

DECISION- MAKER STUDY

**YOU CAN'T IMPROVE YOUR
DECISION-MAKING, IF YOU
DON'T KNOW HOW YOU DO IT.**

US Executives and how they make decisions

Winter 2018

 **paradoxes**
Research • Analytics • Positioning

Decisions dominate our lives, but how do we make them?

Look around today, and you'll see many different examples of leaders. Great ones, average ones, bad ones, and really awful ones.

What defines a leader? The competence of her/his decision-making.

Yet, what framework underlies how different leaders make decisions? Are there similarities in the processes great leaders use? Our team at Paradoxes got curious and decided to apply our craft to finding out. After all, helping clients make smarter decisions is what we do.

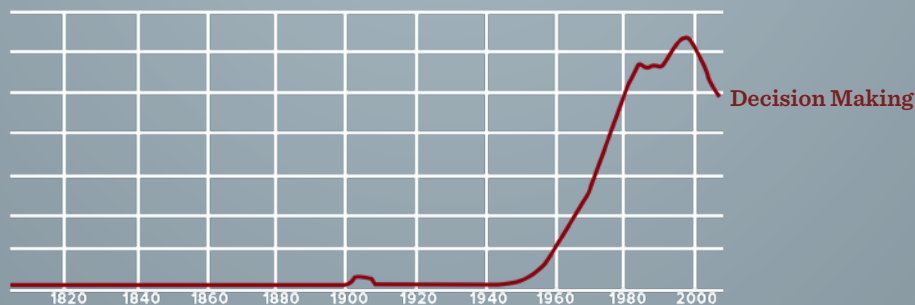
As researchers, we turned first to an exploration of existing data. According to research at Cornell University, the average American makes an astounding 30,000 to 50,000 conscious decisions each day. These decisions range from simple, inconsequential choices such as which shoes to wear, to mission critical business decisions that impact careers, stock prices, and whether companies perish or thrive.

How do leaders arrive at decisions?

Business leaders get paid well to make decisions, yet few can name a specific process they use. CxOs and other leaders must both make, and empower their teams to make, a plethora of decisions every day. However, our research indicates most do this without a formalized decision-making framework they can clearly reference or teach.

This further piqued our curiosity. How could so many organizations operate without a clearly articulated decision-making framework?

Upon reflection, we realized we also had never clearly articulated our own process for decision-making inside Paradoxes. And, while the body of knowledge on the topic advanced rapidly in the last century, the study of decision-making as an art and science has flatlined over the past few decades.



Mentions of "Decision Making" in English publications – 1800 to present: Google nGrams

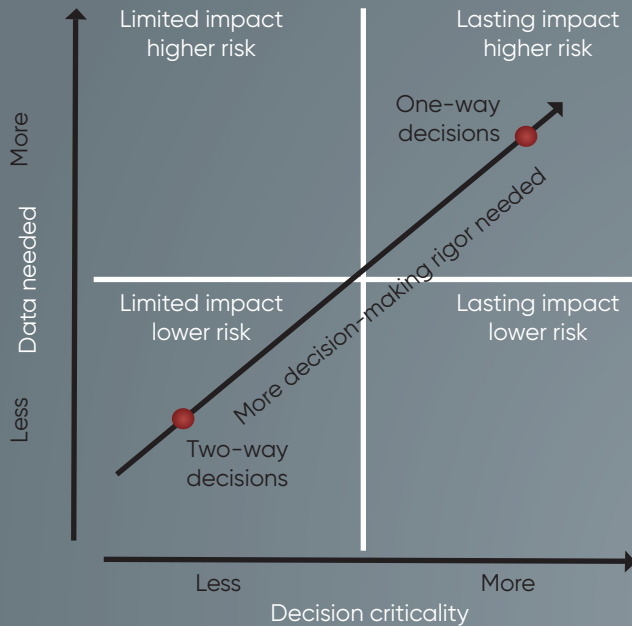


WE AT PARADOXES DECIDED IT WAS TIME TO ADVANCE THE CONVERSATION.

