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How indecision can put CFOs at a disadvantage

The best way to make good decisions, the saying goes, is to make bad ones. But after the last few tumultuous years, even the most experienced finance leaders may have found themselves suffering from a case of decision fatigue.

Finance leaders, charged with driving bold strategic decisions and unlocking enterprise growth, have confronted a series of major disruptions. The COVID-19 pandemic may have subsided, but finance chiefs continue to grapple with geopolitical risks, persistently high inflation and borrowing costs, and supply chain disruptions.

For CFOs, steering their companies through this obstacle course—while still keeping the business on course to meet its strategic goals—has led to an expansion of the role. The emergence of new technologies such as machine learning and artificial intelligence (AI) has widened the breadth of their responsibilities, making their jobs ever-more complex and critical, as depicted in this year's CFO Agenda. Facing a fast-burning platform, speed matters. And the stakes can be high.

Michael Roberto has seen this scenario over and over. He's also seen executives fail to respond quickly enough to what's playing out in front of them. "I'm continually struck by how many managers tell me, 'It took us too long to make some key decisions. And by the time we did, we'd lost ground or fallen significantly behind.'"

Roberto, trustee professor of management at Bryant University and a frequent speaker at Deloitte LLP's Next Generation CFO Academy, has interviewed 35 senior executives and surveyed more than 200 of them as part of his ongoing research into indecision. He spoke with *CFO Insights* about how data can actually make decisions harder, why CFOs may want to resist looking too smart, and what decision-makers can learn from top-performing college quarterbacks.

Q: With the availability of technologies such as AI and machine learning, not to mention collaboration and data visualization tools, shouldn't effective decision-making be easier than ever?

Roberto: We have more data at our fingertips than ever before. But it can be overwhelming. Executives can end up wallowing in it, saying, 'Why don't we do a little more analysis?' or 'Can't we look at this a different way?' They can go deeper down that rabbit hole than ever before, trying to get more certainty about the decision they are going to make. I'm not against analytics or data, but executive teams can end up investing all this time in belaboring their decisions.

Q: So, are we at the point where there is simply too much data available to CFOs?

Roberto: Analysis paralysis is a big driver of indecision. One executive told me, 'As an undergrad in economics and an MBA student, I succeeded by being super analytical. When I became a manager, I still thought there was a right answer.' But now you can go forever looking for the perfect answer. And there's not necessarily a right answer in strategy; there's the best answer, given the information you have.

I hear a lot about fear of failure driving decisions. Management teams can get indecisive because they feel as though there's no tolerance for an experiment or a pilot that does not work well. They feel they are risking their career, given the culture they are in (for more on how leading organizations support better decision-making, see accompanying story, "How organizations can develop decision intelligence"). There are corporate cultures where people are reluctant to speak candidly. Everybody nods yes when an idea is presented, but in their head, they are thinking the opposite. Once they are outside the meeting, these folks will work to reopen the decision. Two weeks later, there will be a meeting to debate a decision that seemed like it was already made.

Q: Does the main goal then become to make sure you know—and avoid—the wrong answer?

Roberto: In the moment, there's a failure to appreciate that there are diminishing marginal returns to gathering more data or doing more analysis. The costs of the delay can accelerate, but that calculus is not top of mind a lot of times, even for some CFOs.

Q: How much does mindset play into a lack of decisiveness?

Roberto: A number of executives will engage in what I label 'pain avoidance.' They know exactly what to do, but they also know that the execution of that decision may be a really challenging technology implementation, or it may involve really tough personnel decisions. Knowing the execution of the decision will be difficult, executives will have meetings where they expressly punt to avoid the pain. They make no decision—or delay it as long as they possibly can. In some cases, it happens because executives let the naysayers run amok. These are members of the C-suite who effectively exercise their veto power.

Q: Is this a reference to CFOs, whose tendency to be extra skeptical when it comes to capital-allocation decisions has earned them the nickname 'Dr. No?'

Roberto: Often, it is the CFO. What some finance leaders need to remember is that there's a fine line between being a constructive devil's advocate—trying to sharpen the group's thinking and questioning assumptions—and becoming a roadblock. It would behoove CFOs to not always be playing that role. The responsibility for offering the contrarian view should rotate; otherwise, finance leaders run the risk of becoming broken records. Others will get so tired of hearing them they may tune them out.

