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Gary Gale, Founder and Director of Malstow Geospatial

THE LITTLE BOOK OF ¿BIG? DECISION MODELS

The 70 most useful models to help you say Yes or No

James McGrath

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THE LITTLE BOOK OF BIG DECISION MODELS

THE 70 MOST USEFUL MODELS TO HELP YOU SAY YES OR NO

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To Frank Cunningham and Phillip Heath
– the long service award for friendship.

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ABOUT THE AUTHOR

James is a qualified accountant with over 25 years' experience of working in the public and private sectors as an accountant, auditor, financial controller and management consultant.

He joined the University of Central England in 1998 where he was the Course Director for the MA in Education and Professional Development. He studied for his doctorate at The University of Birmingham and wrote his doctoral thesis on management and leadership in education.

He has co-written five books including *The Little Book of Big Management Theories* which won the 2015 CMI Management Book of the Year Award: Practical Manager Category. His first solo book was *The Little Book of Big Management Questions.*

His first novel *A Death in Winter: 1963* will be published in December 2015.

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INTRODUCTION

Managers make decisions all the time. It's part of their job description. Yet few managers receive any formal training on decision making. If they were lucky they may have studied a module on decision making as part of their degree, professional studies or MBA, but most have had to rely on learning from experience. Now there is nothing wrong with experiential learning, but it's a slow process and while learning even the best can make expensive mistakes.

This book sets out to remedy the problem and has just one aim:

To provide the essential information and advice you need to improve the quality of your decision making.

I recognise that managers are busy people who want information that is quick and easy to digest and apply. For that reason the book 'doesn't do' long discussions on the finer points of the models presented. Instead, it's succinct and punchy with all non-essential material eliminated. What remains are 70 key decision-making models that every manager should be familiar with. With the exception of Models 51 and 61 each model is outlined and guidance given on how to use it in just two pages. This means that in less time than it takes to drink your coffee you can read, understand and be ready to use one of the models. All you need is the will and self-confidence to give it a try.

The book is intended for senior, middle and junior managers and anyone who aspires to be a manager. Why such a wide spread? Simple. While the biggest decisions may be made by the board of directors, it is the junior, middle and senior managers who make the vast majority of decisions in every organisation.

The information given in this book not only offers key advice on decision-making models that will improve your success rate, it also provides reassurance that even the best get decisions wrong. For example, Robert Townsend, author of *Up the Organization* and CEO of Avis Rent-a-Car, argued that a good manager got 33 per cent of decisions right, 33 per cent wrong, and in 33 per cent of cases whatever decision was taken things would have turned out the same (he didn't say what happened to the other 1 per cent).

Now doesn't Townsend's analysis make you feel better already? If not, it should. It tells you that even great managers are human. They get things wrong. So why should you expect to always make the right decision? What secret super power do you have that sets you apart from mere human managers? Even the great Warren Buffett recently admitted that he got it wrong when, in the early noughties, he invested in Tesco.

What you need to do as a decision maker is to minimise the number of serious errors you make. Correct any errors immediately and always aim to beat Townsend's strike rate of 33 per cent for correct decisions.

TEN THINGS THIS BOOK WILL DO FOR YOU

The Little Book of Big Decision Models will:

- enable you to make more informed/better decisions;
- make you a more effective manager;
- extend and deepen your understanding of a wide range of decision-making techniques;
- improve your understanding of the environment in which you and your organisation make decisions;
- help you resolve a wide range of practical management problems quickly and effectively by taking decisive action;
- improve your ability to get things done;
- increase your earning power and personal capital;
- enable you to speak knowledgably on the factors that must be taken into account when making decisions and analyse the likely effects of successful and unsuccessful decisions;
- increase your credibility and prepare you for promotion;
- improve your performance in job interviews by increasing your knowledge of this key area and your confidence in dealing with complex decisions.

HOW THE BOOK IS ORGANISED

The book is divided into nine Sections. Each Section deals with a different aspect of decision making, e.g. 'The principles of decision making' or 'How to successfully implement your decisions'.

Each entry starts with a box suggesting how you can use the model. This is intended as a guide only. You will, I'm sure, be able to come up with other uses. Each entry also asks you two questions which are intended to stimulate your thinking. Many of the questions can be used for other entries and I'd encourage you to think about this as you work through the book.

Every entry ends with a small section headed either 'A good decision' or 'A bad decision'. 'A good decision' describes a highly successful decision. 'A bad decision' relates the sad story of someone's disastrous failure. Think of these as a series of micro case studies in decision making chosen from business, politics, sport and history. Try and put yourself in the shoes of the decision maker and identify the factors that may have influenced their decision, e.g. lack of information, a misread of the market etc.

On page 195 there is a list of the personal characteristics that influence how decision makers think and act. These characteristics are just as important as the factors that influence the decision maker, as it is often a flaw or strength in a person's character that makes the difference between a great decision maker and a bad one. For example, common flaws include pride and greed.

Within each of the nine Sections one model is nominated as a member of The First 11. The intention is to highlight the 11 models that I think are most useful to the busy decision maker – the ideas you turn to first when you're faced with a difficult decision and very little time. You may of course disagree with my choice. In The First 11 Team (see page 198) I reveal my choices for Vice-Captain and Captain which complete this magnificent team of 11.

And finally . . .

Academics love to argue about the difference between management/managers and leadership/leaders. I'm not interested in having an argument about how many management gurus can fit on the head of a pin. Leadership is part of the wider management function which also includes elements of administration. Therefore, I use the term manager throughout this book.

Finally can I wish you every success with your career and hope you enjoy the book. If you have any comments you'd like to make about the book please leave a review on www.amazon.co.uk, comment on my Author's page or contact me on my blog at http://jimmcgrathwriter.wordpress.com and include LBBDM in the subject line.

James McGrath
July 2015

HOW TO GET THE MOST OUT OF THIS BOOK

If you read nothing else, read the Conclusion to Section 1 which outlines the 12 principles of decision making.

You need to read, understand and apply the advice given if you are to get the most out of this book. The book is designed to be read in small chunks, so dip into it regularly. Annotate it and use it as a desk-top reference as and when you have a decision to make.

Always remember that all theories and models are just a partial and simplified explanation of a complex reality. Management is all about interaction with people and that will always be too complex to capture in a single model/theory. So don't approach the models in this book as sacrosanct. Be prepared to use just part of a model and/or to adapt and change individual models to suit your unique needs and circumstances. In addition, feel free to reject certain models that you don't like/agree with, but before you do, identify what it is about the model that you don't like. If you tried to apply the model in the past and things went badly ask yourself, 'Was it the model or how I used it that was the problem?'

If you can use individual models effectively that will improve your decision making. However, your objective should be to combine one, two or more models to inform your judgements. If you just use one model at a time you'll be like the karate fighter who can kick and punch really well but can't combine their moves into a balletic dance of martial power. The result is that they will always be beaten by the fighter who has learnt to combine their moves in a series of complex dance-like moves or katas. To show how different models can fit together links have been made between various models, for example '(see Model 9)' directs you to The Standard Decision-Making Model.

Turn this book into your own Decision/Reflective Bible. I know you're busy, stressed and in danger of throttling the next person who drops a great big fat problem on your desk and walks away smiling because it's no longer their concern, but every time you use one of the models jot down a few notes about it against the appropriate entry. For example: What was the issue you were dealing with? What went well? What went badly? What was the final outcome? Do you need to amend the model next time you use it? Which other theories could you have used? By reflecting on what you have done, both the good and bad stuff, you are embedding knowledge in your brain which you'll be able to call upon when you are required to make your next decision.

SECTION 1

THE PRINCIPLES OF DECISION MAKING

INTRODUCTION

Some decision makers like to prevaricate. They look for reasons to put off making a final decision for as long as they can and collect enough information to sink a battleship in the process. Like a dog with a bone, they won't let go of whatever decision they have been wrestling with until they have no choice.

Then there are managers who appear to make snap decisions and never look back. These managers can appear downright reckless to staff of a more cautious disposition. They seem content to rely on minimum information and gut instincts when making even the most important decisions.

It would be nice if I was able to say that it is the people in the middle who make the best decisions, but neither experience nor research has been able to confirm this. What it does confirm is that there is no magic formula that guarantees success.

Through experience, study and an understanding of your organisation you will end up making decisions in the way that is best for you. Of course if you keep making wrong decisions you may want to re-examine your approach or change jobs. But assuming that you are a typical manager and get about 33 per cent of your decisions right, 33 per cent wrong the remaining 34 per cent turn out the same whatever decision you took (see Model 1), you're doing OK. But I'm sure that you'd like to do better than just OK.

The models in this section are all concerned with the principles of good decision making. Get these basic requirements right and you'll soon see an improvement in your decision-making skills.

However, just reading about the principles isn't enough. You have to implement them. Practise them, and reflect upon them. I know you're short of time, but if at all possible try to keep some record of the theories that you have tried and what happened. You can use this book to record your thoughts or a reflective journal. You don't have to create a work of great length or literary merit – just a series of scribbled notes would be sufficient provided they record the:

- key decisions you made;
- reasons why you made each decision;
- results of each decision;
- analysis of why things turned out as they did – it's just as important to do this for the decisions that turned out well as those that went entirely wrong.

If you do this for just one or two decisions a week and reflect on your actions, you will quickly develop into a better decision maker. Why am I so sure? Because you will be involved in deep, reflective learning and what you discover will be meaningful to you and therefore change how you think and act.

MODEL 1 TOWNSEND'S RULES OF DECISION MAKING

Use this to remind you of the need to make decisions quickly.

Robert Townsend was CEO of Avis Rent-a-Car and wrote the biggest selling management book of the 1970s, *Up the Organization.* His book was an irreverent look at management practices in the USA at the time, but behind his humour was a very sharp business brain honed by years of experience.

TOWNSEND SUGGESTED THAT WHEN IT CAME TO DECISION MAKING:
Decisions should be taken at the lowest level possible in the organisation.
There are only two types of decision: those that can be made quickly because they are cheap and easy to correct and those that should only be taken after due consideration because they are expensive and difficult to correct.
All decisions are made on the basis of incomplete data, so either learn to live with this fact or get out of the game.
A good manager gets 1/3 of their decisions right, 1/3 wrong and the other 1/3 would have turned out just as it did whatever decision was made.

HOW TO USE IT

- Don't pass decisions up the line that you have the authority to make. It will make you look indecisive.
- Delegate decisions that are below your pay grade to staff and monitor that they are dealt with.
- Have the confidence to take decisions that are cheap and easy to correct quickly and with minimal information. Or better still delegate them (see Model 18).
- Delay taking decisions that are expensive and difficult to correct until you have adequate, but not complete, data. Use both quantitative (hard) and qualitative (soft) data (see Model 3) and your own tacit knowledge (see Model 8). What constitutes adequate data will depend on the nature of the decision/project and your own risk profile (see Model 31).

- Never take into account what has already been spent when making a decision. Such money has gone for good. Look only at future cash flows. If you have already spent £4m on a project and need to spend a further £1m to complete it compare that additional £1m with future cash flows, not £5m (£4m + £1m). If future revenues are predicted to exceed £1m you might decide to proceed, but if they are below £1m you fold. Never think, 'God we've got to get something in return for the £4m already spent'. That's the equivalent of a gambler chasing their losses.
- While you can never have complete data when making a decision, you should subject the data you do have to critical evaluation. Ask if the data has been affected by incorrect assumptions, wishful thinking, errors in calculation, overoptimistic projections, including customer numbers and cashflows, or an underestimation of risk.
- Always carry out a post-decision review. If you don't you're missing a great opportunity to identify errors, weaknesses and strengths in your decision-making process. Information which will help you make better decisions in the future.

QUESTIONS TO ASK YOURSELF

- How often do you 'pass decisions up the line'?
- Are you happy to make quick decisions on little information when they are cheap and easy to reverse?

A good decision: Bill Gates' decision in 1981 to license MS-DOS to IBM. In return IBM gave him control of the license for all non IBM PCs and thus was born Microsoft Windows.

MODEL 2 THE MCNAMARA FALLACY: THE VITAL INFORMATION THAT DECISION MAKERS IGNORE (THE FIRST 11)

Use this to ensure that you take account of all the relevant data prior to making a decision.

During the Vietnam War the US Secretary of Defence Robert McNamara developed what has come to be known as the McNamara Fallacy. It was his attempt to understand why, for much of the war, America and its politicians thought that they were winning.

McNamara concluded that too much attention had been paid to hard measurable facts such as the number of Viet Cong killed or captured, while little or no attention had been given to the soft data such as enemy morale and the Vietnamese people's desire to be free from foreign rule following the departure of the French in 1954.

McNamara outlined his fallacy model using four statements to describe the decision-making approach of politicians and the military at the time. According to him they had:

- measured what they could easily measure;
- ignored or poorly quantified anything that was difficult to measure;
- assumed that what couldn't be measured was of little importance;
- assumed that what couldn't be measured didn't exist and had no effect on the war's progress.

The implications for managers are obvious. When making decisions managers must find a way to take into account factors that are difficult, or seemingly impossible, to express in financial terms.

HOW TO USE IT

- Acknowledge that scientific management has been the main form of management since ownership and management of organisations started to diverge at the end of the 19th century with the advent of limited liability companies.
- Recognise that this split between owners and those managing the organisation has led to soft non-numeric data being marginalised.

This was done because managers wanted to demonstrate that their decisions were based on hard evidence and not just gut instinct. This is particularly important when things go wrong as it enables managers to blame the data.

- To include qualitative data (see Model 3) in your deliberations start by identifying the main non-quantifiable assets of your organisation, for example staff morale, staff expertise, intelligence on competitors, relationships with customers and between staff and management, management effectiveness. I could go on, and my friends say I regularly do, but you get the point.
- Use your list as a starting point for a brain-storming session with five or six members of your team to identify other non-financial costs and benefits that you need to factor into future decisions.
- Collect additional qualitative data from staff and other relevant stakeholders (see Model 14) using Management by Walking About (see Model 52), informal conversations, observations, questionnaires and interviews.
- Use Cost–Benefit Analysis to allocate a value to each of the non-quantifiable assets identified (see Model 60). Use these values in any decisions they impinge on. Update the values yearly.
- Don't accept financial or statistical data without understanding how it was calculated. Ask your accountant to explain how they arrived at the figures. Accountancy isn't a science. It involves choices, opinions and professional judgements, some of which you may want to challenge.

QUESTIONS TO ASK YOURSELF

- What's my attitude towards the use of non-financial/numeric data? Do I think it's important or a load of rubbish?
- Did I fail to use any important qualitative data when I made my last significant decision?

A bad decision: NASA failed to decide on one system of measurement for the Hubble Space Telescope Project. This resulted in European scientists working in centimetres and American scientists using inches. The result was a telescope that required costly repairs in space before it could astound the world with its pictures of the Universe.

MODEL 3 USING QUANTITATIVE (HARD) AND QUALITATIVE (SOFT) DATA IN DECISION MAKING

Use this to justify to sceptics your use of qualitative data.

McNamara (see Model 2) argues for the inclusion of qualitative data in decision making, but what exactly is qualitative data? Quantitative and qualitative data collection methods are often represented as opposite ends on a single spectrum, but this oppositional view isn't very helpful. The truth is most research contains elements of both approaches.

Qualitative data is 'soft data'. It seeks to record people's attitudes, beliefs, feelings and perceptions. By its very nature the data collected is complex, impressionistic, personal, and rich. To collect qualitative data researchers use observations, interviews, questionnaires and focus groups to discover people's subjective attitudes, beliefs and feelings. However, the nature of the data means it isn't possible to accurately measure the phenomenon under review or communicate its meaning using numbers.

Quantitative data is 'hard'. It deals in facts and figures and often involves counting or measuring some phenomena such as sales, future revenues or production units. The data is collected using controlled experiments, accounting and statistical records, detailed observations and factual questionnaires. The aim is to be as objective as possible and to exclude feelings and opinions from the hard facts of business.

HOW TO USE IT

- Recognise that most, if not all, decisions contain two elements. Element one is concerned with the facts and figures relating to the decision (hard data). Element two is concerned with how people will feel and react to the decision (soft data).
- Recognise that the nature of the decision under consideration will determine the relative importance that you attach to each type of data. For a simple decision such as replacing an old machine you will probably rely on hard data. But if the replacement means that staff are made redundant or will need to be redeployed you'd be wise to include some soft data in your deliberations.

- There will be many people in your organisation who can provide hard data for you, e.g. accountants, statisticians, sales and production managers etc. They produce such hard information as part of their job. But who is going to provide you with the soft data you need?
- In a small organisation you may have to collect your own soft data. The best and quickest way for you to do this is by applying Management by Walking About (MBWA) (see Model 52). In a larger organisation there may be staff already responsible for collecting soft data. If there isn't, find someone with the necessary research skills to carry out qualitative data collection exercises. If that fails and there is sufficient need for a researcher, and you have the resources/clout to do so, employ someone to fill the role.
- In all decisions try to list the possible reactions of stakeholders to your decision (see Model 14). Talk to the stakeholders affected and factor their support/opposition into your decision-making process.

QUESTIONS TO ASK YOURSELF

- Do I need to find out more about collecting and using qualitative (soft) data?
- What's the attitude of other managers in the organisation towards soft data? If it's antagonistic, what can I do to change their opinions?

A good decision: Sky's decision to spend big and use live football as the means to attract and retain customers fuelled its expansion.

MODEL 4 KREINER AND CHRISTENSEN: THE CONSEQUENCES MODEL

Use this to remind you that delaying a decision involves a level of risk.

Kristian Kreiner and Soren Christensen's Consequences Model plots the trade-off between the time it takes to make a decision and the amount of information available at the time the decision is taken.

At the start of any decision-making process the amount of information available is limited. In addition, the likely consequences of the decision are difficult to predict. Over time the level of information increases which makes it easier to predict possible outcomes and consequences.

Unfortunately, delaying, postponing or not making a decision is a decision in itself. Such inaction involves risk and can destroy any benefits that may have flowed from making the decision. For that reason Kreiner and Christensen suggest that managers be courageous and take decisions early. In many respects the Consequences Model reinforces what Robert Townsend had to say about decision making (see Model 1).

HOW TO USE IT

- Don't get hung up over decisions. Delaying a decision or not making a decision are decisions in their own right and have consequences.
- Follow Townsend's advice and take cheap and easy to correct decisions quickly
- If you do delay making a decision, explain to people why. If you don't it will cause confusion and uncertainty among staff and you'll lose credibility.
- Remember all decisions are based on incomplete information. You'll never have all the information you require to make a perfect decision. So follow Kreiner and Christensen's advice and make the decisions early.
- Accept that every decision will require some amendment in the implementation phase. Don't expect to get everything right first time.
- Use Shewhart's PDCA model (see Model 66) to help you refine and improve your initial decision. Constant repetition of the cycle will move you ever closer to the outcome you want.

- Be willing to reverse or change your decision if you find it isn't workable. Don't let your pride stand in the way of doing the right thing. Too many mangers think that changing their minds is a sign of weakness rather than what it is – a sign of self-confidence.
- Monitor your decision closely (see Model 66) and take corrective action quickly when required.

QUESTIONS TO ASK YOURSELF

- How much information do I normally require before I am willing to make a decision?
- Once I have made a decision how do I monitor its implementation?

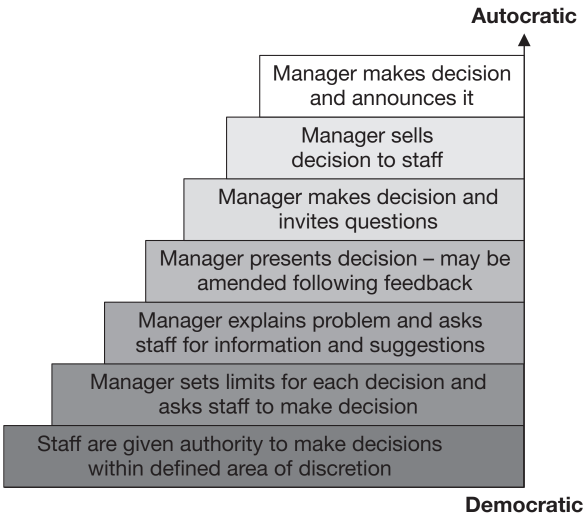
A bad decision: Hitler's decision to repeat Napoleon's mistake of 1812 and invade Russia in 1941.

MODEL 5 TANNENBAUM AND SCHMIDT: THE DECISION-MAKING SPECTRUM

Use this to identify how autocratic/democratic you are when it comes to decision making.

Some people think that managers should make decisions without involving their staff. They see consultation as a sign of weakness. This is not the case. Yes, some decisions have to be made by the manager alone, but many decisions would benefit from the involvement of others.

Robert Tannenbaum and Warren H. Schmidt first outlined their model of the leadership continuum in 1957. It was intended to describe the range of leadership styles between autocratic and dictatorial and democratic and participative. However, it works equally well in terms of describing the amount of involvement manager's allow their staff to have in the decision-making process.



HOW TO USE IT

- Identify where you think you reside on the above continuum.
- Give a copy of the continuum to your staff and ask them to identify where they think you reside. Allow the staff to answer anonymously. If the thought of laying yourself open to your staff is a problem, ask family and friends to complete it.

- Compare your view with those of the other respondents. You might think that you are consensual and involving but others may see you as a raving megalomaniac.
- Using the information you've gathered, decide where you want to reside on the continuum. You may be entirely happy with where you are at. However, if you want to change you should move slowly through the spectrum rather than trying to jump from autocratic to democratic in one giant leap. One strategy you can use is to adopt different approaches for different types/levels of decisions. You're free to do this. But it should be done as a conscious decision on your part.
- Once you have settled on your decision-making style try to be consistent. Staff trust those managers who are predictable and don't spring surprises.
- You may wish to plot where on the continuum your manager and other managers in the organisation sit. This will tell you something about the management culture of your organisation. If you find that you have a wildly different approach to management and decision making compared to your colleagues, you may wish to either change your approach or change jobs.

QUESTIONS TO ASK YOURSELF

- How do you react if you are challenged by a member of your staff?
- Are there individual members of your staff that you would like to include/exclude from the decision-making process?

A good decision: Tesco's decision in 1994 to introduce their Clubcard loyalty scheme. It proved to be highly popular with customers and provided Tesco with a huge customer data base.

MODEL 6 ROGERS AND BLENKO: THE RAPID DECISION-MAKING MODEL

Use this to remind you of the need for the roles of all those involved in the decision-making process to be clearly specified.

Confusion and uncertainty are the enemies of good decision making. If two people believe that they are responsible for a specific decision you have a problem leading to delays, arguments and turf wars. Paul Rogers and Marcia Blenko's RAPID Decision-Making Model aims to avoid such difficulties by identifying the specific roles that need to be allocated to named individuals. To do this they ask 'Who has the D?' Meaning who is responsible for specific areas of the decision-making process.

USING VERBS AS DESCRIPTORS, ROGERS AND BLENKO IDENTIFIED THE FOLLOWING FIVE ROLES:
Recommend: **R** gather data and make recommendations on the course of action to be followed. They consult with **I** and listen to recommendations from **A**.
Agree: **A** make suggestions to **R** and negotiate changes to the recommended course of action. If necessary, in extreme circumstances, they may veto a project.
Perform: **P** takes responsibility to ensure that the decision is implemented once it has been confirmed.
Input: **I** provides information to **R** and assesses the feasibility of the suggested course of action and problems that might arise.
Decide: **D** arbitrates between **R**, **A**, **P**, and **I** when required and makes the final go/no go decision.

HOW TO USE IT

- It is essential that you define the responsibilities of each role and nominate a named person to carry out those duties.
- In a small organisation or when facing a small decision, one person may fulfil more than one role. Indeed, situations may arise when you fill all of the roles.
- If you find yourself filling several roles, try to ensure that someone else covers the **A**gree and **I**nput roles. You need someone to act as devil's

advocate and challenge your thinking. Otherwise you run the risk of 'tramline thinking'.

- In larger organisations several people may be involved in each role. Avoid having a proliferation of **A**s, because effectively they have the power of veto over what is done. This can cause serious delays as they fight among themselves for position and power.
- Avoid appointing too many **I**s. Information is great but you can become overloaded and as people will be trying to justify their existence on the project you will probably end up with information that you don't require and which can actually mislead you.
- **P**s are essential to the success of any decision. Too often good decisions are poorly implemented, leading to failure or sub-optimisation. Choose good middle managers to lead this process. They are the ones who know how to get things done. The launch of the Ford Mondeo was led by 'middle managers'. It was the most successful launch of a new car in Ford's history to that point.
- Whoever has overall responsibility for the decision, usually **D** or **R**, must monitor progress. But keep formal reporting to the bare minimum (see Model 65). Otherwise staff will spend more time compiling reports than working on implementing the decision.

QUESTIONS TO ASK YOURSELF

- Who is in charge of the project at the strategic and operational levels?
- How clear were the lines of responsibility on the last significant decision you were party to?

A bad decision: Sony's decision in the 1970s not to license the Betamax video format with the result that they lost out to the inferior VHS product from Matsushita.

MODEL 7 COGNITIVE MAPPING: UNDERSTANDING HOW YOUR COLLEAGUES THINK

Use this to help you identify and understand the thinking of your colleagues and staff.

Cognitive mapping aims to improve decision making at middle and senior management level by identifying and making explicit the factors that influence managers when they are engaged in the decision-making process. Much of this knowledge is held as tacit knowledge and resides in the person's subconscious mind, from where it informs their thinking and actions on a daily basis without them being aware of it. Cognitive mapping seeks to make explicit some of this deep knowledge and to share it between colleagues (see Model 8).

HOW TO USE IT

- Identify your role in the cognitive mapping process. Are you going to run the exercise, with or without a facilitator or are you going to be one of the managers who is to be mapped?
- Identify the group of managers you wish to map.
- Appoint an external facilitator to assist the group. External consultants are seldom better than an internal candidate but they often possess more credibility with senior managers and credibility is vital in this sort of exercise.
- The facilitator holds one-to-one interviews with each manager lasting up to 90 minutes each. More than one interview per person may be required.
- Using open-ended questions the facilitator will try to draw out from the manager the embedded theories that they operate under. Often the best way to do this is to ask managers to describe a number of recent decisions and then explore the reasons and influences that led them to make their decision.
- The facilitator analyses the findings from all the interviews and develops models of individual and group behaviour.
- Finally, arrange a one/two-day workshop to discuss the findings and take the group off-site. You don't want interruptions. (While you're at it ban mobile phones – the Roman Empire managed to operate successfully without contacting the boss every three minutes.)

- Share the models and ideas that the facilitator has developed with everyone. Allow free and frank discussion but avoid any disagreements becoming personal. Jettison those ideas that don't fly, e.g. no matter how hard Harry argues for it, consulting an astrologer is not going to be company policy.
- Agree a corporate approach based upon the best practices identified by the analysis and agree to implement it with immediate effect.
- Improvements arising from clarity of purpose, clearer working practices and increased cooperation should become quickly evident. Even so, carry out a formal review of the impact that cognitive mapping has had three months after implementation.

QUESTIONS TO ASK YOURSELF

- What role do you want to play in the exercise, e.g. do you want to analyse the data along with the facilitator?
- Which senior managers do you want to be in the group? They're busy people so what carrot are you going to dangle to get them to attend?

A good decision: Toyota's decision in 1948 to follow the advice of an unknown, untested, American statistician and implement his ideas on how to improve quality. His name was Edwards Deming and he became Father of Toyota's total quality approach.

MODEL 8 TACIT KNOWLEDGE AND DECISION MAKING

Use this to remind you that 80 per cent of what you know about your job is held in the form of tacit knowledge.

Some managers take significant decisions on what appears to be minimal information. They appear to be operating on 'gut instinct'. Yet time and again they are proved to be correct. But are they really operating without data?

In recent years there has been much interest in the concept of tacit knowledge. This is the product of a person's experience and learning. People are not aware that they have this knowledge as it resides in the deep recesses of their subconscious, waiting until circumstances bring it to their conscious mind.

Friedrich von Hayek won the Nobel Prize for Economics (1974) for his work on free market economics and was an early proponent of tacit knowledge. One reason he supported free markets was because he believed that centrally controlled staff were incapable of reporting everything they know about local conditions, problems and opportunities to the centre. This meant that a centre could never have full knowledge of what was happening locally and were therefore incapable of directing a controlled market.

In management circles Professor John Adair has promoted the idea of tacit knowledge and calls it 'deep knowledge'.

HOW TO USE IT

- Storing information is the key to tacit knowledge.
- Use every opportunity to gather information about your organisation from staff, managers, customers, suppliers and wider stakeholders.
- Walk the job and talk to everyone from the office cleaner to The Chair of the company.
- Use meetings and the general chit-chat that goes on before and after them as an opportunity to add to your knowledge.
- Use observation at meetings to learn about the people present, including their attitudes, beliefs, motives and relationship with colleagues.

- Read any reports that appear in the press or on the web about your organisation.
- Be on the lookout for bits of information and ideas that arise when you are watching the TV, reading, talking to friends, online etc. Anything that strikes you as interesting which might have a bearing on your work is worth storing away. Our unconscious mind uses these disparate and unconnected pieces of data, in a process of syntheses, to produce new ideas and theories.
- Clock clever ideas in other organisations that you can import and, after some adaption, use in your own.
- Jot down in your reflective diary any interesting comments, events trends, problems, opportunities, threats, or juicy gossip (even knowing who's sleeping with whom can be valuable if it explains someone's attitude/stance).
- All of the above information will compost down in your subconscious and form linkages and connections in your brain which will enrich your tacit knowledge. When faced with a problem this knowledge will resurface and provide you with an answer.

QUESTIONS TO ASK YOURSELF

- Can I identify an occasion when faced with a problem I just knew what the right course of action was?
- How good am I at collecting and using information about my organisation and the people in it?

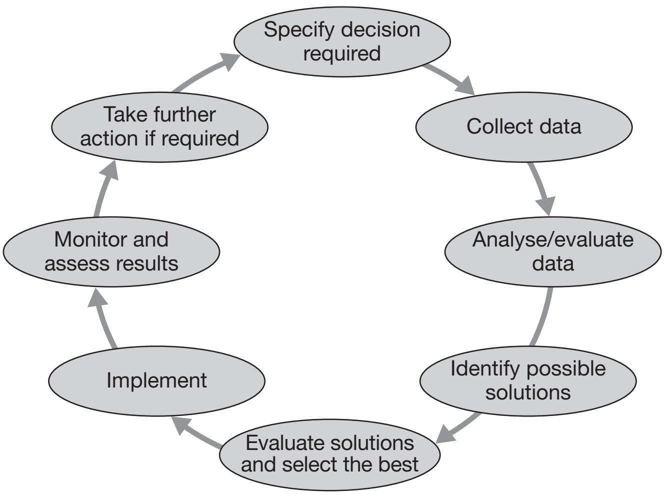
A bad decision: Radio Corporation of America (RCA) was a leading manufacturer of TVs and radios in America. Its decision in the mid-1960s to diversify into areas where it had little expertise and no competitive advantage led to it being sold to General Electric in the 1980s.

MODEL 9 THE STANDARD DECISION-MAKING MODEL

Use this when it's important to show clearly that you have adopted a logical and comprehensive approach to making a significant decision.

Despite the relatively recent movement to include qualitative data in decision making there is still a widespread perception that good business decisions are based on the application of economic and accounting principles free from emotion. The Standard Decision-Making Model does not exclude the use of qualitative data but it was devised in a time when such data was considered by many to be irrelevant.

The continuing strength of the standard model is that it provides an excellent basic approach which you can adapt as required.



