Thinking DIMENSIONS

Why Decisions Fail:

6 Reasons to help explain why decisions fail.

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Introduction

Understanding the Process and Avoiding the Pitfalls

Decisions are the DNA of leadership activity in all areas of business. They serve to move us all forward. Nothing ever changes without a decision. Left unattested, your personal, departmental, regional, business unit or company's decision making may be flawed. Well known research by Dr. Paul Nutt reviewed over **400 decisions** made by top managers involving such topics as products and services, pricing and markets, personnel policy, technology acquisition, and strategic reorganization and found that decision making techniques were flawed.

Thinking Dimensions Global research bears out these same statistics. Our decision making assessments with clients – across 3 continents – showed that **less than 45% company decisions are implemented or apply a common approach.**

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Many of today's articles on decision making seek to debate rational versus intuitive decision making or spirit the advances in neurological research. We applaud these divergent discussions but in this ebook on decision making, we set a middle ground outlining practical executive and managers techniques and tactics to improve your decisionmaking hit rate!

In this ebook, we will provide you with 6 pitfalls that can counteract poor decision making and boost your own results.
The 6 pitfalls that will be covered include:

1 First
When faced with a crisis we accept the first feasible answer presented.

2 Debate
When faced with a decision we start with alternatives.

3 Purpose
The purpose for a decision is seldom clear.

4 What if
Risks are rarely considered.

5 Involve
Stakeholders requirements not considered.

6 Event
Decision making as an event versus series of action implemented over time

We hope that you and your business can benefit from our practical tips and stories about why decisions fail.

Reason 1

When faced with a crisis we accept the first answer presented.

The time periods which validate the strongest company leadership teams are not the “good times” when most organizations are growing and the situation is relatively simple. Rather are the times of crisis when losses begin to compound, lenders and equity investors are citing covenants, and customers and employees are abandoning the business.

> **If we were to decide now, would we still enter the businesses we are in today? And if not, what are we going to do about it?**
>
> *Drucker, 1992 and 1999*

Unfortunately, during a crisis many companies tend to jump to the first available alternative that seems as if it will work and head in that direction. It seems more than unfortunate when considering that of the original Standard and Poor’s (S&P) 500 list created in 1957, just 74, only 15 percent, are on that list today according to research from Professor Gary Biddle of the University of Hong Kong. Of those 74, only 12 have outperformed the S&P index average.

When you want to improve your decision making and not simply pass the problem into the future- the first suggestion is to return to the Drucker question of 1992: “If we were to decide now, would we still enter the businesses we are in today? And if not, what are we going to do about it?”

In returning to this thought provoking question it is recommended in making a crisis level decision to pursue:

1

What is the true purpose of the decision we are making? Is it to exit the crisis today? Is it to ensure the long-term stability of the business tomorrow?

2

What are the criteria we will use to evaluate the alternatives? How will each criteria be measured?

3

What alternatives are available to us? On this step looking not only to the simplest alternatives (i.e. cut costs to improve bottom line) and rather to alternatives that will leave the business in a better position for tomorrow (i.e. exit 2 business units as in the medium term this cannot become profitable).

Reason 2

When faced with a decision, we start with alternatives.

Managers and executives get paid to take action and deliver outcomes that improve the condition of the business. Decisionmaking is THE pivot point and mechanism to make things happen in a company. So when executives are faced with a decision it seems only natural to start thinking about alternative courses of action to consider. This “bias for alternatives” is the kiss of death to effective decision-making. Moving too quickly to alternatives before understanding the intent and purpose behind the decision guarantees 3 decision spoilers:

STARTING TOO NARROW: Executives often examine too narrow a set of alternatives – immediately sub-optimizing action or alternatives. Every time we work with clients to help facilitate their organization through important decisions we hear that there are only 2 or 3 choices that they have to select from. By the end of the decision-making efforts the final choice ends up being # 4 or #5 – other alternatives that no one ever considered or – is actually a combination of the first three alternatives. Beware of having a narrow range of alternatives

SELLING VS EVALUATING: Consciously or sub-consciously during the decision making process, we all find ourselves favoring one course of action over another and instinctively begin to invest time, effort and resources selling ideas versus evaluating options – the more time you invest in something the more sure you are that it is right. Everyone does this! But the best decision makers know that they have to step back and focus on evaluating alternatives. Beware of the decision-making meeting you are invited to that ends up being a persuasion program to adopt one course of action.

