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What you decide to work on, what you decide to improve, which projects you decide to undertake — these decisions make all of the difference in your organization's success. Historically, many people thought that if they had more data, they could make better decisions. But, now with the flood of data, many decisions are becoming more complex and the decisions are not always better!

In this article, learn more about successful decision making and five critical steps to improving your organization's decision making process for complex decisions.

Mary Jane Conway-King

Decisions, Decisions...

by Sheila Julien, Senior Associate

It is a truism that all processes can be improved — though of course not all at once. What gives an organization a competitive edge is WHAT processes they choose to improve. The more important a process is to the success of an organization, the more valuable the improvements to that process.

Making decisions may be your most important responsibility — and the riskiest. Yet the decision-making process is rarely studied and improved. More often, decision-making is viewed as more of a craft than a process, dependent entirely on the skill of the craftsman which varies greatly from person to person. Eric Larson reports ("A Checklist for Making Faster, Better Decisions") a study of 500 managers and executives which concluded that "only 2% regularly apply best practices when making decisions, and few companies have systems in place to measure and improve decision making over time."

Data-driven decision making has been advocated for decades, yet this approach has not lived up to expectations. **Behavioral economists report that "data driven" decisions increase *confidence* in the decision far more than *quality* of the decision.** Dan and Chip Heath, in their book ***Decisive***, point out that "Our normal habit in life is to develop a quick belief about a situation and then seek out information that bolsters our belief." The quantity of data available makes it much easier to **gather** 'decision-driven data' than to **make** data-driven decisions.

However, decision making processes can be standardized and improved upon to consistently yield better decisions. Larry Neal, in "An Organization-Wide Approach to Better Decision Making" describes how in the early 1990s, Chevron decided to implement an organization wide system to study, measure, and improve Decision Quality, defined as 'the course of action yielding the greatest value in light of the real world uncertainties and complexities.' Based on early successes, in 2000 the incoming CEO determined that their systematic decision analysis process would be applied to all decisions involving capital investments over $50 million. The successes resulted in significantly better decisions than would have been made by management 'craft'.

Different Types of Decisions

Different kinds of decisions benefit from different decision making processes. Borrowing from a categorization developed by David Snowden and Mary Boone in "A Leader's Framework for Decision Making," decisions can be categorized by context:

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- **Known knowns**: That is, we know what information we need in order to make a good decision and we can acquire that information. These decisions can be mapped out with simple decision-trees to reliably and quickly produce good decisions. For example, a supplier selection process can be mapped out and reliably executed to produce good results.
- **Known unknowns**: The problem is knowable, but not simple. We require an expert to gather and process the information to arrive at a reliably good decision. Decisions about how to design a website to maximize traffic or where to position a power plant relative to cooling sources are examples of "known unknowns." Snowden and Boone refer to these as "complicated decisions — the domain of experts."
- **Unknown unknowns**: Complex decisions, in which we may not even know all the right questions, are increasing in frequency. Many strategic decisions organizations face today carry a great deal of uncertainty.

Increasingly, more decisions are falling into the "Unknown Unknowns" category where managerial decision-making that relies on learned best practices is no longer adequate. **Best practices are by definition *past practices***. And if the industry, the organization or the underlying assumptions are in flux, what worked in the past may have little bearing on the decision today.

For complex decisions such as these, a decision making process designed for uncertainty can be most helpful. Five critical steps can help you improve your organization's process for arriving at the best decision in a complex situation:

Start with a clear goal or objective

The Chevron process starts "with an appropriate frame — a good understanding of the problem and objectives." This step will help an organization refrain from starting with a compelling idea and backing into the rationale.

Widen the alternatives you are considering

As the French philosopher, Emile Cartier, put it, "There is nothing more dangerous than an idea, when it is the only one you have." A single idea is dangerous because when we focus on our current option, other and quite possibly better alternatives are outside our spotlight. Yet our natural inclination once we arrive at an idea is to stop looking for alternatives and devote our effort to convincing ourselves and others that this is the right decision. The Chevron process requires the decision makers to generate "Creative, doable alternatives from which to choose the one likely to achieve the most of what you want." Eric Larson advises: "Write down at least three, but ideally four or more, realistic alternatives. It might take a little effort and creativity, **but no other practice improves decisions more than expanding your choices."**

Try to think of ways you would solve the problem if the first idea were off the table. Also, look for someone or some organization that has solved this problem or one like it. Inspiration may even come from outside of the industry. Taiichi Ohno, developer of the Toyota Production System, drew heavily on the writings of Henry Ford. However, his breakthrough ideas were derived from studying the system used by Piggly Wiggly, an American supermarket chain.

Make sure that the alternatives are "doable" and "realistic." Beware fake alternatives designed simply to make the original idea look better. If nobody on the team actually supports an option, it may be there just to make Plan A look like the only realistic choice.

Know what you know and what you don't know

Behavior economists assert that human beings are wired to give much more weight to information we have than to information we do not have and by doing so, we miscalculate our risks and

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opportunities. Larson recommends: "Write down the most important information you are missing. We risk ignoring what we don't know because we are distracted by what we do know, especially in today's information-rich businesses."

Make a special effort to look for disconfirming information — that is information that contradicts what we think are valid assumptions. Ask yourself, what would have to be true, for a contrary idea to be correct?

Achieve distance & perspective before deciding

A third condition for good decision making is emotional distance. In 1985, Intel was faced with the reality that their memory chips were failing in the market, as they worked harder and harder yet lost more and more ground. At one point, Andy Grove asked CEO Gordon Moore, "If we got kicked out and the board brought in a new CEO, what do you think he would do?" That question brought on a moment of brilliant clarity: "Get us out of memories." Andy Grove replied, "Why shouldn't you and I walk out the door, come back in, and do it ourselves?" If you were the outsider, with no emotional stake in past decisions, what advice would you give yourself?

Bringing in other perspectives, suppliers, customers, and other stakeholders can also help provide different perspectives on the decision to be made. Another way to gain distance is to imagine the impact of the decision one year in the future or even five or ten years.

Take a hard look at the uncertainty

One way to combat uncertainty is to figure out what you *do* know and use that to "bookend" the decision: what would be the outcome if all the bets go against you, and what would it look like if everything fell into place. This can help you evaluate if there is more upside opportunity or downside risk.

Heath & Heath also recommend experimenting and learning from small experiments before going whole hog. Find ways to test the waters or test some key assumptions to reduce the range of uncertainty to arrive at better decisions. The greater the uncertainty and risk associated with a decision, the more valuable these small experiments will be.

Learn & Improve

If you follow the steps above, your decision making will likely improve. However, to accelerate organizational learning, write down the decision made and why. Schedule a follow-up at an appropriate time in the future to evaluate and take corrective action if necessary. In this way, you'll learn from the decision process and make your next decision will be even better.