

Improving the Corporate Decision Making Process



As just about any modern business leader can tell you, the act of decision-making may be easy, but effective decision-making is a tougher nut to crack.

It can be difficult to see all possible outcomes for any given decision; add in issues such as murky accountability, information overload, and excessive organizational complexity, and suddenly making swift, strategic decisions can seem like an impossible dream rather than a cornerstone of business development.

Fortunately, chief financial officers (CFOs) and other decision makers can improve their ability to make timely, effective business decisions by making a few positive changes to their decision-making process.

By cutting through needless organizational complexity, formalizing decision-making protocols, and using analytics to categorize decisions, narrow scope, and improve accountability, leaders can practice responsible and successful corporate decision-making that helps their organizations achieve their goals.

The Challenge of Effective Corporate Decision Making

Business leaders at all levels are currently enjoying unprecedented access to business intelligence and data management tools they can use to make good decisions—at least, in theory.

But with these new opportunities come new challenges.

- Big Data and digital transformation have made more relevant information accessible and analyzable than ever before. Senior management, the C-Suite, and other decision makers now rely on insights extracted from a diverse range of sources—including spend data, industry trends, consumer behavior, social media content, supplier performance metrics, etc.—when making business decisions.
- Modern organizations have built increasingly complex infrastructures and crafted more complex decision-making methodologies, supported by enhanced communication and collaboration tools, in response to the new data-driven, urgency-focused paradigm. Accountability is diminished as decision-making bodies grow larger and delegation becomes difficult due to a surfeit of communication *about* potential decisions via Slack, email, Zoom etc., with a chorus of voices adding opinions without any one person claiming decision-making authority.

This leads to a crisis of “too many cooks” in the corporate kitchen, many of whom find themselves paralyzed by the potential outcomes of a bad decision, demotivated by the lack of clear authority, overwhelmed by the overflow of information, and weary with fatigue from a protracted, rather than efficient, decision-making process.

Perhaps unsurprisingly, in a 2019 survey conducted by McKinsey & Co. just over half (57%) of decision-makers responding said their organizations consistently made high-quality decisions, while fewer than half (48%) said their organizations make business decisions quickly. Most tellingly, just 20% said their organizations excel at making business decisions in general.

- Business leaders are more cognizant of cognitive biases such as confirmation bias, anchoring, mental accounting, etc. that can derail the decision-making process. However, despite a growing emphasis on

creating better decision-making processes to address this, they continue to struggle with finding ways to defuse these biases.

In order to tackle these challenges effectively, decision-makers need to combine the enhanced data analysis capabilities afforded by emerging technologies with a decision-making framework that considers:

- The types of decisions being made, the decision-making bodies involved in each type, and where decision-making authority rests for each.
- The need to balance velocity against quality to achieve optimal results in the long term.
- The best practices that can improve decision quality and speed, as well as value creation, over time.

Whether they're made by the C-Suite, a manager, or a team member, business decisions have the opportunity to create or lose value for an organization.

Key Considerations in Building a Decision-Making Framework

While the *what* of decision-making is old hat for most professionals, mastering the *how* of decision-making often requires new considerations.

In order to avoid the potentially disastrous stumbling blocks that subvert, delay, and derail the decision-making process, it's important to keep three key areas in mind when crafting your framework.

- While there's always one person who has to own any given decision, limiting decisions that affect an entire company to a single person's experience, viewpoints, and information set is a recipe for disaster. Diversity of thought, skill, and experience helps insulate companies against dangerous cognitive biases by adding context and unique insights unavailable to any single individual, empowering to draw from a richer pool of insights and information when the time comes to make a decision.
- Recklessness rarely bears sweet fruit for businesses, but a hint of audacity can provide a competitive edge, expose new opportunities for innovation, or bring new products to market just in time to benefit from

emerging trends. Persistence, a willingness to try new things (and fail at them) and a mindset that accommodates controlled risk can help companies move more quickly to capture opportunities that might otherwise slip through their fingers.

- Whether they're made by the C-Suite, a manager, or a team member, business decisions have the opportunity to create or lose value for an organization. In order for every decision, big or small, to have the best possible outcome, it's critical that everyone in your organization share a commitment to making—and sticking with—choices that support the company's goals for value creation and strategic growth. Even when they disagree with a decision, all stakeholders should have zero compunction about supporting it wholly once it's finalized. (This dedication to debate and full buy-in in pursuit of organizational excellence will be familiar to anyone who has read the Amazon leadership principles.)

Prioritizing communication and collaboration—and ensuring everyone has a clear understanding of how their decisions fit within, and support, organizational ambitions—can go a long way toward minimizing “turf wars,” siloed thinking, etc.

Best Practices for Optimizing Your Corporate Decision-Making Process

Big or small, every company benefits from following a few simple best practices when constructing their decision management system.

