6 Key Guidelines for Structured Decision Making

Determining the best way to make decisions and set priorities has been a topic for debate since ancient times. Science and experience are finally converging to advise us on clear approaches to make better decisions.

Adopting these decision-making guidelines will help your business determine strategic direction, grow revenues, improve the customer experience, and differentiate your organization—for a clear competitive advantage.

Make Important Decisions Better with Structured Decision Making

Start by ensuring organizational and personal readiness

1) Clarify terminology
2) Plan to avoid common decision traps
3) Harness Decision Software to Solve Internal Facilitation Needs

Then, treat decision-making and priority setting as a process, just as you probably do for budget reviews and financial forecasting

4) Take time to physically structure or “frame” the decision
5) Clarify roles of the participants and embrace collaboration
6) Leave time to iterate

“Process is not the opposite of creativity; it is the opposite of chaos. – Michael Hammer
Treat Decision-Making and Priority Setting as a Formal Process

Decision-making and priority setting have all the elements of other important business processes. A business process is defined as “an organized group of related activities that together create value”. Most of us are familiar with manufacturing processes, sales processes, invoicing processes, etc.; however, we need our organizations to more regularly view decision-making as a process integral to the success of the organization.

The process improvement guru, Michael Hammer, says it all.

“One common misperception is that process is somehow the enemy of creativity, that it implies onerous routines and automation, that it may be relevant for transactional work but not for such areas as developing strategy and products. This is wrong. Process is not the opposite of creativity; it is the opposite of chaos...Process creates discipline and repeatability by putting individual activities into a precise framework. When they have a process perspective, people can focus their creativity where it belongs, on the content of their work, rather than on the structure of their work. Process work is also predictable and repeatable, since processes deliver results by design rather than by luck or through Herculean individual effort.”
Clarify decision terminology to make sure everyone on your team is reading from the same “playbook.”

Terminology is important for us to communicate well in any situation, but the science of decision-making is particularly prone to commonly used but misunderstood terms. It is well worth a group’s time to clearly establish the terminology to be used. Participants should be reminded of agreed upon terminology at the beginning of each and every decision meeting. A sampling of such terms follows.

The goal is a brief statement describing the overall purpose of the decision to be made; for example: decide the best ‘go to market’ strategy, choose the most appropriate treatment for a disease, hire the best candidate, to optimize a portfolio of projects, or purchase the best car for the police squad. There is one overall goal for each decision.

The goal of a decision is to find the best alternative (or, in the case of a portfolio project, group of alternatives) satisfying the decision maker(s) wants. We will refer to these wants as objectives. Objectives are the key to making good decisions. When buying a car, for example, we want a car to be reliable, stylish, comfortable, perform well, cost as little as possible, etc. When there are too many objectives for us to think about clearly, we organize them in clusters of objectives forming an objectives hierarchy. In the car purchase example, the “perform well” cluster may include such objectives as acceleration, breaking, cornering, traction in rain, traction in snow, etc.

Decision processes will go more smoothly when focusing on objectives rather than criteria and attributes.

Keep your eyes on the prize. Use terminology that focuses on outcomes. People often use the words ‘criteria’ and ‘attributes’ interchangeably with objectives. While the meanings can be similar, you will find that most decision processes go more smoothly using the word ‘objectives’ rather than criteria and attributes because this wording has been shown to help people focus on what they are trying to achieve.
An **attribute is a characteristic of an alternative**. Size is an attribute of a car. **Attributes may lead us to think of ‘pros’ and ‘cons’ of alternatives.** For example, the ‘pros’ of a large car might include passenger carrying capacity, luggage capacity, safety, and comfort. The ‘cons’ of a large car might include fuel efficiency, difficulty parking, and maneuverability. A pro of one alternative might be a con of another alternative.

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### Key Decision Definitions

**Goal**: To find the best alternative (or group of alternative in a portfolio scenario)

**Objectives**
- Wants. The outcomes we are trying to achieve, which can be qualitative as well as quantitative.

**Objectives Hierarchy**
- Clusters of objectives, organized by shared theme; for example, ‘safety’ or ‘financial’

**Attribute**: A characteristic of an alternative

**Pros & Cons**: A pro is a positive attribute of an alternative. A con is a negative attribute.

**Alternative**: An optional choice or course of action.

**Musts**: Conditions that preclude an alternative from being included in the consideration set

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**‘Musts’ are conditions that preclude considering an alternative from being selected.** When evaluating alternative vendors for an RFP, for example, we might eliminate some vendors because they don’t have one or more required (must) features. Dealing with ‘musts’ is usually rather straightforward. What is not as straightforward, and what will be the essence of making a ‘best choice’, or rational decision, is to choose the vendor whose features we want more than those of other vendors.
Plan ahead to avoid common decision traps

“Best practices” are well-intentioned, but some commonly used practices waste time, and lead to poor decisions.

