

GOOD AND TIMELY DECISIONS

Professor Mike Useem



Making Good and Timely Management Decisions

Intensifying competition and shortening cycle-times place a premium on reacting quickly to new challenges.

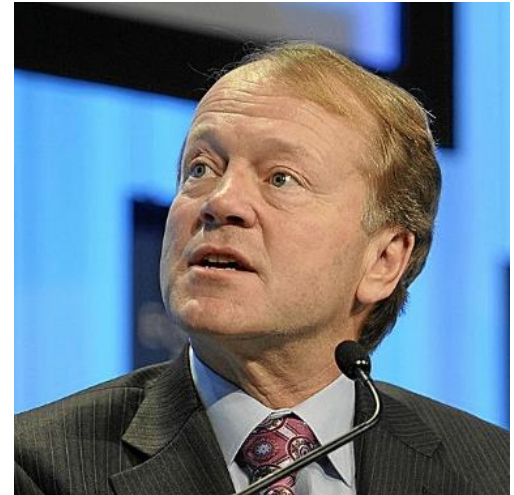
Human-resource and organizational-design innovations are cutting the cost and time to develop new products and services by half or more.

The organizational environment has become more complex and unpredictable, and at the same time major stakeholders are pressing for improved performance.

Organizations and leaders need to reach fast and accurate decisions under conditions of greater uncertainty and risk.

What are the factors that have made for slow decisions in your organization?

John Chambers
CEO, Cisco



Build the Management Foundation for Speed & Precision in Decisions

A comparison of organizations that are fast or slow in decisions:

Fast

- Track real-time info. on firm operations and environment
- Build multiple, simultaneous alternatives
- Seek advice of experienced counselors
- Use partial consensus to resolve conflicts
- Integrate the decision with other decisions.

Slow

- Focus on planning; gather limited info. on environment
- Develop a single option, go to 2nd if 1st fails
- Solicit advice irregularly, less experienced advisors
- Take decisions after consensus, by deadlines
- Consider the decision as a single action

Source: Kathleen Eisenhardt, "Speed and Strategic Choice"

Deciding Decisively in the U.S. Marine Corps

- Marine commanders seek a **“70%” solution**, not 100% consensus.



- Officers learn to explain unambiguous objectives – **strategic intent** – and then leave subordinates to work out all the details.



- **First-time mistakes are tolerated**, Even encouraged, if they point to stronger performance next time.

- **Indecisiveness is a fatal flaw** – worse than making a mediocre decision, because a mediocre decision, especially if swiftly rendered and executed, at least stands a chance.



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Making a Good and Timely Decision

Front left: \$0-50

Middle: \$51-75

Front right: \$76-100

A man buys a \$78 necklace at a jewelry store, and he gives the jeweler a check for \$100. Because the jeweler does not have the \$22 change on hand, she goes to another merchant next door. There she exchanges the man's check for \$100 in cash. She returns to her store and gives the man the necklace and the change.

Later the check is returned by the bank due to insufficient funds in the buyer's account, and the jeweler then gives back the other merchant \$100. The jeweler originally paid \$39 for the necklace.

What is the jeweler's total loss? \$_____

Back left: \$151-300

Back right: \$101-150

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MAKING GOOD AND TIMELY DECISIONS – US EXAMPLES

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Making Good and Timely Management Decisions for the U.S.



Above: Chinese Premier
Zhu Rongji



Above: Former President
Bill Clinton

Left: Charlene Barshefsky

Company Leaders Build a Decision-Making Mindset

Ann Livermore, Executive VP of Hewlett-Packard



Charles Elachi, Jet Propulsion Laboratory Director



Company Leaders Build a Decision-Making Mindset

Managers must come to make decisions “fast enough.” – Hewlett-Packard EVP Ann Livermore

“Many critical things are riding on our decisions. You have to have nerves of steel.... . When a project fails, people look around for someone to blame, but if you hang the person who made the mistake, you’ve also lost a lot of experience.”
– Jet Propulsion Laboratory Director Charles Elachi

Elachi told the two managers, “We have spent \$400 million training you. You have to learn from those mistakes, and I’m sure you will not repeat them.”



Sub-Optimal Decision Making When Under-Prepared

- **Over-value early information in areas where you are inexperienced**
-- rely on a product's list price to estimate its bargain price
- **Become over-confident in own judgments when the terrain is unfamiliar** -- make overly precise forecasts of sales growth for new product
- **Seek confirming evidence and ignore conflicting data**
-- when advocating a new product, confine focus to its merits

Warning: Positive organizational moods increase use of sub-optimal decision procedures, negative moods decrease their use.

