Making Sound Decisions Under Pressure
Introduction

When two planes slammed into the World Trade Center on 9/11, Ken Chenault didn’t hesitate about the choices he faced as CEO of American Express. The company’s headquarters were located directly across the street from the Twin Towers, and 3,000 American Express employees were in the building.

Chenault was in Salt Lake City on a business trip at the time, but he immediately began making decisions long distance, including ordering security to evacuate the building within minutes after the first plane struck.

Over the next few weeks, Chenault and his management team made thousands of on-the-spot decisions. Within days, they relocated their headquarters to a vacant building in New Jersey. Chenault held “town hall” meetings for his employees to reassure them in the tragedy’s aftermath. When he learned that thousands of American Express cardholders were stranded, he decided to do whatever was necessary to help, including chartering planes and buses to ferry them across the country. The company also waived delinquent fees for late-paying cardholders and raised credit limits for cash-starved customers.

Throughout the crisis, Chenault acted calmly and deliberately, ensuring his employees and customers were safe. “The manner in which he took command, the comfort and the direction he gave, was of a caliber one rarely sees,” said Charlene Barshefsky, an American Express board member.
EVERYONE’S UNDER PRESSURE

Let’s hope that you’ll never be forced to make decisions under the extreme circumstances that Chenault and his team faced. But making well-informed choices under pressure is something nearly everyone in business must achieve in today’s environment.

Consider:

• Customer demands and markets are constantly evolving while new technologies appear with remarkable speed.

• Rapidly changing labor and supply costs continually squeeze profit margins.

• Economic conditions endlessly push businesses in different directions.

Organizations that aren’t ready to make decisions in this fast-paced environment soon find themselves left behind the competition.

More than ever before, business people at all levels are required to make choices faster and in situations of greater uncertainty. For example, in a recent study conducted by the management firm Kepner-Tregoe, both workers and managers reported being asked to make more decisions in a typical workday than they did just a few years ago. About 85 percent of the managers polled said the average amount of time they’re allotted to make each decision has either decreased or stayed the same. And, nearly all of them confessed to missing opportunities because they simply couldn’t make decisions fast enough.

With the pressure turned on high, business decision makers need a better understanding of the process underlying every decision. “There’s never enough time to make decisions as quickly as you would like, but with the right skills and the ability to identify the underlying issues in each decision, you can make better ones,” says Chris Musslewhite, CEO of Discovery Learning, a consulting and research firm specializing in decision-making training in Greensboro, N.C.

MAJOR VS. ROUTINE DECISIONS

It’s important for business decision makers to distinguish between major and routine decisions and know the appropriate approach to take in each instance.

Major decisions often are specific, one-time events involving high commitment and an investment of money or other resources. Examples include: choices such as entering new markets, introducing new products, choosing new technology systems for an organization, opening or closing plants or facilities and reducing staff size.
In many cases, they involve problems that the organization has never before faced. Because major decisions are complex, it can be difficult even to identify the choice that you need to make. Often, there’s more than one choice and no clear winner.

Frequently, major decisions have a significant impact on how an organization operates, and it may be difficult to change or reverse them once you’ve pulled the trigger. Under ideal conditions, you should undertake such decisions only after thorough, deliberate research and consideration of all the alternatives. But the timing can be critical: Not acting quickly enough can lead to lost opportunities.

By contrast, routine decisions usually have a minor effect on the company or your job. Examples include: when to reimburse managers for travel expenses, daily scheduling, and how much to spend on office supplies. They’re frequently repetitive and well defined, and you may already have procedures in place for resolving such problems. As a result, you shouldn’t allow routine decisions to consume much of your time.

**Making the distinction**

The difficulty in distinguishing between major and routine decisions: Not all of them fall neatly into one category or the other. For example, deciding whether to hire an additional permanent assistant or use temporary help is more than routine but less than major. Or, deciding which voice mail message or e-mail to answer first could be routine — or something more, depending on who sent you the message and the action required.

