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Driving through red lights

How warning signals are missed or ignored

Hans Wissema

Managers who make incorrect decisions often realise, after the fact, that they ignored important warning signals—that they had driven through a red light. They had missed or ignored clear warning signs that, normally, would have steered their behaviour away from calamity. A recent research project demonstrated that, in a sample of highly successful managers, each admitted that he/she had missed and ignored warning signals and persevered with business mistakes even after they had become evident. With cases taken from the research, this article examines the reasons behind this phenomenon and the dangers of the cycle repeating itself, drawing attention to some of the typical settings and characteristics of this 'red light behaviour' and draws conclusions on how to learn from and thus avoid it.

A project too far

Projecta, a subsidiary of a major financial group based in London, operates in the very competitive international project development market. There is joy for eager Mr Smith, director of Projecta, when he learns through a personal contact of an option on a large-scale retail outlet project in Rome. It is a superb challenge that will provide Projecta with revenue as well as status. However, the responsible manager in Rome is not thrilled with the idea. This is explained by the fact that he cannot get along with Mr. Smith's personal contact—and this is putting it mildly. Mr Smith pushes through the decision to progress the project.

At some point doubts arise at headquarters. Another developer's retail project in Rome has gone wrong because the market appears to be saturated. But Mr Smith refuses to be influenced by this and other incidents and the project continues. When it is completed it looks outstanding—but as an investment it quickly

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proves a failure: shop premises stand empty and rentals are too low.

During the project, Mr. Smith consults others about his decision but does not express his doubts. He feels there was no way back. The argument is "It's too late to reverse the decision" but emotions play a significant role. 'Ego-tripping' and the feeling of "I'll show them" are on display. He gets carried away by his own enthusiasm, knowing he would seriously disappoint his team of very enthusiastic and competent people if he were to close down the business. Smith knows that if he consulted his colleagues they would advise him to follow his feelings and to stop. So he does not ask their advice, and in retrospect he reasons: "Once you drive through the *point of no return* you shut yourself off from doubts and allow yourself to be carried on by others".

Once you drive through the point of no return you shut yourself off from doubts

Looking back, this decision sows the seeds of shame and regret. The director should have known that the Italian retail market was declining—such awareness is a normal part of his job. He blames himself for this decision. Mr Smith cannot forget about the failure even though others forgave him a long time ago. His remains emotionally involved with the episode—but how can he deal with these feelings? He feels obliged to compensate for the Italian portfolio failure by realising extra achievements on his UK portfolio.

Method of research and general conclusions

The objective of the research reported here was to analyse the causes and patterns of missing or ignoring warning signals in decision-making processes and suggest remedies against the problem. It was decided to proceed in three phases: a definition phase, field research phase and concluding phase.

The *definition phase* aimed at defining the subject of research more closely and to design a research methodology. It consisted of preliminary interviews, literature search and discussions in a 'sounding board'.

As a result, driving through a red light can be defined as: *not noticing, ignoring, suppressing or scorning warning signals which, if properly addressed, would have contributed to preventing an incorrect decision.* One realises afterward one should have acted differently, that one has made a gaffe, and this feeling may arouse strong emotions even after many years. Ignoring a red light involves going through a *blind spot.* Such red light behaviour takes on various forms: not noticing signals or the lack of important information, ignoring signals or information, or suppressing them. Once the red light has been passed, the question is how long it takes before the mistake is recognised. As long as it is not, there is the danger of making the same mistake again, resulting in a cycle of calamities of increasing impact.

There is literature on each aspect of missing or ignoring warning signals but no literature on the concept as such.[1] The research thus required an inductive research method, writing cases and

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identifying common events and patterns. Cases were selected from a 'long list' of potential cases, drawn up from the network of the Management Studies Foundation and the Dutch Employer's Association (VNO-NCW), with which the foundation is linked. The selection criteria were:

- Willingness of key players to disclose sensitive information and of the company to permit publication;
- Generalisable relevance to the subject investigated (ignoring decisions based on idiosyncratic personal mistakes);
- Key decision-maker should be a highly successful manager;
- Variety of situations and presence of relevant aspects (there were many examples of irrational management decisions—we chose to investigate those which illustrated a balanced spectrum of red light decisions).

After some trial and error, we found 14 authentic and relevant stories of sometimes simple, sometimes complex decision-making processes that were described as cases during the *field research phase*. There is no scientific guarantee that all relevant factors have been identified. However, in the course of the investigation the same factors kept coming up, and this gives us some confidence that we covered the spectrum of the most important and frequently occurring factors.

Not all factors came up in every case, nor did they come up with the same intensity. The relevant factors are independent from the nature of the decision, e.g. an appointment or an investment decision.

The cases are briefly described in Table 1. This table gives the code name of the case, the line of business, the main issue or issues, the source of neglected information—whether internal or external or both—and its nature—whether it concerns a 'trend jump' or rather 'business as usual'. (These factors are discussed in a later section.)

