

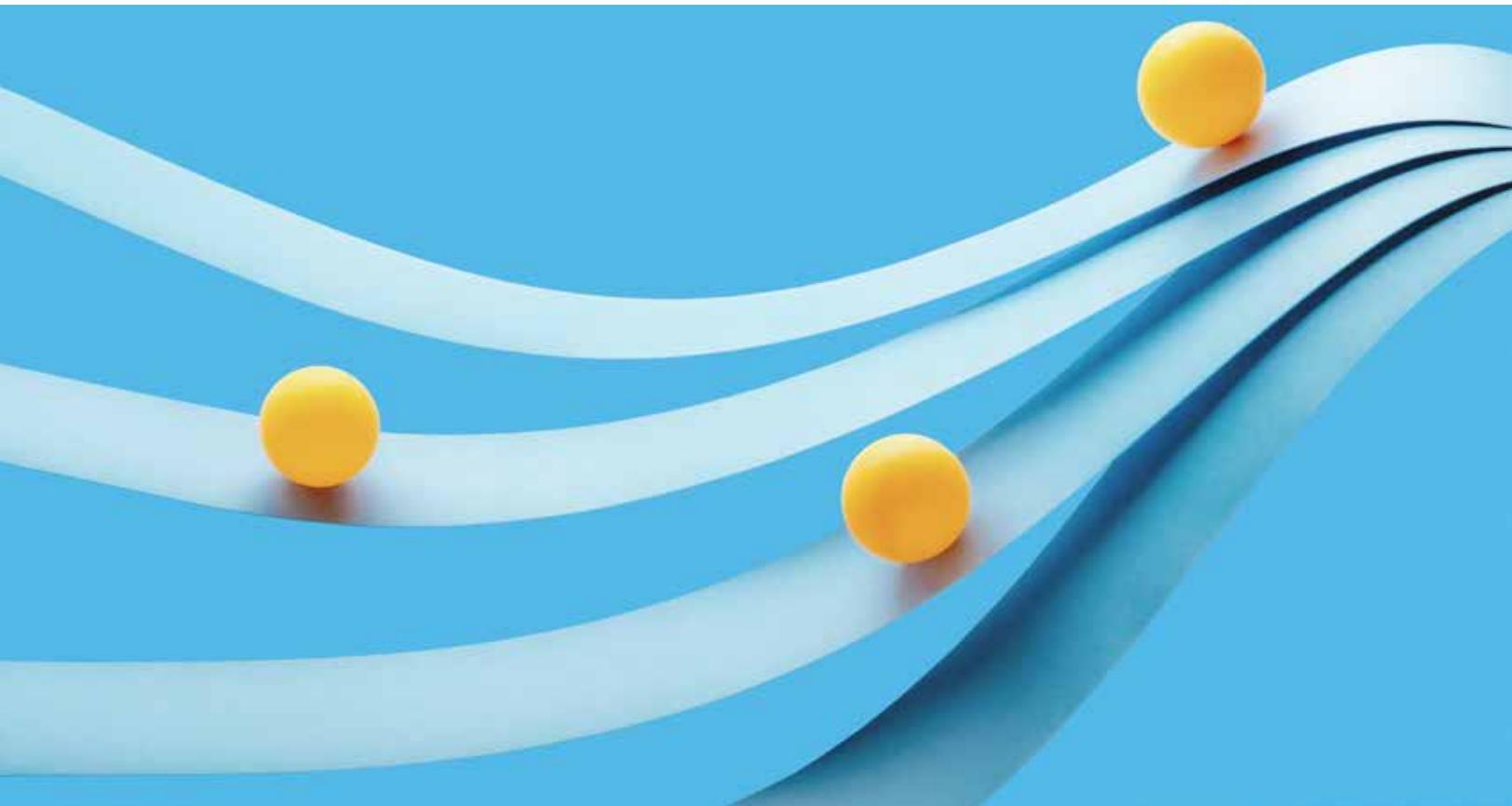
Despite their best intentions, executives fall prey to cognitive and organizational biases that get in the way of good decision making. In this series, we highlight some of them and offer a few effective ways to address them.

