

Hello, this is Wayne Rivers at The Family Business Institute, thanks for tuning in. Please give us the benefit of your comments, and sign up for our YouTube channel so that you never miss one of our blogs.

This week I want to talk about something that is crippling for lots of family businesses and that is how to make better decisions. Decision making in so many family- and closely-held companies is bluntly, frankly broken. I was watching, some of you may have seen an HBO series called Band of Brothers, World War II, very exciting, very well made, very well done. I recommend it, it's terrific. An officer was being removed, he was essentially being demoted from his command, and some of his junior officers were talking afterwards and somebody said he wasn't a bad leader because he made bad decisions, he was a bad leader because he didn't make any decisions. I think that's the default setting for so many family- and closely-held businesses. They don't make decisions.

In 30 years I can tell you, 30 years of doing this work, I could probably count on one hand the times that not making a decision was in the best interest of the company. I just think that that decisions are so critical, and we'll talk a little bit more about that. Some of this thinking, and some of these statistics come from McKinsey and Company, they've been doing wonderful research for so long, in particular a writer named Aaron De Smet. If you go to the McKinsey website and look for Aaron De Smet, you'll see some of his articles about decision making.

Not making decisions is never optimal in terms of planning for your business. In the McKinsey article, 56% of the C-level executive CEO, COO, CFO, et cetera, said that they spent at least 30% of their time making decisions. Then they asked a corollary question, and the executive said 57% of that decision-making time was spent ineffectively, going around in circles, failing to make decisions. People say, we need more research before we can make a decision, et cetera, et cetera. More than half, they spent 30% of their time, but more than half of that is wasted time or ineffective time. I just think that's mind boggling.

We've got seven tips for how to make good decisions, and two tips for what you don't do in decision making. Okay, so let's start with the do first. All right. First decide how you're going to decide. I know that sounds funny, but that's a step that most family businesses fail to undertake. They say we make decisions by consensus. But when you really drill down and analyze that they mean is they make decisions, they require unanimity. Everybody has to be on board before a decision is ratified and they move forward. Well, golly, that's impossible in some cases.

You've got to decide what decisions can be made at the manager level, what decisions need to come up the chain of command, what decisions need to come to a vote. Golly a lot of you are on boards at your clubs, and your churches, and your civic organizations, and your banks, you vote, the board votes. Golly, why is that so difficult for family businesses to take a vote? What decisions need to come to a vote? What decisions are simple majority votes? What decisions need a super majority? Maybe some decisions actually require unanimity. Like we're going to sell the company, maybe that has to be unanimous decision. I don't know. It's up to you. All right, so that's the first do, decide how you're going to decide.

The second one is make some decisions at every single meeting. There are some decisions you can make, even if it's just we need to have another meeting, or we can do a partial decision on this and go ahead and get that out of the way and get that initiative moving while we're waiting to make other decisions and pursue other initiatives. At the end of those meetings, my technique, when I think things, we've talked about a lot of things, but maybe we haven't come to crystal clear resolution, I like to ask the question to the group, okay what did we decide, and have them articulate specifically what we decided, and then we get into our accountability measures. We'll talk about that in a minute.

The third thing, encourage debate. Again, family businesses and close sale companies value harmony, and they have a morbid fear, really a horrible, paralyzing fear sometimes of disharmony, but statistics show that even if you have one person that questions outcomes as they relate to decisions, it makes the decision stronger. Encourage debate. It doesn't mean you have to have fist fights, obviously, but why not kick these issues around from a lot of different viewpoint? Why can't somebody be the devil's advocate and say, we really need to think about it from this point of view, and what's the risk, et cetera, et cetera. Encourage debate in your meetings.

The fourth thing is involve the right stakeholders. When we do things here at FBI, we tend to bring everybody into decision making. Now, it doesn't mean that everybody gets a vote, and it certainly doesn't mean that anybody gets veto power over the decisions. But we do like to collaborate and bring in the benefit of everybody's thinking. We have some really bright people here, why wouldn't we take advantage of that? And so, we do. Get the right stakeholders into your meetings, get input from lots of different sources, and your decisions will be better quality.

The next thing, the fifth tip, identify ROIs. It's like the whole thing people say WIIFM, what's in it for me? Well do that at the company level, or the department level in whatever decision you're making. Identify ROI. If it's something that's just going to be like this, well maybe it doesn't matter that you do it at all. But if it's something that has real impact, then obviously that means that you need to make decisions associated with that because of the potential for gain. So, there's two things, right, there's the potential for gain, and there's the potential for loss. ROI could be re-translated as a possibility of loss, a return of risk or something like that. You've got to think about decisions that you make from a positive, a gain standpoint to a potential loss standpoint as well.

All right. The sixth part of decision making is you've got to make accountability crystal clear. Who's going to do it? When are they going to do it? What other people have to be involved? When are they going to do it? How are they going to do it? What's the budget for doing it, et cetera, et cetera. Accountability should be crystal clear with deadlines so that you know exactly what has to happen when, more important the people that you're holding accountable know those things.

The seventh tip, commit to the path, even if you don't agree with it. Here's a great example. We were talking about our bootcamp program. Oh, by the way, bootcamp, February 19th and April 15th 2020, the Charlie and Delta. Don't forget about that. Early bird pricing is gone now I'm afraid, but still a great opportunity for you. Commit to the path. We were talking about bootcamp and we're planning, and we really didn't agree on things. There were sort of two schools of thought. I was promoting one school of thought, Dennis was promoting another, and we ended up voting, and the school of thought that I was promoting came out on top a little bit. Did Dennis bellyache, did he pout? Was he upset? No. In fact, he's running bootcamp in many ways. Once we made the decision full speed ahead, he was onboard with the rest of the team.

All right. Now, two don'ts when it comes to decision making. First, don't rely on consensus. Again, you've got to decide how you're going to decide. Consensus means unanimity. Forget about that consensus. Margaret Thatcher said consensus is the absence of leadership, and I've always thought that's true. Consensus is the absence of leadership. Sometimes leaders need to make tough decisions, do it.

The second thing is don't fall prey to analysis paralysis. It's always easy for somebody in the groups to say, we really can't make a decision today because we need more information, we need more information, and people fall prey to this swirling down the drain analysis paralysis, very frustrating for the people in the group that want to make decisions to be held up by the people that just can't ever seem to bring themselves to make decisions. Those are two don'ts.

Now, what I'd like to hear from you guys in the comments is what decision-making tools do you use? If you can give us an example of how making a decision helped you or harmed you and, and sort of give us a little bit of elaboration and your story. This is Wayne Rivers at the Family Business Institute. Thank you.