The research for this investigation was remarkable in that all those interviewed were successful managers, often of large companies, and yet they had red light stories to tell. They recognised the red light phenomenon and were still frustrated, often years after the events. Comments as: "Would it have been better if I had resigned then?" "How we missed such an obvious development still baffles me" and "I should have remained true to my intuition" came up frequently.

As many frustrated motorists will agree, red lights seldom occur singly. In the panic that follows the initial error, regular procedures are forsaken and mistakes get made a second time. In many cases there is just the one person who carries everyone else along in his euphoria—questioning him is almost the equivalent of desertion. Bad appointments can be harder to reverse than many investment decisions, because of solidarity with the appointed person. Reversing decisions requires that people are bigger then their own ego and that often proves to be too great a step. A red light situation appears to occur more often in

In the panic that follows the initial error, regular procedures are forsaken and mistakes get made a second time

Table 1. The cases summarised

Name	Industry	Main issue	Source of information	Nature of information
Heugen	Engineering Consultant	Director's succession in family enterprise	Internal	Going concern
Middelaar	Construction repair chain	Lack of control of subsidiary	Internal	Going concern
Hanza	Food retailing	Series of improper export decisions	Internal	Trend jump
Rapid	Car repair chain	Wrong management appointment	Internal	Going concern
Projecta	Project Development	Rash decision to develop a project	Internal	Going concern
Multi Media inv	Multi media supplier	Wrong take-overs	External	Going concern
Dobber	Hardware retail chain	Mistake in setting up new business abroad	Int/ext	Trend jump
Xandria	Pharmaceuticals producer	Late restructuring	External	Trend jump
Snook's	Producer of sports articles	Wrong diversification	Internal	Trend jump
Dendrona	Producer of garden articles	Upscaling too late	External	Trend jump
Gloria	Food retailer	Wrong decisions concerning immobilities	External	Going concern
Isklander	Whole seller white goods	Wrong internationalisation	External	Trend jump
Up	Men's clothing retailer	Wrong hiring of managers and wrong investment	Int/ext	Going concern
Frigida	Producer refrigerator equipt.	Wrong product innovation	Internal	Trend jump

decisions where the rational element points in a different direction to the emotional element.

In the *concluding phase* we came to four sets of conclusions and some recommendations.

- First, the causality of the events following a missed/ignored piece of information can be detailed in a simple flow diagram (see Figure 1);
- Second, as there are factors of many kinds that stimulate the missing or ignoring of warning signals, we propose the concept of '*red light insensitivity*';
- Third, the process of missing or ignoring warning signals is often accompanied by what we have called '*red light behaviour*'.
- Fourth, there are three remedies against driving through red light.

We will discuss these conclusions after examining some more cases.

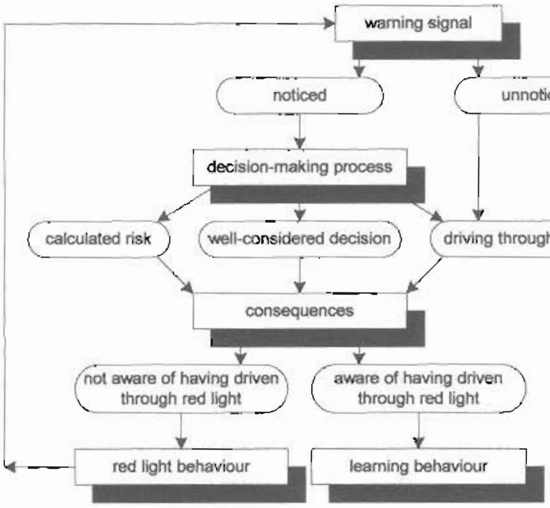

Figure 1. Flow-chart of driving through red lights

Cases

The neighbour's grass is always greener

Hanza, a growing Austrian family concern in the food sector, gradually becomes domestic market leader in its field and looks abroad to expand. There are contacts with a colleague company, Hörchner, in Switzerland. One of the Hanza directors has had a good personal relationship with one of Hörchner's directors for years and enters with eagerness and enthusiasm into a business relationship. To facilitate this process certain 'sacred cows' at the heart of Hanza's success on the Austrian market are set aside. For example, Hanza had always strongly promoted and protected its trade name and company logo—but the agreement with Hörchner demands, while the Austrian company continues to manufacture the product, it is to be marketed under the Hörchner name. Since Hörchner has a solid distribution network in Switzerland, turnover grows rapidly, which delights Hanza's expansionist board. Although some Hanza staff doubt whether the strategy of marketing the Hanza product under Hörchner's name is the best strategy, such doubt is buried in euphoria, backed by the natural argument that the method chosen is the most profitable one. After all, while Hörchner has a strong name, Hanza's name is unknown in Switzerland and it would require a long time and heavy investment to establish it there. While the production people are happy with the solution—it means more responsibilities and new challenges—the marketers feel as if they have been sold out to their neighbours. This worry is labelled as chauvinistic within Hanza—'If you want to globalise you need the courage to sacrifice a few sacred cows' is the typical reaction—for, lurking quietly in the background, is the fact that Hanza's internal culture is determined more by production than by sales. The sales operations believe that Hanza owes its success in the first place to well-considered marketing efforts, and that now

. . . doubt is buried in euphoria, backed by the argument that the method chosen is the most profitable

a 'me-too' product is to be manufactured that could all too easily be imitated—and sadly this sceptical view proves all too accurate.

