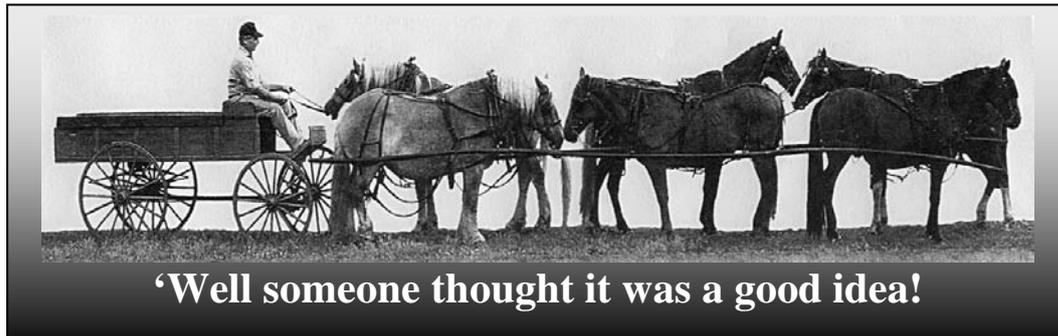


## Effective Decision Making in Organisations



“The reality is that important decisions made by intelligent, responsible people with the best information and intentions are sometimes hopelessly flawed” .....Our brains leap to conclusions and are reluctant to consider alternatives; we are particularly bad at revisiting our initial assessment of a situation.” (Campbell, Whitehead, Finkelstein.2009).

We make decisions every day. Some are obviously better than others. This white paper sets out common problems traps and solutions to effective decision making.

### Getting the Process and Practices Correct

McKinsey & Company released a series of papers in November & December 2007 on decision making and making good decisions. They reported that decisions initiated and approved by the same person produced the worst results and decisions made without any strategic planning or context also generated extremely poor results.

McKinsey suggested three themes contributed to organisations achieving good decision outcomes:

1. Assessment
  - ✓ A tough & accurate assessment of the situation,
  - ✓ Their ability to execute,
  - ✓ How they would evaluate the decision.
  - ✓ Identification of crucial factors for managers to focus on,
  - ✓ Competitors capabilities and likely reactions
  - ✓ Risk analysis.
2. Process & Practice
  - ✓ A robust business case approach
  - ✓ Listening to dissenting voices and
  - ✓ Identifying and managing bias
  - ✓ Identification and consideration of alternatives and barriers

- ✓ Sensitivity analysis
- ✓ Reviewing experience
- ✓ Decision criteria
- ✓ Ensuring organisational goals have predominance over business unit and individual goals
- ✓ Involving participants in the decision making process based on their skills and experience.

3. Targets –

- ✓ The consideration of short term/long term targets and financial and strategic targets were all considered in setting outcomes.

### Decision Making Red Flags

Campbell, Whitehead and Finkelstein (2009) suggested 3 'red flag conditions' that could contribute to leaders making poor decision though seeing invalid patterns in events and distorted emotions. These red flags conditions were:

- ✗ Inappropriate self-interest
- ✗ Distorting attachments to people, places or things, and
- ✗ Misleading memories – memories that takes us down the wrong paths.

Just like McKinsey these authors identified the importance of safeguarding against biases. They recommended 3 safeguards:

- ➔ Ensuring fresh/alternating experience and or analysis in the process
- ➔ Ensuring robust and challenging debate about the process, assumptions, decision model and criteria, evaluation & risk analysis
- ➔ Ensuring strong governance in decision making authority.

They suggest strategies to manage/avoid 'red flag situations:

1. Listing the range of decision options & boundaries
2. Listing the main decision makers and influencers
3. Identify potential 'red flags' for key decision makers
4. Check for any inappropriate self-interest or distorting attachments
5. Check for misleading memories
6. Review the list of 'red flags' to ensure all situations have been covered.
7. Put appropriate safeguards in place

### Who to consider/consult?

There are three groups of people involved in decisions. Those who:

- Take them
- Must carry them out
- Will be affected by them

### Cultural Attributes: In dynamics of decision making

- ✓ Tolerance of uncertainty
- ✓ Blaming v learning experience
- ✓ Risk taking v risk adverse
- ✓ Universalism v particularism
- ✓ Neutral v affective
- ✓ Specific v diffuse
- ✓ Collectivism v individualism
- ✓ Masculinity v femininity
- ✓ Ascription v achievement

