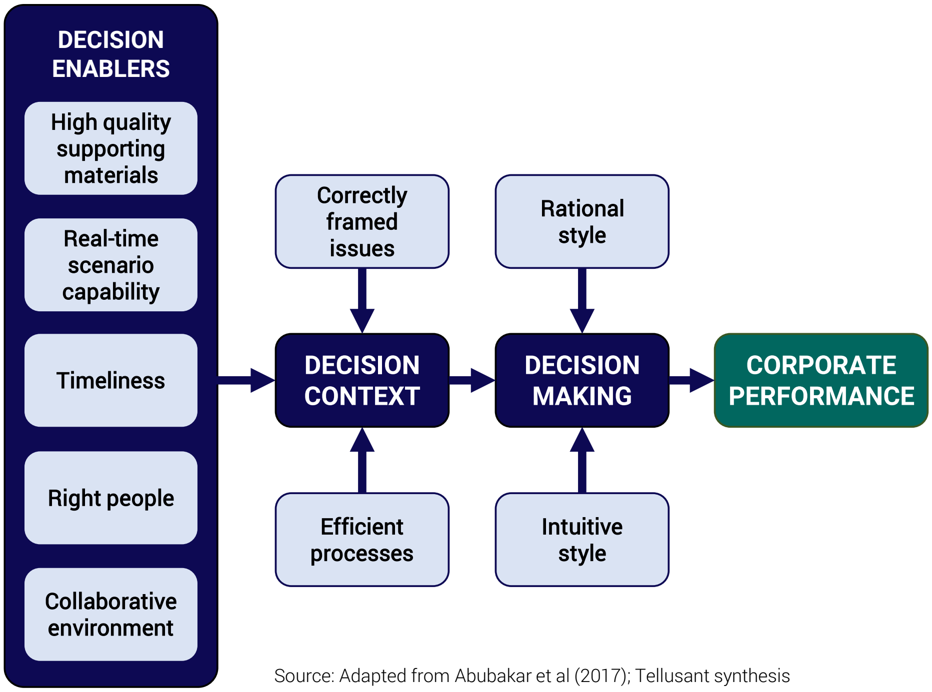
TELLUSANT QUICK READS

EFFECTIVE DECISION MAKING

Companies are often described as decision factories. Based on the academic literature and extensive interviews, we created this decision-making framework.[1]

CORPORATE DECISION-MAKING FRAMEWORK



Source: Adapted from Abubakar et al (2017); Tellusant synthesis

DECISION ENABLERS

Decisions are not made in a vacuum. There are five enablers that dictate their quality:

- The quality of supporting materials is a key enabler of good decision making. Our interviews show that decision makers almost uniformly would like to see an improvement of the underlying materials.
- Scenarios should be possible to run in real time. Most executives find this lacking. Instead, a new scenario make take up to 2–3 days to run for the business analysts.
- Decisions should be timely. Often, decision making takes too long. A typical strategic planning process takes 3–5 months. Some issues seen at the outset may not be material by the end, and new issues may have emerged.

• The right people must be involved. T-shaped expertise is required: some should be generalists with broad experience, while some should be specialists with deep knowledge.

• A collaborative environment is required. Executives are more committed when heard.

DECISION CONTEXT

The enablers lead to a decision context:

• The most important pain point we heard in our interviews was that the issues to be decided on were not framed correctly, or not at all. Instead, the decision making process (e.g., for the strategic plan) became a process of checking the numbers.

• The decision processes are usually viewed as inefficient, especially in higher level processes like strategic planning, even though outcomes may be good.

DECISION MAKING

The actual decision-making flows from the enablers and the context. There are two ways of making business decisions: rationale and intuitive.

• Rationale decision making has gradually become more important over the last century. This is because executives are now better educated and much more information is available in digestible form.

• But intuitive decision making is important and will continue to be so. When rational decision making becomes more efficient, there is more space for higher quality intuition.

CORPORATE PERFORMANCE

Improving high level decision making like strategic planning is often the highest ROI effort available to a company.

First, more effective processes will save money. There are 0.7 million corporate planning analysts in the United States, and 2.5 million worldwide, who support decisions.

Second, resource allocation is improved with better decisions. This is especially true of the decisions coming out of strategic planning cycles.

Third, capturing opportunities becomes more precise. This leads to top line growth which over time adds up to a major benefit for the company.

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[1] Adapted from Abubakar et al. (2017). Knowledge Management, Decision-Making Style and Organizational Performance. *J. Innov. Knowl.* Vol. 4(2): 104-114. https://doi.org/10.1016/j.jik.2017.07.003