1 The Power of Decisions

Life is a sum of all your choices.

—Albert Camus

Our life trajectories are driven by our decisions: the schools we attend, the careers we pursue, the work projects we take on, the investments we make, the people we hire, and the friends and acquaintances with whom we keep company. Small and large, trivial and transformative, decisions shape our lives and organizations for better or worse.

We see decisions being made all around us, and we are quick to judge those we perceive as poor. We marvel at how leaders in powerful positions make decisions—when they cross ethical boundaries, make heroic assumptions based on wishful thinking, or shoot from the hip, trusting their intuition without serious deliberation. Of course, it is always easier to criticize failures *out there*, when we observe the decisions made by others—especially those that impact us.

When we make decisions ourselves, however, we usually think that we make them well. The truth, though, is that we probably don't make good decisions. Our brains are actually not wired to make good decisions naturally, especially when decision situations are unique and consequences uncertain. We are wired to "satisfice,"[1] to settle for *good enough*—and there is a big gap between satisficing and making the best choices we can make.

As we will see in later chapters, humans have many biases and dysfunctional habits that cause our decisions to fall far short of decision quality (DQ). To name a few: we rely on advocacy, fail to consider alternatives, neglect uncertainty, oversimplify, jump to conclusions, seek confirming evidence to bolster our position, dismiss disconfirming evidence, confuse agreement with achieving a quality decision, and the list goes on. We waste time and money focusing on things that don't really matter to the decision. We fail to be systematic and act impatiently. And then, with hindsight bias, we rationalize our decisions to reassure ourselves they are good—but that is an illusion.

We leave a tremendous amount of value on the table, value that could be ours, if only we had the discipline and skill to reach DQ. The gap between decisions that are *good enough* and those that are *best* is big in business, society, and our personal lives as well. When decision makers are told about this gap and the opportunity for improvement, they are surprised and frequently offended:

Decision maker: Are you telling me that I am not already making good decisions?

Decision advisor: Well, yes. If you are like other human beings, you believe that you are making good decisions when you are far from the making the best decisions possible.

Decision maker: Prove it!

The evidence is real. When businesses use DQ to make quality decisions, the resulting best strategy is frequently *twice* as valuable as the *good-enough* strategy that would have been chosen otherwise. On top of that, the cost of applying DQ is minimal compared to the resulting added value. The good news is that no one has to accept *good enough*. It is possible to learn to make better decisions.

Decision Quality: A Framework for Better Decisions

Fortunately, a useful body of knowledge is available to anyone who seeks it. The skills and methodologies of the *DQ framework* have reached a

high level of effectiveness and can be embraced by all decision makers. The knowledge is highly practical and applicable to a wide variety of decisions, allowing us to get much more of what we truly want in business and other aspects of life.

The central purposes of this book are to help readers recognize that their decisions can be improved, and to impart the decision skills needed to apply the DQ framework and capture value that would otherwise be lost.[2] The DQ framework includes the six requirements for a quality decision and the necessary processes to meet them. When the knowledge of DQ is shared with managers and executives, frequently the reaction is: "I wish that I had learned this much earlier in life."

Decision Skills Can Be Learned

Because decisions are so important in shaping our lives and futures, learning to make them well should be a priority. And, yes, making decisions well is something we can *learn* to do. Yet among business and public sector leaders—people responsible for making the big, consequential choices—few receive formal training in decision making. The same can be said of managers who make decisions day in and day out. Consider how today's managers—tomorrow's executives—are trained. Business students are instructed in accounting, finance, statistics, marketing, and management, but few MBA programs offer rigorous courses in decision making. There is an assumption that smart people will pick up good decision-making skills on the job or through case studies, but learning on the job, through trial and error, can be a long and painful process, punctuated by costly mistakes. Even learning from other people's mistakes does not measure up to the benefits of explicit training in the art and science of decision making.

The six requirements for DQ are consistent with common sense and can be learned. Many DQ tools and processes are straightforward and can be directly applied by decision makers. When facing a complex and important choice, leaders with DQ skills will become astute customers of decision support staff who have advanced analytical tools and facilitation. All of the tools and processes introduced in this book can provide the insights necessary to guide decision makers to decision quality in the face of uncertainty and complexity.

Decisions versus Outcomes

When making decisions that involve uncertainty, we must be clear about the difference between a good *decision* and a good *outcome*. Many observers, including those providing commentary on business, politics, and even sports, don't separate decisions from their outcomes and act as if a good decision is one that produces a good result. Confusing a decision with its outcome is a common mistake that can negatively impact our choices.

In the face of uncertainty, we must judge the quality of a decision *at the time it is being made*, not after the outcome becomes known. Why is that? Because we control the decision; we do not control the outcome. Therefore, we want to put our effort into making the best choice we can make. Decision makers cannot use hindsight—that's a luxury for observers.

We can get better at making quality decisions by applying the DQ framework: We must choose the alternative that, based on our information and analysis, has the best chance of delivering the value we want in the decision situation we have defined. Of course, choosing the best alternative doesn't guarantee a good outcome. But outcomes, which may not be known for days, months, or years in the future, don't determine the quality of the decision anyway.

Consider this example. A drug company's executives decided to invest heavily in a newly discovered compound. After years of research and development (R&D) and testing, the compound was approved and released as a drug—a breakthrough cancer treatment. It also produced substantial profits for the company.

