The Three Critical Components of Decision Making for Better Strategy Implementation

By Mikhail Buczkiewicz, BTS Consultant
Introduction

The rate of change in the business world today is unprecedented and increasing exponentially.¹ Yet the process of decision making has not materially changed, causing organizations to struggle to keep up or make rushed decisions that turn out poorly. In discussions with client leaders, we have heard them emphasize the importance of efficient and effective decision making, but express dissatisfaction with their organization’s current capability.

To explore this challenge of how to build effective decision-making capability within organizations, BTS² partnered with a team of MBA students³ from The University of Texas at Austin McCombs School of Business. Together, we interviewed a variety of BTS’s clients across several industries—including retail, shipping and logistics, manufacturing, IT, and financial services—to learn more about how decisions are being made within large organizations.

Through our research, we found that decision-making effectiveness requires three key pieces:

1. Organizations must unanimously adopt a decision-making framework to inform what they should be doing.
2. Organizations must measure and reinforce the key behaviors that influence their employees’ decision making.
3. Organizations need governance to connect the framework and these behaviors. Governance should continuously measure employees’ adherence to this framework and these key behaviors, evaluate how well this framework is working, hold employees accountable for their decisions, and share best practices across the organization.

Together, these three components drive efficiency and effectiveness in the decision-making process, which can differentiate companies in an increasingly competitive age.
I. Framework

Decide on a decision-making framework

The first step toward improving decision making is creating and distributing a standardized, company-wide decision-making framework. While this may sound straightforward, we uncovered two significant issues during our research.

First, organizations may have multiple decision-making frameworks operating simultaneously, which leads to miscommunications around which framework to use, causing confusion and frustration among employees.

Second, organizations may expend more energy creating their decision-making framework than getting it out to their people. If the framework is not disseminated throughout the organization, employees may lack guidance on how to make decisions in line with the company’s mission.

The solution to these two challenges is to ensure everyone is using the same framework, a step that can be more crucial than the framework itself. Adhering to a model, even an imperfect one, streamlines decision making for consistency and strategic adaptability.
Clearly specify and limit roles

One of the key components of a decision-making framework is specifying who should be involved in a decision. Today, the benefits of gathering diverse perspectives and collaboration are touted frequently in popular discussion. However, this collaboration may sometimes go too far.

We discovered that over-collaboration is now more common than under-collaboration, which leads to analysis paralysis, unclear responsibility, and wasted time and effort. During interviews, we heard how involving too many people in a decision wastes time and what potential solutions could look like:

- “Our current decision-making process involves many key players, including many top executives.”
- “Our leaders struggle to identify the things they don’t need to be involved in.”
- “A good decision maker manages the number of stakeholders involved.”
- “Have fewer people involved, but the right people.”

The common thread in these comments is the importance of bounded membership and clear, specific roles in decision-making teams. When it comes to the final decision, a good rule of thumb is to include just five to seven people in the room. These constraints force decision makers to be very purposeful in their selection of who is involved in a decision, and just as importantly, who is not. The result is efficient decision making that still gathers and considers a diversity of perspectives.
II. Behaviors

After establishing a standardized decision-making framework, organizations must recognize and reinforce the key behaviors that influence their leaders’ decision making. These generally fall on a spectrum between more emotional, gut-feel behaviors and more logical, analytically driven behaviors.

**Understand the role emotion plays**

Many organizations and their leaders tend to skew towards logic and data in their decision making, neglecting the role of emotion. On one hand, emotional attachment to projects and ideas can lead teams to make biased decisions. On the other, leaders with emotional intelligence can build stronger relationships with key stakeholders, which helps them navigate the interpersonal complexities of decision making.

We heard repeatedly in interviews that emotional intelligence is crucial for decision making:

- “Leaders haven’t thought through who their decisions impact.”
- “Good decision makers are politically savvy. They not only identify the stakeholders, but also identify the hidden stakeholders.”

Consequently, organizations and leaders should:

1. Promote diversity of thought, personality and perspective when creating teams to protect against groupthink and emotional attachment
2. Recruit and develop emotional intelligence, since decision making requires strong relationships with key stakeholders to fully understand the impact of a decision across the organization
3. Consider the worst-case scenario for each party involved in a decision, and use that as a factor in making the final decision
But don't forget the role data plays

Despite the importance of emotional intelligence, the ability to manage data as part of a decision is still hypercritical. With the proliferation of data, organizations now have access to more information than ever before. In fact, 2.5 exabytes of data, the equivalent of 250,000 Libraries of Congress, are produced each day. And with improved computing and data visualization tools, accessing this information has also become easier.

However, productivity in data has not improved productivity in decision making. Many leaders fail to strike a balance between gathering sufficient data to inform a decision and expending the time and effort to do so. Just as leaders need to limit who is involved in a decision, they must also control the time and effort consumed analyzing a decision. As one interviewee highlighted, “We need people willing to make decisions without all of the data.”

