How Leaders Use Balanced Decision-Making Skills to Move Organizations Forward

In every organization, decisions must be made and actions taken. Usually the realm of decision making is the responsibility of company leaders. They must select the actions, determine how they will be carried out, and be accountable for the implementation of the decision and for the subsequent results.

Gut feelings and years of experience may be sufficient for most day-to-day decisions, but majordecisions that move a company forward come with a real element of risk. Leaders need a structuredprocess that is based on an informed analysis and participation from key stakeholders to arrive at abalanced decision that everyone can support.

The Challenges Facing Today's Leaders

There was a time when accessing the Internet from a company computer or a phone was unheard of.Workers sat in cubicles next to one another, connected to customers with desk phones, and talked about their weekends by the water cooler. Staff meetings involved employees gathering in a boardroom to discuss projects and provide input into decisions that needed to be made.

Today's tsunami of information, accessible from any digital device by anyone at any time has dramatically altered - even shaken, the foundation for decision making. As the world becomes more competitive, the significance of data has increased exponentially. Intuition and experience are valuable - but they must be supported with analytics if they are to carry any weight.

Additionally, digital transformation has accelerated the speed at which we expect communication andresponse to a new idea. This speed of change does not align with how we as humans are internally wired to process change.

Staff members are no longer co-located. Weekly meetings are conducted through audio or video conferencing with employees working from home offices or halfway around the world. In addition, today's diverse workforce brings varying cultural viewpoints into the mix adding to the complexity of decision making.

More than ever, decision making requires a crisp, buttoned-down process around the objectives for the decision and the why behind the choices made. A balanced decision will garner more respect if it has gone through objective reasoning and it is supported by data, even if the outcome may be unpopular.

Great Leaders Are Great Decision Makers

An executive's job is to shape the future of an organization through clearly thought-out decisions. At any moment in a day, they are required to make a call on some form of decision: exchanging information, reviewing data, generating ideas or evaluating alternatives.

While all executives are tasked with decision making, there are certain decision-making qualities and behaviors that define a great leader.

1. **Establishing a unified starting point for everyone involved.** A company's diverse workforce will bring different frames of reference, assumptions, and expectations to the decision-making process. For example: A service organization is tasked with determining how issues should be effectively escalated. While all business unit leaders agree that instances of "outages" are the highest priority items, everyone has a different definition of an "outage". The result is a room full of executives with varying assumptions trying to reach an agreement. A leader must have the ability to level expectations, clearly define terms and establish common language when leading teams to make organizationally impactful decisions.

2. **Recognizing that an unpredictable future can derail the best decision.** Good decision making relies on using experience and best judgment combined with solid facts and data about alternatives and risks. Regardless of this, every decision comes with a degree of uncertainty because no one can predict the future. Furthermore, most decisions rest on a set of constraints that follow prior decisions. Hindsight provides clarity on whether or not it was a good balanced choice. How prior constraints are documented, assumptions made about the future, and the way alternatives are evaluated allows decision makers to do two things: defend the decision if, when the dust settles, it didn't work out the way it was intended; and enable lessons learned from both successes and failures by providing context of those decisions for analysis.
3. **Understanding that "perfect" may not be "better."** Sometimes people put off making a decision for fear that it may be the wrong one. That fear can lead to analysis paralysis or choosing not to make a choice. When decision making is full of alternatives, there is no definitive right answer. Leaders do their best to make a balanced choice with the information available at the time. The goal may just be to avoid making a wrong choice and manage risk, versus trying to make the perfect decision. Even if your final decision turns out to be less than ideal, you can confidently deal with the outcome because you minimized the risks upfront.
4. **Having the ability to balance IQ, EQ and RQ.** Are the individuals on your team driving performance - or is the process driving performance? An excellent team may be performing poorly because they are following the wrong process and vice versa. A good leader knows how to balance a team's IQ, emotional intelligence (EQ) and rational intelligence (RQ) to achieve the best results.

Eight Psychological Traps of Decision Making

The way the human brain works can sabotage one's ability to make good decisions. Harvard Business Review outlines the eight psychological traps that can create roadblocks for leaders.

- The anchoring trap leads one to give disproportionate weight to initial information received.
- The status quo trap causes one to lean toward maintaining the current situation – even when better alternatives exist.
- The sunk-cost trap inclines people to perpetuate the mistakes of the past.
- The confirming-evidence trap leads one to seek out information supporting an existing predilection and to discount opposing information.
- The framing trap occurs when a problem is misstated, undermining the entire decision-making process.
- The overconfidence trap is an overestimation of the accuracy of forecasts.
- The prudence trap causes one to be overcautious when making estimates about uncertain events.
- The recallability trap prompts one to give undue weight to recent, dramatic events.

* https://hbr.org/2006/01/the-hidden-traps-in-decision-making

5. **Willingness to engage others.** While final decisions are often the responsibility of great leaders, a balanced decision is not achieved in a vacuum. Leaders must be prepared to engage others in the process. Research shows the more you ask of people, the more you will get from them. In the end, asking for input from others leads to greater support for your decision.

