Written by Steve Marr
Friday, 20 January 2006 01:00

Every day, business leaders make hundreds of thousands of decisions. Some are minor, but others will affect the performance, and possibly even the very survival, of their businesses. Establishing an orderly process for making decisions, and ensuring that every employee understands and adheres to that process, will make a gigantic difference in your ability to beat your competitors in the marketplace. Just as the prophet Isaiah wrote, “Give us advice, make a decision” (Isaiah 16:3, NASB), effective decision making needs to be part of every business.

First, you must understand that every decision represents a choice that will be made by someone. These choices will either be made within the framework of an organized process, or they’ll be made by default. Some leaders have a tendency to procrastinate about making decisions, or they don’t make decisions at all. As a result, their businesses often become paralyzed by indecision, or they are buffeted by events and circumstances. In other words, the fate of the business is determined by external events, rather than by active decisions made by the owner or leaders.

I remind my clients that indecision—the failure to take action—is in fact a decision, though it’s a decision to do nothing. At times, doing nothing is the right choice, but not often. For example, a business owner named Sarah learned that her property might be condemned for a road-widening project, and that the city would make a definite decision within sixty days. In this situation, nothing Sarah could do would alter future events. Moreover, if her property was condemned, she would have more than a year to make a move. Thus it made sense not to invest time and energy on a decision about where to move until the need to move was confirmed.

A good guideline to observe is not to make a decision if you are subject to outside events that you cannot control, especially if you will have time to react after the events become clear. On the other hand, when General George Patton, during the Battle of the Bulge, learned of a possible German counterattack, he immediately began planning three courses of action, because he knew that if he waited until the size and scope of the counterattack was confirmed, it would be too late to take effective action. Timeliness is an important part of an effective decision making process. As the Lord told Moses, “You have stayed long enough at this mountain. Turn and set your journey” (Deuteronomy 1:8, NASB).

Within your organization, establish a simple process that determines who should make decisions, and a time frame for making them, and then communicate the process to your staff. A process for governing financial decisions, for example, might include the establishment of spending limits that allow individual managers to make decisions within certain parameters. Larger expenditures or off-budget items would typically be referred to senior management for approval.

A restaurant owner I worked with used to ask each waiter to consult with him whenever a meal wasn't satisfactory and an adjustment needed be made to a customer's check. I asked him how often he failed to approve an adjustment. "Never," he said. I suggested that he delegate the decision making to his wait staff, thereby accomplishing two things: Customers received an immediate adjustment, and the owner wasn't forced to deal with refunds he was going to approve anyway. In some businesses, salespeople are allowed to use their own discretion to offer reduced pricing based on volume or competitive situations.

Establish policies and guidelines for decision making at every job level, and clearly communicate them to your employees. A policy is something that is either always done or never done. For example, a retailer may establish a policy that no refunds will be allowed, that only a store credit will be offered for returns. Guidelines, on the other hand, allow for some discretion on the part of the employee.

Decision making guidelines should take into account the experience or expertise required to make effective decisions, and the magnitude of possible ramifications if a poor decision is made. For example, a credit clerk may be given the authority to grant credit lines under $5,000 if the application meets the company's requirements, but the credit manager might reserve the right to approve accounts up to $50,000, and the chief financial officer might be required to sign off on any larger credit lines.

As a general rule, decisions should be made at the lowest possible level of a company, to maximize speed and avoid bottlenecks. This is consistent with the apostle Paul's advice to "shun foolish controversies" (Titus 3:9, NASB). I have had clients who insisted on making every decision in their business—resulting in gigantic bottlenecks, organizational paralysis, and unhappy customers. Instead of creating great decisions based on the owner's expertise, the result was usually slow decisions or no decisions, to the detriment of the business.

In group decision making, colleagues will assume one of four roles; they will advise, concur, furnish input, or make the decision. For example, a committee, group, or department may do research and advise a course of action for a decision maker. When a group is given this role, they must be given guidelines that govern what they are to propose, by when, and under what parameters. In one case, a committee was asked to recommend an advertising budget for a new product launch. Unfortunately, the proposed budget was three times higher than expected by the CEO. A lot of time would have been saved if the CEO had established a spending guideline up front. Advisors must also understand that although their recommendations are important, the final decision will be made by someone else.

At times, managers will reserve the right to concur with a decision before it is finalized. Managers in this role have the right to veto a decision, if necessary. For example, in the past, I maintained a right to veto the hiring of key staff members, even when they didn't report to me directly. Though I rarely used my right to veto, I believed it was important as a safeguard.

Sometimes, staff members will be asked to furnish input to a decision, even though someone else will be making the decision. For example, when a new credit policy is being considered, the sales team may be asked for input to gauge customer reaction, but the decision will ultimately be made by the accounting department.

At times, recommendations or advice will not be taken. To avoid conflict or ruffled feathers, your decision making guidelines should make it clear what each person's role will be in the process. Although several people may offer advice, furnish input, or have a veto, the responsibility for the decision ultimately rests with the decision maker.

Speed is also an important factor in decision making. A good decision made quickly is better then the best possible decision made at a snail's pace. Several key questions will determine how quickly a decision can responsibly be made: Is time my friend or my enemy? Do I have the information necessary to make a decision? Do I understand the consequences of the decision?

If, for example, an increase in the cost of steel affects your bottom line, you will need to act promptly to determine whether you must absorb the higher costs or can pass the increase along to your customers—and if so, how much of it. Every day of delay before a decision is made is one more day of absorbing the cost. The prophet Jeremiah pointed out, “Pharaoh king of Egypt . . . has missed his opportunity” (Jeremiah 46:17, NIV). Lost time may also be lost opportunity.

If you need more information before you can make a decision, determine who will get the information, and by when, to avoid drifting. When facing the steel price hike, you may want to know if you can substitute lower-cost materials. Are competitors raising prices? Getting the information you need in a timely manner will allow you to move forward.

Consider how easily a wrong decision can be reversed. Hiring a landscaping or cleaning company without a long-term contract, for example, can be quickly changed if the service is poor. Spending too much time on such a decision would be pointless. However, other decisions may have huge long-term consequences and can not easily be reversed.

In today’s besieged auto industry, Ford and GM have taken differing roads. GM is keeping their focus on larger vehicles and SUVs, believing that gasoline prices won’t be a major long-term problem for their customers. They believe that customers still want, and will buy these less fuel-efficient vehicles. Ford meanwhile had focused much more attention on hybrid and fuel-efficient cars. If in eighteen months GM or Ford sees that their earlier decision was wrong, the results may be catastrophic. Joshua said, “You are accountable for this decision” (Joshua 24:22, NLT). Every decision will bring results, either positive or negative.

Finally, when a decision has been made, don’t change it without a compelling reason. Leaders who consistently waffle, start and stop, or change directions, will confuse and demoralize their staff. If you receive new information, or see you were clearly wrong, then by all means change directions. Otherwise, holding a reasonable course is often best. King Solomon wrote “If you wait for perfect conditions, you will never get anything done” (Ecclesiastes 11:4, NLT). When we embrace an orderly decision making process, we avoid analysis paralysis and get things done.

Key questions to ask when making decisions:
•Do I have the information needed to make the decision?
•Is time my friend or my enemy in making this decision? •What are the consequences of the

decision?
•What recommendations do I need? •Who has the authority to veto the decision?
•Can a wrong decision easily be changed? •Do I need more information or specialized expertise? •Who has the authority and responsibility to make the decision?

Steve Marr, Your Christian Business Coach