



Think
it
Through



*Our business decision making
has a 50/50 proposition
for a successful outcome!*



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About the Paper

Decision making is difficult. We all get that. Whether it is the inability to make a decision, overconfidence, lack of information, misinterpreted information, changes in technology, a natural disaster or because you simply lost interest, there are plenty of ways to derail a decision.

For more than twenty years I have had the unique pleasure of facilitating workshop after workshop for executive teams and have heard a plethora of war stories about decisions gone wrong - budget blowouts, projects running sometimes years late, failed acquisitions and reputation destroying events that cost the CEO their job; and, I have heard all the excuses.

In truth, business people the world over from all sectors accept mediocrity in decision making. This universal acceptance of mediocrity creates the greatest opportunity for you as a decision maker – to fine-tune your decision making process. If you would like to learn more about the challenge of improving your decision making, please read on.

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1. You can't get every decision correct.
 2. You tend to make decisions on the run.
 3. Given our decisions define us, don't you think you should take the time to Think it Through?
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If we sat down and thought every decision through we would be lucky to make it out of the bedroom in time for lunch.

How good is your decision making?

So, how often are you right vs wrong? Come on, think about it. If you are like most people you probably have not sat down and thought very hard about how good your decision making is. So let me ask you a few questions to get you thinking. How often are you right for those more straightforward decisions like:

- *Which route should I take for my drive to work this morning?*
- *Should I exercise at lunchtime or after work?*
- *Should I have the sandwich or the salad?*

If you are anything like me, each of these questions instantly reminded you of a decision that did not turn out so well. That is because I was setting you up to think about being wrong so you remembered a poor outcome rather than a good one, whereas a good decision is more the norm for these types of decisions.

Your decision making is pretty good in these more straightforward decisions. You have good experience of the traffic challenges driving to work, you know yourself and your tendency to get more/less interested in exercise the longer the day goes on and you know the sandwich versus the salad is not such a big deal anyway, so long as you are buying in your favourite café.

So why then could I trick you into thinking you were often wrong? The reason of course is our mind is always playing tricks on us. We are forever challenged by cognitive biases created by our use of heuristics in our decision making. That is, the use of intuitive judgements that we all use to get us through the day. If we sat down and thought every decision through we would be lucky to make it out of the bedroom in time for lunch. So we take short cuts. We assume certain things, such as implicitly trusting someone's judgement because they have always been right before.

Ultimately your decisions define you.

The problem is that while heuristics get us out of the bedroom so we can get to work on time, they also can get us into a lot of trouble. For example, while driving a car we pretty much assume the driver in front of us is watching the road and being somewhat diligent unless we see signs to the contrary. On the rare occasion we are wrong AND at the same time something happens in front of them and they slam on the breaks that little bit too late, if we have not left enough room in front of us for their error...smash!

So that is the story on smaller decisions, what about bigger ones, what about business decisions?

Well unfortunately the story there is not any brighter. Whether it is McKinsey Global Surveys¹ or academic research such as the work of Professor Paul Nutt of Ohio State University and his analysis of more than 400 major business decisions across scores of countries, the evidence is the same². Our business decision making is a 50/50 proposition for a successful outcome – mediocrity!

Your decisions define you

Ultimately your decisions define you. Think about people you know. Those who are no longer with us due to that one fateful decision, those who live a very different life to the one you imagined they would lead. Think about famous people such as India's Gandhi, South Africa's Nelson Mandela and Burma's (Myanmar's) Aung San Suu Kyi. Think of those infamous people from Chicago's Al Capone to Cambodia's Pol Pot and Iraq's Saddam Hussein. You have an image of each of them in your mind that is there because of the decisions they took.

What about politicians and business leaders that are more familiar to you? How are they defined? Let's start with the famous and infamous Bill Clinton. US President Clinton. During his two terms in office he ratified the North American Free Trade Act, raised the minimum wage despite a hostile republican dominated Congress while putting 100,000 more police on the streets, all of this while delivering (or being the beneficiary of depending on whose view you take) economic results such as low unemployment and low inflation.

However, while you have been reading you have probably been thinking about that infamous event of Clinton's Presidency. Can you hear those words now? "I did not have sex with that woman!!!" Well as it turned out the President did have sex with that twenty-something intern and you know the rest.

