

BASIS POINTS\$

LITTLE THINGS THAT HELP YOUR BUSINESS GROW

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Welcome to Basis Points! Each month, Basis Points provides you tips and techniques that we've gleaned from a variety of sources to help better your business life. This month's theme, "Decision-Making", examines the relationship between cognitive style (i.e. how you gather and remember information) and decision-making. We'll identify those factors that influence how you decide. And we'll give you some helpful hints to make your next deliberative session as productive and satisfying as can be.

Perfect is the Enemy of the Good

Herbert Simon, one of the most influential social scientists of the 20th century, made the study of decision-making his lifelong work. Simon coined the phrase, "bounded rationality", to express the idea that human decision-making is limited by three factors: available information, available time and the information-processing ability of the mind.

Acknowledging that none of these factors is ever ideal, Simon observed that people adopt one of two approaches when they make decisions:

Maximizers always try to make the optimal decision

Satisficers simply look to make a decision that's "good enough"

Maximizers tend to take a longer time to deliberate (so many choices!). As a result, they're far more likely to experience elevated levels of stress and frustration. Satisficers, meantime, tend to exhibit far less "angst" in their decisions. Which are you?

"Nothing is more difficult, and therefore more precious, than to be able to decide."

- Napoleon Bonaparte

How to Improve Your Decision-Making

It's generally believed that to make a good decision, you need to take time, carefully create and consider all the options and then make a final choice. But in the real world:

- Time is short
- Information is rarely complete and never perfect
- The consequences of your decision won't be fully known till after you decide

Three tips to make you a better decision-maker:

Know Your Values: When you're comfortable with your core values and beliefs, decision-making is vastly easier and less complicated.

Gather What You Can: Draw upon as many sources of input and information as you can. But take comfort in knowing you'll never be fully informed.

Stay Calm: Decisions made with a level head are vastly better than those in which emotions run wild.

Source: *Making Better Business Decisions*, Steve W. Williams, Sage Publications, 2002



The 3-Day Rule

Kevin Roberts, Global CEO of Saatchi & Saatchi Worldwide, a marketing communications company with 150 offices in more than 80 countries, has this simple rule for his direct reports.

- 1 Any manager with a key problem must get it to him within 24 hours.
- 2 He guarantees to render a decision within 24 hours.
- 3 The manager then has 24 hours to execute that decision.

According to Roberts, while the rule isn't invoked often, it does give his senior executives "a great sense of liberation and the feeling of massive speed".

Source: www.thespeedthinkingzone.com

Making Decisions in Turbulent Times

Choosing a course of action for your business is challenging even in the best of times. When circumstances are especially murky or unpredictable, decision-making can be even more difficult. To improve your chances of a positive outcome, experts recommend these three steps:

Improve what you know. Track data in real-time. See what your competitors are up to. If they zig, you might want to zag. Explore 'what-ifs': in uncertain times, the advantage often goes to those who can imagine the 'impossible'.

Be flexible. Don't be too rigid. If what you've decided doesn't produce the desired effect, don't be afraid to revise your approach and make the necessary changes quickly.

Be inclusive. Actively solicit advice from those around you. Share your vision with the entire team. Get out from behind your desk and engage your colleagues. Find a way to get the unvarnished truth as to what your team thinks of key decisions.

Exercise humility. You're not the first – and certainly won't be the last – to tackle uncertainty. Learn from others who wrestle with the unknown and unexpected. The film, "Apollo 13", is a superb tutorial in decision-making under pressure.

Source: "How to Decide in a Time of Confusion" by Kim Girard, www.bnet.com