

Tom Philp

Improve Your Decision Making Skills



Improve Your Decision Making Skills

Tom Philp

McGRAW-HILL Book Company (UK) Limited

**London · New York · St Louis · San Francisco · Auckland
Bogotá · Guatemala · Hamburg · Johannesburg · Lisbon · Madrid
Mexico · Montreal · New Delhi · Panama · Paris · San Juan
São Paulo · Singapore · Sydney · Tokyo · Toronto**

Published by
McGRAW-HILL Book Company (UK) Limited
MAIDENHEAD · BERKSHIRE · ENGLAND

British Library Cataloguing in Publication Data

Philp, Tom
Improve your decision making skills.
1. Decision making
I. Title
658.4'03 HD30.23

ISBN 0-07-084766-5

Library of Congress Cataloging in Publication Data

Philp, Tom.
Improve your decision making skills.

Includes index.
1. Decision making. 2. Middle managers—Decision making. I. Title.
HD30.23.P49 1985 658.4'03 85-43
ISBN 0-07-084766-5

Copyright © 1985 McGraw-Hill Book Company (UK) Limited. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of McGraw-Hill Book Company (UK) Limited, or of the original copyright holder.

2345 WL 8876

Typeset by Eta Services (Typesetters) Ltd., Beccles, Suffolk.
Printed and Bound in Great Britain by
Whitstable Litho Ltd., Whitstable, Kent

Improve Your Decision Making Skills

Preface

Why is it assumed so often that a person can be put into a managerial position, where so many decisions have to be made with serious repercussions if they go wrong, without adequate training in decision making?

Apart from the innocent belief that anyone can make decisions there would appear to be two distinct reasons for this folly.

One is the conviction that the ability to make decisions is a quality the person either possesses or does not, and therefore it cannot be trained into the person. This is a confusion between decisiveness and being able to make *good* decisions.

The other can be much more difficult to comprehend. Quite frankly, some people do not seem to realize what decisions are! While I was having a conversation with a personnel manager on one occasion, he explained to me that he had to choose an organization to come into his company to carry out some decision making training. He was asking for my views on how I would carry out such training. I mentioned that the training should be totally related to their needs and that anyone who attended a course should bring

with them a decision they were currently working on. We could then use these decisions to teach the process and they would see real benefit from the results.

The personnel manager informed me that the managers in his company did not really make decisions—in fact he could use himself as an example because he did not get involved with making decisions either. (Who made the decision to bring someone in to teach decision making?)

I politely suggested to him that if he had been trained in decision making, he would have found making the choice of an organization to come in to train the managers an easier *decision* to handle. Also, he was surely involved with the selection of people, and possibly their dismissal—only two other examples of significant decisions which have to be handled properly.

Managers at all levels *are* involved with numerous important decisions: purchasing, selling, designing, manufacturing, supervising, budgeting, and many, many more. It is essential that the skills involved with making decisions improve.

Put effort into your own improvement and you will reap the benefits that are there for you, and for the people who work for you.

Acknowledgement

*My thanks to my wife Barbara, my family and friends,
for their help and tolerance*

Contents

Preface	vii
Chapter 1 The need to improve	1
The problems encountered by organizations large and small would be reduced dramatically if greater attention to detail were given <i>before</i> decisions were made. Being decisive is only good when it is combined with the skill of making good decisions.	
Chapter 2 Clarifying the objective	13
The importance of this very essential step in decision making is very often overlooked. Yet, if you don't know where you are going, any route will get you there! This chapter provides guidance on how to ensure that effort put into decision making is working towards the correct goal.	
Chapter 3 Consider the factors which will influence your choice of action	35
This chapter deals with the means of collecting the information which will have to be used when comparing options open to you for the achievement of your stated objective.	
Chapter 4 Generating options	47
An unbiased group of options is rarely found easily, but if the eventual choice is important, then the list of options to choose from must be the best possible.	

Chapter 5	Comparing the options and making the choice	55
	Objective comparison of the options available is crucial if you are going to be prepared to live with your choice of action. Benefits of each option must be looked at in conjunction with risks involved. When a compromise has to be made, it must be the best available compromise from all aspects and viewpoints.	
Chapter 6	Presenting the recommendation	71
	Very seldom does the person who handles the decision have the ultimate authority to go ahead without agreement from some others. Good decisions can stand or fall at this stage.	
Chapter 7	Planning for implementation	79
	This is action which is necessary if the good decision is to become an effective decision.	
Chapter 8	Making it happen for you	83
	This chapter is designed to help you put into practice the skills of decision making to a decision of your own choice.	
Index		97

I.

