8. Keys to effective decision-making

8.1 Specification of objectives: Effective leaders go through six steps as part of their decision-making process. It's very similar to skiers on a giant slalom. They're met with different obstacles — a series of gates — and as they get closer to the bottom of the hill, they're typically moving increasingly faster, trying to navigate the gates without missing any.

Similarly, when making decisions, the deeper you get into the process, the faster you're moving and the easier it is to skip steps. That's why when making decisions it's important to recognize you're going through a series of stages, and that you must pass through each stage before advancing to the next.

There are six steps for effective decision-making.

1. **Classify the problem:** Is it a one-time event or is this a generic, repeatable problem? On-time delivery is an example of a repeatable problem in the manufacturing industry, whereas a merger or acquisition is an example of a one-time event. It's important to recognize and understand what type of problem you have. *The majority of the problems are generic and repeatable.*

2. **Define the decision you're trying to make:** What are you actually dealing with? Sometimes people try to solve symptoms rather than getting to the root of the problem. It's important to ask questions and try to get insight into whether you're addressing the cause or the effect.

3. **Identify boundaries:** You want to control what you spend energy on to resolve a problem and have a clear understanding of the boundaries. For example, a condition may be that the solution to a business problem can't change other customers' on-time delivery. Even if it's your No. 1 customer, you won't sub-optimize everyone else at the expense of getting the top client all the resources. That's a boundary.

4. **Do what's right, not what's popular:** In some cases, the right thing to do may also be popular, but that's not always the case. If you go through a structured decision-making process, it should be quite evident what the right answers are. And everyone who went through the process with you should come to the same conclusion as you, such as agreeing that it's either a symptom or a root problem. *It's easy to make the right decision when you discover it together.*

If you don't take the time to go through the process, or you skip some steps, people will gravitate toward the popular decisions because they're the easiest. But leaders who make popular decisions don't typically last as leaders.

5. **Understand what it's going to take to make the decision happen:** For example, you can decide that on-time delivery is going to rise from 85 percent to 99.9 percent. You can make that decision, but you may need to revalidate it if you don't have a real understanding of the capacity and capability of the people tasked with getting the job done.

   Be sure to consider what it will take to move your decision to action. Often, a decision is thought to be flawed, but it turns out the capability and commitment simply were not there.

6. **Revisit your decision:** Test and validate all the assumptions you made. You can use boundaries identified during the decision-making process to measure how you did. Testing and validating should be part of the regular decision-making process, but it often doesn't happen because you move on to the next decision. Make sure you take advantage of the knowledge to be gained from reviewing your decisions.

   Keep your eye on the slalom gates — or stages — throughout the decision-making process. Don't let yourself move so fast that you skip steps, otherwise the decision you choose to implement may be useless because it was based on flawed information.

8.2 Skills of creation of quality alternatives:

8.3 Models for the evaluation of quality alternatives: THE DECISION MAKING PROCESS:

Step 1: Define the problem

The most significant step in any decision making process is describing why a decision is called for and identifying the most desired outcome(s) of the decision making process.

One way of deciding if a problem exists is to couch the problem in terms of what one wanted or expected and the actual situation. In this way a problem is defined as the difference between expected and/or desired outcomes and actual outcomes.

This careful attention to definition in terms of outcomes allows one to clearly state the problem. This is a critical consideration because how one defines a problem determines how one defines causes and where one searches for solutions.

The limiting aspect of the problem definition step is not widely appreciated. Consider this example.

Your company owns an old, downtown office building. Tenants are complaining that their employees are getting angry and frustrated because there is always a long delay getting an elevator to the lobby at rush hour.

You are asked for a reaction on how to solve this problem. As with most problem situations there are several ways to define the situation and several solutions that suggest themselves.

This scenario has been presented to over 200 groups in a training environment. The most common alternatives these groups offered were:

- Flexible hours- so all the tenants' employees wouldn't be at the elevators at the same time.
- Faster elevators - so each elevator could carry more people in a given time period.
- Bigger elevators - so each elevator could carry more people per trip.
- Elevator banks- so each elevator would only stop on certain floors, increasing efficiency.
- Better elevator controls - so each eltor would be used more efficiently.
- More elevators - so that overall carrying capacity could be increased.
- Improved elevator maintenance - so each elevator would be more efficient.
- Encourage employees to use the stairs - so fewer people would use the elevators.

If you examine each alternative you will see that several different definitions of the problem must have existed.

- If the solution is "flexible hours" the problem must have been defined as, "Too many people getting off work at a given time." No other problem makes sense for that solution.
- "Faster elevators" comes from, "The elevators are too slow."
- "Bigger elevators" comes from, "The elevators are not carrying enough people."

- "More elevators" comes from, "Too few elevators."

The real life decision makers defined the problem as "people coming about having to wait". Their solution was to make the wait less frustrating by piping music into the elevator lobbies. The complaints stopped.

There is no way that the eventual solution could have been reached if, for example, the problem had been defined as "too few elevators".

As you can see, how you define the problem determines where you go to look for alternatives/solutions, so define the problem carefully.

Step 2: Identify available alternative solutions to the problem

The key to this step is to not limit yourself to obvious alternatives or what has worked in the past but to be open to new and better alternatives. How many alternatives should you identify? Ideally, all of them. Realistically, we teach that the decision maker should consider more than five in most cases, more than three at the barest minimum. This gets away from the trap of seeing "both sides of the situation" and limiting one's alternatives to two opposing choices; either this or that.

Step 3: Evaluate the identified alternatives

As you evaluate each alternative, you should be looking at the likely positive and negative cones for each. It is unusual to find one alternative that would completely resolve the problem and is heads and shoulders better than all others. Differences in the "value" of respective alternatives are typically small, relative and a function of the decision maker's personal perceptions, biases and predispositions.

As you consider positive and negative cones you must be careful to differentiate between what you know for a fact and what you believe might be the case.

The decision maker will only have all the facts in trivial cases. People always supplement what facts they have with assumptions and beliefs.

This distinction between fact-based evaluation and non-fact -based evaluation is included to assist the decision maker in developing a "confidence score" for each alternative. The decision maker needs to determine not just what results each alternative could yield, but how probable it is that those results will be realized. The more the evaluation is fact-based, the more confident he/she can be that the expected outcome will occur.

Step 4: Make the decision

When acting alone this is the natural next step after selecting the best alternative. When the decision maker is working in a team environment, this is where a proposal is made to the team, complete with a clear definition of the problem, a clear list of the alternatives that were considered and a clear rationale for the proposed solution.

Step 5: Implement the decision

While this might seem obvious, it is necessary to make the point that deciding on the best alternative is not the same as doing something. The action itself is the first real, tangible step in changing the situation. It is not enough to think about it or talk about it or even decide to do it. A decision only counts when it is implemented. As Lou Gerstner (CEO of IBM) said, "There are no more prizes for predicting rain. There are only prizes for building arks."

Step 6: Evaluate the decision

Every decision is intended to fix a problem. The final test of any decision is whether or not the problem was fixed. Did it go away? Did it change appreciably? Is it better now, or worse, or the same? What new problems did the solution create?