



THE ROYAL BANK OF CANADA

MONTHLY LETTER

VOL. 44, NO. 1

HEAD OFFICE: MONTREAL, JANUARY 1963

Decision Making by Management

MANAGEMENT is a decision-making process. Its special function is to choose between alternative means of moving toward an objective.

None of the many changes brought about by technology appears likely to diminish the opportunities open to men who are gifted with skill in making decisions and trained in administration.

Doing business in an economy like ours demands foresight and judgment besides resourcefulness and courage. Only the person who applies all these qualities in making decisions advances his company's business.

The management principle is readily stated: the business manager is paid to find and define the problem, analyse it, develop alternate solutions, decide upon the best solution, and convert his decision into effective action.

The world is full of people who shun this sort of responsibility. Only a few seek it, and they become leaders. They know that there is a possibility that a decision they reach may be wrong, but they know that this chance may be minimized by following some simple rules and procedures.

Many business decisions made from day to day are routine and repetitive to the manager, but he must bear patiently in mind that the problems are new to his staff and it is part of his duty to give guidance.

This is part of the leadership function of the business manager. Everyone has a stake of the most concrete kind in leadership, because the manager is accountable for the success of his business or his department and for the continued employment of all those associated with it and the satisfaction of those holding stock in it.

On a wall of the Engineering Societies' Library in New York we read this inscription: "Management is the art and science of preparing, organizing and directing human effort applied to control the forces and utilize the materials of nature for the benefit of man." In carrying out this mandate, the manager has to weigh the risks of every course of action against

the expected gains. Then, having decided, he must issue clear orders and put forth the drive to get things done.

Administration of a business is a network, in which every decision is connected in some way with other decisions which have preceded it, and will have a bearing upon decisions to be made in the future.

Decision making has never been easy, even for the highly trained man, but history is made up of the stories of men and women who were good at it. Business is complex, not only within its own walls but because of outside influences and pressures. A manager needs the qualities of a statesman, so as to see his business in all its relationships. He has to know his firm's objectives and policies, what resources he can call upon, the capabilities of those who will make his decisions effective, and then produce plans that take all these into account.

A cardinal rule is that his decision must be adequate to the solution of the problem. There is no use in attacking a tank with a bow and arrow, and it is wasteful to shoot sparrows with a big game rifle.

Wide knowledge

Decisions on important matters are not within the reach of men and women whose knowledge of facts and the forces acting upon them is small. There must be on hand a large store of memories of previous experiences and things learned which can be linked with the current problem.

No reasoning can be done by our minds unless we have units of comparison gathered through experience and study. When we have many objects in our minds, our imagination ranges over them, assesses them, takes a little of this and a little of that, relates them significantly, and produces a decision. What is the faculty we praise so highly as "good judgment" except this: the ability to bring together a fact which we have just unearthed and a general judgment suitable to the purpose long since deposited in the archives of our memory, and unite them effectively.

The business man must never stop adding to his stock of knowledge and understanding, but this need not be a burdensome task. If he is under pressure all

day long he will find it relaxing as well as useful to spend his leisure hours at something in which he must be deliberative: such as reading one of the classics (like the *Thoughts* of Marcus Aurelius or the *Teachings* of Epictetus, which have many ideas useful in thinking through to decisions) or watching documentary films which broaden his horizons.

It is altogether foolish to think of the capable decision maker in terms of a cartoon stereotype — as a table pounder, a window gazer, a pacer of the office, an aspirin user or a man with a wet towel around his head. One general belief may be given credence in some measure: the person who makes important decisions may not be sweet tempered. He is under pressure, he takes risks, he wrestles with the task of getting his ideas carried out, he has little patience with incompetency.

Some firms make no provision for the stress of management. Their managers are loaded with detail instead of being relieved of all trivia so that they may devote their special talents to important things.

