



July 2010

[Decision Leader Review](#)
[How to Handle High Impact Decisions](#)
[Quote of the Month](#)

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.

Word count: 792 - Time to Read: 3 min.

How to Handle High Impact Decisions

This month we kick off a four part series on how to handle high impact decisions inside organizations. We'll look at what defines a decision as high impact, what makes these decisions difficult to manage, and what approaches you can take to achieve the best outcomes in these high stakes situations.

Anyone in a position of authority has felt the pain of an important decision gone bad. Consequences range from failed outcomes and poor operational results to damaged reputations and in some cases, damaged careers.

The Decision Pyramid

People in organizations deal with hundreds of decisions on a regular basis. We can categorize these decisions in this way:

Routine decisions are frequent, easy, "everyday" business decisions. They require little analysis or collaboration with others and their impact is generally limited. Examples:

- How should I respond to a customer request?
- Which are my highest priority projects this week?
- When should I begin a project in order to complete it by Friday?
- Which one of my direct reports should I assign this project to?



Routine decisions require minimal decision making time - the time clock on these decisions is measured mostly in minutes and in some cases, hours. Choices are based on our knowledge of the situation, experience with similar decisions, intuition or a combination of the three.

Significant decisions are those where the stakes are higher and the consequences of making a wrong choice more severe. These decisions typically involve multiple people in the analysis process, and usually require approval from a higher authority. Examples:

- Select the best supplier for a critical component.
- Determine the best way to meet production goals for next quarter.
- Decide on the best design for a new medical instrument.
- Choose which company site to manufacture a product.

Significant decisions require more time, effort, and collaboration. Decision making time is measured in days, weeks, and in some cases, months.

Strategic decisions affect the course and long term success of a product, profit center, or entire organization. These are the key decisions which require the best thinking the organization can provide, and will be reviewed and debated at the highest levels. Examples:

- Decide whether to enter a new market.
- Choose the best distribution partner to expand services to a new part of the world.
- Decide whether to retain a key function in-house or outsource it.
- Determine whether or not to merge with another organization.

These decisions are approached with great care, since their consequences reach far and wide. Strategic decisions are typically confined to the senior executive team. Some may involve others in the management team, especially for intelligence gathering, analysis and due diligence. Strategic decisions require weeks, months, and in some cases, years.

High Impact Decisions

When we refer to a decision as "high impact", we are referring to **both significant decisions and strategic decisions**. To determine the impact profile of a particular decision, look for the characteristics below. The more they are present in a given decision situation, the higher up in the decision pyramid they belong:

- The decision has significant financial impact; either the size of the decision, the cost of implementation or the size of the expected benefit.
- Implementation of the decision is complex or will require a long timeline.
- The decision has cross functional impact / ownership / execution.
- Long term advocacy positions are involved (factions "dug in" to one option or solution alternative).
- The decision is highly complex, either technically or analytically.
- The costs and consequences of changing or reversing the decision are high.
- The decision recommendation team is physically dispersed.
- More than one leader has the "D" (decision making authority), or thinks they have the "D".
- The decision recommendation project has been delegated or assigned by a senior level team.
- The likelihood of disagreement over the decision outcome is high.

What makes these kinds of decisions difficult?

Anyone who has been involved in a high impact decision situation knows there are many "moving parts" that must be managed in order for a successful outcome. If these are not handled well, the situation can quickly deteriorate into chaos.

In these situations, it's imperative that both the analytical factors and the organizational factors are handled with care. Next month we'll look at each of these in more detail, and outline several strategies you can take to increase the chances for success in your next high stakes decision project.

The Idea in Practice

Identify one high impact decision you are currently facing. How many of the characteristics above describe this decision environment? Which of these make the decision difficult to manage?

Quote of the Month

"Management means, in the last analysis, the substitution of thought for brawn and muscle, knowledge for superstition and cooperation for force."

- Peter Drucker
