

# What Are They Thinking?

Washington Society of CPAs  
Consulting Services Committee Meeting  
December 16, 2005

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## Session Goals:

- Learn About Common Decision-Making Flaws
- Discuss Strategies for Dealing With:
  - Clients
  - Staff members
  - Colleagues
  - Others (including family)

# Scenarios to Consider

**Tax Client:** Makes investment decisions based on the favorable tax treatment and ignores the poor profit potential

**New Staff Accountant:** Seems confused by any assignment that isn't clear-cut

**Compilation Client:** Hires inexperienced accounting personnel and then complains about the size of your fees

**Senior Accountant:** Creates drafts of memos for clients that are too long and use inappropriate technical language

**Consulting Client:** Wants you to tell him what to do; he does not seem to understand that the decisions are ultimately his

**Administrative Partner:** Focuses too much on short-term crises and fails to guide and implement initiatives aimed at the firm's long-term strategies

# Common Decision-Making Patterns

← Weaker Decision Making		Stronger Decision Making →		
“Confused Fact-Finder” Pattern 0	“Biased Jumper” Pattern 1	“Perpetual Analyzer” Pattern 2	“Pragmatic Performer” Pattern 3	“Strategic Revisioner” Pattern 4
<p><b>Overall Decision Approach:</b> Attempts to find the single "correct" answer to open-ended problems</p>	<p><b>Overall Decision Approach:</b> Begins with decision, and then stacks up evidence/arguments to support it</p>	<p><b>Overall Decision Approach:</b> Performs comprehensive and objective analyses, but unable to reach or strongly defend a decision</p>	<p><b>Overall Decision Approach:</b> Makes well-founded decision based on objective analysis of viable alternatives</p>	<p><b>Overall Decision Approach:</b> Same as Pattern 3, but spontaneously seeks continuous improvement; reconsiders approaches/decisions/priorities over time</p>
<p><b>Common Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Fails to realistically perceive uncertainties/ambiguities</li> <li>• Recasts open-ended problem to one having a single “correct” solution</li> <li>• Categorizes solutions dichotomously as right/wrong, good/bad, smart/stupid, etc.</li> <li>• Insists that experts (including their boss or CPA) provide the “correct” solution</li> <li>• Expresses confusion or futility when asked to use own judgment</li> <li>• Uses illogical arguments</li> <li>• Cannot evaluate or appropriately use evidence</li> </ul>	<p><b>Major Improvements Over Pattern 0:</b></p> <ul style="list-style-type: none"> <li>• Recognizes obvious uncertainties surrounding a decision</li> <li>• Acknowledges multiple solutions/viewpoints</li> <li>• Begins to use evidence logically to support a decision</li> </ul> <p><b>Common Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Jumps to conclusions; decides based on own preferences, “gut feeling,” or simplistic analysis</li> <li>• Stacks up evidence to support own view</li> <li>• Ignores contrary information</li> <li>• Views personal opinion as equal to other forms of evidence; discounts experts’ analyses</li> <li>• Fails to recognize or evaluate assumptions</li> <li>• Superficially understands other solutions/viewpoints</li> <li>• Does not evaluate the quality of evidence/arguments</li> <li>• Insists that all opinions are equally valid, but discounts other opinions</li> </ul>	<p><b>Major Improvements Over Pattern 1:</b></p> <ul style="list-style-type: none"> <li>• Presents coherent and balanced description of a problem and its larger context</li> <li>• Identifies issues, assumptions, and biases associated with multiple solutions/viewpoints</li> <li>• Attempts to control own biases</li> <li>• Logically and qualitatively evaluates evidence</li> </ul> <p><b>Common Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Unable to establish priorities for judging across alternatives</li> <li>• Jeopardizes progress by getting stuck on issues such as definitions or by endlessly calling for more evidence or additional analyses</li> <li>• Reluctant to select and defend a single overall solution as most viable, or provides an inadequately supported solution</li> <li>• Writes overly long memos in an attempt to demonstrate all aspects of analysis (unable to prioritize)</li> </ul>	<p><b>Major Improvements Over Pattern 2:</b></p> <ul style="list-style-type: none"> <li>• Appropriately explores the problem, information, and alternatives</li> <li>• Clarifies key issues, assumptions, and priorities for making decisions</li> <li>• Articulates well-founded support for choosing one solution while objectively considering other viable options</li> <li>• Often concludes based on situational pragmatics or past experiences</li> <li>• Effectively incorporates others in the decision process and/or implementation</li> </ul> <p><b>Common Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Does not give sufficient attention to long-term, strategic issues</li> <li>• Fails to adequately identify, monitor, and address solution limitations</li> </ul>	<p><b>Major Improvements Over Pattern 3:</b></p> <ul style="list-style-type: none"> <li>• Establishes effective monitoring activities to address key limitations</li> <li>• Exhibits a strategic, long-term vision</li> <li>• Anticipates and takes advantage of change</li> <li>• Systematically interprets and re-interprets information as greater knowledge/expertise is gained</li> <li>• Identifies new ways to generate relevant and useful information</li> <li>• Reconsiders decisions and approaches, as appropriate, when new information becomes available</li> <li>• Establishes more effective processes for making complex decisions</li> </ul> <p><b>Common Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Not applicable</li> </ul>