Our topic this time?

**Bias Busters**

# Lifting your head from the sand

*by Eileen Kelly Rinaudo*



## The dilemma

It doesn't matter how well you prepare for a negotiation session if the people in the room aren't listening or are only half-listening. The team leader of a partnership between two consumer-goods companies had spent weeks reviewing market reports, developing sensitivity analyses, and otherwise building a perspective on how the partnership could work better over the next three years. So far, it hadn't created the intended results for either party—hence a scheduled meeting to renegotiate terms. Everyone was expecting a tense discussion. The team leader wanted to be ready for anything.

To the team leader's surprise, the mood in the room was far from contentious. There were nods and smiles as topics came up. Discussions about market shifts and potential new partnership roles were upbeat, albeit a bit flat. At the end, the legal teams agreed to draft revised contracts. Given the positive vibes in the room, the team leader was convinced that she had made all the right points. But when the documents were circulated several days later, the terms proposed were different from what was discussed—so different that the partner companies called for more data and more meetings. “Back to the drawing board,” the team leader thought.

## The research

What could account for the gap in perceptions? Research points to a cognitive bias called the “ostrich effect,” in which individuals figuratively put their heads in the sand and avoid information they believe may be unpleasant. Specifically, they may ignore the information presented to them, or they may interpret that information in a way that ignores potentially troubling implications. One study, for instance, found that investors were more likely to check the value of their personal portfolios when the markets overall were rising but less likely to do so when the markets were flat or falling.<sup>1</sup>

Taking such a stance may preserve comfort levels in the room but won't necessarily lead to productive business conversations. The participants in the joint-venture negotiation nodded a lot, for instance, but they tended to gloss over problem areas, leaving them as open issues that they never returned to. No matter how well prepared the team leader was, senior leaders in the room held fast to their own perceptions of why the partnership wasn't succeeding and what would make it better.

## The remedy

One way to counteract the ostrich effect in business conversations is to engage in a *readout process* in which individuals or teams produce an articulated summary of discussions as they occur. A real-time readout gives everyone the information they need to make good decisions. It also increases the likelihood that everyone will step away from meetings with the same understanding of what was just said.

There are typically five steps in a readout process: syndicating an agenda early, designating a scribe, and then, for each topic on the agenda, capturing critical points, sharing those points with the full group, and getting verbal confirmation from all attendees that the summary reflects their understanding of the discussion.

In the case of the consumer-goods partnership, for instance, the team leader should have circulated a list of detailed, mutually agreed-upon topics ahead of the meeting, even including the order in which they would be addressed. With such an agenda in hand, the partners couldn't have breezed past important but potentially uncomfortable topics—or simply nodded their heads in default.

The team leader should also have assigned someone on the team to be a scribe—someone responsible for capturing all feedback shared during discussions.

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<sup>1</sup> Niklas Karlsson, George Loewenstein, and Duane J. Seppi, “The ‘ostrich effect’: Selective attention to information about investments,” Social Science Research Network, May 5, 2005, [ssrn.com](https://ssrn.com).

The scribe writes down everything, whether on a whiteboard or via some form of digital-file projection. The scribe in this case could have paused at the end of the discussion of each topic to summarize and reconfirm points made, noting which issues were outstanding, which were completed, and what any next steps might be. At that point, participants could have confirmed the summary as written and suggested changes. That comment process

would have continued until all voices had been heard. Then the team could have moved onto the next agenda item.

Plainspoken and practical, the readout process imposes accountability on everyone in the room and can reduce the risk of misinterpretation during business meetings.

**Eileen Kelly Rinaudo** (Eileen\_Kelly\_Rinaudo@McKinsey.com) is a senior knowledge expert in McKinsey's New York office.

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