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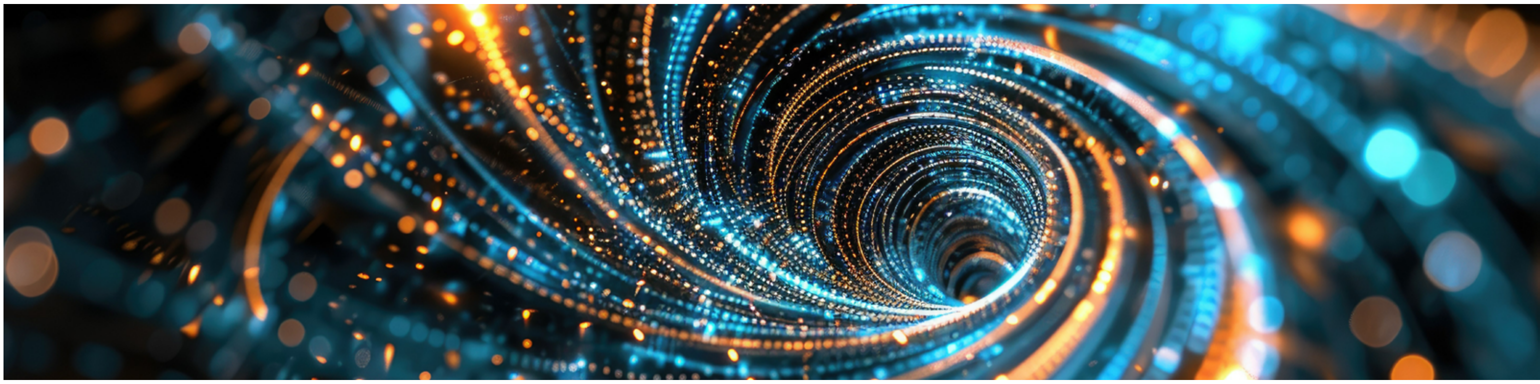


"CFOs need to focus on how they can help the company achieve its aims. But they sometimes could be more helpful by asking how the business might reduce the risk without sacrificing its goal."

Q: But aren't CFOs' views based on what the data is telling them?

Roberto: Some of their decisions come from risk aversion. Some CFOs, by their nature, are in the mode of organizational protection. Or they may be acting out of the desire to look smart. They know they sound good when they say, 'Here are the six flaws in your thinking.' They may think they are impressing everybody. But it's not really helpful. When you're talking about big strategic ideas, there are always flaws. CFOs need to focus on how they can help the company achieve its aims. But they could sometimes be more helpful by asking how the business might reduce the risk without sacrificing its goal.

Q: For CFOs who want to demonstrate how efficiently they analyze information, isn't there a risk of being too decisive?

Roberto: Executives have told me about cases where they may have missed some options because they winnowed down their possibilities too soon. In evaluating an acquisition, some CFOs may frame the decision as, 'Should we buy this company or not?' They don't take the time to think about other moves they could make to achieve the same goals. They may feel competitive pressure because they know there are other bidders.

But this approach can get companies into real trouble. Once they are invested—both financially and emotionally—they try to turn it around rather than admitting they made a mistake. If they are making a decision that's costly and hard to reverse, like a massive ERP implementation, they should be especially cautious. With other kinds of decisions, like pricing, you can undo it. CFOs can start by categorizing the kind of decision the company is facing.

Q: Given how much knowledge there is about decision-making—enough that it's its own field of academic study—is it inevitable that company executives will get better at it? Or does it even matter, now that artificial intelligence has arrived?

Roberto: Everybody thinks AI will make decision making more efficient by spitting out the kind of data that CFOs and others now have to take the time to read and absorb. It has the potential to really help, but it's not quite there now. Moreover, even as AI decision aids become more powerful and effective, there will still be room for managerial insight and experience. The best CFOs will find optimal ways to blend the use of technology with human expertise.

Q: Once AI technology is refined, will it revolutionize how decisions are made?

Roberto: Change takes time. I analyzed the selection of professional quarterbacks in the first round of the draft, comparing the 1970s and 1980s to the two most recent complete decades, the 2000s and 2010s. Consider this: From 1970 to 1989, 50% of the quarterbacks selected in the first round made at least one Pro Bowl. Did the sport's general managers improve their hit rate in more recent years? Not one iota. Between 2000 and 2019, 50% of the quarterbacks picked in the first round made the Pro Bowl at least once.[1] That's a consistent record of disappointing decisions.

How organizations can develop decision intelligence

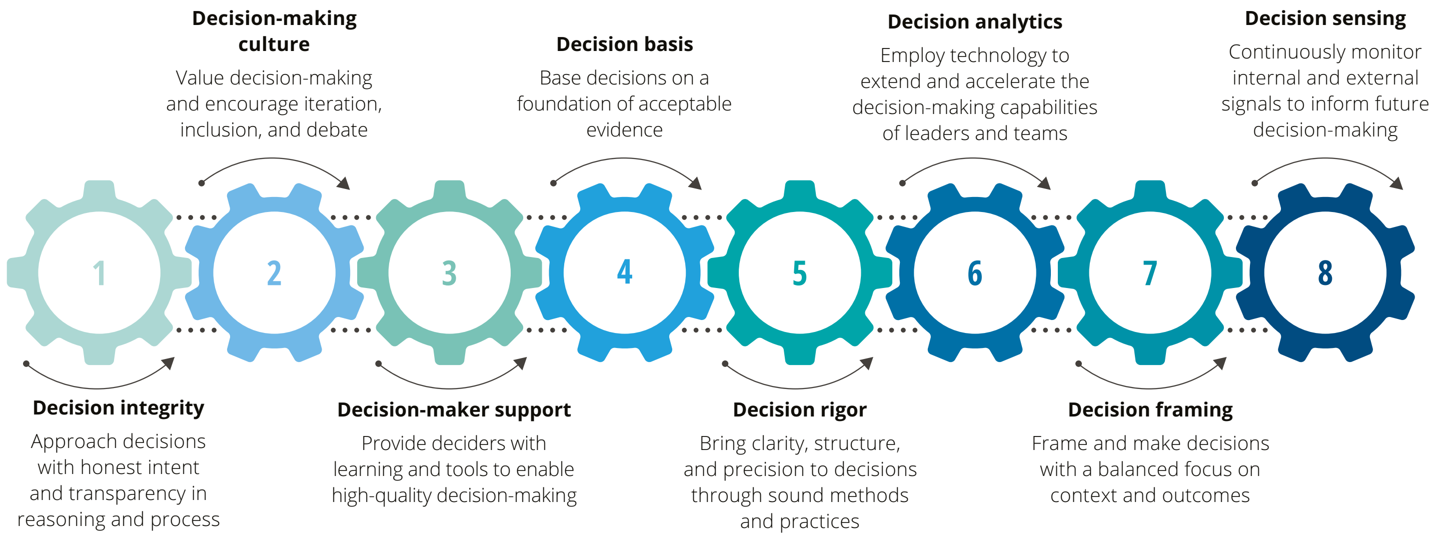
Some organizations are simply better at making decisions than others. Why? They have honed their skills through practice, rigor, and the thoughtful application of data and tools. In short, they have developed *decision intelligence*.