6. **Having the confidence to know what you don't know.** Leaders must recognize when they lack knowledge in a certain area and gather the information required to fill in the gaps. Talk to people who have subject matter expertise or experience that is relevant to your final decision. The more you know, the better armed you are, and the more confident you will be in making the best choice.

7. **Possessing emotional self-control.** Emotions can cloud your ability to make rational, thought-out choices. Great leaders know that they need to calm intense emotional reactions to clear the way for logical thinking. The goal is not to take emotions out of the decision-making process, but rather to prevent them from taking over.

How to Minimize the Repercussions

Like a whip that has been cracked, the small movement nearest the handle causes the larges swings at the end of the whip. In other words, seemingly small changes you are close to may have big impacts felt further away from the point where the decision is made. The resulting effects of a big decision can involve uncomfortable changes in processes, expanded job descriptions, demotions and job losses.

Following an unpopular decision, employees may feel that they are not valued or respected, leading to a decrease in motivation, increased absenteeism, poor work performance, and a general breakdown in communications from the top down.

While these are very realistic consequences of important decisions, they are certainly not desirable repercussions and efforts should be made to minimize them as much as possible.

Start with an understanding of the objectives that must be met. Determine how you will measure those objectives and weigh them against possible alternatives. Then assess the risks associated with the final decision. Ask yourself, "if we do this, what will happen as a result?" Decide if you are prepared to accept the risks.

While the business strategy is usually generated at the top of an organization, a great strategy will not execute well if you don't have input from everyone who will be affected by it. Involve those who are directly impacted by the decision you make. Engage employees at all relevant levels. Ask them if they had to make something better, how would they go about it?

Here is a typical example:

A plant manager must decide the best way to reconfigure the assembly line to reduce waste. The plant manager has been given specific targets and parameters for the necessary improvement. While she has great insights, the plant manager doesn't perform the work and therefore she may not know the best way to make improvements.

For the best results, the plant manager assembles a team of employees who work directly on the assembly line. The team is informed of the objectives, which might include minimize the expense of union labor, maximize through-put and reduce waste, the budget they have to work with and the time frame in which the recommendations must be made. The team conducts the research, makes on-the-job observations, identifies options including associated risks, and presents their findings with recommendations to the plant manager for final analysis. After careful review, the best balanced decision is made.

By pushing out decision making closer to the people who are affected, they become empowered and engaged. At the end of the day, not only have employees played a role in making the best choice, they are more accepting of the consequences.

Working With a Decision-Making Team

The most robust strategies emerge when a team works through decisions together. Sometimes getting there can be a challenge if there are several divergent viewpoints with competing priorities. The person with the biggest business card or the loudest voice in the room may prevail. Others on the team may simply accept a recommendation to avoid confrontation or deflect responsibility.

But when team members work with a clear decision-making process as their road map, they can arrive at the best solution. They benefit from sharing relevant information, differing opinions are more easily reconciled due to a less-biased process, and a high-quality decision is reached based on sound data. While everyone may not agree with the decision, they can respect it because of the rigor and due diligence with which the decision was made.

You will want to build your team accordingly based on the level of decision to be made, the information required to arrive at a balanced decision, and the expected long-term impact of that decision.

If your decision is a minor issue with limited long-term significance, you may opt to gather input from one or two individuals who have insights and come to a fast, firm decision on your own.

However, if the decision overlaps with other business units and could potentially impact other initiatives or require action in the future, you will need an integrated or consultative approach that involves internal stakeholders as well as external advisors on your team.

Your decision-making team might look like this:

As the leader, you have the authority to make the decision - to take responsibility for it, and for assuming the risks involved.

If you recognize that there are information gaps, enlist the help of subject matter experts or consultants to research and suggest strategic alternatives, and to provide you with knowledge that you may be missing.

Rounding out your team would be those who are respected members of stakeholder groups that are affected by the choice. They possess knowledge of how your organization works and can provide you with a first-hand perspective on how different alternatives will affect their team.

If you need to arrive at a major decision, you might include a third-party facilitator who doesn't have a stake in the outcome. The facilitator guides the team through the process and calms discussion when required, particularly if you have a diverse group of leaders.

> Making good choices depends on three elements: the quality of our definition of specific factors that must be satisfied, the quality of our evaluation of the available alternatives, and the quality of our assessment of the risks associated with those alternatives.
>
> —New Rational Manager

The Art of Balanced Decision Making

Strategic decisions should never be made in an arbitrary fashion where the thinking that went into choosing a preferred alternative is unclear.

The best decisions are made with the help of a visible, rational process in which the decision criteria are clarified, the range of alternatives to be examined are agreed upon, the performance of each alternative is systematically assessed against the criteria and risks are considered before the best, balanced decision is made.

By using a process that "unpacks" decisions in this way, the anatomy of the decision can be better understood and therefore accepted by the leadership team involved and the organization that has to live with the results.

The Decision-Making Process

- **Make a decision statement** - Your decision statement specifically indicates a choice or an action to be taken, and the intended result such as: "Select a new accounting software program" or "Hire a new quality control manager".

- **Develop objectives** - This is the criteria for your decision. What are the specifics of your need? For example, if your decision is to select new accounting software, what does the new software need to achieve?

