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The Art of Leader Judgement in Organizations: A Qualitative Investigation of Its Development

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THE ART OF LEADER JUDGEMENT IN ORGANIZATIONS: A QUALITATIVE INVESTIGATION OF ITS DEVELOPMENT

Michayla Fuller and Dr. Rachel Sturm

Wright State University
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"If decision-making is a science, judgement is an art.”
(Advanced Leadership Initiative, Harvard University)

It is estimated that each person faces approximately 35,000 decisions a day (Sollisch, 2016). Whereas decision-making can be scientifically reduced down to a set of steps that includes things such as identifying the problem (e.g., I am hungry), weighing decision criteria (e.g., do I want something healthy or tasty?), and generating alternative courses of action (e.g., will I get a bagel or have some cereal?), how one responds to the decision-making process overall, including identifying an appropriate course of action to [eventually] take, lies at the heart of judgement. Specifically, judgement requires that individuals, such as a leaders, make decisions knowing that everything is contextual and always changing, but are able to take action in a timely fashion (Nonakam & Takeuchi, 2011). Hence, judgement, unlike the rational decision-making process, is not a structured, consistent process; some judgements can be made in less than 5 minutes, while others can take weeks/months of contemplation. Also, judgement engages an individual’s more creative side and imagination, which illustrates it’s more artful nature.

Having sound judgement is an important aspect of effective leadership (Lawrence, Lenk, & Quinn, 2009). Akin to Aristotle’s notion of phronesis—meaning “practical wisdom” gained through experience over time that requires leaders to balance their character strengths to deal with everyday contingencies in a harmonic, adaptive, and prosocial way (Aristotle, 1999)—current research on character has identified judgement as being central in determining how one’s character influences his or her behavior in a certain situation (Seijts, Gandz, Crossan, & Reno, 2015; Sturm, Vera, & Crossan, 2017). As suggested by Crossan, Seijts, Reno, Monzani, and
Gandz (in press), judgement enables a leader to be able to identify and understand the particularities of a given situation. Judgement allows leaders to combine the knowledge that they have learned about a situation with their intuition to make vital decisions about the people, strategy, or issues within their organization (Dane & Pratt, 2007).

Good judgement can lead to well-informed decisions that result in desirable outcomes for leaders and their organizations (Tichy & Bennis, 2007). On the other hand, poor leader judgement could cost a company millions of dollars and impact thousands of people, such as the fall of Enron, Tyco, and Worldcom. Whereas there is ample research to support the benefits of having good judgement, the operationalization of judgement is still not well understood (Tichy & Bennis, 2007), which makes it difficult to measure and examine how it manifests in the workplace. More importantly, understanding how judgement can be developed is vital to the process of leadership and needs more attention in both research and practice. To address some of these weaknesses in the literature, the current research decided to investigate one of the main sources of judgement in organizations (i.e., senior leadership) in order to more comprehensively understand this important phenomenon.

THEORETICAL BACKGROUND AND HYPOTHESES

As a form of practical wisdom, judgement helps individuals to make decisive calls based on observances and results they have experienced first-hand throughout their life (Nonakam & Takeuchi, 2011). Qualitative judgement in particular is utilized when people formulate and select the right options based on experience gained from working with social networks, practice with moving from the big picture down to the concrete specifics, examination of consequences, and delegation of applicable decisions to others (Charan, 2013). Sometimes a leader will have all the information she or he needs to make a sound decision, though other times may require a leader to
“suspend rationality” and ignore the numbers to make a decision based on what is or her heart is leading them to do. Judgements that are grounded in emotion tend to be based on intuition, which are quick judgements that usually involve accounting for feelings of yourself and others (Dane & Pratt, 2007).

A leader’s judgement does not always occur instantaneously, and instead, is more often built into everyday operations and made or developed over time. Problems can be broken down into smaller issues and delegated to other knowledgeable individuals in the organization who can then research and take action over a longer period of time. Judgement often involves collaboration with other individuals. To make good judgements, it is common to reach out to other professionals, both within an organization and outside an organization, to obtain guidance, information, and insight before ultimately making a decision (Davenport & Manville, 2012). Effective leaders, then, are able to utilize diverse perspectives to clarify questions and address everyday issues that ultimately help them make the more impactful judgement calls as they arise (Davenport & Manville, 2012).