Since research is a key element of what we do, we decided to conduct a study to discover the decision-making methods, concepts, and best practices of executives in the business world today. Over the last year, we had one-on-one discussions with over two dozen business leaders and executives, and surveyed 170 more to gain a deep understanding of their decision-making process. Participants were from large and medium organizations in the technology, aerospace, retail, health care, and manufacturing sectors including brands such as Uber, Microsoft, Oculus Rift, DocuSign, Zodiac Aerospace, and Amazon. What emerged was a snapshot of how American business leaders make and think about decisions.

We were compelled by what we learned and have adopted key insights to guide our own decision-making. Our goal in sharing this research is to help you think about, and hone, your decision-making processes.

DECISION DIRECTIONALITY



There are different types of decisions: Strategic and Tactical

The first thing we found was executives organize their daily decisions into two camps: strategic and tactical. This was best exemplified by one of the stories we heard about how Amazon's Jeff Bezos makes decisions.

We were told Bezos breaks decisions into two categories; one-way doors (strategic) and two-way doors (tactical). Two-way door decisions are things you can easily unwind, like walking back through a door – such as the photo used on a web site, the office seating chart, etc.

One-way decisions are very difficult to change. These are things like naming, pricing, key hires, and retail location sites. While Bezos reportedly recommends relying on data in all cases, it becomes most critical to one-way decision-making. These are higher stake situations where a blind spot can have long-lasting and detrimental consequences.

“Leadership should be focused on one-way doors and delegate two-way doors.”

– Former Amazon Executive

The more critical the decision, the more rigorous your decision-making must become. This is where having the right framework defines the quality of leadership.

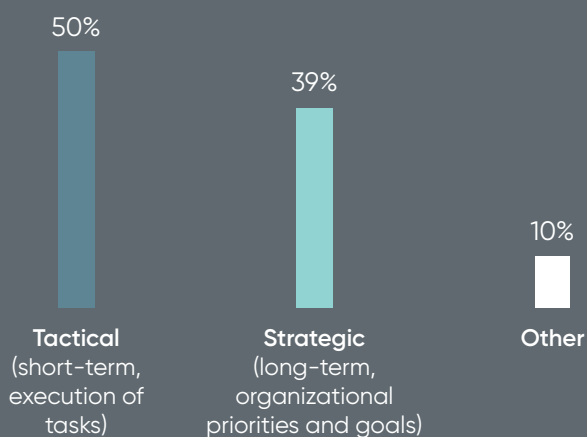
Common wisdom suggests executives spend most of their time on strategic decisions, and less on the tactical day-to-day. The data indicates exactly the opposite to be true. Half of an executive's time is taken up with short-term, tactical decisions and only 39 percent on the strategic or long-term.

“Most important for a CEO are the strategic decisions, namely – ‘who do you want to be?’ – it defines your whole business... If you define it wrong, you’re going to inevitably become something you don’t want to be...”

– Hany Elkordy, CEO, Zodiac Water & Waste AeroSystems

BREAKDOWN OF DECISION-MAKING EFFORTS

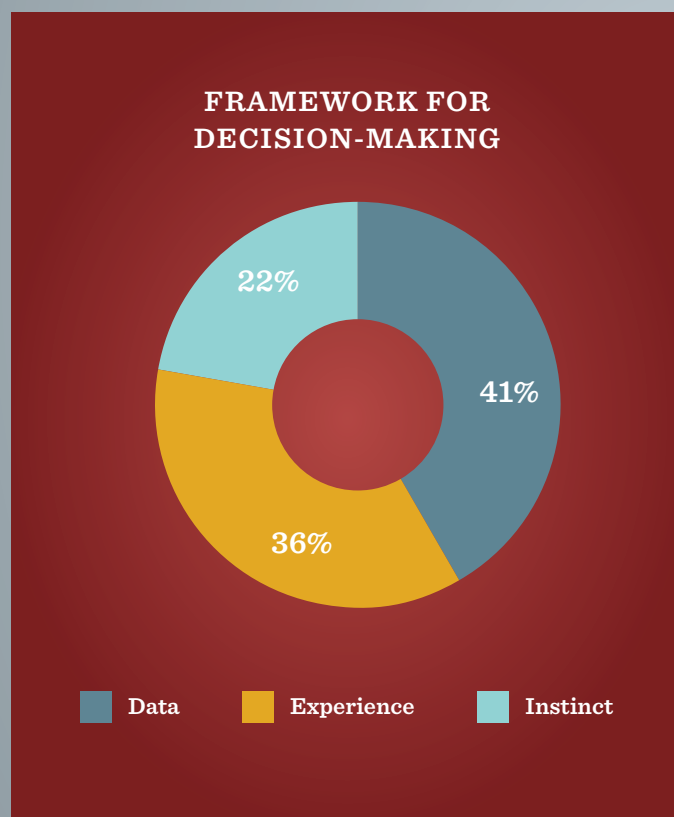
Time spent on tactical vs. strategic decisions