- **Musts and Wants** - This step divides the objectives into two categories. Musts are mandatory objectives. They must be achieved to guarantee a successful decision. Alternatives that do not meet a Must objective are automatically discounted. Objectives not considered as mandatory are Wants. Alternatives are judged on their relative performance against the Wants. These objectives provide a comparative picture of alternatives showing how they perform against each other.

- **Generate alternatives** - Look for alternatives that fulfill the condition set as closely as possible. Ideal alternatives are rare. You are looking for the relative quality of the fit. If you must choose among several alternatives, you will have to choose one that fulfills your objectives with the smallest acceptable risk. In other words, a balanced choice. If there is only one alternative, is it good enough to accept? If you have to choose between a current and a proposed course of action, you must consider both to be alternatives, and evaluate each against your objectives.

- **Identify adverse consequences** - This is the most difficult step - and perhaps it is the most important. Once a decision is made and implemented, any negative consequences will become real problems. It's critical that you explore and evaluate possible adverse consequences before making your decision. It may be possible to avoid future problems altogether or at least take steps to mitigate them.

- **Make the best balanced choice** - Having clearly identified the value each alternative can deliver and the risks each one poses, you can weigh the potential gains against the potential pitfalls. Ask yourself

Example(s) of a scoring matrix

Decision Analysis
Clarify Purpose

State the decision
What is the purpose of this decision? What is the appropriate decision level? Include a choice word, a result, and 1 or 2 key modifiers.

Select a way to meet Region 7 customer requirements

Develop objectives		**Classify objectives**
		Weigh the WANTs *For the other objectives, what is the relative importance of each WANT?*
Objectives	**Measures**	
Support Project Enterprise resourcerequirements	Ensures all Project Enterprise resources stay dedicated to that project	MUST • Mandatory • Measurable • Realistic
Transition time under 3 months	No more than 90 total days elapsed time	MUST • Mandatory • Measurable • Realistic
Minimize operating costs	Total estimated annual operating costs, averaged over 3 years	10
Minimize negative impact on our people	Impact from factors like: • needing to relocate • commuting costs • increased cost of living • quality of education	7
Acceptable to customers	Perceived adding time, complexity or cost by majority of customers	9
Minimize transition time	Elapsed time from decision to full service	4
Minimize overall transition costs	Out-of-pocket transition costs	6
Shorten problem resolution time	Mean time to resolution from opening of trouble tickets to close of trouble tickets	7

whether or not you are willing to accept the risks of a choice to gain the benefits. If yes, then commit to it. If not, then consider less risky, more beneficial alternatives.

The benefits of applying logical thinking to make critical decisions

- Ensures a clear understanding of the scope and nature of the decision to be made
- Provides a systematic, scalable approach that can be used for any type/scope of decision
- Saves time eliminating inappropriate alternatives allowing teams to focus on more suitable alternatives
- Decreases "time to choice" allowing for a faster workable decision
- Gives management a clear, factual picture of what the recommended alternative is, how it was determined and why other alternatives were not the best choice
- Provides a template with learning that can be leveraged to speed future decisions and avoid recreating past mistakes

How Organizations Benefited From a Structured Decision-Making Approach

The day the lights went out at BJC Healthcare

A freak incident (involving a raccoon, a fire and a transformer) led to power outage across 13 BJC hospitals and several service organizations across St. Louis - impacting the care of thousands of patients.

The entire system was running on generator power. Pressure was mounting with every passing hour - and finding a resolution fast was imperative.

Read how a BJC facilitator used a decision-making methodology to maintain calm in a high-pressure situation and lead the organization to a swift, successful decision. Download pdf

Rapid acquisitions at Ricoh result in insurance plan chaos

In just 5 years, Ricoh Corporation aquired 5 companies - doubling the company's size. Along with the rapid growth came an army of insurance providers, brokers and overlapping insurance plans. Ricoh needed to reign in the chaotic situation and arrive at the best alternative for employee insurance coverage.

Read more about how structured decision making resulted in a choice that actually saved Ricoh $1.3 million in the first year without reducing staff or creating major disruption throughout the organization. Download pdf

The power of a structured decision-making process

Executive leaders are expected to make judgments that propel a company forward. It's part of the job DNA. They must also grow the decision-making abilities of their teams, facilitate decisions that align with business strategy, and build acceptance of final choices - even if a decision is unpopular.

The power of a structured decision-making process lies in the ability it provides leaders to clarify decision making, ensure clear understanding of the scope across all parties, call on subject-matter experts when required, assess benefits and risks, and address complex, overwhelming and unclear situations.

The workplace will continue to evolve, giving rise to new types of issues to be addressed and executive decisions to be made. At the core of strong decision making are leaders who know how to employ a structured process to arrive at the best balanced decision, regardless of the situation, and know with every confidence that it is the right one.

About Kepner-Tregoe

Kepner-Tregoe is the leader in problem solving. For over six decades, Kepner-Tregoe has helped thousands of organizations worldwide solve millions of problems through more effective root cause analysis and decision-making skills. Kepner-Tregoe partners with organizations to significantly reduce cost and improve operational performance through problem-solving training, technology and consulting services.