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Dear CEO,

You are leading one of the most successful corporations in our time. I study how great companies fail. One shared feature of the failed companies I studied is that their leaders could not overcome some systematic biases in their decision-making. Worse, they were overconfident in their decisions and their errors are not challenged. Here are three tips for helping you to learn from three damaging mistakes they made for improving your decisions.

First, be cautious about ideas or candidates with unanimous support. We like consensus, but ancient Jews knew that if a suspect on trial was unanimously found guilty by all judges, then the suspect was likely to be innocent and will be acquitted because unanimous support indicates that there must remain some form of undiscovered exculpatory evidence. Given that everyone has their own preference and bias, unanimous support is too good to be true and likely to indicate hidden processes such as the candidates are good at politicking and compromising than making important, difficult choices. Or, unanimous support can signal that your employees or top management team are too similar-minded. Overcome your consensus bias and choose an idea or appoint someone against unanimity (or even hated by your colleagues) – these wildcards are likely to be opposed or hated for good reasons and can shake things up.

Second, demote your best executives before succession. A great Chinese emperor sent his best chancellors to prison for trivial causes before his death. The reason was to protect them from the political conflicts during succession and to give the young emperor a chance to gain the loyalty of these seasoned chancellors by promoting them after the succession. This was a difficult decision because most people thought the emperor had lost his mind. To ensure your successor has the best executives, particularly those who lost in the successor competition, leaders can learn from the old Chinese emperor. The challenge is to overcome your ego bias – your decision will be ridiculed, but it is likely to be good for your successor and the longevity of your company.

Third, attributing your successes to luck to get lucky. You are already successful. Most people intuitively believe you must have done something right to deserve your successes. Attributing your successes to skill and hard work publicly does not strengthen others’ favorable attributions about you. In fact, research shows that attributing successes to own skill and effort will make one look self-serving, arrogant, narcissistic and untrustworthy. Why not taking advantage of others’ predictable attribution tendencies and attributing your successes to luck instead? Acknowledging luck does not make you look weak. Rather, people will continue believing that you deserved your successes. They will also consider you as modest and trustworthy when you say you were lucky. Exploiting others’ success bias can even get you luckier – people with new ideas and opportunities will likely choose you and your company as collaborator when your competitors’ CEOs fail to overcome their luck bias.

Consensus bias, ego bias and success bias are just three of the biases that hurt important decisions such as innovation, leadership succession and stakeholder management. My work on leader decision-making outlines systematic ways to “strategize with biases” for improving decisions and sustainable performances. I look forward to working with you and your team!

Yours faithfully,

Chengwei Liu, PhD (Cantab)
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