From the Sacramento Business Journal:
http://www.bizjournals.com/sacramento/stories/2009/07/13/smallb2.html

Eyes on business

Seek input to avoid bad decisions

Increase your awareness by encouraging information sharing

Premium content from Sacramento Business Journal - by Larry Mandelberg, Contributing writer

Date: Sunday, July 12, 2009, 9:00pm PDT

Decisions are what drive an organization. They are the pedal to the metal, the fuel in the tank.

The day begins with a decision about what to do, and ends with a decision about when to stop. Decisions are made about whether to do the work that needs to be done or to procrastinate. Decisions are how every organization functions.

What makes a good decision good and a bad decision bad?

Good decisions create positive results — results that are desired and anticipated. Bad decisions don't. Good decisions allow you to move forward to the next step. Bad decisions force you to stop and adjust.

Everyone makes mistakes, which makes mistakes inevitable. The trick is to minimize them as much as possible.

Remember the saying that a mistake is not really a mistake until you make it twice? The idea is to learn from our mistakes, just like the child that touches the hot stove because he doesn't believe it's hot. Mistakes are caused for many reasons. The important question is what can be done to minimize them.

The Major Mistakes

My partners and I recently went through a brainstorming exercise to identify the most common business mistakes. We identified, grouped and labeled 71 different examples. The groups with the most mistakes, in no particular order, are:

• Ineffective/inadequate planning

• Poor, limited, inconsistent communication with stakeholders

• Depending on market assumptions, not quality market research

• Judgment affected by emotion

• Not understanding or valuing employees

• Inadequate financial oversight

• Poor execution

Now that we had all the mistakes neatly sorted and categorized, we wanted to identify the underlying causes for them.

It is hard to believe people are making bad decisions on purpose. After all, most decision-makers are pretty smart. Something had to be off somewhere, either a critical piece of information or skill. That is where we went next.

Underlying causes

We began with the assumption that a general lack of knowledge was one of the primary causes. This made a lot of sense and covered a lot of bases, but we still had a problem. It was hard to believe most of the decision-makers were making bad decisions because they didn't have adequate knowledge. After all, we are talking about people with responsibility and authority. Theoretically, they should be pretty sharp, and in most cases, I think they are.

Then we had our first inspiration. The issue was not a lack of knowledge — it was lack of experience. When you haven't been through something, it's pretty hard to anticipate all the possible effects a decision can have.

We put those two causes into the mix and felt we were missing something. As we thought about our own experiences with bad decisions, we realized we had forgotten about emotion. Decision-makers make decisions based on emotion — not rational analysis, logic or experience —far too often. They make them because they want to. Emotion appeared to round out the triggers that led to less than ideal decisions.

We spent some time verifying our results and still felt we were missing something important. You don't get to a position of authority in an organization unless you are pretty capable; there had to be something else.

The Real Culprit

When you put four minds in a room to work on the same problem, good things usually happen. The real culprit behind bad decisions was lack of awareness.

When decision-makers know they need information, they usually go out and get it. When they don't have experience, they talk to someone that does. And when they find themselves being controlled by emotion, they either learn to control it in a positive manner or lose their job.

Knowledge, experience and emotion are factors. But the real problem was not recognizing a lack of knowledge, experience, or the impact emotion was having on their decisions until after the fact.

The Moral

When my wife tells me to look for something and I can't find it, it isn't because I don't want to find it, it's because I can't see it! It's a blind spot and the only way I am ever going to see it is if someone points it out to me.

That's what lack of awareness is like. When you aren't aware, you just aren't aware — and never will be until someone points it out to you. So what are you supposed to do when the lights are off and somebody's home but can't see? Be collaborative and avoid making decisions in a vacuum.

Everyone in an organization shares responsibility for being aware of goings on. It doesn't matter what their job is — everyone must contribute to the overall knowledge and awareness of the organization and take responsibility for ensuring that the right people are informed.

Don't poo-poo staff for sharing information with you; praise them for it. If it becomes too time consuming, ask them to send it in an e-mail, or post it on an internal blog, or on your Facebook business page — something, just don't ignore them.

Your ability to encourage information sharing is the key to your success and ability to avoid bad decisions — decisions that result in lost time and money and create frustration among your staff.

Recognize that you have limitations and embrace all the extra eyes, ears and minds you can get to productively work with you.

If you can do that, I guarantee you will end up making better decisions.

Larry Mandelberg is a principal of BullsEye Integration, helping companies reduce costs and improve leverage, making them stronger in these difficult economic times. He can be reached at Larry@BullsEyeIntegration.com or 916-798-0600.