The distinction can also vary from company to company. Choosing software for a new information system may be almost routine for a financially secure company whose management believes in keeping pace with technology. But for a company with a weaker financial position or one whose management needs solid proof of return on investment, the decision could be major and require extensive analysis first.

“It’s important to create criteria for organizational decision-making,” says Mike Menard, president of GenSight, a Doylestown, Pa., consulting firm that specializes in helping clients achieve “decision excellence.”

Menard says the decisions made in every organization fall into several categories: “What products should we launch or support? What investments should we make? What capital assets are we going to use? Which business processes do we fix? What acquisitions of resources are we going to make?”

By developing an organizational framework that broadly answers these questions on a strategic level, some decisions will become routine, and it will be easier for you to distinguish major decisions that require deeper analysis, planning and evaluation.
WHAT IT TAKES TO BE A GOOD DECISION MAKER

Good decision makers share some common personality traits. Obviously, not all of us are born with these qualities, but we can learn and develop them:

- **Analytical ability.** Good decision makers are able to divide a problem into parts, identify and integrate relevant facts and envision the consequences of their choices.

- **Conceptual ability and logic.** Effective decision makers can make sense of a large array of gathered facts. They pull them together into one concept and see through it all to find the root of the situation.

- **Intuitive judgment.** Up to a point, good decision makers look at the situation analytically and logically, but intuition or “gut feeling” can also come into play. Contrary to popular belief, intuitive ability isn’t some magical skill; it’s the ability to synthesize past experiences and knowledge to see similar patterns and solutions in current situations.

  Intuition is especially important when you need to make an immediate decision, or when you can’t get all the facts or they’re unclear. Also, bear in mind that good decision makers don’t rely on intuition exclusively, even in the most uncertain situations.

- **Creativity.** Good decision makers encourage new ideas or a fresh approach, recognizing that additional material is often necessary to make the choice. Even if they’re not creative or able to generate original ideas, they recognize and solicit input from those who can.

- **Tolerance.** Good decision makers tolerate ambiguity and frustration and are able to cope with uncertainties. They have the ability to deal continually with difficulties and frustrations without becoming discouraged.

- **Open-mindedness.** Good decision makers make the effort to listen to others and are receptive to their comments and suggestions. They’re open to considering new information and data from a variety of sources.

- **Positive self-image.** Confidence is vital to good decision-making. Except in making the most routine decisions, there’s seldom a perfect solution. Without self-confidence, decision makers often fall into the trap of indecisiveness. “To make good decisions, you need confidence in your judgment,” former New York mayor Ed Koch once said. “We all make bad decisions, but the important thing is not to worry too much about them. Otherwise, you’ll never do a thing.”
DECISION-MAKING: A 6-STEP PROCESS

Great leaders don’t necessarily have more or better information to make the best decisions. Their secret lies in understanding that decision-making is a process that follows a building-block approach.

Over the years, the business community has become increasingly aware of the need for a precise step-by-step process to apply when faced with significant decisions. As management guru Peter Drucker points out, decision-making “can no longer be improvised.”

To increase the effectiveness of your decision-making, follow these steps:

1. Define the problem
2. Gather relevant information
3. Develop alternatives and options
4. Evaluate alternatives
5. Make a decision
6. Implement the decision

Caution: When faced with conditions of uncertainty, time constraints or complex problems, you may be tempted to skip one or more of the above steps. Yet in doing so you risk making choices that aren’t really solutions or you miss important opportunities. A better choice in such situations: Compress the amount of time you allocate to each step so as not to lose sight of the overall process.

EXAMPLE: DECIDING WHETHER TO EXPAND INTO A NEW MARKET

Here’s a simple example of an efficient decision-making process in progress.