The man who has to swim hard in muddy waters to get his head out where he can make an important decision may be plagued with “doubting folly.” This is a state of mind in which a man cannot remember whether he did this or decided that or whether he did it in the best way. He is forever returning to see if he has turned off the gas, locked the door, and the like. He calls back decisions for review.

When to be careful

It is necessary in the convulsive scene of business life to assign proportions to our problems and to set up priorities. Clearing up mechanical difficulties is different from reaching a decision on a course of action which involves people, budgets, and markets.

You need to give patience, time and thought to decision making when you are on unfamiliar ground or dealing with a strange subject. Decisions come easily to the sales manager who has been twenty years on the job so long as they involve only the factors to which he is accustomed. When a new factor is introduced, or the manager moves into an area where he is a stranger, he must take time for orientation.

The power of deciding involves the danger of going astray — that is the essence of deciding. And going astray involves some kind of penalty — that is the essence of error. The consequences of a decision are part of the total problem, and should be considered as factors in it. We must balance risk against gain, and be neither deterred by the one nor dazzled by the other.

This involves forethought. The manager is subject to one trial not common to the worker: he has the continual feeling of incompleteness. His job is never done. His energy drives him to consideration of the next job while this one is still in the works, and he needs to keep his balance in both.

There is no necessary virtue in “planning” itself. Its value depends upon what the plan is for, what ends

it will serve, what difficulties it is designed to overcome — difficulties arising from the caprices of fate, the actions of competitors and the quirks of human nature. Without a plan, fluid though it may be, we cannot reach decisions intelligently.

An umpire must call the strikes and balls as he sees them, instantly. But mere speed in coming to decisions may have small relevance at the top business management level where a man's contribution to the enterprise may be the making of two or three significant decisions a month.

This is not to say that we should debate and stew over every problem. We are probably too much given to sending out a man with a red flag in front of every new idea as they used to do with steam locomotives. On the whole, it is wiser to make a decision promptly and crisply after giving the matter adequate thought than to linger over it and lose momentum and drive.

To make a sound decision it is not necessary to have all the facts, but it is necessary to know what facts are missing so that we may make allowance for the gap and decide the degree of rigidity to give our orders.

Some managers, in trying to avoid off-the-cuff masterminding, make it a practice to take time to sleep on a problem. This can be useful if a tentative decision has been reached or workable alternatives outlined so that the subconscious has something tangible to push around.

Very little that is good can be said about procrastinating. Any business will become paralyzed if there are persistently long delays in the making of managerial decisions. They cause waste of time among personnel, loss of team-work, and forfeiture of faith in management.

Excuses for postponing a decision are not hard to find. Recall the hesitancy of Hamlet. One moment he pretended that he was too cowardly to perform the deed; at another he questioned the truthfulness of the ghost; at another he thought the time was unsuitable, that it would be better to wait until the King was at some evil act and then to kill him, and so on. Every reason had a certain plausibility, but it would not stand serious consideration.

There are, of course, times for postponement, when a resolute determination to take no action until more facts are available is a constructive contribution to wise decision. The warning is against unwise or frivolous putting off. We must keep in mind that to make no decision is itself a decision, and must be justified.

Effective use of postponement was made by Penelope in Homer's *Odyssey*. During the protracted absence of her husband, Ulysses, Penelope was besieged by suitors for her hand in marriage. She put them off for several years by telling them that she would give her decision when the burial cloth on which she was working was complete. Then she undid by night what she had woven by day, and so staved off decision. Ulysses returned and drove out the suitors.

Computers and committees

The manager of today and the future will have to make decisions involving an infinite number of considerations. While he will make all possible use of electronic equipment and committees, the final choice between alternatives is his alone.

Mechanical aids are widely in use. They make the assembly of data and the calculation of quantities easy. But, in a competitive market, the firm whose managers best handle the qualitative factors which are indigestible to machines will have the edge in business success.