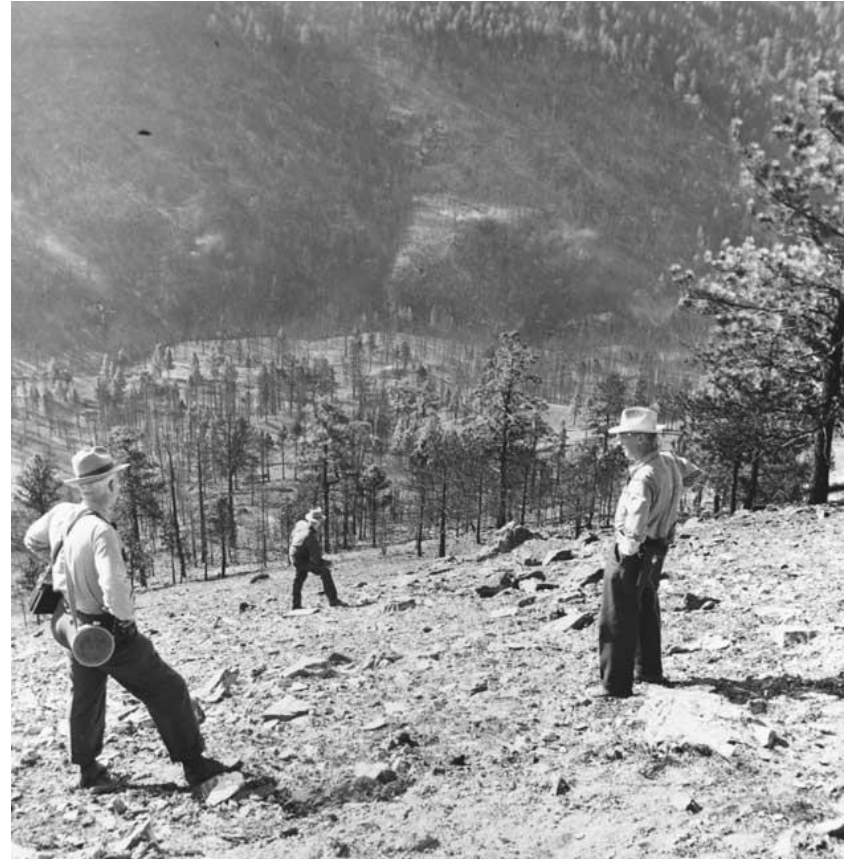
ANOTHER EXAMPLE: FIGHTING A FIRE

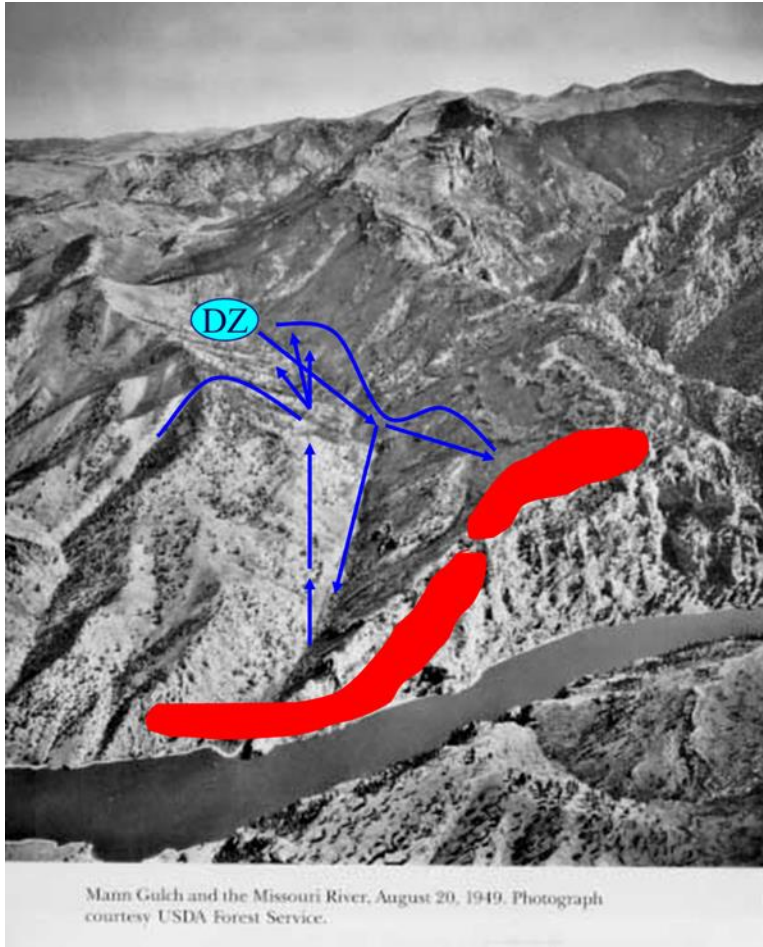
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Fighting a Fire in Mann Gulch, Montana

- On a very hot, dry, and windy day, a small forest fire starts in Montana.
- 15 "fire jumpers" parachute into the area to extinguish the fire at 5PM (they are joined by a 16th on the ground).
- The 16 are a young but experienced group under the leadership of Mr. Dodge, age 33 (technically skilled but "a man of few words").
- By 5:50 PM, the fire jumpers have been trapped by the fire.
- How were decisions made during those critical minutes of high uncertainty and stress?