HOW TO USE IT

- Remember those decisions that are low cost and easy to reverse should be made quickly. Those that are more expensive and difficult to reverse are candidates for the standard decision-making model.
- There are some occasions when you will have to make a decision on your own, but there will be many others when you could enlist the help of others. People who are involved in the decision-making process are more likely to support the decision and work to make it successful. This approach will also protect you against tramline thinking where you can't see or you ignore solutions that don't fit into your thinking.

- Start by defining the problem clearly. For example, a new product is produced and flops. Managers attack the marketing campaign and devise a solution to solve the problem. Their decision is implemented and the product still flops. Why? Because the public don't want/need the product, and no amount of marketing can change that.
- As part of defining the problem identify the assessment criteria you will use to evaluate solutions as they arise (see below).
- Collect relevant data. Remember to include soft qualitative data (see Model 3) and don't expect to have complete information. What data you collect will depend on the problem you're facing but you are likely to use many of the data collection models outlined in Sections 2, 7, 8 and 9.
- Critically evaluate the data collected. Ask how it was produced and what assumptions were made in interpreting the data.
- If the decision requires 'rolling out', use your team to draw up a detailed implementation plan and delegate responsibility for specific aspects of the plan to named individuals (see Models 18 and 37).
- Monitor the implementation of the plan and be available to help staff and/or make practical adjustments to your decision as required.
- Once the decision has been implemented and things have settled down, undertake a review to identify what lessons (good and bad) can be learnt for next time and how the process can be improved.

QUESTIONS TO ASK YOURSELF

- How structured is your decision-making process?
- Do you need more or less structure in your decision-making process?

A good decision: Johnson & Johnson's decision in 1982 to remove Tylenol from sale immediately it became clear that someone was poisoning random bottles of the drug was only to be expected. However, the level of openness they displayed with the media and the public was both unexpected and exemplary.

CONCLUSION

THE FIRST 11

I’ve chosen the McNamara Fallacy (see Model 2) to go in The First 11 for the simple reason that decision makers continue to underestimate the impact that people’s attitudes, beliefs, feelings and perceptions can have on the success or failure of a decision.

In a world where managers can no longer tell staff to just ‘do it because I say so’, it’s essential that the views of staff and other stakeholders are taken into account before any final decision is arrived at and/or the decision implemented.

This Section has been about getting the basics of decision making right. Contained within the nine theories discussed, and those that follow, it’s possible to identify a series of principles that can be applied to decision making. For ease of reference I have summarised them below. As you work through the book see if there are any other principles you would add.

THE TWELVE PRINCIPLES OF DECISION MAKING

1. Where more than one person is involved in making a decision, ensure that everyone is fully aware of their role and responsibilities.
2. All decisions should be taken at the lowest possible level in the organisation. This empowers staff, prepares them for advancement and avoids unnecessary delays and bottlenecks as decisions are passed up the management chain.
3. Low-cost decisions that are easy to reverse if they go wrong should be taken quickly. You should not waste time, effort and money on the tiddlers. I once attended a management development course where a senior manager spent most of the week fielding calls from his organisation about what to do with a member of staff whose trousers were considered too tight!
4. All decisions are based on incomplete information/data. That means doubt and uncertainty. Get used to it. If you had perfect information there would be no need to form a judgement on the evidence available as the course of action and its outcomes would be obvious.

5 High-cost, difficult-to-reverse decisions should be made only after due care and deliberation. As an accountant I was always amazed how multi-million pound decisions were rubber stamped by the board, but a decision to spend ten grand caused endless debate. I can only assume that executives and directors were happy to pass the big decisions without much discussion because they assumed that every ‘t’ had been crossed and every ‘i’ dotted. That’s a dangerous assumption.
6 Never take into account what has already been spent when making a decision. If you have a project on which you have overspent and it is running late, do not be tempted to include the amount already spent in your thinking. That money is gone, whatever you decide. Yes it’s embarrassing to lose £10m on a project and have nothing to show for it, but it’s even more embarrassing if you try to save a failing project and spend a further £20m in the process. Only take into account future cashflows when making your decision.
7 Decision making is an art and a science. Use both quantitative/hard data and qualitative/soft data (see Model 3) in your deliberations. If experienced staff are telling you that your decision is a bad idea, you should listen, even when they can’t explain their misgivings. Why? Because their tacit knowledge is at work (see Model 8) and it shouldn’t be discounted without due consideration.
8 Avoid sub-optimisation. Too often managers make decisions based upon what’s best for their department, section or office. The best decisions are based on what’s in the organisation’s interests as a whole. Managers who can rise above their own parochial agenda are quickly noticed by management and marked out for advancement because they are the type of ‘big picture’ people that all organisations need.
9 Avoid tramline thinking. Attack the problem from multiple angles by involving others in the decision-making process (see Model 5) – they may well suggest options that you’ve not considered. Only rarely will a decision be so confidential that only you and you alone can know about it. In addition, by involving staff in the process they are more likely to buy into the decision and support its introduction because ‘they’ve had their say’.

10 Provided you have the time, always sleep on a big decision before you announce it. It will give your subconscious a final chance to access your tacit knowledge, which may in turn confirm or raise doubts about your conscious decision.
11 Once you've made a decision put all your efforts into making it a success (see Section 9), but remain willing to pull the plug if it doesn't work out.
12 If you make a bad decision don't beat yourself up (others will be lining up to do that anyway). Instead, analyse what went wrong, learn from your mistakes and get back in the game as soon as possible.

As with any guidelines, feel free to break any of the above principles if circumstances demand or if it will help you secure a better outcome for your organisation.

SECTION 2

USING DATA IN DECISION MAKING

INTRODUCTION

This Section provides a range of data collection models that will help you to make informed decisions. At first glance it might appear that several models are only concerned with collecting qualitative/soft data. This would be an incorrect assumption, for as you shall see much of the data that is initially collected is later given a financial value (see Section 2 Conclusion).

The best decisions are made when you have a balance of quantitative and qualitative data which has been collected from a number of different sources. Ideally each of these sources will have examined the issue from a slightly different angle. If enough angles are covered you build up a 3D image of the problem. This process, of methods triangulation, adds greatly to the richness of the data collected and the quality of your decision.

But all of the above is a waste of time, money and effort if your data collection exercise lacks validity. Validity is the degree to which you have measured or explored the phenomena that you set out to examine. Simply put it asks 'Have you measured what you set out to measure?' For example, your company launches a new product which everyone believes will be a winner. Very quickly it becomes apparent that the product is not selling as well as expected. Blame is quickly allocated to the advertising campaign. Market research identifies that the campaign did not win universal approval among the target audience and a new campaign is put together. Alas the product still bombs. It's at this stage that one brave soul suggests that it's the product that stinks and staff were blinded to its weakness by the company's own hype and a particularly bad case of 'the emperor's new clothes'. In measuring the success of the advertising campaign, the company was measuring a symptom of the problem, not its cause.

As you work through this Section, make a note of which models appeal to you and identify the type of decisions that they might help you make. You won't like all the models. That's fine. But try and work out why you dislike a particular model. If you do this with each Section you may identify a trend. This is useful information as it will identify the type of data which you routinely downplay or ignore. Many years ago I had the unfortunate experience of working with a Chief Executive who did not understand, and therefore downplayed, the significance of financial information. I left!

MODEL 10 THE PARETO PRINCIPLE AND THE IMPORTANCE OF THE VITAL FEW

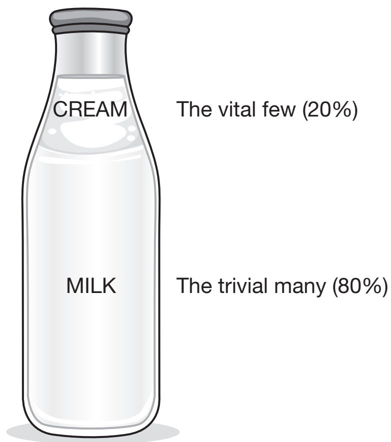
Use this to identify where you should concentrate your efforts.

Vilfredo Pareto first used his famous principle to demonstrate that 80 per cent of the property in Italy was owned by 20 per cent of the population. His idea was picked up by Joseph Juran, the quality guru, who helped to make it known more widely.

Pareto's theory of the 'vital few and the trivial many' has been applied to such diverse areas as:

- **Stock control** where 80 per cent of the stock's entire value is generally contained in 20 per cent of the items.
- **Sales** where 20 per cent of an organisation's customers purchase 80 per cent of all sales.
- **Staffing problems** where 20 per cent of staff are responsible for 80 per cent of the HR problems.

The list goes on. The split may be 70:30 or 90:10 but it will be in the region of 80:20. What this means is that busy managers can concentrate their attention on the vital few and avoid having to wade through the trivial 80 per cent as they seek to build on strengths and eliminate weaknesses.



HOW TO USE IT

- The Pareto Principle doesn't solve your problem. Rather it provides a tool to save time and point you towards where the most effective action can be taken.

- As shown in the examples below it doesn't matter what your job is, the Pareto Principle can be applied in your area of work. Set some time aside to identify 'the vital few' within each of the functions you are responsible for.
  - If you produce financial, statistical or any other kind of reports, identify the 20 per cent of reports that your customers really want. Ensure that these are produced on time and to a high standard. Make your cuts in the remaining 80 per cent. You may find that no one complains, in which case bin those reports entirely.
  - If you're having staff problems, identify the 20 per cent of staff that are responsible for 80 per cent of your problem. Focus your decision on this 20 per cent and let the rest of the staff get on with their work.
  - Identify which 20 per cent of staff produce 80 per cent of your productivity/sales/profits. When making decisions about remuneration or perks recognise their contribution. If you can't reward them financially at least publicly recognise their contribution (see Model 40).
  - Identify the 20 per cent of your customers who account for 80 per cent of your sales and reward them with special offers and deals.
  - If you're having cashflow problems, identify the 20 per cent of debtors who owe 80 per cent of the debts outstanding. Concentrate all your resources on chasing these people.
  - If 80 per cent of your income is earned by 20 per cent of your products, you need to constantly monitor those Cash Cows (see Model 51) and react quickly to any threat posed to them, e.g. by changes in technology that make them obsolete.

QUESTIONS TO ASK YOURSELF

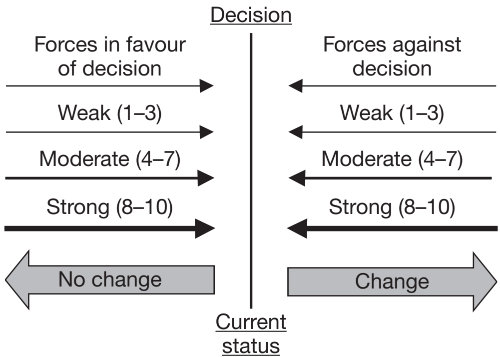
- Do I know the various 'vital few' that exist in my area of work?
- Is there a problem that I could test this theory on today/tomorrow?

A bad decision: On 1 January 1962, the Beatles auditioned for Decca Records. The Decca executive at the session turned them down because he thought that guitar bands were going out of fashion.

MODEL 11 LEWIN'S FORCE FIELD ANALYSIS OF THE SUPPORT AND OPPOSITION TO A DECISION

Use this to identify the pro- and anti-forces that your decision will encounter and devise a strategy for dealing with your opponents accordingly.

Kurt Lewin's Force Field Analysis is simplicity itself. However, its very simplicity masks what a profound model it is. His analysis involves identifying supporting and opposing forces. Both forces will contain factors such as costs and people who will support or oppose your decision for a variety of reasons. By scoring each force on a scale of 1 to 10, with 10 the highest, it's possible to 'calculate' the strength of the pro- and anti-forces.



Source: McGrath (2013), *The Little Book of Big Management Theories* (Pearson Education 2013).

HOW TO USE IT

- Decide if you wish to conduct the exercise alone or with a small team.
- Using an A3 sheet of paper describe the decision and record this in a box at the top of the page. From the bottom of the box draw a line down the middle of the page.
- Identify the forces that oppose or support your decision. Remember if you are dealing with people it's important to identify why they support or oppose you.
- Collect information on both the pro- and anti-forces.
- Record the pro-forces in the left hand column and the anti-forces on the right.

- Score each force. For added visual effect draw horizontal arrows for each force towards the centre line. The thicker the arrow the greater the force.
- The score you allocate to each force is subjective, but provided you are consistent in how you assess each force that won't be a problem. Greater constancy can be achieved if you involve a group of people in drawing up the force field analysis.
- Total the scores on each side of the line. It will soon be obvious if your decision is going to sail through virtually unopposed or if you are heading for defeat. Many exercises will show little difference between the two sides.
- If it's a close call and you still want to go ahead with the decision, develop a strategy that will enable you to either strengthen the forces in your favour, weaken the resistors or a combination of both. If you face defeat, think about withdrawing gracefully and returning to the fight when you've repackaged the decision, undermined the forces ranged against you or strengthened the forces in your favour.
- Remember the same factor can both support and oppose your decision. For example, your decision may need high initial investment which is in short supply but may in the long term generate substantial savings.

QUESTIONS TO ASK YOURSELF

- Who do I need to include on my team?
- Who/what are the biggest threats to my decision's implementation?

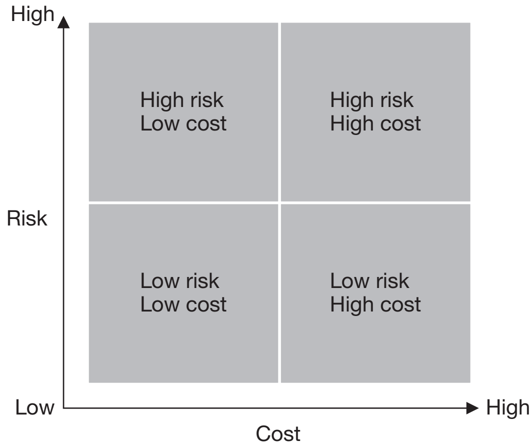
A good decision: Victorinox's decision to diversify its product range away from Swiss Army knives and into watchmaking. Where others may have failed, they leveraged their reputation for quality goods, aligned it with the Swiss reputation for well-made watches and made a killing.

MODEL 12 SCENARIO ANALYSIS AND CHARTING POSSIBLE FUTURES

Use this to identify strategies that you can use to combat future threats.

Scenario Analysis (SA) attempts to predict the possible futures that an organisation might find itself inhabiting. Recognising that it's impossible to predict accurately a single future, SA normally produces three scenarios, i.e. the pessimistic, optimistic and most likely outcomes. Given that discontinuous change is a feature of the modern world, SA does not use historical information in its predictions and nor does it extrapolate from past events. Instead its users try to identify future trends, changes, developments and turning points that will impinge on the organisation/decision.

Once the possible 'future worlds' have been identified, managers develop a series of strategies to deal with any issues or problems identified by the analysis. These problems can be classified as follows.



HOW TO USE IT

- Working with a facilitator select about six people (three in small organisations) who have imagination and an understanding of the changing environment that the organisation operates in.
- At the first workshop specify the issue you wish to explore and brief the team on the aims of the exercise, e.g. what will happen if the UK leaves the European Union? Specify the time horizon to be used, but e.g. don't look more than three years into the future.

- Ask every member of the team to prepare an initial list of their ideas. Following brief discussion of everyone's ideas allow the people to amend their list of ideas.
- Circulate each person's amended report before the second workshop. At the second workshop, allow between 30 and 60 minutes to discuss each submission.
- Arrange a third workshop for about ten days after the second. In the lead-up to the third workshop encourage team members to talk to one another and with the facilitator. This will give them an opportunity to finalise their suggestions.
- At the third workshop evaluate each person's ideas on the basis of how likely it is that their predictions will occur and what will be the effect on the organisation if they do.
- Ignore low-risk/low-cost and high-risk/low-cost scenarios. Concentrate your efforts on low-risk/high-cost and high-risk/high-cost. If any issue in these two categories has a 30 per cent chance or more of occurring, you need to determine a strategy for how you will deal with it.
- It's very likely that a single strategy will address several issues. These are the strategies that you should work up in greatest detail as they are the most likely to be used in practice.
- For each scenario develop a best, worst and most likely outcome.
- Report to senior management/the board and get their approval for your recommendations. This will save time if you have to implement one or more strategies in the future.

QUESTIONS TO ASK YOURSELF

- To add credibility to the exercise do I need an external facilitator?
- Who in the organisation has the ability to think the unthinkable?

A bad decision: BP's initial handling of the oil spill in the Gulf of Mexico in 2010 was littered with poor decisions and has become a case study in how not to deal with a major incident.

MODEL 13 DELPHIC FORECASTING AND HOW TO FIRM UP PREDICTIONS

Use this to collect, summarise and analyse the views of experts within your organisation on an issue under investigation.

The Delphic Forecasting method was developed for the American military in the 1950s and 60s. The name 'Delphi' refers to the Oracle of Delphi in Ancient Greece. However, the implications contained in the title do a disservice to the highly structured nature of Delphic Forecasting.

The process acts like a funnel. The number of answers is decreased as greater consensus is achieved between the experts.

DELPHIC FORECASTING INVOLVES SEVEN STAGES:
Identify the issue to be examined and select either an internal or external facilitator to run the forecasting exercise.
Identify who in the organisation knows most about the issue under investigation. These are your experts. Try and keep the number to around six at most.
Brief all concerned and agree with the facilitator and the experts the number of 'Rounds' that the exercise will be run over.
Round 1: The experts either complete a questionnaire or undertake a one-to-one interview with the facilitator. Any questionnaire used is likely to require lengthy written answers.
The facilitator reviews the responses, disregards answers that are irrelevant and the remaining answers are anonymised and reasons for each answer summarised.
Round 2: The facilitator's summary is shared with the experts. They then revise and amend their previous responses in the light of what they have read.
The revised answers are again reviewed by the facilitator and the irrelevant removed. The answers are anonymised and summarised. If there is to be a third round the summary will be returned to the experts and they will repeat the process outlined in Round 2 above. If not then either a joint meeting of the experts can be called by the facilitator and the final report agreed or the facilitator submits the final report to the commissioning group without reference to the experts (not recommended).

By anonymising the information and avoiding meetings between the experts, people don't lose face if they change their minds or their ideas are rejected. It also avoids/reduces competitiveness between the experts. There is also evidence that the answers arrived at are more accurate than those obtained from unstructured groups.

HOW TO USE IT

- Much of what you need to do is summarised in the description of the theory above. What you have to decide is what role are you going to play? Are you going to be the facilitator, an expert or just a member of the commissioning group?
- If you are going to be the sole facilitator you need to ensure that you are fully conversant with the issue under consideration and that you have the research skills necessary to draft either a good questionnaire or list of interview questions. If you don't have these skills, bring on board a facilitator who does.
- As the facilitator you have to provide the focus for the exercise. Make sure that you agree this with the group or person who has commissioned the work. Spend time defining and refining your questionnaire/interview schedule. Get these wrong and the data you collect may be worthless and/or misleading.

QUESTIONS TO ASK YOURSELF

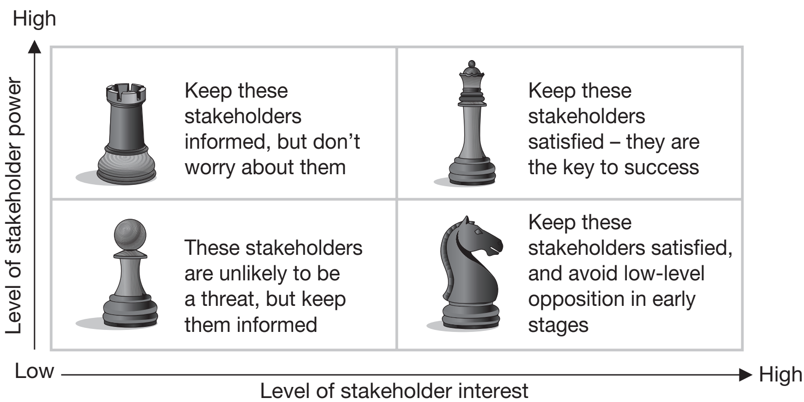
- Do I have the research skills required to facilitate this type of exercise?
- How open am I to original ideas?

A good decision: Samsung's decision to finance a management development programme for their best young managers to travel the world and improve their understanding of other cultures and global markets.

MODEL 14 JOHNSON, SCHOLES AND WHITTINGTON: MAPPING STAKEHOLDERS' REACTIONS (THE FIRST 11)

Use this to identify the internal and external stakeholders that may be affected by the decisions you make and to identify how to keep them on side.

Making a decision is often the easy part. Selling it to sceptical stakeholders and implementing it successfully is often much more difficult. Gerry Johnson, Kevan Scholes and Richard Whittington's Stakeholders' Mapping Model can be used to identify possible road blocks to implementation. Using the stakeholders' level of interest in the decision and the power/influence they have to disrupt the decision they were able to divide stakeholders into four groups.



HOW TO USE IT

- It's vital that you know your main stakeholders and are able to predict how they will react to any decision you make. These will include staff, senior management, customers, suppliers, shareholders etc.
- Take every opportunity you can to speak to stakeholders and sound them out on how they feel about various hot issues. If you are

planning to announce a significant decision, check out informally how they feel about it.

- Devise a two-part stakeholder strategy. Part 1 is concerned with developing a long-term and cordial relationship with selected key stakeholders. Use the Pareto Principle to identify the most important (see Model 10).
- Part 2 kicks in once you have made your decision. Examine your list of stakeholders and identify who will be affected by or interested in your decision.
- Use your knowledge of the stakeholders to map and analyse the different groups of stakeholder according to their level of interest and power with regard to your decision using the above figure.
- Maintain a watch on those stakeholders with low power and low interest but don't invest a lot of time communicating with them.
- Talk to those with low power but high interest. They may not have much power but if you get them on your side they may influence other stakeholders who know of their interests and possible expertise in this area.
- Don't annoy or take for granted those stakeholders with high power but little interest. If they feel insulted by you they may become very interested indeed – much to your cost.
- Focus most attention on those with high power and high interest. These are the people you need to fully engage with to get the decision implemented.
- Remember, don't spring a major surprise on any stakeholder. Keep them informed through regular contacts.

QUESTIONS TO ASK YOURSELF

- Who are the top six stakeholders that I need to keep happy?
- What sort of relationship do I have with the top six stakeholders? Is it good, bad or non-existent?

A bad decision: Coca-Cola's 1989 disastrous decision to change the taste of America's favourite drink is a constant reminder to all businesses not to mess with their key products without first finding out what customers think.

MODEL 15 EGAN'S SHADOW SIDE MODEL: DEALING WITH THE POLITICS OF DECISIONS

Use this to win over the political players in your organisation.

Gerard Egan's model complements the work of Johnson, Scholes and Whittington by focusing on the political reality of organisations. In the political sphere people may support or oppose a person's ideas for reasons that are unconnected to the quality of the idea or decision but is predicated on self-interest alone.

CHARACTERS TO LOOK OUT FOR FROM THE SHADOW SIDE MODEL:
Partners: Those who support the decision.
Allies: Those who, if persuaded, will support the decision.
Fellow travellers: Those who may support a decision but not necessarily the decision maker.
Fence sitters: Those who have not expressed support or opposition to the decision.
Loose cannons: Those who are likely to support or oppose a decision on a whim.
Opponents: Those who oppose the decision but have nothing against the decision maker.
Adversaries: Those who are opposed to both the decision and decision maker.
Bedfellows: Those who support the decision but don't trust the decision maker's motives.
The voiceless: Those who have little or no power to support or oppose the decision.

HOW TO USE IT

- Use in conjunction with Johnson, Scholes and Whittington's Stakeholders' Mapping Model (See Model 14).
- Identify and get to know the key power brokers in your organisation. Work out what power, influence and interests each of them has.
- Use Johnson, Scholes and Whittington's Stakeholders' Mapping Model to identify the relative strengths and interests of each power

broker in your decision. Those with low power and low interest you can largely discount. It's those with high power and high interest that you have to win over and try and make allies of.

- Remember, if the power brokers are real political animals, they will only be interested in what you can do for them. As long as you are useful they won't do anything to damage you. But once you cease to be useful – beware.
- Use the following approach with each category of power broker:
  - **Partners:** Stay close to them and keep them informed.
  - **Allies:** Need constant reassurance that they have made the right decision.
  - **Fellow travellers:** They may agree with the decision but they don't like/trust you. Don't do anything to arouse their suspicions.
  - **Fence sitters:** These people can be in play right up to the final moment. If things are close keep after them. If you've got the decision in the bag, retain contact but put most effort into retaining your current support.
  - **Loose cannons:** You can't rely on these people so don't. Build your alliance from other power brokers.
  - **Opponents:** These people oppose your decision on principle. You won't be able to win them over, but don't antagonise them. They may support your next decision.
  - **Adversaries:** They don't like you or your decision and that's not going to change.
  - **Bedfellows:** They support the decision but don't trust you. Work on developing trust with them.
  - **The voiceless:** Often these people are grateful just to be consulted. Pay them some attention and they will support you. How much they can help is doubtful.

QUESTIONS TO ASK YOURSELF

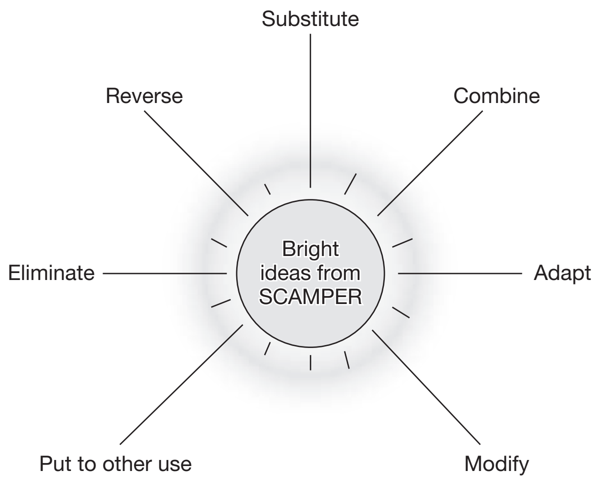
- Who are the major political players in your organisation?
- What is your standing with them?

A good decision: Aston Martin's offer to loan a DB5 to the crew of *Goldfinger* in 1963 turned their car into an icon. This was after several larger car manufacturers had refused to loan their cars.

MODEL 16 THE SCAMPER MODEL AND FINDING CREATIVE SOLUTIONS

Use this to generate new and innovative solutions by examining existing products from different angles.

Recognising that it's not easy to be creative, Bob Eberle provided a model that managers can use to encourage the flow of ideas. His SCAMPER checklist was based upon a questionnaire developed by Alex Osborn for his advertising agency BBDO and provides a series of prompts that managers can use to get their creative juices flowing. The approach can be used with all products, including services and processes. The SCAMPER checklist contains seven questions that managers can ask about their existing products.



HOW TO USE IT

- Select a small team of between three and six people to assist you with your review.
- At your first meeting brief the team as to what you are hoping to achieve and identify the product, service or process that you wish to review.

APPLY THE SCAMPER CHECKLIST BY ASKING WHETHER YOU CAN:
Substitute components, machines, materials, resources human or material to improve the product? Or use the product or service for another purpose or in a different market?
Combine one or more of the product's functions or use materials more efficiently? Alternatively, can you use the people, resources and talent invested in the product to create a new approach to how the product is viewed and supported?
Adapt one or more of the processes used in the product's manufacture? Could the product be used in a different context or for another purpose? Thanks to the success of *Fifty Shades of Grey* manufacturers of handcuffs have a whole new market.
Modify the size, shape, feel or features of the product or improve its functionality? What existing features could you emphasise in order to create more value in the product? Is there anything you could alter which would change the product or how people see it?
Find another use for the product? Who else, other than existing customers, might use the product? What would you need to do to attract such people? Could the product be used in a different environment? (We're back to handcuffs here.)
Eliminate any elements of the product or process or change and simplify it without adversely affecting its effectiveness/appeal to customers? For example, as with mobile phones, does the product need to be smaller, lighter or make a fashion statement?
Reverse or invert long held ideas about how the product is made or marketed? For example, Volvo moved from the traditional production line to team working in the 1970s and the quality of their vehicles improved significantly.

- Once you have identified a series of possible changes, evaluate each one in terms of cost/return and if they look like a financial goer, run some small-scale tests as to their practicality.
- If your test results look good take your best ideas to senior management for approval/implementation.

QUESTIONS TO ASK YOURSELF

- Who do you need to get onside if your ideas are to be implemented (see Model 14)?
- Which senior manager in the organisation is most forward looking? Can you make an ally of them?

A bad decision: Kodak Film developed the digital camera in the mid-1970s but decided not to invest in it for fear it would undercut their film business.

MODEL 17 DE BONO'S SIX THINKING HATS MODEL: GENERATING DIFFERENT PERSPECTIVES

Use this to inject a greater level of creativity into your decision making.

Edward De Bono's Six Thinking Hats Model recognises that people habitually think and act in a specific way based upon their personality. For example, a person who is pessimistic by nature will think, act and react in a different way to a sunny optimist when presented with a problem.

De Bono's model uses this insight and encourages a group of people to consider a problem from six different stereotypical positions. The feedback received is then pooled and synthesised and used to inform the decision-making process.

Hat colour	*Personality descriptor*	*Person is typically concerned with . . .*
White	Objective	Facts and figures
Red	Subjective	Feelings, emotions, personal perceptions and tacit knowledge/gut feelings
Black	Pessimist	The problems and drawbacks associated with the decision – they are critical even sceptical about everything they see and hear
Yellow	Optimist	Seeing the positives – bright, happy and cheerful they always see the best case scenario and are willing to take risks because things will be fine
Blue	Organised	Logical and structured thinking – they are good at standing back and seeing the big picture
Green	Creative	Thinking outside the box – they are good at generating new ideas and brainstorming solutions but seldom consider the feasibility of ideas

HOW TO USE IT

- The Six Thinking Hats Model is an aid to creative thinking. Use it as a way to identify possible advantages, disadvantages, strengths, weaknesses, problems, solutions, options and ideas associated with the decision you have to make.
- There are different ways in which the thinking hats exercise can be run. What's outlined below is just one. For other examples search on the internet.
- Recognise that people can play any role assigned to them. You don't need a pessimist to play the role of the Black Hat. Indeed, if you cast someone against type you might get some interesting results.
- There is no reason why you can't run the exercise then switch roles and run the same exercise again.
- Assign a hat to each person. Brief each person on the role you want them to play.
- It is normal that each round starts and ends with whoever is wearing the **Blue Hat**.
- Give people ten minutes or so to think about the questions, their role and their initial ideas.
- State how long each person will have to outline their case. The Model is fairly demanding on the players and most will only require about five minutes to state their case.
- You can then run the session again without changing people's role. Their views may have changed following the first round. Or you can swap roles and run the session again.
- Record all the points made by every participant on Post-it notes. Use the wall to group similar ideas under a series of sub-headings.
- Summarise the findings and use these as the basis for a discussion with the group at a reconvened meeting.

QUESTIONS TO ASK YOURSELF

- What has been your past experience of this exercise?
- Given your experience what role do you want to play in the exercise – participant, observer or facilitator?

A good decision: Despite great pressure from colleagues, Winston Churchill refused to countenance holding peace talks with Germany in 1940.

CONCLUSION

THE FIRST 11

Johnson, Scholes and Whittington's Stakeholders' Mapping Model (see Model 14) reminds us that one of the major reasons that decisions fail is that they are poorly implemented (see Section 9). This can be down to poor planning and training, but even before it reaches that stage a decision can be doomed to sink because it runs straight into a ruddy great iceberg called stakeholders' interests.