The results of massive computations depend upon the knowledge, discrimination and intelligence of the men who feed in the raw data and assess the resulting report. The machines cannot define the problem, determine the right questions to ask, set objectives or lay down rules. They do help in analysing the problem and presenting alternatives. They give facts instead of guesses and generalities. They are tools for decision making.

We recall *The Sorcerer's Apprentice*, the great symphonic composition of Paul Dukas. The apprentice learned his master's secret for turning a broom handle into a servant, and ordered the automaton to take a pail and fetch water. Then he couldn't stop the creature, which kept splashing water all over the room. The apprentice, who hadn't learned the magic words to bring the automaton to a standstill, seized an axe and split it in two: now there were two creatures busily carrying water. Not until the magician returned were the robots stopped.

Unless the manager of today knows the limitations of machines, when and how to cut them off, and the fact that he himself must define, analyse, judge and decide, he will be like the Sorcerer's Apprentice, a victim of his own bag of tricks.

Decision by committee holds perils of another sort. There is no virtue in reaching a decision by yourself when there is time and opportunity to consult others who have special knowledge. To do so would be to waste available talent. But no business can prosper under a debating society.

The function of a committee is to talk around a subject so that all its facets are revealed, to bring out the facts and to spark thought. Then the manager must judge the relative value of what has been said, assess the alternatives presented, and make the decision.

Making a decision

The manager who wishes to build up the habit of making decisions with wisdom and effectiveness might do well to consider these steps: (1) look at the situation generally and from it extract the problem; (2) put the problem into words; (3) tidy up the problem; (4) do the preparatory research thoroughly; (5) brush aside preconceived ideas; (6) consider the facts; (7) think through to a solution.

The first job is to find the real problem, divesting the situation of all irrelevant details. Masses of data may look impressive, but only those facts which apply to the problem in hand are worth considering.

It is quite right to see the pattern of the total situation and how the parts hang together, but successful managers have the capacity to reduce the whole picture to simple terms. Mendel, to whom we are indebted for the first effective work on hybridization, did not follow his predecessors' lead in taking only a summary view, but examined every plant separately.

A problem only becomes intelligible when it is put into words. There simply is no magic formula for decision making, but the man who approaches the point of decision by setting out his problem in an orderly way stands a better chance of reaching the right outcome than one who relies on snap judgments.

In laying out an approach to decision making we need to differentiate between tasks which demand only the application of known techniques and those which have unusual conditions that require clarification and directed action. For example, the mail despatching staff faced with an unusual spate of envelopes knows that extra effort and perhaps extra time will see them through; but if there is an unusual number of complaints about wrong addresses, accompanied by a mounting pile of uncompleted orders, then there is a real problem.

It can be solved if the person responsible grasps its nature, gauges its true dimension, decides what to do about it, and takes immediate steps to cope with it. He breaks a big problem down into small, easily-tackled units, changing a vague difficulty into a specific concrete form. He may go so far as to answer one "yes or no" question and then ask others until the major problem is solved.

One method advocated by some teachers is "take it apart". You write down the problem about which you must make a decision. In two columns underneath write down the points "for" and "against". When this is done seriously and honestly you have a good accounting, and your decision will be based upon the balance.

Tidy up problems

Managers may smooth their way by having all proposals and problems tidied up before moving toward decisions. Almost every problem needs to be explored through such questions as these: Why is this necessary or desirable? What can it be expected to accomplish? How can it be worked out? Who will do it? Who will be affected by it? What harmful situations might result?

Superiority in decision making rests on a solid basis of preparation, with a grasp of all the possibilities. When you reach a tentative conclusion, try to knock it down with dispassionate energy. Ask: "What will happen if . . . ? Does this decision take care of A, B

and C possibilities?" By proceeding in this way the business executive will borrow a bit of the value of the scientific method and spirit: the resolute asking of the questions: "What else?" . . . "What if?"

