



July 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.

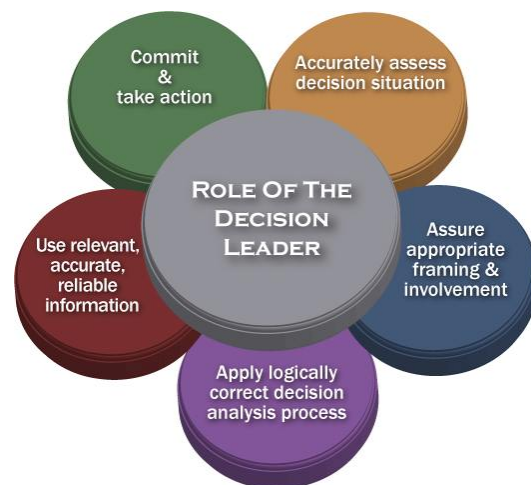
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Decision Quality - *Applying a Logically Correct Decision Analysis*

This month we focus on the third element of Decision Quality: *Applying a logically correct decision analysis*. This means:

- Understanding that different decision scenarios require different analysis methods.
- Choosing an analysis method that is best able to result in a high quality decision outcome.

Knowing how to use and apply the chosen decision analysis method.



This is a critical element of decision quality, because many things can go wrong if a sound decision process is not used:

- Flawed logic leads to the wrong decision conclusion.
- The analysis may be too cumbersome to reach a timely decision.
- Intuition replaces reasoning.

Perhaps most importantly, flaws in decision logic will ultimately be exposed at the most embarrassing time - when the decision is reviewed by executive and management sponsors who must approve the recommended course of action.

When it comes to approving decision recommendations, executives have one non-negotiable need - to know that the recommended course of action is based on sound, defensible reasoning. Decision recommenders need to explain their rationale in a way that communicates rapid understanding of the decision logic. Decision approvers want to know that sound facts and assumptions are used, multiple options are evaluated, and that the analysis is complete and correct.

Choosing the Right Decision Analysis Method

As the complexities of a decision situation grow larger, so too does the need for the correct process. The process should allow you to accurately assess the decision situation, apply sound reasoning and logic, be visible and easy to communicate. It should also minimize the many biases that can pollute decision thinking, especially in group situations. Bias - a distortion that affects judgment - can quickly cause good decision making to go bad. Some of the more common decision making biases are:

Individual Biases

- *Confirmation bias* - tendency to interpret information in a way that confirms one's preconceptions.
- *Status quo bias* - favoring alternatives that perpetuate the status quo.
- *Recency bias* - tendency to place more attention on more recent information and ignore or forget more distant information.
- *Selective search for evidence bias* - tendency to gather information that supports certain conclusions but disregard other facts that support different conclusions.
- *Information bias* - tendency to seek information even when it cannot affect action.
- *Source credibility bias* - rejecting something if we have a bias against the person, organization, or group to which the person belongs. We are inclined to accept a statement by someone we like.
- *Anchoring bias* - decisions are unduly influenced by initial information that shapes our view of subsequent information.

Group Biases

- *Group think bias* - peer pressure to conform to the opinions held by the group.
- *Loss aversion bias* - tendency for people and groups to strongly prefer avoiding losses over acquiring gains.
- *Focusing bias* - tendency for groups to place too much importance on one aspect of a decision and placing too little value on other salient factors.

- *False consensus bias - tendency for people and groups to overestimate the degree to which others will agree with them.*
- *Illusion of control bias - tendency for groups to believe they can control or at least influence outcomes that they clearly cannot.*

One of the most frustrating aspects of these decision biases is that we are often completely unaware of their existence in the way we analyze decisions. And the higher the stakes, the more likely we will fall victim to one or more of these destructive habits.

Although we can't eliminate these biases, there are effective strategies to minimize their impact. The best protection against the decision traps listed above is to be aware that they exist and that they are real. Second, you can choose a decision making process that uncovers errors in thinking before they become disasters in judgment.

The Decision Focus tool of Decision Analysis is one example of a logically correct approach to decision making. It is based on the rational model of choice, which hangs on the three key elements of sound decision thinking; identifying and prioritizing decision criteria, comparing alternative courses of action, and controlling risk.

The Idea in Practice

1. Think of an important issue or decision you are involved in, preferably as part of a group or team.
2. Review the biases above. Which decision traps are you most likely to fall into?
3. What tactics can you use to eliminate these?

Next month we focus on the fourth element of Decision Quality: *Using relevant, accurate and reliable information.*

News

Decision Focus 7.0

The final beta testing for Decision Focus 7.0 Software is complete and August 1, 2009 has been selected as the official release date for this new product. Look for complete information and upgrade offers in the August Decision Leader Review.



Quote of the Month

"Unless a decision has 'degenerated into work', it is not a decision. It is at best a good intention."

- Peter Drucker