Decision intelligence involves technology, but it is more than just having powerful tools and data. Decision intelligence focuses on how humans approach and make decisions, applying technologies and data to better sense what matters, analyze potential choices, and then act with confidence.

To understand more about how organizations drives better decision-making, Deloitte surveyed nearly 600 leaders around the globe regarding the conditions that produce better decision-making. These include the cultural and organizational elements that enable high-quality decision-making (see Figure 1), how context affects decision-making, and how organizations evaluate the quality of decisions.

Figure 1. What sets leading decision-making companies apart?

A Deloitte research study found that these drivers separate leading companies from the others in terms of decision-making ability.



Source: "*Decision intelligence: The human discipline of high-quality choices*," Deloitte Development LLC, 2023.

Their findings include the following:

- **Decision-making is a discipline—mastery comes from attention and focus.** Leading organizations recognize and approach it this way. They understand not just that decisions matter, but that the way they make decisions has a direct impact on the resulting outcomes. These organizations seek to be experts at decision-making. Such organizations provide their people with learning opportunities, guidance, tools, data, and above all, an honest and safe environment in which to become better decision-makers.
- **Technology can lead to higher-quality decisions, but it can't replace the role of people.** Technology, for all its strengths, cannot emulate human values like empathy, courage, and compassion that define the purpose and goals behind decisions. Technology and data can improve decision quality by sifting through swaths of information on our behalf, quantifying risks, and mitigating uncertainty—clarifying the context and freeing up mental capacity for humans to make the choices necessary to achieve goals. Ultimately, humans and technology should collaborate by bringing the best of both to the decision-making journey.
- **Leaders need the space to build 'mental muscles' for decision-making.** High-quality decisions aren't made on the golf course, but rather in a dedicated place, one where individuals' decision-making capabilities take precedence over bureaucracy and power dynamics. Leading companies provide people with the environment—including the time and resources—to develop the "mental muscles" required to make better decisions.
- **Decisions are strengthened through inclusion and debate, as long as guardrails exist.** High-performing organizations recognize that any decisions—even seemingly unimportant ones—deserve to be pressure-tested. Diverse perspectives can bring assumptions and biases to light and help provide a more holistic view of the decision context beyond what technology and data surface. At some point, of course, decisions have to be made. Endless debate stalls the decision-making process and can sap people's enthusiasm. Effective organizations establish guardrails to maintain agility and momentum. Doing so involves framing the decision by establishing, up front, aspects such as the *why* behind the decision, the goals, the context and constraints, the strategy, and the decision-makers' roles and responsibilities.
- **Approach decisions with curiosity, not ego.** Effective decision-making involves accepting that executives don't have all the answers. And leading organizations empower their people to approach decisions with an openness to new ideas and the motivation to learn. This mindset values the questions more than the answers; it focuses on the process and discipline of decision making separate from the resulting outcomes. Organizations with higher decision-making capabilities encourage decision-makers to approach decisions without ego by allowing them to take calculated risks and "fail forward" without penalty. In addition, they actively reward decisions driven by curiosity, purpose, and process—and emphasize these behaviors as cultural norms.
- **Effective decision-makers can adjust their focus.** The most effective decision-makers focus not only on the choice at hand, but also on recognizing how it fits into the context of decisions that have come before, those that will likely follow, and the overarching goals of those interrelated decisions. Beyond just zooming out, leading decision-makers also zero in on more everyday choices that contribute to this decision network. And decision intelligence concerns itself not just with notable, pivotal choices but with everyday decisions that are made in the service of overarching goals.

End notes

1. "The NFL Draft: Are Teams Getting Better at Selecting Talent?" Professor Michael Roberto's Blog: *Musings about Leadership, Decision Making, and Competitive Strategy*, April 23, 2023.

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