You need to pay attention to detail in the preliminary stages, while keeping in mind the end purpose. Toscanini, the great orchestra leader, is quoted as saying: "In rehearsing a musical work, the important passages can frequently take care of themselves; it is the supposedly unimportant phrase or line that demands careful consideration."

The manager needs suppleness of mind. He will display enthusiasm, but not the sort of zeal which blinds him to facts. He recognizes that his opinion about a thing is only something that comes between ignorance and understanding. It is knowledge in the making. To change an opinion in the face of new facts is a sign of vitality and progress.

In the course of his deliberation he will have taken advantage of subconscious thought. All creative thinking, including scientific research, emerges from the subconscious. The "passed to you for action" memo which consciousness receives may be couched in vague terms, and may have to be worked into shape. But this is no mystical process: it goes on hour after hour throughout our lives. It is, however, an advantage to recognize it so that fullest use may be made of it.

Last in this group of seven suggestions is the thinking through of the proposed decision to its conclusion. This involves testing every step leading to the decision as well as anticipating what may follow upon it.

When you have reached the point where you have gathered the facts and tested them, thought about them and weighed the consequences, then make your decision. Here are two illustrations of the folly of hesitating. Buridan, a French philosopher of the twelfth century, told us about the ass which was placed midway between two equally attractive bales of hay, and died of starvation because he couldn't choose which one to eat. Robert Browning's poem reminds us that Saul, crowned king at a time when one swift blow would have scattered his foes and united his friends, stood midway between his duty and his task, and indecision slew him.

The end result

We have located and defined our problem, collected facts, weighed the favourable against the unfavourable; we have listened to what can be said by experts, friends and enemies; we have checked the accuracy of our information and of our thinking; we have analysed the causes of our problem and the effects of various solutions; and we have arrived at a decision. What do we do next?

The fatal thing to do is pigeon-hole it. The only place to put a good decision is into execution. An idea has been born, it has evolved, and has been trans-

formed into a decision. Now the manager must participate in carrying the decision into execution.

It would be a mistake at this point to spend time looking back to see if you are too far from shore. You are obligated, having made the decision, to develop a certain amount of blindness to the possibility of failure. By that act you give confidence to those who must do the work of implementing the decision: your junior managers, foremen and workers.

It would be wrong to cling to a course if some vital new facts in its disfavour become known, but don't change your mind merely because you are running into obstacles. The road may be strewn with rocks, but that merely means that it is a rough road, not that it is going in the wrong direction.

Be sure that your decision is promulgated clearly. Unless you make order and relation for your people out of the unrelated ideas and facts with which you have wrestled, they cannot be expected to respond with effective action. They must know what change in behaviour is expected of them, what change to expect in the behaviour of others with whom they work, and what change will be made in the working conditions.

This is the manager's directional guidance. He establishes goals and shows how to reach them. Children reciting Longfellow's poem "Excelsior" have wondered where the ambitious, sad, self-denying and daring boy carrying his banner with the strange device was climbing to. Let's not leave workers in the dark about our purposes and paths.

Mechanical problems associated with your decision are relatively simple compared with the human problems.

For example, your decision may change the apparent status of workers, and it is astonishing how infallibly a man will be annoyed and deeply pained by any seeming wrong done to his feeling of self-importance.

This is one reason for careful advance consultation of all those who are to be affected by the decision. It will give you the benefit of their experience and their ideas, and make them participants in whatever comes to pass.

Being a decisive manager doesn't mean being truculent or living apart. To be part of the working force was emphasized as a necessity of management by speakers at the Duke of Edinburgh's Study Conference in Oxford. The manager must make the time to keep in touch with juniors and to visit the production line frequently. Only thus can he appraise the spirit of his people, tap their interest, and assure their co-operation in carrying out plans upon which he decides. Human motivations and human emotions are involved as factors in the solution of every problem.

Of this be sure: no decision can be better than the people who have to carry it out. Their enthusiasm, competence and understanding determine what they can and will do.