The slowness of decision making can no longer remain an accepted evil. Leaders must instead:

1. Know what data is available and how to access it
2. Develop a bias toward using existing or easily-obtainable data, rather than gathering all data possible or seeking a specific piece of data
3. Use this data in an agile format to quickly test hypotheses and determine whether to keep digging or stop and make a decision
4. Avoid the temptation to gather data to support their opinion; instead, gather impartial data prior to forming a position on an issue
Governance
Governance, the final piece of effective decision making, is what connects the framework and the behaviors. It evaluates whether an organization’s employees are following the framework, how well the framework is working, and what best practices should be shared across the organization; it also holds leaders accountable for their decisions.

**Measure decisions, not outcomes**

Most organizations recognize the gravity of decision making and strive to make good decisions. But how do they know how good a decision actually is? Like most of us, they tend to look at the result.

Let’s take an example: picture a blackjack table with two players, Amy and Betty. Amy has made a small fortune, while Betty has lost a lot of money. Who made better decisions?

The answer is that we don’t know; we need more information. Amy may have made terrible decisions and gotten lucky, while Betty may have made excellent decisions and gotten unlucky. Without evaluating the actual decisions each of them made, we don’t know who is the better blackjack player. Measuring outcomes alone is insufficient, but this is often exactly what many organizations do.

Instead, organizations need governance to evaluate the process used to make the decision. Are employees using the company’s decision-making framework? How effective is that framework? Decision-making governance should set the cadence and method to evaluate the decision-making process, determine what is working (and what therefore should be shared), and identify and resolve any issues within the process.
Select and train high-quality decision making

Governance provides a mechanism not only to evaluate an organization’s decision making process, but also the individuals within the process. What capabilities are needed to make efficient and effective decisions? Do individuals at the organization possess these capabilities? By identifying the gaps, governance helps an organization understand the types of capabilities it needs to recruit and develop.

With that in mind, decision-making capability must be a central focus of any selection process or people development strategy. Whether selecting new hires or evaluating internal candidates for promotion, organizations must rigorously evaluate decision-making capability. One evaluation method is to create a hypothetical project that would be managed by someone in the new role and ask the individual how she would make decisions related to that project:

- What are her goals?
- Who would she consult?
- What data would she analyze?
- How would she communicate with her team?
- How would she define success?

Similar types of exercises can be used to improve employees’ decision-making capabilities. To improve their decision making, employees cannot just learn new tools and methodologies; they must practice using them to make actual decisions. A simulated environment enables employees to try out these new tools and methodologies while avoiding real-world consequences. Specifically, decision-making training can be used to:

- Ensure unanimous adoption of a specific decision-making framework
- Build decision-making capabilities and the understanding that anyone can grow their ability
- Grow emotional intelligence by highlighting the role human interaction plays in making decisions
- Explore how to evaluate the decision-making process, not just the outcome
Hold leaders accountable

After being selected for their decision-making capability and trained to improve it even further, leaders should be able to make effective decisions. Governance is what holds them accountable—not just for the immediate outcomes of their decisions, as many organizations often do today, but for the process they used to make the decision, as well as its longer-term outcomes. Furthermore, governance should help both decision makers and organizations learn from bad decisions and refine their decision-making process accordingly.

To do this, leaders must evaluate the decision itself, as well as the process they used to make it. Urgency is key to keep the focus on the decision rather than its outcome. Leaders should evaluate decisions on specific criteria, such as:

- ** Accordance with framework:** Did the decision maker follow the organization’s decision-making framework?
- **Informedness:** Does the decision consider all relevant information?
- **Influences:** How was the decision influenced by emotion or bias?
- **Timeliness:** Was the decision made with enough time for the desired actions to be taken?
- **Completeness:** How confident is the decision maker that the appropriate decision has been made?
- **Precision of Directed Action:** How well-defined is the list of triggered actions?
Conclusion

Decision making is what differentiates firms and enables them to create value in the 21st century. To maximize this value creation, firms must evaluate their decision-making effectiveness, starting with these basic questions:

- Do we have a standardized framework to inform our decision-making process?
- Do our employees have strong decision making skills and make consistent, effective decisions?
- Do we have governance to continuously evaluate our decision-making process and hold our employees accountable for their decisions?
- By improving its decision-making framework, employees’ behaviors, and governance process, an organization can better address its challenges to value creation, accelerate strategy implementation, and position itself for future success.

Next steps for firms:

- Create alignment on a decision-making framework and its governance throughout the organization
- Build a broader understanding of the common pitfalls individuals face when making decisions, such as biases, analysis paralysis, and emotional attachment
- Directly recruit and train decision-making capability through experiences that create opportunities for participants to make decisions within their organization’s specific context

1 Rate of change is increasing: https://www.bts.com/news-insights/strategy-execution-blog/strategy-execution/fighting-to-get-ahead-why-business-acumen-matters-1
2 BTS Team: Mikhail Buczkiewicz and Matt Prostko
3 MBA student team: Christian Bustamante, Yun Chiang, Rajesh Jha, Sang Hyuck Lee, Todd Morrissey, and Laura Richards
4 Source: http://www.northeastern.edu/levelblog/2016/05/13/how-much-data-produced-every-day/
5 This chart is based on anecdotal evidence only. It serves as a visual representation of how productivity in data has not improved productivity in decision making.
Strategy made personal
We create powerful experiences that help leaders build the future of their business