Judgement is related to values and ethics of an individual (Nonakam & Takeuchi, 2011), as well as one’s [virtuous] character. “How an individual’s character influences their actual behavior in a particular context depends on their judgement. Judgement serves to moderate and mediate the way that the other dimensions determine individuals’ behaviors in different situations. Tom Long, managing director at executive search firm Russell Reynolds, suggested that judgement acts like an air traffic controller, determining when courage should be shown and when it is better suppressed; when to be temperate and when to be bold; and so on. The key is that leaders need a deep reservoir of all dimensions of character to draw on as needed.” (Seijts, et al., 2015).
Given the importance of a leader's judgement to her or his character and their organization as a whole, the current research seeks to understand how different leaders view judgement in the workplace. In particular, the following hypotheses were examined:

**Hypothesis 1**: Judgement is positively related to important organizational outcomes.

**Hypothesis 2**: Underdeveloped judgement leads to negative organizational outcomes.

**Hypothesis 3**: Character is positively related to judgement.

**METHODS**

Judgement encompasses so many different character traits and plays a central role in today's professional world. It is not a skill that is universally taught to all professionals, but rather is a trait we tend to see in successful leaders. In order to gain a better understanding of the development and application of judgement, we decided to look to the central source of decision-making in an organization: senior leaders.

Our research consisted of structured interviews and surveys; a sample of the interview questions that were asked of the participants can be found in Table 1. Once receiving approval to conduct the study from the Wright State University Internal Review Board (IRB), the Principal Investigator contacted potential participants via e-mail and included a cover letter explaining the project if they agreed to participate. We reached out to 10 senior leaders in the community, and received 8 responses, which provided us with an 80% response rate. Respondents ranged in age from 35 - 72 years old. All respondents held an executive title during their career (e.g., President, Chief Officer, Founder). 50% of respondents had more than 30 years of full-time work experience and 75% of the respondents were male.
Table 1.

Some Sample Interview Questions and the Hypothesis It Links To

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Sample Questions</th>
</tr>
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<tbody>
<tr>
<td>Hypothesis 1: Positive outcomes of well-developed judgement</td>
<td>How does judgement impact performance? Specifically, how does it impact performance in your role?</td>
</tr>
<tr>
<td>Hypothesis 2: Negative outcomes of underdeveloped judgement</td>
<td>How would having a lack of judgement lead to poor outcomes in your position?</td>
</tr>
<tr>
<td>Hypothesis 3: Character is positively related to judgement</td>
<td>How does character fit in to judgement?</td>
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</tbody>
</table>

RESULTS

Several participants stated that judgement works hand in hand with decision-making, which is arguably one of the biggest responsibilities of an executive leader. One participant stated, “In my current role, judgement is likely the most important aspect of my job—I see what employees come up with at ground level, and then determine if it can be developed into a strategy that can help push the business forward.” Others mentioned that they also make decisions related to personnel, resource allocation, strategy, and product lines on a frequent basis. All of these decisions are directly related to organizational outcomes and measured using benchmarks like revenue or profit growth, return on investment, earnings per share, and many others. Often times, improvements in those areas are positively correlated with company growth, customer satisfaction, and employee development.

Judgement is Positively Related to Important Organizational Outcomes

Decisions are often made with guidance from the company’s mission, vision, and goals. Therefore, establishing a clear value system within a company can provide all employees with
direction and influence judgement. Providing employees with the necessary resources to make successful decisions can increase autonomy within an organization, which has been the key to growth for one of our participants’ companies. They stated, “If we have to wait [to make decisions], we may miss the opportunity. I tell our employees, if you feel it fits our values, make the call! When those things work we perform at a higher rate.” The increase in productivity from this philosophy has helped the company to double its workforce size and increase revenues 150% in just six years. Executive judgements set the tone and direction for an organization. If made correctly, these judgements work within a central strategy that is extended throughout the company and enables positive growth.

Growth is also recognized when companies recruit additional new clients. One participant stated, “People, process, technology. If we are making good decisions in those areas, we are helping our customers. If we can help relieve the stress of our customers and impact them positively, it can lead to growth.” Clients are more likely to do business with companies that provide value, speed, and consistency. Each of these aspects are incorporated into a company’s core strategy, which is initially implemented through the judgements and decisions of executives, and later carried out by employees across the business.

Strategy is often crafted with sustainability as its focal point. Leaders are not only looking for ways to temporarily improve the performance of their company, but they are working towards establishing a long-term, sustainable foundation. One participant explained that a large factor of the sustainability of their organization was related to employee development: “It’s all about the people. Everybody deserves the chance to learn and grow and develop. If we do that, and do that well, the organization will succeed.” Multiple participants expressed the importance of teaching all employees to make independent decisions that benefit the company. One leader
can make many decisions, but they cannot be everywhere all the time, which is why, all participants agreed, it is vital to develop judgement in all employees. One executive elaborated, “We must rely on our training and hiring that we are selecting employees with our values who are trying to make good decisions. As experience develops outcomes, from each of those outcomes stems a learning opportunity and it’s my job to help guide and teach managers how I would want them to respond were I in their shoes. If I want the company to carry on with my vision, I need to make sure managers understand our values... Hopefully there is always a nugget of knowledge they can take with them that will shape their actions and help create our culture and environment.”

