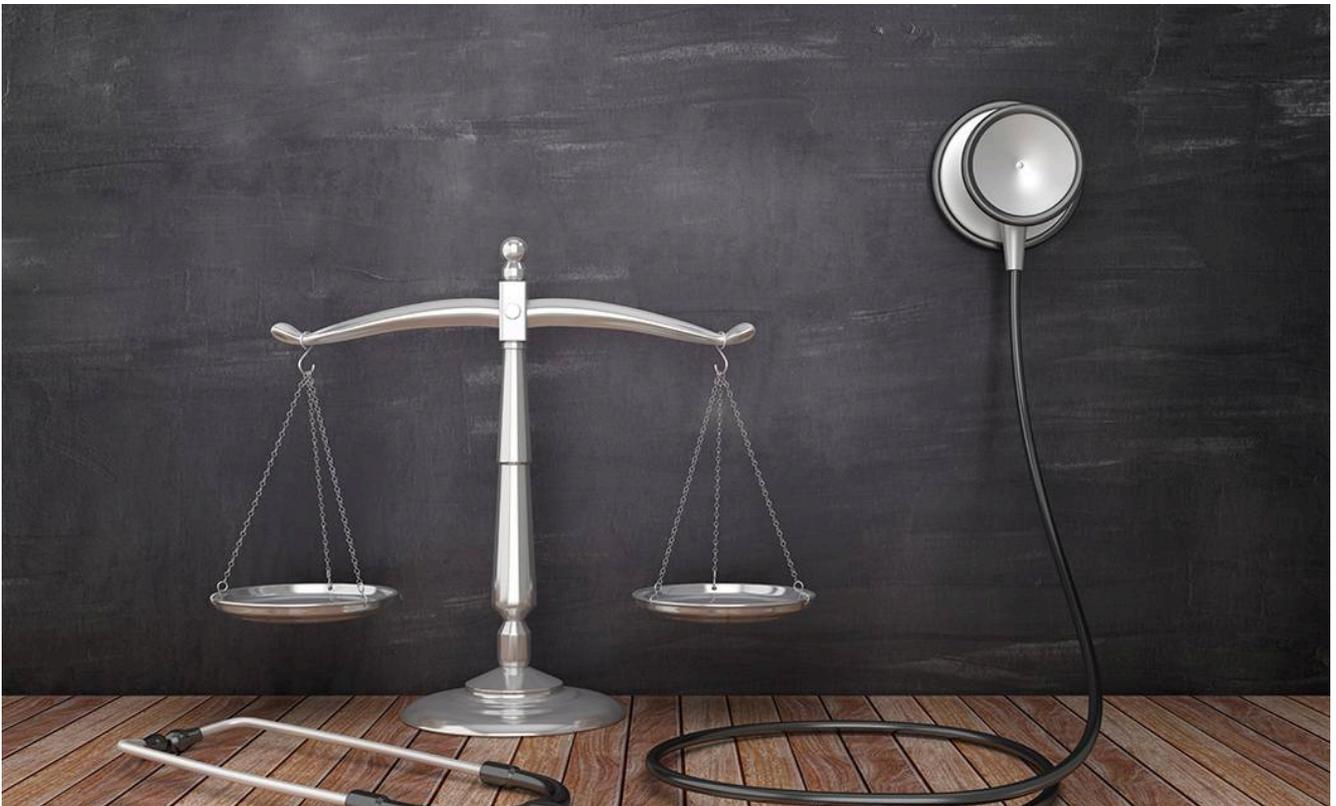


Check the health of your decision-making

The COVID-19 pandemic means it's resolutely not business as usual for companies across the globe. But the rules of excellent decision-making hold firm while everything else changes.



May 22, 2020

- **To make better decisions, you should always be aware of your own and others' biases.**
- **Tools such as decision trees can help you structure problems, weigh alternatives and calculate risks.**

- **The number of options we offer the customer should be adjusted according to certain variables, such as culture, gender, age, expertise or type of product.**

Good decision-making has always been an essential management skill, informing everything from a company's culture to its long-term strategy. In times of crisis, a firm's decisions send a message to the world about corporate values.

Although popular culture may still celebrate the idea of the lone, heroic businessman, who ignores what everyone else is telling him and follows his own heart to save the day, in the real world, making decisions is a skill that needs to be intentionally honed and constantly checked against the advice of others. Going by your gut is not enough. Here's a round-up of sound advice for decision-makers.

