

How to Make Better Decisions

Another Day, Another Decision

“Whenever you see a successful business, someone once made a courageous decision.”

Peter F. Drucker¹

In the sections below, you will read about the types of decisions business owners commonly make, tips for making better decisions, and how to use a structured decision-making process. Afterward, you’ll apply this process to a decision you’re currently facing.

Common Types of Business Decisions

Over the course of a year, a quarter and even a day, a small business owner might make a lot of decisions. These decisions typically fall into three categories:

Strategic: These are major decisions related to your business as a whole and the environment in which it operates. These are your most important decisions; they arise less often, and they require significant analysis and usually a large investment of time to ensure you come to the right conclusion. Examples include deciding to add a catering service to your existing restaurant and deciding to enter the government market for your consulting firm.

Tactical: These are decisions on how to manage people, resources and processes in order to implement your business strategy. Examples include hiring a new employee and selecting a new distribution channel.

Operational: These are usually short-term decisions concerning the day-to-day functioning of your business. These decisions arise the most often and are candidates to be delegated if possible. Examples include employee scheduling and small item procurement such as office supplies.

Identifying the type of decision you will make allows you to then drill down on the best way to make that decision.

Tips for Making Better Decisions

The time it takes to make a decision generally varies based on the complexity of the decision. While every decision is different, you can follow these general guidelines to help you make better decisions:

Create deadlines. Deadlines can push you to make a choice and save your time by preventing overthinking. For long-term decisions, allow yourself enough time to consider all the facets of the problem.

Do background research. Try to seek out a variety of resources that will show you both pros and cons. Reviewing the perspectives of experts can help you make a well-informed decision.

Identify risks upfront. Becoming aware of the risks before making a decision can help you manage potential problems before they come up. Once identified, you can take steps to reduce or eliminate their impact.

Remain calm. Take some time to meditate and clear your mind. When you're stressed, it's harder to make a good decision.

Beware of the “perfect decision.” Since there will always be unknowns, it's rare to find the “perfect decision.” Trust your research and make the best decision based on the information you have.

Remember your business's values. Use your mission statement as a blueprint to keep your decisions aligned with your core business values and to reduce uncertainty and ambiguity.

Include others in the process and encourage different opinions. Invite your team or stakeholders to participate in the decision-making process. This will help you to avoid bias by considering different perspectives and insights. Research shows that — while both are important — the quality of the decision process is more important than detailed analysis when making a decision (by a factor of six).² This means gathering opinions that are in contrast to that of senior management and encouraging participation based on skill or experience versus just rank.

A Structured Decision-making Process

In running your business, it's likely that you have set objectives, or goals you are trying to accomplish. You want the decisions you make to meet these objectives. Using a structured decision-making process that starts with your objectives, can improve the quality of the personal and business decisions you make.

Structured decision-making is not a rigid approach to problem-solving, but more of a set of guiding steps.³ The Federal Emergency Management Agency offers one example of a structured decision-making model:

1. Identify the Problem
2. Explore the Alternatives
3. Select an Alternative
4. Implement the solution
5. Evaluate the solution ⁴

DECISION-MAKING PROCESS

STEP 1 Identify the Problem	Size up the problem you and other members of your organization are looking to solve. What is happening in this situation? Who is involved in the situation? What are the stakes? This information can help you get a better handle on the essence of the decision being made.
STEP 2 Explore Alternatives	<p>Generate a number of alternatives with methods such as brainstorming or discussion groups. Encourage alternative ideas from all levels. In this process, you are trying to:</p> <ol style="list-style-type: none"> 1. Identify contingencies, or think about all the potential future obstacles to solving the problem. 2. Determine objectives, or clearly describe what is needed for you to succeed. 3. Identify resources, or figure out what information and other people you need to solve the problem. <p>These considerations can guide you in evaluating the different alternatives.</p>
STEP 3 Select an Alternative	<p>Choose the alternative with the most positives and the least negatives. Try to predict the answers to these questions: Who will implement the solution, or what role will each person play in implementing it? When will the solution be carried out? Where and how will it occur?</p> <p>Thinking through these specs can help you to imagine any side effects that could result from the solution you choose so that you can be aware of them up front.</p>
STEP 4 Implement the Solution	Develop an action plan for making this solution to the problem a reality that includes the steps you will need to take. Flesh out your plan with details like the resources you need, who will do what, and what the deadline is. When you have your action plan prepared, you're ready to put your solution to work.
STEP 5 Evaluate the Solution	Monitor the way the solution has turned out in your business. Has the situation changed? Will you need more or fewer resources? Do you need to go back to your list of alternatives to select a new one? Keep these considerations in mind as you determine the success of your solution.

Apply the Process to Your Business

Now that you've thought through each step in the structured decision-making process, you can apply it at your business.

What's a decision you're currently facing in your business? In each step, answer the questions to help you get closer to reaching a solution to the problem at hand.

STEP 1 : IDENTIFY THE PROBLEM

In this problem or situation, what is happening?

Who is involved?

What are the stakes?

Is this decision strategic, tactical or operational?

What is the deadline for making this decision?

STEP 2 : EXPLORE ALTERNATIVES

What are the alternatives? You can come up with as many as you like.

Alternative 1: _____

What are the obstacles?

What do you need to be successful?

What resources will be needed?

Alternative 2: _____

What are the obstacles?

What do you need to be successful?

What resources will be needed?

Alternative 3: _____

What are the obstacles?

What do you need to be successful?

What resources will be needed?

STEP 3: SELECT AN ALTERNATIVE

What are the pros and cons to each alternative? Judging by these advantages and disadvantages, which is the best option? Circle the solution you choose.

	Pros	Cons
Alternative 1:	<ul style="list-style-type: none">• _____• _____• _____	<ul style="list-style-type: none">• _____• _____• _____
Alternative 2:	<ul style="list-style-type: none">• _____• _____• _____	<ul style="list-style-type: none">• _____• _____• _____
Alternative 3:	<ul style="list-style-type: none">• _____• _____• _____	<ul style="list-style-type: none">• _____• _____• _____

STEP 4: IMPLEMENT THE SOLUTION

Action Plan

Alternative Chosen	
Resources Needed	
Roles/Assignments	
Location	
Deadline	

STEP 5: EVALUATE THE SOLUTION

How will I track the results of this decision? What do I need to monitor?

What did I learn for next time I make a business decision?

¹ Ken Gosnell, *Five Critical Decisions Every Leader Must Make*, Forbes (March 29, 2018), <https://www.forbes.com/sites/forbes-coachescouncil/2018/03/29/five-critical-decisions-every-leader-must-make/#6a9e1fc92f80> (accessed March 18, 2019).

² *The Case for Behavioral Strategy*, McKinsey & Company (March 2010), <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-case-for-behavioral-strategy> (accessed March 18, 2019).

³ *Structured Decision Making*, U.S. Geological Survey, https://www.usgs.gov/centers/pwrc/science/structured-decision-making?qt-science_center_objects=0#qt-science_center_objects (accessed March 14, 2019).

⁴ *Analytical Approach Problem-Solving Model and Crisis Decision Making*, Federal Emergency Management Agency (Feb. 19, 2014), <https://emilms.fema.gov/IS0241b/DMPS0103080text2.htm> (accessed March 13, 2019).