The director has no doubts about the plan and he drags his other managers along in his euphoria. He wants to hurry and relies heavily on his relationship with his Swiss colleague. The deal is practically concluded at the first discussion, almost without written confirmation.

Problems emerge after the Swiss director friend retires. In Switzerland, the Hanza-product sales grow at the expense of Hörchner own products. With the Hörchner factory now faces under-utilisation, management gives instructions to take over the manufacturing of the Hanza product, and, contrary to some expectations, Hörchner rapidly shows it can easily imitate it. Hörchner has arranged patent and trademark rights and registration well and the new Swiss director attends to things efficiently: the contract, drawn up in good confidence but in too great haste, does not give Hanza the opportunity to resist the coup. Hanza loses its Swiss market and with it a substantial part of company turnover, and is forced to start a lengthy legal fight for its brands.

The director has no doubt about the plan and he drags the other managers along

Hanza accepts none of this and decides to fight, but without understanding what went wrong, without analysing the Swiss market, and in blind confidence of the qualities of its own product. In the mood of "we'll get 'em", it is decided to sell the product in Switzerland through a distribution network to be set up in the future. In this way Hanza's production overcapacity will be recovered and they will teach the unreliable Hörchner a lesson.

However, the counter-attack on the already near-saturated Swiss market requires heavy investments and progresses slowly. Hanza cannot explain to its customers how its product differentiates itself from the Hörchner product—after all, it doesn't! Hörchner has the advantage of fighting back from a defensive position. But Hanza is conservatively financed and it can keep up the fight for a long time. Eventually gets what it wants, and is saved a further nightmare when Hörchner refrains from attacking Hanza in the Austrian's own home market, having shown an ability to draw conclusions from the experience which Hanza lacked.

The manager out of his league

Rapid is a car-repair firm operating as a dealer for several popular auto brands. It has many branches in Germany. These are managed as independent business units by managers who carry responsibility for profitability. In addition there are specific business units such as bodywork repair, tyre recovery, facility manager/fleet manager for certain large customers and various others also operating as business units. In total there are forty business units reporting to the three-man Board of Directors. Even for these experienced gentlemen this is a wide span of control. So divisional directors have been appointed, not as a separate layer between the operating units and the Board but as part time jobs for senior unit managers willing to dedicate part of their time to the operations of other units. In this way the immediate relationship between the Board of Directors and the unit managers remains, but many of the daily problems are 'caught' and solved by these divisional directors.

The position of the divisional director is a popular job. Not every unit manager is suitable. It requires different personal and professional qualities as one is on the 'other side' of the management contract. However, when a vacancy arises at Rapid the choice seems easy. Mr. Dernbach is a successful unit manager who knows how to deal with people and who had worked at various other Rapid units before being appointed unit manager. In a service-provider company such as Rapid, where contact with the customer has a major influence on operating success, he knows the tricks of the trade. Dernbach gets along well with the members of the Board, and is a hardworking and faithful man who has been employed for twenty years and in charge of his subsidiary for almost ten. He clearly aspires to the job, which he considers to be something of his career peak—it is time for a promotion.

One should look to the future, not at the past

The majority of the members in the Board of Directors are in favour of his promotion, but one member has his doubts. Of course Dernbach did well with his unit, but what is the predicted success in the role of divisional director? One should look to the future, not at the past. Dernbach has few people under him and the customers' problems in his own unit were so specific that the question remains whether his good record there will necessarily translate into customer relations benefits for other units. The Board of Directors, however, refuses to discourage him and reasons it would be crazy to appoint an external person if there is a good internal candidate. The critical member of the Board of Directors gives in to the majority and Dernbach gets appointed.

But the doubts prove correct, and once appointed as divisional director Dernbach fails in his duties. He takes too much responsibility onto himself, and gives bad advice, as he does not know the market his unit managers are operating in: a situation that is bad for the company and very unfortunate for the unit managers involved. But there is solidarity with Dernbach; the Board of Directors advises him and supports him with external advisors. Unfortunately this has an opposite effect to that intended, undermining his ability to create an impression of professional competence—now he just looks like a glove puppet, only coming to life when someone else takes over.