Beating your biases

An ever-growing body of research in decision analysis examines how heuristics — i.e., mental shortcuts to make a complex situation easier to grasp — can lead to falling back on ingrained biases that actually result in less effective decision-making.

In their book [*Wonderful Decisions*](#), professors [Roberto Garcia-Castro](#) and [Miguel Angel Ariño](#) first explore how dreadful decisions too often happen, by teasing out the most common biases, blind spots and heuristics that get in the way of optimal decision-making.

The authors' idea of wonderful decisions encompasses three parameters that also determine organizational quality: effectiveness, attractiveness and unity. The first of those parameters, they admit, is often prioritized to the exclusion of the other two. Yet attractiveness, which expresses the intrinsic or extrinsic satisfaction that members feel in belonging to an organization, and unity, members' identification with their organization, are just as important.

In a separate book, Ariño and [Pablo Maella](#) look at some key biases up close, identifying **10 of the most common decision-making errors**. These include inaction — holding out for the perfect choice that may not exist — along with failing to face reality. When COVID-19 spread around the world in early 2020, many governments struggled with these biases in particular, doubling down into denial even as the cases of infection multiplied. Another common decision-making bias is not following through once a choice has been made, undermining the decision itself.

Deciding in difficult times

The need to approach decisions clear-sightedly is [even more important in VUCA times](#), defined as volatile, uncertain, complex and ambiguous. Clearly, we are going through such times at the moment.

[Fred Krawchuk](#), who came to management teaching after a military career that took him to the Balkans, Afghanistan and Iraq, [specifically addresses the ways](#) in which VUCA times are different. He suggests structuring a company, and deploying a specific team, to make sure that the company's core is in touch with its more peripheral or "edge" activities for better decision-making. When running into a serious obstacle, it often isn't enough to work harder or throw more resources at the problem; it requires a significant rethink of how things are done. Krawchuk also addresses the values and behaviors that need to be aligned on an individual and organizational level to face VUCA times.

Neuroscience and decisions

Of course, it isn't just managers who find decision-making difficult. A great deal of research into decision-making focuses on consumers and the cognitive factors that influence their choices. [A famous study by Sheena Iyengar](#) showed that customers who were presented with limited kinds of jam were more likely to buy one, while customers faced with an overload of choices were likely to leave the store with nothing.

IESE's [Elena Reutskaja](#) and co-authors delve further into the neuroscience of such decisions, [using MRI scans to visibly demonstrate the "cost of choice" on the human brain](#). Customers, they conclude, want to "have adequate choice, experience freedom and control [and don't want to feel] overwhelmed by the whole process." It's a search for a "golden middle" between too little and too much, which this research suggests may be found between 8 and 15 items, depending on factors such as the consumer's age, expertise, culture, gender and product type. Brain scans bear this out.

Ethical and holistic decision-making

But what about ethical questions and making virtuous decisions? Natàlia Cugueró-Escofet and [Josep M. Rosanas](#) [look at the role of two classical virtues – justice and practical wisdom](#) – in sustainable management decisions. They conclude that, of the two, justice is

more important for leaders in order to set objectives and prioritize, and, thus, make better decisions overall. In fact, justice comes first because this virtue makes it more likely that practical wisdom — which works on attaining objectives in an appropriate way — is then developed, piling virtue upon virtue.

With so much to take into account, how should decision-makers move forward? [Rafael de Santiago](#) suggests diagramming difficult decisions, [in an article that shows how to use decision trees](#) and expected value to improve decision-making processes, and also suggests ways to limit the influences of biases, from knowing your weaknesses, to maintaining a healthy balance of risk profiles, to avoiding making key decisions on the spot. Treat decisions as a process, rather than an event, he urges.

In crises, as in more stable circumstances, the fundamentals of good decision-making remain the same. Check your biases, do your homework, consider the impact on others, and keep aligned with your organization's mission to show you the way forward.

MORE INFO

[What do we have to lose? Risk compensation during a pandemic](#), Talamas, Eduard.

[In data we trust? A manager's guide to understanding quantitative methods](#), Canela, Miguel Ángel; Alegre, Inés; Ibarra, Alberto.

[Inspire, diverge, converge: 3 steps to better decisions](#), Stremersch, Stefan.

[Probability or price? Form matters when it comes to risk](#), Müller-Trede, Johannes; Sher, Shlomi; McKenzie, Craig R. M.

[Blowing the budget: analytics, risk and the race to overspend](#), Güçlü, Burçin; Canela, Miguel Ángel.

www.iese.edu/insight