Decisions affect people and unless you have a strategy for winning the support of these people you are going to struggle to win the support for any decision you wish to implement. I really like Egan's Shadow Side Model. It appeals to my hidden Bond/Smiley fantasies, but I've chosen the Stakeholders' Mapping Model over the Shadow Side Model because it is more comprehensive and has the advantage of analysing stakeholders according to the level of their interest and power they have.

In practice there is no reason why you should have to choose between the two models, and I'd recommend you use both whenever you are making a significant decision.

Now that you've had a chance to read some, perhaps all, of the entries in this Section you will have a better appreciation of what I was going on about in the Introduction. The models do appear to be concerned with the collection of non-financial data but the data they produce does indeed have a financial cost/value. For example:

- **Lewin's Force Field Analysis** requires that the financial costs and benefits associated with each side can be calculated (see Model 60). This information can then be used to formulate a strategy for reducing the power of the opposition or increasing support, e.g. a pay rise or other sweetener to staff can often remove an apparently immovable impediment to your ideas.
- **Scenario Analysis and Delphic Forecasting** invariably require the cost of future strategies to be calculated and future cashflows discounted to net present value (see Model 59).
- **Johnson, Scholes and Whittington's Stakeholders' Mapping Model and Egan's Shadow Side Model** deal with people who may well be willing to trade their support in return for your backing of their

pet project or a financial settlement and by that I mean ‘pork barrel politics’ not bribery (see Models 14 and 15).

- **De Bono’s Six Thinking Hats Model and the SCAMPER Model** will produce interesting ideas but at some stage you’ll have to calculate the financial feasibility of the schemes (see Models 59 and 60).

The message therefore from Section 2 is that in every decision there will be financial and non-financial costs and benefits to take into account.

SECTION 3

ENHANCING YOUR DECISION-MAKING SKILLS

INTRODUCTION

This Section is concerned with improving a range of personal skills. These skills, such as delegation, dealing with criticism, learning to think creatively and being emotionally intelligent, go right to the heart of effective management and decision making.

Many managers find it difficult to delegate work, perhaps because they don't trust their staff to do a good job. But the truth is that you aren't paid to do all the work, you're paid to ensure that others do the work. Eisenhower's Principle (see Model 18) provides advice on what decisions and tasks you should routinely delegate. Follow his advice and you will have more time for the work you should be doing such as managing staff, improving economy, efficiency and effectiveness and dealing with complex issues and decisions.

Of course whatever you do as a manager you will be criticised. This can destroy your self-confidence. Use Model 19 to analyse the negative feedback you receive and judge for yourself what is valid and what isn't. Either ignore or defend yourself against unfair criticism but always act to eliminate the causes of any justified criticism. Remember never take criticism personally. Feedback should be about your work not you as a person. If the feedback is personal and is meant to wound don't rise to the bait. Record what was said and bide your time.

Many managers don't think that they are responsible for generating creative ideas and solutions. They think that the responsibility lies with the 'creative types' in the organisation. But who are these creative types if not you? Organisations need creative managers throughout the organisation to deal with the complex problems that are constantly arising in today's fast-changing world. You know your business area better than anyone. Such knowledge is the starting point of all creative solutions (see Models 20 and 21). So you better be prepared to roll up your sleeves and get stuck in or you'll be replaced by someone who understands that ideas and knowledge are the new currency for managers.

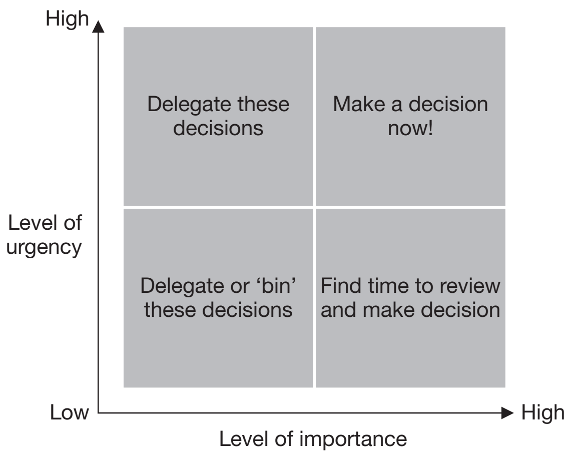
The last model in this Section is about reclaiming your job. I'm not sure that this is an accurate description of what Ghoshal and Bruch describe. Most people from the day they start work in a new job allow their boss, staff, colleagues and the pressure to conform to the organisation's norms to determine what their role is and how they will carry it out. You need to rip through this self-imposed straight jacket and manage in the way that you want to manage. That takes self-confidence, but if you don't do it you will never know just how good a manager you might have been.

MODEL 18 THE EISENHOWER PRINCIPLE AND THE DELEGATION OF DECISIONS (THE FIRST 11)

Use this to identify the decision you should take and those you should delegate.

President Dwight D. Eisenhower, was the Supreme Commander of Allied Forces during the Second World War and was in charge of the Allied Invasion of Europe (D-Day), so he knew a thing or two about decision making. Famously he said that ‘What is important is seldom urgent and what is urgent is seldom important’.

The Eisenhower Principle has been used as a system of time management but it’s included here as a reminder that not all decisions are equal and most can be delegated to your staff.



HOW TO USE IT

- Use the Eisenhower grid to analyse the decisions you have made in the last month. How many of them should have been delegated?
- **Not urgent and not important decisions.** Why are you wasting time and energy on decisions that are below your pay grade? Delegate them.
- **Urgent but not important decisions.** You should delegate all unimportant decisions. But remember to provide guidance to your staff as required (see Model 37) and monitor their progress. If a

delegated decision has not been made and has now become urgent don't take the decision yourself. Insist that the person responsible for the decision deals with it immediately. There are a couple of exceptions to delegating unimportant decisions. You may wish to respond yourself to any requests from your manager or other influential stakeholder (see Model 14).

- **Urgent and important decisions.** These are probably the decisions that you spend most time on. Your aim should be to reduce the number of decisions that fall into this category. You can do this by prioritising all the important decisions that you have to make and keep track of where you are with each one.
- **Not urgent but important decisions.** This category is the most important for two reasons: 1) If you fail to deal with them they will eventually become urgent and important and 2) often these decisions deal with underlying problems within your team or area of responsibility. If you can remedy these faults you will reduce the number of problems arising in the future that will require a decision.
- To improve your decision-making efficiency you will initially have to invest time and effort in changing systems, procedures and staff attitudes. Decisions should be made at the lowest level possible and staff should not be allowed to push them up the line (see Model 1). Similarly monitoring and control systems should be in place to ensure that when a decision is delegated it is dealt with in a correct and timely fashion (see Model 68).
- Be assertive and refuse to deal with decisions that others should make.

QUESTIONS TO ASK YOURSELF

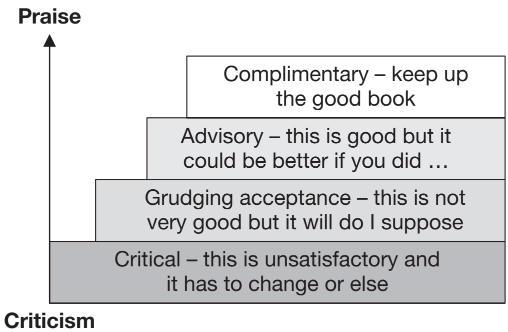
- Which of the non-urgent but important decisions sitting in my in-tray would save me the most time in the long run if I were to tackle it today?
- Do I secretly encourage staff to pass all decisions to me because it makes me feel important/look good?

A bad decision: Western Union decided in 1876 to invest in telegrams as the communication tool of the future rather than telephones. (Maybe they were just ahead of their time. After all, what are texts if not telegrams?)

MODEL 19 THE FEEDBACK AND CRITICISM CONTINUUM

Use this to remind you that you can't please all the people all of the time – so please yourself.

You need a thick skin to be a manager. Your staff, boss, customers, suppliers and a multitude of others will criticise you and call it feedback. So get used to it. But never allow negative feedback and criticism to undermine your confidence.



HOW TO USE IT

- Read in conjunction with Model 41.
- Insist that the feedback is given to you in private and that sufficient time is allowed.
- Take notes of what is said.
- Remember that the person giving feedback is not criticising you, they are criticising your actions. Your actions are not you so don't take anything they say personally.
- Disengage your competitive streak and say nothing. Don't think about what you are going to say when the person stops talking. Just listen to what is being said.
- You have the right to reject feedback and criticism if you think it's unfair given the circumstances in which you acted or because it's based on factual error or misunderstanding. In such cases be assertive and state your case without anger or emotion.
- Listen to what's said and when you have the time allocate the comments received to one of the four categories outlined in the continuum above.

- **Compliments** don't come along every day. Accept them with good grace and think how you can improve your performance still further.
- **Advisory** feedback is intended to help you improve further. It is not criticism. The person is acknowledging that your work is good but they believe you are capable of even better. Unfortunately, the way they phrase their feedback may annoy you. Separate the advice from the tone and act upon it.
- **Grudging acceptance** from an over-demanding manager may mean more to you than gushing praise from another. Only you can know what the intent is behind your manager's feedback. But if it is genuinely the case that your performance in this instance was only acceptable, you need to take the criticism on-board and do something about it. Develop your own plan for improvement but if required speak to your manager and ask specific questions which will elicit precise answers on what you need to do.
- **Criticism** seems to be the only form of feedback that some managers are capable of giving. If you work for such a manager I suggest you start looking for a new job as over time your self-confidence will be undermined. However, if your manager is usually fair and reasonable then accept the criticism and act upon it. Take the initiative. Draw up a plan of action and discuss it with your manager and amend as required.

QUESTIONS TO ASK YOURSELF

- How sensitive are you to criticism?
- If you are highly sensitive, what's the cause of this sensitivity and what can you do about it (see Model 24)?

A good decision: Tata Group of India's decision to build a car for the working classes costing less than £2,000. Their decision was criticised by industry as unworkable but against expectation was a huge success.

MODEL 20 LEARNING TO THINK OUTSIDE THE BOX

Use this to remind you that without innovation you will be overtaken by competitors.

There is no sure fire way to come up with a great new idea. Many of the best just ‘pop’ into the person’s mind as if by magic. But it’s seldom magic. Just as seeds won’t grow on unprepared ground, ideas generally only come to those with prepared minds. To develop such a mind you need to be learning, thinking, observing, experimenting, trying and failing all the time.

New ideas are sparked when people are encouraged to question and challenge existing practice and ways of thinking, acting and behaving. It is also essential to allow people to dream and speculate about what might or could exist. For example, in the 1960s you couldn’t pick up a science fiction magazine without mention of an all-powerful computer and/or driverless cars. Well computers have been with us for a while and the driverless car is only a few years away.

However, dreaming and speculating aren’t enough. Managers must have the courage to experiment, implement and even fail. Initial failure is often the bridge to eventual success.

HOW TO USE IT

- Start by building up your creative muscles. For example challenge yourself to identify 20 to 50 uses for a range of mundane objects such as a paperclip or brick.
- Look at those quiz magazines that have sections on creativity. Search Amazon for books that deal specifically with developing creativity. You’ll find many of the best under education.
- Learn all you can about the area of work which you want to innovate in. For example let’s say you want to develop a totally new approach to the production of widgets. Talk to the managers, production engineers and supervisors in charge of production. Speak to the suppliers of your equipment. Then speak to the real experts, the workers who produce the widgets and who have to make the existing process work, and your customers.
- Use SCAMPER (see Model 16) to play around with what you currently do.

- Keep your eyes and ears open when you are out and about, socialising, watching a film or vegging out in front of the TV or games console. New ideas often come from the most unlikely of sources and the trick is to be constantly on the lookout for such opportunities and recognise them for what they are when they arise.
- When the idea or part of the idea comes to you **write it down immediately**. Don't think 'I'll remember it', I guarantee you won't.
- Ideas often arise when you are relaxed. When you are just about to fall asleep or upon waking. So keep a pad and pencil beside the bed.
- Don't discuss your idea with anyone until you have worked it up into a decent proposal. If you announce it too soon the idea will be shot down and you'll probably lose confidence in it. Or someone else will pinch it. Something writers know all about.

QUESTIONS TO ASK YOURSELF

- Do I believe that I'm responsible for innovation within my area of work?
- What have I done recently to get my creative juices going?

A bad decision: For 19 years Ford failed to update/improve the Model T Ford. During that time competitors were innovating and responding to customers' demands. The result: Ford's market share shrank alarmingly.

MODEL 21 GOLEMAN: USING EMOTIONAL INTELLIGENCE TO MAKE BETTER DECISIONS

Use this to help you understand better the likely reaction of stakeholders to your decisions.

Daniel Goleman's work on emotional intelligence (EI) resides very much on the right of Tannenbaum and Schmidt's (see Model 5) continuum of decision-making styles.

GOLEMAN'S FIVE CHARACTERISTICS OF EMOTIONALLY INTELLIGENT LEADERS AND EFFECTIVE DECISION MAKERS:
Self-awareness: Strong managers know their strengths and weaknesses, what they stand for and how others perceive and react to them. This knowledge provides the bedrock for their self-confidence which is essential for decision makers.
Self-regulation: Managers must be aware of what triggers irrational responses in them and be ready to control their destructive emotions and impulses during the decision-making process.
Motivation: Emotionally intelligent managers are motivated by the work they do. They do not require external praise/validation. A vital quality in any decision maker as it's impossible to please everyone all the time.
Empathy: Good managers understand the emotional make-up of their staff and are able to predict how they and other stakeholders will respond to specific decisions and act to minimise adverse reactions.
Social skills: Managers require strong relationships with staff, colleagues, management and all stakeholders if they are to influence people and win their support.

HOW TO USE IT

- EI is about your attitudes, empathy and feelings. You can read about its principles in a book but intellectual knowledge is not enough. You have to apply what you have learnt. It is through daily practice that EI develops and changes your thinking and becomes second nature.

- Find a coach or mentor in your workplace who is willing to observe you in action and give feedback on your progress as you try to apply Goleman's five principles.
- EI is concerned with changing your attitudes and beliefs. That's not easy and you'll make mistakes along the way. That's why it's essential you record key events in your reflective journal as soon as possible. Later, you can analyse and evaluate these incidents and decide what you did well/badly and what you will do differently if faced with a similar situation in the future.
- When implementing a decision try and put yourself in the shoes of the stakeholders (see Model 14) who will be affected. Try to look at events from the other person's perspective and find ways to allay their fears and win their support for your ideas.
- If people still disagree with you listen to them. Listen to what the person has to say. Don't sit there thinking about what you will say next. Just listen. Don't interrupt and never suggest that you understand how they feel. Because you can't. Many people just want to be heard. To get things off their chest. That's enough to satisfy them even if their views are not taken on board.
- Being empathetic is about understanding the other person's views/situation, it is not about agreeing with them. Don't compromise your principles.

QUESTIONS TO ASK YOURSELF

- What do you think of EI? Is it a good idea or a load of rubbish? Why do you feel that way?
- What level of emotional intelligence do your family, friends and staff think you have?

A good decision: Walt Disney's decision to listen to his wife, Lillian, and call his mouse Mickey not Mortimer, a name that was old fashioned even in the 1920s and lacked the cheerful, can-do attitude implicit in Mickey's character.

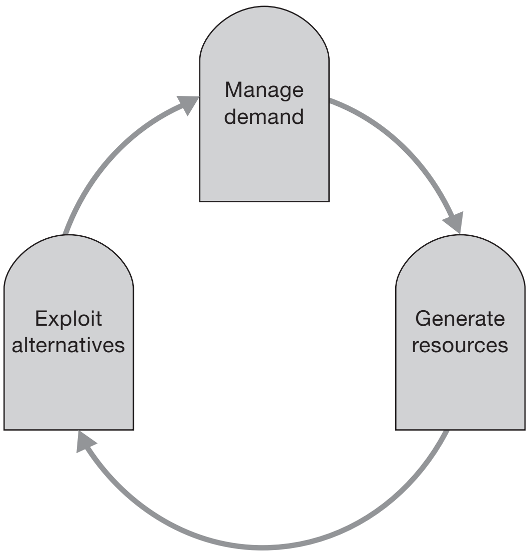
MODEL 22 GHOSHAL AND BRUCH: RECLAIMING YOUR JOB

Use this to re-energise/re-launch your managerial career.

Research by Sumantra Ghoshal and Heike Bruch found that many managers believe they are denied autonomy, have little discretion in how to do their job and lack power. In addition they feel unable to refuse demands that are placed upon them by their boss.

In turn their bosses complain that their managers were unable to see the big picture, take ideas and run with them, exercise their own judgement or align the aims of their department/unit with those of the organisation. Most tellingly they complain that their managers lack initiative and are reactive rather than proactive.

To silence such criticism and reclaim your job, you need to address the three dimensions of your job summarised below.



HOW TO USE IT

- Think about your attitude to management. Are you a reactive or proactive manager? If you are reactive you need to throw off the self-imposed chains that are holding you back. Look at Models 24 and 29 for possible reasons why you are reactive.

- Don't confuse being busy with being a good manager. Never allow routine work to stop you doing the important stuff. Set boundaries and stick to them. See what Eisenhower has to say about the difference between urgent and important and use his analysis to delegate both unimportant decisions and tasks (see Model 18).
- **Manage demand:** Ineffective managers allow day-to-day pressures to determine what they do. To reclaim your job you have to set the agenda both in terms of what you do and the timescale in which you will do it. Start by managing the expectations of your boss and stakeholders (see Model 30) and agree realistic but challenging deadlines for both day-to-day and one-off project work.
- **Generate resources:** Reactive managers assume that if resources are tight or withheld that certain jobs just can't be done. As a proactive manager you must think strategically. Align your objectives with those of the organisation. This will protect you in times of cutbacks and put you first in line for resources when resources become available. Additionally, follow the advice given in the Headpin Model (see Model 50) and resource just a small part of your initiative as proof that the full initiative is worth financing/supporting.
- **Exploit alternatives:** Average managers don't see the big picture and fail to identify alternative ways of achieving their objectives. As a proactive manager, you must become an expert in your area of work and have a good working knowledge of other departments and units. That way when road blocks appear you will have the detailed knowledge required to work around them.
- Whenever you have to take a detour be on the lookout for new opportunities to exploit and ways to achieve your existing objectives.

QUESTIONS TO ASK YOURSELF

- How proactive am I?
- Do I have a full list of all my deadlines, targets and objectives analysed by level of importance?

A bad decision: IBM's failure in the 1980s to accept that the market for mainframe computers would decline as the demand for PCs increased, along with their computing power.

CONCLUSION

THE FIRST 11

It was inevitable that the Eisenhower Principle would make The First 11. Like the great manager he was, he recognised that in order to do the important stuff he had to avoid getting bogged down in the unimportant.

In addition, not only does his principle provide a great guide to the decisions you should be making and those you should delegate, it can also be used to identify the other jobs that you should be doing and those you should delegate. Too many managers fill their day with tasks that someone else should deal with. They confuse being busy with being effective. You have limited time. You need to spend it on the important jobs and decisions and not doing work that the office junior could do.

If you worry about delegation you have to learn to trust and support your staff. In order to support them and provide you with some reassurance use Situational Leadership (see Model 37) to both develop and monitor your staff.

The single most important characteristic that a decision maker/manager needs is self-confidence. If you don't believe in yourself why should anyone else? But self-confidence can be fragile, especially in young managers. Use the feedback continuum (see Model 19) as a way of analysing the criticism you receive. Act on the good advice and dump the stuff that was just said to wind you up or 'put you in your place'. Very often unfair criticism is doled out because the person fears you.

Look for creative ways of solving problems in your area of work. At first you won't spot many, but remember that ideas come to a prepared mind and fairly soon you'll find that ideas do start to present themselves, especially if you are able to draw your staff into the process. Always give credit to whoever had the idea, be that an individual or the team. If you don't you will undermine the trust that is the bedrock of Emotional Intelligence.

Finally, think about reinventing yourself as a manager. You don't have to take a revolutionary approach. You can do it a little bit at a time. But as with any decision you need to identify your ultimate objective. So spend some time thinking about and visualising the type of manager you want to be. Then draw up a strategy/timetable for achieving your aim. Then go for it and don't give up until you've reached your objective.

SECTION 4

DECISION MODELS ABOUT YOU

INTRODUCTION

The phrase '**Know thyself**' was inscribed over the doorway to the Temple of Apollo at Delphi. Like many apparently simple maxims it had more than one meaning. Some took it to mean that people should pay no attention to what others said about them, because the wise person knew the truth about themselves (both good and bad) and therefore knew their true worth. Another interpretation was that it was a warning to those who possessed very little insight into who they were or what they were like (a bit like the no-hopers on *Britain's Got Talent*) to wake up and face reality.

To be a good decision maker you have to 'know thyself'. You need to know what you stand for and what made you the person you are. Only then can you become a really effective decision maker. Why is this knowledge so important? Because every decision you make is subconsciously influenced by your personality, beliefs, attitudes and past history. To make the best decisions in the here and now, you need to know how your personal history affects your thinking and decision-making processes in the present. Only then can you make allowances for your own bias.

In addition, if you truly know yourself you will be able to deal with the criticism and second guessing that every manager and decision maker encounters. Personal attacks and criticisms will not undermine you because knowing yourself breeds self-confidence and reduces your need for approval from others.

As you work through the models its essential that you are brutally honest with yourself. There is no one watching you or tut-tutting if you own up to the fact that sometimes you prioritise work over family and friends because that's the way you want it. If you lie to yourself you'll never understand just what factors impinge on your work as a decision maker. Some of the insights you gain from the models discussed will make you feel uncomfortable. If they do, that's a good sign. It means you're engaging with the ideas and uncovering the real reasons you made the decisions and choices you have over the years.

The insights you gain from working through this section will also help you to become a better manager. Because, by knowing yourself you will be in a better position to understand your staff and their attitudes, dreams, self-imposed barriers, fears and motivations. This knowledge will enable you to empathise with them and in doing so build a strong and effective working relationship, as well as identify the factors that are most likely to motivate them (see Models 27 and 40).

MODEL 23 CHRISTENSEN'S STRATEGY FOR A HAPPY LIFE

Use this to identify your 'principles for life' and then use these to guide your decision making.

Clayton M. Christensen, a Professor at the Harvard Business School, is famed for encouraging his students to draw up a strategy for life. He argues that such a strategy can be used to remind people of what is truly important and help them achieve their ultimate goal of living a productive and happy life.

TO HELP STUDENTS GET STARTED CHRISTENSEN POSES THREE QUESTIONS:
1. What makes me happy at work?
2. How can I live a happy and fulfilled family life?
3. How can I live by my principles and maintain my integrity in all I do?

In essence his theory is based on the idea that if a person is fulfilled in their work, enjoys a happy family life and lives according to the principles they have set for themselves they are likely to be content.

HOW TO USE IT

- Start at the end and write your own obituary. Keep it short. Think about how you want people to remember you, e.g. as a loving parent. Use your obituary to guide the important decisions in your life and help you answer Christensen's questions.
- **How can I be happy in my career?** Christensen agrees with Herzberg (see Model 40) that it is not money, power or position that motivates people. Rather it's interesting, enjoyable, rewarding work that stretches people and allows them a degree of autonomy in how they act which they find motivating. If your job fails to meet these needs you should consider moving on.
- **How can I enjoy a happy and fulfilled family life?** Many ingredients go into making a happy family life. One of them is to maintain the right balance between the competing demands of work and family. Decide how you are going to allocate your time between

the two and stick to it. Review this allocation regularly and remember that it will change as your career first takes off, plateaus and finally starts to decline (sorry but that's what happens).

- Never treat people at work and other strangers better than family and friends. When you're with family and friends don't slump in the chair and watch TV. Talk to them and more importantly listen. Make your partner, children and friends the centre of every conversation, not yourself. In listening to them you are demonstrating that you care about their lives.
- **How can I live by my principles and maintain my integrity?** First you need to identify your principles. Just as every rock band has started out by copying their heroes you need to find a role model that you can copy. After a time you will find that your 'unique sound' will emerge as you jettison, amend and add to the list of characteristics shown by your 'hero'.
- Don't be tempted to break a principle 'just this once'. Break any principle once and next time it will be all the easier to ignore it. Keep the number of principles you have to a minimum. You should be willing to resign for a principle. Anything you abandon when the going gets tough isn't a principle, it's a guideline.

QUESTIONS TO ASK YOURSELF

- Is there anything that I would resign over?
- Who in the organisation can I use as a role model?

A good decision: The decision by Dr Jonas Salk to challenge medical orthodoxy at the time and produce a vaccine for polio using 'killed virus'. It enabled him to produce the first polio vaccine in 1954, seven years before his leading competitor who insisted on using a live strain of the virus.

MODEL 24 DEALING WITH YOUR PAST: HANG-UPS AND TRIUMPHS

Use this to identify how past events and experiences still influence you today.

Decision making is about the future. But what happened to you in the past affects how you think and act in the present. Effectively your accumulated beliefs, conditioning, feelings, ideas and personal constructs impact on the decisions you make in the present. More often than not these influences operate at an unconscious level. The process outlined below will help you to identify which factors continue to influence you. Once revealed you can deal with them.

HOW TO USE IT

- Using the following headings prepare four lists of your hang-ups and triumphs: Family, Social, Education and Work. Draw a line down the middle of each paper and head the left-hand column Hang-ups and the right Triumphs.
- List all the events and people that have had a lasting influence on you. At this stage list everything. If it helps, allocate a score to each factor to show the strength of emotion it still creates in you. For example under Education you might list:

Hang-ups	*Triumphs*
Teachers in junior school thought I was stupid because I learnt to read late (10/10)	Achieved a 2.1 Degree (8/10)
Made to feel socially and intellectually inferior to other children in the junior school (8/10)	First week in secondary school one teacher said I was intelligent but needed to work harder (9/10)
Bullied by other children in junior school and early years of secondary school (6/10)	Won sports medals in secondary school (7/10)

- Once you have completed your lists exclude those factors which you are certain have no impact on your current thinking but are just memories.
- What remains is a list of influences which impact on your present actions. You have internalised these events and they are in play whenever you make a decision or deal with just about any issue.
- To identify how a particular event might affect your decision making you'll need to do a bit of analysis. For example, if you had a negative experience of junior school you might need to ask yourself: Am I constantly looking for reassurance? Do I lack self-confidence? Am I a perfectionist? Clearly a 'yes' to any of these questions has implications for your approach to decision making.
- Once you are aware of the influences at play you can:
  - Decide if you should continue to be influenced by each hang-up. If it's holding you back or causing you grief, bin it. This may take a little time but now that it's out of the shadows you can stomp on it and consciously let it go. Use positive self-talk to help you.
  - Take your triumphs and use them to enhance your confidence but ensure that you don't become arrogant, over-confident or rash.
  - Recognise those factors that you either don't wish to eliminate or can't and list them. Whenever you are making a decision consciously make allowances for them in your thinking/final decision.

QUESTIONS TO ASK YOURSELF

- Look at the authority figures that had influence over you when you were younger parents, teachers, early managers etc. Do you still believe what they said about you? If so, why?
- Do you readily accept the negative feedback and criticisms that people give you but reject the praise?

A bad decision: Following research on the future role of the railways in Great Britain it was decided in the early 1960s to implement the Beeching Plan. Some 2,360 stations and 5,000 miles of railway lines were decommissioned. This led to the transfer of freight cargo from rail to road and millions of people from train carriage to car.

MODEL 25 DEALING WITH DILEMMAS

Use this to help you decide between two courses of action or resolve a dilemma.

We have all been in a situation where we have been confronted by two or more mutually exclusive options, e.g. do we stay or go, stick or twist, up sticks and move to the new job in London or stay where we are.

The approach outlined below is deceptively simple, but if it's used correctly it can help you resolve personal dilemmas and identify which course of action to follow.

At first sight the model appears like a simple case of listing the advantages and disadvantages of the decision you have to make. However, the aim is to list the factors in play. The factors you list are neither good nor bad, they are simply the factors that concern you.There truly are no right or wrong factors when dealing with a dilemma.

HOW TO USE IT

- For the purpose of this exercise let's assume you are undecided about accepting a new job with a rival company which will involve moving 150 miles.
- Take a piece of paper and draw a line down the centre. In the left-hand column list all the factors that are Restraining you. On the right list all the forces that are Pulling you. If you are deciding between three options you would add another column.
- At this stage write down everything that comes into your mind. The insignificant, the significant and the absolutely vital. Draw up this list over a period of 24 hours, jotting down new issues as they pop into your head.
- Sit down with your completed list and score each factor. There is no limit to the score that you can give to a factor and it's OK to have more than one factor with the same score.
- If one or two factors outscore every other by a country mile concentrate your attention on these. For example, if the choice is between moving 150 miles to your great new job (Pull: 110) and your partner is refusing to move (Restraint: 100) all other factors probably fade into insignificance. You need to decide which is more important,

your job or your partner. Once you have made a decision about this you will probably have your answer.

- If there are no major factors pulling you in either direction add up the two columns. Let's assume that Restraining Factors are 110 and the Pulling Factors 130. It would seem obvious that you should go with the Pull side. But what if despite the data you still feel doubtful? You need to revisit the scores. Have you been entirely honest with yourself? Are you overstating the pull factors because you feel it's right for ambitious managers to move regularly, or have you understated what is restraining you?
- How you feel and react to the final score may be more important than the actual results. Indeed, the true value of the exercise lies in the structured process you went through to identify and evaluate each factor. It is this detailed examination of each factor, as part of an organised process, which enables you to make a better informed decision than was possible when all the issues were just a jumble in your head.

QUESTIONS TO ASK YOURSELF

- With some decisions, such as changing jobs, should I complete the exercise with my partner?
- Is there anyone I could speak to that could help me identify issues I may have missed?

A good decision: John Paul Getty's decision to erect a nationwide network of gas stations in America when motoring was still largely the preserve of the rich.

MODEL 26 ETHICAL DECISION MAKING

Use this to check how ethical your decisions are.

Stanley Milgram's famous experiments on obedience to authority figures began in the early 1960s. They showed how people, under the direction of an authority figure, were willing to deliver potentially lethal electric shocks to participants in the 'faked experiment'. It appeared that they were willing to do so because they 'were only following orders'. Where have we heard that before?

Hopefully you will never be asked to electrocute someone. But at some time during your managerial career you will be faced with decisions that have ethical implications. Unless you know what you stand for you will end up standing for anything. To avoid this you need to develop your own ethical framework.

Look on the web and you'll find thousands of ethical lists that managers and businesses should adhere to. Many are highly complex and lengthy. The six questions posed below provide a quick and easy checklist that covers the main issues you should be thinking about

HOW TO USE IT

- Use the following checklist to determine if your decision was ethical:
  - **Is the decision legal?** An obvious question but one that people don't always ask. The bankers responsible for rigging the LIBOR rate failed to ask it and are now facing lengthy prison sentences.
  - **Will the decision harm any stakeholder?** To what extent did you consider the negative impact that your decision might have on the organisation, staff and other stakeholders in the business? If negative effects were identified, what did you do to eliminate or reduce them as part of your decision-making processes? Did you consider other courses of action?
  - **Is the decision fair to all the stakeholders affected?** Did you treat all those affected by your decision equitably or did you give preference to one or more groups? If the stakeholders had been party to your thinking would they have felt that you acted fairly to all concerned?

  - **Will the decision harm the wider population/environment?** Have you considered what, if any effect, your decision will have on the public and environment? What strategies do you have in place to minimise/eliminate such problems?
  - **How transparent was the decision-making process?** To what extent have you explained/shared the decision-making process with other people, especially those affected by the decision? Would you be happy if your staff and the wider public were given details of how you made the decision and what factors you took into account when doing so?
  - **Did you consult widely on the possible impact of the decision?** How diverse were the views that you sought? Did you seek out and consider the views of those opposed to your decision?