Executives make many large-scale, wide scope decisions based on the judgement they feel is in the best interest of the company. As is explained in participant responses, the good judgement of a leader can help a company grow, improve customer satisfaction, and develop judgement and decision-making skills in all employees. Accordingly, we conclude that judgement is positively related to important organizational outcomes.

_Underdeveloped Judgement Leads to Negative Organizational Outcomes_

As reflected in history, poor or underdeveloped judgement can lead to negative outcomes. For example, think back to the Great Recession of 2007-2010; poor judgement from mortgage brokers lending to underqualified citizens, poor judgement from investors not examining the high levels of risk associated with their investments, and poor judgement from banks who chose to underwrite mortgage backed securities all eventually ended in one of our nation’s largest economic declines in history (Mishkin, 2016). We further explored the direct impact that underdeveloped judgement could have on organizational outcomes at the company level during this study.
An underdeveloped sense of judgement in an executive can lead to a lack of decision-making, which ultimately leaves a firm without guidance. The absence of self-confidence, knowledge, and understanding can leave a leader unaware of the next step to take in the case of the common ambiguous situation, which can cause an organization to fall behind competition while attempting to decipher their own strategy. One participant stated, “If we aren’t keeping pace with competitors then we are falling behind. Even if we are sanding still, we are really moving backwards. We have to maintain a nimbleness. We have to be learning and growing and embodying our core values so we can make necessary decisions.” The inability to make final judgement calls can cost companies clients, revenue, and even, their reputation.

Underdeveloped judgement has also been found to lead to errors in communication and deficient information flow to employees. “I can create ripple effects with my words and actions that can have negative consequences to our culture, or create anxiety that would bog down someone else’s decision-making flow,” one participant stated. Labor is often the largest expense for a company, averaging at about 60% of revenues for the workforce (Ro., 2015), so leaving employees confused, or scared to act upon their decisions because of unclear communication signals can cost a company time and money. Additionally, employees are a great source of innovation for a company. One participant claimed, “As the organization has grown, I have begun pulling more folks in and including them in the process, knowing none of us are as smart as a larger body. It’s not whose right, but what’s right. This has helped accelerate the learning, and ability to make decisions and judgement calls.” Failing to create a safe environment that encourages an inclusive and collaborative culture can cause leaders to miss out on new opportunities to take their company to the next level.
Possible Barriers to Judgement

In hopes of helping a company avoid negative outcomes associated with underdeveloped judgement, we asked the participants about any barriers to judgement development they have experienced or witnessed, and strategies they suggest to overcome these barriers and further develop their sense of judgement.

The first common barrier mentioned was negative past experiences with judgement, or making the wrong decision. One participant explained, “Continual bad decisions can damage self-esteem. It is critical as we develop our teams to take a chance on people and let them take on stretch assignments. Maybe they make the wrong decision, but it’s our responsibility to make sure they fall from 1 or 2 floors up, but not 10. Failure can hurt, but it shouldn’t destroy you.” Creating these opportunities for others to take on an increased level of responsibility is a key step in developing judgement; it is a true test to see what others have learned about the decision-making process within the company and one of the only ways to find high performing employees who have what it takes to take on other leadership roles. However, it is vital to express the importance of working through mistakes, and that, sometimes, that is the best way to learn, as one participant concluded: “High degrees of autonomy allows people to make decisions, and a lot of judgement comes from learning from your mistakes. We encourage our associates to ask questions, make decisions, and challenge themselves. We try to celebrate the mistakes as much as the successes: Find the silver lining. There is never a bad experience if you learn from it.”

The second common barrier discussed was technology. At face value, some may assume that the ability to gather larger quantity of data to support options in the decision-making process would relieve some of the need for personal judgement input. However, multiple executives claimed that the mass quantities of information actually impede the decision-making process in
some instances. One participant stated, “You have so much information available to you now and receive so many messages... It’s hard to work through sensory overload to make the right judgement.” In essence, technology adds another level of decision-making to the process. Not only is one making the original judgement call, but also they are deciding which information is relevant and pertinent enough to the situation at hand to warrant consideration. That is when judgement comes into play, deciding which messages are important to the situation and acting upon the information as is determined appropriate.

Perhaps the most obvious barrier to developing judgement, though, is ones’ self. An unwillingness to take risk, a weak sense of values, a reluctance to learn, refusal to adapt, closed-mindedness, and a lack of ambition, were all identified as individual-level barriers to the development of judgement. There is some amount of risk associated with decision-making because there is always a possibility that the judgement call could be wrong. A solid foundation of values and beliefs built into a strong sense of character helps one be more comfortable and confident in their judgement. Learning and adaptability work together and are vital for a business leader who wants to keep up-to-date with trends and technology that can, and does, change the industry. Closed-mindedness extinguishes innovation and leads to tunnel vision, making it harder to make an unbiased and well-informed judgement call. Finally, lack of ambition causes one to miss out on projects and opportunities that provide valuable experience, which shape judgement.