### PROCESS MODELS

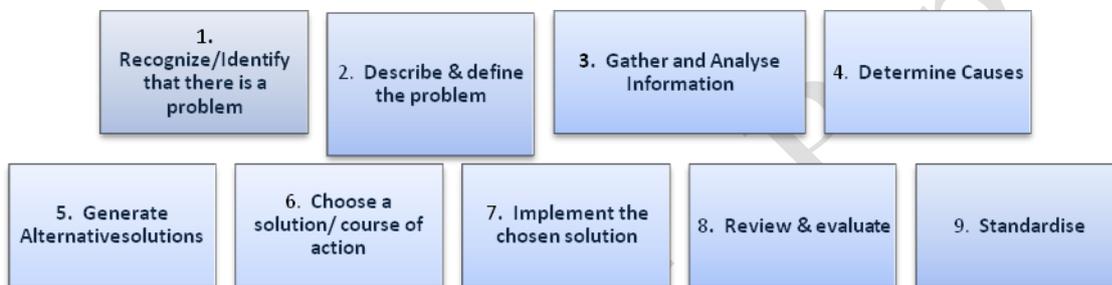
Some common decision making processes/models include:

- Rational: (OAR): objectives, alternatives, risks
- Political: 'agenda' based
- Process: follows established rules & procedures
- Chaos: reaction-based, inconsistent, on-the-run, not thought-through
- Delphi decision making technique:
  - Outline questions or future scenarios to the group.
  - Group members independently write down their thoughts.
  - Collate the responses
  - Ask group members to respond individually to aggregated responses.
- Consensus: all show understanding & express feelings
- Majority rule: vote, effective for minor issues
- Minority rule: (sub-committees, working groups)
- Leader consultation model: leader decides after consulting team
- Leader model: leader decides alone
- Expert model: most appropriate team member 'expert' decides

## Process Technique for decision making

Step 1	→ List the alternatives available
Step 2	→ Brainstorm decision criteria
Step 3	→ Determine the relative importance of each criterion
Step 4	→ Establish a rating scale and rate the alternatives
Step 5	→ Calculate the final score
Step 6	→ Select the best alternative

## Process #2



## DECISION CRITERIA

Types of criteria – **RESOURCE: OUTCOME: FEATURE.**

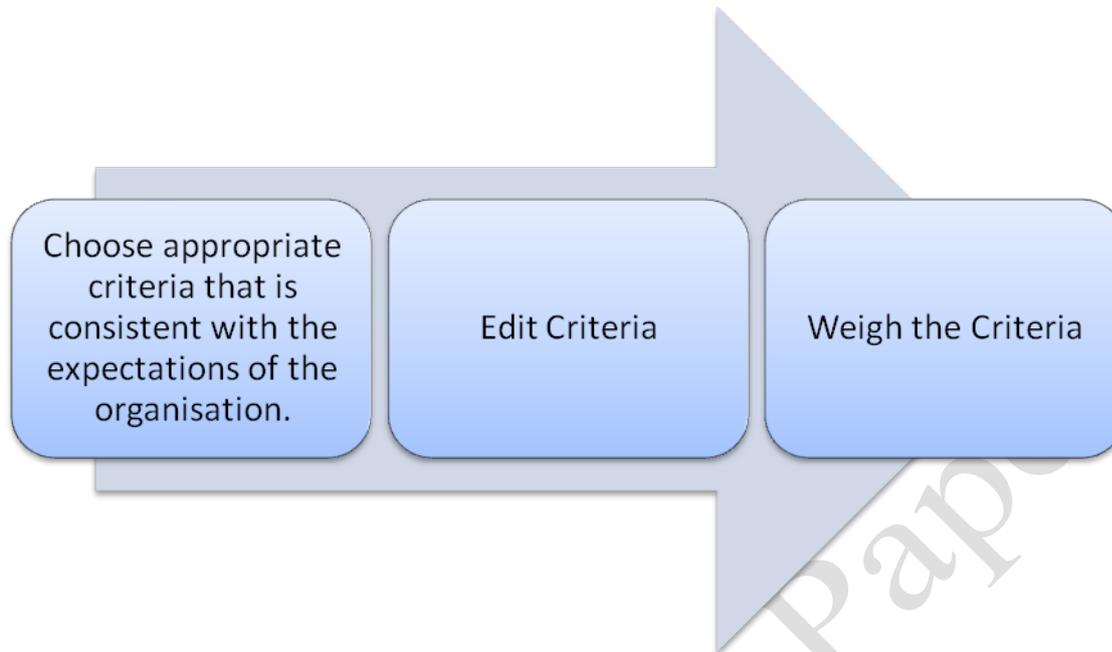
Effective Criteria should be:

- Prioritised
- Committed to by all stakeholders
- Consistent with the team objectives
- Recognisable
- Flexible

Decision justification criteria:

- Ease of implementation
- Ability to satisfy customer requirements
- Lowest cost
- Lowest risk
- Fastest to implement
- Resource availability
- Performance
- Gut
- Best fit

## Selecting Decision criteria



## Decision making styles

✓ <b>Problem avoider</b>	✓ Problem Solver	✓ Problem Seeker
✓ <b>Directive</b>	✓ <b>Analytical</b>	✓ <b>Conceptual</b>
✓ <b>Facts &amp; data vs. intuitive</b>	✓ <b>Low/no tolerance for ambiguity - concrete</b>	✓ <b>Behavioural</b>

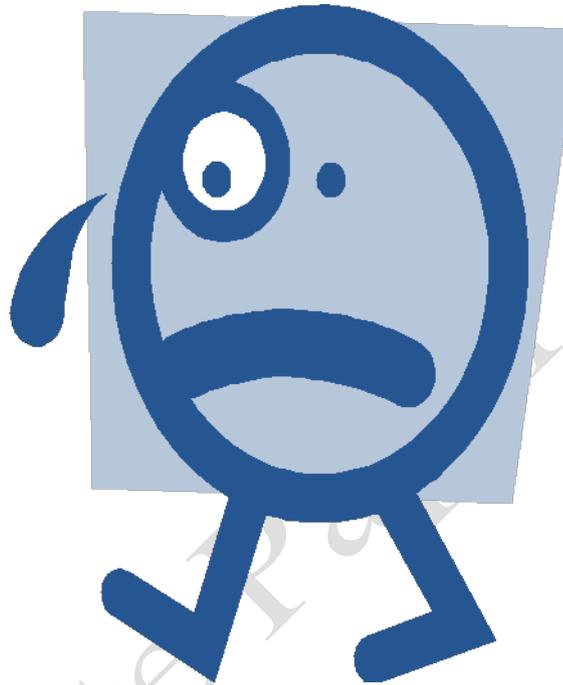
## DECISION BARRIERS

- ➔ Making all problems major ones – ‘mountains out of molehills’
- ➔ Jumping to conclusions – ‘knee-jerk’ reactions
- ➔ Not using previous experience
- ➔ Confusing symptoms and problems
- ➔ Ignoring the ‘too hard’ problem
- ➔ Failing to admit and/or learn from mistakes
- ➔ Lack of courage to deal with the real issues
- ➔ Emotions
- ➔ Attributing patterns etc. that aren’t there
- ➔ Stereotyping

## 7 Causes of Ineffectiveness

Seven common factors which undermine effectiveness:

1. Ineffective decision making (Decision constipation)
2. Ineffective decision implementation (Execution blockage)
3. Poor talent (HR) management (Vitamin deficiency)
4. Ineffective resource management and use (Obesity)
5. Inflexibility and resistance to change (Chronic inflexibility)
6. Lack of clarity of goals and vision (Blurred vision)
7. Staff underperformance (Low performance pressure)



The College for Adult Learning provides a suite of Human Resource Management and Leadership courses including problem solving and decision making as well as individual coaching models that can help Managers and Supervisors enhance their people and productivity management skills.

Contact The College for Adult Learning for more information.

Phone: (03) 9733 0554

Email: [admin@collegeforadultlearning.com.au](mailto:admin@collegeforadultlearning.com.au)

Web: [www.collegeforadultlearning.com.au](http://www.collegeforadultlearning.com.au)

### About Michael Meere

Michael is a professional & academic in the field of human resources management (HRM). He is the CEO and founder of *Human Resources Business Partners HRBP* a worldwide business and HRM consultancy focusing on global human resources challenges and solutions. Michael is also a part-time prac-ademic (as he likes to refer to think of himself) supporting post graduate HR Masters students in their studies and research projects.

He is known in the field as a speaker and writer on global HR trends and issues and more recently has developed a comprehensive set of HR metrics and measures designed for ease of use by busy HR practitioners. He is the author of over 50 articles and columns and has developed a large range of tools for HR professionals.

Michael is working in partnership with the College for Adult Learning to provide a range of consultancy services and specialised training development options for HRM Practitioners.

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