- When faced with an ethical dilemma talk it over with another manager whom you respect and who has a reputation for integrity
- If you do identify an ethical dilemma, you should consider how it can be eliminated or minimised. This may require rethinking your decision and choosing a different option. That may involve both extra time and money – but that's the price of remaining ethical.

QUESTIONS TO ASK YOURSELF:

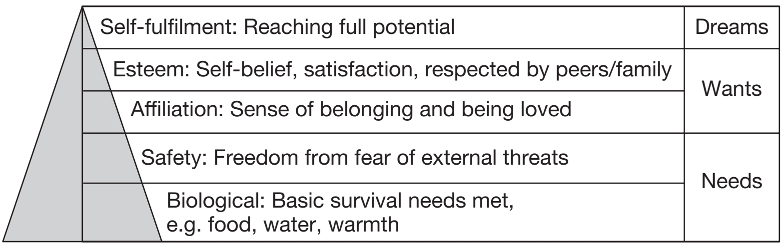
- Do I attach noble reasons to the decisions I make to justify the negative impact that they have on others?
- Who in the organisation can I approach when faced with a difficult ethical issue?

A bad decision: Edwin Drake's decision not to patent the first mechanised oil drill in the 1850s cost him millions.

MODEL 27 MASLOW'S HIERARCHY OF NEEDS, WANTS AND DREAMS

Use this to remind you that what you need, want and dream of can influence your decision making.

Maslow's famous theory is based upon research he carried out in the USA during the 1940s and 1950s with white, male, Anglo Saxon, protestant, middle-ranking executives. This means that it needs to be used with caution when applied to less affluent/more diverse groups in the 21st century.



KEY TO FIGURE:
Needs: relate to what a person requires to survive, i.e. food, water, shelter, protection against physical threats or harm.
Wants: relate to the person's desire to belong to a family/community and to enjoy some level of standing, recognition and respect within that community.
Dreams: relate to a person's desire to achieve peak moments of satisfaction and joy from undertaking an activity.

HOW TO USE IT

- Recognise that you use work as a way to meet your needs (e.g. a living wage) and wants (e.g. a sense of belonging and social recognition). If you are lucky you may also use it to satisfy your dreams and achieve self-actualisation.
- Accept that some careers offer people a greater opportunity to achieve self-actualisation than others, e.g. acting, music, writing,

medicine, scientific research etc. Very often people in 'ordinary jobs' pursue their dreams through their family or social life. However, that does not mean that you can't experience a sense of great fulfilment from your 'ordinary work'. You should create opportunities for yourself and your staff to 'Work in the Flow' (see Model 28).

- Like everyone you have a unique set of needs, wants and dreams. Some of them you may not wish to share with others. But you need to be frank with yourself. On a sheet of paper list your needs, wants and dreams. Be as specific as possible, e.g. salary of £60,000 pa. Then identify which needs and wants are currently unmet or only partially met.
- Slot the information you have gained into your own private hierarchy of needs and wants. You now have a list of what you really need and want and not what you have been told you should need or want.
- This list should inform the decisions you make about your career and the activities that you pursue. Use it to identify more accurately your true personal targets (see Model 68) and stop pursuing those things that you hope will make your life complete but never do.
- As for self-actualisation/dreams, this may arise from your efforts at work or as a result of your outside activities such as running a children's football club, raising money for charity or singing at local venues. Moments of self-actualisation are elusive and have a habit of arriving when you least expect them. Equally they tend to disappear just as quickly because they are subjective, unstable states constructed by our mind. But remember, whatever your job is you can enjoy moments of peak experience if you can find opportunities to Work in the Flow (see Model 28).

QUESTIONS TO ASK YOURSELF

- List the top five moments in your life. How many of them occurred at work?
- What secret unfulfilled needs, wants and dreams do you have?

A good decision: Ben and Jerry's decision in 1977 to invest $5 in a correspondence course on how to make ice cream led to their ice cream empire.

MODEL 28 CSIKSZENTMIHALYI'S FLOW MODEL AND THE JOY OF WORKING IN 'THE ZONE'

Use this when you need to produce your best work or when you wish to enhance your enjoyment of work.

Mihaly Csikszentmihalyi, an American psychologist, noted that while people wanted to be happy they had little understanding of what actually made them content. They ran after acclaim, fame, money and a hundred other things that they thought would make them happy only to find that when they achieved it they remained dissatisfied.

Following research with over a thousand participants, Csikszentmihalyi identified five factors which, if present in a person's work, make them feel happy.

THE FIVE FACTORS ARE CONTAINED ACTIVITIES:
1. that require an intense focus;
2. where the individual can exercise autonomy over how to complete the task;
3. that are challenging but not too difficult to complete successfully;
4. that have clearly defined objectives/success criteria;
5. that provide immediate feedback.

When these factors exist people enjoy what they are doing, become lost in the task and feel a great sense of satisfaction/achievement upon its completion. Typically actors, musicians, artists, scientists, surgeons and other professionals who are required to concentrate on what they are doing to the exclusion of all else are most likely to enjoy the greatest sense of happiness. Csikszentmihalyi described this state as 'being in the flow'; others call it being in the zone.

HOW TO USE IT

- Total concentration is the key to being in the flow. However, finding the time to concentrate fully on any task for even a few minutes can be a challenge for any busy manager. Find a place, away from people and the tyranny of the phone and email, where you can work without interruption.

- Select a job that will take at least an hour to complete. Ensure that it's challenging but do-able. Define your objective, e.g. write a two-page report for senior management that clearly outlines the issues associated with project X.
- Get out of your office and go to your 'hide away' and work on the report.
- Write the report and polish and edit it until you're satisfied. Then check that you have achieved your objective to the standard you set.
- Even if you can only apply this approach two or three times a week, your job satisfaction rating will increase significantly.
- The same level of satisfaction can be obtained when you are working with a group of people on a task that is important, of interest to all concerned, challenging, has a clear objective and provides regular feedback to all concerned.
- Recognise, that just as you enjoy being in the flow, your staff will also benefit from the opportunity to concentrate on a single significant task for an extended period of time without interruption. Their increased job satisfaction will lead to increased productivity in other areas of work.

QUESTIONS TO ASK YOURSELF

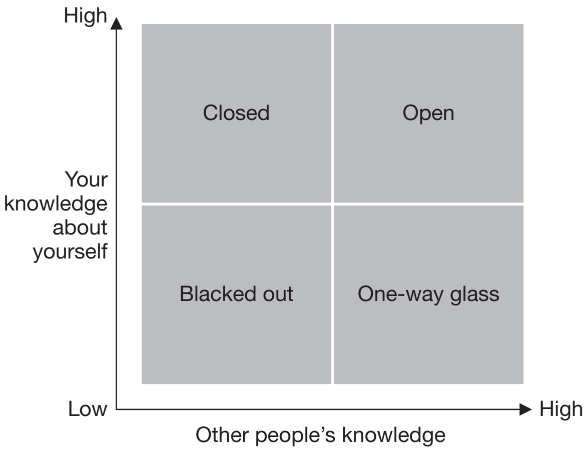
- When was the last time I was truly engrossed in a task? How did it feel?
- Which of my regular tasks could I select for the flow approach?

A bad decision: Gerald Ratner's decision to describe his company's cut price, but bestselling, decanter set as 'crap' while being filmed. It led to the end of Ratners Jewellery shop empire.

MODEL 29 JOHARI WINDOWS: A GUIDE TO YOUR PERSONALITY

Use this to identify those character traits that are hidden from you.

Johari Windows is an abbreviation of the first names of its founders Joseph Luft and Harry Ingham. The model provides a tool to explore what we are really like. Luft and Ingham use the metaphor of a four-paned window to show how aspects of our character are hidden from ourselves and others.



KEY TO FIGURE
Open: What you know about yourself and are willing to share with others.
Closed: What you know about yourself but do not share with others.
One-way glass: What you don't know about yourself but others do.
Blacked out: What both you and others don't know about you.

HOW TO USE IT

- Complete one of the many Johari Window questionnaires that are available online and ask someone who knows you well to complete a profile of you as well.
- Use the results as a basis for discussion with whoever has contributed to your profile.

- To be useful you have to be willing to take on-board what people say about you (see Model 19). Accept the feedback given and use it to understand how your personality affects your decision-making process, e.g. if others think you are impulsive or obsessed with detail you need to know this and deal with it.
- Privately reflect on the content of each of the quadrants.
  - Quadrant A (Open) provides a list of descriptors that summarise your personality. The more comprehensive the list is the more detailed picture you can create. Therefore, complete this quadrant with the help of a friend. You may be surprised to find that some characteristics you think insignificant loom large in the minds of others when they describe you.
  - However, there will be some things that you don't want other people to know about. These are the issues in Quadrant B (Closed). You will probably want to complete this quadrant alone. However, as you do so consider why you are unwilling to share this information with others. Would sharing help you to establish a better relationship with a close friend or family member or lay an old ghost/fear/event to rest?
  - Work with someone you trust and who knows you well to complete Quadrant C (One-way Glass). Don't argue with the person even if you disagree with what they say about you. This is how they, and probably others, see you. It may hurt your ego but this is the picture that you present to the world. If you don't like it take steps to change it.
  - Quadrant D (Blacked out) is difficult to complete. How can you know an unknown? However, in moments of great stress or joy aspects of your personality can burst through that you were previously unaware of. For example, moral or physical courage/cowardice, compassion, maliciousness, untapped abilities etc. Try to remember any moments when this happened to you and make a note of them in your reflective journal.

QUESTIONS TO ASK YOURSELF

- How much am I willing to reveal about myself to other people?
- Who do I trust enough to complete the exercise with?

A good decision: Apple's strategic decision to invest more time and money in the design and 'feel' of their products than their competitors.

MODEL 30 MANAGING UNREALISTIC EXPECTATIONS (THE FIRST 11)

Use this to lower the expectations laid on your shoulders and then over-deliver.

The world is full of people with unrealised potential. Or is it?

Were you ever told that you had potential? Who told you? Your teachers/lecturers or employer? What age were you when they told you, 16, 18, 21 or older? In trying to motivate/encourage you they placed expectations on your shoulders. Unfortunately, some people spend a miserable lifetime trying to live up to the expectations placed on them by well-meaning parents, teachers and mentors/managers.

THERE ARE TWO SETS OF EXPECTATIONS THAT NEED TO BE MANAGED:
1. The person's expectations of themselves
2. Other people's expectations of them

In business you are judged a failure when you consistently fail to live up to the expectations placed upon you by your manager and other influential people in the organisation. To avoid this happening you have to manage people's expectations and bring their expectations into line with your own.

Of course you may be required to confound people's negative expectations of you. For example, Dustin Hoffman and Gene Hackman trained together at the Pasadena Playhouse where they were jointly voted 'Least likely actors to succeed'. They never lost faith in their own ability and took great pleasure in confounding their fellow students' expectations of them.

HOW TO USE IT

- Don't believe what others say about you. Neither the good nor the bad. Decide for yourself what your potential is and establish a set of aims and objectives that will stretch you but which are achievable (see Model 68). Review these aims annually.

- When you are told that great things are expected of you, work to lower people's expectations. For example, your boss says, 'You're just the person to run this project and get it wrapped up within six weeks.' Don't commit yourself to an impossible timetable just because of a bit of flattery. Ask for a couple of days to run through what's required. Then work out a realistic timescale and speak to your boss again explaining why it will take nine weeks, not six.
- Having lowered expectations you then over-deliver, i.e. you finish the project in eight weeks, not nine. Suddenly you're the person who brings projects in under deadline. Not the manager who missed the deadline by two weeks.
- Never accept an impossible deadline.
- It's a sad fact of life that many people have delusions of adequacy. These are usually people with very little ability and an ego the size of the meteorite that wiped out the dinosaurs. For a time these people can be seen as someone with potential. But time usually shows them up for the deluded individuals they are. Don't compete with them. They will be found out in time. Or else they will move on before they are found out.
- Reclaim your job (see Model 22) and at the same time agree reasonable, but challenging, deadlines and targets with your manager/board.

QUESTIONS TO ASK YOURSELF

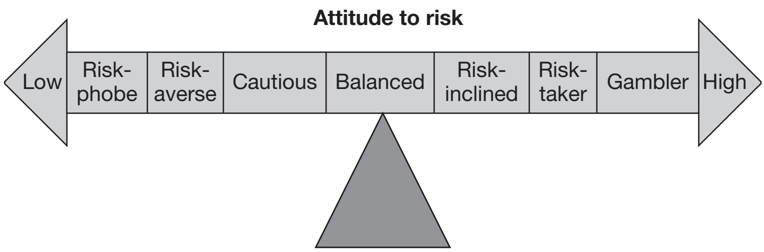
- Whose expectations are you trying to live up to, your own or someone else's?
- Do you need to be more assertive when negotiating timetables, workloads and the scope of your responsibilities with your boss?

A bad decision: British Airways' decision to remove the Union Jack logo from its tailfins in the 1980s and replace it with abstract art annoyed many customers and undermined its brand image worldwide.

MODEL 31 YOUR ATTITUDE TO RISK

Use this to identify your attitude to risk.

Decisions are invariably made on the basis of incomplete information. For that reason all decisions contain within them a level of risk. As a manager it's important that your risk profile is similar to that of your organisation. If you are cautious and the organisation is composed of risk-takers you will find it difficult to prosper in such a culture. To see how compatible you are you need to identify where you and your organisation reside on the risk spectrum.



HOW TO USE IT

- There are questionnaires available online that will enable you to identify your attitude to risk. But I suggest you also analyse three decisions that you have made over the last 3–6 months. Choose one high-, medium- and low-risk decision.
- Analyse each decision starting with the highly important:
  - How long did you spend making the decision?
  - On a scale of 1–10, with 10 being sleepless nights, how much did you worry about the decision?
  - Did you learn anything valuable from the process you went through and did it change your approach to decision making?
- Do this for each question. Then analyse your answers. Some of the things you might find are:
  - 'I'm happy to make low- and medium-level decisions but worry about high-level decisions.' Consider if this is due to being risk-averse or just lack of experience.
  - 'I worry about nearly all decisions except the most basic.' If so, can you identify the cause of such worries (see Model 24)?

  - 'I continue to think about decisions long after I've made them.'
  - 'I make regular players of Russian Roulette look like risk-adverse wimps.'
- Based upon your analysis specify where on the risk continuum you reside. It is quite possible that you will have a different profile depending on how important the decision is. If so plot all three.
- Follow the same process for decisions made by your organisation over the same timescale and plot the results on the spectrum.
- Compare your profile with that of the organisation. If you are overly cautious or too adventurous for the organisation you should think about either changing your approach or moving jobs.
- How much you can change your risk profile is difficult to say. If the differences between you and the organisation are slight you should be able to amend your behaviour by setting some ground rules for how you will deal with decisions (see Model 1). You will also find that your confidence in handling decisions will increase with experience.

QUESTIONS TO ASK YOURSELF

- Do other people (family, friends, colleagues) see you as a risk-taker?
- Who are the high-flying managers in your organisation? What's their attitude to risk?

A good decision: Erno Rubik's belief that the public would be interested in a 3D mathematical puzzle and his decision to license Ideal Toy Corporation to manufacture and sell his Rubik's Cube.

MODEL 32 DECIDING WHEN TO ABANDON SHIP

Use this to identify when to get out!

This model is about looking after Number 1. Yes it's good to be loyal to an organisation but you need to know when to bail out of a sinking ship. There are a number of signs that warn of an organisation's impending collapse. Unfortunately, not everyone in the organisation has access to the strategic and financial information that warns of such danger. But there are other signs you can look out for. If you spot these you have a decision to make, i.e. 'Should I stay or should I go?'

SIGNS THAT YOUR ORGANISATION IS IN DANGER OF COLLAPSE INCLUDE . . .
. . . An inability by senior executives and the board to confront reality and make the changes required. Instead they talk about grandiose schemes that will never happen.
. . . Difficulty in getting a straight answer to a straight question from bosses about the organisation and its future.
. . . Signs that the chairman's ego is running out of control, e.g. looking to raise his profile by indulging in a vanity project such as buying a football club.
. . . A high turnover in board members or directors unloading their shares as if it were October 1929 on Wall Street.
. . . Delays in the annual accounts being published, refusal of the auditors to sign off the accounts or worse still, their resignation.
. . . The refusal of management to listen to the finance director and downplaying the importance of financial information, using phrases like 'Financial problems are temporary, you've got to see the big picture' are typical. In such situations the big picture is usually administration or bankruptcy.
. . . Underworked front line staff with orders declining and customer complaints increasing.
. . . Difficulty in obtaining supplies or suppliers complaining that they can't get paid on time.
. . . Decisions being taken without any sign of a long term strategy.

HOW TO USE IT

- Prepare in advance for that rainy day which affects most careers at some time. Build up a network of contacts both within and outside your organisation that might be useful if you find yourself out of work.
- Humphrey Bogart was a great film actor but not the most pleasant person. He wanted to be able to tell any film executive what they could do if they crossed him. So he built up what he called his 'Fuck you fund'. You need a similar fund. Work out your monthly committed and essential expenditure and save between 3 and 6 times that amount. More if possible. That way you will always have some cash to fall back on.
- Keep yourself marketable. Even if you have no intention of changing jobs attend at least one interview a year. You need to be match fit to pass an interview so don't get out of practice. If you're faced with your first interview in five years it can be a daunting experience – especially if you really need the job.
- Constantly upgrade your professional skills and knowledge. Your greatest asset is yourself. So invest in your own professional development.
- Monitor the financial press/websites for negative stories about your organisation.
- If you spot three or more of the above signs start digging your escape tunnel. Apply for jobs immediately.
- If you find it impossible to move, hang on to the bitter end and check out what redundancy payments you are due from the organisation or state.

QUESTIONS TO ASK YOURSELF

- Who in the organisation can I trust to tell me what's really going on?
- How good is my external network of business contacts?

A bad decision: Sir Clive Sinclair's ZX computer was a massive success. His follow up, the Sinclair C-5 one-person car was an equally massive flop. He knew about computers, he knew nothing about cars.

CONCLUSION

THE FIRST 11

One of the quickest ways to kill anyone's career in management is to suggest that they have failed to live up to their potential. Such a statement implies that there is some kind of weakness or flaw in their character which stops them from 'being all that they could be'. It is because Managing Unrealistic Expectations (Model 30) provides a strategy for avoiding such judgements that I have chosen it for The First 11.

Managers, at all levels, are regularly singled out as people to watch. From that moment on they are under the microscope. Their every action is watched and evaluated. Triumphs seldom get the praise they deserve because they were expected but the smallest failure is seized upon as a sign of potential weakness. Is it any wonder that so few great prospects ever make it to the top?

The Unrealistic Expectations Model provides a strategy that managers can use to avoid becoming another 'failure' simply because they couldn't live up to someone else's hype. Essentially it argues that you should always under-promise and over-deliver. To achieve this you'll need to influence both the targets and deadlines you're given. This will mean negotiating with your manager/board. Negotiations in which you must be assertive.

The models in this Section deal with a wide range of issues. But basically they are all about you. They explore how you became the person you are, your personality, what you like and dislike about work and what you really want from work and life. Understanding these factors is important for any decision maker as they undoubtedly play into your decision-making process.

In research people often think that bias is something that the respondents in the study have. In truth it's the personal biases of the researcher that are far more important. Just think about it for a moment; a researcher's bias starts with their choice of research topic, continues with the data collection methods they select, and influences how they write up their findings.

As a manager you are no different. You don't come to a problem with an open mind. As soon as the problem was identified you started to consider its likely causes and the best way to fix it. This is natural. But it does mean that sometimes you will ignore the obvious and disregard data that doesn't support your initial views.

Use the contents of this Section to understand how your history and personality affect your thinking about the decisions you have to make. Then stand back from the problem and ask yourself:

- Do I have a blind spot on this issue? If so who can tell me what I'm missing?
- What biases do I bring to this decision? What can I do to compensate for them?
- Am I missing anything obvious?

SECTION 5

DECISION MODELS ABOUT OTHER PEOPLE

INTRODUCTION

As a manager the most important decision that you make on a regular basis will concern appointments and promotions. The financial implications of employing someone is significant. In addition to their salary, each person you appoint incurs additional costs in terms of pension, tax, private healthcare (possibly) and overheads. On top of that there is the positive or negative effect that each employee will have on the organisation's finances and industrial relations. Of course all these costs reoccur for as long as the person remains on the payroll. Get a couple of hiring decisions wrong and it can be very costly indeed.

Alas your decision making doesn't end with the appointment of the person. You now have to manage them. It's odd but managers very seldom think in terms of decision making when talking about how they manage staff. Yet it's entirely possible to think of a manager's interaction with staff as a complex series of decisions. For example, what do staff usually want when they come to you? They want you to decide which course of action they should follow or at least reassurance from you that their decision is the right one.

Similarly, you as a manager have to decide what targets and objectives to set for them and how you will manage, organise, motivate and monitor them. Managers seldom think of these as decisions. They are almost non-decisions because they are made at subconscious level (see Model 8) and only occasionally (usually when someone has fouled up big time) do managers think consciously about the person and what needs to be done. By making some of these subconscious decisions explicit you can challenge the ideas, beliefs and cultural norms that you, your staff and organisation hold and operate under.

MODEL 33 HOW TO CHOOSE YOUR DEFAULT MANAGEMENT STYLE

Use this to identify your default management style and how to vary it when required.

Perhaps the most crucial decision that any manager makes is deciding on what management style they should adopt. Unfortunately, many managers don't consciously think about this decision. Instead they drift into using a style that they think effective managers use. Not realising that to be truly effective every manager needs to develop their own style.

Douglas McGregor revolutionised management thinking when he wrote *The Human Side of Enterprise.* Broadly he identified two types of manager. As with all stereotypes they do not reflect the complex reality of most manager's views but they provide an excellent starting point from which to develop your own style.

Theory X Managers:

Believe that staff are lazy, untrustworthy, dislike work and will try to avoid it if possible. They want a quiet life and shun responsibility, lack ambition and want job security above all else. To make them work a manager has to constantly monitor their actions and threaten them with sanctions.

This approach results in a command and control style of management.

Theory Y Managers:

Believe that staff are naturally creative, imaginative and enjoy the challenges that work brings. They are self-motivated, want to do a good job and actively seek responsibility and the opportunity to challenge themselves. To increase productivity the best thing a manager can do is provide the conditions that enable staff to flourish and give them as much autonomy as possible.

This approach does not seek to control staff. It aims to set them free within clearly delineated discretionary limits. The approach does not mean that the manager relinquishes the power to tell staff what to do.

HOW TO USE IT

- Read the above descriptions again. Out of 100% indicate your level of agreement with each statement. The two scores must equal 100%. There is no correct answer, but you should score the style you feel most comfortable with first.

- If you prefer a Theory X approach you allow staff very little autonomy, seldom use delegation and require staff to refer most decisions to you. This will create more work for you. Do you want this?
- If you prefer Theory Y you use delegation extensively and expect staff to make their own decisions and only refer issues back to you when there is a problem. This is fine with good people but what about staff who are unreliable? What is your strategy for dealing with them?
- This model posits two very different views of humanity. It's very difficult to change your view of humanity. But if you know your default management style you can consciously decide to change it when circumstances demand. For example if you're a Theory X Manager you might delegate more to 'trusted people'. If you're a Theory Y Manager in a crisis you may become more controlling.
- Extreme changes in behaviour of any kind are usually counterproductive as staff trust managers who are consistent and distrust those whose behaviour is unpredictable. Therefore, whether you are an X or Y Manager use the following approach. Establish clear rules for all the important/essential areas of work, e.g. the level of performance required, meeting deadlines, the need to follow procedures, individuals' level of autonomy and standards of behaviour. Always uphold and enforce these basic rules.
- Having established a level of control over these important principles you can be more relaxed with the other stuff. But you should remember that you can't know all the questions let alone all the answers. Use the knowledge your staff have to be a better manager.

QUESTIONS TO ASK YOURSELF

- What event/events influenced the adoption of my default management stance?
- What changes can I make to my management style that will improve productivity and relations with staff?

A good decision: Market research said there was no demand for a 24 hour global news channel. But in 1980 Ted Turner launched CNN. His timing was perfect as it coincided with the worldwide growth of satellite TV.

MODEL 34 DECIDING IF YOU ARE A MANAGER OR A LEADER

Use this to decide if you want to be known as a manager or a leader.

Do you want to be a leader or a manager? In recent years leadership has been promoted as the way to bring about improvements in both the public and private sectors. But not everyone is suited to the leadership role. You need to think carefully about what you want from your career. It's better to be a happy and successful manager than a failed unhappy leader.

The following table lists the characteristics of managers and leaders. If you want to be seen as a leader, or someone with leadership potential, you need to get stuck into the activities in column two.

Managers are concerned with . . .	*Leaders are concerned with . . .*
The present	The future
Plans	Vision
Maintenance of systems	The big picture
Maintaining the status quo	Change
Feedback	Inspiration
Objectives	Outcomes
Monitoring and controlling staff	Exercising influence over followers
Providing a sense of order	Providing a sense of purpose and direction for followers
Spreading organisational culture	Building organisational culture
Doing things right	Doing the right things
Dealing with complexity within and around the organisation	Dealing with change and the effects of change
Producing order and consistency	Producing change and movement
Planning and budgeting	Vision building and strategising
Organisational structure and staffing	Aligning people behind a common vision or set of objectives
Problem solving	Problem identification in advance and eradication at source
Economy and efficiency	Effectiveness
Staying on the right path	Making new paths

Source: McGrath, J. (2004) Leading in a Managerialist Paradigm: A Survey of Perceptions within a Faculty of Education. Doctoral Thesis: University of Birmingham.

HOW TO USE IT

- From memory list the tasks you've performed over the past week. Include meetings, interactions with staff and both routine and one off jobs.
- Analyse what you've been up to and summarise similar activities under a single heading, e.g. instructing staff, problem solving etc. Calculate how much time you spent under each heading.
- Use the table above to allocate each task to either a management or leadership category. Don't worry if most of your work is categorised as management. Score each activity on a scale of 1 to 10 with 1 being 'I hate this activity' and 10 being 'I love doing this'.
- Analyse your scores first. If you hate doing most of the activities marked as leadership why do you want to become a leader?
- Assuming that you still want to be a leader use your new knowledge to reorient your thinking from that of a manager to that of a leader. For example, instead of solving a single problem consider if it is a symptom of a widespread problem and eliminate the causes at source.
- Stop being parochial. Develop what the management guru Charles Handy calls the Helicopter approach. Rise above your professional and departmental concerns and view problems in organisational terms, then select the solution that is in the best interest of the entire organisation. If you can see 'the big picture' it will mark you out as executive material.
- Continue to deal with day to day issues but also spend time considering the future threats and opportunities (see Models 52 and 53) that face your team and address them before they arrive at your door.
- Stop emphasising processes and concentrate instead on improving outcomes by providing staff with a bit of inspiration. Remember actions speak louder than words, so lead by example.
- Repeat your audit every eight weeks until you achieve a satisfactory balance between management and leadership.
- Remember, the higher you climb the more time you should spend on leadership activities and less on management.

QUESTIONS TO ASK YOURSELF

- Do you want to be a leader or are you happy being a manager?
- Do you need to learn more about leadership and develop your leadership skills?

A bad decision: Gordon Brown's decision to sell off almost 400 tonnes of gold between 1999 and 2002 for around $275 per ounce only to see the price increase to over $1,600 an ounce a few years later.

MODEL 35 APPOINTMENT DECISIONS

Use this to improve your appointment and promotion decisions.

Your success as a manager, to a large degree, depends on the quality of the people who work for you. Good staff can make an average manager look great and bad staff can make a great manager look very average.

Despite the introduction of psychological testing, interviews, work based simulations, presentations, graphology and even astrologers, staff selection remains a very hit and miss affair. It's still the case that judgements are formed about the candidate, by the interviewer/panel, within the first two minutes. This reaction may be hard wired into us and goes back to the time when our ancestors would come across a stranger in a jungle clearing and had 20 seconds to decide if they were a friend or someone who would kill them. To overcome this tendency, try the following.

HOW TO USE IT

THE PRINCIPLES

- Promote from within whenever possible. Too many managers think that the staffing grass is greener outside their organisation. It isn't. Every organisation has its fair share of village idiots and geniuses. Sometimes the same person embodies both! Also internal appointees will normally get up to speed quicker than outsiders as they know the organisation.
- When possible appoint someone who has already demonstrated that they can deliver results. Someone who:
  - Has personal pride and won't want to let themselves down and by implication you.
  - Is self-motivated, enthusiastic, and trustworthy.
  - Can see the bigger picture.
  - Possesses common sense because, it's not that common and, it's the foundation of good decision making.
- If you have to recruit from outside select people who have a proven record of achievement. Their achievement may be at a lower level or in a different industry but actual achievement is a better predictor of future performance than potential. Such people take pride in their work, are bright, engaging, enthusiastic and interesting.
- If you are going to ask applicants to make a presentation or take part in a simulation ensure that there is no inbuilt bias in favour of internal staff.

THE DETAILS

- Know exactly what skills and characteristics you are looking for in an applicant and make sure the panel agree on this before the interviews start.
- Establish a rapport with the applicant and give them time to relax at the start of the interview. Tying to gauge how well people react to stress by giving them a hard time in the interview only shows you how they perform under stress in an interview. It does not show how they would behave in the real world.
- Don't talk too much. Let the applicant do the talking.
- Avoid leading and closed questions.
- Ask both general and specific questions and probe for further information.
- Look for evidence to support any claims that the person makes about themselves and their previous achievements.
- Clarify all answers that are unclear, e.g. 'Do you mean . . . ?'
- Don't be afraid of silences. They are usually a sign that the applicant is finding it difficult to answer a question. How they handle that can be very revealing. Do they panic or can they think on their feet and supply a reasonable, if not perfect, answer?
- Encourage the applicant to ask questions. This will reveal just how much preparation they put into the interview.
- Never select a person on the basis of potential, base selection on actual achievements. The world is full of people with unfulfilled potential. Take me for example, I could have played for West Bromwich Albion (if only I'd had the talent).

QUESTIONS TO ASK YOURSELF

- How much reliance do I place on first impressions? Am I willing to let later evidence overturn my first impressions?
- Do I accept too easily what applicants say?

A good decision: In 1984 Apple decided to join the race to be the first company to produce a stable and affordable PC. In achieving their goal they helped create a new industry.

MODEL 36 GOFFEE AND JONES: WHY SHOULD ANYONE BE LED BY YOU?

Use this to remind you that as a manager you have the power to compel staff to do what you say. But only they can recognise you as their leader.

Robert Goffee and Gareth Jones argue that there is often an inbuilt assumption that because a person has been appointed to a particular position they have the right to lead. But leadership doesn't work like that. It's the followers who bestow the title of leader upon a person and is not something that a manager can demand.

ACCORDING TO GOFFEE AND JONES GOOD LEADERS NEED TO:
Select and reveal specific weaknesses to their followers. This is done to show they are vulnerable human beings just like everyone else.
Use intuition/tacit knowledge (see Model 8) as well as hard data to guide their actions/decision making.
Use tough empathy with their staff (see Model 21). While they are concerned for their staff they remain focused on their job, achieving targets and doing what's best for the organisation.
Reveal their differences. They make explicit what's different/unique about themselves.