Defining the problem

Tilden Industries sells a line of children’s clothing through independent retail stores. Most of these stores are located in the Southeast, where Tilden’s main manufacturing plant is located. Sales volume was flat for the past year, and orders for this year have lagged over previous years. What does Tilden need to do to increase sales?
Gathering information

Information gathered from the company’s accounting system shows that the dollar sales volume for each retail outlet selling Tilden’s clothing has increased in the past year. But the number of retail outlets selling its products has dropped dramatically. Research shows that many small retail stores in the Southeast have been forced out of business as giant retail chains such as Wal-Mart and Target have expanded. In interviews with the company, current retailers report that consumers like Tilden’s products but consider them somewhat pricey compared to competitors’ products and those available from chain retailers.

Looking at alternatives

Tilden’s management team develops a list of alternatives:

1. Increase next year’s advertising and promotion budget to encourage consumers to buy its clothing.
2. Cut the cost of the current product line to compete with competitor pricing.
3. Expand the number of independent retail stores selling Tilden’s products by entering markets outside the Southeast.
4. Approach chain retailers about carrying Tilden’s product line.

Screening and evaluating alternatives

Experience shows that increasing advertising spending may increase consumer awareness but doesn’t always have a corresponding effect on sales, so Tilden eliminates Alternative 1.

Tilden also eliminates Alternative 2 because its fixed manufacturing costs will make it difficult to cut prices on the current product line. The problems faced by small independent retailers in the Southeast are similar to those of independent retailers across the country.

The additional marketing and transportation costs required to expand into new markets this way would be prohibitive given the firm’s current resources. Both these factors make Alternative 3 less attractive than Alternative 4. Although chain retailers will most likely require Tilden to develop a less expensive product line, their centralized distribution centers will keep down transportation costs. Additionally, the chains offer the potential of larger sales volume while servicing fewer customers.
Coming to a decision

The management team picks Alternative 4 and plans to begin approaching chain retailers about carrying its product line.

OVERCOMING THE OBSTACLES

Realize that even the most effective decision makers sometimes face obstacles that can hinder their ability to make the best choices. That’s probably why the failure rate of business decisions is high.

Indeed, nearly half of all major business decisions are abandoned as failures within two years, according to a study conducted by Paul Nutt, professor of management at Ohio State University’s Fisher College of Business. And nearly a third of major decisions are never implemented, the study showed. “Vast sums of money are spent to make decisions that realize no ultimate value for the organization,” Nutt says, “and managers make the same mistakes over and over again.”

Why do so many people have trouble making good decisions? Four basic barriers block their path: bias, pressure, analytical barriers and organizational factors.

Bias

Every person brings his own experiences and prejudices to the decision-making table. Often, these will bias his choices. In some cases, the decision maker has already made up his mind, and he simply builds a case for it. Prejudice and bias are problems that all decision makers must be aware of and work to overcome to improve the quality of choices they make.

Pressure

Many business people feel as if they’re trapped in an endless round of crises. Oftentimes, it may seem as if what needs to be done or decided should have already been accomplished yesterday at the latest. Add in the increasing complexity of today’s business environment and the pressure is on to solve difficult problems as quickly as possible.

Fearful that a delay will only make the situation worse, people rush to make a quick decision, which often turns out to be an unwise one.

The solution lies not in throwing away thorough analysis when faced with an imme-
diate decision, but in finding tools and techniques that can help you process information and alternatives efficiently and quickly.

While making rapid decisions may be a fact of life in today’s business world, decision makers shouldn’t ignore the potential long-term consequences of each decision. “It’s easy to lose track of the interconnectedness of all of our decisions when we’re making fast choices, but that’s exactly where the danger can lie,” Menard says. “We make decisions unaware of the whole, without thinking about how this decision will influence other decisions and actions after we make it.”

**Analytical barriers**

Believe it or not, some decisions suffer from too much logic. “You can have paralysis analysis,” Musslewhite says. “You gather more information than necessary or you don’t get the right type of information. Then you spend most of your time analyzing the data rather than actually making a decision.” Most good decisions benefit from creativity as well as strict rationality.

Faulty information can also mar decision-making. One particularly risky strategy is to rely on what’s happened in the past when making decisions about future events. “We tend to remember only certain parts of past experiences and ignore others,” Menard says. “If you make judgments based only on what’s happened in the past, you’re not really looking at what’s happening now.”