DATA, EXPERIENCE, INSTINCT

An informal framework for decision-making emerged from our research with business leaders. Some executives relied heavily on data, others defaulted to their experience, while still others relied on their instincts. Predominantly, most used a mix of all three elements.

When we asked business leaders to estimate the influence of each category on their decision-making, data and experience both played the largest roles.



However, while heavily leaning on data, different leaders expressed different views on their usage mix of data, experience and instinct in different situations.

“Tactical decisions are made based on data and experience. Strategic decisions are made on instinct, data, and experience and this is a big differentiation for effective leaders – effective leaders have good instincts to which they apply their experience and data.”

– Steve “Guggs” Guggenheimer, CVP, Microsoft

“If you have the data, the answer may be self-evident; if you don’t have data try and get it. Try pattern matching. Have I seen this decision in the past? What has gone right and wrong for me on this before? Has this been figured out by someone else? If needed, get expert advice.”

– Former Amazon Executive

“When we decided to move forward with Uber Black, it was 30% experience to know how to think through the process, 10% instinct, and 60% data. The data told us that the experiment was worth doing. The experiment told us the expansion was worth doing. The data told us the test expansion was successful.”

– Brent Calinicos, Former Uber CFO

The value of data in the decision-making of key leaders was almost double that of instinct. The importance of data played out in most of the research results, across successful executives in a myriad of organizations.

A few timely examples provide useful illustrations of how the spectrum of instinct-based to data-driven decision-making looks in the world today.

“No data is perfect. How you read the data is based on experience. With only so much time, you need to be looking at data in the most useful manner.”

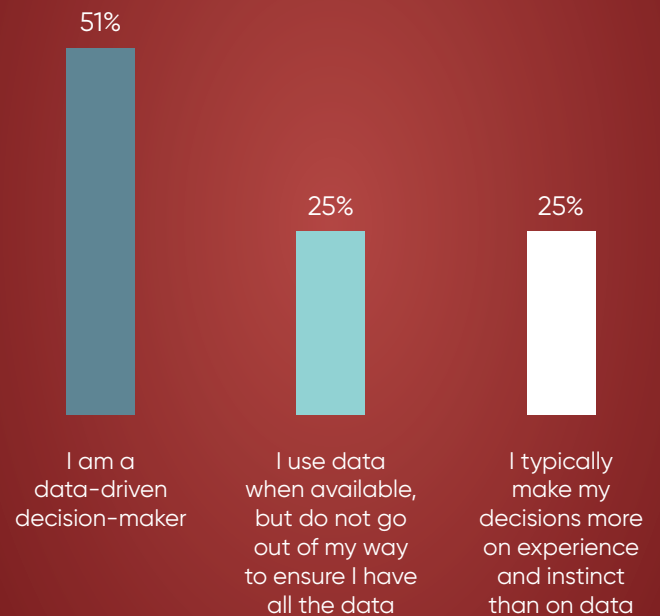
– Laird Malamed, GM Seattle & Founding COO, Oculus

“Your instinct is shaped by your experiences. One hardens the other.”

