



# Why risk making a bad decision when making great decisions is just so simple?

Your business success depends on the decisions you make.

But it can be tough to make a decision.

Even tougher to make the right decision.

Tougher still to get your decision carried out successfully.

But when you get better at decision-making, you set your business on the road to greater success.

As a business leader your job is to avoid the pitfalls of bad decision-making.

## In a nutshell

When making important decisions avoid your decision-making auto-pilot and be sure to seriously sense-check your decisions.

## Beware, bad decisions are just so easy to make...

...and if the big corporate businesses often get the big decisions wrong, aren't we also more likely to be guilty of bad decision-making?

A 2010 McKinsey Consulting study showed a profound lack of good decision-making on the big acquisition deals in the corporate world.



## 600% better than analysis...

The McKinsey study investigated 1048 business decisions over 5 years, and most of these decisions involved rigorous analysis before the decision.

McKinsey proved that a **good decision-making process** matters 600% more than good analysis.

*"Superb analysis is useless unless the decision-making process gives it a fair hearing"* – Lovallo and Sibony

## Here's a proven solution for you...

Use a simple 4-step sense-check to escape your instinctive and yet naturally flawed decision-making.

Another KPMG study of corporate mergers showed that 83% of these large business decisions failed to boost shareholder value, when compared with other results in the same industry.

## You have a great excuse for making bad decisions...

Have you ever been on, or even heard of, a training programme on great decision-making?

Unlikely.

And yet decision-making is a vital business skill – just like recruiting, selling or planning are business skills.

And as a business leader your decision-making skill ultimately determines how successful you are.

Success requires a better decision-making process...

Chances are you make decisions naturally without thinking about your decision-making process.

Chances are you've done alright so far, so it's a safe bet your next decision will also be alright!

## Want better than 'ALRIGHT' results for your business?

If you want your business results to improve beyond 'alright' it's a good idea to **improve the quality of your decision-making process.**

So how do you protect yourself against bad decision-making?

So what stops you making great decisions?

Here are the 4 hazards you must avoid if you want to make great decisions:

1. Stop looking **so narrow**
2. Stop being **so biased**
3. Stop being **so emotional**
4. Stop being **so confident**

In a brilliant summary of the research and literature on decision-making, Chip and Dan Heath call these 4 hazards 'the four villains' of flawed decision-making.

These 4 natural, instinctive and automatic flaws get in your way. The Heath brothers provide a solution:

***"We can't deactivate our biases, ...we can counteract them with the right (decision-making) discipline."***

### 1. Stop looking so narrow – widen your options

A narrow decision-making question is: *"Should I hire Julie or not?"*

- You widen your options when you are able to choose between Julie, Adam and Elliot
- You widen your options further when you seriously consider outsourcing the work instead
- You also widen your options when you consider investing in technology to avoid hiring anybody
- You widen your options further when you apply the magic of 'AND' rather than the tyranny of 'OR' – hire someone part-time AND implement the better use of technology

### Widen your spotlight...

One of the reasons corporate mergers fail is because the decision is 'do we merge or not?' It's a **'whether or not'** decision. The decision is too narrow. The odds that your decisions will be better improves as you widen the beam of your decision-making spotlight, widen the area you light up.

### BEFORE YOU DECIDE ASK:

- **What would you do if the obvious option was unavailable?** Force yourself to look for options.
- **How else could you spend the time or money?** Multi-track more than one decision option (1 or 2 more not dozens)



- at the same time.
- **Who else has solved your problem?** Copy their decision-making process.
- **Who else could be involved in the decision?** Involving more people widens options – yes this makes decision-making more complex but it also means the people involved are more likely to implement successfully with you.

### 2. Stop being so biased – reality-test your analysis

The Heath brothers put it so well: ***"At work and in life, we often pretend that we want truth when we're really seeking reassurance: "Do these jeans make me look fat?"***

Bias (without realising) leads you to giving unjustified weight to information supporting your view.

It's why Sun readers choose the Sun to confirm their Conservative views. Other readers choose the Mirror to support their Labour bias.