It takes a long time before the Board finds the courage to reverse the decision and Dernbach slips out by the back door. Instead of a glorious finale the job he so desired has deteriorated into a humiliating defeat. Rapid is stuck with some discouraged unit managers whose faith in the Board of Directors has been seriously undermined.

Do it Yourself DIY in America

Dobber, a Dutch family concern, started in the twenties as a small hardware shop. After the war the generation in charge at the time founded several new businesses to benefit from purchasing economies of scale. When the DIY movement started enjoying popularity, Dobber was the first one to introduce self-service shops for enthusiasts. The number of outlets increased fast. The group developed into a leading retail trader for DIY products on the Dutch market.

But other companies also upsized; they elbowed many smaller firms out of the market. The consequence was a national oligopoly in which Dobber and a number of fellow giants controlled the majority of the market and small stores were only marginally viable. The only possible expansion was abroad. On a small scale, outlets were opened in neighbouring countries, but the limited popularity of DIY over the borders meant Dobber's supermarkets were ahead of their time there. With Dobber no longer a family firm, President van Veen dreamt of taking on America's best on their own home turf. America was a sort of DIY Valhalla, although distribution was on a very different scale. While visiting his student daughter in Boston, he took the opportunity to run by a couple of DIY stores. He immediately saw how Dobber could kick-start a DIY revolution, and his mind was made up: he would set up here. But he knew he had a lot to learn—after all 'Everything in America is different'.

. . . by way of compensation, (his) theory was also accepted. In retrospect, two wrong decisions were taken along as baggage

Back home he started to feed the idea to his two colleague directors in small doses to get them used to it. They stayed aloof at first—'Let's not be too reckless. Let's develop the European chains first.' But Dobber owed its strong position to being adventurous and always staying one step ahead of developments. It was clearly only was a matter time before the American distribution net got its act together and there were rich pickings for whoever took the initiative. It was decided to invest a limited amount in the US, although the supervisory directors did manage to wrestle control of acquisitions from van Veen, of whom they were afraid. Fellow board member Witvliet was given the task, and more or less by way of compensation, Van Veen's theory that 'everything was different in the States' was also accepted. In retrospect, two wrong decisions were carried along as baggage.

Witvliet was careful yet vigorous in his work. For reasons of consumer behaviour and population density the decision was taken to concentrate on the industrious metropolitan Boston area. Witvliet preferred a chain centred on the neighbourhoods full of students and young-married couples, but such a chain simply did not exist and would take far too much time to set up. The eventual acquisition was a small chain that appeared to have the potential, although its client base was predominantly senior citizens. Van Veen was opposed to the purchase; far too small and in the wrong location, he believed. But the board's advisors liked the look of things; it was a good opportunity to gain experience in a situation where the risks were relatively small. Besides, the existing management at the family firm was ready to run the show for a few years more.

And they certainly were! Witvliet's tact was not enough to convince local US management of the needed modernisation. They were and would remain conservative and kept the Dutch at a distance, invariably employing the argument that 'Europeans did not understand the American market'. Just as the affair was reaching a climax, the American manager suffered a stroke and was no longer able to run the company.

Two points of view developed within Dobber concerning the succession of the American manager. Some thought that now was the time that an experienced Dutch manager had to put things right over there. Others had the opinion that an American company should have an American manager, and that a successor should be found locally. First investigations suggested, however, that it would be difficult to find a manager who was familiar with the sector as well as with modern retail technology. As so often happens a third option appeared, and the choice fell on the son of the disabled manager, who had worked in the company since he was a child and had great modernisation plans. Despite the fact that he was still inexperienced, it was decided to embark with him.

. . . despite the differences, there were many similarities. In neither place can you do good business with bad management

But, after his appointment he had difficulty getting his ideas, which were good in theory, into action. Dobber's dissatisfaction was rising. Witvliet, who felt responsible, was confident that the youngster would come round, and gave him full support. The mood in the Board was amicable and members were left free in operational affairs; only the really important decisions were discussed collectively. Venerated for his excellent track record, Witvliet was not harshly criticised when losses began to show and no serious start was made with modernising. Moreover, Van Veen's maxim that 'everything is different in America' still prevailed.

When the half-year report indicated a clearly declining situation, it soon became clear that interference from the centre would be necessary. Since dismissal of the young and recently appointed manager would lead to a loss of confidence, it was decided to appoint a second manager who had knowledge of modern retail technology. In this way, a serious start would be made on modernisation while maintaining the American management know-how.

The double-headed management beast proved even worse than management by the son alone. The nature and necessity of modernisation became the subject of heavy discussions, and the ensuing deadlock eventually resulted in Dobber's decision to sell the chain. Nobody in Dobber dared to say that starting in America naturally involved paying to travel the learning curve—losses were too great for that. And absolutely nobody dared to say that, despite the differences, there were many similarities between management in America and Holland after all. In neither place, can you do good business with bad management.