1. McKinsey Quarterly: The Case for Behavioural Strategy by Dan Lovallo and Olivier Sibony, March 2010

2. Why Decisions Fail: Avoiding the Blunders and Traps That Lead to Debacles, Paul C. Nutt, 2002

Despite his faults Clinton still remains a popular man, called on and admired for his speaking and hence influencing abilities. So while he made one, or was it nine, errors of judgement, his many great decisions while President leave him being judged favourably by history. That is, the balance of his decisions defined him.

So, while everyone is allowed to make a mistake, you better be making plenty of good decisions along the way and I would suggest a 50% success rate is not enough if you throw in a Lewinsky.

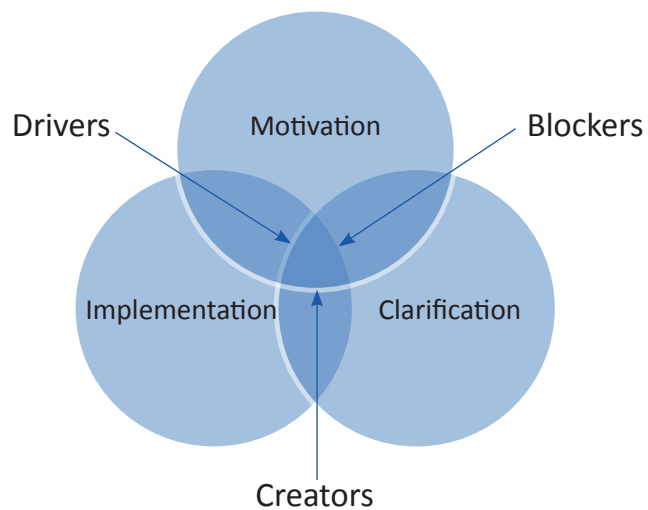
What's wrong with your decision making processes?

Academics, scientists and psychologists have been asking this question for a very long time and the answer unfortunately is – a lot of things. So much can influence our decisions, it is easy to suggest a 50% success rate is good enough. In fact we often hear people say it is often best just to make a decision rather than fall into a decision making trap. While I empathise with these thoughts, I also believe that people like you and me can do better by concentrating our decision making in three areas.

IMPLEMENTATION The first big mistake decision makers make is they go straight to solution. They get absorbed in the detail of how they are going to implement and then work backwards to the decision. Before you can focus on implementation you need to have the right answer, in reality the best answer from all available options as we can never predict the future.

CLARIFICATION Big mistake number two is that we don't clarify our options. We get lazy or rushed or overwhelmed and we don't stop and take whatever limited time we have to think about each option. In fact, because we are lazy, rushed or overwhelmed we even leave off what is often the best, most brilliant option.

MOTIVATION Third and by no means least, even if we have been diligent in working up our options while avoiding the implementation trap, by far our biggest mistake is we don't understand what is motivating us and what our motivators are doing to our decision making. Motivation creates mindset and mindset creates blockers to alternative thinking. While sometimes these blockers are just the right medicine, they have to be used with caution. That is, you have to decide to use one or more of them.



If it all goes wrong it was because decision makers did not have an appropriate decision making process in place.

A core process

As you can imagine there is plenty more to it than just concentrating on avoiding the Implementation trap, being diligent and taking what little time you have for Clarification while always looking over your shoulder at your Motivation. However, in all my years of consulting, of observing good, bad and indifferent decision making I have observed one thing. If it all goes wrong it was because decision makers did not have an appropriate decision making process in place.

For me the key is to create decision points as frequently as needed to ensure control while making sure the right people have the authority and are encouraged to decide. At each decision point they should review:

Drivers of motivation to be sure they are clear if these are aligned to core values.

Blockers of clarification to be sure if they need to be harnessed or dragged down.

Creators of implementation to be sure that they are ready, willing and able to execute and see the job through.

Take any one of these out of the equation and the decision is likely to be set up to fail.

While I have outlined a simple process that you can use anytime, anywhere, you must remember – horses for courses. The bigger the decision, the more effort you need to apply to each element of the decision making process. You should consider:

- Self-analysis tools to understand motivation.
- Creative thinking techniques to develop options.
- Analytical tools to understand implementation challenges.

With experience you will learn which ones work best under which circumstance and that they don't necessarily take a lot of time.

How often have you seen a decision about a project made only to find some way down the track that the organisation turned left and the project team kept going straight ahead?