– James DeBragga, VP of Marketing, DocuSign

USING DATA WHEN MAKING DECISIONS

How do you use data when making decisions?



INSTINCT-BASED

Donald Trump won the U.S. Presidency with contrarian, instinct-based thinking. Pollsters and analysts, looking at massive troves of data, undervalued a voting cohort that he saw as important. By relying heavily on his instinct, he was able to win the White House. Much has been written about his process of reviewing polling numbers, economic reports and the like, and then discarding what does not agree with his instincts. If data doesn't fit into his internal narrative, he often disregards it as flawed or not indicative of reality. This approach, while successful in achieving his goal of winning the presidency, has been laden with ongoing controversy and continues to stir intense scrutiny regarding his effectiveness as a decision-maker.

DATA-DRIVEN

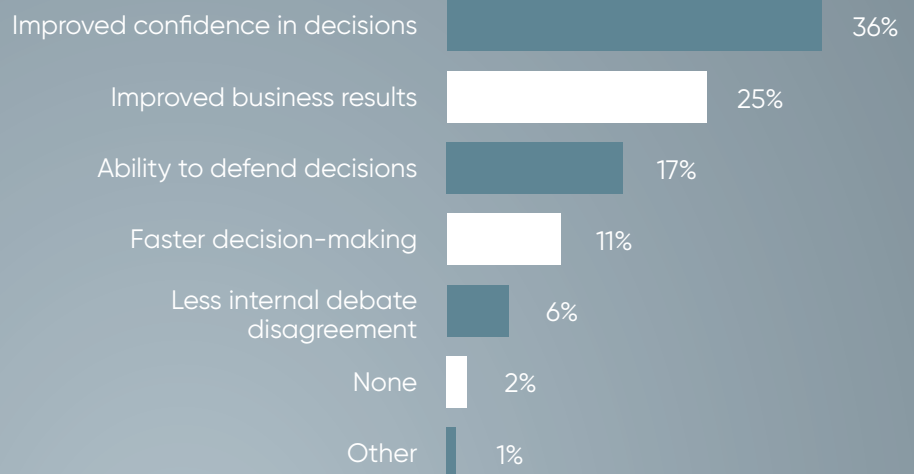
On the opposite end of the spectrum, Jeff Bezos at Amazon lives and breathes by what the hard numbers tell him. As previously discussed, his framework for decision-making is driven by decision criticality. His company has built a competitive advantage with the massive amounts of data they collect and leverage. Amazon has used its data expertise to disrupt industries as a common practice. This includes revolutionizing the world of book publishing, redefining the retail space, and turning the entertainment industry on its head by winning the company's first Oscar. Other internet giants like Facebook and Google have effectively leveraged data to achieve high levels of success.

Data-driven decision-makers attribute several important benefits to their practice. The highest percentage of executives feel its top value is in improving the confidence of their decision-making, while the next highest percentage feel the top benefit is in improving business results. The ability to defend decisions also rated as a top benefit.

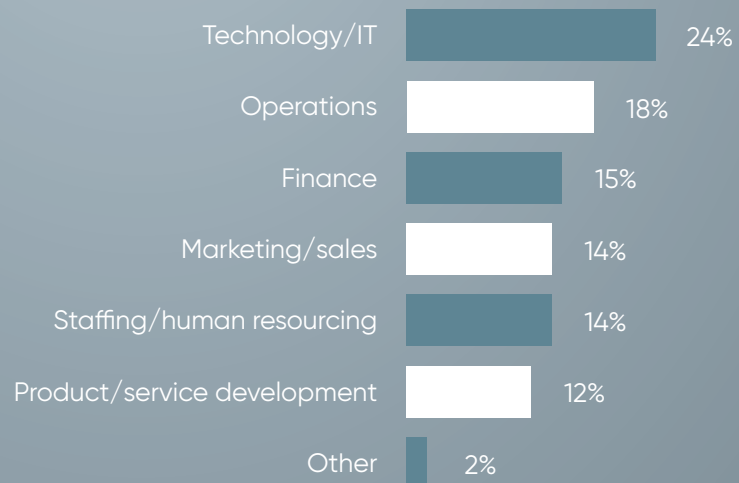
"You have to separate data from opinions – opinions are not helpful while data is."