The need to improve

The increasing complexity of business and of industrial relations highlights the need for improvement in the underlying thinking behind decision making in organizations of all sizes, and at all levels within these organizations. All too often when a situation is getting out of control a cry can be heard, 'I wish we'd thought of that before we went ahead,' or possibly a louder cry of 'Surely they realized that would happen.' Examples are numerous and they can be seen daily. Is it any wonder that the people who are affected by the result of decisions made by others are demanding more and more consultation?

A rather extreme example of the need to improve was seen a few years ago in a small engineering company run by an entrepreneur. A recession had been forecast so he knew he had to have a tighter control of his costs. The decision made was to cut out all non-essential services and he stated these to be advertising and sales, training, and research and development.

In reality these investment areas are the life-blood of successful companies and as such are essential services; money

spent on advertising and sales will increase the opportunities to sell the product; investment in good training will increase the chances of improving production of the product and the management of the business; research and development will allow the company to stay ahead of the competition by the introduction of improved products and new ideas.

In the case of this small engineering company, was it the recession which caused the company to lose business and make people redundant, or was it more likely the owner's ineptness at handling decisions?

The above example may seem to be a very obvious mistake to make, but what about the less obvious oversight?

A large hotel group decided on a course of action aimed at encouraging new business by offering certain incentives to new customers. For example, a number of nights spent in any of their hotels would qualify you for a weekend stay. A regular user of this hotel group was delighted with the idea until he was informed that as a high volume customer he could not take part in the scheme. The reason given for the exclusion was that this customer was on reduced rates because of the high volume of business he brought to the hotel and it was unreasonable for anyone on reduced rates to expect to take part in the new business campaign. The customer in question was not too pleased at first, but soon realized that the solution was simple. All he had to do was to give the majority of his business to another hotel group, which would also give him reduced rates, and he would then be able to qualify for the free weekends from the original hotel group by virtue of his reduced business with them.

Someone, somewhere, was responsible for handling the decision on the new business campaign, but is it unreason-

able to expect that they should have considered what their chosen action could do to existing customers? Many people still make decisions on the basis of what the decision will do for them and ignore what it may do *to* them. But, of course, if trade does fall as a result of a decision like the one in this hotel example, it is easy to find a scapegoat in the form of the difficulty of getting good staff, or there is always the recession to fall back on if you are really stuck. By chance, as I was putting some thoughts on paper for this book, I overheard another hotel example. I was sitting in a quiet corner of the lounge in an hotel—not one from the group in the previous example—when the bar manager came in to advise the young lady behind the bar that bar snacks were going up in price ‘as from today’.

It turned out the increases were going to double the price of sandwiches and snacks. The young lady said, ‘But no one will buy them at that price.’ His reply was: ‘I can’t help that, I’ve got to get my bottom line profit figure correct.’ I resisted the temptation to question if there were not other options worth considering, rather than the extreme price increases.

Making decisions without adequate thought occurs all too frequently. In fact it appears to be positively encouraged by some people. The following quotation is taken from an article on decision making which appeared in a well-known management magazine:

When I was a young man in business, I was taught that when making decisions, I had to think them through, look at options, consider the risks and the benefits, and make a careful choice. However, now that the recession is causing so many economic difficulties, I realize that there is not

time for such refinements and decisions have to be made boldly.

This attitude towards decision making is responsible for most of the problems industry and commerce are faced with. Take, for example, the problems which a well-known manufacturer of consumer products was faced with: a serious decline in cooperation between manufacturing and sales and an increase in complaints from customers about late and sometimes no deliveries.

Some months previously the sales director decided he could take 15 per cent of the market away from the major competitor by increasing his sales promotions. Extra prizes were given to sales people who could obtain new business, and incentives were given to distributors for extra orders given.

Within three months of the introduction of the sales campaign, an increase of $12\frac{1}{2}$ per cent in orders received by the company proved the sales director to be correct in his judgement.

Unfortunately the company's manufacturing capability for these products was already stretched at 100 per cent capacity before the campaign was launched, and it would cost £5.5 million to increase capacity to cope with the increased orders. Neither space nor money was available for such an increase. This was information which the sales director could have found out previously had he taken the trouble to think about what he was doing, rather than apparently following the advice given in the previous quotation.

Fortunately for the people employed, and for the company as a whole, the managing director and the sales director did not follow through with their decision (made over lunch) to resolve the situation by completely rearranging the factory

and resiting the manufacture of the problem products some 35 miles away.

