

A quarterly publication service
produced by
LIVE Consultants Inc.



January 2009
Number 131

Decision Making

From the Editor

There's an observation that is attributed to Will Rogers that goes like this: "It's not what you don't know, that can hurt you. It's what you think you know, that just ain't so." I think Will was half right; it's what you think you know that ain't so that can hurt you. Untested paradigms, mental models, and prejudgements can stop us from seeing what is there and making sound decisions.

Where I don't think Will got it right is with the first part of his assertion: it's not what you don't know that can hurt you. As individuals and as organizations we can be hurt by what we don't know. Lack of awareness doesn't create immunity from harm.

What resonates more for me is an observation that goes like this: You can be hurt by what you know but don't act on, by what you don't know, and by what you think you know but isn't so.

Learning processes that we develop are designed to keep you out of harms way.

Marilyn Baetz, editor

About the Author and the Article

We do it every day: make decisions. Some situations occur repeatedly so we convert the decision and accompanying action into a habit and get on with getting on. In other situations, there are more complications and complexity so we ought to pause and think about what decision ought to be made before we act.

In this article, Stephen describes four decision-making hazards that can decrease the quality of decision making. He concludes with eight suggestions that ought to be used in any decision-making situation that has high-risk and high-gain associated with it.

Stephen is a principal of LIVE Consultants Inc., the organization that sponsors this publication.



Stephen Baetz

Can We Just Make a (Better) Decision?

Buddy Hackett whom the *New York Times* once described as a “roly-poly streetwise comedian” starred in both *The Music Man* and *It’s a Mad, Mad, Mad, Mad World*. However, this Brooklynite was perhaps best known for his irrepressible clowning on late night talk shows. He once said, “My mother’s menu consisted of two choices: Take it or leave it.” That observation is not only an incisive capsule commentary on parenting in the 1930s, it is also a remarkable description of how many people think about decision making: generate a couple of options and select the lesser of two evils. (Given Buddy’s corpulence, I assume that, more often than not, the evil he took was “take it.”).

There are a plethora of decisions that shouldn’t cause us to break an intellectual sweat: what we want on our pizza, the brand of sock we buy, the colour of towels we have in our bathroom, whether we shovel snow now or later, the height to hang a picture, what CD to put in the player. One decision is as good as another and the risk of any decision leading to significant disappointment, let alone, failure is slim.

Other decisions should cause us to pause and think, in some reasonable manner, about what would be most appropriate given the circumstances.

The thing of it is this: decision making in significant, high-gain/high-loss situations isn’t as easy as it might appear. As I see it, there are several hazards that can decrease the quality of decision making; that’s the bad news. The good news is that there are things we can do to avoid the hazards and improve decision quality.

I will, therefore, define some of those hazards as well as the consequences of not avoiding them and then I will describe several actions to take to improve decision making.

Hazard #1: Thinking Decisions are Either Good or Bad

There’s a tendency, perhaps now more than ever, to think things are either black or white, on or off, right or wrong, good or bad, a this or

a that. Reality is hardly ever that simple, however. The best we can say is that something is more of this or more of that. And so it is with decisions. Decisions are not simply one of two types: either good or bad. They are usually more or less likely to set us off toward our goals or more or less likely to help us solve a problem or more or less likely to assist us in taking advantage of an opportunity or more or less likely to meet a set of criteria.

The reason we want to liberate ourselves from labelling a decision as either good or bad is that it can foster paralysis of analysis: a situation where we delay making a decision until we can be reassured we have a “perfect” or “good” decision. Besides decisions are not *directly* connected to an outcome: action is. Decisions are the sparkplugs for action ... and it is action that moves us to an outcome that is either more or less desirable. Which is not to say that decisions are unimportant or insignificant. Far from it. Making a less than desirable decision makes it more difficult at the point of taking action to get closer to the outcome we want.

The more desirable intention for decision makers is to make decisions that are *appropriate* for what we know now or *better* than ones we have made in the past.

Hazard #2: Not Taking Time to Frame the Decision

We all know individuals who are too quick to move to action. At the first hint that there’s a situation to be addressed, they getting busy doing something, anything: all in an attempt either to make it go away or to stop it. This bias for action is quite admirable in a crisis situation but not all that helpful day-to-day. More often than not the quick action complicates the situation or makes it worse.