HOW TO USE IT

- Think about your weaknesses. Select a couple that do not undermine your competence to do your job. For example, it wouldn't be a good idea for an accountant or lawyer to admit that they are 'Big Picture Guys' and don't understand the detail. Instead pick a weakness you can readily compensate for by delegating that function to someone else. This will reveal both your weakness and your commitment to team working.
- There is also an advantage to be gained by advertising a weakness that others might see as a strength, e.g. a determination to keep going until you get it right.

- Be what Goffee and Jones call a 'sensor'. Use every conversation and meeting you have with staff, colleagues, management, customers and other stakeholders to build up your knowledge of the organisation and the people who work in it.
- Remain sensitive to the subtle signals that are present in every conversation and email that you receive. Listen to both what people say and the sub-text which underpins it. Record key issues that arise in your reflective journal. They will become a valuable resource over time.
- Exercise tough empathy by demonstrating an ability to understand how people are feeling. Never say 'I know how you feel'. Because you can't. Instead relate back to them the feeling they currently have, e.g. 'I know you're worried about your jobs/future/changes etc.' Then make your decision based upon what people actually need rather than what they want. For example, a person may want a promotion but what they may need is another year's experience before stepping up to the next level.
- Identify your strengths, what makes you different from the rest of the herd. People want to believe that their leaders are special, better than them in some way.
- But beware. Never set yourself apart from your followers by being too different. Abraham Lincoln was exceptional in many ways but he was still able to be a man of the people and enjoy a good (risqué) joke.

QUESTIONS TO ASK YOURSELF

- Do you think that it's your job to have all the answers?
- When was the last time you said 'I don't know the answer but I'll find out and get back to you'?

A bad decision: FIFA's decision to award the 2022 World Cup to Qatar appeared ludicrous to many given the size of the country, its lack of a football heritage, lack of facilities, the need to change the competition to winter and security considerations. Is it any wonder that there have been allegations of fraud?

MODEL 37

HERSEY AND BLANCHARD: THE SITUATIONAL LEADERSHIP MODEL (THE FIRST 11)

Use this as your default management approach.

Every manager wants to know, 'What's the best way to manage my staff?' There are of course many answers but for busy managers Ken Blanchard and Paul Hersey's Situational Leadership Model provides a simple and excellent guide to management.

Hersey and Blanchard suggest that when allocating a task to someone it's essential to identify the level of direction and support they need. Direction relates to the amount of guidance the person requires to do the job. The nuts and bolts stuff. Support relates to the amount of reassurance they require, e.g. if the person lacks confidence the manager provides the support they need.

By combining the level of direction and support four possible delegation strategies arise.

Approach to delegation	*Description of behaviour*
Coaching	High direction and high support are provided to those who lack both knowledge on how to do the job and self-confidence.
Directing	High direction and low support are provided to those who are self-confident but lack experience of the work.
Supporting	High support and low direction are provided to those who are very capable of doing the work but lack self-belief or worry about doing something for the first time.
Delegating	Low support and low direction are provided to those who have high levels of technical skills and are self-confident.

The manager's job is to decide the level of support and direction they need to provide each time they delegate a task to a member of staff.

HOW TO USE IT

- The better you know and understand your staff the more effective you will be applying this model.

- Select who you think is the most suitable person to do the job. Brief them about what needs to be done and get a feel for how they see the task. Ask specific questions such as 'What are you going to do first?' 'Which part of the job are you most worried about?'
- Based on your discussion select the management approach that is most appropriate from coaching, directing, supporting or delegating.
- Set a deadline for the completion of the work and specify a set of criteria which the work has to meet. It's no use getting the job done on time if the quality of the work is rubbish (see Model 68).
- If the work is going to take over a month, book an early review meeting to check progress. Based on the results of that meeting decide if further meetings are required.
- Reassure the person that they can see you at any time and don't have to wait for an arranged meeting.
- Remember people don't progress from one category to the next in a straight line. Every time you give a person a new job/task you have to identify anew which approach to use with them. That said, as the person grows, their confidence and capabilities will also grow.
- Of course it's always easier if you recruited good people in the first place, trained them well, and encouraged them to stretch and challenge themselves (see Model 35).

QUESTIONS TO ASK YOURSELF

- How well do I know and understand my staff?
- When delegating how well do I brief the person on what I require?

A good decision: Producer Cubby Broccoli's decision to ignore Ian Fleming's suggestion that Cary Grant should play James Bond and instead select the unknown Sean Connery.

MODEL 38 MANZONI AND BARSOUX: HOW MANAGERS SET STAFF UP TO FAIL

Use this to avoid making early and probably unfair decisions about a person's abilities.

Managers constantly make judgements/decisions about their staff. Once a judgement has been arrived at it can be very difficult to change. Jean-François Manzoni and Jean-Louis Barsoux's model shows how easily a manager can score an own goal and destroy any chance that an employee may have of making a positive impact on the organisation. In many respects their model is based on what can go wrong when the Leader Member Exchange Theory (see Model 39) is misused.

A MANAGER FORMS A PREMATURE JUDGEMENT ABOUT AN EMPLOYEE BASED ON:
Their own personal like/dislike of the person.
An early error made by the person.
The person's perceived level of motivation, intelligence, sociability, work ethic or competence.
Comments from previous managers, current staff and early conversations with the person when they will be far from relaxed.

These impressions lead to the person being allocated to the 'out-group'.

ONCE ALLOCATED TO THE 'OUT-GROUP' THE MANAGER:
Subconsciously only collects evidence which confirms their first impression.
Ignores data that contradicts or conflicts with their earlier judgement.
Exercises greater control and monitoring of those staff in the 'out-group', i.e. they enjoy less autonomy, trust and respect than members of the 'in-group'.
Emphasises rules and regulations and is more likely to provide negative feedback to members of the 'out-group'.

HOW TO USE IT

- Avoid making early decisions on the ability of new staff or staff who have been promoted until they have settled in and know their job.
- Use Situational Leadership (see Model 37) as a means of a) getting to know the person and b) providing them with the support and direction that all staff need when they start a new job.
- Use 'hard data' and 'soft data' to determine if the person is really as bad as you think (see Model 3). For example, are they meeting their targets? Has anyone complained about them? Have they got temporary family problems, e.g. are they living away from home?
- If the person is already firmly in your 'out-group' try to reverse the situation.
  - Arrange a meeting on neutral ground. Using aspects of the models on feedback (see Models 19 and 41), discuss and agree those areas of the person's work which must be improved.
  - Make it clear that you want to resolve the problem and that this is not a disciplinary process.
  - Ask what actions you can take to help the person. Simply being more approachable can make a huge difference.
  - Jointly identify what can be done to eliminate or ameliorate the person's weaknesses. This may involve training on the job or a more formal training programme.
  - Specify and agree the standard of work that it is required while they are learning the job and what you would expect once they have bedded into the organisation.
  - Agree that you will provide regular feedback to them. Then try and catch them doing something good – when you see this praise them publicly.
  - Set further progress meetings and make it clear that you are available to speak to them when required.

QUESTIONS TO ASK YOURSELF

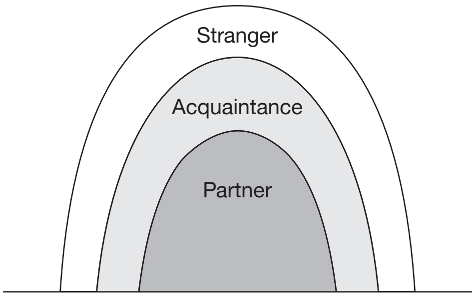
- Do I dislike the person because I feel threatened by them?
- Am I overcompensating because I am attracted to the person?

A bad decision: Twelve publishers rejected J. K. Rowling's *Harry Potter and the Sorcerer's Stone* before it was finally accepted for publication.

MODEL 39 DANSEREAU, GRAEN AND HAGA: HOW MANAGERS SET STAFF UP TO SUCCEED

Use this to establish a strong bond with all members of staff.

Whereas Jean-François Manzoni and Jean-Louis Barsoux (see Model 38) see dividing staff into in- and out-groups as a disadvantage, Dansereau, Graen and Haga see it as desirable, provided certain safeguards are observed. They see Leader Member Exchange (LMX) as a way for managers to establish a mutually advantageous working relationship between managers and their staff.



TO COMBAT THE DANGER OF CASTING SOMEONE INTO THE 'OUT-GROUP' MANAGERS SHOULD FOLLOW A THREE-STAGE PROCESS:

Stage 1 the stranger phase: In this early stage the relationship between manager and member of staff is the traditional one of manager/employee. The person works to their job description and produces work to the required standard.

Stage 2 the acquaintance phase: If the person demonstrates signs of potential and a willingness to go beyond their job description the manager invites them to assume additional responsibilities. This stage is one of testing to see if the person has the commitment required to become a full member of the in-group.

Stage 3 the mature partnership phase: Once the manager is convinced that the person is willing, capable and loyal to him/her they are invited to join the in-group. In return they are given greater access to the manager, their views are more readily listened to, and they receive more interesting work and opportunities for training and advancement.

The value of LMX theory is that it enables the manager to establish a strong, effective and flexible workforce which improves performance and can lead to promotions all around.

HOW TO USE IT

- If you decide to use LMX you must provide all staff with the same opportunity to join the in-group. Those that don't take up membership must be treated equitably in line with their contract of employment.
- Before you use LMX, identify what you can offer staff in return for working harder and showing greater commitment and loyalty to you. Whatever it is it must be something they value. For example, greater involvement in decision making or more opportunities to discuss their views.
- Although you can plan to implement LMX, don't announce it. Staff may become uneasy. Instead let the message seep out as you demonstrate by your actions that certain benefits are available for those staff willing to 'go the extra mile'.
- It's very likely that you already have some people in mind for the in-group. Use them as the founding members of the in-group and work outwards. As other staff see the benefits of membership many will want to join. Accept all those who have shown by their attitude that they are willing to enter into a closer working relationship and make it clear to others what is required for them to become members.
- Remember everyone must have the same opportunity to join the in-group.
- Remember it's not unfair to refuse membership to someone whose work is poor and slipshod.

QUESTIONS TO ASK YOURSELF

- What safeguards are you going to put in place to ensure that you don't unfairly disadvantage members of the out-group?
- How transparent are the criteria you'll use for admittance to the in-group?

A good decision: In 1991 the computer chip maker Intel decided to brand its product as 'Intel Inside'. The branding worked and provided Intel with a competitive advantage.

MODEL 40 HERZBERG'S MOTIVATION AND HYGIENE THEORY: CHOOSING THE RIGHT CARROTS

Use this to help you select the most appropriate methods of motivation.

Managers are responsible for motivating their staff. Demotivated staff are unproductive while a genuinely motivated workforce can achieve great things. You have to decide which motivational strategy to adopt.

Frederick Herzberg's model is highly respected because it has time and time again been found to work in practice. He divided perceived motivating factors into two groups.

Motivating factors	Hygiene factors
Recognition, achievement, advancement, interesting work and responsibility Staff feel ☺	Pay, company policies, working conditions, lack of status or security Staff feel 😐 to ☹

Motivating factors create satisfaction. Hygiene factors do not motivate staff but can produce dissatisfaction if they fall below acceptable levels.

HOW TO USE IT

- Start by identifying what motivates you. How does your list fit with Herzberg's?
- Recognise that most people are not motivated by pay and working conditions.
- Review the work that the individual members of your staff do. Redistribute some of the more mundane tasks between members of the team. Don't leave all the boring work with one unlucky devil.
- Provide every person with the necessary resources and training they need to work effectively. Give staff the autonomy to organise their work as they see fit. Then hold them responsible for completing their work to the required standard within the agreed deadlines.
- Agree challenging but realistic targets and deadlines with each member of staff and recognise individual achievement publicly. Simply saying 'thank you' publicly will do wonders for morale and productivity (see Model 68).

- Provide opportunities for advancement and personal development for all staff and promote from within if possible.
- Although pay and working conditions are not motivational factors they can demotivate staff if they fall below a certain level. So monitor what staff in other sections of the organisation are earning and also the salaries being paid by your competitors. Otherwise you'll be faced with a high staff turnover and all the problems that brings.
- Use every opportunity you can to communicate with staff and be willing to adopt any good ideas or suggestions they make. But make sure that they receive full recognition for their suggestions.
- Don't assume that Herzberg's model is all about being 'nice' to staff. Sometimes a right royal rollicking can provoke just the reaction you want, i.e. 'Right I'll show that sod.'

QUESTIONS TO ASK YOURSELF

- Based on my own experience what motivates my staff?
- When was the last time I publicly praised my team or an individual within it?

A bad decision: British Petroleum's (BP's) initial decision to down play publically the seriousness of the Deepwater Horizon oil spill was a PR disaster.

MODEL 41 THE FEEDBACK SANDWICH: DELIVERING NEGATIVE FEEDBACK

Use this whenever it is necessary to be critical of a person's performance.

One of the more unpleasant tasks that managers have to do is deliver negative feedback to a member of staff. This can be made much less stressful if you make the right decisions about when, where and how it will be delivered.

The model outlined here is one that is popular in education where it is lovingly referred to as the 'crap sandwich'.

THE FEEDBACK SANDWICH HAS THREE PARTS:
1. Start with something positive.
2. Deliver the negative feedback in a supportive manner (see Model 19).
3. Finish with something positive.

The approach is effective when delivering all forms of feedback, including poor time keeping/attendance, poor work performance or arriving hung over at work.

If used correctly, feedback can be one of the most effective ways to develop staff. And the good news is that by following just a few guidelines it can be a relatively easy and stress-free process – for you at least.

HOW TO USE IT

- Read this entry in conjunction with Model 19.
- If you catch someone doing something good, say well done, preferably in public. You'll be amazed at the effect it has on them. If you see someone making a minor error have a quiet word with them.
- Where the problem is more significant, arrange a formal feedback meeting as soon as possible. Hold the meeting when the event or issue is fresh in everyone's mind.
- However, never hold the meeting when you are angry or upset. A small delay will allow any anger or emotion to dissipate. It will also give you the opportunity to decide how you want the person to act in future.

- Hold the meeting in private and on neutral ground away from possible interruptions.
- Avoid criticising the person. Comment only on their actions. You must avoid personalising the problem if you want to keep emotion out of the discussion.
- You don't want the person leaving the room thinking they are a failure. You want them to leave believing that they can do better. Therefore, start by saying something positive. Then move on to the critical point, and end with another slice of positivity.
- Outline the actions/behaviours that have caused you concern. Be blunt if need be. Leave no room for confusion. Ask the person if they want to comment on what you've said, but don't enter into a discussion or argument, just listen.
- If appropriate take on board what the person has said, e.g. if they want to correct some factual error. But reject self-serving emotional appeals or excuses.
- Outline clearly what steps the person must take to improve their behaviour. Tell them that you will record what has been agreed in an action plan and that they will be given a copy of the plan within 24 hours.
- Finish by explaining what will happen if improvement isn't achieved.
- If required arrange a further meeting to discuss progress against plan.

QUESTIONS TO ASK YOURSELF

- When was the last time you gave feedback to each member of your team?
- Have you ever received any formal training in giving feedback?

A good decision: In order to finance future production Polaroid decided in 1948 to price the first small batch of instamatic camera at nearly 33 times the price of a basic traditional camera. Their faith in the unique nature of the product was rewarded when stocks sold out immediately.

MODEL 42

MCGREGOR'S FEATURES OF EFFECTIVE AND INEFFECTIVE TEAMS

Use this as a checklist to assess the effectiveness of your team.

As a manager you achieve your targets and objectives through the work of your team. It's essential therefore to decide how you will manage your team to maximise their effectiveness. Douglas McGregor, author of *The Human Side of Enterprise,* identified the features of effective and ineffective teams.

Effective teams	*Ineffective teams*
Operate in an informal and relaxed manner/atmosphere and share responsibility for team leadership.	Are dominated by their manager and have little autonomy in how they manage their work.
Regularly discuss issues with all members of the team.	Are disinterested and bored by the work they do.
Are clear about their objectives and committed to achieving them.	Lack a clear set of targets and objectives.
Listen to the views of colleagues and communicate effectively.	Are dominated by the views of one or two key people in the group.
Resolve conflict within the team without outside interference.	Show little respect for team members or what they say.
Aim to find consensus when making decisions.	Use majority voting when making decisions rather than seek genuine consensus.
Are composed of people who are happy to speak their mind and express their ideas and opinions openly.	Discourage the sharing of feelings in public and see criticism of, or conflict with, another team member as something to avoid.
Constantly reflect upon their performance and actions.	Avoid discussion about how effective the team is.

HOW TO USE IT

- Don't micro-manage your team. It will demotivate them (see Model 40). Your staff are adults and expect some discretion in how they manage their work. Agree with each person the limits of their discretion and then get out of their way and let them surprise you.

- People are motivated by interesting work which they believe is meaningful (see Model 40). Show each member of the team how their work contributes to the overall production of the team and how failure to complete the work to a high standard reduces overall efficiency.
- There are always boring tasks that have to be undertaken in any team. Don't give all the rubbish jobs to one person. Share them around. Even do a few yourself.
- Lead by example. Demonstrate that you would rather reach consensus on an idea than make a decision based on a show of hands or without consulting staff.
- Use your daily interaction with team members, team meetings and discussions with individuals to monitor how the team is feeling and acting. Tackle any problems identified.
- Ensure that your team, and every person in it, has a clear set of mutually agreed targets and objectives. Then implement an effective monitoring system which ensures that any slippage is identified and dealt (see Model 68).
- In team meetings don't dominate proceedings. Let your staff do most of the talking. Emphasise the need for everyone to contribute and make it clear that the views of everyone must be respected.
- In team meetings encourage staff to examine how effectively they have worked individually and collectively.

QUESTIONS TO ASK YOURSELF

- Am I the problem? Do I dominate the team?
- Are there any individuals within the team who cause unrest/ resentment? If so what can I do?

A bad decision: J. Edgar Hoover's decision, maintained over many years, to deny the existence of the Mafia in America hampered the fight against organised crime in America.

MODEL 43 RUIZ'S FOUR AGREEMENTS – ACTING WITH INTEGRITY

Use this as the basis for acting with integrity in all spheres of your life.

Integrity is a word like democracy, beauty and love that we find difficult to describe or define but recognise immediately when we see it in action. Dr Don Miguel Ruiz's Four Agreements provides a deceptively simple model for living an authentic and value based life. But like many simple philosophies it is extremely difficult to put into practice.

RUIZ ASKS US TO ENTER INTO FOUR AGREEMENTS WITH OURSELVES, VIS. . .
1. Be impeccable with your word.
2. Don't take anything personally.
3. Don't make assumptions.
4. Always do your best.

(I told you it was simple. Now for the hard part.)

HOW TO USE IT

- **Be impeccable with your word.** Say what you mean and mean what you say. Think carefully about what you want to say and say it as clearly as possible. Minimise the room for misunderstanding. Don't criticise other people or yourself. Be positive in what you say and if you can't be positive remain silent. Use the old stockbroker's motto of (pre the Financial Big Bang in the 1980s) 'My word is my bond' and never break your word.
- **Refuse to take anything personally.** Everyone creates their own reality in which they interpret what you said and did according to their own prior experiences and personal constructs. You can't control what they think or feel. Therefore, don't worry about what others say or do. Rise above it and maintain a calm equilibrium.
- **Don't make assumptions.** Communicate clearly with everyone. Avoid ambiguity. Ask clarification questions when required. Check that any message you deliver has been correctly understood by the person receiving it. When requesting something make it absolutely clear what you want. Don't expect the person to infer from what you have hinted at that you want X. Tell them 'I want X'.

- **Always do your best.** You can't be on your game 100 per cent every day. But you can always try to do your best. On some days that might be 75 per cent but if that is the best you can manage then you delivered your best. If you do this then you will have no reason to criticise yourself or think 'If only I'd done X.' So avoid setting impossible targets for yourself or others.
- Pick one of the above agreements and try sticking to it for a single day. You will quickly see how difficult it is to achieve. This is a model that you can implement from today, but it will take a lifetime of practice to get anywhere near perfection. But that's OK. It's trying your best that matters.
- People respond positively to managers and leaders who are consistent and predictable. If you adopt the Four Agreements people will quickly recognise that you are someone who can be trusted and relied upon and that you are extremely unlikely to stab anyone in the back for personal gain or advancement.

QUESTIONS TO ASK YOURSELF

- When the going gets tough who do you look after first, your staff or yourself?
- Can you think of an occasion when you A) compromised your integrity and B) refused to compromise your integrity? How did you feel about yourself on both occasions?

A good decision: Michael Dell's decision in the mid-1990s to sell 'built to order' computers direct to customers revolutionised the sale of computers to the public and led to the rapid expansion of the company.

CONCLUSION

THE FIRST 11

Hersey and Blanchard's Situational Leadership Model (Model 37) is probably one of the most popular management and leadership models in the world. It provides managers with a quick and easy way to manage staff while at the same time encouraging delegation and providing an inbuilt monitoring process.

The one commodity that all managers are short of is time. Situational Leadership enables you to free up time for more important work, including decision making. It also helps you hone your judgement about people's strengths and abilities as every time you use it you have to decide what level of support and direction you need to give to the person.

Model 36 asks 'Why should anyone be led by you?'. When you are appointed as a manager or you are promoted to a more senior managerial role, the post you hold carries with it a certain amount of positional/legitimate authority. Basically you can tell people what to do. If they do what you ask you have the power to reward them and if they fail to comply you can exercise coercive power. But none of that is leadership. The state you are aiming for is where people want to carry out your wishes. This means winning their hearts and minds. The Goffee and Jones model offers valuable advice about how you can move from being a manager to become a leader, or an even better leader.

Manzoni and Barsoux (see Model 38) show how easy it is for a manager's premature judgement to set staff up to fail. When a manager decides to discount a member of staff they effectively set up the conditions for a self-fulfilling prophecy. You need to avoid this. You can't afford to write off staff just because of an early, and possibly fleeting, impression.

Give everyone an equal chance to be a member of your in-group. Use LMX (see Model 39) and aim to build this close bond with every member of your staff and not just a select few. Such a team would be incredibly motivated and productive.

Motivating staff and giving them feedback are essential tasks that busy managers overlook too often. Build both into your day-to-day practice. Don't wait until the person's annual performance review to either praise or criticise their work. The shorter the delay between the act and feedback the more effective feedback is.

Providing motivation is something you should do on a daily basis. No football manager would ever dream of going through a week without consciously trying to motivate both individuals and the whole team. Although with some of the managers West Bromwich Albion have had I'm not sure that they did it even once a year. One manager started his career by telling the first team that if he could he'd swap the lot of them for the team he'd just left.

There are numerous models about building project teams, but they tend to overlook the fact that the most important team any manager has is the one they work with on a daily basis. McGregor's model (see Model 42) is simplicity itself. You need to aim for a team with the characteristics of effective teams. This may take years of careful recruitment and training to achieve. Similarly if you inherit an ineffective team you may have to discard one or two people before you can start to build your own team.

Integrity when dealing with people and making decisions is vital. You need people to trust you if you are to implement your decisions successfully. People respond to those who exhibit integrity in their dealings with them. Ruiz's Four Agreements model is an apparently simple way to grow your integrity. But you'll find it a challenge to live up to your agreements.

SECTION 6

STRATEGIC AND MARKET DECISION MODELS

INTRODUCTION

There are two types of models in this Section: Models 44–47 deal with finding a gap in the market and different models of the life cycle of a product; Models 48–51 examine decisions that organisations may be faced with in terms of finding new markets or manufacturing sites or deciding which products to invest in and which to abandon or sell off. What unites these decisions is that they all have strategic implications for the organisation.

Detailed discussion of the value of strategic plans and the numerous ways in which they can be constructed is outside the scope of this book. However, when thinking about the models in this Section I think it would be useful if you were to consider at what stage in the strategic planning process the various models could be used. For the purpose of this exercise I suggest that you use the following simplified outline of the strategic planning process.

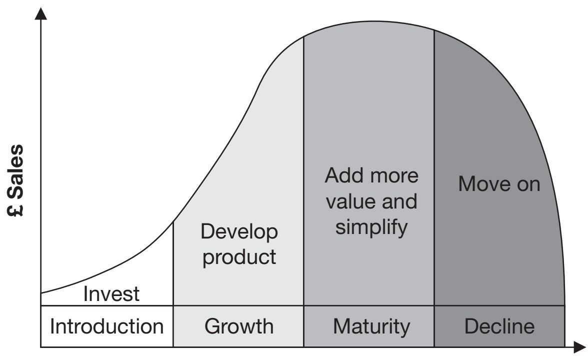
1. Define the organisation's business. What business is it in? What's its purpose? Several years ago a well-known pen manufacturer decided that it wasn't in the business of selling pens. It was selling gifts. This changed its entire focus as a company and led to huge changes in its strategic planning.
2. Based on answers to 1 above, write a mission statement and from that define the organisation's vision.
3. Identify the objectives that the organisation needs to pursue if it is to move closer to achieving its vision.
4. Break down the organisational objective into a series of SMART targets and tasks (see Model 68).
5. Decide what actions the organisation needs to take to achieve these targets and tasks (the tactics).
6. Allocate responsibility for achievement of the tasks and targets to named departments/individuals and monitor progress (see Model 68).
7. At the end of the planning period review the progress made and use the lessons learnt from both successes and failures to inform the next strategic plan.

Depending on which business sector you operate in, some of the models may not appear relevant to you. But give them a chance. You may be surprised what can happen. One long-established family engineering company that I know of had never sold anything through the internet. However they quickly established a very lucrative business selling off old stock thanks to a chance conversation about what the Long-Tail Marketing Model (see Model 45) was. So keep an open mind.

MODEL 44 THE STANDARD PRODUCT LIFE MODEL

Use this to remind you of the fact that you and the products you sell have a natural life cycle.

Theodore Levitt first published his four-stage Product Life Cycle Model in the *Harvard Business Review* in 1965. If you replace 'Introduction' with 'Infancy' the model actually depicts the major life stages that every person goes through. It may have been this cycle that inspired the model.



Source: Levitt (1986), *Marketing Imagination, Free Press, New York, Simon & Schuster,* with the permission of The Free Press, a division of Simon & Schuster Inc (c) of Theodore Levitt, all rights reserved.

The actual line of the graph will differ from product to product. For example the speed at which Product A grows, matures and declines compared to Product B may produce a much narrower graph. However, both will have gone through the same four stages.

The value of the model is that it provides advice on what managers should be doing at each stage.

HOW TO USE IT

- **Introduction/infancy:** Invest in the development of the product and develop a launch strategy that will generate interest in the product prior to its unveiling. Apple are the supreme masters of this. Ensure that there is sufficient stock and that there is a system in place to deal with any problems associated with the product quickly and efficiently. Confirm the post-launch marketing plan and agree price.

- **Develop:** Focus on getting your product to the market. Ensure that orders can be filled and delivered quickly. Aim to sell into the major markets that you have identified first. Through marketing build awareness of the product and be ready to increase production if sales exceed expectation. Implement contingency plan if sales are below expectations.
- **Add more value:** Based upon feedback from customers and staff, look to improve the product and add functionality. Go into overdrive with the marketing and advertising and exploit every distribution point you can think of.
- **Simplify:** When the strategies used in the 'add more value' stage start to fail and sales begin to level off, look to reduce the cost of production and find the optimal price at which the product can be sold to maximise profits (see Model 61).
- **Move on:** In the decline stage you have to decide if the product is worth maintaining as a 'reducing' Cash Cow. If it becomes a Dog you either need to sell or cancel the product (see Model 51).

QUESTIONS TO ASK YOURSELF

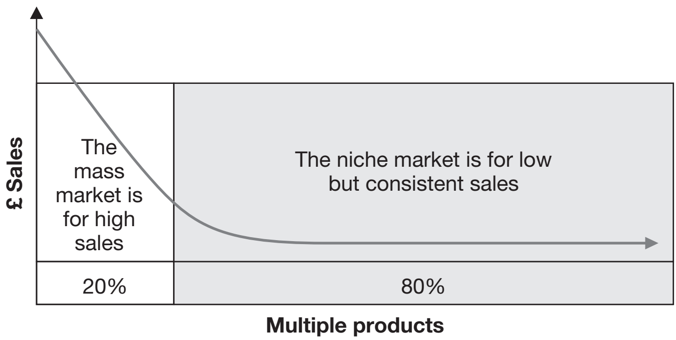
- Where do the products I'm responsible for sit on the Product Life Cycle Model?
- Is there anyone in the organisation who monitors the life cycle of products?

A bad decision: General Motors, decision in the 1980s to continue manufacturing large vehicles after the public had started to embrace smaller cars.

MODEL 45 THE LONG-TAIL MARKET MODEL

Use this to remind you of the afterlife that products can enjoy on the net after falling out of the mass market.

This model is all about the effect that the internet has had on sales patterns. The Long-Tail Market Model was popularised by Chris Anderson, Editor of *Wired* magazine. His contention is that the growth of the internet has changed how business should look at sales. In a world where Amazon stocks over 2 million books even the most esoteric titles can and do find a buyer. Similarly with eBay. Anderson's model is shown below.



Source: Anderson, C (2006), *The Long Tail: Why the future of business is selling less of more,* (c) 2006, 2008 Chris Anderson. Reprinted by permission of Hachette.

The Pareto Principle suggests that organisations make their money by producing products which are sold into the 20 per cent mass market sector that accounts for 80 per cent of all sales. This may have been true when most products were sold through traditional retail shops, but Anderson argues that internet sales have transformed this situation. With low overheads it is possible for internet retailers to cater for niche markets where turnover is slow but steady.

There is also emerging evidence that the aggregate value of the 'long tail' now exceeds the value of the mass market sales. This suggests that the retail market is shifting from one characterised by one mass market to one of millions of niche markets.

HOW TO USE IT

- Review your online presence. Do you want your website to be simply a repository of information about the firm or do you want to use it as a point of sale?
- It's outside the scope of this book to explain what you should do to update your web presence. But a good place to start would be a series of meetings with your IT people to discuss where you are at, where the business may go in the next three years and what they can do to help you get there.
- Use the Boston Consultancy Group Matrix (see Model 51) to analyse your existing products.
- Analyse each category of product and determine which if any are likely to have a long-tail life after they have disappeared from the mass market. Good examples of products that have refused to die are vinyl records, Polaroid cameras and the ever popular parts for old cars and motorbikes.
- Only you can decide if it's a better idea to scrap old goods or create a 'long-tail life' for them by establishing an online business. If for image reasons you don't want to advertise what you are doing, change the name of your online operation.
- The beauty of an online business is that it's cheap to establish and only when the amount of business it produces justifies it do you need to add new staff and resources.

QUESTIONS TO ASK YOURSELF

- Who do I need to talk to about our online presence/business?
- What have we done to combat the threats that 3D and other new technologies pose to the organisation (see Model 53)?

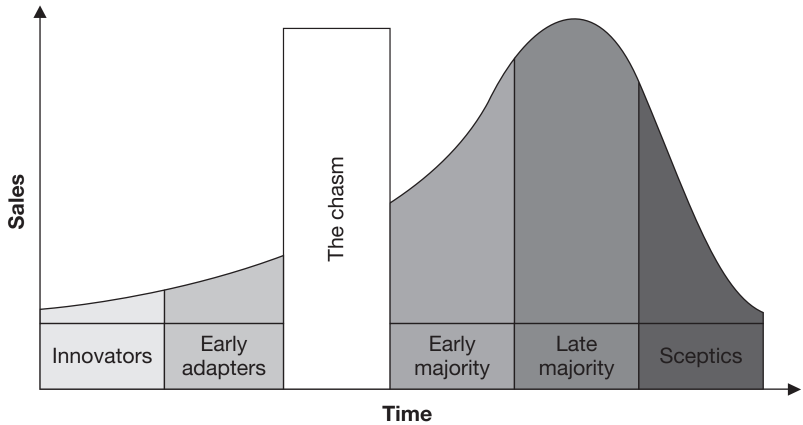
A good decision: Sir Alex Ferguson signed Eric Cantona from Leeds United for a knock down price of £1m. Seen by many as a difficult player he is now regarded as having played a key role in the revival of Manchester United during the 1990s.