The defecting Belgians

'Up' is a Belgium men's clothing retailer independently setting up outlets in France. It is believed that this country, with its many similarities to Belgium and the Belgians, would be an easy target in the internationalisation process—but this proves to be a disappointment. A Belgium competitor hampered them viciously, and the investment strategy, so effective in Belgium, seemed of little relevance in France. After two years, Up counted its losses and pulled out, full of bitterness, especially against the Belgium competitor who had thwarted their plans so much. Then something unexpected happened.

Up is contacted by a manager of the despised competitor, with the story that a colleague and himself are no longer happy at their employer, and looking for a new challenge. Vendenbemele, Up's President, cannot believe his luck: finally it is his turn to return the compliment to the competitor. The talks are successful and some days later job contracts are signed. There is a victorious mood at Up; everybody backs Vendenbemele and glorifies his bold action. But when the two managers let their own President know of their transfer, he takes it very matter-of-factly and reminds them of the competition clause in the employment contract they had signed—for three years they are not allowed to work in the same sector in Belgium.

. . . he has evidently blundered—but now he has found a glorious way out!

When the defecting managers present this 'detail' to Vendenbemele, he is desperate. Buying off the contract would be an expensive affair that moreover does no justice to the two managers. Suddenly somebody has an idea that will solve all the problems at once: 'What if we were to start in Germany and deploy the two managers there? They are experienced and available.' The company lawyer is quickly called in and he confirms that the competition clause has no bearing on this situation and thus the decision is made.

In the euphoria, there is one member of the Up Board who has doubts. Are these two people, totally lacking in foreign experience, really suitable for this German adventure? He is surprised that Mr Vendenbemele does not wonder about that. But how can he stop him? Vendenbemele has evidently blundered by hiring the managers at such short notice—but now he has found a glorious way out! He is a man with a large ego, and not easily challenged. And, after all, he has broad experience and besides, the supervisory directors, surely all experienced people too, support the plan. And besides there is a lot of money lying fallow in the bank that should be put to good use. Germany is a huge unexploited market, where Up's formula will undoubtedly perform well. But the questions keep coming—why should they succeed now in Germany so soon after they have failed in France? The failure was never properly analysed—the mood was not right, people had hurt feelings and did not want to discuss it. In the end, with no 'hard' data on why the venture should fail, he decides to keep his mouth shut.

And so the venture is launched. In his speech on the foundation of the German holding company, whose Board consists of the two new managers, Mr Vendenbemele, eager to score, again promises the overthrow of their troublesome competitor. Expectations are high, and he is greeted with thunderous applause. 'We are fully confident that you will quickly do business'. The President is not disappointed in this expectation—and in a short time, various small companies are taken over and new branches opened. The adventure is very expensive, but this was expected—Up had intended to invest heavily, and the start-up losses are endured. But, after some time, it appears the losses are taking on something of a structural character. Basically it is the same story as in France—Up is in the wrong places with products that do not sell in Germany. In the euphoria, no lessons had been learned from the French debacle. It even ends the same way: the losses are accepted with great sighs and both defecting managers and the Board President lose their jobs.

. . . it ends up the same way: the losses are accepted with sighs and both managers and the President lose their jobs

The mechanism of missing or ignoring vital information

In the decision-making process a specific pattern can be recognised which is common to all the cases (see Figure 1). This pattern starts with a *warning signal*—which may or may not be noticed—flowed by a *decision-making process* leading to a *decision*. The decision results in either a *learning behaviour* or what we will call *red light behaviour*. In the latter case, the red light cycle may repeat itself.

The warning signal

The cases show that information that is missed or ignored has either an *external* or an *internal* source. *Trend jump* situations (where a new fashion, a popular new technology, a radical new opinion suddenly shifts the goal-posts, rendering the company/manager's traditional wisdom and educational experience potentially invalid) can be distinguished from the *going concern* (continuance of normal operations) mode.

One would expect that external rather than internal warning signals are mainly responsible for driving through red light, and also that signals arising from trend jumps would cause more red lights to be missed than those arising from going concern. But Table 1 shows this was not so in the cases we examined.

If a warning signal is not noticed, the company drives through a red light. If it is noticed, it will be dealt with in a decision-making process.

The decision-making process

The decision made can either be characterised as a well-considered decision, as a calculated risk or as driving through red light.[2] (see Table 2).