So had management made a good decision? Considering the outcome, it might appear so. In the years immediately following the drug's release, sales were huge. Company executives and the R&D team congratulated each other. Wall Street analysts and shareholders developed greater confidence in the company and applauded its management team. Eight years later, however, many patients developed serious side effects and several died. The drug was taken off the market and the company was swamped with product liability lawsuits. How good does that decision look now?

The point of this example is that the quality of a decision cannot be judged by its outcome. If we used outcomes alone to rate the drug company's decision, we'd have to say that it was first good and *then* bad. In the years immediately following the cancer drug's release, the outcome

was very good, but it soured after year eight. Determining the quality of a decision by its outcome would require withholding judgment until everything there is to know about the result becomes available. That's impractical—and often impossible. And the outcome doesn't tell us what the decision makers considered when making their choice. We need to judge the quality of a decision *at the time it is being made!*

Decisions and outcomes are two different things because of the uncertainties that surround every choice. If the future were certain, we would not have to make this distinction. We can make a good decision in the face of uncertainty and still get a bad outcome. For example, a financial meltdown on the far side of the world may undermine a decision maker's thoughtful plans. A good decision may also go awry under the guidance of an ineffective implementer. The reverse is also true: A poor-quality decision may enjoy a good outcome, thanks to superhuman execution or good luck. Imagine someone getting behind the wheel and texting while driving. If he arrives home safely without crashing or injuring anyone, would that make the decision to text and drive a good one? Of course not! As Stanford professor Ron Howard says, "A good decision never turns bad, nor a bad decision good."[3]

Good decisions will generate more good outcomes, but they are not a guarantee. As Damon Runyon said: "The race may not always be to the swift nor the victory to the strong, but that's how you bet."[4] In R&D, some 80% of projects may be expected to fail. In fact, one key to success in R&D is to fail quickly, minimizing the time and money spent on projects that are likely to fail in the long run. If R&D managers were not allowed to have bad outcomes, there would be very little innovation. We probably wouldn't have phones, computers, airplanes, or many other conveniences.

The best way to increase good outcomes, which get us more of what we truly want, is to make good decisions and execute them well. Even though DQ is no guarantee of a good outcome, it improves the odds we face. It also gives us peace of mind, as illustrated in coauthor Carl's story. (See the following sidebar.)

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Recognizing the difference between a good decision and a good outcome is a first step toward improving decisions. As decision makers, we don't control outcomes, but we do control the choices we make. Using the DQ framework leads to high-quality decisions. The following two

CARL'S REFLECTIONS ON A PERSONAL DECISION

A few years ago, I faced an important personal decision. I needed heart surgery—a triple bypass operation. My wife and I worked hard to understand the situation. Was open-heart surgery really necessary, or could stents solve the problem? Which surgeon was best suited to the task? Which facility? We generated and considered alternatives and reached out to experts in order to understand what we needed to know. Within a week, we had done everything needed to make a clear choice; in our judgment, we were ready to make a quality decision.

The surgery was scheduled to take place as soon as was practical—in about two weeks—and then I returned to my regular work schedule. Many colleagues marveled at my composure as I faced such serious surgery. I had a simple explanation for them: I had done everything required to make a quality decision. Yes, there was a risk of death. Given our decision, I estimated a 1 in 20 chance that I wouldn't be alive in two weeks. I visualized a lineup of 20 people; 19 people stepped forward, while one stayed behind. As I saw it, those were good odds.

DQ provided more than the best path forward. It gave me the peace of mind that comes from knowing that we'd done all that we could. The rest, as I knew, was out of my control.

I am pleased that I was one of the 19 who stepped forward. I had a good outcome. However, it would still have been a good decision if I had been the one who stayed behind.

chapters in Part I will provide a quick introduction to the DQ framework: the six requirements for DQ (Chapter 2) and the processes for reaching DQ in different types of decisions (Chapter 3).

Key Points to Remember

- Decisions shape our lives and our business successes.
- We make decisions all the time and feel that we are already good at it, but that is an illusion.

- Humans are not wired to achieve DQ. We naturally fall into satisficing and then rationalize whatever decisions we make, convincing ourselves that they are good decisions.
- The difference between satisficing and making the best choice is huge. If we satisfice, we leave a lot of value on the table. That value can be ours if we improve our decision making.
- The DQ framework provides the key to making better decisions.
- Decision skills can be learned.
- Because we have to make decisions in the face of uncertainty, we have to distinguish between good decisions and good outcomes.
- Decisions must be judged according to what the decision maker considers when making the decision, not on the basis of what happens afterward.
- We must be able to determine the quality of a decision at the time we make it, not by judging its outcome. Hindsight is too late.

Endnotes

1. This term was first coined by Herbert Simon, the Nobel Prize–winning economist and social scientist who recognized that individuals and groups do not optimize (as was part of orthodox economic theory at the time) but rather use "bounded rationality" and "satisfice."
2. There are of course many books on how to make better decisions. Most of them are not consistent with the normative foundations of decision theory, or they lack the DQ framework that is needed to judge the quality of a decision in terms of the destination of DQ. Another book that is built on the insights from decision sciences is *Smart Choices*. See John S. Hammond, Ralph L. Keeney, and Howard Raiffa, *Smart Choices: A Practical Guide to Making Better Decisions* (New York: Broadway Books, 1999).
3. This is a classic saying of Ron Howard's. He talks more about this concept in an interview on the *Harvard Business Review*'s IdeaCast podcast ("Making Good Decisions," November 20, 2014).
4. Runyon is often credited with this saying, although he himself credited it to a prominent sportswriter named Hugh E. Keough.