MODEL 46 THE CHASM MARKET MODEL

Use this to plot how new ideas and products gain acceptance from the wider population.

Professor Everett Rogers popularised the diffusion theory in the early 1960s. His work explains how innovation and new ideas are disseminated through various channels of communication and over time accepted by the population.

Geoffrey Moore took Rogers' work and suggested that at a critical point in the diffusion process a chasm opens up and only if the products can bridge this divide will it survive.



Source: Moore G.A. (2014), *Crossing the Chasm 3e,* Harper Collins, London. Used by permission. © 1991, 1999, 2002, 2014 by Geoffrey A. Moore.

KEY TO FIGURE

Innovators have the financial security which allows them to take risks and invest in the latest technology, the ownership of which buttresses their already high social standing.

Early adapters are opinion formers and leaders. They enjoy a high social standing often based on their educational achievements and a good degree of financial security.

The chasm – unless the product can reach across the chasm to the Early majority group the product will shrivel and die and be consigned at best to cult status.

Early majority people enjoy above average social status but they are not opinion formers. This group will take considerably longer to adopt an innovation than the previous two. They are more sceptical and have less disposable income. But you need them.

Late majority people are slow to adopt new innovations. They have below average social status and little disposable income.

Sceptics are the very last to adopt new innovations and may never do so.

HOW TO USE IT

- Remember this theory only applies to genuinely new products. It does not apply to products that have been improved incrementally such as the regular facelifts to cars.
- Working from Innovators up, focus your marketing strategy on one group at a time. As you win one group over, use them as the basis for marketing to the next group (see Model 50).
- Your early marketing strategy can be largely delivered using social media as Innovators and Early Adapters will be active online.
- Your greatest marketing efforts need to be targeted at making the leap across the Chasm. This is where you should spend your marketing budget. Get the best advice you can from the professionals but listen to your gut as well. You should know your product and its likely customers better than anyone.
- A strategy based upon aspirational marketing may well prove to be the best way to bridge the Chasm.
- If you can create a bandwagon effect then momentum will build and the product will become the new must have ‘toy’.
- Don’t rest on your laurels.

QUESTIONS TO ASK YOURSELF

- How would I describe myself in terms of Moore’s five categories?
- How does my position on Moore’s five categories affect my decisions about new technology – am I a zealot or a sceptic?

A bad decision: Russia’s sale of Alaska to America in 1867 was a long-term strategic disaster.

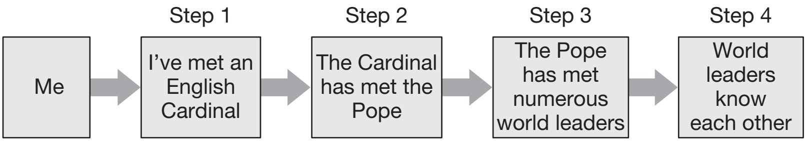
MODEL 47 MILGRAM'S SIX DEGREES OF SEPARATION MODEL

Use this to understand the reach that social media has in terms of marketing and brand recognition.

Stanley Milgram was a social psychologist who conducted the infamous 'Experiments in Obedience'. Much less sinister was his experiment that showed that there were between two and ten acquaintances/links between a specified person and any other person in the world, with an average of five intermediate links. This gave rise to the Six Degrees of Separation theory (the original person and the five acquaintances).

While Milgram's original research was flawed, Microsoft demonstrated that the principle was in fact correct. They found that the average separation was 6.6.

Claim: I'm connected to numerous world leaders by just four steps



You may be wondering why what appears like a party trick has been included in this book. The answer is viral marketing and the power of social networking.

HOW TO USE IT

- Play the Six Degrees of Separation for just a moment. How many contacts do you have on say Facebook? Let's say 60. Those 60 people also have 60 contacts and those people also have 60 contacts. This means that with just four degrees of separation you could potentially reach 13m people.
- With figures like that you can't ignore social media either in terms of your own career or as a means of promoting your organisation or marketing its goods and services.
- You need to develop a social media strategy for yourself and if necessary your organisation.
- It is highly likely that your organisation already has a social media policy and strategy. If so check it out and identify how you can

contribute to it. If it doesn't have a strategy, and you are in a position to take it on board or contribute to it, work with other interested parties in the organisation to develop one.

- When developing a social media presence for yourself or your organisation start by identifying what it is you want to achieve by having a social media presence. Without a clear idea of what you wish to achieve it's very unlikely that you'll establish a unique and successful presence.
- Don't restrict your presence to the well-known sites such as Facebook, LinkedIn, Twitter. Look for newcomers and niche sites that fit in with your objectives.
- When developing your own sites maintain separate sites for personal and business contacts.

QUESTIONS TO ASK YOURSELF

- Where are you on the spectrum of Luddite to avid user of social media?
- Do you have a clear idea of what you want to achieve with your social network policy?

A good decision: During the 1980s the Grateful Dead encouraged fans to film and record their live shows. This won them huge customer loyalty and massive merchandise sales followed. A lesson missed by many performers today who ritually humiliate fans who dare to take a snap.

MODEL 48 KIM AND MAUBORGNE'S BLUE OCEAN STRATEGY

Use this to escape from tired, over-crowded old markets and find a new ocean to play in.

W. Chan Kim and Renée Mauborgne's model differentiates between what they call Red and Blue Ocean Strategies. However, you should realise that it is essentially a theoretical model that describes what should be done, it doesn't actually tell you how to do it. That said it still provides a valuable way of thinking about where an organisation should position itself vis-à-vis its competition.

Red Ocean Strategy	*Blue Ocean Strategy*
■ Concentrates on beating the competition in existing markets.	■ Looks to identify new market places free of competitors.
■ Looks to maximise existing demand.	■ Seeks to identify, create and exploit new demand.
■ Believes that there is a trade-off between value and cost and aligns its strategy accordingly.	■ Does not believe that there is a trade-off between value and cost.
■ Thinks that Blue Ocean Strategy is all about new technology.	■ Aligns the organisation's culture, strategy, processes and activities around the idea of product differentiation and low cost.

Blue Ocean Strategy (BOS) is all about innovation and thinking creatively about the markets an organisation wishes to be in.

HOW TO USE IT

- Accept that it not easy to implement a BOS. There is no step-by-step guide to follow. You need to be creative. That said there are a few principles to guide you.
- You or the organisation's management team need to decide which factors:
  - that are considered sacrosanct by the industry you operate in can be eliminated?
  - should be reduced below the accepted norm in the industry?
  - should be raised above the accepted norm in the industry?
  - can be created in the industry for the first time and offered to customers?

- When considering the above questions it’s essential that customer value drives the discussion and not how the competition is going to react. In your Blue Ocean there will be no competitors (at least initially).
- Start by identifying potential Blue Oceans in which the risks are minimised. Don’t enter high-risk areas. This will help reduce the project’s risk profile.
- Avoid thinking about the minutia. Concentrate on the big picture.
- Don’t spend time thinking about the existing demand. Sony built the Walkman at a time when there was no demand for such a gadget.
- Focus on how you can build a strong business model which will ensure long term profit.
- Deal with organisational resistance/problems to the new strategy (see Models 11 and 69).
- Plan the implementation of the strategy and use the new approach to motivate and inspire staff and play to their expertise.
- Remember BOS does not rely on new technology. Opportunities exist in exploiting existing technology in new and innovative ways.
- You don’t have to create a new industry. Ideas that already exist in the Red Ocean can often be exploited in new environments.
- Do not allow the current success of your competitors to influence your thinking. If you get it right you will eliminate your competition by changing oceans.
- Work up the costs and cashflows of everything in as much detail as possible.

QUESTIONS TO ASK YOURSELF

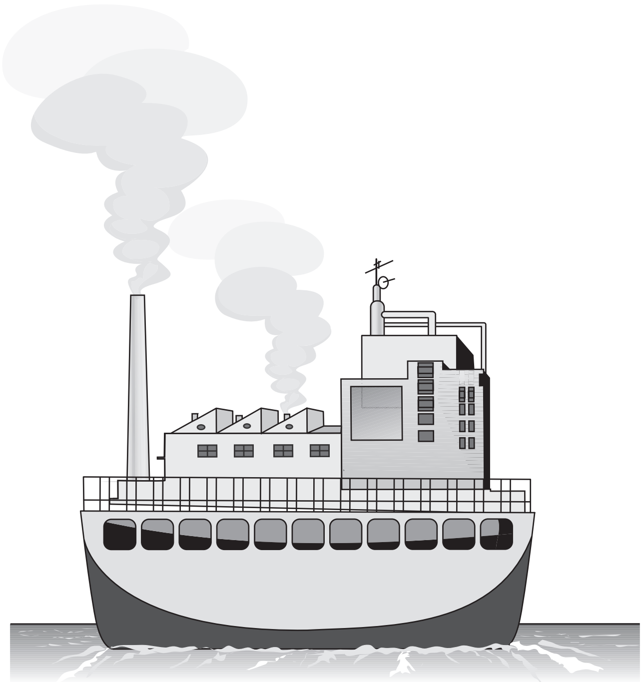
- Why are there no competitors in the Blue Ocean?
- What’s the organisation’s attitude to change? Do I need to get some key stakeholders behind me before I even hint at my ideas in public?

A bad decision: Billionaire Ross Perot’s decision not to pay the $50m that Bill Gates was asking for Microsoft in 1979.

MODEL 49 OFFSHORING CORE ACTIVITIES

Use this when you wish to move a substantial part of your core business overseas for strategic reasons.

The terms outsourcing and offshoring are often confused or used interchangeably. Outsourcing refers to the transfer of non-core activities such as cleaning or maintenance services to an organisation that specialises in that function. Offshoring is the transfer of core activities such as production or IT support to another country.



HOW TO USE IT

- Recognise that any decision to offshore is a major strategic decision that will require the detailed assessment of advantages and disadvantages and careful implementation.
- As a manager you may assist in developing the case for offshoring or ‘run the show’ dependent on your seniority. Either way step one in the process is identifying clearly the reasons for the potential move. These will normally include:
  - Improved economy (reducing costs while maintaining or improving existing quality).

  - Increased efficiency (increasing the number of outputs from the same level of input while maintaining or improving existing quality).
  - Access to a more productive/better qualified/cheaper workforce.
  - Extending the organisation's presence internationally, especially in quickly growing markets.
  - Reacting to competitors' reduction in cost base.
  - Access to new markets.
- Step two is to identify potential overseas partners/destinations and assess their suitability for partnership working. For example:
  - What is the political and business culture in each country you are considering? Will you be able to operate in such a culture? What will be the reaction of your customers and other stakeholders to you moving work to the country?
  - Will the indigenous labour market be able to supply your needs?
  - What is the cost profile associated with the country and what transport costs will you incur?
  - Are there any political or security issues to be considered?
  - What effect will the change have on the quality of your product?
- Step three is concerned with confirming which products or processes you will offshore. This requires a detailed analysis of the costs and benefits associated with each offshoring product (see Model 60). Pay particular attention to the reaction of your stakeholders (see Model 14).
- Step four involves a meticulous assessment of the case for moving to each country. As indicated above, this is by no means limited to financial factors alone. Political stability, culture, attitudes to foreigners and foreign investment, prevalence of corruption and many more issues must be taken into account.
- If your job or those of your staff are at risk as a result of offshoring and you don't have a cast iron guarantee of a job after the transfer, think about moving. Use the work you do on the transfer to enhance your CV.

QUESTIONS TO ASK YOURSELF

- What's your likely role going to be in any offshoring decision?
- How much time have you and other managers spent on the ground in the country you are thinking of offshoring to?

A good decision: Queen Isabella of Spain's decision to finance Christopher Columbus's first voyage to find a Western route to India. An example of Blue Ocean thinking (see Model 48) and the rewards it can bring.

MODEL 50 MOORE'S HEADPIN MODEL (THE FIRST 11)

Use this when your aim is to achieve dominance in a specific market.

Geoffrey Moore's Headpin Model offers guidance on how a business can grow and become a market leader by conquering one niche market at a time.

THE HEADPIN MODEL SUGGESTS THAT IN ORDER TO EXPAND ORGANISATIONS SHOULD:
Identify a niche market that they wish to be in. This may be one of their current markets.
Focus all effort on achieving market dominance in this market before moving on.
Seek out another niche market and repeat the process when market dominance has been achieved.
Use the market leadership achieved in one niche to gain entry to the next target market and influence its customers.

As the number of niche markets which are dominated by an organisation grows, the speed of achieving dominance and expanding further accelerates as later acquisitions fall 'like tenpins'.

HOW TO USE IT

- Identify what your ultimate target is, e.g. to become the leading supplier of accounting services to independent retailers in Lichfield.
- Break down the market for accounting services into a series of niche markets, e.g. independent newsagents, bakers, greengrocers, butchers, shoe shops, clothes shops, gift shops, card shops, cafes, travel agents etc.
- Decide in what order you will tackle the individual niches. Take your time in identifying the headpin. Get this wrong and none of the other pins may fall. You want a headpin that will help you knock down the second tier pins when it falls and second tier pins that will topple third

tier pins etc. For example, from the above list of businesses you might decide on the following order of attack:

Newsagents
Bakers, Greengrocers,
Butchers, Shoe shops, Clothes shops,
Gift shops, Card shops, Cafes, Travel agents.

- The order in which niche markets are tackled should be based upon the amount of influence that each tier has with the next. For example there are several newsagents in the town, they know everyone and talk to everyone. Win them and they will tell others about you.
- Use organisations like the local chamber of commerce to find out who the key players are in the area you're targeting.

QUESTIONS TO ASK YOURSELF

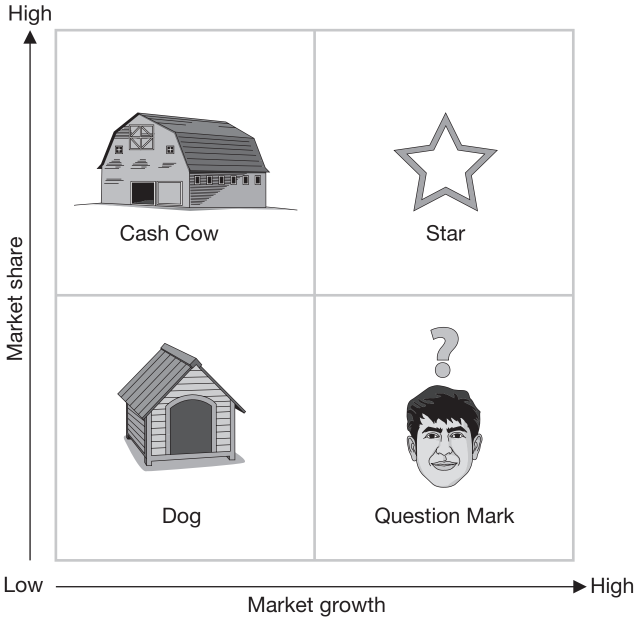
- Which market or segment of a market do I wish to become market leader in?
- What market intelligence do I have? Do I need more, if so who can provide it?

A bad decision: In 1983 *Stern* magazine decided to pay nearly $4m for the privilege of publishing the *Hitler Diaries* which were very quickly shown to be fakes.

MODEL 51 THE BOSTON CONSULTING GROUP MATRIX

Use this to identify which strategy you will use when considering the value of products and services to your organisation.

The Boston Consulting Group (BCG) Matrix is a tool that can be used to categorise an organisation's products under one of four headings.



Source: Boston Consulting Group

KEY TO FIGURE

Stars are successful products which perform strongly against the competition, produce good returns and have the potential to increase market share.

Cash Cows are products which enjoy a relatively high market share, produce good returns but have little potential to increase market share further.

Question Marks are products with a low market share but which operate in a market that is growing.

Dogs are products that have low market share in a low-growth market. Dogs continue to exist because they generate enough cash to break-even. However, they aren't worth investing in.

HOW TO USE IT

- When faced with the findings from a BCG Matrix there are four broad strategies you can adopt:
  - **Build Share:** Invest in an attempt to increase market share. For example turning a Star into a Cash Cow.
  - **Hold:** Invest just enough money to maintain the product's current market position.
  - **Harvest:** Reduce the level of investment in a product to maximise the short-term cash flows and profits it generates and use the saved funds for investment in other products/opportunities.
  - **Divest:** Products in the Question Mark category that show little potential and Dogs are usually the products which are discontinued or sold off and the realised funds used to invest in Question Marks that show potential and Stars.
- Use the Pareto Principle (see Model 10) to identify your most and least profitable products.
- Stars are the company's future. Aim to maximise your returns from these and to increase their market share.
- Cash Cows are mature, successful products which continue to produce good returns without the need for much additional investment. But beware. Avoid taking them or their customers for granted. Like a good-milk-producing herd of cows they need to be cared for.
- Question Marks may have potential, but they are a gamble as you will have to invest to increase market share. It's your job as manager to decide which products to back and which to kill off. This is difficult because the initial performance of new products has been shown to be a poor predictor of their eventual success.
- Resources in every organisation are limited and new investment is expensive. So when decisions are being made about which products to invest in it's usually the Dogs that are closed down and the funds saved used to invest in other products. However, complete an opportunity cost exercise on the Dog before deciding. You don't want to upset a powerful customer who makes purchases across your product range who really likes a particular Dog (see Model 14).

QUESTIONS TO ASK YOURSELF

- What information do I currently have on which of my products are Stars, Cash Cows, Question Marks and Dogs?
- Am I or the organisation over-reliant on one or two Cash Cows for the majority of profits? What can be done to balance the portfolio?

A good decision: Jack Welch's decision at General Electric to finance a world-class company training centre. Over the years the Crotonville Center has produced hundreds of great managers who were trained in the General Electric culture and way of management.

CONCLUSION

THE FIRST 11

If it's not already clear, I have a soft spot for simple, effective models that provide clear advice on how to use them. Moore's Headpin Model ticks all these boxes.

At first sight it might appear that Moore is suggesting that you take over one business at a time, integrate it into your business and then move. But Moore is cleverer than that. He's asking you to look at the businesses you'd like to take over and then arrange them in such a way that by taking over A, you are in some way weakening B and making it more likely that you will be able to take it over and so on. As in a game of tenpin bowling, once you hit the headpin clean the rest of the pins start to fall and go on falling.

New models will I'm sure continue to appear as businesses start to exploit the sale potential of the internet and the public's apparently insatiable appetite for the latest technological goodies. While waiting for these developments:

- Remember that the standard life cycle model for products is still a useful overarching description for your products' life cycle. But think about possible Chasms (see Model 46) that you may encounter and have to overcome. Produce strategies for how you will deal with such setbacks.
- Think about how your sales operation can make use of the internet's Long-Tail (see Model 45) and Milgram's Six Degrees of Separation (see Model 47) to expand sales and find new customers.
- Use Blue Ocean Strategy (see Model 48) to identify new markets and be aware of the opportunities for both cost savings and market expansion that offshoring offers.
- Continue to use the Boston Consultancy Group Matrix to identify which products to milk, invest in or abandon/sell off.

Finally something to think about. If the co-founder of Wikipedia Jimmy Wales is correct the next huge leap forward is not going to spring from cutting edge technology but with the advent of cheap android smart phones for less than $50. At that price he predicts that huge swathes of people in Africa, India, the Far East and South America are going to suddenly have access to the full resources of the internet. Given that many of these people have had to be first class entrepreneurs just to feed their families they already have the skills and imagination to seize this opportunity with both hands and amaze us with what they dream up. I hope he's right.

SECTION 7

ORGANISATIONAL THREAT ANALYSIS

INTRODUCTION

This Section is the bleakest in the book. If you are the worrying type, don't read it before you go to bed – it has the potential to be worse than eating cheese for nightmares. It deals with issues that none of us want to think about. Namely unexpected/unforeseeable events that could destroy the organisation.

It starts by looking at those old planning favourites the SWOT and PEST analyses (see Models 52 and 53). People often get confused as to the true difference between the two models. I suggest that the real difference between these two exercises isn't that SWOT deals with internal issues and PEST with external matters, as many books imply. But that **SWOT deals with issues that only affect your company, while PEST affects all the companies in your business sector**. I also commit the management consultant's cardinal sin by suggesting that most companies are fooling themselves when they produce a long list of strengths, usually led by the claim that 'We have a well-trained and committed staff' as part of their SWOT analysis. A strength is only a strength if it gives you a competitive advantage and only one or two organisations in a sector will be able to claim that their staff provide such a competitive edge. Similarly a weakness is only a weakness if it places you at a competitive disadvantage to your competitors.

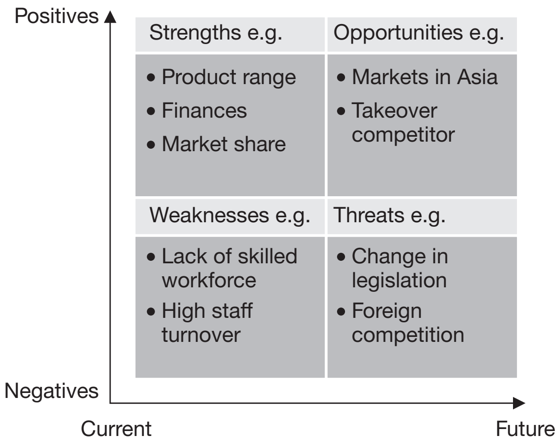
If SWOT and PEST events are at least predicable to a degree, then occurrences described as Unexploded Bombs or Black Swan events are extremely difficult, if not impossible, to predict. However, because of the immense damage that such events can cause an organisation it is essential that some attempt be made to identify them and put in place a robust strategy for dealing with unexpected and unforeseeable events. This strategy needs to be based on flexibility, quick decision making and good communication.

The Section ends with the Black Box Model. We all work with black boxes of one kind or another. In the main they do a great job and save us enormous amounts of work. But if they go wrong some black boxes have the potential to do very serious damage to the organisation.

MODEL 52 SWOT – DONE RIGHT! (THE FIRST 11)

Use this to identify the strengths, weaknesses, opportunities and threats facing your organisation that provide either a competitive advantage or disadvantage.

It is often assumed that a SWOT analysis is only concerned with internal factors affecting an organisation. This is incorrect. **A good SWOT analysis looks at the strengths, weaknesses, opportunities and threats that are unique to your organisation whether these are internal or external.**



HOW TO USE IT

- Remember most SWOT analyses aren't worth the paper they are written on. Why? Because people forget that a strength is only a strength and a weakness is only a weakness if it provides either a competitive advantage or disadvantage. For example, 'A highly skilled and committed workforce is only a strength if your staff are better than the opposition's staff. Are they better than the competition?
- Pull together a small team from across the organisation to do the SWOT analysis. Define and explain its purpose, e.g. are you looking at the issue of market share in the London area, or countrywide?
- Don't try to look more than two or three years into the future.
- Use the information that the organisation already has to get the ball rolling. Then use brain storming, and a selection of the models contained in this book, to collect further ideas/information.

- Encourage members of the team to use Management by Walking About (MBWA) to collect additional data. Impress on them the need to define a purpose for each MBWA in advance and not to interrogate people but simply engage them in conversation. They should use non-threatening open questions to draw the details out. In addition they should listen actively to what is said and use prompts such as 'I've never thought of that, can you tell me more . . . ' when something of interest is raised.
- In addition to MBWA use every conversation and meeting you and your team members have to collect additional data. Stress the need to listen to those who hold unpopular views. Why? Because every new idea started with just one person and was downright stupid until the majority of people took it on-board.
- At the team meetings use Post-it notes to record ideas and then arrange the individual ideas under themes on the wall.
- Analyse and evaluate each idea in terms of the impact it would have on the organisation if it occurred and how likely it is that it will happen (see Models 12 and 13). Use quantitative (hard) and qualitative (soft) data and personal insights to evaluate the issues (see Model 3).
- Look for high-probability, high-impact issues. If there is more than a 30 per cent chance of a high-impact event occurring it's worth analysing further.
- Briefly outline a strategy for dealing with all those threats that have breached the 30 per cent level. They can be worked up fully as and when the threat starts to materialise.

QUESTIONS TO ASK YOURSELF

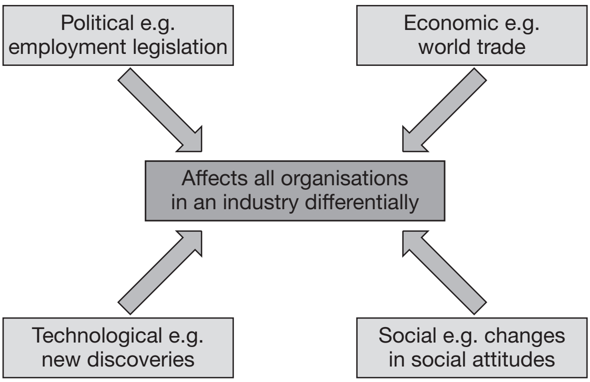
- Who can help you conduct a SWOT exercise?
- Have you ever evaluated how accurate the SWOT exercises are that you've performed in the past?

A bad decision: Tesco's decision to expand its operations in the United States with its Fresh & Easy stores proved to be a disaster. Similarly their sojourn into China.

MODEL 53 PEST – DONE RIGHT!

Use this to identify the opportunities and threats that are facing all the organisations in your business sector.

It is often incorrectly assumed that the difference between PEST and SWOT analysis is that SWOT deals with internal factors affecting an organisation and PEST external factors. The real difference is that whereas SWOT is concerned with issues unique to a single organisation a PEST analysis seeks to identify issues that will impact on all the organisations in a specific sector, e.g. car manufacturers and the move to phase out diesel engines. It is how well your organisation has anticipated and/or adapts to these changing external factors compared to your competitors that will determine your success.



HOW TO USE IT

- Subscribe to a good broadsheet newspaper and any trade magazines that are relevant to your organisation, and read them. In addition identify a small number of websites and blogs that you should access regularly. Between them these sources should inform you of any changes likely to impact on your business sector.
- Check with your marketing team to see if they receive a monthly digest of articles that have appeared in the press or online that mention your organisation.
- Build a network of contacts with other managers in your sector. Trade and professional gatherings are a good place to start.

- Because the PEST exercise is scanning the external world it's important that you get input from a range of people. Form a small team, state the aims of the PEST exercise and provide examples of what to look for. As the results of a PEST are even more speculative than those from a SWOT narrow your time horizon to two years.
- Use a selection of the models outlined in this book, brainstorming and any information that the organisation has already collected to identify issues.
- Use Post-it notes to record ideas and then arrange the individual ideas under themes on the wall.
- Analyse and evaluate each idea in terms of the impact it would have on the organisation if it occurred and how likely it is that it will happen. Use quantitative (hard) and qualitative (soft) data and personal insights (see Model 3) to evaluate the issues likely to affect you.
- Look for high-probability, high-impact issues. If there is more than a 30 per cent chance of a high-impact event occurring it's worth analysing further (see Models 12 and 13).
- Briefly outline a strategy for dealing with all those threats that have breached the 30 per cent level.
- Make a note in your reflective journal of anything of interest to you.

QUESTIONS TO ASK YOURSELF

- What are the major changes that face my organisation/team?
- Do I have a strategy for dealing with such changes?

A good decision: Richard Branson's high-risk decision to challenge the UK government's decision to award the West Coast Rail Franchise to First Group. It saved his rail business.

MODEL 54 THE UNEXPLODED BOMB (UXB) MODEL: UNKNOWN AND UNFORESEEN MAJOR THREATS

Use this to remind you of the unexploded bombs that lie hidden in every organisation and the need to respond quickly should they explode.

The UXB Model is a metaphor for those risks that are lying quietly in many organisations, gently ticking away, counting down to the moment they will explode and destroy the business. Many organisations are sitting on such bombs without knowing it. The strength of the model is that it challenges people's complacency and asks them to identify potential threats and strategies for dealing with them.

TO DEAL WITH SUCH BOMBS THE MODEL SUGGESTS THAT ORGANISATIONS NEED TO:
Identify potential threats
Calculate how likely it is that the bomb will go off
Estimate when the bomb will explode
Identify a course of action to follow.

Very often the bomb will relate to the organisation's inability to read the marketplace and/or respond rapidly to changes in the market or business sector.

HOW TO USE IT

- The problem with unexploded bombs is that you don't know what you don't know. Identifying possible threats is going to be your biggest challenge and will require creative thinking (see Model 20).
- Pull together a small working party and follow the approach outlined for the SWOT and PEST analyses (see Models 52 and 53), except this time you are only interested in identifying large and potentially devastating threats to the organisation's existence.
- Assess how likely it is that the bomb will explode. Some threats may never become reality. Others may blow up next week. Electric cars may well be a threat to petrol-powered cars but they aren't going to replace our oil guzzlers in the next five years. People have too

much capital invested in their current cars to dump them and buy a new electric car. The electric revolution, if it happens, will be slow and steady. Compare that to the major changes in medicine that are likely to occur over the next ten years thanks to advances in human genetics.

- Estimate when the bomb will explode. If it's in ten years' time you may consider that it is too distant to be concerned with as circumstances may change significantly over that time. If you calculate three years, you need to identify what strategies can be put in place to either defuse the bomb, delay its explosion or contain the damage it causes when it goes off.
- Defusing strategies include:
  - Investing in R&D to create a shield that negates the threat you face.
  - Changing your business model and/or practices.
- Delaying strategies include:
  - Changing your products in an attempt to postpone the day they will become obsolete.
  - Changing your business plan, e.g. emphasising internet sales over high street sales.
- Containment/elimination strategies include:
  - Changing the business to something entirely new.
  - Selling the business and starting anew.
- It's generally safe to ignore the very unlikely and/or very distant events. But there are always Black Swan events out there just waiting to be discovered (see Model 55).

QUESTIONS TO ASK YOURSELF

- How much attention do you pay to innovations and new ideas in your business sector?
- Is there anyone looking for bombs in your organisation? If not, is it something you could take on and become known for?

A bad decision: After the Second World War, Winston Churchill was instrumental in the decision to dismantle Colossus, the computer built by Alan Turing and General Post Office engineer Tommy Flowers. The received wisdom at the time was that there was no need for such machines in peacetime.

MODEL 55 TALEB: THE BLACK SWAN MODEL AND UNKNOWABLE THREATS

Use this to remind you that the only thing you can be sure of in business is the unexpected.

Nassim Nicholas Taleb's Black Swan Model is a metaphor that describes an event so unusual that before it happened it was utterly inconceivable. Unlike unexploded bombs the event is usually something that occurs outside the organisation.

FOUR CRITERIA HAVE TO BE MET FOR AN INCIDENT TO BE A BLACK SWAN EVENT:
1. The event is a stunning surprise/shock to the observers, e.g. the dropping of the atom bomb on Hiroshima .
2. The occurrence produces a major reaction, e.g. ushered in the nuclear age and arms race.
3. After the event people rationalise what has happened and come to believe that it was predicable if only they/others had read the signs or joined up all the myriad pieces of data that were available, e.g. the idea of spliting the atom had been discussed by scientists for many years.
4. It is the observer of the event who decides if it is a Black Swan event, i.e. Hiroshima and its aftermath were not a surprise to those working on the Manhattan Project.

Taleb does not suggest that we attempt to predict Black Swan events. Rather we need to build robust systems which can withstand sudden unexpected events and are run by people who are capable of reacting quickly to these events.

