

BUSINESS LIFE

How to make good decisions - A BEGINNER'S GUIDE TO DECISION THEORY BOOK REVIEW: Two books offer contrasting ideas on improving organizational choices, says Simon London.

By SIMON LONDON

Mathematicians have been fascinated by decision-making since Daniel Bernoulli wowed 18th-century Basel with his theory of expected value (see below). Early students of management were also quick to realize the practical importance of how decisions get made. The Effective Executive (1966), Peter Drucker's seminal treatise on how to get things done, contains a sage chapter on the subject.

Those well versed in decision theory and practice will find little new meat in two new books on the subject: *Why Great Leaders Don't Take Yes For An Answer*, by Michael Roberto, a professor at Harvard Business School, and *The Right Decision Every Time*, by Luda Kopeikina, a former General Electric executive. The rest of us, however, would be well advised to browse through one or both.

Roberto argues that the key to good decision-making is maintaining a balance between dissent and consensus. As Bernoulli would have confirmed, the right decision is more likely if all options have been thoroughly explored. This is easier in an environment that encourages dissent and tolerates discord.

Yet too much discord is destructive. Once a final decision has been reached, efficiency requires that an organization rallies behind it. The job of any leader is to create an organization that resembles the Balkans before a decision and Switzerland after the event.

Roberto studied dozens of debacles and tragedies, ranging from the Columbia space shuttle disaster to the commercially disastrous launch of New Coke. In each case he found a singular lack of candour, conflict and debate in the run-up to fateful decisions. Options were not fully discussed, consequences not fully explored.

In *The Right Decision Every Time*, Kopeikina is less concerned with group dynamics than the ability of individual decision-makers to focus on what really matters. As star athletes spend hours each week in training, so star decision-makers (she cites corporate chiefs such as Jack Welch, her former boss at GE, and Larry Bossidy, former chief executive of AlliedSignal) improve their skills through "continuous scrutiny of their decisions and continuous improvement on what they have done in the past".

There is good sense in this. An oft-repeated Druckerism is that a good decision process should include a mechanism for testing decisions against outcomes. There would be fewer bad decisions if organizations (and individual managers) were mature enough to examine the process that led to important decisions, good and bad.

Yet it is hard to imagine Drucker waxing lyrical about a state of "perfect clarity" and "mastery" that can arise from such diligence. It is no surprise to learn that Kopeikina conducted her research while a visiting scholar at the Massachusetts Institute of Technology's Sloan School of Management, academic home to Peter Senge, author of *The Fifth Discipline* (1990) and proponent of the Zen-like idea that successful management is a matter of "personal mastery".

Whether you swallow this variety of management advice is a matter of taste. Like oysters, it is either a rare delicacy or an overrated bag of brine. Love it or loathe it.

While their approaches are very different, Roberto and Kopeikina start from a common premise: the quality of organizational decisions can be improved, if managers would pay more attention to decision-making processes.

Yet anecdotal evidence suggests that few organizations have heeded the advice. More than 300 years after Bernoulli and nearly 40 since the publication of *The Effective Executive*, many big decisions are made on the basis of partial information and in an atmosphere of don't-rock-the-boat.

The lesson? It is not enough for managers to decide to hone decision-making processes. They need to carry out that decision.