The parallel to quick action in decision making is not taking the time to figure out what decision really has to be made: or, to put it in the language of decision analysis, figuring out what the appropriate frame should be. For example, when Emily moves to a new job in a new city is the decision she has to make

about neighbourhoods, renting, building equity, minimizing transportation time to work, quality of life, or safety and security? Or in a work environment, when Pierre observes that service failures are on the rise is the decision he has to make about reducing failures, managing customer expectations, improving customer-facing employee accountability, or the relevancy of the business model? Both Emily and Pierre ought to invest time in selecting the frame otherwise they won't have a way to sort information or evaluate options.

Hazard #3: Not Defining Criteria

Every decision has information, alternatives, and criteria. Information should help us understand the context in which the decision is being made, the risks that are connected to the situation, the probabilities that are at play, and the costs. Alternatives is just another word for options or choices that could help to move us to our outcomes, solve the problem, or take advantage of the opportunities that are there. Criteria are sometimes called preferences but because that word smacks of favouritism, partiality, and predilection I like to use the word criteria. In essence, before alternatives are put on the table, criteria ought to be defined that will help us understand what a viable decision looks like. Examples of what criteria might be are numerous but here are several: reduce costs, improve the customer experience, increase the confidence of our shareholders, improve employee engagement, minimize time to recovery, and so on.

Without clearly defined criteria at the front end the dialogue about what decision is better than another could go on for too long. To put it another way, a dialogue about the relative weight of the pros and cons of each alternative goes on well past the borderline to tedium.

Hazard #4: Using Existing Mental Models

This hazard is difficult to describe because mental models are often helpful. They are frequently the result of learning we have done; an event happens, we watch what results are

produced, we make the cause-effect connection and at that moment a mental model (a belief about how the world works) is created. For some of life, our mental models can be quite functional and serve us well. I should be clearer. Mental models serve us well when Situation A is a mirror of Situation B. However, when one situation does not match the other, the existing mental model can distort the quality of our decisions.

Existing mental models don't work in a world that has become more complicated, complex, or confusing. A new technology, a significant economic downturn, the advent of numerous, unforeseen competitors, or excessive new regulations can mean that all bets are off; what we thought would work will no longer work.

Failure to challenge existing mental models will mean that you will make great decisions in a world that no longer exists.

Improve Decision Making

So given these hazards, what can be done to make a better decision? Try these ideas:

- ✓ Define what you are trying to achieve i.e. what problem you are trying to solve, what challenge you want to take on, what opportunity you would like to exploit. Doing this helps to point you in a useful direction.
- ✓ Search for a viable and/or appropriate decision and avoid looking for a perfect one.
- ✓ Frame the decision. Start with a tight frame, go to successively larger ones, and then select the frame that is consistent with what you want to achieve.
- ✓ Define criteria. Ask, "What criteria must the decision meet?" or "What would a good decision look like?"
- ✓ Describe how the situation is similar and different from others you have encountered. Doing this will help you challenge mental models and avoid using decisions that are familiar and comfortable but not appropriate.
- ✓ Generate numerous alternatives.
- ✓ Test each alternative against the criteria.
- ✓ Assess risks and the relative implications of each.

Let's Stop Training And Let's Start Educating

Ever wonder why senior management views trainers as mechanics and the classroom as the service department where you send people to be fixed?

Senior executives didn't get that impression on their own.

Somehow or other that impression is there because our profession has helped to create it. Training has been used all too often as a quick fix. "Not performing? Let's send them on this training program, give them some basic skills, and see if it makes a difference."

It won't.

We owe it to our organizations to provide people with an education and get out of the quick-fix business. Education improves the quality of the organization's intellectual capital by not only building skills but also building knowledge and the supporting attitudes. Education is a longer-term developmental process which helps people understand context and constraint. Education focuses as much on how to think as what to do. Besides, if the truth were told, most current performance problems are best addressed by the immediate manager on a one-to-one basis with specific coaching, support, and follow-up — not by mere classroom input and practice.

If our business is education, then a long-term development process should be what we offer and promise. To do that, we should

- be thoughtful about what attitudes, skills, and knowledge we help managers to learn,
- develop a variety of learning experiences — inside and outside the classroom — that complement one another,
- measure what contributions we are making to learning, and
- refuse to offer quick fixes.

If you would like some help in figuring out how you can best carry out the development work of an educator, please call us.

For more information about our services, contact us at 519-664-2213.