***"Confirmation bias is probably the single biggest problem in business, because even the most sophisticated people get it wrong. People go out and they're collecting the data, and they don't realize they're cooking the books."***

Without realising, bias habitually influences most decisions.

### BEFORE YOU DECIDE ASK:

- **How can you dip your toe in?** Time to experiment. Test or prototype your decision - Get job candidates to do some real work for a few hours - Do volunteer work in a dental practice before committing to a dentistry degree.
- **How do you get the varied views of others?** Read the 3\* and 4\* reviews on Amazon not the (bias confirming) 5\* reviews. Ask experts the right questions,

not the bias confirming questions (see the downloadable tools for the questions to ask, not ask). Or ask yourself what you'd advise your best friend to do.

### 3. Stop being so emotional – step away to get perspective

At the moment you're making a decision, your emotions always influence your decision-making. These emotions can derail decisions.

For example, who would want to live with the decision of refusing the Beatles a recording contract? Decca's Dick Rowe was that man! He 'felt' that the time wasn't right for bands!

At least Rowe learned from his mistake and went on to sign the Rolling Stones!

Buying a car can be an emotional affair which is why it pays to avoid making a quick decision.

### BEFORE YOU DECIDE ASK:

- **How would you feel about your decision in 10 minutes, in 10 days, in 10 years?** This 3-stage 10/10/10 question makes you think about the long term not just the short term.
- **What kind of person do you want to be or what kind of business do you want to build?** Sometimes it's impossible to reduce the emotions involved in a decision. This question helps you work out what matters most to you when considering your options.

### 4. Stop being so confident – prepare to be wrong

The Heath boys show that even the best of us are overconfident:

***"A study showed that when doctors reckoned themselves "completely certain" about a diagnosis, they were wrong 40% of the time."***

We all think we're better than we are at predicting future outcomes.

## BEFORE YOU DECIDE ASK:

- **What's the best case, worst case and most likely outcome?** By considering all three outcomes you tap into three different pools of knowledge and insight. Dig deeper into all three and you get a broader view of your decision and so lessen the impact of your over-confidence.
- **How can you use a buffer?** Make sure you create room for error. Like elevator cables that are made 11 times stronger than they need to be.
- **What problems can you anticipate?** Ask your nay-sayers what to expect. Then prepare and rehearse for the obstacles and a big upside too.
- **How can you use a trip-wire to wake you up from auto-pilot?** Set up trip-wires to prompt decisions and actions that will protect you from things going wrong. Check out the David Lee Roth (rock superstar of Van Halen) story about using M&M sweets as a trip-wire in the downloadable tools.
- **Is your decision-making process strong enough?**  
*"Success emerges from the quality of the decisions we make and the quantity of luck we receive. We can't control luck. But we can control the way we make choices."*

## TIME TO DISAGREE

**"Involving too many people in a decision simply slows the decision down, this can risk losing a customer"**

Speed of decisions is often important in business and yet...

### Use the Business Bitesize Support Tools And Resources

to help you make the most of this edition of Business Bitesize – go here: [www.businessbitesize.com/parfrey\\_murphy](http://www.businessbitesize.com/parfrey_murphy) to download these

*"In a study of top leadership teams in Silicon Valley, an environment that tends to place a premium on speed, ...executives who weigh more options actually make faster decisions."*

– Kathleen Eisenhardt - Academy of Management Journal

This might seem counter intuitive but clearly worth taking seriously.

There's an added bonus. Involving people in decision-making increases their willingness to support the decision and implement it well.

### **"Getting people to make a decision is hard in our business"**

Simply putting the 4-part decision-making checklist to work can give reassurance and confidence.

So can a focus on testing and prototyping – this reduces the risk and fear of a big mistake by limiting the impact of the decision.

Working on a decision together can also help, by spreading the responsibility.

### **"Please tell me more"**

If you want an invaluable guide to making smarter decisions you'd do well to get a copy of Chip and Dan Heath's book 'Decisive – How to make better decisions'.

As a business leader you're constantly making important decisions – you'll be better armed to make better decisions and get better results by reading 'Decisive'.

You'll also find more insights, exercises and resources by checking out the downloadable tools here...