## **Common Decision-Making Patterns: Or, What Are They Thinking?**

I have done considerable research on the decision making processes that people use when faced with uncertainty—i.e., when no single “correct” solution exists. Virtually all important decisions and many day-to-day decisions involve uncertainty. The goal when making an uncertain decision is to find the best solution in the circumstances, taking into account the constraints of time and current knowledge and considering the importance of the decision.

The preceding page provided an overview of common decision-making patterns. The information in this handout is adapted from educational research in developmental psychology at the college level. I assume that you are not interested in the underlying models, so I am not providing that information here. But if you would like more information, I would be happy to recommend some readings.

Refer to the one-page summary as you read the following descriptions.

### **Confused Fact-Finder (Pattern 0)**

Confused Fact-Finders just want uncertainty to go away. They believe that all decisions have a single “correct” answer, and it is the job of experts (such as their boss or CPA) to find that answer. Therefore, Confused Fact-Finders are not likely to exhibit initiative; they do not understand their role in decision making and they cannot persuasively argue a position. They want to be told what to do. They can be good workers, as long as you don’t expect them to use judgment or make any decisions. (By the way, I refer to this as Pattern 0 because these people have zero decision-making skills.)

Fortunately most adults, particularly those having college educations, advance beyond this pattern of thinking. Nevertheless, people often revert to this style of thinking when confronted with new situations because they fail to recognize uncertainties in areas where they lack expertise. Accordingly, your client might believe that it is the CPA’s job to tell him what to do, and he might not recognize the need to hire properly-qualified accounting staff.

Some people are more comfortable allowing others to be the experts and are unwilling to move beyond the Confused Fact-Finder mode of thinking. Your new staff accountant might have been attracted to accounting because she perceived it as a well-defined subject. Alternatively, the emotional stress of a new job might temporarily impair her thinking.

### **Biased Jumper (Pattern 1)**

Biased Jumpers recognize that uncertainty is part of the world. However, they have not developed sophisticated analysis skills; their decisions are not well thought-out. They tend to rely primarily on their “gut feelings” or initial impressions (i.e., their biases), and

they stack up arguments to support their position. These people can be dangerous as decision makers because they are often overly confident in their capabilities, are unaware of their own assumptions, and tend to ignore information that does not fit into their view. Biased Jumpers do not understand others' perspectives beyond a surface level, which interferes with their ability to adapt communications to their audience and impairs their ability to address client, staff, or others' needs. They have difficulty performing tasks requiring analytical reasoning. When following a work plan, Biased Jumpers are likely to go through the motions without much thought. They do not use evidence to reinterpret a situation; they focus on using evidence to support their preconceived notions. They are unlikely to engage in continuous improvement because they see no reason to change what they currently do. They do not readily accept criticism because they view all evaluations as biased; they assume that other people simply stack up arguments to support their own agendas. Nevertheless, Biased Jumpers who have good communication skills can be very persuasive; it is not always obvious to others that they have poor decision-making skills.

Most undergraduate students at the time of graduation approach decisions as Biased Jumpers, and this is probably the most common decision-making pattern among adults in the U.S. Thus, many of your clients probably operate as Biased Jumpers (e.g., the tax client who makes investment decisions based on the favorable tax treatment and ignores the poor profit potential). Most of your new-hires and perhaps many of your senior-level staff members might also use this decision-making approach.

### **Perpetual Analyzer (Pattern 2)**

Perpetual Analyzers have developed sophisticated analysis skills. They can identify cause-and-effect relationships, develop deep understandings of other perspectives, and critically analyze data and assumptions. Unfortunately, they “cannot see the forest for the trees”—they become paralyzed and unable to make decisions because they can see so many issues and viewpoints. They know that any decision they make will be imperfect, so they have trouble arguing persuasively for a particular course of action. This inability to be decisive usually prevents their promotion to higher-level positions.

