

Make better decisions

Use eight steps to make better decisions in today's business world

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Today the business world's problems and decisions come fast and furious and wait on no managers to delay. The 1990s business environment is fast-paced. It requires an instant response to questions, issues and problems. Use these eight steps to better decisions (shown in Table 1) to get this response. For example, during a recent meeting with the president and manufacturing manager of a small company, within 20 minutes these issues had to be discussed: 1) pricing for an order; 2) scheduling conflicts; 3) special requests from a large customer; 4) an employee termination recommendation from a department manager; 5) ISO-9000 implementation concerns; 6) a regulatory agency visit scheduled for the next week. These six items deal with five larger business issues:

- Customer service
- Manufacturing operations
- Employee relations
- Quality systems and perhaps product quality
- Government regulations.

These issues require immediate management attention and sound business decisions. For an experienced manager, such issues-oriented decision making is "second nature." In many companies, inexperienced managers or recently promoted engineers—or others—are called upon to make these decisions. Issues-based decisions are not mathematical problems with clear-cut answers. Instead, they require skills to quickly assess a situation and arrive at a sound decision. Let's discuss a logical approach to issues-based decision making.

THE EIGHT STEPS

1. Clearly state the question, problem or issue. Before a good decision can be made, the situation must be clearly defined with a concise statement or question. A good rule-of-thumb for such a statement is 10–20 words. In the above scenario and in all similar situations, it is vital to practice effective listening skills (see *Hydrocarbon Processing*, "Improve your communications skills," November 1994, p. 191). After listening to the issue, carefully re-state it in your own words to be sure you have a clear understanding. Here's how it works in the case of the five issues mentioned earlier:

- Customer service issues should define the concern in terms of specific customers and their requirements.
- Total manufacturing issues should be segmented by processes or departments, otherwise they may be too large to effectively decide a course of action. (We'll deal with implications in other areas when we get to Step 6.)
 - Employee relations issues must include specific issues, employees and supervisor involved.
 - Quality concerns (ISO 9000) may involve specific system or product-quality concerns.
 - Government regulatory issues cannot be taken lightly. It's vital to know which agency is involved, specific questions, why and when. (A client mentioned they had to routinely deal with OSHA, EPA, State Health Department, State Environmental Agency, Coast Guard and the IRS.)

2. Understand the background. A background understanding of each issue being considered is necessary for sound decisions. "Shooting from the

Table 1. Eight steps to better decisions

1. Clearly state the question, problem or issue
2. Understand the background
3. Review the pertinent data, facts and hypotheses
4. Analyze the situation for cause-effect relationships
5. List alternatives and/or options
6. Consider the immediate and long-term implications of each alternative
7. Make a decision—choose the best solution
8. Make it happen.

hip" may have been acceptable years ago. Today, impulsive decisions can have long-lasting negative effects on businesses. It's important to ask questions before developing your alternatives. Some questions to consider include: 1) Is this a new or different issue or problem; if not, what have we observed before? 2) What's changed; or, what's different now? 3) What will happen if . . . (fill in your fears)? 4) Who knows more about this than I do; can I talk with them? 5) What is the urgency of the situation; the importance? 6) Will it get better or worse if left alone? 7) How will I know if I make the right or wrong decision? 8) What are the risks?

Asking questions like these ensures that you're on the right track before developing alternatives. This process prevents "jumping to conclusions" or reaching a solution without considering important background information. There are many questions that could be asked about the background. Newly promoted managers should list questions they will use in "the heat of battle." This frees you to focus on issues, instead of "what question do I ask?"

3. Review pertinent data and facts. Employees have said management demonstrates behavior that says,

"don't confuse me with the facts, my mind is made up."

Today's business environment requires a steady diet of fact-based decision making instead of "flying by the seat of the pants" decisions. While intuitive decision making has its place, dealing with facts is necessary when making issues-oriented decisions. What kind of facts are needed? You'll begin to uncover facts as you ask the questions in step 2 or at least learn where more data or facts are required. Let's explore the possibilities present in the five issues outlined earlier:

- Customer service issues—recent pricing history, delivery record, quality record, complaints, conversations or contacts, requirements.

- Manufacturing operations—production schedules, personnel requirements, raw materials, processing times and parameters, process steps and sequences, sampling and testing, shipping.

- Employee relations—employee records, problem documentation, disciplinary policies and actions, similar problems and their resolution, supervisor records.

- Quality system concerns—product and system data, documentation availability and accuracy, specific areas of concern.

- Government regulations—permit data and requirements, regulation limits, previous inspection results, violation and assessment records, proper documentation to demonstrate compliance or noncompliance.

These are not intended to be all-inclusive, but rather to illustrate the kinds of data that are available and/or required to assist in the decision making process.

4. Analyze each situation for cause-effect relationships. When reviewing the facts and background information, it is important to look for cause-effect relationships. These relationships can lead to making the correct decision about a specific issue. With manufacturing issues, it is important to consider the causes of problems and the effects of them. For example, in the meeting mentioned earlier, the scheduling concern lends itself to cause-effect analysis. The managers are dealing with an effect—scheduling conflicts and late orders.

