Leadership Teams: Effective Decision-Making

By Mandy Johnson

Effective decision-making is a key trait of winning leadership teams and applies even more now in this age of urgency.

Yet in a new McKinsey Global Survey, only 20 percent of respondents say their organizations excel at decision making.

Further, a majority say much of the time they devote to decision making is used ineffectively.

On a scale of 1-10 with 1 being least effective and 10 being most effective where would you rate your current leadership team on its decision-making ability?

Ineffective decision making is bad for company productivity.

On average, McKinsey survey respondents spent 37 percent of their time making decisions, and more than half of this time was thought to be spent ineffectively.

To put this in $ terms, for managers at an average Fortune 500 company, this could translate into more than 530,000 days of lost working time and roughly $250 million of wasted labor costs per year.

So how do winning companies make great decisions?

According to research, the organizations that make decisions quickly are twice as likely to make high-quality decisions, compared with the slow decision makers.

One might expect that consistently excellent decisions involve much deliberation and therefore take longer to make, so companies must compromise quality if they want to make decisions more quickly.

However, the McKinsey survey results indicate that speed and quality outcomes are highly interrelated.

Research also shows that though decision-making systems can vary widely between organisations, effective teams always have an agreed system for making their decisions.

Examples of different types of decision-making processes:

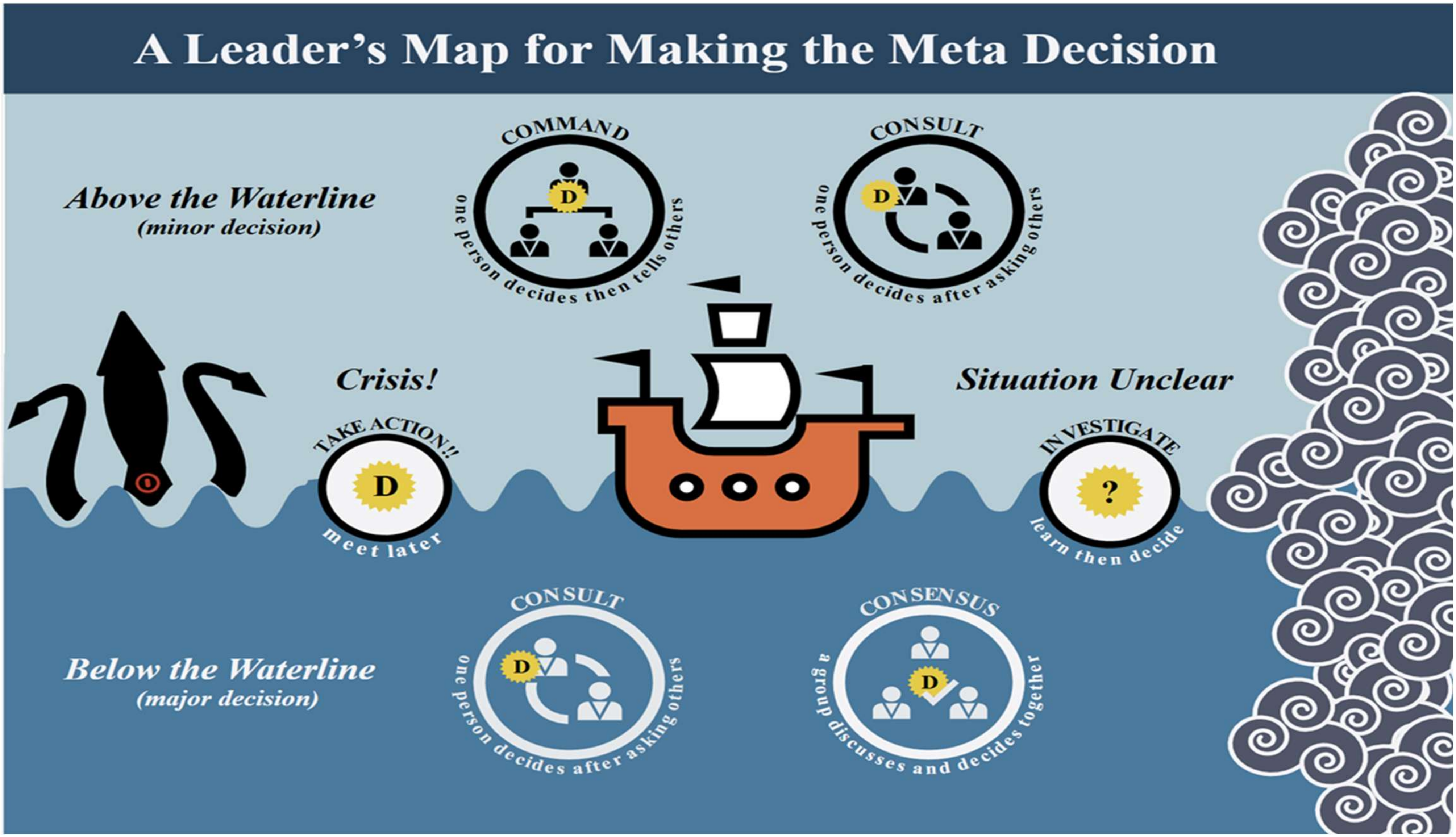
COMMAND – 1 person makes the decision. They either act on the decision independently, or tell other people about the decision. Useful for anything obvious, small, or clearly within a single person's area of authority.

CONSULT- 1 person takes responsibility for the decision, after seeking input from others.

CONSENSUS – The group arrives at a decision together, often after extended discussions, and everyone agrees to support it.

COUNTING VOTES: A designated voting group votes on one or more options. The winning vote sets the decision.

Winning companies use different processes for different decision types:



For big decisions create standard criteria such as:

Facts

- What is at stake?
- What are 3 viable options?
- What are the objective facts such as costs, size, who's involved, timeline, etc - can use a decision-making matrix like the one on the next slide.

Forecast

- What would it take for this option to work out? What resources and steps would be involved?
- What could happen to make this totally fail?

Experience

- If this option worked out, what would we be celebrating a year from now (or whatever the timeline should be)?
- If this goes badly, what happens to us?

Ethics

- If this works out, what does it do to our community?
- What happens to our community if this fails?

Also consider: Can you pilot the idea in a small area to trial it?

A decision-making matrix - a useful tool in team discussions:

	Criteria A	Criteria B	Criteria C	Criteria D	Criteria E	Criteria F	Total
Weighting	%	%	%	%	%	%	
Idea 1							
Idea 2							
Idea 3							
Idea 4							

Summary of the 5 steps to effective decision-making:

Step 1: Define clear decision-making processes and train people to use them.

Step 2: Agree on which kind of decisions get made using which process.

Step 3: Develop standard criteria for big decisions.

Step 4: Create a decision log for documenting and communicating ELT decisions. Outline both the decision made and details about how the decision was made. Or if your team has deferred a decision, when will it be made and what needs to happen beforehand?

Step 5: Schedule decision follow-ups. Every six months or so, review all the decisions your ELT made over the past period and discuss the results. Then, together decide if you need to adjust any of your processes.

What are your current agreed decision-making processes? How could they be improved?