The Perpetual Analyzer mode of thinking is fairly common among master's-level college students, and I suspect it is also common among middle-level staff members in CPA firms. Perpetual Analyzers respond well to structured analytical models/tools, which help them move past their major weakness—an inability to prioritize. In team settings, Perpetual Analyzers can be frustrating because they often slow down the decision process; they typically want to conduct more studies, gather more information, consider more issues, etc. But this isn't necessarily bad! Perpetual Analyzers can help to counteract the Biased Jumpers, who want to make decisions without careful thought.

The key to working successfully with Perpetual Analyzers is to help them focus on the most important issues. And if you find yourself thinking/acting like a Perpetual Analyzer, you can strengthen your decision-making skills by asking yourself this question: What is most important (i.e., what are the priorities)? Then force yourself to let go of the detail for awhile and focus on the big picture.

### **Pragmatic Performer (Pattern 3)**

Pragmatic Performers have the ability to prioritize and focus their efforts, in addition to sophisticated analysis skills. They tend to be good managers because they can look at a problem complexly, reach a practical solution, and develop viable implementation plans. Their ability to prioritize allows them to focus on the most important issues, so they can make decisions efficiently. However, their tendency to use past experiences to quickly make decisions in new settings is both a strength and a weakness. This ability makes them efficient, but it might blind them to changing conditions or alternative solutions. Pragmatic Performers know that uncertainties exist, so they know that their decisions are subject to limitations. Nevertheless, they typically fail to adequately address those limitations. They often fail to monitor past decisions, and might be unwilling to rethink a decision as new information becomes available.

Pragmatic Performers sometimes seem similar to Biased Jumpers because they often rely on prior experiences and patterns of information to help them make decisions quickly. They might talk about using their instinct to make decisions, and they might be unaware of the basis for their conclusions. But a major difference between Pragmatic Performers and Biased Jumpers is that Pragmatic Performers are capable of complex analyses; they take into account a much wider range of issues.

I suspect that most managers and partners in CPA firms operate as Pragmatic Performers. They tend to focus more on the short-term than the long-term. They want to control change rather than embrace it. They often resist new ideas unless those ideas clearly address a concrete problem. They are likely to argue that it would be a waste of time to spend greater effort on their decision-making process.

### **Strategic Revisioner (Pattern 4)**

Strategic Revisioners have all of the skills of the Pragmatic Performer, plus the desire and ability to spontaneously engage in continuous improvement. They recognize that change is a natural part of the business world and that any decision they make involves uncertainties which create not only threats/limitations, but also opportunities. Strategic Revisioners are less likely than other people to become locked into inappropriate decisions, and they are more likely to grow, evolve, and become better decision makers over time.

Most management decision making articles by business leaders such as Jack Welch or in publications such as the *Harvard Business Review* involve ideas to help shift managers out of the Perpetual Analyzer or Pragmatic Performer modes and into the Strategic Revisioner mode. Strategic Revisioners can make efficient, high-quality decisions. They can also stop, re-think, and see things differently than before. Strategic Revisioners choose which approaches they want to use in different situations, so they are more likely than others to make good decisions. People who use more complex thinking patterns are better managers; they are more likely to focus on the organizational vision and proactively align current operations to achieve long-term goals.

## Overall Information About Patterns of Thinking

Here are some general findings based on developmental psychology research:

- Most adults never achieve the more complex patterns of thinking.
- People are generally capable of developing more complex skills if they are given appropriate challenges and support/guidance. For example:
  - People who attend college usually develop more complex skills than those who do not attend college.
  - Appropriate work settings can promote development of decision-making skills. There may be hope for that new staff accountant who operates as a Confused Fact-Finder!
- An individual might operate at different levels in different settings. For example, I find myself reverting to Perpetual Analyzer mode when I am tired. Some people think complexly only within their own field of expertise; they do not generalize these skills to other fields (e.g., your client thinks that accounting involves only right-and-wrong answers). People might use excellent decision-making skills at work but not in their personal lives, or vice versa.
- Organizations typically contain a mix of people using different patterns of thinking. Hiring practices and performance evaluations systems can alter the distribution.
- Teams can be capable of more complex thinking than the individuals in the team (“the sum is greater than the parts”).
- Emotions can negatively affect performance. When subject to too much stress, people often revert to less complex modes of thinking.