Brief

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Harnessing uncertainty to make faster, better decisions

As a leader your time is squeezed – it is not easy to make room for better decisions

The problem is familiar. Rapid shifts in the environment, increased unpredictability and slowdowns mean big decisions need to be made quickly and their outcomes matter more. Yet at these moments, your time as a leader is so squeezed that it is not easy to find time to make decisions properly.

Decision-making used to get little attention in academic study and management books, being seen as mainly routine or operational. In recent years, this has started to change, with strong research based on substantial samples. We looked at work from consultants including Bain and Marakon as well as material by Kotter and Charan. Looking across this material, there is strong common ground about how important decision-making is to performance, and how value can be destroyed or created by decision-making quality. There is also much agreement about what to do about it.

Good decision-making is part process, and part behaviour. Those businesses that do it well do it most places and most times: good decisions are typical and endemic to the organisation. Building this thoroughly everywhere can take years. Improving it in the executive team can start within weeks.

Unpredictable times - the best time to change

The good news about turbulent and uncertain times is that your organisation will be much more open to doing things differently, especially if it appears to be helpful to survival or success. In the old jargon, people are more likely to be 'unfrozen'. This means it may be the best time to overhaul and improve the way you and your team make decisions. The research suggests that you will get fast results.

Why excellent decision-making by your team is essential to success

There are three reasons why effective and fast group decision-making is particularly important:

1. ***Speed and quality of decision-making is a primary characteristic of high performing organisations***

   In a range of studies, decision-making is one of the top characteristics of successful business - those that are high-performers over the longer term. It seems that only 10-15% of organisations do this well. Take one finding: only 12% of executive team meetings consistently make decisions (of any kind). This means that 88% do not. Only 5% of organisations say they have a rigorous process for ensuring that they focus on the right issues in their leadership meetings.

High performing organisations are twice as likely to have a process to ensure good decisions than their lower performing peers. It is a clear differentiator. Overall, those that make good decisions make them quickly - they have a higher metabolic rate.

2. ***The more important the decision, the more destructive a poor decision-making process is. Good leaders invest regularly in reviewing the quality of decisions.***

   The bigger the decision, the more negative the impact of a poor decision-making process will be on the business and the value it is creating. Traditional best practice would be to improve your processes during routine times. Actually, you may get better results by using an urgent crisis to improve decision-making.

   This is why a common characteristic of the good decision-making leaders is that many of them regularly review their processes - as a team - to check their quality and seek improvement. Some go a step further and train their leaders in better decision-making.

3. ***Among high performing organisations, there is a move away from annual strategic planning, towards continuous strategic decision-making on three or four key issues.***

   There are two broad approaches to strategic leadership team decisions: the first is the traditional way of annual strategic planning, with big decisions kept to one period a year. Most organisations can do this pretty well. When investigated, these 'annual planners' still make big decisions during the year, but these are often in spite of the annual plan and in response to external issues. In other words, there are two parallel and opposing systems in place.

   A growing number of organisations are building integrated processes to become continually decision-driven. These high performing organisations focus on the key operating decisions that happen through the year and require pace and delivery. They assume that at any one time there are three or four issues that need to be addressed and acted on. These executives are choosing the battle grounds rather than be dictated to by the corporate calendar. Of course they go through an annual review to set budgets and check progress, but this supports, not drives, the decisions.

The two parts to fast and effective decision-making: decisions and execution

There are common elements in the published material about how to ensure effective decision-making - practical approaches that can be learned and adopted by any leadership team. There are two parts to fast, effective decision-making: the decision, and its execution:

1. **The right decision at the right time**

   A. ***Before meetings: ensure a clear strategic direction, share specific inputs in good time, and involve the right stakeholders***

   Successful decisions depend on everyone in the organisation being clear about the direction of the organisation, and its business model. This way everyone starts with common ground and focuses on making good choices.

   Good decisions come from well-informed executives. This means up-to-date insights and evidence relevant to the current decision, ideally with decision-makers having data in advance so they can absorb it.

   Clarify the difference between stakeholders who should be identified early and involved before the meeting (but not invited into it) and decision-makers.

   B. ***In the room: include only the right people (and no more), manage the decision through distinct stages, spend the meeting focusing on a few key issues only***

   Crowding a room with stakeholders to make them feel involved, does not produce fast, effective decisions. Only those with decision-making authority should be there.

   Decision-making is a process, not an act. In most definitions it has three stages:

   - analysing and understanding data
   - considering options and choosing one
   - agreeing how to execute, and measure success.

   Many executive teams spend too much time on the first of these and not enough on the third.

