Managerial
DECISION
MAKING and
LEADERSHIP

The Essential Pocket Strategy Book

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Preface

When I joined the workforce at IBM in the United States 30 years ago, the area of decision making greatly puzzled me. I did not have a good decision-making framework in the first decade of my career, and the quality of my decisions was hit and miss.

Sometimes I made decisions that had good outcomes, and that made me happy, but I could not explain what I had done to cause these desirable outcomes. I attributed them to others' advice, experience, my intuition, or luck. I was not confident that they could be repeated, neither could I explain the elements of a quality decision. Some of my decisions also resulted in challenges, difficulties, or undesirable outcomes.

So I reflected more deeply on what it takes to make quality decisions. What are the critical elements for good decisions and desirable outcomes? Could there be a simple and useful decision-making framework for all practical decisions, especially those that do not involve quantitative analysis (such as decisions related to human resources or customer relations)? I asked many successful people about how they made decisions—and interestingly, even today, I have not met anyone

who can respond with a quick, crisp answer. Most people I asked would reply, "That's a tough question, let me think about it and get back to you later." Of course, most of them never got back to me. I did not find what I was looking for.

In my search for the important elements of quality decisions, in the early 1990s I attended a seminar called "Decision Quality" by Strategic Decisions Group, which pointed me in the right direction and provided the fundamental structure for my search. I am immensely grateful for it. Even though the seminar had more quantitative analysis than I needed, it started my pursuit of a decision-making framework that could be used for team decisions, especially non-quantitative decisions. It helped me to observe, think, experiment, and reflect on my own and others' decisions.

Every decision, small or large, became an opportunity to experiment, learn, and improve, as I tried to reduce this complex topic into some simple and easy-to-remember principles. Gradually, it was demystified, and more than a decade ago, I was able to simplify the decision-making framework into six easy-to-remember letters—GPA and IPO—in order to lead various teams to make decisions. The GPA IPO framework can be used in all sorts of managerial decisions, and can also be applied to personal decisions in everyday life. It has helped me to make quality decisions every time. Over the past decade, I only made two decisions that produced less than desirable outcomes (both personal investment decisions), and the reason the outcomes were poor was because I made those two decisions on my own, without involving the right participants. Basically, I did not practice what I preached in those two cases. They also proved that team decisions can be better than individual decisions, as long as the team uses a logical decision-making framework.

I worked at IBM for a quarter of a century before taking up my current position as a faculty member at the Hong Kong University of Science and Technology (HKUST). In that quarter-century, I rotated through 12 departments, including Sales, Services, Technical Support, Business Development, Consulting, Human Resources, Marketing, IBM Internal Transformation and Information Management. I was vice president of information technology and business transformation from late 1988 to

January 2000, responsible for IBM's Y2K transition in Asia Pacific, and vice president of marketing from January 2000. I started in the US and spent the first 15 years there; then I was transferred to Tokyo and worked there for seven years before being transferred to China (Hong Kong). I was IBM's vice president of marketing for Asia Pacific (including such countries and areas as Japan, Korea, Greater China, Southeast Asia, India, Australia and New Zealand) in late 2003 when I was appointed adjunct professor by HKUST to teach its MBA and Executive MBA program in the School of Business and Management.

Whenever I was asked how I could survive and succeed while working in such highly diversified environments and leading multicultural teams, my answer was, "I know how to lead a team to make the best decisions for the company and to implement the decisions successfully." This should be the textbook answer for all managers and leaders. I was parachuted into different management positions to lead multicultural teams in different fields, yet it always took just a short period of time for me to gain trust from the teams to achieve our shared goals—because I made my decision-making framework public. Without losing control or reducing my own responsibility for the decisions, I allow the entire team to also take ownership of the decisions.

If GPA IPO is mastered, any manager or leader can lead their teams with confidence to make the best decisions and to successfully execute them.

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Hong Kong
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Introduction

Successful organizations rely on competitive products and services to excel in the marketplace. Internally, quality managerial decision making is necessary to create and sustain this success. Managers face different challenges every day, and their decision-making ability determines how successful the organization, and their own careers, can be in the long term. Quality decision making is thus a competence that every responsible manager must acquire, and a discipline that must be practiced.

This book attempts to simplify a seemingly complicated issue: how managers can make responsible decisions of all types at all times. Most people believe the myth that there can be no common decision-making framework for all decisions, because every decision is unique and every decision maker is unique. However, a common framework for the thought process of decision making is, in fact, possible. This book lays out a straightforward decision-making framework for any manager to use when leading his or her team to make quality decisions that achieve

organizational goals. The framework is practical and easy to remember, and although it is not necessarily easy to implement in the beginning, it becomes easier with practice.