#1 Robert Sallee

#2 Walter Rumsey

#3 Wagner Dodge

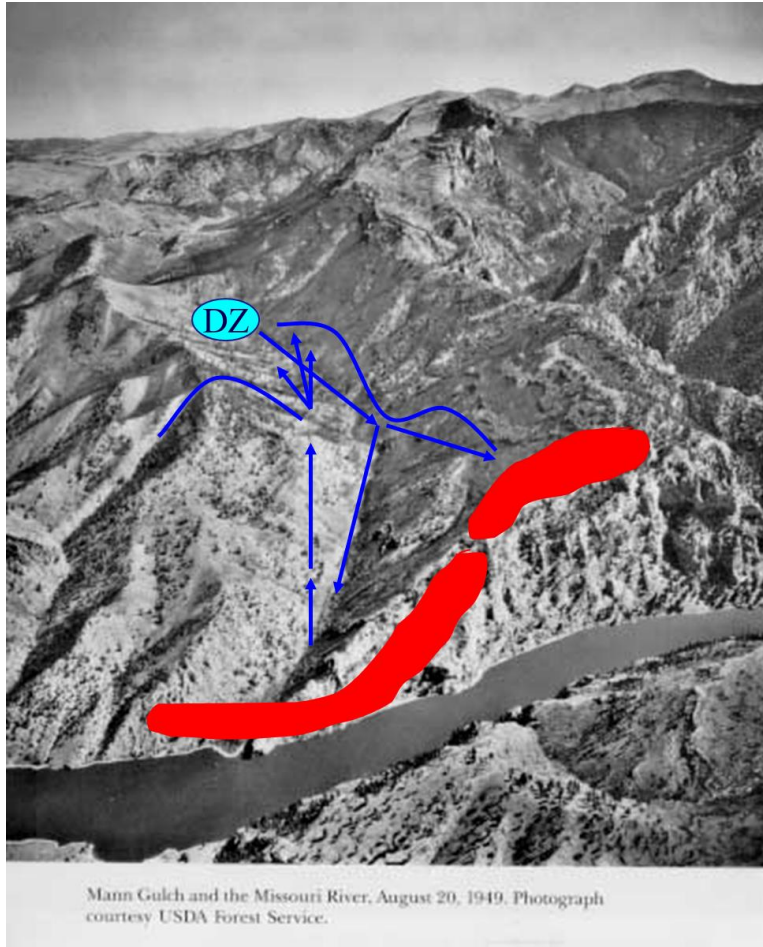
AFTER ACTION REVIEW AND SUMMARY

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#1 Robert Sallee

#2 Walter Rumsey

#3 Wagner Dodge

Lessons for Management of Good and Timely Decisions

Prepare the management foundations early to help ensure that

- communication from you is persuasive and clearly understood
- credibility is high when others need to understand and accept your decisions

Prepare others to make effective decisions

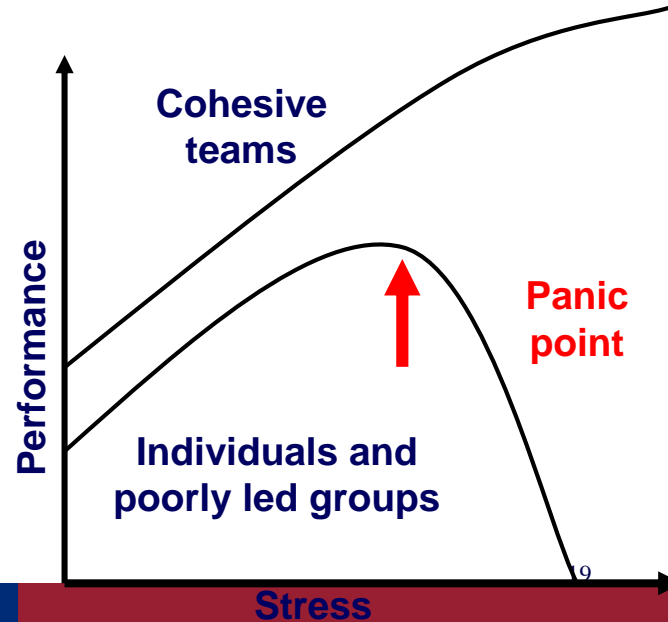
- continuously sharing your knowledge, information, & experience
- make strategic intent clear, empower them to make decisions

Exercise consistent management

Develop allies among those who work with you

Build diverse and cohesive teams for high performance under stress

Design organizations to foster management capabilities







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