

Deal or No Deal: The Anatomy of Making Good Decisions

By Deanne DeMarco

Phil was recently promoted to line manager in a Fortune 500 manufacturing plant. Tina is the new Call Center Director in a utility company; John was promoted to Vice President of Clinical Research in a pharmaceutical company. The aptitude to make sound decisions for each of these managers is critical for their respective companies and also for their careers and ability for future advancement.

Every day we are confronted with decisions that affect our lives in varying degrees. Without effective decision-making skills and strategies even the most talented and brilliant can experience crushing disappointments. It is clear that the ability to make sound decisions is critical in today's world of quick fixes and superficial solutions. When a crisis occurs or tough choices need to be made, the ability to make accurate judgments is essential. At times the choice is between two defined alternatives, at other times there are many alternatives. Decision, choice or judgment errors can have grave consequences. Here are some tips that can help you make sound decisions, no matter what the situation.

Deal: Strategies for Making Good Decisions

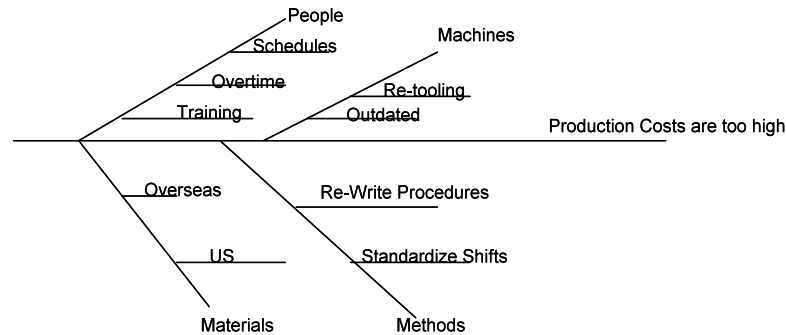
1. Analysis: At the heart of good decision-making is the ability to conduct proper analysis of the problem. All too often decision-makers rely on opinion rather than facts. Unfortunately we are often plagued with inconsistent messages and incomplete data. Another issue is the problem of self-serving bias. Managers will often listen to the people who share a common viewpoint and disregard information that conflicts with their position.

Another analysis issue is bad data. According to a recent nationwide survey by Harris Interactive they concluded that 75% of workers made business decisions that were later determined to be wrong due to faulty data. The Harris survey recounted that 94% of US workers trusted their data, and did not seek additional sources when making a decision. Workers admitted to making bad decisions on information that was inaccurate, incomplete or contradictory.

2. Utilize decision-making tools routinely. There are a number of effective decision-making tools. One easy to use tool is the pro/con T-chart. Before making decisions identify the outcome pros and cons. After a list has been generated go back and put a value on each of the items. By writing it down you will be more likely to see the value of the outcomes for the decision.

Another excellent tool is the Fishbone Diagram (see below) suggested by Ishikawa. The fishbone diagram is used to identify the causes and effects of the problem. If a decision is made to correct the wrong cause, the problem will not be solved and new problems may develop. To construct the fishbone diagram, draw a long horizontal line that represents the problem. Then draw diagonal lines from the horizontal line. Label each

line with issues that relate to the problem for example, people, machines, materials, and methods are typical problem issues. From each of the diagonals draw shorter lines that run parallel to the problem line. On these lines identify specific issues that affect the larger problem. This visual analysis diagram is one way of helping the decision maker analyze the problem's *cause* and *effect*.



3. Identify criteria for a good decision. What would a successful decision look like? What is required of the solution? When the decision is between a set of alternatives, first identify the criteria required for the ideal solution. By utilizing a written clear set of criteria and then weighing solution alternatives against the criteria can make the process more accurate.

4. Come up with a list of possible solutions. All too often decision makers will stop at the first solution. Develop a list of possible solutions – even zany, off-the-wall ideas. By developing a list of solutions, the ability for creative problem solving increases. Further analysis is completed by re-evaluating the solutions for the best alternative or process that would solve the problem.

No Deal: Decision Making Warnings

- 1. Emotional decisions.** Emotions often override our better judgment and ability to make sound decisions. When a situation triggers an emotion, need, or temptation, we will very often make a bad decision. The sport stars clearly demonstrate how emotion can lead to bad decision-making. There was one top basketball player making millions a year in salary and endorsements. He had a beautiful wife and new baby – and was one of the most respected athletes of the day. His emotional decision to have sex with another woman, regardless of consent, put everything at risk. On the court this player was emotionally, mentally, and physically prepared. Off the court, he made a thoughtless, emotional, poor choice.
- 2. Time-pressure decisions.** Time pressure or clock crunching leads to faulty decision-making and bad choices. Time restraints puts added stress on the decision-maker, and often times force the manager to make a judgment based on incomplete analysis. When a quick decision needs to be made it is often a bad choice.

3. **Over-Confidence.** While confidence is good in many situations, having too much confidence can work against you when it comes to making good decisions. The over-confident person feels that if his or her actions will influence a situation and the outcome will be positive, then the resulting outcome will be judged as overly high. Many times people are blinded to alternatives and other points of view because of over-confidence bias. This type of individual is often surprised to learn that their probability judgments are incorrect and their ability to accurately predict outcomes is unrealistic.
4. **Reluctance to ignore invested costs (sunk cost bias).** The fear of wasting money and time invested in a project often prevents us from looking at the project objectively. Managers will often ignore the problem or progress of a project. As VP you have sunk \$500,000 into a project that is not delivering on its promises. Choice one: you scrape the project and start again. Choice two: you sink additional money, time and company resources, hoping that the project will deliver. In most cases, because of sunk cost bias, choice two is the road that is followed. In hindsight you knew the project was doomed for failure. On paper this appears to be a foolish mistake- however this scenario is all too real.

Shall we flip a coin?

Making sound decisions is more than using luck or common sense. Utilizing a systematic process of analysis for decisions enables decision-makers to make more informed choices. The important point is not to push one particular method for problem identification and analysis, but rather to encourage the use of decision-making tools for making better decisions.

ABOUT THE AUTHOR

Deanne DeMarco, MA, RCCI, is an award-winning trainer and certified business coach. She partners with business leaders to create enthusiastic corporate cultures where people achieve more and love to work. Deanne is the author of several books including the forthcoming book "*Pocket Resource: Coaching Tips*" and "*Speaking of Success*" (January 2007). For more information on her coaching, training or keynote speaking, please visit: www.breaking-boundaries.com or call 866-91-COACH.