or months to make. A dialogue decision process most effectively solves a strategic decision problem. In this process, the decision-maker will recognize the situation and the decision staff will later assess it and create a frame to be approved by the decision-maker. Upon approval, the staff members will interact with the decision-maker and each other to make and evaluate alternatives until certain alternatives are approved and the decision-maker makes the final decision. The dialogue decision process also emphasizes the need for interaction, private work, specific data, and broad implications—satisfying the distinct styles of the MBTI types.

Stanford offers educational programs to improve decision-making

SDG and Stanford have worked together to create enriching educational programs to aid professionals of all levels and industries to make better decisions. These programs are available on-site, on campus, and online in March, June, and September. The Strategic Decision Making and Risk Management (SDRM) Certificate Program involves taking six courses—two core classes and four electives—at 2.5 days each. Courses include modeling for strategic insight, decision analysis, and decision quality.

These courses provide indispensable knowledge that can be used at all levels of business.

An executive seminar is also being offered to executives who have great responsibility in decision-making. This two-day seminar fosters innovation to address challenges, enhances leadership and decision-making, and helps executives turn uncertainty into advantage. The first seminar will be held in late 2008. Together, these two programs greatly benefit professionals in an ever-changing and growing business world.

Biographies

Carl Spetzler, Chief Executive Officer, SDG

Specializing in strategy development, business innovation, and strategic change management, Dr. Spetzler has developed creative business strategies for major financial institutions, capital-intensive companies, high-technology manufacturers, and systems businesses. Over the past 20 years, he has been a leader in designing an innovative strategy development process that helps corporate leaders cope with the lack of explicit strategic alternatives, deal with the complexities of uncertainty and risk over long time horizons, and achieve lasting change. Dr. Spetzler leads strategy assignments to redirect and restructure major US corporations and to create revolutionary new products and strategic alliances. He received an MBA and a PhD in economics and business administration and a BS in chemical engineering from the Illinois Institute of Technology.

Jennifer Meyer, Senior Engagement Manager, SDG

Dr. Meyer has worked in strategy development and evaluation, business portfolio modeling, and commodity pricing for clients in the oil and gas, technology, telecommunications, automotive, electricity, pharmaceutical, and manufacturing industries. She received a PhD and an MS in operations research from Stanford University and a BA in mathematics and physics from Drake University.

Paul Marca, Deputy Director, Stanford Center for Professional Development

Mr. Marca assesses industry needs to identify opportunities for effective program development, while fostering new opportunities for SCPD partnerships. His is a strategic development and new business development role in SCPD. As a Stanford graduate, Mr. Marca has strong ties to Stanford, and he enjoys the opportunity to extend the Stanford experience to others in industry through the SCPD programs.

Hannah Winter, Partner, SDG; Associate Program Director, Stanford Strategic Decision and Risk Management Certificate Program

Ms. Winter is responsible for training and professional development of SDG's consulting staff and manages aspects of the partner election process. Before assuming this role, she was a consulting partner and developed business and marketing strategies in the automotive, consumer electronics, telecommunications, and utility industries. Ms. Winter received an MBA from the Stanford University Graduate School of Business and an MS and a BS in electrical engineering from Stanford University.