As is evident from our study, underdeveloped judgement can lead to lack of decision-making, errors in communication, and unhealthy company cultures. We conclude that these factors contribute to negative organizational outcomes that may include, but are not limited to, stagnant company growth, decreased revenues, poor customer satisfaction, and unproductive employees.
Character is Positively Related to Judgement

In a study conducted in 2015 focusing on the impact of different character dimensions on leadership performance, 500 employees were asked to identify which of the 11 character dimensions in Figure 1 were most important to success. Drive, Integrity, Accountability and Judgement were the most popular responses. Humility and Humanity received the lowest levels of importance. (Seijts et al., 2015).

Figure 1.

Virtuous Character Framework

During the interviews, we asked the participants how they believed character related to judgement. Most agreed that one’s character crafted a framework for their decision-making. Values, beliefs, skills, and abilities all contributed to strengths and weaknesses, in each of the 11 dimensions previously defined. One participant stated “To make sound judgements, one must rely on and stay consistent with his or her character.” The same participant explained that
sometime logic and numeric analysis may point to one answer, but if that answer does not align with personal or company values, then good judgement must be exercised and the decision should then be based on those other vital factors.

Other participants likened character to a “filter” wherein experiences, knowledge, and beliefs work together to develop each of these dimensions, which then serve as a filter through which one looks when making decisions; it helps one to see the situation with different perspectives and presents the options in different lights according to the character dimensions that may be more dominant within the individual. One participant claimed: “Character fits into judgement because it is one of your filters. It determines what you value and how you engage in a situation, which can ultimately impact judgement.”

Most executives talked about the importance of considering each of the 11 character dimensions and the relationships between them when making decisions and judgement calls. Some participants highlighted dimensions from those listed, such as accountability and integrity, which they felt were more important. One participant said, “Accountability is critical. I am accountable to my teams [for my decisions], just like they are accountable to me.” Additionally, integrity was related back to trust and gaining the confidence of other professionals within the company. Without exemplifying integrity, people will be reluctant to trust one’s judgement.

Surprisingly, contradictory to the previous study, Humility was the most mentioned dimension throughout this research process. Humility, or humbleness, is related to being modest and self-aware, and taking time to reflect on one’s actions and their implications. One participant stated that humility becomes increasingly important as one gains power. They said, “Staying humble has helped me stay true to myself and what’s going on, which helps my understanding before I make judgements.” Being open and vulnerable with employees can help them relate to
the decision-making process. Also, it can make an executive seem more approachable and set a
culture of appreciation which sparks employee motivation and can lead to further innovation and
improvement.

One participant brought to light the circular nature of the model. Their company has a set
of eight core values that guide employees to make decisions that best align with the company’s
mission, and they also depict those values in a wheel. A wheel can only serve its purpose and
turn smoothly if all pieces are present. This relationship is exemplified in the model. While some
pieces may grow larger in certain situations than others, all pieces must work together to create
the final product. All 11 dimensions are vital to a leader’s character; thus, without judgement,
character cannot be exemplified. The participant concluded, “I believe we are all a product of our
life experiences. Character and judgement are tied together from these experiences. You can’t
have judgement without character, and vice versa.” All in all, as evidenced in Table 2, our
findings lead us to believe that character is indeed positively related to judgement.

Table 2.

Themes Supporting Hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1: Judgement is positively related to important organizational outcomes.</td>
<td>Developing judgement in employees permits higher levels of autonomy which allows for organizational growth. Strategy, which is implemented through judgement and decisions, can attract and retain new customers, which can increase revenue.</td>
</tr>
</tbody>
</table>
REFERENCES


Hypothesis 2: Underdeveloped judgement leads to negative organizational outcomes. Lack of decision making and guidance from leadership can cause a company to lose business to competitors. Lack of judgement can lead to miscommunication with employees, which can cost the organization time and money.

Hypothesis 3: Character is positively related to judgement. Values, beliefs, skills, and abilities all contribute to strengths, and weaknesses in character dimensions, which provide a framework for decision making. All 11 character dimensions are vital to a leader’s character; thus, without judgement, character cannot be exemplified.

**CONCLUSION**

From the research conducted, it is concluded that a leader’s judgement is developed through decision-making experience, collaboration with others, and informational instruction. Additionally, judgement is impacted by one’s tendency to view situations through a more analytical or an intuitive and emotional-based viewpoint. Each of these factors, in combination with the application of personal character strengths allows an individual to develop and utilize a sound sense of judgement, which can benefit leaders by guiding them to make good decisions for themselves and for their organizations.