Managers like these very seldom have space problems for long. When I last heard of them they were looking for ways to recover some of the customers they had lost—they have the space to do it because of the lost business. Let's hope this time they are taking the time and using the skills that are required for good decisions to be made.

A possible reason for so many dreadful decisions is confusion between decisiveness and good decision making.

Decisiveness is defined as influential, conclusive, and characterized by the ability to make quick decisions.

Decision is defined as judgement, resolution, and purpose.

What some people seem to expect is decisiveness, without realizing that the skill in making decisions does take time. The time needed will depend on the seriousness of the decision to be made.

An interview reported in a well-known international newspaper where a journalist was interviewing Prime Minister Margaret Thatcher seems to confirm this opinion. One of the questions put to Mrs Thatcher included the following: 'But are you so resolute? When you face awkward decisions like whether to hold a general election, you dither like most of us don't you?'

I can recall a manager in a large manufacturing company who did not like people to dither. He certainly did not dither himself when he was faced with managerial decisions—he was decisive. For example, during the three-day working week in the UK in 1974, when there were restrictions on how much electricity factories could draw from the mains supply,

one of his managers approached him at the end of their third day's production with the message that by hiring some generators they could make their own electricity the next day, thereby keeping production going past the three days.

'Good,' said our decisive manager, 'let's bring our workforce in tomorrow.' The message he received the next morning was quite different: it had not been possible to hire the generators. The decisive manager's reply this time, roughly translated, was 'Oh dear, we'll have to send the workforce home.' The repercussions which followed those two quick (and too quick) decisions took a long time to die down. Would it have been dithering to consider the certainty or otherwise of his information, and what action he could take if it turned out to be invalid, **before** being so decisive?

Strangely enough, the people who advocate decisiveness and say that any decision is better than no decision very rarely apply the same logic to their domestic life where their own money and feelings are at risk.

Surely we've all seen people take more time over a choice from a menu than they would take to make many of their decisions at work. The truth of this was brought home to me in a hotel restaurant when I could not avoid overhearing the conversation at the next table. A group of managers were discussing decision making and one of them said, 'I like people who are decisive—right or wrong, at least they make a decision.' Yes, he was the one that the waitress had to visit three times to find out what he wanted—he could not make up his mind. Sadly, I doubt if he recognized the connection.

We do make some very significant decisions in our domestic life: what job to do, where to work, who to work for, whether to get married or stay single, who to marry, which

car to buy, or which house to buy or rent. These decisions take time and we will make the time available to us. Could you possibly imagine a conversation at home that went like this . . . 'Yes, I know that the house I've bought is too small, and it does not have enough bedrooms but I was being pushed by the estate agent for an answer and I like to be decisive.' It may appear frivolous to compare domestic examples with work decisions, because time pressure is normally not so great in the domestic situation. However, it does prove that more care is taken when we truly have to live with the outcome of our decisions. This book will show you how to apply the same care to your business decisions which will allow you to be justly proud to live with them.

The intention is not to ignore the pressures of work, or the difficulties time pressure brings, but the lack of time to make a decision is not a good reason for making a lot of wrong decisions. A decision to delay making a choice of action could be the most appropriate thing to do on occasions—but it still has to be thought through.

There may never seem to be time to do things properly, but is there time to do them again? Having to do things again, or spending time trying to repair the damage caused, can result in industrial unrest, lost profits, poor cash flow, high rejects, customer dissatisfaction, or lost sales—to name but a few.

Decision making is like dropping a pebble into a pond: it will make ripples. Consideration has to be given to the likely size of the ripples *before* you drop the pebble. Trying to remove the pebble with your hand will not stop the ripples—it's more likely to make them bigger.

To develop the care that is needed in decision making

requires us simply to apply a very straightforward logical set of principles, or as I prefer to see them, steps on a stairway. It becomes more difficult to climb the stairs to get where you want to, if you choose to miss out some of the steps.

Step 1 Clarify your objective

This first step in decision making should be the most obvious of all, and yet its importance is very often overlooked. Surely it is essential that before we do anything we should be clear in our minds what it is that we need to achieve, or what the situation should look like when our decision is implemented.

The companies in the first two examples described in this chapter would not have suffered the results experienced if someone had clarified the precise objective the company wanted to achieve. I'm sure neither of the companies wanted to lose business.

Step 2 Consider the factors which will influence your choice of action

This step provides for the collection of information which will be used when comparing the options open to you for the achievement of your stated objective. It will be very difficult to make a genuine comparison regarding the risks and benefits associated with each of the options if there is not a clear understanding of the results required, the resources available, constraints which exist, and any possible implication which could follow.