– Steve "Guggs" Guggenheimer,
CVP, Microsoft

TOP BENEFIT WHEN USING DATA TO MAKE DECISIONS



TIME SPENT ON DECISIONS PER BUSINESS FUNCTION



THE TOUGHEST DECISIONS

Improving data quality is one of the top decision-making priorities for the majority of business leaders. This reflects a well-known challenge that nearly all companies face – poor data. One need not look far to see a shared trait among some of the world's most successful companies – a commitment to high quality data. Amazon, Google, Uber, Air BNB, Facebook, American Express, Citibank all list data quality as a key element of their DNA.

Related to this priority is the emphasis a high percentage of executives are placing on using data more effectively. One of the key benefits of using data – to make faster decisions – is also echoed here as a decision-making priority.

TOP DECISION-MAKING PRIORITIES

Looking forward to the next 12 months, what do you consider your top 3 decision-making priorities?



PARADOXES' 5 STEPS OF EXECUTIVE DECISION-MAKING

1

FOCUS THE QUESTION

- Decide what problem(s) you are solving

2

OBTAIN & ANALYZE DATA

- Qualitative – voice of the customer
- Quantitative – the numbers

3

EVALUATE WITH EXPERIENCE

- Have I or my peers seen this before?
- Pattern matching

4

FEEL IT

- Personal "gut-check"
- What do my instincts say?

5

MAKE DECISION

- Socialize decision
- Execute



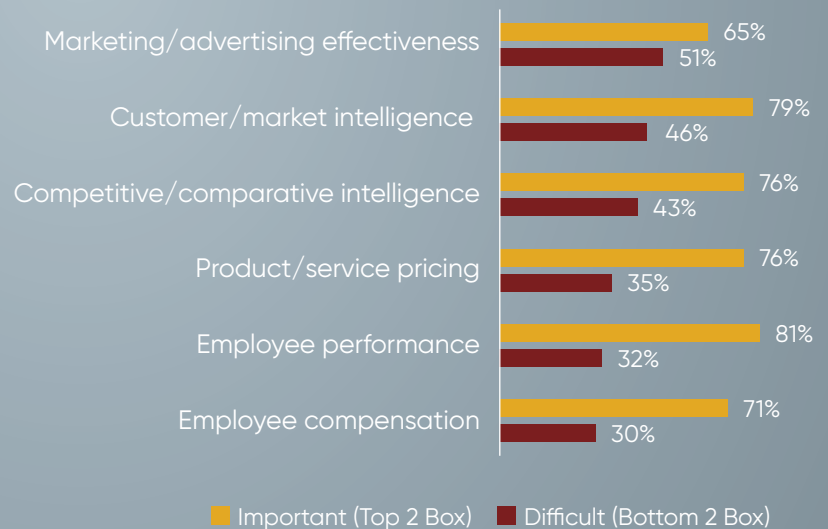
“Benchmarking data is always valuable – best in class, learn from those that are best in class and third-parties...”

– Brent Calinicos, Former Uber CFO

OBTAINING NEEDED DATA

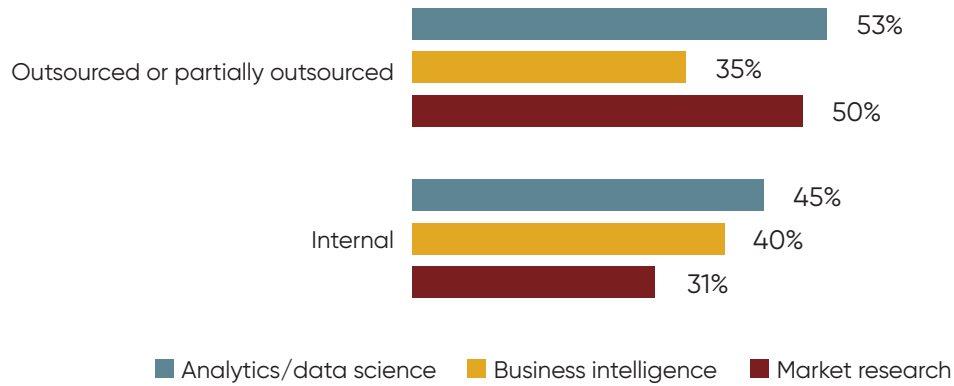
Companies are hungry for all categories of data, ranging from employee compensation to customer/market intelligence. At the same time, companies are finding the data they most desire is also the data that is most difficult to acquire. For example, customer/market intelligence was the most important data for business leaders, but it was also among the most difficult types of data to obtain.