MISSING CRITICAL INFORMATION: Executives often miss, explain away or apply authority to sweep under the rug critical data and information central to selecting the best alternative(s). When you go down the path of having a favorite alternative combined with efforts focused on selling it – it is any wonder the search for objective information turns into the quest for data thatmakes your alternative valid.

So how can you guard against the natural tendency to jump to alternatives?

Get used to asking, "**what does it depend on**" (i.e. any course of action we opt for?) Understand decisionmaking is a process, not an event. The most **effective decision makers** first identify factors that any course of action needs to satisfy or address. By making visible the criteria that should be used to evaluate choices you will immediately and significantly raise your decision-making batting average.

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Reason 3

The Purpose for a Decision is Seldom Clear.

Almost all of us have all been in a meeting where one of our colleagues arrives late, sits down beside us, and passes a note which reads, “what is the key objective here today?” If you have not been in a meeting such as the above, congratulations as you are in the minority of the minorities. For the rest of us, the question is what can be done to improve the situation of meetings where intelligent committed participants are not even sure why they are attending?

One of the key reasons meetings are held is to **take decisions**. Management are typically rewarded by shareholders and compensation committees for making better decisions than their peer sets. Regrettably the better decisions can often be attributed to luck as opposed to clear process.

In this chapter, I will touch on the first step of effective decision making process which is to state the purpose and make it visible.
While the first step in the decision making process is to “state the purpose”, this step is often overlooked or not made visible. The reason is that many people assume that the purpose is clear to all or don’t want to take the time for what may be considered a redundant step.

Whether running a meeting in person, facilitating a board session, or chairing a video conference, you can ask three easy questions which will test the alignment of your group and ensure the decision making purpose is clear:

- **What is the ultimate purpose of this decision?**
- **Why do we want to make this decision?**
- **What outcomes do we need to achieve?**

Once a clear and concise answer to the three questions can be labeled as "decision purpose" the chance of anyone being unclear on the decision purpose will be reduced and it is possible to move on to the next step in effective decision making.

If the step above is objected to because "we don't have time for this" or any similar phrases, this is a red flag that the decision making purpose is not clear. Whereas, the step above will take less than three minutes to complete and you will be well on your way to the next steps in a successful management decision.

Reason 4

Risks are not considered

Organizations are set up to “talk about” risk but rarely take the effort to avoid or mitigate them. Every organization with whom we have worked has a litany of stories that confirms the point – most risks associated with decisions and ways to avoid or mitigate them were known BEFORE the decision was put into action.

So why don’t organizations (i.e. the managers and leaders making the decisions) do a more complete job of assessing risk in the decision making process? There are two main reasons:

Today’s Glamour Trumps Tomorrow’s Proactiveness:

Asking “what if?” is not as glamorous as demanding “what now?” Organizations have a bias toward action and firefighting – they reward people for fixing the problem, not preventing one.

Think about it – resurrecting the website back up to full service will get more internal press than taking action to prevent it in the first place. Getting the big client back is more interesting than reporting on action that prevented you from losing it in the first place

Risk Assessment Is Rarely Linked to Meaningful Actions:

Many leaders and managers don’t know how to evaluate risk in decisions – they are so busy selling their alternative or chosen action that risk never gets considered. Past work with an insurance company had me sitting in front of 12 actuaries discussing decision making and risk management. When I asked them to define risk they replied – “its complicated.” Practically speaking its not complicated. Risk is about two things – the likelihood or probability of an event happening and the impact or seriousness it will bring if it occurs. We just need a simple way to inject this thinking into our business decision-making before rushing ahead. Our mothers were excellent risk managers- when is the last time you crossed a busy street and then looked both ways? – this is simple risk management in action. Both of these organizational truisms will never go away no matter how much effort is applied. But if you follow the short question checklist outlined on the following page, you will be one of the few that will be able to build stronger risk management into your decision making process. And importantly, be a better decision maker

Before going ahead with any decision – Look at your top performing alternatives or courses of action and ask - if we go ahead with the alternative:

1.What could go wrong?
Write out the top two or three risks

2.What is the probability and impact if that risk did occur?
Select the high probability / risk combinations

3.What would cause that risk to occur?
Remove the cause before taking action

4.What can we do to lessen the risk or manage it if it did occur?
Rework your alternatives or implementation actions to address this

Every decision inherently has some risk level and you can never eliminate all risk. But by simply asking these questions before jumping to action you will make better decisions and eliminate many risks that are routinely overlooked.

