Executive Briefing

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Right decisions do not always guarantee success

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FROM IESE INSIGHT

Making decisions and putting them into practice are the most important tasks, not just for executives, but for anyone going about their daily business. Making the right decision is fundamental for resolving problems as they appear. But in doing so, one must look beyond the specific difficulty at hand and analyze the repercussions the decision might have down the road.

IESE's Miguel Ángel Ariño and Pablo Maella stress that, in order to make a good decision, one must shed fears of not getting it right. In fact, a decision can have negative results but still not be wrong.

In their book, *Iceberg Spotted: Principles for Making Decisions Without Sinking*, the authors present four possible scenarios to illustrate the importance of embracing some basic principles when it comes to making a decision.

- A correct decision with favorable results is the ideal outcome, but this does not always happen.
- A correct decision with unfavorable results can stem from bad luck or an outside factor that is impossible to foresee. This kind of case provides for a learning experience that will make for better decisions in the future, and success will come eventually.
- A wrong decision with negative results also allows for learning, but one must do everything possible to prevent the situation from recurring.
- A wrong decision with favorable results is the most dangerous scenario, because errors will perpetuate themselves and eventually one’s luck will run out. And the performance of a business cannot depend on luck.

From these four possible situations it becomes clear that, in order to learn to make better decisions, the important thing is not the outcome but rather the process that leads to the making of a decision.

Define Goals, Be Realistic

Clearly establishing what it is one wants to achieve, setting ambitious goals and committing oneself to realizing them are basic elements for good decision making. In setting objectives, it is essential to prioritize properly in order to make sure that secondary issues are not confused with what really matters.

After setting goals, one has to be realistic. Many decisions are made on the basis of erroneous premises that are repeated so often that they come to be viewed as unquestionable truths. When a common consensus is the foundation of decision making, it will not go anywhere.

Being realistic means addressing problems in the right way. In other words, one has to focus on the main causes of the problem, asking what the underlying reasons are. This is the only way to reach an adequate solution.

Being realistic also means not trying to justify something that cannot be justified. Sometimes decisions are based on arguments that are convincing but far removed from reality. People can defend their actions and decisions with words, but resorting to sophism is the first step toward failure. Deluding oneself is one of the worst obstacles to good decision making.

One of the pillars of being realistic is to have all the information necessary for making the right decision. The more elements of analysis one has, the more possibilities there are for deciding correctly. However, the cost of information should never surpass the benefits that can be expected from the making of a decision.

Irrationality Also Plays a Part

Although the principles laid out in this book attempt to inject rationality and objectivity into the decision-making process, one must also keep in mind that irrationality also plays an important role. This means that decisions made in an intuitive fashion can sometimes work. But before making a decision in this way, it is a good idea to remember the following:

- Implementing the decision that is made must involve a controlled risk.
- This intuitive solution must be applied only after analyzing anything relevant that can, in fact, be analyzed.
- Regardless of whether things turn out well or badly, it is good to learn how to avoid possible mistakes in the future.

Time to Execute

Making decisions is a complex process. Assessing the different scenarios, considering all the variables and studying the possible repercussions of a decision take a considerable amount of time, especially if these tasks are done correctly.

For this reason, once the decision is made, it is necessary to implement it. If the decision is not executed, the time invested will be wasted, and time has a cost. What's more, failing to implement a decision that has been made inevitably leads to frustration, and this can have an effect on future decisions.

The authors also stress the importance of winning over allies when it comes to executing a decision. Many times, a good idea is not applied because someone within the organization views the decision as a threat to his or her department or self.

In order to avoid this situation, it may be necessary to educate others, to temper one's language according to the other party, and, above all, make the other side see the advantages they will reap from the application of the decision.

Even after following all of these principles, there is no guarantee that the results will be favorable. Making the right decision is not synonymous with success in the short term, and the correctness of a one-off decision cannot be measured in terms of results.

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