CHAPTER 1

Decisions and Decision Making

Why do we need to make decisions? Well, we don't need to make decisions unless we are faced with the following three conditions:

1. We have choices.
2. We have finite resources which prevent us from pursuing all the choices simultaneously.
3. We have a goal to achieve.

If we have no goal—that is, if we do not really know what we want at the end or where we are going—then it does not matter which choice we select. If we have infinite resources, then we can implement all our choices at once. If we know the goal we are aiming at and have finite resources, but only have one feasible option for achieving our goal, we cannot make a decision about whether we will take this sole option or not. But if all three conditions are met, we need to choose the alternative that best enables us to achieve our goal within the constraints of our resources.

Why is decision making so difficult? Because all decisions are about the future, and the future offers no facts—the future and facts are mutually exclusive. History cannot be changed, but the future will be determined by our decisions. And since there are no facts about the future, we can only make decisions based on our assumptions about the future. We do not have a crystal ball in which to see the future.

The future and facts are mutually exclusive

Scientific facts about the universe may be projected forward into the future much more accurately than facts regarding human actions. Anything man-made can be changed, so while our assumptions can be based on an educated guess, we must allow for uncertainty and risk management in our decision-making process. No one should be so confident of his or her decisions as to be closed to suggestions for change. It is better if we proactively monitor our own decisions and take the initiative to make adjustments as needed, rather than wait for someone else to force a change on us due to our inertia.

Now let's begin this chapter's examination of decisions and decision making by defining some terms that will appear frequently throughout this book:

- **Decision**—resource allocation (including tangible and intangible resources).*
- **Decision maker**—the person who allocates resources.
- **Strategy**—a set of implementable decisions and policies that have long-term impact.*
- **Decision-making process**—choosing the best alternative for accomplishing goals with finite resources.
- **Strategic decisions**—choosing the right road to run on.*
- **Operational decisions**—running well on the chosen road.*

*The terms marked with an asterisk were defined by the Strategic Decisions Group for their seminars on decision quality.

Quality decisions are made by people who are "willing" and "able":

- **Willing**—the decision maker wants to make quality decisions. It often takes courage to be willing.
- **Able**—the decision maker knows how to make quality decisions. Skills and resources enable the decision maker to make quality decisions.

In the rest of this chapter, we'll look at these terms in a little more detail.

WHAT IS A DECISION?

A decision is not merely a discussion, an order, an agreement, or a compromise—a decision should not be discussed as if it is only a noun. A decision should be discussed as a verb. A decision is a specific allocation of resources. A decision is to be executed, and it takes resources to execute. No resource allocation means no real decision has been made. There can be no real changes without changes of resource allocation.

So, decisions should be regarded as allocations of real resources, whether tangible or intangible. Decision and execution should be seen as two parts of a whole; if there is no execution, then the decision was just a slogan. Decision makers should not separate the decision and the execution in their thought process, even if someone else will be undertaking the execution—they should not say, "My decision was good, but the execution was poor," if the decision fails in the execution stage. A decision is for its execution, and its execution is for achieving the goal of the decision. So, the decision maker must be prepared for the consequences of his or her decision when it is executed.

Sometimes an issue is discussed multiple times at management meetings, yet no outcome, no progress, and no change actually takes place. If you dig a little deeper, you will find that this is because no resources were allocated to the issue or no changes were made in resource allocation.

Decisions are made only when resources are allocated

Decisions are made only when resources are allocated. Decisions need to be executed; good execution achieves the goal of the decision by using finite resources efficiently and effectively.

As mentioned earlier, a decision is all about choosing the best alternative to achieve a goal with finite resources, whether tangible or intangible. Tangible resources are quantifiable resources, such as time, money, patents, intellectual property, and fixed assets. Intangible resources are resources that are not yet quantifiable, but have the potential to become tangible resources, like brand image, reputation, credibility, knowledge, talent, and skills. For instance, a celebrity with a very positive public image can turn this intangible resource into a lucrative advertising contract, which is a quantifiable tangible resource. A company can turn its valuable brand image into premium pricing. In the same way, a leader can use his or her name as executive sponsor to support a certain project. Even though the leader may not be involved to the extent of allocating tangible resources (i.e. time and money), his or her image and credibility is drawn upon. This allocation of intangible resources can trigger the allocation of tangible resources by others, and increase the odds of success for the project. However, if the project ends in disaster, it will tarnish the figurehead leader's reputation and decrease his or her intangible resources. So, even intangible resources are finite and subject to depletion.

WHO IS THE DECISION MAKER?

The decision maker is the one who allocates resources—the one who is willing and able, and actually allocates resources. Sometimes, the person who acquires the resources and the person who allocates the resources are different—as in a family, where one spouse may be the breadwinner while the other manages the family budget and does all the shopping. The one who actually allocates the resources (does the shopping) is the decision maker.

If we do not possess all the resources needed to implement a decision, we must identify and gain the support of the appropriate decision maker in the organization—the person who is both willing and able to allocate the resources needed. (As mentioned previously, in some ways, all members of an organization are decision makers, as they allocate both their own time at work and the corporate resources they are authorized to distribute.)