**Organizational factors**

Organizational factors can also influence how well business people make decisions. Every company, large or small, has its own internal culture and structure that either support or hinder the decision-making process.

For example, in some companies, individuals and teams are constantly under pressure to make decisions too quickly. In others, the decision process becomes bogged down in endless meetings and debate.

Some leaders empower subordinates to make decisions and are willing to accept that mistakes are an inevitable part of the empowerment process. Other leaders are more controlling, insisting that all decisions be run past them for final approval. They clearly send the message: Mistakes won’t be tolerated.

Moreover, an organization’s structure can affect the ease with which people make and implement decisions. Large corporations tend to have bureaucratic structures that
can inhibit the process. Smaller companies, especially entrepreneurial firms, may be able to make decisions faster but may have few guidelines in place to aid decision makers in sorting through options.

Finally, even the industry in which a company operates can influence how decisions are made. For instance, the pharmaceutical industry must go through a complex legal and testing process before getting the go-ahead to introduce a new product. By contrast, software and technology firms may feel added pressure to make decisions quickly to keep up with competitors.

**DEcision-Making Styles**

Research studies have shown that individuals tend to tackle decision-making situations using different styles. An ongoing study of more than 41,000 business decision makers conducted by Discovery Learning has identified five main decision-making styles that business people use.

The styles range from autocratic to consensual:

- **Directing-style** decision makers are the most autocratic, relying exclusively on their own judgment and evaluations when faced with a decision. Such types believe they don’t need to gather additional information about a problem before making a choice and assume they fully understand the issues involved. Directing-style people tend to make decisions rapidly.

- **Fact-finding-style** decision makers are more aware of the specific information needed to make a decision and tend to identify quickly where to gather the facts. Like directing-style types, they don’t ask for advice or suggestions from others before making a decision.

- **Investigating-style** decision makers identify the people whose input is most relevant to the decision and then ask for it. They may extensively search for data and information, but they reserve the right to make the final decision on their own.

- **Collaborating-style** decision makers not only solicit ideas and information from those affected by the decision but also tend to thoroughly discuss the options available. While they may eventually make the decision on their own, they consider other people’s input in the final decision.

- **Teaming-style** decision makers invite others to be actively involved in making the decision. They’re more comfortable making a decision by consensus than on their own.
Musslewhite, of Discovery Learning, believes it’s useful for business people to understand the five decision-making styles. They can make better decisions by adapting their style to fit different situations.

For example, when a decision requires other people’s commitment, it’s best to use a teaming or collaborating style. Choices that you must make under tight time limits, or those that don’t directly affect others, may work best using a directing style. The most successful leaders, Musslewhite says, are those who are able to move up and down the decision-style spectrum, from directing to teaming, depending on the problem situation.

Unfortunately, matching the decision-making style to the situation can sometimes be difficult. “Everyone tends to have a preferred decision-making style,” Musslewhite says. “When we are feeling uncomfortable with a decision, we tend to revert to that preferred style, even when it might not be right for the situation.”

Even so, Musslewhite and other experts say the first thing you need to do is determine who should be involved in solving the problem. Decide whether it should be an individual decision or whether a team approach would be more appropriate.

A FINAL NOTE

Systematic decision-making can be hard work, particularly if you’re dealing with complicated situations. It’s often tempting to take shortcuts and look for an easy way out. In the long run, though, good decision-making tactics and habits will pay dividends in both your personal and business life.

If you’re willing to make the effort to follow the six-step decision-making process presented in this special report, ultimately you’ll have a clearer view of the problems and opportunities you face and what you can or should do about them. Furthermore, you will develop greater self-confidence and find that those who depend on your decisions will have more confidence in you as well.

The decision-making process requires that you stretch your intellectual abilities, both analytically and creatively. By forming good decision-making habits, you can make that stretch easier and much more rewarding.