HOW TO USE IT

- How can you plan for the unknown and unknowable? With difficulty. So instead plan for flexibility and fleetness of foot. When a Black Swan event occurs don't be one of those shocked into immobility. Start to ask questions and identify the impact that the event may have on you and your organisation immediately.

- Many organisations in the public and private sectors have emergency planning teams. If you don't have an emergency team pull a small group of people together to discuss the implication of the events upon the organisation. Use SWOT and PEST (see Models 52 and 53) and the UXB model (see Model 54) as a means of identifying possible threats, opportunities and the way forward if one or more of them should materialise.
- Put in place 'emergency measures' to deal with any threats and work up ideas for how opportunities may be exploited. 3D printing was a potential Black Swan event when it was first announced. But because it didn't threaten existing production methods immediately it didn't have the necessary impact to describe it in such terms. But the impact is coming. What has your organisation done about it?
- When planning build flexibility into your plans. The purpose of a plan is to help you reach an objective. It is not meant to be a strait jacket. When events blow you off course, reassess how you will achieve your objective. Be willing to take detours and back roads but always keep in mind your final destination and try to move towards it.

QUESTIONS TO ASK YOURSELF

- How flexible are you in your thinking and planning?
- Do you expect things to go according to plan? If so why?

A good decision: Sears, Roebuck opened its catalogue business in 1906 and created a countrywide new market for its goods. To meet demand it also pioneered mass production along with others such as Henry Ford.

MODEL 56 THE BLACK BOX MODEL

Use this to remind you that if outputs from a Black Box feel wrong you need to investigate, not just accept them.

The world is getting more complex by the day. We now use amazingly complicated machines/systems/constructs called Black Boxes in our daily lives without having a clue to how they actually work, e.g. do you understand the inner working of your sat nav? I'm guessing that you don't. Yet we are willing to accept its outputs without question and occasionally people end up driving into a river.

It's the same in business. We feed data into hugely complex systems, have little or no idea of what goes on within the Black Box (system) but are happy to accept the outputs as correct and act upon them.

Now most of the time the Black Boxes work just fine, but when they go wrong an organisation can be facing a huge problem. For example, in recent years a number of share systems have had to be taken off-line because of the automated sell instructions they generated when a peculiar, but unthreatening, set of circumstance appeared in the market. These sell-offs caused temporary chaos in the organisations affected and I'm willing to bet that most instances have never been made public.

On a lesser scale, in the last few years the Post Office prosecuted over a hundred sub-postmasters for fraud. Most lost their jobs and many went to prison. It was only in 2015 that the Post Office discovered that the problem was in their software and that no frauds had been committed.

You need to guard against problems generated by Black Boxes.

WHAT TO DO

- You cannot avoid working with Black Boxes and thankfully most of the time they will do what they are supposed to and make your life easier. But you must remember that they are essentially dumb systems that someone has designed. Therefore you must be vigilant.
- Don't accept the results that spew out of the box on trust alone. If the information looks wrong or just plain weird it probably is and your tacit knowledge is screaming at you to be careful (see Model 8).
- Establish some parameters for the results that you would expect to see from the box. You can do this by recording the range of results produced over a period of time. If the results fall outside these

parameters raise a query and seek an explanation, especially if the error seems to be compounding itself day on day.

- Many Black Boxes come as a package, but some are purpose built for an organisation. If that is the case with yours try and be involved in its design. The techies will need information about what the system is supposed to do before they can design it. It's in your interest to ensure that they have the most accurate information available.
- If it's a generic box, learn all you can about how it works. Expert knowledge is one of the five powers (along with legitimate, reward, coercive and charismatic) that managers can access and even if you only have a basic knowledge of the box you may well become the go-to expert.
- Monitor the press and media for stories dealing with Black Box failures. Build up a library of such events and how the organisations involved dealt with them. Then pinch any good ideas and file them away for future use.

QUESTIONS TO ASK YOURSELF

- What Black Boxes do you use that have the potential to do series harm if they go wrong?
- What plans do you have in place to deal with a Black Box failure?

A bad decision: George Bell, CEO of Excite, turned down the opportunity to buy Google for $750,000 in 1999.

CONCLUSION

THE FIRST 11

SWOT makes The First 11 because when it's done right it can provide excellent information for decision makers.

SWOT analysis has received a bad press over the years. This is partly because it has become so ubiquitous, but more significantly most people think it is a waste of time as they can predict what will be on the final flip chart before the exercise even begins. This is a shame. The SWOT Model is actually a very useful tool.

To regain its credibility those undertaking a SWOT exercise need to adopt a much more rigorous approach:

- Recognise that not all Strengths, Weaknesses, Opportunities and Threats are equal. One major strength can outweigh numerous weaknesses and one major weakness can undermine numerous strengths.
- Only Strengths and Opportunities that provide a competitive advantage and Weaknesses and Threats that cause a competitive disadvantage should be included in the exercise. To determine this requires a lot of research on competitors. Research that many companies don't have and never undertake.
- All significant ideas thrown up by a SWOT analysis have to be fully evaluated and where appropriate, costed.

In November 2002 *Horizon* ran a programme about giant waves. These waves are not tsunamis or tidal waves, but huge walls of water that suddenly appear wreaking immense damage on any ships they hit. For most of recorded history tales of such waves were considered as just that – sailors' tales. Now we know they exist – even if how they form still remains unclear.

Giant waves are an unexpected event of potentially catastrophic proportions. The extreme threats discussed in this Section share many similarities with them. They are extremely difficult, even impossible to predict, that strike unexpectedly and bring with them enormous damage to the company.

None of the models discussed provides a means of predicting these existential threats but all of them encourage you to scan the horizon for possible and even seemingly impossible threats and develop contingency plans for dealing with them. For example, was 9/11 so unbelievable that it was impossible to foresee? Tom Clancy the American thriller writer wrote *A Debt of Honour* in 1995 about a Japanese terrorist crashing a Jumbo Jet into the Capitol Building and killing the President and most of the government. I distinctly remember finishing the book and thinking, 'Yeah that's plausible'. What's the betting someone in al-Qaeda also read the book?

For those threats that you can't predict you have to build a responsive organisation that is fleet-footed and flexible, and able to respond to disasters quickly.

For the threats that are more predicable you need to assess how likely it is that they will occur and what impact they will have if they do occur. For any serious/expensive threat that has a 30 per cent or better chance of occurring you should develop a strategy for dealing with it. Often a single strategy can be used for more than one threat (see Models 12 and 13).

SECTION 8

FINANCIAL AND STATISTICAL MODELS

INTRODUCTION

If love makes the social world go round, then finance makes the business world spin. Although I have championed the use of qualitative data in decision making throughout this book, I recognise that many decisions come down to the finances, i.e. does the decision produce a profit? You can't get away from that. It's inevitable.

I'm guessing that that you will already have some experience of the models in this Section. How much, I have no idea so forgive me if 'I'm teaching my granny/grandad to suck eggs'. As someone who trained as an accountant, I have met non-accountants who were brilliant with figures, but they were the exception. Most were competent and knew what they needed to know and learnt a bit more when it was required. A few were financially illiterate and a danger to the organisation. Like the Chief Executive of one organisation who didn't know the difference between cash and profit and believed that you could balance a budget by simply increasing the sales figure.

I don't know what level of financial literacy you have, but my advice to you is that when using any of the models in this Section get some help from your accountant. That's what they are there for. Besides we accountants need to feel wanted (loved may be stretching it) so make your friendly web-spinning neighbourhood accountant's day and go and have a chat with them. (Why has there never been a superhero whose secret identity was that of an accountant?)

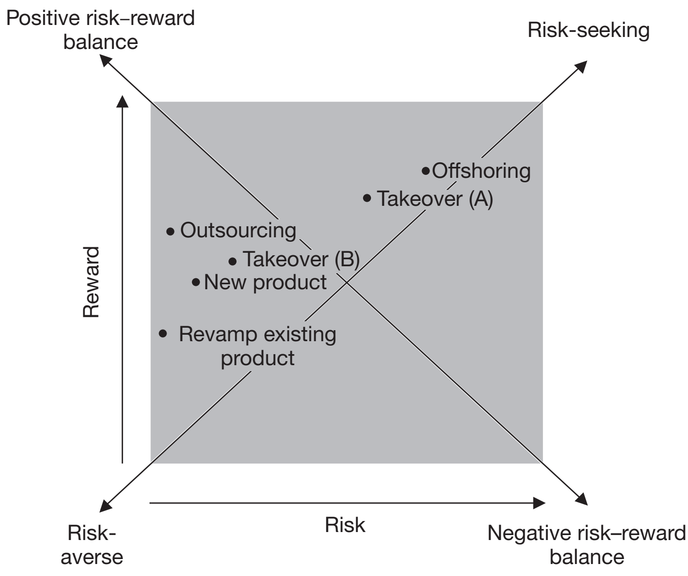
If you are an accountant and you are using these theories you don't need me to tell you how to use them. But I do want to remind you that you should get out of your office and talk to the managers involved in the decision. Either you or your staff should gather the information required personally and not send a spreadsheet for managers to complete or email specifying a long list of data required. I've spoken about the impossibility of managers communicating all the local knowledge they have to anyone (see Model 8). That's true, but if you visit them on their own turf you will learn immeasurably more about their part of the business than sitting in your office. It may even change how you calculate/interpret the figures. It will also generate immense goodwill.

MODEL 57 RISK–REWARD ANALYSIS

Use this to determine if there is a reasonable balance between risk and reward.

The Risk–Reward Model seeks to capture the various options that are available to management in a simple graph. Using Reward as the vertical axis and Risk as the horizontal it's possible to assign each option its place on the grid.

A simple visual presentation like this eliminates the confusion that detailed arguments and data can produce and is a powerful aid to final decision making.



Source: Van Den Berg, G; Pietersma, P, Key Management Models, 3e., c 2013, p. 221. Reprinted and electronically reproduced by permission of Pearson Education, Inc., New York, NY.

By using the analysis it's possible to compare 'apples with pears', e.g. a reorganisation with a new product and provides guidance on which project to back when resources are limited.

HOW TO USE IT

- Remember the risk–reward profile can be calculated at any level of detail. You can conduct a 'quick and dirty' analysis just to see if a project is a potential goer before launching into a more formal review.
- Identify the new activities, products, processes and services that you wish to evaluate.

- Select a team of people to help you with the project. Draw people from across the organisation as you will need a wide array of skills to evaluate the various options available.
- Use both quantitative and qualitative data to carry out a detailed assessment of each option and plot it on the risk–reward graph above.
- Identify the risk factors associated with each option, e.g. the effect on stakeholders, the organisation's market position, reputation, competitiveness and current and future strategy etc.
- Share the information with the team and amend projections where necessary. There is a tendency for people to overstate returns and understate the risks associated with a project. It is essential to challenge the assumptions that underpin the data.
- Examine those projects that offer high returns but are also high risk. Explore how the risk can be reduced.
- Rank all projects that fit the organisation's risk profile and exclude those that don't. Assuming that not all projects can be financed and/or there are bottlenecks with two or more projects requiring the same resources simultaneously, list the projects to be approved.
- Don't oversimplify the analysis. Often there is a complex relationship between existing and new products and between the new products themselves. For example, you can destroy an existing profitable market if unexpectedly a new product is seen by customers as a cheaper substitute to an existing product. Porsche skilfully avoided killing the 911 golden goose when they introduced the Boxster.
- If you are a middle manager your role in this process is likely to be as part of the team supplying information. Use this as an opportunity to showcase your ability to think in organisational terms and not just departmentally. If you can demonstrate that you see the bigger picture it will mark you out as someone to watch.

QUESTIONS TO ASK YOURSELF

- Has the organisation got a risk–reward profile? If yes, do you know it? If no, can you construct one (see Model 31)?
- How good are your contacts with managers in other departments? Do you need to improve your network of contacts and allies?

A good decision: William Hoover's decision in 1908 to get out of the manufacture of accessories for horse-drawn carriages and transfer to vacuum cleaners demonstrated perfect timing.

MODEL 58 KAPLAN AND NORTON: THE BALANCED SCORECARD

Use this to help you align the organisation's budget with its strategic plan.

Robert Kaplan and David Norton's Balanced Scorecard Model (BSM) seeks to address the problem that an organisation's budget is seldom fully aligned with its long-term strategic plan/vision. This is because too much emphasis is placed on finances and not enough on non-financial factors.

THEY LIST THE THREE MOST IMPORTANT NON-FINANCIAL FACTORS AS THE ORGANISATION'S:
1. Relationship with its customers
2. Key internal processes
3. Learning and growth strategy

When these areas of the organisation are added into the equation, managers find that their perspective of what the organisation is and does changes. No longer do they primarily view the organisation through a financial lens. Effectively, the BSM provides a framework for the organisation's key activities to be aligned with its strategy.

HOW TO USE IT

- Remember, regardless of what role you play in implementing BSM you need to understand its key features. This will assist you to either manage the process or to effectively contribute to it.
- Remember your aim is to link short-term financial objectives with the organisation's long-term strategic plan. This can be achieved by linking the following four processes together.
  - **Organisational vision:** Build and implement an organisational vision and continually seek to win support for it.
  - **Communicate and educate:** Communicate the organisation's aims to all staff and explain their role in the achievement of such aims. Train staff so that they are capable of achieving the organisation's aims and link pay to achievement.

  - **Business planning:** Use business planning to set targets that help the organisation achieve its strategic goals, and use milestones to monitor achievement of these targets. Take action whenever targets look like being missed (see Model 68).
  - **Collect and use feedback:** Continually explain and promote the organisation's shared vision. At the same time collect both strategic and operational data to inform future strategic planning and the training and development programme.
- Involve managers at all levels in the target setting process for each of the four processes. This will ensure that they understand and buy into the strategy, and be in a position to act as advocates for it with staff.
- Encourage managers to cascade down to the next level details of the new strategy and targets. Use the BSM to show staff how achievement of their targets assists the organisation to achieve its long-term strategy.
- Train and develop all those who have to implement the system. In addition provide information seminars and meetings for all staff. However, it is not sufficient to rely on 'one-off events', this has to be a process of ongoing education, training and information giving if the BSM is to be a success.
- Consider how salaries, wages and other rewards can be linked to the group and individual performance indicators. But remember that financial rewards do not motivate staff long term (see Model 40). It is the work that people do and the recognition they receive for success that keep them motivated. Something which should be built into every BSM implementation strategy.
- Don't sit back and rest on your laurels. Continually review, refine and change your system. Perfection can never be achieved but that's no reason not to chase it.

QUESTIONS TO ASK YOURSELF

- Who has overall responsibility for driving the BSM strategy?
- Does my own professional expertise lead me to underestimate the importance of one or more factors?

A bad decision: Colonel (there is no record of his army service) Parker's decision not to allow Elvis Presley to tour the world and earn millions. It's long been believed that he did this because he was an illegal alien and didn't want to apply for a passport.

MODEL 59 DISCOUNTED CASHFLOW (DCF): CALCULATING TODAY'S VALUE OF TOMORROW'S RETURNS (THE FIRST 11)

Use this when comparing future cash flows as to which option provides the greatest return at today's prices.

Inflation erodes the value of money over time. The value of £1,000 today is greater than in three years by which time inflation will have reduced its purchasing power. Which is why when calculating the return on an investment it's necessary to take this reduction in value into account to arrive at the Net Present Value (NPV) of the cashflows.

The table below shows the NPV of cashflows derived from the purchase of a new machine costing £10,000 which will be replaced in five years. The discount rate is set at the predicted inflation rate of 3.5 per cent for each of the next five years.

Descriptor	*AP*	*Discount rate 3.5%*	*NPV*
Additional profits (AP) in current year 1	3,000		3,000+
Year 2 profits	3,000	96.5	2,895+
Year 3 profits	3,000	93.0	2,790+
Year 4 profits	3,000	89.5	2,685+
Year 5 profits	1,000	86.0	860+
Total NPV receipts			12,230+
Purchase price at NPV			10,000+
Excess of DCF receipts over cost of machine			2,230+

On this basis it's worth purchasing the machine as it will increase profits, at today's value, by £2,230 over five years. However, if the chosen inflation rate proves to be understated the result can be rendered useless.

Most companies will also have a 'hurdle rate of return' which is the minimum annual return required from all investments. This percentage would be included in the discount rate.

DCF is a key financial tool when evaluating individual or competing investments.

HOW TO USE IT

- Normally DCF will be calculated by your accountant using a wide range of information including:
  - The cost of the investment, e.g. will the full cost be paid in year 1 or spread over the life of the asset.
  - Details of how you have estimated future cashflows.
  - Details of the minimum ‘hurdle rate of return’ that all investments are expected to achieve and the rate of inflation to be used.
- It should be obvious from the above that any DCF calculation contains a number of difficult to quantify variables. This has implications for the level of accuracy that can be achieved. Therefore use DCF as indicative of future returns and not a precise calculation.
- Where one or more projects are competing for limited resources DCF provides a means of comparing disparate proposals. All other things being equal you would normally select the project or investment which shows the greatest excess of NPV over cost. However, you may reject that option in favour of a proposal that carries less risk (see Model 31) or recovers its capital costs the quickest.

QUESTIONS TO ASK YOURSELF

- How often do you ask your accountant for financial information?
- Do you need to build a better working relationship with your accountant who is a key gate keeper in your organisation?

A good decision: Akio Morita observed that young people liked to listen to music wherever they were. So was born the Sony Walkman based on one man’s observations and not market research.

MODEL 60

COST–BENEFIT ANALYSIS: ACCOUNTING FOR NON-FINANCIAL FACTORS

Use this if you need to provide a financial value for non-tangible factors in a decision.

The McNamara Fallacy Model (see Model 2) shows how important it is to take account of data that is difficult or seemingly impossible to quantify such as staff morale. Cost–Benefit Analysis (CBA) tries to address this problem by allocating a financial value to all costs and benefits arising from a decision. It can be calculated informally on a Post-it note or as a detailed and formal process involving a thorough assessment of the future benefits and costs arising from a major investment decision.

CBA is often used in public sector projects. It is less popular in the private sector where Discounted Cash Flow (see Model 59) remains the preferred method of evaluation. However, it has been used to calculate such intangible assets as brand value and corporate image. Additionally it is increasingly used when companies embark on major projects that have a significant impact on local or even regional communities.

Where private sector organisations do regularly use CBA is when they enter into contracts with national or local government. For example, CBA has been used to justify the £40bn cost of the High Speed 2 Rail Project (HS2). Indeed much of the controversy surrounding HS2 is because it is not clear how the non-tangible costs and benefits of the project have been calculated.

HOW TO USE IT

- As a manager it is unlikely that you will be required to undertake a CBA calculation. More likely you will be asked to supply information to the accountants, economists, statisticians and planners who are involved in the project.
- Depending on your position in the organisation you may be required to critically evaluate the CBA report that is produced or the process undertaken to arrive at the report. If so the type of questions you should be asking are:
  - What underlying assumptions were used in the investigation and the writing of the report?

- How were the costs and benefits calculated? Pay particular attention to those costs and benefits that are intangible. This is where the 'experts' will have exercised the greatest level of 'professional judgement'.
- If discounted cashflow has been used to calculate the Net Present Value of the future costs and benefits (see Model 59) confirm what inflation rate and hurdle rate of return were used in the calculations.
- Recognise that the further into the future the costs and benefits are projected the less accurate any calculations will be.
- What factors have been missed from the analysis? Which risks have been under/overstated? Which benefits have been under/overstated?

QUESTIONS TO ASK YOURSELF

- Does my company use CBA? When was the last time it undertook a CBA exercise?
- Who can tell me more about CBA in the organisation?

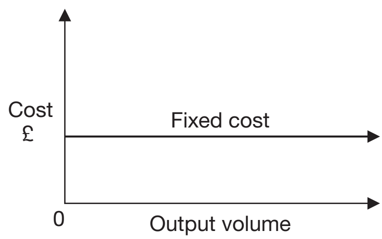
A bad decision: After the huge commercial success of *On Her Majesty's Secret Service* (1969) George Lazenby turned down the opportunity to reprise his role as James Bond on the advice of his advisors who believed that other offers would roll in. They didn't.

MODEL 61 BREAKEVEN ANALYSIS: KNOWING IF YOU CAN REDUCE PRICES

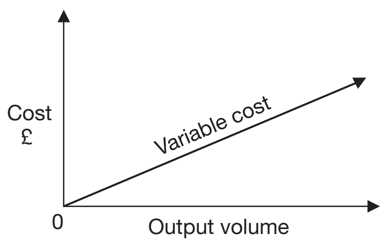
Use this when your organisation has recovered all fixed costs and you want to explore lowering the price of a product.

Often a manager is faced with the problem of either reducing the price of a product and winning a large contract or refusing to reduce the price and losing out. Fortunately breakeven analysis (BEA) can provide some help. But before we get onto that it's necessary to define some costing terms.

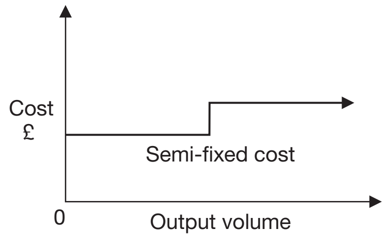
Fixed costs are those costs that remain the same regardless of the level of production. For example just because production goes up from 100,000 to 102,000 units doesn't mean an increase in administrative salaries, rates, office heating and lighting, advertising or auditors, fees and nor would you have to buy a new machine or property to cope with such a change. Essentially fixed costs remain static over a significant range of production.



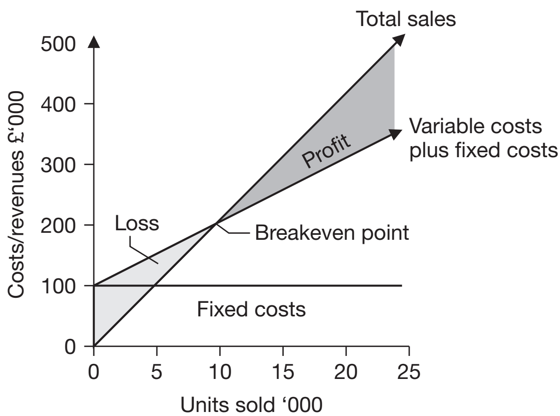
Variable costs increase in line with the level of production and include such costs as raw materials, components, packaging or power used in the manufacturing process.



Semi-fixed costs are those that remain fixed over a range of production levels but then suddenly jump to a higher level. For example it may be possible to manufacture up to 109,999 units with the existing machinery but if you wanted to push production past 110,000 units you'd have to buy a new machine as full capacity has been reached on the old machine. In addition new staff will have to be employed to run the new machine.



To break even every organisation has to recover both its fixed costs and variable costs. For example an organisation manufactures just one product which it sells for £20. The variable costs per unit are £10 and fixed costs are £100,000. What's the breakeven point?



Once the breakeven point is reached each unit sold generates £10 clear profit (Sales price £20 – Variable costs £10 = Profit £10). This is because all of the fixed costs have been recovered. This leaves management free to decide if they wish to reduce the price of the product temporarily to say £18 as a strategy to increase sales or increase market share, or leave the price as it is and enjoy a full £10 contribution to profit on each item sold.

HOW TO USE IT

- You'll be happy to know that you don't have to calculate the breakeven point for any product under your control. Leave that to your accountant.
- Ask your accountant for the breakeven point for each product you produce/manage/sell.

- Monitor the unit sales of each of your products. When it appears that a product has reached breakeven point ask your accountant to confirm this.
- It may be that other products fail to recover the full fixed costs allocated to them in which case the extra income from your product will be used to make up the shortfall.
- If you don't have to support another product you can:
  - Maintain the existing price and enjoy the full additional £10 contribution towards profits.
  - Reduce the price in an attempt to win greater market share.
  - Reduce the price to win a large contract while maintaining the original price for all other customers.
- Remember that the cost of an item plays no part in the setting of a sales price. A sales price is determined by the interaction of supply and demand in the marketplace. A cost only tells you if you can produce goods below the current selling price and therefore sell them at a profit. Just because an item cost £200 to make does not mean that anyone will be willing to pay £250 for it. Similarly, a comic which cost less than 5 cents to make can sell for $1m, just as Amazing Fantasy 15 (the first appearance of Spider-Man in 1962) did recently.
- If your costs are below the market price for an item you may decide to enter the market. But before you do so you'll need to decide if you could achieve a better return if you were to invest your resources in a different product.
- There may be occasions when you should sell goods at a 'loss'. For example: you have no current orders for your product. But you expect that a new order will arrive in two weeks. In the meantime your workers are getting paid for doing time filling jobs such as cleaning and housekeeping. Someone then offers to buy 2,000 widgets at £18 each. The order can be completed within two weeks. As you have not reached the breakeven point for widgets, acceptance of the order means a loss of £2 per widget. But if you don't take it you lose a contribution of £18 per widget towards your costs/profits. In such situations, unless you can employ your workers on something that will generate more than £36,000 (2,000 x £18) in the next two weeks, it's worth accepting the order. But obviously you can't do this on every order.

- As for which type of cost you would use to decide if it were worthwhile to enter the market; the safest choice would be to use the full absorption cost. Only after break even has been achieved might it be appropriate to base your decision on the product's marginal cost. Any decision should be made with the assistance of your accountant.

QUESTIONS TO ASK YOURSELF

- What information does your accountant hold on the breakeven point of the organisation's products?
- Does the organisation encourage the use of marginal costing?

A good decision: The Wright Brothers' decision to continue building their plane when in 1900 many eminent scientists in the USA publicly announced that heavier-than-air machines would never fly.

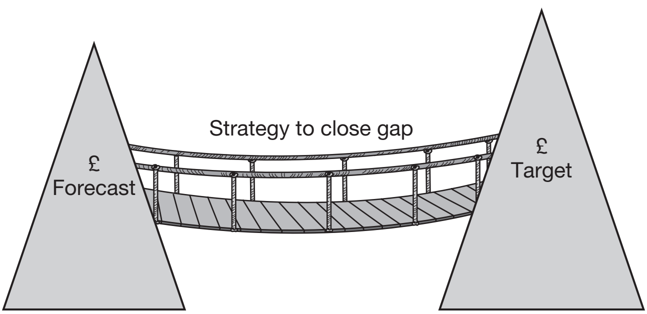
MODEL 62 GAP ANALYSIS: CLOSING THE GAP BETWEEN FORECAST AND TARGET

Use this to close the gap between forecast and target.

Gap Analysis is often incorrectly described as the difference between where you're currently at and where you want to be. According to John Argenti, Gap Analysis is actually concerned with the difference between your forecasts and your targets. But aren't forecasts and targets the same? Well no actually.

A forecast is constructed using past performance data and the best information available at the time it's produced. Because it looks to the future it can never be entirely accurate. It's the best estimate that people can make at the time and is often produced as a rolling three-year figure which is updated as the organisation's situation changes.

A target is something that a manager sets, e.g. 'Next year our production target is 200,000 units.' This target may not be based on past figures or future projections. It can be a figure plucked from the air, intended to motivate and galvanise staff. A target is what you would like to achieve. A forecast is what you think you'll achieve.



HOW TO USE IT

- As an example let's use sales as the subject for your gap analysis. Your sales are currently forecast at £20m for the following year. You decide to set a target of £25m.
- Working with a small team, use a range of techniques including SMART targets (see Models 16,17 and 68) to draw up a strategy for closing the £5m gap.

- Most good ideas/initiatives fail at the implementation stage because managers assume that once they have been given the go ahead rollout will automatically occur. Nothing can be further from the truth. Therefore your implementation team should be drawn from the staff who are going to have to make the plan work. If they have been involved in the planning so much the better.
- Use the implementation team as your eyes and ears and be willing to respond to the concerns of staff about any changes you are proposing.
- Remember in any change situation good communication, up, down, sideways and diagonally, is essential.
- When drawing up a forecast it's normal practice to produce three forecasts based on best, worst and average case scenarios. As the year unfolds it will quickly become apparent which forecast is nearest actual performance and this can be used for comparison with target.
- Insist on receiving a monthly report showing the differences between forecast, actual and target sales. If the gap between the three figures shows signs of convergence keep taking the medicine and try to identify other initiatives that will increase sales further. If the gap is staying the same or widening identify the reasons why and take corrective action. Of course this action may include abandoning unachievable and unrealistic targets.
- Your aim is to close the gap by the end of the year. This means that as the year progresses any new initiative must have an impact within an ever decreasing timescale. This may rule out some potentially good ideas. Make a note of these for implementation next year.

QUESTIONS TO ASK YOURSELF

- Do I treat forecast figures as my target? If so, do I need to be more demanding of myself and my staff?
- Will the targets I set help the organisation achieve its targets or will they contribute to sub-optimisation?

A bad decision: The decision by The Boston Red Sox to sell Babe Ruth to The New York Yankees in 1919. So successful was the Bambino that Yankee Stadium became known as the House that Ruth Built. Additionally it took the Red Sox another 86 years to win the World Series – all part of The Bambino's Curse.

MODEL 63 ZERO-BASED BUDGETING: MAKING THE RIGHT BUDGET CUTS

Use this when you have to reduce the budget significantly.

At some time in their career most managers are required to implement swinging budget cuts. The automatic reaction of many is to cut every budget they manage by the required 10, 15 or 20 per cent. This is a mistake. Not all budgets are equal and reducing essential budgets can hamstring an organisation's ability to trade their way out of difficulties.

Despite the best efforts of accountants most managers use what is called incremental budgeting. They take last year's budget or actual spend, deduct non-recurring expenses from the previous year and add in any new expenses they can foresee in the coming year.

But incremental budgeting doesn't work when you are required to make significant reductions. What is required is a zero-based approach which ignores last year's figures, starts with a blank sheet of paper and builds each budget up from a zero baseline. Use this approach and you can make significant savings without crippling your operation.

HOW TO USE IT

- Discuss with your accountant what you intend to do and ask for their assistance. Most accountants will be only too happy to help as it provides them with an insight into how managers prepare a budget and their priorities.
- Start by examining the operational plan for your team. If you don't have one, list all the work that your team will be expected to perform in the coming year. Analyse this list into budget headings.
- Create a separate working document for every budget heading you are responsible for, e.g. staffing, materials, stationery etc.
- Take each budget in turn and calculate how much you will need to spend in order to do the work you have listed. For example salaries. List each member of staff and the salary they receive, factor in any bonuses, pay rises or increments that they may receive in the next financial year. This becomes your baseline staffing budget. Then identify any savings you could make by reducing staffing levels or working hours. Finally, review the staff turnover figures for your team

and calculate how much you will save from running short-staffed next year before each vacancy is filled. Deduct any saving from your baseline figures.

- Working with your accountant estimate how much you are likely to spend on direct costs and overheads given the reduced level of activity. Record these savings, then take each budget heading and see if it can be reduced further. For example to what extent can stationery costs be reduced by using email, texting or social media more creatively? Bulk buying from one or two suppliers only? Reducing the quality of paper used, e.g. replacing 100gm stationery with 80gm paper? This questioning approach can be applied to any item of expenditure.
- Don't include any hidden contingency funds and leave it to the accountant to add on a figure for inflation otherwise different managers will be using different rates.

QUESTIONS TO ASK YOURSELF

- Who can help me analyse my budget?
- What are the budgets I must protect at all costs?

A good decision: Sam Walton's decision to implement Saturday morning meetings for all Wal-Mart staff. The meetings encouraged a culture of rapid information sharing and decision making, which improved efficiency and supported growth.

CONCLUSION

THE FIRST 11

I've chosen Discounted Cashflow (DCF) for The First 11 because it's been my experience that unless the DCF calculation shows a positive return it's extremely unlikely that your project will be approved. DCF could almost be described as the Court of Final Arbitration for Decisions

Let's be clear, DCF has been used since ancient times, but it was during the 1970s, when inflation was in double digits, that it experienced a renaissance in popularity. From a vaguely esoteric calculation that accountants did, it became a common phrase among managers and it has retained its popularity to this day.