The type of decision taken depends particularly on the individual decision-maker and the *decision environment*—the complex of factors surrounding the decision maker: actors in the decision making team, their relationships to each other, the general

Table 2. Three kinds of decisions

Kind of decision	Description
Well-considered decision	All necessary information is available. All expertise to interpret and process this information is also available and there is sufficient time. "We did everything in our power and we did it painstakingly well!"
Calculated risk	The decision is consciously made on the basis of too little information, either because this information cannot be procured at short notice or there is not sufficient time. "With the same amount of information, we would have taken the same decision"
Red light	Information is not noticed, ignored, suppressed or scorned. The decision is irrational. "We should have done it differently, we went through a blind spot"

Driving through red lights does not always lead to disaster—sometimes it causes no danger and it saves time!

company/business sector situation, and sometimes elements of the national culture as well. The decision environment can be defined as: *the ensemble of actors, structures, procedures, systems, information and culture surrounding the decision taker.* The extent of the organisation's red light sensitivity (discussed below) is crucial in the decision making process.

Consequences

Driving through red lights does not always end up in a disaster—sometimes it causes no danger and it saves time! And if driving through a red light leads to success, then it is virtually certain that the decision process never gets analysed. In contrast, a well-considered decision leading to an undesired or unforeseen result is often evaluated, resulting in changes of procedure.

If a red light decision turns out wrongly, there are two possibilities:

- The manager becomes aware of the fact that he has driven through a red light;
- He remains unaware of the mistake.

In the latter case, a new red light cycle can be set in train as, panic-stricken by the first error, a manager hurries to 'make the best of a bad job'. In this emergency situation normal procedures are pushed aside, and this can lead to second or even third generations of mistakes. Thus things can go from bad to worse in a manner described by the literature as 'risk-seeking in the domain of loss'.

If, however, after a decision turns out wrongly, and it is acknowledged that a red light has been missed, the ensuing analysis can lead to *learning behaviour.*[3] This allows people to come to terms with themselves and prevent them repeating the same mistake. Although often a very painful process, it can have a cleansing effect if successful, turning reckless managers into people who look at company problems more thoughtfully.

Red light sensitivity

The decision taker, the decision environment and their interaction determine whether a company is a priori sensitive for picking up signals, whether the absence of signals or information is noticed, how the signals are processed and whether a pervious red-light incident is identified. *Red light sensitivity* determines whether a company has a smaller than average chance of driving through a red light, and can thus be defined as *an indicator of the situational factors that determine how a signal is responded to and how information is treated.* Driving through a red light arises when there is a *combination of one or more causes together with a low level of red light sensitivity.* Thus things may be well for years on end a company that is insensitive to red light: if the occasions does not arise, the weakness of the company is not exposed. Differences in red light sensitivity explain why, on the same occasion, one company may not drive through red light while the next one will.

. . . things may be well for years on end: if the occasion does not arise, the weakness of the company is not exposed

We identified nine factors that comprise red light sensitivity. These can be distinguished in categories of actors, process and information (see Table 3). Table 3 also gives the number of occurrences in the 14 cases investigated. (Note that many forms of low red light sensitivity can occur in one case.)

There may be several factors that contribute to low red light sensitivity.

Tension between the autocratic and the consensus model of decision-making

Decision making within Executive Boards recognises two ideal types: the consensus model (where decisions are mutually agreed) and the autocratic model (the president decides and ensures that the decisions are supported). Vacillation between

Table 3. Factors comprising red low light sensitivity and frequency of occurrence

Category	Reason for low red light sensitivity	Freq.
Actors	Tensions between styles of decision-making	4
	Focus on a single problem	5
	Haste and impatience	5
	Tiredness and stress	5
	Ego, power and overconfidence	7
Process	Groupthink	5
	Unclear structure and weak culture	4
Information	Poor information and communication systems	7
	Acknowledgement of intuition	5

these models can create tension. In many cases, while the Board formally had a consensus style, in reality the autocratic style was dominant. Members of the decision-making environment then feel uncertain about passing information on, or participating in discussions.

Focussing on a single problem

The successful manager should be efficient, and should have focus, not to be distracted from what his is doing. However, a strong focus on a single problem may mean a proportionate chance that signals announcing other problems or opportunities are overlooked. In this way he can drive through a red light and neglect an important issue—one can be 'penny-wise and pound-foolish'.

. . . without overconfidence or inflated ego it is often impossible to get things off the ground

Haste and impatience

Often the prevailing mood is 'We are not going to postpone the decision any longer', or 'Rather a bad decision than further delay'. 'Impatience' has the double meaning of having to act (being hasty) and being impatient with resistance (being intolerant). Honesty compels us to admit that impatience is sometimes rational, and that a positive aura surrounds the quick decision maker—*Veni, Vidi, Vici.* In situations of haste and impatience people often work by heading for the solution; the information is assessed unilaterally, other information is trivialised. With arriving at a solution as the imperative, the popular maxims which warn against this blinkered haste—'Skating on thin ice' or 'Sleep on it first'—are easily ignored.

Tiredness and stress

The element 'tiredness' is not mentioned in any of the cases, although we know from daily practice that tiredness certainly lowers the level of red light sensitivity. It appears that tiredness leads to constriction of thinking and to erroneous estimation of signals and risks. An important factor in management evaluations is stress immunity; some people can still function reasonably or well in a state of extreme stress and tiredness, others cannot. However, many—if not most—decisions have to be made in situations of tiredness and stress and managers must be aware of their personal limits.