HOW IMPORTANT AND DIFFICULT IS IT FOR ORGANIZATIONS TO ACQUIRE DATA ON...



To gather data on customers, markets and competitors, executives are using a combination of outsourcing and internal expertise. Data gathering is organized in three general areas: analytics/data science, business intelligence, and market research.

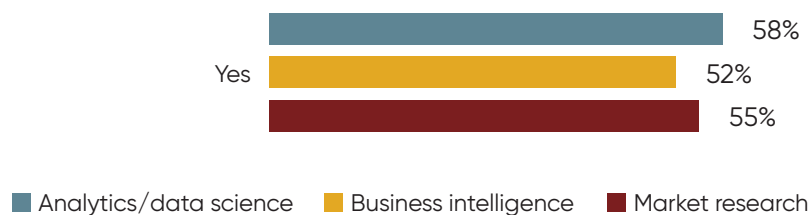
HOW COMPANIES OPERATE DATA-RELATED FUNCTIONS



Around one half of executives indicated they outsourced at least some of their analytics/data science and market research functions. Business intelligence is more likely to be handled internally.

Less than one-third of decision-makers said they relied exclusively on an internal market research team.

DOES YOUR COMPANY HAVE ANALYTICS, BI, AND/OR MARKET RESEARCH FUNCTIONS?



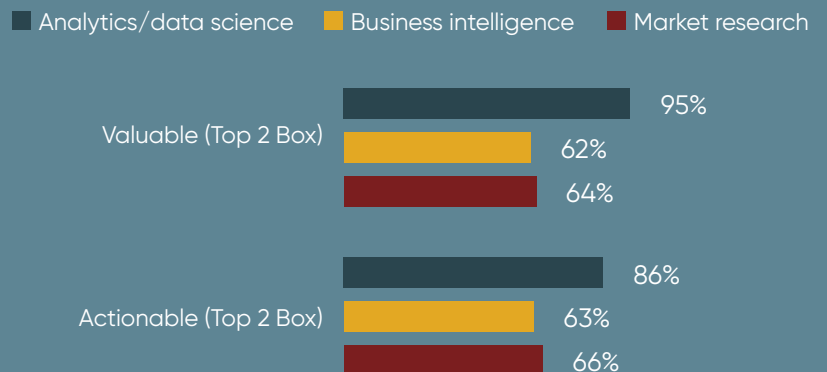
“Bad decisions at the start ripple and magnify their impact through a project. Having the best insights at onset can save thousands of hours at the end.”

– Laird Malamed, GM Seattle
& Founding COO, Oculus

Dedicated business intelligence functions are common in about half of organizations. Of those that have them, about thirty-five percent outsource the function. BI data is generally considered more valuable than it is actionable, suggesting a broader informative role.

Organizations utilize internal advanced analytics and data science functions even less – with only about forty percent of executives claiming to have these capabilities in house.

HOW VALUABLE AND ACTIONABLE ARE INSIGHTS BY DATA FUNCTION



Analytics/data science functions rated very high on value and actionability, and nearly sixty percent of organizations said their investments in these departments is increasing.

KEYS TO SMARTER DECISIONS

To summarize, here is some guidance executives wanted to share to help you make smarter decisions. Start by asking these questions:

1

Do you know *how* you make decisions?

