

An Overview of Decision-Making

Decision-making is one of the most important aspects of a leader's role, but it can also be one of the most challenging. Here we provide an overview of the processes, techniques and best practice advice that can help leaders hone their decision-making skills and tackle some of the trickier aspects of decision-making more effectively.



The decision-making process

Adopting a structured approach to decision-making can often be a helpful way of navigating some of its potential challenges and pitfalls. The decision-making process consists of four key steps:

1. Define the decision to be made

The first step is to identify exactly what the decision should be about. This involves examining the situation and identifying the **core issues or problems** at the heart of it. For example, poor sales figures may be symptomatic of a number of different problems: the sales strategy may need revising, managers might need to motivate their teams more effectively or the products or services the organisation offers might need to be improved.

It is also important to **frame the issue** (identify the perspective – or perspectives – from which to view the situation) before moving on to the next stage of the decision-making process. This isn't always straightforward, as we are all susceptible to **biases** that can sometimes lead us in the wrong direction.

Prospect theory, devised by psychologists Amos Tversky and Daniel Kahneman, states that decision-makers respond more strongly to the prospect of losses than gains (this is known as **loss aversion**). The theory also says that we tend to **overestimate** the

likelihood of **low-probability events**, and **underestimate** the likelihood of **high-probability events**. [1]

When it comes to framing the issue, it is vital for decision-makers to **be aware of these biases** and to remain as **objective** as possible at this early stage of the decision-making process.

2. Identify and gather information



There are two main types of information that can assist decision-making: **primary sources**, which come directly from a person or organisation, and **secondary sources**, which interpret and comment on primary information. Both types can be useful but, by their very nature, secondary sources may not always be as **reliable** as primary sources, so be sure to **select them carefully**.

It is also important to be aware of the difference between **quantitative** and **qualitative** data. Quantitative data is **definable, measurable**, and is normally expressed in **figures**, while qualitative data is **descriptive** and may involve **value judgements or opinions**. Quantitative information is often the more efficient and technically accurate of the two, but it can miss **contextual data** (i.e. it might present an answer or solution, but fail to indicate the reasons behind it). Qualitative information is richer but subjective, and can therefore be less accurate and conclusive than quantitative data.

Depending on the decision-making scenario, it is likely that a combination of primary and secondary information sources that provide both quantitative and qualitative data will be useful. This might involve consulting sources such as:

- internal documents
- external websites
- other people (either internally or in external networks)
- industry magazines, journals or periodicals
- management books
- reference material

- official/government publications and legislation

To assess the validity of the gathered information, it is important to take into account the **credibility** of the source and the **objectivity** of the material. It is also vital to consider whether the information is **up to date** and, above all, whether it is **relevant** to the decision you are making.

3. Analyse options and make a decision

After gathering the relevant information, the next stage of the process is to identify the options that are available, analyse them, and make a decision. Research conducted at the information-gathering stage might suggest that a certain course of action should be taken or avoided. Alternatively, a new set of solutions might present themselves. All this should be taken into account during the analysis stage.

It is important to consider the potential impact of each option on the **whole organisation**, not just one department or business area. To this end, it might be helpful to **seek the input of a colleague**, or, if appropriate, a trusted peer or friend from outside the organisation, who may be able to offer an objective perspective.

While decision-makers should always spend some time analysing their options, it is vital to **avoid falling into the trap of 'paralysis by analysis'**. After deciding on an appropriate course of action, it is good practice to move onto the next stage of the decision-making process as soon as possible.

4. Communicate and implement the decision

On reaching a decision, it is vital to communicate this to everyone involved (e.g. managers, colleagues, customers). Depending on the situation, the decision could be communicated face-to-face, either in team meetings or one-to-one meetings, or via email. The communication should include **details of the decision, the reasons it was made, and how it might affect those involved**. It is also a good idea to offer individuals the opportunity to **ask questions**.

It is good practice to treat the implementation of the decision as a **small project**. When an implementation plan has been identified, it is important to update everyone affected by the decision and let them know what to expect.

Decision-making techniques



A range of tools and techniques exist to support every aspect of the decision-making process. Tools such as **Implement your Decision** (available in the Decision-Making topic) can help decision-makers consider the **potential impact** of their decision, while the simple checklist can be used to assess whether the information that has been gathered is robust and credible. At the analysis stage of the decision-making process, the **Simple Influence Diagrams technique** can help decision-makers identify the **pros and cons** of different options. **Plus Minus Implications** can be used to support to **complex decision-making**, and for decisions that require the input of several **different stakeholders**, techniques such as **Critical Decision-Making Techniques** and the **RAPID Decision-Making** can be extremely helpful.

In each decision-making situation, it's important to use the most appropriate tool. When considering which technique to use, be sure to take into account the **nature** and **complexity** of the decision at hand. Remember that decision-making techniques are designed to **support** decision-making; the outcomes of a technique should be taken into account along with any other information that comes to light during the decision-making process.

Managing ambiguity



Ambiguity means not knowing exactly what is going to happen. It can occur in almost any aspect of working life and can often have a serious impact on people's ability to make timely and well-informed decisions. When it comes to managing ambiguity, Philip Hodgson and Randall White, authors of *Relax, It's Only Uncertainty*, argue that people's ability to do this depends on their **attitude, behaviour** and **capability**. In ambiguous situations, it is important to both **remain productive** and take steps to **reduce the ambiguity** wherever possible. This might involve seeking out new information, re-prioritising tasks or breaking the problem down into smaller components.

You can find further advice and guidance on this aspect of decision-making in **The KJ-Method for Establishing Priorities**. And you can read an overview of Hodgson and White's findings in **Hodgson and White on Managing Ambiguity**.

Beliefs and biases in decision-making

Even when we follow a structured decision-making process, there are a number of innate cognitive biases that can affect our ability to make good decisions. These biases include the **'bandwagon effect'** (a tendency to do or believe things because many other people do) and **'confirmation bias'** (the tendency to seek out information that supports our existing beliefs). These biases are innate and everyone is susceptible to them. However, quite often, the best way to avoid these biases (or at least reduce their effects) is to **be aware that they exist**. Dan Ariely's *Predictably Irrational* and Jonah Lehrer's *How We Decide* both provide a fascinating insight into the phenomenon of decision-making bias. Audio interviews with each of these authors are available to download from the **Decision-Making topic**.

Summary

While decision-making can be challenging, there are a number of steps that leaders can take to tackle this important aspect of their role successfully. Following each stage of the decision-making process in order, wherever possible, and using the appropriate tools or techniques for each situation will help leaders to approach the different aspects of decision-making effectively. Where ambiguity exists, remaining productive, while taking steps to reduce the level of ambiguity will help to ensure that it doesn't derail the decision-making process. Meanwhile, being aware of the biases to which everyone is susceptible will prevent them from having an undue influence on the final decision. Adopting this approach will help leaders to make timely, well-informed decisions with confidence.

[1] Amos Tversky & Daniel Kahneman, 'The Framing of Decisions and the Psychology of Choice', *Science*, 211 (1981), p 457.

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