Table 2. Issues-based decisions

Date: _____	Issue Involved: _____
Clear Statement of the Issue:	
Background Info:	
Facts/Data:	
Cause-Effect Relationships:	
Alternatives/Options:	
Immediate/Long-term Effects:	
Best Solution:	
Action Taken:	
Follow-up Results:	

It is necessary to analyze the causes so that decisions will appropriately resolve the issues. The causes of the scheduling issue could include: increased customer orders, shipping the wrong order to a customer, quality problems in manufacturing, poor production planning. It is difficult to make the right decision without considering the cause-effect relationships. This step in the process encourages you to carefully look for causes of the situation, problem or issue that must be resolved in the decision making process. An analysis of these relationships often leads to the alternative that enables you to make the best decision. A simple way to look at these cause-effect relationships is to use the "fish-bone", or Ishikawa, diagram to help categorize your thoughts. For a review of the steps in constructing a cause-effect diagram, see *Hydrocarbon Processing*, "Tools for better management," August 1989. After analyzing these relationships it is time to consider the effects of the various alternatives.

5. List the alternatives and/or options. Poor decisions are often the result of being fixed on one course of action instead of considering alternatives. In most issues-based decisions, there is more than one possible decision or solution. As you consider alternatives, list them along with potential outcomes. This list helps to focus on all possibilities instead of grabbing the first one.

There are times when alternatives are limited. "The OSHA inspector is at the front door." Your alternatives are limited to four: 1) let her in and sincerely answer all questions; 2) stall for time; 3) refuse admittance; or 4) let her in and be noncooperative. Obviously, there is only one viable alternative, the first one. In other cases it's not so clear. In the meeting with the company president mentioned earlier, a supervisor had recommended ter-

minating an employee for poor attendance. There could be many alternatives in this case, such as disciplinary action instead of termination, disciplinary action with re-assignment to another job or shift, termination or do nothing. By this time, you've got the idea. Carefully list alternatives available and move on to the next step.

6. Consider immediate and long-term implications of each alternative. Many decisions are made on the basis of the immediate effect or result without carefully considering the long-term implications. To illustrate how step 6 fits into the overall picture, let's analyze the employee relations issue raised earlier. In the specific case, a supervisor recommended to the company president and the manufacturing manager that an employee be terminated based on the company's attendance policy. The alternatives were outlined above.

It would appear that the best option for the immediate situation is to follow the supervisor's recommendations and terminate the employee. There are other considerations. In step 3 a careful review of the facts revealed an unanswered question about how a particular absence was coded or recorded in the employee's file. Termination based on including that absence could lead to litigation, or at least become costly in following months. Yet, not following the supervisor's recommendation could lead to supervisors saying, "Why bother?"

Doing nothing is not a practical alternative because that sends two messages: 1) supervisor recommendations are not followed by management; and 2) it's acceptable to have excessive absenteeism. Many times another alternative will surface as implications of each alternative are considered. In this case, another option for handling the issue includes a comprehensive approach:

- Meet with the supervisors and review the importance of carefully documenting absences.
- Remove the "questionable" absence from the record.
- Clearly communicate with the employee and supervisor involved.
- Document the situation and note the exception you made to the policy and why it was made.

Continued



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An alternative has been developed that minimizes the immediate and long-term negative effects, yet demonstrates concern for the employee and the supervisor. It also sets the stage for future disciplinary action, if it becomes necessary.

Step 6 in the process will become "second nature" for effective decision makers. When the alternatives are considered in view of immediate and long-term concerns, the next step is much easier because you can focus on the positive benefits of the decision.

7. Make a decision—choose the best solution. If the first six steps have been followed, choosing the best solution is usually straightforward. However, there are still other parameters that must be considered when choosing among the alternatives. These include—but are not limited to—time, costs, economics, available resources, customer requirements and company policies. Remember, choosing the best alternative usually isn't a "life or death" issue. Don't be guilty of putting intense pressure on yourself or allowing "analysis paralysis" to prevent you from proceeding. The information gathering process and analysis phases are over—it's time to decide.

8. Make it happen. The other seven steps are useless unless someone "makes it happen." After making a decision, it must be clearly communicated to all involved or affected, implemented in a timely manner and followed up to see if it's working as intended.

Successful managers in today's business environment will follow these three steps to implement their decisions and to quickly move on to the next issue requiring attention. Those who fail to follow these three simple steps are doomed to repeat steps 1–7 many times with no results. Effective decision makers know that until follow-up is complete, the issue is not resolved.

DOCUMENT

Following these eight steps requires discipline in the decision making process, but will ensure better decisions. Knowing why a particular alternative was chosen can be important, so, document the reasons. Some managers keep a notebook of issues-based decisions, categorized by key issues. They note the decision process in a simple and short format that allows easy review of their decisions. This can be a learning opportunity and a self-reinforcing activity. It helps to prevent "re-inventing the wheel" each time an issue surfaces. Table 2 is an easy-to-use format. ■



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