

Background

Decisions, decisions ...

Making the right decisions is the key to success in business. There are the day-to-day decisions that need to be resolved quickly; these often involve an element of troubleshooting. Next, there are the medium-term tactical decisions that will govern the weeks and months ahead. This could be the organization and execution of the launch of a marketing campaign for a new product. Finally, there are the long-term strategic decisions where managers have to think about the longer-term future of their business. This could be how to position itself in the market place, which products and services to develop, etc. It could also involve deciding whether to merge with or acquire a competitor, enter into a new and unknown market, or indeed to withdraw from a sector of activity. A number of tools are available to help people come to the right decision.

Some business thinkers believe in a rational framework for decision-making. The *Kepner-Tregoe* model which works on the basis of if you choose something you, by definition, reject something else. A decision statement is formulated that states what decision needs to be made. Then it uses a system where lists of 'musts' and 'wants' are drawn up and given a numerical value and a weighting. Only the ones with the highest results are taken into consideration in the next round of decision-making. In their turn, alternatives are generated and evaluated. If an alternative cannot satisfy the 'musts' then it is eliminated from further consideration. Its strongly logical approach is the opposite of managerial 'hunch' or 'gut feeling'. The danger is that the decision-maker can be drowned in a sea of data and that it can lead to 'paralysis by analysis'. A wide-ranging international survey by Reuters discovered that over four managers in ten felt that the decision-making process was too slow because of this.

Two tools that may help planners with the broader picture are the Boston Matrix and SWOT analysis. Originally devised by the Boston Consulting Group,

the Boston Matrix separates products into cash cows, problem children, rising stars, and dogs. The cash cows are highly profitable, well-established products that generate important income for the business. Stars are the new products that have yet to reach maturity, but that are nevertheless gaining market share. Problem children have a big question mark hovering over them. They are new projects that could either prove themselves or simply fail to take off. Dogs are products that are near the end of their life cycle. They have probably gone too far to be re-launched and are either divested or allowed to fade away. This simple technique allows firms to see at a glance the range and health of their product portfolio. Although arguments can arise about which part of the matrix the product falls into, it is a useful planning tool for deciding what to do next and what investment decisions to make.

SWOT analysis is a technique that evaluates the strengths, weaknesses, opportunities, and threats an organization faces in its broader business environment. Strengths and weaknesses say what the firm is good or bad at, while opportunities asks managers to think about where the company should be going next. Threats, of course, looks at the dangers posed by competition, both domestic and foreign, changes in technology, or fashion that could affect the firm.

In situations when new and creative solutions to problems are needed, organizations may brainstorm. Brainstorming consists of people throwing out ideas more or less spontaneously without any comment or evaluation / criticism by other members of the group. Hierarchies are temporarily forgotten and at the initial stage, all ideas are equal whether they come from a subordinate or a senior member of the group. This system allows for all members to contribute freely and encourages creativity as one idea feeds into another.

Reading file 6

Exercises

1 Work with a partner. Discuss these questions.

- 1 What kind of decision-maker are you? Are you logical, or do you prefer to trust your 'gut' or instinct?
- 2 Are you sometimes impulsive?
- 3 How often do you change your mind?
- 4 How is the way you make decisions different in your work or your private life?

2 Read the first paragraph of the text and answer these questions.

- 1 What does the writer think is the difference between day-to-day decisions, tactical decisions, and strategic decisions?
- 2 Which type of decision-making are you mostly involved in at work?

3 Read the second paragraph and answer these questions.

- 1 How does the Kepner-Tregoe model work?
- 2 How is this different from approaches based on 'hunch'?
- 3 What is its big drawback?

4 Read the rest of the text and answer these questions.

- 1 In which quadrant of a Boston Matrix would you place these well-known products?
Coca-cola soft drink Sony Walkman CD player
iPad Toyota Prius
- 2 Which sections of a SWOT analysis deal with internal factors and which with external factors?
- 3 How is brainstorming supposed to work?

5 Match definitions 1–8 to words in the text.

- 1 dealing with problems as and when they come up: _____
- 2 to join with another business: _____
- 3 to take yourself out of a situation: _____
- 4 discarded / thrown out: _____
- 5 covering a large area: _____
- 6 well-known and occupying a strong position in the market: _____
- 7 sell off a part of a business that you no longer need: _____
- 8 without thought or analysis: _____

6 Look back at the text and choose three words that you could use in your day-to-day work.

7 Work in small groups. Discuss the questions.

- 1 How valuable do you think the techniques described are in real life?
- 2 Are techniques that are dreamt up in universities or by management consultants really practical?
- 3 How possible is it to forget the established hierarchies in traditionally run companies to run brainstorming sessions.
- 4 An ancient proverb says: 'If you walk, walk; if you run, run; but whatever you do, don't wobble'. How do you interpret this?