Having a good understanding of what kind of decision-maker you and your team members are will help you understand your strengths and weaknesses, and help you diagnose where your decision-making needs improvement. Be aware of how you use data, experience, or instinct to guide you.

2

Are you prioritizing your decision-making by focusing on making the right decisions?

Make sure you are prioritizing the right decisions. Executives gave us consistent advice that choosing what not to focus on was more important than choosing what to focus on. The decisions you are not making is often what is more important. Limit your KPIs and prioritize your decision-making.

3

Are you strategically collecting data, and is your leadership team committed to data quality and integration?

Teams that have easily accessible, quality data and don't have to wait for inefficient BI processes tend to move faster and work more nimbly. Teams that don't invest in making data efficient and easily available suffer losses in productivity.

4

Are you strategically leveraging your team?

Regardless of whether they are supporting your decisions, or you are empowering their decisions – most executives agree that your team, peers, and support structure are critical for smart, nimble decision-making. Getting perspectives, input and experience from outside is often the key to knowing how to act, and when.

TOP ADVICE FROM EXECUTIVES

We asked CxOs what advice they would give to a new executive regarding decision-making. Here are some highlights of what we heard:

"Don't try to solve all the problems on your own. Surround yourself with quality team members and listen to their input. Learn to rely on the experiences of others to fill in the gaps of what experiences or skills you don't have."

"Don't be afraid of the decision. If it turns out to be a mistake, fix it. Delegate as much as possible, feel comfortable asking your team to share how/why and then let them run with it."

"Frame the problem, get data, check with staff."

"Focus on what you believe will be the top 3-5 decisions you will make in the year..."

"Gather as much data and input from all levels of the organization as possible. Review findings and recommendations with a trusted mentor."

"Gather different perspectives from people at all levels of the organization. People tend to see things in different ways."

"Decision-making is situational. The more you can build decision-making skills in your organization, the more nimble you will be. The degree to which you involve your team or delegate decision-making to your team is dependent on several factors. These include: need for additional data, their experience level with the topic, need for buy-in, risks associated with the decision and external factors regulating the decision. There is very rarely a one size fits all solution. The key is to be clear with your team about the decision you are looking to make and how the decision will be made."

"Learn as much as you can on a specific subject, share the learnings with your team, test your assumptions, take a stand, move forward."

"Seek both data and advice from a variety of sources – and listen especially well to the contrarians. With both consensus as well as contrarians, "why" is the most important question."

"Work off of what you know to be the facts. Do not completely discount what your "gut" tells you. Before implementing; trial test. Implement and tweak if necessary."

"It is OK to *seek* consensus but don't let consensus get in the way of execution. As a leader in an organization it is your responsibility to make the tough decisions (and to encourage your teams to do so) and move forward."

