Better, *faster* decisions

The ideal of lengthy, considered and purely rational decision making is not only unattainable but unworkable, says **Dr Ken Hudson**. You've got to keep the emotion in.

Frank Lowy, self-made billionaire and co-founder of the Westfield Group, was recently quoted in *BOSS* magazine saying, "I don't need long interviews to hire staff. I can sum up in five minutes whether I will be able to work with someone."

This insight prompts a number of interesting questions which beg investigation. Can important decisions be made quickly? Does 'quickly' lead to better decisions? Is it a special skill of the gifted few?

Consider what Richard Branson notes in his 1998 autobiography, *Losing my virginity*: "...in the same way that I tend to make up my mind about people within 30 seconds of meeting them, I also make up my mind about whether a business proposal excites me within about 30 seconds of looking at it."

Making timely, good decisions would seem to be one of the key skills of an effective manager. Yet are managers evolving and becoming better at this? Should all managers rely more on gut instinct? Let's consider the conventional business-school perspective. Prudent decision making is predicated on two beliefs:

1. The more important the decision, the longer a manager should take in making it. It is better to wait and consider all possibilities rather than make a hasty decision.

2. The more a decision is grounded in reason and logic, the greater the chance of success. At all costs the rational manager should avoid making decisions based on emotion.

Obviously, business-school logic is at odds with Lowy and Branson. Let's consider each belief in turn.

Slow decisions = slow learning

According to research by Professor Kathleen Eisenhardt, of Stanford University, "the greater the speed of the strategic decision process, the greater the performance in high-velocity environments".[1] Or put another way, poor performance is associated with slow decision making. How come? One reason is that faster decision making leads to quicker actions, results and learning. If the decision making is slow, then so is the learning for all managers.

Another reason is that internal decision making has to keep up with the pace of change in the external marketplace, otherwise opportunities are lost and nimble competitors gain an advantage. Eisenhardt's research was conducted in the late 1980s but the commercial environment has become even quicker, placing a higher premium on faster decision making. To further illustrate the point that making decisions

quickly can lead to better results, consider an ingenious study led by US psychologist Sian Beilock[2].

She and her researchers divided some golf players into two groups depending on their skill level, measured by their golf handicap. The golfers were first asked to putt a number of balls to a distant target. Each group then had to do the same thing but within a time limit to drive a faster putting motion.

Not surprisingly, the beginners found that their performance decreased. But the expert golfers (less than an eight handicap) found that their performance improved. While this study focused on the physical skill of putting, rather than a thinking skill, anyone that has played golf will recognise that putting involves not only the physical movement of the putter but a hundred decisions around the potential impact of the slope of the green, pace, line, length and so on.

The researchers' explanation was that, given time constraints, proficient golfers spend less time monitoring and worrying about execution. To quote US sports company Nike: they spend more time 'just doing it!'. Or, again, in Branson's autobiographical account, "...others analyse it down to the last degree and then write academic papers on it; as for me, I just pick up the phone and get on with it".

Perhaps successful decision making in a rapidly changing environment is less about the decision itself but more about actually making one!

Ideal is rarely achievable

The second belief is that the more a decision is grounded in reason and logic, the greater the chance of success. Accordingly, the ideal process is that a number of alternatives should be determined, each carefully analysed and the best option selected.

Any manager will quickly realise that this ideal is rarely achieved. It is not possible to consider all options; some consequences are simply not known in advance, and such a process is often too expensive and time consuming. This situation is what US social scientist, Herbert Simon, called 'bounded rationality', which describes situations where purely rational decisions are not feasible in practice[3].

But can we make decisions based on reason alone? Yes, and no. For example, when faced with a simple decision like buying a toaster, people can create a list of criteria (price, brand name and so on), weigh it up and make a decision.

With more complex decisions, for example, 'should we increase the price of a product?', then the best

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