


Despite their best intentions, executives fall prey to cognitive and organizational biases that get in the way of good decision making. In this series, we highlight some of them and offer a few effective ways to address them.

Our topic this time?

# Getting both sides of the story

*by Aaron De Smet, Tim Koller, and Dan Lovallo*



**BIAS**   
**BUSTERS**

## The dilemma

The CEO of a large, multinational industrial feels the company may no longer be the best owner of at least two financially lagging business units (valves and injection molding) acquired in the past decade. The CEO shares with the board a lengthy and detailed case for spinning off these assets. When he's clicked through his last slide, he asks for input, particularly from the heads of the two business units involved. Predictably, the business-unit heads advocate for staying the course. Even if profits and performance are down, they argue, the overall portfolio remains strong, so why break up the band? Almost everyone else in the boardroom, however, remains silent. How can the CEO get the critical input he needs to ensure he's making the right moves and creating the most value for the company?

## The research

Research indicates that having leaders who can generate rigorous discussion in team meetings is what sets the best-performing companies apart from competitors.<sup>1</sup> Colleagues in these companies challenge one another, listen to minority views, and scrutinize assumptions. Recent McKinsey research also suggests that, particularly in “big bet” scenarios, the most significant predictor of

successful decision making is the quality of the discussions and debate.<sup>2</sup>

But, as we've all witnessed, in most meetings, people rarely speak up until after the senior leader has spoken; even then, they usually feel more comfortable following rather than challenging the leader. Compounding this “sunflower bias” is business leaders' tendency to continue advocating for ideas, even in the face of negative information. In the case of the multinational company, the CEO's voice became the loudest in the room, and, despite falling profits, the business-unit heads could not fathom the need for change, let alone begin to consider an alternate future for their ventures.

## The remedy

One effective way to circumvent these biases is to assign two independent groups or individuals (a red team and a blue team) to represent opposing sides on a decision being considered. The teams present their arguments to relevant stakeholders—in a mutually agreed-upon format and time frame—and *only then* do decision makers voice their opinions. That's the approach Warren Buffett uses. When considering his biggest acquisitions, he routinely hires two investment advisers: one to make a case for the deal and the other to make the case

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<sup>1</sup> Morten T. Hansen, *Great at Work: How Top Performers Do Less, Work Better, and Achieve More*, New York, NY: Simon & Schuster, 2018.

<sup>2</sup> See “Decision making in the age of urgency,” April 2019, McKinsey.com, and Aaron De Smet, Gregor Jost, and Leigh Weiss, “Three keys to faster, better decisions,” *McKinsey Quarterly*, May 2019, McKinsey.com.

against it. Buffett listens to arguments from both sides, and the advisers are rewarded based on the final decision.

This vetting process is not just useful for getting to “yes” or “no.” It can also shift the very nature of the debate, thereby improving the quality of the decision. In the case of the industrial company, the CEO was advised by the business-unit heads to convene red and blue teams of outside experts to explore the factors associated with spinning off the business units in question. The teams’ research and presentations pointed to several options no one had considered at the outset, including spinning off the valves business but pursuing a joint venture

for the injection-molding business, given projections of increased demand for injection-molded plastics in a range of industries.

Of course, convening truly independent teams can take time and effort. You will need to identify staffers who are either impartial to or very passionate about a particular course of action and assign them accordingly to the red or blue side. You may also want to pull in perspectives from outside the company—incentivizing teams in the same way Warren Buffett does. Regardless, the effort will be worth it if you can change the dynamics in the board or strategy-planning room and bring multiple narratives to bear in your decision making.

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