**Get Your Bitesize Support Tools Now**

### Your feedback is important to us.

We'd love to know what you think of this edition of Business Bitesize and how you use it or plan to use it. Also we'd welcome your suggestions for future editions of Business Bitesize. To give us your thoughts please use the simple feedback form here: [www.businessbitesize.com/parfrey\\_murphy](http://www.businessbitesize.com/parfrey_murphy)



## 4 helping hands for you...

Leaving success to 'Lady Luck' is clearly a bad idea if you're serious about succeeding in your business.

So why would you leave your decision-making success to chance?

Human nature, without you realising it, allows '4 villains' to derail your decision-making.

So it pays to 'catch yourself on' and sense-check your decision-making with a proven decision-making checklist:

- 1. Stop looking so narrow – widen your options**
- 2. Stop being so biased – reality test your analysis**
- 3. Stop being so emotional – step away to get perspective**
- 4. Stop being so confident – prepare to be wrong**

### ULTIMATE ARGUMENT:

**"How do I know that this better decision-making process will deliver better results for my business?"**

Flipping a coin is a decision-making process. Rock, paper, scissors is another.

However you wouldn't choose one of these processes for making a business decision, would you? No, because the process is flawed and results left to chance. Your natural decision-making process is also (naturally) flawed but can be bettered.

Improve your decision-making using this 4-part sense-check and your chance of success improves. Try it and see. Dip your toe in. Analyse a good decision you've made in the past and see which parts of the checklist show up.

**STOP** making big decisions the way you've always made decisions

**START** by widening your options before you make a decision.



## Your next steps:

Your business success depends on your ability to make good decisions more often than you make bad decisions.

The bigger the decision the better you need to be at making decisions.

## Start by widening your options

Hormone-crazed teenagers typically make 'whether or not' decisions:

*"Should I go to the party or not?"*

One study found that 'whether or not' decisions failed 52% of the time over the long term. The same study showed the failure rate reduce to 32% when two or more alternatives or options were introduced.

Insist more options show up, and insist this 4-part sense-check is used, and you'll be on your way to greater success.

## More tools and information for you:

To download more insights and supporting resources use the URL link below.

# Your business results improve when you sense-check your decision-making...

Without realising it, your natural decision-making has 4 natural flaws that prevent you making the best decisions for your business.

So it pays to 'catch yourself on' and sense-check your decision-making with a proven, 4-part, decision-making checklist:

### 1. Stop looking so narrow – widen your options

'To do?' or 'not to do?' is a 'whether or not' decision. It's what you see hormonal teenagers do (it's also why corporate mergers often fail!).

Your job is to widen your options and consider alternatives. You then improve your chances of decision success and business success too.

### 2. Stop being so biased – reality test your analysis

"Does my bum look big in this?" is seeking just one biased answer! This natural and flawed bias even influences the analysis into a decision to confirm the bias you already have! Beware!

Your job is to reality-test your analysis and your decision, for example, by getting interview candidates to do some real work not just answer questions. Get others involved in the interview too.

### 3. Stop being so emotional – step away to get perspective

At a point-of-purchase, and every other moment of decision-making, emotions run high. And high emotions can derail good decision-making.

Your job is to step away from the emotions somehow and get a calmer, more logical and more long-term perspective. 'Phone-a-friend' helps. The 10/10/10 question helps too. And work out what matters most so that you make the best decision.

### 4. Stop being so confident – prepare to be wrong

If doctors can be wrong 40% of the time when they are 'completely certain' about their diagnosis, it shows how even the most qualified can derail good decisions through overconfidence.

Your job is to prepare for things going wrong. Anticipate problems and prepare for them (for both good and bad outcomes). Predict best case, worse case and most likely case outcomes. Set up trip-wire triggers to prompt decisions and actions that protect you from things going wrong.

**YOUR SUPPORT TOOLS ARE HERE: Go to the link below and you'll find a selection of practical support tools to help you get a deeper understanding of great decision-making.**

**Find the support tools to help you here - [www.businessbitesize.com/parfrey\\_murphy](http://www.businessbitesize.com/parfrey_murphy)**

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