

Better Decision Making in a Volatile & Uncertain World

It quite apparent that the operating world has more uncertainty, risk and unknowns than have been experienced for a long time...and perhaps ever. Thus, making good decisions in this environment has become that much more difficult. So a review of some good decision-making approaches and background seems to make good sense.

Risk in Context

01	Certainty	It is just going to happen (100% probability, e.g. that if I drop this pen it will fall by the force of gravity)
02	Risk	We can precisely calculate the probabilities (e.g. casino games, slot machines, lottery)
03	Uncertainty	We cannot calculate the risks – we just don't have ways to get all the information (i.e. a very much real life scenario)

Countless business initiatives fail because business operators underestimate uncertainty and the chances of failure in their decision making —and instead move directly to action.

Decision Making Approaches

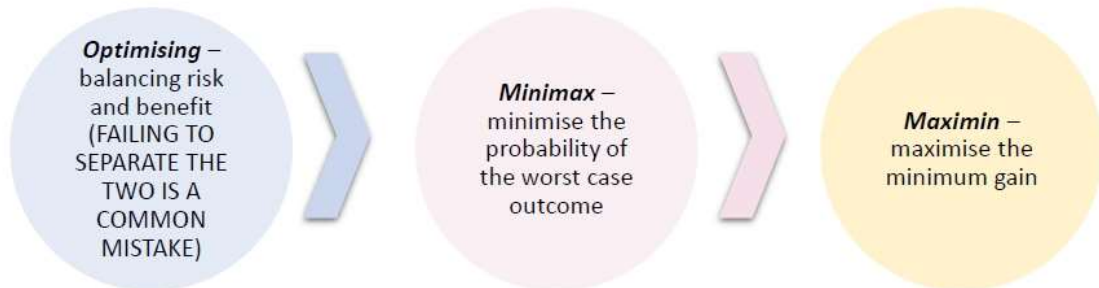
- 1 Define the problem
- 2 Disaggregate the problem – because a single problem or decision can have many elements
- 3 Prioritise the elements to address
- 4 Develop a **workplan** to tackle the elements of the problem (finding the data you will need)
- 5 Analyse the information you have uncovered
- 6 Decide and **synthesize** your decision
- 7 Communicate with clarity

Source: *“Bulletproof Problem Solving: The One Skill that Changes Everything” McLean & Conn 2019 UK, Wiley*

However perhaps an even more simplified approach to making an important decision for SME business owner/operators, has the following key steps:

- **Options:** What are the top 3-5 (at most) alternatives/options to deciding this matter/issue for the business?
- **Costs/Benefits:** What are the comparative costs and benefits of each of these possible alternatives?
- **Alignment:** How well does each of the alternative options align to the company's core business objective, values, financial position, overall strategy and the owner's personal goals (as most pertinent to the matter at hand to be decided)?
- **Evidence:** What compelling supporting evidence is there to justify the selection of a preferred alternative? And
- **Risk Management:** What (in the worst-case scenario) could possibly go wrong if a particular alternative is chosen and what could be done to minimise or diminish those potential risks?

You will still have to decide whether you are



Source: *“Six Thinking Hats” 2008 & “Thinking Course” 2006* Edward De Bono, UK Penguin Press

Sometimes to confront a decision impasse, it can be approached as shown in the diagram below:



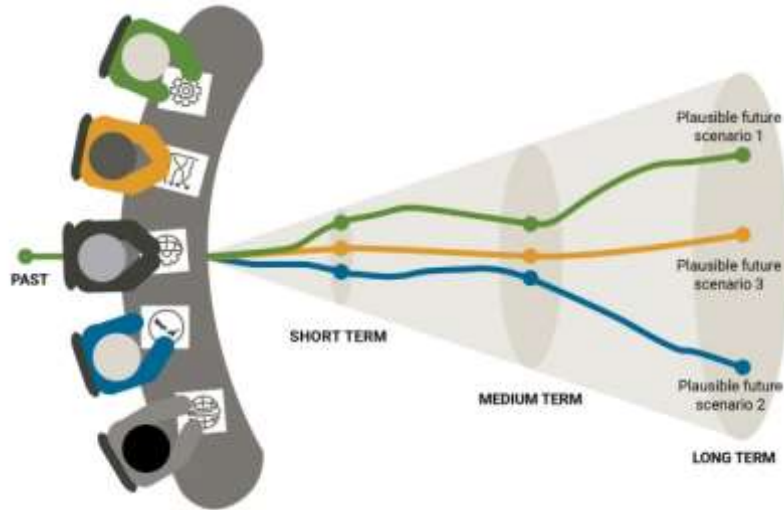
Source: *“Vector Decision Making”* Perry 2018

Scenario Thinking & Decision Effectiveness

When scenario planning has worked well, it has proved enormously useful to a wide range of organisations as a tool for making decisions under uncertainty. First popularised by Shell in the early 1970s, the approach should be a natural complement to other ways of developing strategy— especially when executives are as concerned about geopolitical dynamics as many are today.

We should anticipate sustained turbulence, and meet the challenge:

- **Prediction:** Scenario Planning to anticipate possible futures
- **Resilience:** Capacity to absorb shocks as they arise
- **Adaptability:** Flexibility to course correct as the external environment evolves



Scenarios can help you strategically anticipate and adapt for future likely conditions because they are:

- **Purpose-built for uncertainty:** Scenarios give visibility to uncertainty, and you can use them to outline plausible future events and support your decision making;
- **Holistic:** Scenarios acknowledge that trends don't act in isolation;
- **Strategic:** Scenarios provide a more complete picture of future outcomes;
- **Creative:** Scenarios enable business to foresee different future contexts and formulate new strategic reasoning.