Ego, power, and overconfidence

Ego, power and over-confidence are important psychological factors associated with driving through red lights.[4] As with the single-problem-focus there is an element of one-sided thinking. Where ego is involved, an individual may force his will on others—and, again, this behaviour is often rational: without overconfidence or inflated ego it is often impossible to get things off the ground. Napoléon's 'On s'engage et puis on voit' (We'll get started, then see how it goes), is parroted by many entrepreneurs and project developers.

Openness, tolerance, participation, objectivity and rationality all increase red light sensitivity, but are liable to be pushed aside by concentration of power. The dangers of power concentration are best remedied by an open management culture and dispersal of power, but the latter can lead to loss of decisiveness. A compromise would be to discuss the principal decision beforehand, preferably in the scope of a strategic plan, after which the decision maker is authorised to act efficiently. This is the essence of good strategic management.

Groupthink—always change a winning team

Groupthink describes the phenomenon where a group of people share opinions and assesses situations in the same manner.[5] Discussions quickly converge. Groupthink especially comes into being when a team is unchanged for a long period. People who do not fit the structure have already left and what remains is a solid group. When a team's composition remains unchanged for a long time, its effectiveness increases at first: later, however, while its efficiency remains high, it runs the risk of decreasing effectiveness. This is true for a management team but also for a supervisory board and for the fixed relation between management and supervisory board. Reasons for this include:[6]

- the team starts feeling invulnerable;
- the team is operating in isolation;
- negative feedback is suppressed with rationalisation;
- there is a powerful controlling leadership;
- there is insufficient reciprocal criticism or insufficiently persuasive criticism and a lack of self-censure;
- in the decision making process there is little consideration of available alternatives.

Groupthink is an important cause of driving through red lights, especially if it is accompanied by a strong enterprising culture. Working in a team has many advantages,[7,8] but how is mutual adroitness maintained in a collegiate executive board? 'Never change a winning team' will be suspect advice if the team is only winning under certain conditions—since conditions will always change, we would be tempted to say: *always change a winning team.*

Where a company's departments hold opposing views, warning signals can easily become obscured

Unclear structure and weak culture

Where there is an opaque legal or organisational structure, warning signals can easily be missed as the unclear structures lead to an unclear division of responsibilities with some managers attracting too many tasks while others pass them on.[9]

In a weak culture, there is no uniformity in the unwritten codes that determine social conduct or in the norms and values that underlie them. Cultural aspects certainly form an important factor in the question of whether a company drives through red lights when a warning signal is available. Where a company's departments hold opposing views warning signals can easily become obscured as the interpretation of the signals becomes a 'political' matter and the discussion then focuses on the political import rather than the actual content of the signal.

Poor information and communication systems

In some cases people blame the information system. 'Looking in the rear-view mirror instead of at the road ahead' and similar comments were often heard in the interviews. Strategic rather than administrative information is needed to be aware of trend jumps. In not a single research case was the presence of corresponding information systems mentioned, despite the fact that methods of scenario planning are widely known, offering alternative sets of assumptions about future developments and expectations with regard to a company's future. Policy decisions can be tested against these expectations.[10] Those who choose not to use scenarios should nevertheless be able to identify a trend jump in time. The best practice here is to monitor a number of trends, these trends being identified as sensitive in the normal strategic planning cycle.[11]

. . . the cheers are so loud it is impossible to publicly question whether the solution is the best one

Acknowledging intuition

Whether or not a red light situation is acknowledged is to an important extent dependent on whether one listens to one's intuition, which we can describe as: *a feeling of evidence that has a strong reality value for the person involved and that controls his choices to a significant degree.* Intuition cannot be traced by a rationally controllable method, being based on implicit learning and unconscious memory formation.[12]

In computer science terms, one might say that intuition is 'an effective search programme that can easily access and relate situations from present reality with experiences that have been stored in unconscious databases'. Although intuition is probably based on experiences, the intuitively thinking person is able to obtain access to this 'database' of experiences more efficiently than the strictly rationally thinking person, and can establish unconscious relations between that database and the present reality. That means that intuition should be mistrusted if it expresses itself in fields where the person involved has little experience. A car trade manager's intuitive judgements about technological changes in the chemical industry should probably not be trusted—but his feelings about a colleague's integrity, even in sector unknown to him, may well be reliable.