We might say that a rich person who does not spend money and a poor person who has no money to spend are equal, in a way, in that neither makes purchasing decisions. Perhaps the rich person has more potential to become a decision maker, as he or she is more able to purchase; yet the poor person may well be more willing to purchase—and at the end of the day, where there is a will, there is a way. The poor person could borrow money to make the purchase, whereas the rich person might never buy the product because he or she is unwilling to allocate resources to a product that he or she does not like.

WHAT IS STRATEGY?

Strategy is a set of specific decisions and policies that specify implementable management actions and have long-term results, according to the Strategic Decisions Group. In other words, strategy is a series of resource allocations designed to reach a specific goal that has long-term significance.

THE DECISION-MAKING PROCESS

The decision-making process is all about choosing the best way to achieve goals with finite resources. There are three important points here:

- Clear goals
- Finite resources
- Choosing the best alternative

In our approach to any decision, the goal should be the starting point of our thinking. The goal is what we want to achieve with our finite resources in the end. Choosing goals—strategic decision making—is a significant decision in itself, of course.

STRATEGIC AND OPERATIONAL DECISIONS

A strategic decision is choosing the right road to run on, and an operational decision is running well on the chosen road, according to the Strategic Decisions Group. We might also describe this as choosing a goal and implementing that goal.

Strategic decisions and operational decisions cannot be separated to achieve sustained success. The action may be different and the people involved may be different for the two kinds of decision, but the decision makers must treat them as two points on a continuum in their decision-making thought process. They are interdependent for success. A good strategic decision is made to be successfully executed; a good operational decision is made to achieve the goal of the strategic decision. Every responsible strategic decision maker should regard his or her strategic decision and its execution as inseparable in a decision-making thought process; otherwise, irresponsible or non-executable decisions will be made.

Strategic decisions, which do not require frequent changes, should be made by higher-level management. Operational decisions, however, should be frequently adjusted to keep abreast of changes in the business environment. Whenever there is a better alternative for reaching the goal, adjustments should be made to operational decisions.

A WIDELY APPLICABLE DECISION FRAMEWORK

As I mentioned in the introduction, there are two common misconceptions that prevent people from adopting a common framework for all types of decision making.

The first misconception is that every decision is unique, so a general decision-making framework will not work. For instance, a decision about when to announce a new product and a decision about whom to promote from a list of competent candidates seem to be totally different. However, once you realize that all decision making is concerned with allocating finite resources to the best way of achieving the organizational goals, then you can see that the same decision-making framework can be used to consider the options and arrive at the final decisions.

The second misconception is that each decision maker is unique and cannot make decisions in the same way, because some people are rational while the others are more intuitive. Rational people rely on analyzing lots of data to make decisions and intuitive people follow their hearts—and as long as they can make good decisions, it does not matter how they make them. This misconception is based on the assumption that decision makers can know how to make good decisions repeatedly without a logical decision-making framework. It is a dangerous assumption to make.

Quality decisions require the decision makers to be both rational and innovative. A decision is not (or should not be) a one-time event, but a process of continuous improvement using the observe-think-experiment cycle. We should therefore dispel the superstition that a leader can make one good decision at a critical moment which will lead to success for a long period of time. Organizations create and sustain success when all their members make good decisions every day, and have the awareness and courage needed to adjust those decisions according to their outcome and the context.

WILLING AND ABLE—QUALITY DECISIONS

Quality decisions are made by people who *want* to make quality decisions and *know how* to make quality decisions—people who are "willing and able." An invincible team is one in which all members are willing and able.

So, a leader's role is to increase a team's willingness and ability. Willingness can be inspired through vision, mission, culture, climate, communications, and recognition systems. Ability or capability can be achieved by acquiring skills (through education, experiences, and exposure) and resources.

Of course, willing people also take the initiative to enhance their own ability; and capable people are often more willing because they are confident they know how to handle matters. So quality decision making is also a matter of "Where there's a will, there's a way"—my motto.

It takes courage to be willing, however. Ambrose Redmoon, the famous American writer, once said, "Courage is not the absence of fear, but rather the judgment that something else is more important than fear." We can have the courage to be willing to learn and try new things if we see the potential benefits; our willingness to learn then increases the odds that our decision making will be successful. While decisions always carry risk, we do not need to be afraid of that risk as long as we take on a manageable amount and consciously control it as much as possible. (Managing risk requires resources; therefore, we can only take on the risk after we have allocated resources to manage it.)

We then need to balance our courage with wisdom. I always remind myself of the Serenity Prayer: “God grant me the serenity to accept the things I cannot change; courage to change the things I can; and wisdom to tell the difference.” Related to decision making, this translates as, “I must have the courage to make the best decision when it is my responsibility to allocate resources. I should also have the courage to suggest and recommend quality alternatives to other decision makers, but I need to have the serenity to accept others’ final decisions when I am not the decision maker.” Wisdom doesn’t seem so difficult to acquire once we understand the definition of “decision.”

Now that we have clarified the various terms used when discussing decision making, let’s go on to look at the obstacles that can derail the decision-making process—we’ll need our wisdom to deal with them.