Reason 5

Stakeholders requirements are not considered.

In decisions which are considered a failure, often one of the main factors cited is the lack of consideration for Stakeholder requirements.

It seems logical to first consider what the Stakeholders need as a result of a decision being implemented, however often a combination of time constraints and enthusiasm to "just do it"result in the omission of this critical step.

A high profile example of not considering Stakeholder results is the three time delayed Berlin airport, (in English you can read about it here) which is now several years behind schedule and hundreds of millions of Euros over budget. In the governmentordered inquest into how this can occur, one of the primary causes cited for the delay was "stakeholder requirements not considered".

Although I hope that our readers are never involved in a decision which results in the high level of failure in the Berlin Airport example, there are two easy steps you can embed in your decision making process to prevent stakeholder requirements being omitted which are:

STEP ONE: Generate a list of stakeholders

In generating a list of stakeholders, ask:

- Who will be impacted by this decision?
- Who will implement this decision?
- Who else will be involved in this decision?
- Who have we not yet considered who could be involved, impacted, or need to have input in this decision?

With this list confirmed by your decision making team, move to step Two.

STEP TWO: Generate a list of stakeholder requirements

In generating a list of requirements from each stakeholder group ask:

- "What is it we want to achieve? What do those results look like?"
- "What risks do we want to avoid?"
- "What resources do we want to use and not use?"
- "What restrictions do we face in our decision?"

A frequent way we generate this list is with a flip chart or digital/virtual version which can be shared with the various stakeholders to get their input.

Decision making often needs to take place under time and other considerable constraints- what you don't want is to have your own "Berlin Airport Fiasco" as a result of not considering the requirements of the very stakeholders your decision needs to support.

Reason 6

It is Viewed as an Event and not a Process.

If decision making were an event, we'd all spend less hours at the office. As leaders we would simply walk into a meeting, make a quick phone call or send a short email spelling out our decree and Voila! – we would move on to the next challenge. But the real challenge and pragmatic learning for you and theorganization you manage is to ensure decisions are viewed as a process not an event.

> **If decision making was an event, we'd all spend less hours at the office.**

Why is that?

1. **Speed**
2. **Transportable**
3. **Simplifying**

1. Speed:

Processes are repeatable and recognizing the process you currently use for decision making brings clarity to the factors and information you need (and don't need) to include in your decision. This saves time.

2. Transportable:

Processes can be shared, made visible and used in other locations or situations. For example, the decision making process managing directors should use to evaluate strategic growth options are no different in Brazil or Argentina than they are for Europe or the Middle East. (The content that flows through the decision is different but the process is not!) And having a decision making process that you can share is invaluable to getting the best from and developing your people to make high performance choices.

3. Simplifying:

Processes are a set of steps to meet a goal. Situations we find ourselves in that require a "hard decision" to be made need to be stripped down to the fundamental factors that matter. More often than not and because of the vast amounts of data available, the global nature of business, and the pressure to perform now! – we find executives overcomplicate the true nature of the decision. By using a process or roadmap, you enable yourself and those involved in the decision making process to take bit sized pieces, gather the right information, involve the right people – all of which raise your decision making batting average.

The acid test to convincing yourself that the benefit of viewing decision making as a process vs. event – is simple. At the start of your next meeting – one that involves making a decision – ask those sitting in the meeting “**What common process ormethod are we using today to make this decision?**” – I guarantee that most of those in the meeting will have prepared themselves more for advocacy of their pet alternative versus inquiry as to the best way forward for your company.

As a leader – spelling out the process for the decision is a requirement for better decisions at every level in your organization. High performance is a decision making discipline.

“ What common process or method are we using today to make this decision?

Recap

Why do Decisions Fail?

Decisions fail because:

1. We accept the first answer presented

2. We start with alternatives

3. The purpose for a decision is seldom clear

4. Risks are not considered

5. Stakeholder requirements are not considered

6. Decision making is not viewed as a process

READ MORE ABOUT STRATEGIC PLANNING

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