



August 2009

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What is the Decision Leader Review?

This monthly publication brings you current research and information in the area of business decision making. You'll find new concepts and ideas you can put to use immediately to improve the quality and speed of your strategic and tactical decision making activities.

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Decision Quality – *Using relevant, accurate and reliable information*

Last month we discussed the third element of Decision Quality - Applying a logically correct decision analysis. If you missed this article, [click here to access it](#). This month we address the fourth element of decision quality: *Using relevant, accurate and reliable information*.

Every decision carries with it some degree of risk, but difficult decisions often involve one or more key uncertainties relating to **decision information**. These uncertainties are usually about what we *don't know*. And what we don't know can hurt us, especially if we fail to incorporate it into our decision making process.

There are three factors related to information uncertainty which affect virtually every situation where a decision or judgment must be made:

- The type of information uncertainty
- The tolerance for risk that is acceptable for the decision
- The choice of risk reduction tactics to deal with the uncertainty



Four Types of Information Uncertainty

There are four types of information uncertainty that frequently find their way into decision situations:

- **Missing information** - information that is vital in determining the viability of one or more decision alternatives.
- **Unreliable information** - information that may be untrustworthy. This might be because of its source, age or complexity.
- **Irrelevant information** - information that is deemed important, but which ultimately has no material impact on the decision analysis.
- **Complex information** - information that is too complex, complicated or technical to understand inside the context of the decision situation.

Of these, the most difficult to handle is unreliable information. In working with hundreds of executives, managers and business teams, we've learned to quickly recognize situations where information may not be trustworthy. These situations often include the following characteristics:

- Guesses masquerading as estimates ("*Our plan can probably reduce operating expenses by 30%*").
- Information given, where the source or documentation cannot be produced ("*I'll send you that report next week. It has all the documentation*").
- Information that is withheld until the 11th hour of a decision process ("*Rick just revealed some information which changes everything...*"). Information withheld for any reason is suspect, but that which is revealed at the last possible minute should be carefully scrutinized.
- Information that is vaguely stated ("*We think you'll get a huge lift from the new product development process.*").

Information Uncertainties - Strategies for the Decision Maker

Here are some useful tactics to deal with information uncertainty and risk:

- **Communicate your assumptions** - relative to the uncertain information, make reasonable assumptions, document them and share with those who need to approve your decision. (*note from Editor: the dictionary definition of assumption is "a statement that is assumed to be true and from which a conclusion can be drawn"*).
- **Share the decision** - partner with another person or party to strengthen the information gathering and analysis.
- **Seek more information** - gain more knowledge, in hopes of learning something new that will clarify the best choice of action.
- **Seek the advice of a third party or expert** - for the same reason as above.
- **Quantify the probabilities of decision outcomes** - to clarify the odds of a positive or negative outcome.

In addition to the tactics above, we believe there are two key elements that, when utilized, minimize the risks and uncertainties in most high stakes decision situations:

1. **Clearly define decision roles** early in the process (see [the June 2009 Decision Leader Review](#) for more information on this).
2. **Use a decision process that incorporates risk reduction and mitigation.** Make sure sound risk reduction strategies are included in your analysis, and make the process visible

to all stakeholders. The Decision Focus® decision making tools contain steps to identify and mitigate risks and uncertainties inherent in the situation at hand.

Specifically, the tools of Decision Analysis and Problem Prevention focus on risks involved in choosing or prioritizing decision alternatives, and executing the decision in the targeted environment. They help you identify uncertainties, understand the various outcomes that might unfold, and gauge the likelihood and impact of each possible adverse event. The net result is an accurate assessment of decision uncertainties, a rational, proactive approach to manage risk and a high quality decision outcome.

The Idea in Practice

Which kind of information uncertainty is most likely to impact your next high stakes decision?
Which tactic listed above can help you manage this?

Next month we focus on the fifth element of Decision Quality - *Commit to the decision and take action.*

News



Coming soon - Decision Focus 7.0

This new software version has many features designed to help you make the best decisions possible. We've also included new communication tools, including a "one-click" executive summary feature that lets you create a fully formatted text summary of your Decision Focus analysis - instantly. [Click here for an overview of version 7 \(pdf format\)](#)

Quote of the Month

"An absolute can only be given in an intuition, while all the rest has to do with analysis."

-Henri Bergson
