



Better decision-making: It's all in the mind ... and gut

Use 'informed intuition' to improve your ability to make good decisions.

By Tim Smith

Principal

Mr. Ross, my seventh-grade math teacher, loved word problems.

More specifically, he loved to **confuse** us with word problems. Here's a sample of his handiwork:

"On a sunny afternoon, a 13-year old boy named Billy rode his 27-lb. bicycle from home straight to a park four miles away. He arrived at the park 24 minutes and 51 seconds later. At 4:53 p.m., after playing with his friends for 2 hours and 37 minutes, Billy noticed a storm quickly approaching. Ten minutes later, as rain began to fall, Billy mounted his bike for the ride home. If Billy's father can ride to the park five minutes faster than twice the time it takes for Billy's mother to drive there, how long will it take for Billy to ride home for dinner?"

See what I mean? Mr. Ross threw so many facts and figures at us that it was tough to figure out the question ... let alone the answer!

Somehow, I made it through seventh-grade math. But years later, I still see some business managers take a "Mr. Ross" approach to decision making for their companies.

Overwhelming themselves with data, they wind up paralyzed by information, unable to synthesize the facts and figures into a business rationale that makes sense. Their organizations suffer while they wait for one more report or the latest spreadsheet.

Comfortable, but not correct

Why do some people seem to want more and more data before making a decision? The biggest reason is comfort.



Adopting the 'informed intuition' style of decision-making can have a powerful, positive impact on your business – enabling you to move forward without uncertainty.

For example, I'm often asked to guide clients in clearly defining their company's business objectives. In many cases, that also means helping them to identify the key performance indicators they will use to measure progress.

It's not uncommon in these types of projects to work with a manager who can never get enough data. It makes

some people feel better to analyze the numbers and scour the reports again and again ... even if that effort isn't helping them understand a particular situation better or make better decisions.

In fact, studies have shown that while more data may make the decision-maker more confident, it often doesn't improve the accuracy of the decision. It may even lead to worse decisions if the additional data leads you off track and "into the weeds."

In other words, at some point in every decision process, there is a law of diminishing returns when it comes to analyzing information. Too much input can be worse than not enough ... not to mention that gathering and analyzing data takes time, and business requires nimble reactions.

On the other hand ...

There's another type of business manager out there, too – the exact opposite of our data-loving friends.

They manage solely by "gut feel." It's the way they've always worked, they say. Or, they'll assert that gathering information is too time-consuming or too much of a hassle.

Flying by the seat of their pants, they make decisions quickly and confidently – but often poorly, because they don't have the core, relevant facts in hand. And because others don't share the same intuition, it's difficult for anyone else to be a decision-maker. Everyone waits for the manager to call the shots ... and hopes they're called right.

Choose the middle ground

The best way to make a decision, obviously, is to take an approach that incorporates both data and your gut feel – which can best be defined as the subconscious combination of your experiences, skills and knowledge.

Some call it "informed intuition." You use your intuition to make decisions, but you feed it first with key, well-formed information.

In his bestseller "Blink," Malcolm Gladwell writes that great decision makers are not people who process the most information or spend the most time deliberating, but rather those who have perfected the ability to filter the very few factors that matter from an overwhelming number of variables.

That may sound obvious, but it's a powerful approach that very few of us practice when it comes to decision-making time.

Think about it. Intuition is not the product of rational, linear, step-by-step analysis where you examine various aspects of a problem and move from one point to the next, toward a conclusion.

When you use intuition, the answer arises without being preceded by logical steps. Your brain works holistically and considers things subconsciously that you can't quite put your finger on.



Give your mind time to process key data. The results are worth it.

But what if you fed your mind relevant, meaningful information, and then let your intuition take over? When solving a complex problem, you can't consciously juggle in your mind every experience and every tidbit of knowledge. But that information is stored in your brain for your mind to use.

And as Gladwell writes, effective decisions can be made very quickly if the decision-maker is filtering out all but the most important factors. Imagine the value to your business if everyone practiced informed intuition! You'd react faster, worry less, be more efficient and make better decisions, too.

So how much is enough?

It makes sense to "feed your brain" before putting your intuition to work on a business problem. But how much information is enough?

The answer, of course, will vary depending on the decision. Considering the acquisition of a competitor?

You want a lot of information. Considering the selection of new office products supplier? Not as much.

So before you seek out “brain food” for your decision-making process, ask yourself:

- How critical is this decision to our company's primary business objectives?
- How much will additional data change the “best possible decision” you could make right now?

Then, identify the key factors that can best guide your decision. Strive to keep the number of factors as small as possible, given the answers to the questions above.

For example, if you're choosing a new office products supplier, you might decide that the decision could be made on pricing, selection and service quality. And that you only need to include three potential suppliers in the selection process.

Once you have the data you identified, you probably have all you need to make an informed, accurate decision. No need to seek out additional information. Make a choice, and move on. You're practicing informed intuition!

More Information? If you'd like to learn more about using informed intuition to improve your company's decision-making processes for better productivity and profitability, please send an E-mail to info@plaidgroup.com, visit our web site at www.plaidgroup.com, or call us at 713-627-3569. The Plaid Group publishes a free bimonthly e-mail newsletter filled with insights and ideas you can use to enhance your company's operational performance, spur growth and increase bottom-line profits. To subscribe, change your e-mail address or unsubscribe, please visit www.plaidgroup.com/newsletters_subscribe.asp.

Author's Note: Tim Smith is a Principal with The Plaid Group. The Plaid Group helps companies simplify and stabilize their business operations to improve financial performance and gain a competitive edge.