Rules Of Thumb for Decision Making

Examples of simple, yet classic, rules of thumb



McKinsey Research Results

Making good business decisions is a critical part of every executive's job and is vital to every company's well-being. **Yet in a new McKinsey Global Survey on the topic, only 20 percent of respondents say their organisations excel at decision making.** Further, a majority say much of the time they devote to decision making is used ineffectively.

One of the survey's most noteworthy insights is how much time decision making really consumes. On average, just over half of respondent's report spending more than 30 percent of their working time on decision making and more than one-quarter spend a majority of their time making decisions.

Some of the key outcomes from the McKinsey & Co survey on decision making practices are shown in the diagrams below.

If you would like a copy of the full McKinsey article *"Decision Making in the Age of Urgency"* please click on the link [HERE](#).

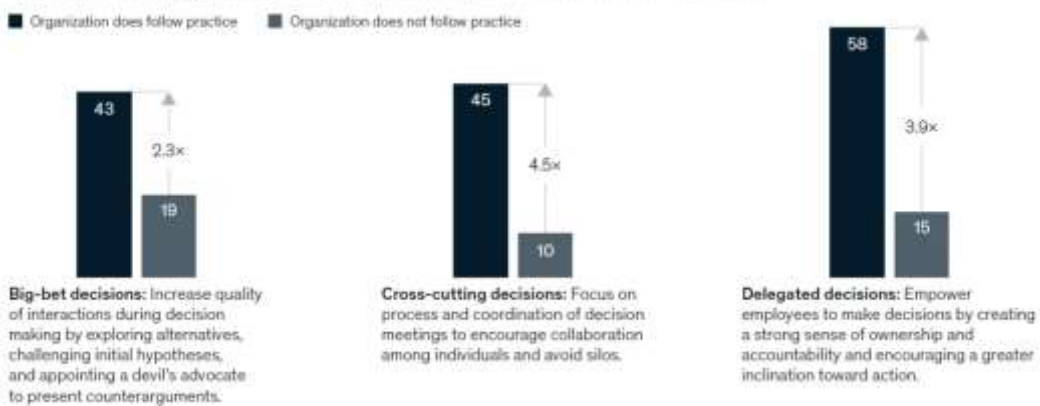
The results reveal three foundational practices that support good decision making across every decision type.

% likelihood of being a winner,¹ by organizations' adoption of foundational practices



Winning organizations tend to demonstrate best practices that are specific to each decision type.

% likelihood of being a winner,¹ by organizations' adoption of decision-specific practices



¹ Respondents who said (a) that their organizations make high-quality decisions, (b) that their organizations make and execute decisions quickly, and (c) that their organizations see higher growth rates and/or overall returns from their decisions.

The likelihood of being a winner is higher when an organization follows both the foundational practices and those that are decision specific.

% likelihood of being a winner,¹ by organizations' adoption of practices for delegated decisions²



Conclusions

A decision is a commitment to a course of action to achieve a specific goal. Thinking about something is not the same as deciding. To decide you must commit to it and act on it.

To move forward, ask yourself the following questions:

- What are my goals here? What do I want to achieve?
- If there are several goals, what is the most important one?
- What action or set of actions do I need to do to achieve that goal?

What do I need to commit to in order to take action?

What is the consequence of being at a critical crossroads? The most frequent negative impact is the natural temptation to stay where we are and pick neither path. The trouble with this is that we become inert, staring at the pathways ahead, but not moving forward along any of them. This can never be a good position to adopt for your business – take action using some of the approaches discussed in this article and be effectively decisive.



The essence of a good decision making culture is as follows

- Willingness to take "controlled" risk (generally speaking, to know roughly how much you can lose). This is a key element of profiting from (financial) options - unlimited upside strategies that have a known maximum loss.
- A determination to learn from those errors so that the organisation becomes stronger.
- A culture that encourages "trial and error" in an intelligent way.
- There is a very open willingness to discuss the errors made by team members, not to punish them, but so that the organisation can learn.
- They are generally more fun!

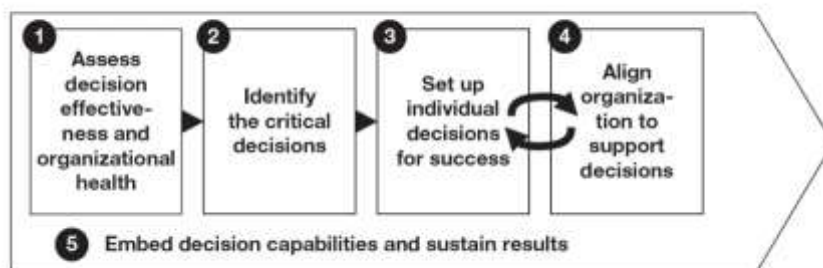
Source: "Risk Savvy: How to Make Good Decisions" Gigerenzer 2014 New York - Viking

Additional Resources

To obtain a copy of the excerpt from the HBR/Bain & Company book "Decide and Deliver", which explains a plan for improving business decision effectiveness, by adopting and embracing the steps shown in the diagram below, please click on the link [HERE](#).

To access a guide to improving your business decision making - "Decide - The One Common Denominator of All Great Leaders" please click on the link [HERE](#).

Five steps to improving decision effectiveness



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