

Decision Making

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Decision making plays a significant role in an organization's success. The ability to synthesize information and make decisions is arguably a good manager's most important skill. Conversely, procrastination and indecisive management are hazardous for an organization.

Why is it difficult to make decisions? Uncertainty has quite a lot to do with it. Often, managers don't have the data they need to make informed decisions. Frequently, they will have partial or incomplete data; this may give them some idea of what to do, but with considerable room for error. Even the risks and rewards of different decisions are often uncertain or completely unknown. It is not easy to manage the decision making process while fighting institutional inertia (which can easily lead to paralysis). A good strategy is to break the decision down into steps.

Step 1: Analyze the risk involved.

How important is the decision, and what are the potential consequences?

Step 2: Perform a cost-benefit analysis.

A leader should avoid exposing the organization to unnecessary risk if the consequences are unacceptably large. Since risks are rarely known with certainty, a manager may perform several cost-benefit analyses, adjusting the probability of different outcomes. With this, the manager can calculate the expected profits under different risk scenarios.

Step 3: Create the momentum for the decision.

Finally, it is often a good idea to build consensus for the decision, rather than imposing it unilaterally. This involves cooperation with all stakeholders in the decision. The simple act of consulting someone makes him or her feel valued and will frequently work wonders in getting the person on board with you.

The principal disadvantage of this type of consensus building is that it can be time-consuming, especially if the manager's decision is unpopular. If it is critical to take

action quickly, a manager may not have time to mount this sort of lobbying campaign.

Thus, when confronting a choice, a manager has a range of options. He or she may decide:

- to make the decision unilaterally
- to consult only the stakeholders
- to build a consensus by getting input from a variety of sources
- to delegate the decision to someone else, either by taking a vote or by assigning the decision to another individual

A good manager may use a variety of these options, depending on the organizational culture, the decision at hand, and his or her personal leadership style. Each type of decision making brings its own benefits and shortcomings, but a strong and efficient leader is one who understands the true need of the organization and conducts the decision making process accordingly.