   One of the best documented examples of this three-part, structured decision-making, has been the Bank of England Monetary Policy Committee, which meets every month to consider the interest rate. Over a period of a week, the committee spends carefully planned and structured time firstly hearing the wide range of latest data from across the economy, and then debating the meaning of the data and the impact on the options for the interest rate. Finally, they move to make the decision by confirming their individual choices together with the underpinning rationale. Everyone understands the process, the timing and the stages. (For details of the Bank of

England decision-making process see our *Brief* on *Making effective decisions as a senior team: The Bank of England as a best practice example.*)

Teams make much better decisions if complex problems are well structured. Even the best teams can spin their wheels if not.

According to the research, most executives say that they run out of time in meetings to make big decisions. Put major items early on an agenda, while people are fresh and focused.

C. Make sure decisions are decisions: not just discussions, not reviews of other people's decisions, and with concrete, viable, options that are robustly debated

Most executive meetings are spent 'sharing information', or 'gaining feedback'. Too little time is spent making decisions. At the heart of a decision there should be the choice of two or three options - each viable enough to be a good solution. A team will not come to an effective decision if they are just presented with an open-ended problem - even the best teams will spend all the time defining the nature of the decision.

Alternatively, if a leadership team is just being presented with a single prepared proposal, then they are simply 'reviewing and approving'. One of the things that John Birt found when he arrived at the BBC on the way to becoming director-general, was an executive team that were not involved in taking decisions about issues core to the organisation: about the strategy for broadcast programmes, or the priorities for resourcing. These issues were either being made locally, or by historical precedent, and simply approved by the executive. As soon as he took over as director-general, he redesigned the top team, and its agenda, so that it was the forum for these core decisions.

Also vital to decisions is productive disagreement. With no robust engagement, there is no decision. Take the story of Alfred P. Sloan, president of General Motors in the 1920s, who said of the next item on an agenda "Gentlemen, I take it we are all in agreement on this subject". Heads nodded. "Then, I propose we postpone the discussion to give ourselves time to develop disagreement, otherwise we will never gain understanding of what we have decided".

(For our other *Briefs* on leadership team decision-making see: *Time alone and time together: getting your leadership team to make strategic decisions well*; and *Decision-making: how to avoid your leadership team acting like teenagers*.)

2. A decision is not a decision without execution

A. Action plan: agree actions and deadlines before leaving the room, embed accountability, plan for weak links, follow through, and secure direct feedback

As studies show, a great decision poorly executed is worse than a mediocre decision brilliantly executed. Speed up decision-making and use a strong 80/20 rule to ensure time is not wasted seeking the perfect answer. Instead energy should be focused on ensuring the perfect execution.

Effective execution depends on *accountability*. The starting point is a clear single person on the executive, to take ultimate responsibility for ensuring it is enacted.

There are frequent *weak links* that occur, where execution is most likely to fail, or slow down. Identify them in advance, and compensate for them. These weak links are:

- handover between HQ and a local business unit
- handover, or integration, across functions
- handover, or integration, across different divisions

The second key is a timeline - dates for roll-out, first outcomes and so on.

Lack of follow-through is the most frequent failing. Does anyone notice if the decision is not executed, as agreed, on time? Are there any consequences for this? Unilever's Chairman Niall Fitzgerald launched a 'Path to Growth' strategy to improve performance closer to its best peers. It was a strong strategy that was well received at its launch, but four years later it was seen to have failed. Fitzgerald left early and another new structure and strategy was introduced. This was not a failure of strategy, it was a failure of follow-through. In the widespread worldwide Unilever empire, what started as six clear themes, with clear goals and metrics, became diluted, reinterpreted, even ignored. Smart middle managers wrapped their own decisions in 'Path to Growth' clothing, with little or no consequence.

Also frequently missing is direct feedback: success measures being monitored and fed directly back to the leadership team that made the decision.

B. Buy-in: create a sense of urgency, mobilise, and above all else role-model from the top - unless leaders visibly champion excellent delivery, the organisation will not

Research into how to mobilise shows that it depends on a desire to change - a sense of urgency. The rational tools for achieving this are clear - a business case for change, including the cost of not implementing the decision. Beyond that, and more important, are the emotional reasons: beating the competition, becoming "number 1", customers' delight, making a difference to the world.

One of the best ways to start rolling-out a decision is to do it before the implementation consequences are fully worked through. Involve people in improving how it will be done. The outcome will be better implementation and more permanent change.

Most important of all to success is having visible leadership role models to champion excellence in execution: for the sense of urgency, for accountability (their own, and others') and follow-through.

(For more on turning leadership decisions into action see our *Brief* on *Lost in Translation? Seven solutions for turning leadership decisions into effective execution*)

Sources

Sources used for this article include: Charan: *Conquering a Culture of Indecision;* Emmons: *Encouraging Dissent in Decision-Making* (Harvard Business Review); Kotter: *A Sense of Urgency; The Decision Driven Organisation* (Bain); *How Clear Decisions Enhance Organisation Performance* (Bain); *Better Decisions, Faster* (Marakon); *Stop Making Plans, Start Making Decisions* (Marakon).