This book places emphasis on leading a team to make decisions, even though the framework can also be used for personal and individual decisions. Efficient and effective team decision making has always been a challenge; moreover, team decision making often does not necessarily lead to higher quality decisions, despite the effort spent. The framework shared in this book does not use a voting system that allows majority rule, nor is it a consensus decision-making process in which any member can veto the decision. The leader of the team is the decision maker, and has to bear final responsibility for the decision. However, he or she can learn who to invite into the decision-making process and how to lead the process to maximize the quality and "executability" of the final decision.

Furthermore, using the GPA IPO framework, the leader can gain confidence and team support for the decision, will be able to articulate and defend the decision, and will have made the necessary preparations for successful implementation when the decision-making process is complete. The framework should be shared with all team members to get their "buy-in" and to increase the credibility of the leader and his or her final decisions. And, of course, team members can use the framework to make their own decisions, and can be confident in sharing the process and outcome of their decisions with anyone who has questions. This decision-making framework can align the team, improve teamwork and increase the odds of success during the implementation stage.

Office politics, which are often the result of subordinates' ignorance of how managers make decisions, can be eliminated as well. When subordinates do not know how leaders make decisions, they are likely to build fawning relationships with their superiors in the hope of lobbying them to make decisions that favor them personally. Such lobbying is a hindrance to the organization.

In Joel Brochner's *Harvard Business Review* article "Why It's So Hard to Be Fair" (March 2006), he made a strong case for process

fairness in addition to outcome fairness. It's difficult to be perceived as fair, even if the outcome is fair, when the decision-making process is opaque. It pays, therefore, to make the process transparent and to involve the team members in it. Using a public decision-making framework means that the entire team can make quality decisions, and that all team members are liable for the consequences of the decisions made. This guards against "us versus them" attitudes developing between team members and managers.

All responsible leaders and managers should be willing and able to share how they make decisions. I have read and heard of many successful leaders who attribute their good decisions to intuition—but if one's intuition has no pattern, it is sheer luck. We can envy this luck, but there is nothing for us to learn from. Managers who have become successful through intuitive decision making add no lasting value to the organization because they make no contribution to organizational capability or sustainability. At most, such managers can boast about their "special sense;" and make themselves indispensable.

Managerial decision making is not a one-time event; it is part of the journey of continuous learning and improvement. **Observe**, **think**, and **experiment** are the three critical steps in this journey. The total outcome of managerial decisions can be optimized by the continuous improvement process.

Some managers use a democratic voting system to make decisions. I personally only use voting to make quick and insignificant decisions, such as which restaurant we go to for our next team dinner. I do not use voting for significant business decisions, because decisions made by a vote have three drawbacks:

1. They are not fair. Not all voters are equally qualified to evaluate the choices, and the decision will affect voters in differing degrees. Therefore, it is not fair to treat all votes with equal weight and to use a one-person, one-vote system for making final decisions.

2. Everyone, including the leader, can hide behind a democratic voting system to escape individual responsibility. The majority

can say, "It wasn't just me, it was the majority," and the minority can say, "I told you so, I opposed the choice."

3. After democratic voting the team is divided, not united. People tend to take sides even after the voting is complete, and this decreases the odds of successful implementation, because part of the team feels overruled. Then the leader needs to spend additional time and effort to unite the team and obtain their "buy-in" before the decision can be successfully implemented.

Some managers get so frustrated with democratic debates—which can be irrational, emotional, and unproductive—that they just make decisions by themselves. However, this creates a very passive work environment in which the employees do not feel that they need to bear any responsibility, because they just do what the boss tells them to do. It also leaves the boss exhausted and wondering why no one is proactive or takes responsibility for the organization.

Work time is an organizational asset, not an individual one. The organization exchanges its financial resources for the work time of its employees. An employee's time is the most finite, non-renewable corporate resource. Everything must be accomplished with time and in time, and thus every employee is a decision maker, since he or she is the person who actually allocates the organization's most finite resource. Having all members of an organization repeatedly and habitually making good decisions can therefore be a powerful competitive advantage. An outstanding manager should therefore focus on improving the team members' abilities to make quality decisions.

If a quality decision-making framework is learned and used by all members of the organization, they can all make quality decisions even in the absence of the manager, and the success of the organization can be sustained. Using a publicly shared decision-making framework can thus increase the productivity of the organization by minimizing guesswork.

This book outlines what I have learned from the observe-think-experiment cycle when leading various multicultural, multi-functional