1. Establish Core Decision-Making Practices

In its 2019 survey of decision-makers, McKinsey defined “winning organizations” as those companies who:

- Quickly arrive at high-quality decisions.
- Execute those decisions rapidly once made.
- Demonstrate higher growth or returns compared to their peers.
- Regularly see significant returns (20% or more) on their decisions

These companies followed three core business practices for decision-making across all types of decisions.

1. **Making decisions at the proper level.** Companies who categorized decisions properly and delegated appropriately made faster, high-quality decisions than their peers. They were also 6.8 times more likely to be a winning organization.
2. **Prioritizing enterprise-level value.** Companies who aligned decisions with company goals for value creation were nearly three times as likely to meet McKinsey's criteria for a winning organization.
3. **Securing (relevant) stakeholder commitment for all decisions.** Winning companies invested the time and resources necessary to building a culture of shared commitment. Stakeholders were fully informed and engaged with decisions, embraced accountability, and supported swift execution once a decision had been made, regardless of their personal stance on the issue.

2. Categorize Business Decisions Properly

Beyond core values, making smarter business decisions begins with creating a framework that properly classifies your decisions so you can take appropriate action.

The most common types of business decisions include:

- **Major decisions**, which have substantial potential impact on the entire organization. These important decisions are uncommon, high-level, complex, and may not have clear "right" or "wrong" outcomes. They're generally made by top management, with input from a wide range of sources. Examples include major capital commitments and supply chain optimization measures such as moving to 100% sustainable source materials in production.
- **Cross-functional/collaborative decisions**, which are made frequently, often impact the entire company, and require significant collaboration with stakeholders across different parts of the organization. Examples include international marketing initiatives, product/service localization, and new product launches.
- **Ad hoc decisions**, which occur at irregular intervals and may have either localized or organization-wide impact, depending on the stakeholders and the nature of the decision being considered. These decisions can generally be reassigned to one of the other types once their scope and impact have

been established. Examples include developing and deploying a new company website, planning company events, or developing a fast and effective response to a social media crisis.

- **Delegated decisions**, which are common, have clear positive and negative outcomes, and can be readily assigned to a specific individual, decision-making body (for instance, a business unit executive, a project committee, or the manager of a particular department) or even an automated process. Examples include business units modifying their products, automated approvals for purchases below a certain price, and customer service decisions such as refunds and returns.

3. Follow Best Practices for Each Decision Type

Winning organizations refined their decision-making processes by developing specific best practices for each type of decision to be made.

- **For major decisions**, winning organizations considered a diverse range of input and engaged in high-quality debate about the issues at hand. They tasked at least one stakeholder with playing Devil's advocate to challenge assumptions and provide relevant counterarguments. In addition, they sought out as much relevant information as possible (including reputable data from sources that countermanded their initial assumptions or contentions) and actively explored alternatives. They sought timely consensus, balancing speed with the careful consideration such decisions require.
- **For cross-functional/collaborative decisions**, efficiency and efficacy of communication and collaboration were job one. Winning organizations delegated business-critical issues to cross-functional decision-making bodies, and laid out clear guidelines for timelines, discussion and debate, and accountability. They also prioritized good meeting discipline, eliminating meetings that did not bear fruitful decisions in a timely manner and structuring meetings so that the information/discussion segments were clearly distinct from those dedicated to actual decision-making.
- **For delegated decisions**, best-in-class organizations invested in decision-making training for staff, and provided both mentorship and room for delegated decision-makers to "fail safely." These measures

helped empower employees to make decisions confidently, supported ownership and accountability, and encouraged team members to make the highest quality decisions as quickly as possible.

Companies who developed and implemented both core and decision-specific practices were 1.7 times more likely to be a winning organization than those who followed only core practices.

4. Leverage Digital Technologies

To be accurate and strategically useful, decisions need to be derived from complete and accurate data. Investing in a comprehensive software solution like PLANERGY:

- Centralizes data management.
- Provides mobile-friendly, role-appropriate access on all platforms and devices to improve collaboration and communication.
- Integrates your software environment to destroy data silos and facilitate full transparency from all data sources.
- Eliminates waste and inefficiencies through process automation.
- Provides powerful real-time data analysis tools for deeper insights and faster, high-quality decision-making.
- Ensures decisions at all levels support organizational goals for value creation, growth, and profitability.

It's Time for Faster, More Strategic Corporate Decision Making

Business decisions are the culmination of multiple vectors converging at a single moment in time—and can either support or hinder a company's ambitions.

Invest the time and resources necessary to create and follow decision-making methodologies that balance data-based insights, decision classification, appropriate delegation, and a shared commitment to value-driven choices that benefit your entire organization. You'll make better decisions more quickly, cutting through the tangle to help your company grow, compete, and thrive.

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