Red light behaviour

Driving through red lights often coincides with what we have tagged *red light behaviour.* Characteristics of this behaviour can be:

- The euphoric mood; the cheers are so loud it is impossible to publicly question whether the chosen solution is indeed the best one. This cheerful mood seems somehow unreal—and it is. New proverb: *when bonfires shine unusually brightly, distrust is appropriate*;
- Panic, often the opposite of euphoria;

- The extinguishing of critical signals: in the event of euphoria and panic alternatives are no longer considered and those who dare to ask critical questions may be punished. There may be rallies of loyalty where critical assessment is totally absent;
- Shooting the messenger: those bringing news or opinions that challenge the decision are scorned and have their loyalty questioned. The worse the messenger gets 'shunted', the greater the likelihood that he is right—people who just talk rubbish are usually not given that much attention. Ranks close and the wrong decision becomes increasingly irreversible;
- On the other hand, news which appears to support the decision is given the bright spotlight—the messenger of these tidings is put on a pedestal;
- Hiring the strong man or woman: the exaggerated emphasis put on his/her exceptional qualities ought to beg the question as to whether the speaker has still to convince himself;
- The 'one fell swoop' solution, where all problems are solved at once, killing a flock of birds with a single stone, like the defectors' appointment to Germany at Up;
- The unsinkable (Titanic) feeling: 'we made it—after this takeover our enterprise is complete and we can deal with all problems'. The winning mood can also be a harbinger of missing the red light for a second time All critical faculties are suspended, like Napoleon before his campaign in Russia—all battles have been won, *la Grande Armée* is invincible.

An analysis of past decisions can give insights into . . . both personal and structural factors

Recommendations

The study shows—perhaps unsurprisingly—that there is no easy recipe against driving through a red light. Three remedies were identified: improving the sensitivity to recognising and acknowledging warning signals (a technical remedy), establishing learning behaviour (a behavioural remedy) and applying what we have tagged contra-thinking (adding significant reference points for decision making).

Improving red light sensitivity

Anything that increases red light sensitivity will reduce the chances of driving through red light. The factors of Table 3 can be used as a checklist. An analysis of past decision-making processes can give insights into a company's red light insensitivity, both into personal factors (ego, impatience) and structural factors (unclear structure, weak culture, bad information and communication systems). In order to employ the full potency of Kolb's learning cycle,[13] it is recommended that such analyses be carried out by mixed teams of decision-makers, members of the decision-making environment and specialised consultants. Such analyses can lead to recommendations for structural changes, and can also result in using case-histories in projects aimed at learning.

Learning

Learning from personal as well as business cases appears to be the prime requirement for dealing with red lights. It should result in a feeling, a meta-intuition like 'It feels I'm at it again'. Reflection and learning are needed in order to arouse this feeling. This is a difficult process since it questions personal prestige, adopted customs and the role appropriated for oneself in the decision process. This is a process that only a few can successfully accomplish alone. In some of the world's cultures religious and secular coaches often assist in such processes, but our Western, individualistic culture encourages us to try to do everything by ourselves. However, it makes sense to participate in forms of reflection and training from time to time, whereby managers, with each other—assisted or not by coaches—can come to radical awakenings.

Learning well. . . should result in a feeling, a meta-intuition like 'It feels I'm at it again'

Contra-thinking

In many cases driving through red lights is caused by constricted powers of perception and judgement. In such a situation, the decision maker can profit much from somebody—or a group of people—who can 'contra-think'. 'Contra-thinkers' take a wider perspective than the immediate decision makers. Furthermore, they make a critical, unbiased, 'scientific' analysis of the situation and of possible solutions, and can test the decision from the devil's advocate position, helping to keep a decision maker on the right track in situations where emotions point toward a different direction than rationality.

Contra-thinking is *following the decision making process from a different position and wider paradigm than that of the actors themselves, as well as playing the role of critical antagonist by constantly holding up a mirror to the actors.* Listening to the contra-thinker can aid the actors in separating emotions from rationalities. The presence of a contra-thinker can also help decision makers to become conscious of all that is going on in the process, and of the possible implications of proposed decisions.

Somebody who takes on the role of contra-thinker must know the business thoroughly, and dare to maintain a critical stance towards opinions and the information supplied, questioning them as a matter of principle. He must not be swayed by the logic or quasi-logic of the decision maker and the decision surroundings. He is confidant and critic at the same time, and should have no material, emotional or personal interest in the result of the decision. He must stand apart from the process and retain his links with wider circles, monitoring his role and process to ensure he is not just a bastion that needs to be negotiated.

Contra-think relationships may arise spontaneously in practice—indeed every line-staff relationship can be seen as essentially a structured form of contra-thinking. Perhaps this is the most striking lesson from this investigation, namely that *everybody needs contra-thinking—senior managers perhaps even more than junior managers—and that this is particularly true in situations where strong emotions play a role.*

Making mistakes is part of life, in business as elsewhere. Improving red light sensitivity with clearer organisational structures, providing for the chance of personal learning and applying contra-thinking are closely related processes that can help managers see red light signals in time and improve the decision-making processes, as well as avoiding extended emotional fall-out for managers and reducing the risk of following one error with another.

Making mistakes is part of life, in business as elsewhere

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