There are many ‘decision traps’ that people fall into all of the time. Being aware of decision traps before your team starts working will help you avoid them. Developing a sound decision process, especially for important decisions, can help us eliminate decision traps entirely.

Excluding perspectives of multiple stakeholders is a serious issue. Thinking that obtaining judgments from a number of stakeholders will take too much time and cause confusion is a symptom of a poor process. The good news is that, today, group decision-making software and hardware can easily accommodate many decision makers in a timely manner.

Group failure can occur by assuming that a good decision will result merely by having the ‘right people’ involved in the decision. Yet, without a strong decision process to collect, and synthesize the inputs – even strong teams of ‘right people’ often reach suboptimal solutions. Believing that we can “do the math” in our heads,“ after hearing many different perspectives is too much to ask.

Some decision makers have a great intuitive ability, but if these decision-makers dive right in and then try to jump to conclusions too quickly before clearly stating the problem, they almost always overlook important objectives or other viable alternatives, and they miss the opportunity to communicate their reasoning to others in the organization Then there are those who are overconfident and trick themselves into being certain. Being certain means you aren’t worried about being wrong. This results in failing to collect or ignoring key information and placing too much confidence in your own assumptions and opinions.

Anchoring bias is a common tendency to rely too heavily on one trait or piece of information which introduces a bias toward that value. Compounding that is relying too much on information conveniently on hand or on rules of thumb that often don’t have any merit. Another common tendency is to incorrectly justify a decision by using more “available” quantitative numbers—when, typically, qualitative factors are equally or more important to outcomes. “Going by the numbers” can give decision-makers a false sense of security – and points to the need for a decision process that can also “quantify and synthesize” qualitative variables which may not have been previously considered. Lastly, filtering is a tendency to exclude information that doesn’t agree with preconceived notions, or preferred outcomes.
Use Decision Making Software to Solve Facilitation Needs

Using widely available decision-making software, organizations can structure participation to leverage creativity, alignment and buy-in.

Trust must be developed in order for the decision participants to contribute and work productively together. A skilled decision manager will always ensure that the groundwork has been laid to make sure that

- the objectives are clear
- the group is focused on the decision, rather than the process
- participants are listening to one another
- new concerns and issues are captured without de-railing progress

In most successful cases a key player, with the support of senior management, takes on a neutral role on the content and facilitates the process, and develops the team’s synergy. But gone are the days when most organizations have the time or resources to get an “external facilitator” up to speed. Developing a standard organization process for decision making, and agreeing upon use of decision making technology, allows the group to place its energy and creativity on the content – regardless of whether the group is in the same meeting room or meeting virtually.

In today’s technological age, software and the internet is commonly used in group decision-making. Someone on the team should become proficient and take the lead in using decision technology tools to move decision meetings forward in a manner that maintains momentum. The best “online decision managers” routinely test connections, sound, and team access to online tools before to ensure smooth and productive meetings.

Facilitating Decision-Making: Key Team-Leader Needs

- Be prepared to navigate technology that can deliver strong organization and communication skills for both “real-time” and virtual meeting settings
- Be prepared to lead the team in questioning, listening, clarifying, paraphrasing, and summarizing exercises. Make sure these efforts are captured and communicated.
- Have the backing of management - being championed by senior management helps participants focus on the importance of the decision at hand.
Take Time to ‘Frame the Decision’ with a Physical Structure

Structure the decision model in a hierarchal fashion, with a single clear goal or purpose of the decision and with no more than five to nine objectives at any level in the hierarchy. Then list the alternatives of choice. Ensure that each item in the model is clearly defined. A well-structured decision model will include all important objectives. It will provide clarity to the group and will be a strong foundation to keep the group on the same page throughout the process.