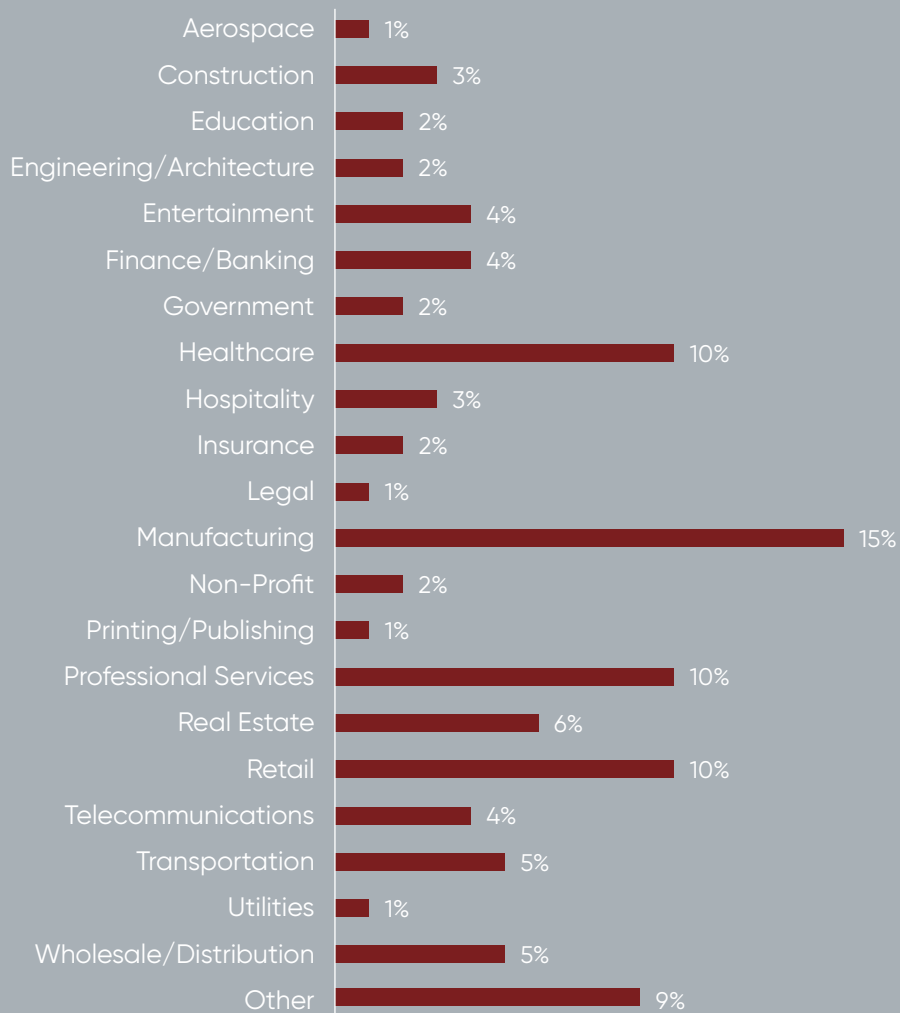
"Keep the important decision in front of you every day, and follow some framework. I use a framework called DAVSIR (Define, Analyze, Validate, Simulate, Implement, Review)."

"Making good decisions is a combination of good data and trusting your feelings. Quite often the body responds to the correct answer before the mind intellectually arrives."

"We follow a structured process: Data and information followed by team involvement to gain insights and choice that leads to making the decision. This is a weigh-in process that leads to a buy-in. Upon decision, the communication is framed prior to execution to ensure that everyone understands the decision. I call this the Alignment and Cascade process."

ABOUT STUDY PARTICIPANTS

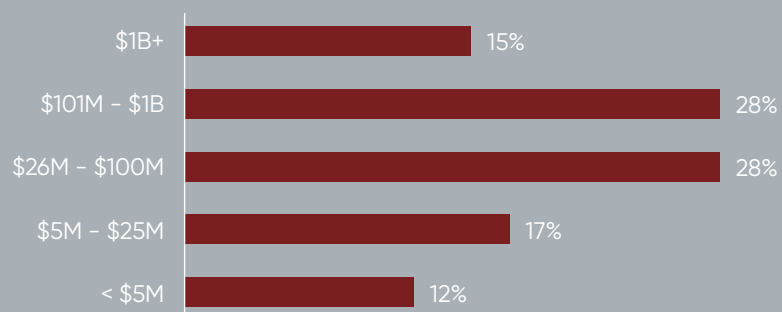
Principal business/industry



n = 170

PARTICIPANTS' COMPANY REVENUE AND LOCATIONS

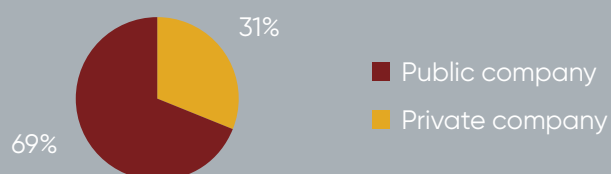
Annual revenue



Number of locations



Organization type



n = 170

ABOUT PARADOXES, INC.

Paradoxes is a strategic marketing organization that helps technology companies collect, analyze, and use data to make smarter sales, marketing, and product decisions.

We specialize in helping companies drive product adoption and value-driven habitual usage.

Find out more at

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