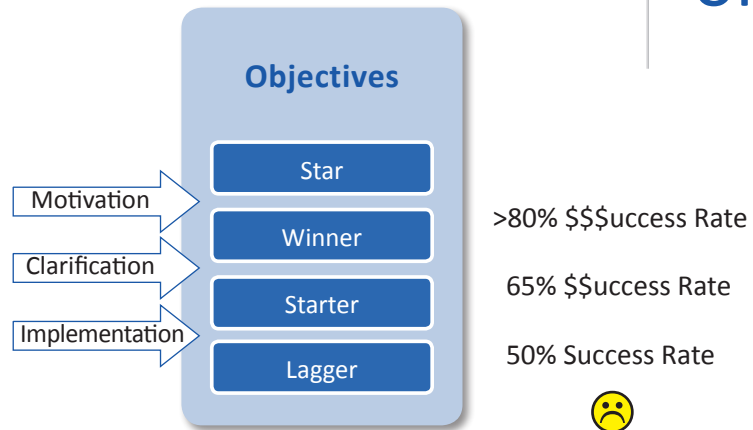
One last trap to be avoided

In Nutt's research of 400 business decisions his main criteria to assess a decision as successful was that the outcome was still in use two years later. This raises a tough question. If, after all the angst over this decision, after all the pain of implementation will your world still be one you want to be in? That is, will you still be motivated the way you were when you made the decision? Think about large projects. How often have you seen the implementation decision made, the project team assembled and the project driven hard only to find some way down the track that the organisation turned left and the project team kept going straight ahead?

Yes decision making is difficult, however, you really must think it through and put into place all the exit ramps, entry ramps, traffic lights, speed cameras and service facilities you will need along the way to make "it" happen or to minimise the downside.

So, before you make a decision you should be clear on what motivates you and not focus too much on implementation. When you are working on clarifying options you should focus heavily on implementation of favoured options, answering for yourself if you and the people around you truly have what is needed to get the job done. Finally you have to ask yourself, if I am successful will you or anyone else care?

What's in it for you and your organisation?



What's in it for you and your organisation?

The key fact you need to focus on here is that you are only at the starting line if you are average. You are getting 50% of the big decisions right. As you improve your decision making and that of your organisation, think of the benefits. Not only do you get the benefits intended from implementing the decision, you get the benefit of not having to rework the issue, to explain yourself or to participate in long post mortems. You can simply get on with the job of making more great decisions.

What can you hope for? According to the reliability engineering profession, human error factors can improve the 50% fail rate to as low as 16% for complex tasks if you have a high level of understanding of the task and you have the requisite skills³. That is an 84% success rate.

The Way Forward

Like so many other skills in life, decision making skills can be learned and if you understand your Drivers, Blockers and Creators which affect your Motivation, Clarification and Implementation you can look forward to becoming a star in your organisation.

What will it take?

- Confront yourself. Know your drivers and the blockers they can create.
- Work to your advantage. Use your blockers to drive success or break them down if necessary.
- Work as a team. The creators of your success are all around you.

ABOUT THE AUTHOR

Bryan Whitefield has been preaching the risk message since the mid-1980s and has become well-known for his practical approach to creating great value for organisations from their investment in risk. He cut his teeth on risk in the insurance industry as a risk engineer and learned firsthand the benefits risk management brings to complex environments in his role as a chemical engineer. As he began to bring his expertise into the broader business world he grew to appreciate that although chemical engineers dealt with complex environments, that complexity was nothing compared to the complexity of decision-making in most business contexts. At least in a chemical plant there were the finite boundaries of physics and chemistry!

Increasingly Bryan has focused on decision making processes. While learning much from the many esteemed practitioners in the behavioural economics field, he has explored many other angles of the decision making process including the values based decision making of the Not-for-Profit sector and the highly stakeholder driven decision making in the government sector. He has brought all this experience together and put it under his risk management lens and has developed unique views on decision making to challenge the thinking of the modern executive.



ABOUT RMP

RMP is a specialist Enterprise Risk Management consulting firm operating since 2001 with Bryan Whitefield as its Principal Consultant. Our project list extends to the design and implementation of risk management programs for more than 150 organisations across the public, private and not-for-profit sectors.

Our training and engagement programs for risk professionals and their teams of Risk Champions are each tailored for the unique circumstances of your organisation. Our programs each have 90-day implementation plans that may be supported by ongoing coaching to ensure the difficult challenge of ensuring lasting organisational change is achieved and maximises the value of the training investment.

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