Formally structuring a decision is a way to bring order to the unstructured chaos of the usual decision making situation. A model is a visual representation of an object or idea that helps a group better understand complexity. By going through a modeling process the group can clarify the important driving forces in the decision and the alternative courses of action that are available.

### Physical Decision Models Help to:

- Communicate clearly
- Reduce likelihood of overlooking crucial factors
- Inspire identification of new alternative solutions
- Document, and provide transparency for crucial factors

By building a model there is less chance of overlooking crucial aspects of a decision. The simple step of specifying the alternative course of action will often inspire the group to look for other alternatives that may not have been initially obvious.

The model itself will remain as a record of the decision which can be revisited later so the group can use it as a template or improve on it.
Clarify roles of decision participants and synthesize their judgments

Involving the right people at the right time in the process is critical to successful buy-in and to ensure a high quality decision outcome.

Most people are comfortable with some form of analysis, but the process of reaching an overall conclusion or a synthesis that everyone understands can not only be difficult but can generate some incorrect results if not done well.

Complex decisions have multiple objectives and require input from multiple perspectives that are then synthesized into a decision. Yet, **not all participants need to be involved in all phases of the decision**, as decision roles can be assigned to distribute the workload and save time. For example, executives may determine the overall objectives of the organization, and the relative importance thereof, whereas subject matter experts (SMEs) may be brought in to evaluate only certain aspects of the alternatives.

After you have all the inputs, **you need to synthesize to reach results**. Synthesis is the process of weighting and combining priorities throughout a decision model after judgments are made in order to yield overall priorities. The most preferred alternative is the one with the highest priority.

**Synthesis is easy to do, but it is often done poorly!** Counting and voting are typical ‘wrong’ ways to synthesize judgments – as it has been scientifically proven that results based on such heuristics are mathematically meaningless unless the measures have what is known as ‘ratio scale properties.’

Happily, decision making software using The Analytic Hierarchy Process (AHP) allow us to ensure that we are taking that final, critical step in decision-making, by providing a **proven methodology for translating many different analyses into a single, final decision** – that can also be tested for changes in priorities. AHP software can take group decision inputs, computing power, these techniques have evolved to let us prioritize and compile all our analytic data by visually breaking apart complex problems and putting the pieces together in related ways.

After you have your answer from performing an AHP synthesis- you then have the option to do sensitivity analyses to determine how sensitive the results are to changes in the priorities of the objectives.
Leave time to iterate, iterate, iterate.

Rational-iteration is the most critical aspect of our natural decision-making processes.

*The time required for iteration should be included in planning the decision process, and never as an afterthought.* Group decisions are almost always complex. Important decisions deserve, and should require iteration. There is no fixed sequence for iteration, but one pass through a series of steps is hardly ever enough.

There are many reasons for iteration, including:

**New Learning!** The single largest benefit of a structured decision-making process is the sharing of facts, experiences, and values amongst decision makers for specific objectives. Towards the end of the decision process, it is valuable to allow your decision-making team the opportunity to review their earlier judgments with the perspectives of any new insights they’ve gained from their colleagues during the decision process. Insights are often gained that cause discussion and re-examination of participant roles and judgments.

**Identification of a new objective.** Someone in the group feels that Alternative Y is really more preferred than Alternative X because of its style, and you realize that style was not included as an objective.

The most preferred alternative is likely to cause political problems with another part of the organization, resulting in delays in getting approval. Adding an objective of time to get approval should be added as an objective in the decision process.

**Identification of a new alternative.** The combination of the two most preferred alternatives suggests another alternative that was not considered, and should now be added to the model.

**Communication!** Perhaps the most important reason for iteration is when your intuition does not agree with the results. A strong decision process should incorporate *any* and *all* considerations -- qualitative as well as quantitative, subjective as well as objective. With adequate iteration, the results obtained should always make sense. Iterations may cause changes in priorities of alternatives to match intuition. In other cases, intuition will change due to insights gained from the decision process.

**Formal justification** of how a decision was reached is sometimes desired by an organization. At times this is required to justify the decision to others who might object or delay implementation, or wish to conduct their own sensitivity analysis for key factors. At other times, this type of documentation provides value in tracking the success of the decision process over time, and weight given to organizational objectives.

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**Leaving Time for Iteration Gives:**

- Valuable New learning
- Identification of new objectives
- Identification of new alternative solutions
- Communication
- Ability to Justify the Decision and Track Success of the Decision Process