However, when inflation is low or non-existent the hurdle rate of investment becomes the key figure in the calculation. The hurdle rate should be set by the board and reflect both the cost of money in the market and whatever is considered a normal rate of return in the organisation's business sector.

If you want a decision to go in your favour you must ensure that the DCF figures stack up.

While the DCF model is the model that often determines which projects will be approved or rejected, the model most useful to the professional manager is probably zero-based budgeting (see Model 63). My reasons for saying this are simple. Just about every manager has responsibility for one or more budgets and it is inevitable that at fairly regular intervals during their career they will be asked to reduce their budget. Zero-based budgeting enables you to cut out the fat without removing by mistake any lean meat or vital organs from your operation.

As for the remaining models:

- Stay within the organisation's risk profile when making recommendations (see Model 31). You are not going to win many decisions if you are constantly asking the organisation to approve high risk decisions outside its comfort zone.
- Whatever your level is in the organisation, support the idea of the Balanced Scorecard (see Model 58). Companies are most successful when they balance the competing demands within the organisation and don't let one dominate.

- Use Cost–Benefit Analysis (see Model 60) to evaluate the soft data that you have collected (see Model 3). Be rigorous in your use of CBA. Don't allow people to pluck figures out of the air. Demand that costs and benefits are fully assessed and that a logical methodology is used to calculate the figures. Don't bow to pressure to massage the figures. If they prove wrong in the future you can be sure it will be you who is criticised and not the person who applied the pressure.
- It's particularly important that managers involved in sales and marketing understand Breakeven Analysis (see Model 61). As said in the model, sales prices are set by the interaction of supply and demand. The cost of production is only used to determine if you can afford to play the game. But if you are in the game then knowing when a product has reached its breakeven point is extremely valuable as it enables you to vary the price if you wish to.
- Gap Analysis (see Model 62) is really about target setting. Forecasts are based on financial and statistical information. Targets may be based on similar information or just be a figure plucked out of the air by a manager who wants to improve performance and sees it as a way of motivating staff. That's fine but never let ambitious targets replace properly calculated forecast figures. That way lies financial madness and the belief that you can balance a budget by simply increasing the sales figure.

Finally please remember that a little knowledge is a dangerous thing. Unless you really know your way around finance and accounting always enlist the help of your accountant when dealing with financial matters or at least run your calculations past them. That's what they are there for.

SECTION 9

HOW TO SUCCESSFULLY IMPLEMENT YOUR DECISIONS

INTRODUCTION

All decisions need careful implementation. For a small decision, that might mean thinking about how you will announce a simple change in procedures to staff. Other decisions may have a significant impact on the organisation and require a project team and months of work to be properly implemented.

This Section outlines seven models that you can use to ensure successful implementation of your decisions. Often it is the implementation which is most neglected in the decision-making process. Sadly, it is still the case that some managers believe that by issuing an instruction their decision will be magically implemented exactly as they envisaged it. If only wishing made it so.

The reality is that no matter how good your initial decision was, to be effective you must ensure that it is implemented and acted upon by staff and other stakeholders. Fail to do this and you may end up with an outcome very different from what you intended as only parts of your decision are embedded into the organisation's thinking.

The models outlined in this Section will provide you with a range of tools you can use to ensure your decision is implemented fully and that it achieves the objectives you set for it.

MODEL 64 ROUND'S TRAP MODEL

Use this to remind you of the need to plan for and monitor the implementation of your decisions.

Geoff Round developed his TRAP Model as a quick and easy way for a manager to check that they had the resources to run a project or implement their decision. Without adequate resources successful implementation is difficult to achieve.

AS A FIRST STEP MANAGERS NEED TO CONFIRM THE:
Task: Define the task as clearly and fully as possible.
Resources: Clarify what resources, human and material, are available for the project.
Arithmetic: Check that the arithmetic adds up, i.e. given the task and the timescale for its completion are the resources available sufficient to do the job?
Priorities: What are the project's priorities and can they be achieved given the resources available?

HOW TO USE IT

- Based on your TRAP analysis decide if the project is adequately resourced. If not renegotiate resources with management.
- At the first meeting of your project team start the detailed planning. Use the following six-stage process adapted from the work of Gerry Johnson and Kevan Scholes as a guide.
  - **Stage 1:** Identify in as much detail as possible the purpose of the decision. You and your team must be able to describe the decision's aim in a sentence.
  - **Stage 2:** Split your aim into a series of interim objectives or milestones. These will be significant pieces of work which if achieved will move you closer to the achievement of your aim.
  - **Stage 3:** Take each objective/milestone in turn and decide what tasks and targets you need to complete or meet to achieve your objective.

  - **Stage 4:** Decide who will be responsible for the completion of each task. Use SMART target setting (see Model 68) to identify the criteria that have to be met for a task, target or milestone to be achieved.
  - **Stage 5:** Set up a monitoring system that allows progress to be compared with plan.
  - **Stage 6:** On implementation of the decision record any lessons learnt that might help future project teams and take time to celebrate the team's work.
- Work through each stage outlined above and use the expertise in the room to fully explore the issues that arise. This process will help the team to gel and to buy into the plan as something they helped create.
- Use the plan as a means of communicating what you intend to do, when you will do it and how you will tackle it to the members of your team, and other stakeholders.
- Ensure that every member of the team signs off on the finalised plan, targets and timescale.

QUESTIONS TO ASK YOURSELF

- Is the impact of your decision significant enough to require an implementation team? (Most aren't.)
- Do you need to lead the implementation team or just act as sponsor?

A bad decision: Introduced in 1958, the Ford Edsel was a spectacular failure. Some said it was because the company had promised too much and delivered too little; others put it down to the design which many thought too feminine for male buyers.

MODEL 65 JOHNSON'S THREE RULES OF PROJECT MANAGEMENT

Use this as the basis for the project team's reporting procedures.

Kelly Johnson famously devised 14 rules and practices for project work at the aircraft manufacturers Lockheed Martin. Many of these related to the working practices of the company, but contained within the list were three rules that have come to be seen as the bedrock for effective implementation of projects and decisions in both the private and public sectors.

JOHNSON'S THREE RULES OF PROJECT MANAGEMENT ARE:

1. The number of people employed on the project must be kept to the minimum. The more people, the more complex communication and control become.

2. Meetings must be kept to a minimum. Johnson suggests a weekly team meeting to review progress and consider if any changes to the project are required and a monthly meeting between the project manager and project sponsors. Further meetings, he argued were counterproductive and increased admin.

3. Only two regular reports should be produced. Weekly, the project team should receive a report detailing progress to date against plan. Monthly, the sponsors should receive a copy of the most up to date progress report and a detailed project finance report. Any additional reports take up time which can be better spent working on the project.

HOW TO USE IT

- When dealing with a complex decision, manage it as if it were a project.
- Keep your team small and manageable. This will aid communication and clarity of purpose within the group. In addition team spirit and group identity are established more quickly with small teams.
- Once the project is up and running and it looks like it's going to be a success you'll be amazed how many glory hunters want to jump on the band wagon. Repel all boarders.
- Hold a single short progress meeting with the project team each Friday afternoon or Monday morning. Use the meeting to monitor progress against plan and to prioritise the next week's work.

- Learn to say **'NO'**. Every time you agree to a change in the programme of work you reduce your chances of meeting the deadline.
- At the weekly progress meeting reject all requests for changes or enhancements to the project unless they are absolutely essential. Record all other suggestions made as issues to be dealt with in any Phase 2 of the implementation.
- At the end of the month, table a budget/actual report at the team meeting and take any corrective action required.
- At the end of each team meeting list the 'must achieve targets' for the following week.
- At the monthly sponsors' meeting present the latest progress report and a finance report. The finance report should compare the spending to date against budget and provide details of committed, but not yet incurred, expenditure and a forecast of total cost to the end of the project.
- Other than providing your sponsors with the information they require your main task at these meetings will be to say **'NO'** to suggestions for how implementation could be improved. Stick to your guns. Take on board and record all suggestions but make it clear that unless the suggestion can be shown to make achievement of the original aim easier/quicker it will have to wait until Phase 2.
- Remember, if you say yes to changes and implementation fails to meet its deadline it will be you who carries the can.

QUESTIONS TO ASK YOURSELF

- How assertive am I? Do I need to say no more often?
- At sponsors' meetings who can I rely on for support?

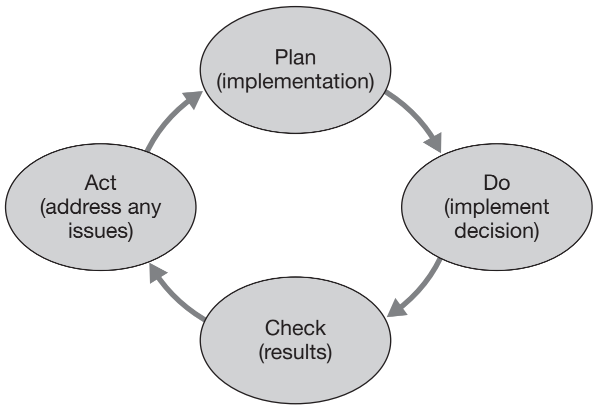
A good decision: Henry Ford's decision to double the wages of his workers meant that he could choose from the best workers available and create a market for his Model T among the working classes.

MODEL 66 SHEWHART'S PLAN, DO, CHECK, ACT (PDCA) IMPLEMENTATION MODEL (THE FIRST 11)

Use this to monitor the roll-out of decisions and to fine-tune outcomes following implementation.

It is still the case that many organisations invest a huge amount of time, effort and money in making decisions but then fail to do any post-implementation analysis. It's almost as if they don't want to know the result. This head-in-the-sand approach means that organisations miss a great opportunity to learn from their actions.

Shewhart devised his Plan, Do, Check, Act Model in the 1930s and Edwards Deming used it widely as a means of embedding the culture of continuous improvement in organisations. However, it can also be used to monitor the implementation of decisions and as a means of fine tuning outcomes to bring them in line with the decision maker's original objectives.



KEY TO FIGURE
Plan: Establish the current position, analyse the problem and decide what needs to be done and design an implementation plan.
Do: Implement the plan/decision.
Check: Assess to what extent the change has improved the situation. It may have made matters worse.
Act: If the outcomes are not as expected identify the reasons, take action and repeat the PDCA cycle. If the original aim has been achieved set a new, higher aim, for the same function or start a new project.

HOW TO USE IT

- Start by specifying clearly the outcomes you expect as a result of implementing your decision.
- If it's a complex decision which will have an effect on many aspects of the business break it down into its constituent parts and use these as milestones in your plan. Draw up a PDCA programme for each element. This will highlight sub-optimisation where you improve the problem in one area by 30 per cent but make it worse in another by 15 per cent. You might be happy with a 15 per cent improvement overall but it's not the optimal solution.
- **Plan:** Collect qualitative data on the problem/process using input from staff affected along with any statistical or financial information that is relevant. Working with staff analyse and evaluate the data collected, agree the action required and if appropriate draw up a written implementation plan. For many simple decisions this won't be required.
- **Do:** Implement the change. As staff have been involved in agreeing what needs to be done you will have minimised resistance to any change.
- **Check:** Allow time for the decision to settle down then review it. Ask has the decision achieved what I wanted? If yes you can move onto another improvement project using the PDCA Model.
- **Act:** If the decision has not achieved its original aims use the PDCA model to move you closer to your original aims. Start by identifying what problems remain (Planning).

QUESTIONS TO ASK YOURSELF

- Do I make enough use of the knowledge my staff have when trying to improve performance?
- How often do I review decisions that I have made and assess how successful they were?

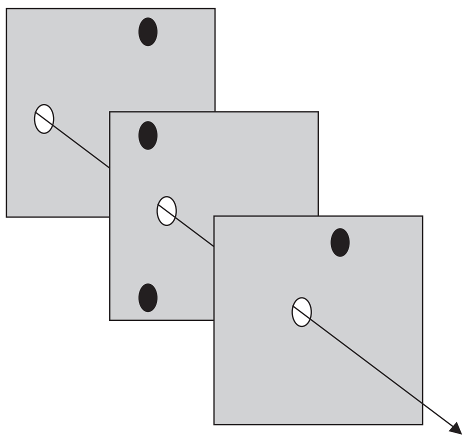
A bad decision: The decision by the founders of Dolce & Gabbana to describe children born by IVF or surrogate mothers as synthetic led to several famous and influential customers calling for a boycott of their merchandise. A case of personal beliefs impinging on business in this digital age.

MODEL 67 ORLANDELLA AND REASON: THE SWISS CHEESE MODEL AND HOW TO STOP PROBLEMS ESCALATING

Use this to remind you of the need to design compartmentalised systems that stop errors from spreading to other parts of the system.

The Swiss Cheese Model was originally developed by Dante Orlandella and James T. Reason at the University of Manchester. The model suggests that every step in a process has the potential for failure. The holes in each piece of cheese are the pathways through which errors can move from one stage to the next. Although an error may slip through one hole it will be blocked by the next slice of cheese because the holes will be in different positions. By compartmentalising individual errors they are blocked and cannot feed off other stage errors.

For a potentially major error to occur, the holes will have to align as shown below.



● Errors are contained within a single process
○ Errors run through several processes

Source: adapted from Reason, J. (2008) *The Human Contribution*, Ashgate, Farnham.

HOW TO USE IT

- Recognise that each process is an opportunity to stop an error. Split large processes into a number of smaller jobs. Design the system in such a way that the receiving process automatically checks the outcomes from the previous process.
- You'll never be able to devise a system that has no 'holes' in it. But if you pay attention to the detail you can make these holes smaller and

therefore more difficult for an error to enjoy an unchallenged run to the final product.

- Orlandella and Reason suggest that most errors can be traced to one of four root causes. When designing or reviewing your systems consider each of the following and take appropriate steps to eliminate any potential problems identified:
  1. **Organisational influences** such as extending the working hours or reducing training during periods of financial austerity.
  2. **Poor or unsafe supervision of staff** e.g. using inexperienced staff and not having enough people who understand the system.
  3. **Existing preconditions** such as poor working practices e.g. tired, overworked staff or poor communications practices.
  4. **Specific unsafe acts.** Human error.
- No matter how small, always deal with system errors as they are identified. This may block the progress of potentially larger problems occurring down the line.
- Carry out regular reviews of all the systems you use. If possible choose an outsider to help you with this. Their lack of familiarity with the system means that they will ask the obvious question and challenge received wisdom.
- Remember what Orlandella and Reason describe as latent failures can affect the first three categories of failure. These can lie dormant for weeks, months or years before they explode in your face e.g. poor welding on pipes or boilers. So don't become complacent. Your perfect system may only be a hairsbreadth away from causing a disaster (see Models 54, 55 and 56).

QUESTIONS TO ASK YOURSELF

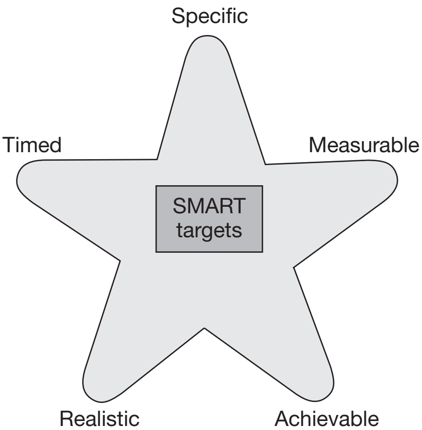
- When was the last time that your systems were critically evaluated by independent experts?
- Have you had any narrow escapes in the last year? What did you do about them?

A good decision: In 1960, despite intense pressure, Dr Frances Kelsey refused to license the sale of thalidomide in the USA to pregnant women suffering from morning sickness because 'the science didn't add up'. A year later she became a national heroine when it was proved that thalidomide caused serious birth defects in babies.

MODEL 68 SETTING SMART TARGETS THAT GET RESULTS

Use this to devise realistic targets that can be monitored and evaluated.

Managers make decisions. Then they have to implement them. That's when SMART target setting becomes essential.



KEY TO FIGURE
Specific: The target is clearly defined and there is no room for misunderstanding.
Measurable: The progress towards, and the achievement of, the target is measurable.
Achievable: It is possible to achieve the target within the specified timescale.
Realistic: The target is achievable given the organisation's current resources and expertise.
Timed: The deadline is achievable but challenging.

HOW TO USE IT

- Not all decisions involve a complex implementation process. Use the approach outlined below for the 20 per cent of complex decisions that will require planned implementation (see Model 10).
- Many managers spend insufficient time thinking about how they frame their targets. The result is they end up with a wish list that lacks

clarity, is overly ambitious, often unrealistic/unachievable and lacks completion dates. Use SMART target setting and you'll avoid these pitfalls.

- Draw up an implementation plan for any complex decision that will be implemented over a period of time and use the SMART approach to set targets.
- Working with your team break down each target into a series of tasks.
- Specify a completion date for each task. Achievement of each task will motivate both you and your staff and act as a check on progress.
- Hold regular monitoring meetings and devise a simple reporting system that will enable you to monitor progress, identify problems and record any corrective action that is agreed upon.

Example of a monthly target/actual report

Target	*Interim target to 30/4/xx*	*Actual to 30/4/xx*	*Variance pos/neg*	*Action required by next meeting on 30/5/xx*
Canvass all customers	3,000	2,500	500 neg	Michael to identify reasons for short-fall and determine how to recover shortfall

QUESTIONS TO ASK YOURSELF

- Have I got the support of staff and stakeholders to achieve each target?
- Have I got the resources required to achieve each target?

A bad decision: Western Union's decision in 1876 to reject Alexander Graham Bell's telephone and to develop its own.

MODEL 69

KIM AND MAUBORGNE'S TIPPING POINT LEADERSHIP: HOW TO AVOID IMPLEMENTATION PROBLEMS

Use this when faced with what appears implacable opposition or total disinterest in your ideas.

You can make great decisions all day long but if you can't implement them successfully you are wasting your time. Decisions with only minimal impact on the organisation are usually relatively easy to implement. But decisions that generate a significant change in the organisation's thinking will face opposition from all sides.

W. Chan Kim and Renée Mauborgne's Tipping Point Leadership provides a blueprint for how to win the support of the key players before any decision is implemented. They arrived at their model following research into the work of New York Police Chief William Bratton who identified four strategies when implementing a new approach to dealing with crime on the New York City subway system.

THE FOUR STRATEGIES WERE:
1. Break through the cognitive hurdle.
2. Sidestep the resources hurdle.
3. Jump the motivational hurdle.
4. Knock over the political hurdle.

When these hurdles are overcome the Tipping Point is reached and change inevitably follows. Each hurdle is defined below and ways to overcome it outlined.

HOW TO USE IT

- To break through the **cognitive hurdle** you have to present a strong and persuasive case for change. Facts, figures and reports will only take you so far. You need to find a way to let the key managers in your organisation experience the problems your decision is seeking to remedy. For example if you were running a property company letting to private tenants who were complaining of anti-social behaviour in their blocks you might arrange for managers to spend 24 hours living in the block.

- To sidestep the **resources hurdle** recognise that resources are nearly always limited. But don't let that dent your ambition. Still aim for the full solution but concentrate your resources on a small area. For example instead of trying to resolve the anti-social behaviour problem in all tower blocks use the Pareto Principle to identify the worst blocks (see Model 10) and concentrate resources on these. Prove that your intervention works and additional funding will follow.
- It's hard to motivate a single person and even harder to motivate an entire organisation. To jump the **motivational hurdle** identify those key individuals in the organisation who staff listen to. These may be managers, union reps, team leaders or just ordinary workers. What they have in common is that when they speak other staff listen. Win them over to your agenda and they will go out, spread the word, and win you the critical mass of staff you need to succeed.
- To knock over the **political hurdle**, identify those stakeholders who have power to oppose you and neutralise them as early as possible (see Models 14 and 15).

QUESTIONS TO ASK YOURSELF

- Is there a senior executive you could use to help win over the powerful stakeholders who oppose your decision?
- How good are your political skills? Do you need to pay more attention to this area?

A good decision: Despite the embarrassment, Coca-Cola quickly decided to revert to the old recipe for their Cola when it became clear that customers didn't want the new taste.

MODEL 70 COOPERRIDER AND SRIVASTVA'S APPRECIATIVE INQUIRY (AI) MODEL AND THE POWER OF POSITIVITY

Use this to encourage positive thinking and find ways to eliminate the need for constant firefighting.

The Appreciative Inquiry (AI) Model was devised by David Cooperrider and Suresh Srivastva. They argue that the 'problem solving' approach used by most organisations is counterproductive as it is concerned with identifying and eliminating errors. Instead of fixating on what the organisation does badly they want managers to build on what the organisation does well. This, they claim, will eliminate much of the negativity and cynicism that surrounds work today and encourage creativity and new thinking.

Currently most decisions focus on addressing organisational problems. A change to AI would fundamentally change the nature of decisions managers make.

The following table compares the traditional problem solving approach to that of AI.

Problem solving	*Appreciative inquiry*
A problem is identified.	People identify the good things that are going on in the organisation.
The causes of the problem are identified.	Staff spend time envisioning what the organisation could do/become.
Possible solutions to the problem are identified.	Staff spend their time discussing what should be, not what is.
The selected solution is implemented.	A strategy for achieving the new vision is put in place.
Management moves on to the next problem.	People move on to the next project.

HOW TO USE IT

- Start by identifying the existing mind set of people in the organisation. When attending meetings record how people respond to new ideas. Do they:
  - Dismiss every new idea out of hand?
  - Enthusiastically embrace every idea without reservation?

- Suggest that the idea is interesting but then point out various weaknesses?
- Accept the premise of the idea but suggest ways it can be enhanced?
- Remain uncommitted and wait until either the idea has been shown to be a success or failure before joining the 'winning side'.

- Having collected some base data you now have some idea of the cultural change that is required if AI is to be implemented. Cultural change is usually the preserve of senior management with middle managers responsible for spreading and maintaining the organisation's culture. Using Models 14 and 15 identify who you need to get on board to bring about the change you envisage.
- To prove that AI works, start with a small project and show the benefits to those who doubt the process (see Model 69).
- Appoint people to the project team who are sympathetic to AI's ideas. You can identify these from your analysis of how people act in meetings. With your team work through the following four stage process:
  - Identify an organisational process that already works well.
  - Imagine what that system would look like/could do if it were absolutely perfect.
  - Draft your plan. Outline what needs to be done, by whom, when, where and how. When you and your team are satisfied, share the plan with all concerned and be willing to amend in the light of comments made.
  - Implement the new system and monitor its success using the PDCA Model (see Model 66).
- AI is dependent on achieving a critical mass of people within the organisation that is sympathetic to its aims and philosophy. Even if you are only a junior manager you can start spreading the idea tomorrow and/or use it with your own team.

QUESTIONS TO ASK YOURSELF

- There is no quick fix with AI. How willing are you to promote and pursue the idea of AI over a number of years?
- Who can you enlist in your AI army?

A bad decision: In 1977 executives at Fox Studios had little idea how successful Star Wars would be and signed over all merchandising rights to George Lucas for a $20,000 reduction in his bill for special effects. It's estimated that he's earned $2bn from the deal.

CONCLUSION

THE FIRST 11

It's virtually impossible to get a complex decision right first time. Every new idea or policy needs tweaking before it can work. That's why I have chosen Shewhart's Plan, Do, Check and Act (PDCA) Model as a member of The First 11.

Your first aim should be to implement the key parts of your decision. Once they have been achieved you can start to tweak systems and procedures to ensure that you maximise the value of your decision. Shewhart's model provides a quick, comprehensive check on the results that flow from any changes you make and a mechanism for taking corrective action.

The models in this Section deal with ensuring that you implement the best version of your decision that you can. There is always a gap between what you want a decision to achieve and what is actually practical/achievable. The models discussed will help you to keep this gap to a minimum.

Round and Johnson are concerned with the nuts and bolts of running an implementation team. Round (see Model 64) wants to know if he has the time, resources and people to do the job. If you don't have these there is very little chance that you can implement the decision successfully.

Johnson (see Model 66), on the other hand is trying to protect the team against wasting time on useless reports. If Johnson had a motto it would have been 'You don't make the pig any fatter by constantly weighing it'. Similarly you don't complete a project by constantly reporting on progress!

Shewhart's PDCA Model (see Model 66), Orlandella and Reason's Swiss Cheese Model (see Model 67) and the SMART Targets Model (see Model 68) all deal with operational issues. Shewhart will help you get closer to the result you first envisaged when you took your decision. Orlandello and Reason should remind you that you are only human. This means that any system you design is going to have weaknesses in it and that you need to contain these in one section if you are to avoid an Unexploded Bomb going off and causing a disaster (see Model 54). SMART (see Model 68) targets help you to write a series of targets that are meaningful and which can help you implement your decision effectively.

Kim and Mauborgne's Tipping Point Model (see Model 69) and Cooperrider and Srivastva's Appreciative Inquiry (AI) Model (see Model 70) were designed as high-level strategic theories. However, that does not mean that middle and junior managers can't use aspects of both theories in their work. For example, use the Tipping Point to pilot a new idea with just your team or department. If it works there it may get picked up organisation wide. Or identify those people who the staff seem to listen to and try and build a good working relationship with them. If they agree with your decisions they can be a powerful advocate for you.

As for AI there is no reason why you can't adopt this approach with your own staff while continuing to use the problem-solving approach when circumstances demand it.

Overall the models in this section are a reminder that:

- Your responsibility for the decisions you make only ends with their successful implementation. Announcing a decision changes nothing. It's implementing the decisions that brings about change.
- You need the support of others if you are to successfully implement a decision. That's why it's never too early to start building support for your ideas. Don't wait until you are just about to roll out your decision, start winning the hearts and minds of your stakeholders from day one (see Model 14).
- Always undertake a post-implementation review. You will learn as much from a failed implementation as a successful one. The trick then is to use this information when you next implement a decision.

PERSONAL CHARACTERISTICS AND HOW THEY CAN PRODUCE GOOD AND BAD DECISIONS

I hope that you enjoyed reading the 'A good decision/bad decision' entries and that you found time to jot down a few notes about why you think people made the decisions they did.

Without all the details it's not possible to say why people took a specific decision and rejected another. It might be because they lacked information or didn't understand the importance of certain data. However, it is possible to identify certain very human characteristics that time and again influence both good and bad decisions and it is these that I have highlighted below.

THE SEVEN VIRTUES OF GOOD DECISION MAKERS

Successful decision makers often display one or more of the following characteristics:

1. **Self-deprecation:** Warren Buffett refused to invest in either the dot-com bubble that exploded in early 2000 or the sub-prime mortgage fiasco that brought the world to the edge of financial meltdown in 2008. His reason in both cases was 'I didn't understand the products I was being asked to invest in'.
2. **Courage:** The ability of the hero to withstand pressure from all sides because they think there is a principle at stake is the basis for many great films. A film that has yet to be made is of the life of Dr Frances Kelsey who withstood enormous pressure from all sides to pass thalidomide for sale in the USA (see Model 67).
3. **Foresight:** An ability to pick up subtle signals from various sources and identify what the market wants even before the customers know it. For example Akio Morita's decision to develop the Sony Walkman simply because he had observed that young people liked to listen to music on the go (see Model 59).
4. **Humility:** A willingness to change their mind when they get it wrong and to take corrective action is the sign of a good decision maker. The board of Coca-Cola demonstrated such humility when within

months it reversed the disastrous decision to change the taste of the world's favourite drink (see Model 69).

5. **Respect for others including the customer:** Ethical, emotionally intelligent people have respect for themselves, their staff, colleagues and customers. They don't set out to screw anybody. That doesn't mean that they can't take tough decisions when required. It just means that they treat people as they would like to be treated. Johnson & Johnson's decision to go public about the poisoning of their market-leading painkiller Tylenol (see Model 9) was a legal necessity. Their openness with the media and the information they provided to customers about what was happening showed integrity and concern for customers.
6. **Self-knowledge:** As suggested in the introduction to Section 4, to know thyself is the start of wisdom. Self-knowledge breeds self-confidence and the ability to own up to mistakes and move on. Even the great Warren Buffett gets it wrong sometimes. In early 2015 he admitted that his investment in Tesco had been a rare failure and he took steps to sell the stock.
7. **The pursuit of excellence:** Great managers are seldom motivated by money. They may use it to keep score but what they are really interested in is self-improvement. They don't rest on their laurels and become self-satisfied. Instead they constantly stretch themselves. Dr Salk who produced the first effective polio vaccine spent three years just confirming that there were only three strains of the polio virus before starting his main task of finding a cure. Something no other researcher had done. When he finally discovered the vaccine he refused to patent it as did his great rival Dr Sabin, when seven years after Salk he produced the second vaccine (see Model 23).

THE SEVEN CHARACTER FLAWS OF POOR DECISION MAKERS

Unsuccessful decision makers often display one or more of the following characteristics:

1. **Hubris:** They say pride comes before a fall and certainly previous success led such diverse figures as Hitler (see Model 4) and Clive Sinclair (see Model 32) to think that they and they alone knew the best way forward.
2. **Greed:** Decision makers often ignore the old maxim that 'if it looks too good to be true then it "ain't true"'. Greed isn't always about money – it can be about grabbing the headlines. That was the case

with *Stern* magazine who really, really wanted to believe that they had bought the *Hitler Diaries* (see Model 50).

3. **Ignorance:** Too often decisions are made by the wrong people. In the following examples it's clear that none of the decision makers had any idea of what the market wanted. How else can you explain Decca's decision to pass on the Beatles (see Model 10), 20th Century Fox's sale of the Star Wars merchandising rights for $20,000 (see Model 70) or IBM's decision to sell the rights to provide DOS for all non-IBM machines to Bill Gates for $50,000 (see Model 1) (IBM).
4. **Lack of imagination:** Dr Sabin followed medical orthodoxy and used live cells to develop his polio vaccine. A wonderful achievement but it occurred a full seven years after his great rival Dr Salk had produced the first effective vaccine using dead cells (see Model 23).
5. **Stubbornness:** An unwillingness to change his mind even in the face of overwhelming evidence to the contrary was epitomised by J. Edgar Hoover's lifelong insistence that there was no Mafia presence in America (see Model 42). It makes you wonder what the mob had on him.
6. **Sloth and resting on your laurels:** Too often organisations with a large market share stop trying or fail to see advances made by their competitors until it's too late. IBM's slow reaction to the growth of the personal computer market (see Model 22) and Ford's failure to react to the improvements made by other car manufacturers (see Model 20) are examples of this.
7. **Contempt for the customer:** In many companies the overriding feeling that staff have for customers is one of contempt. The 2008 financial crash showed that this was a common attitude among investment bankers. You can get away with this attitude as long as it never becomes public. Gerald Ratner may not have held his customers in contempt, but he appeared to when he explained to a room full of company directors that he was able to price the company's bestselling decanter set at £4.99 because it was 'total crap' – on camera.

RECOVERING FROM A BAD DECISION

Everyone makes bad decisions from time to time. It's how you recover from such mistakes that matters. If you make a mistake don't try to hide it or fix it secretly. That 'ain't' going to work, as the plot of just about every farce ever written will tell you.

THE FIRST 11 TEAM

Competition for a place in The First 11 was fierce. One player from each of the nine Sections has already been selected and their strengths and attributes discussed in the Conclusion at the end of the relevant Section.

That just leaves me with the task of picking a Vice Captain and Captain. But before I do that, and in an obvious attempt to build the tension, let me remind you of the nine players already selected:

1. The McNamara Fallacy: The vital information that decision makers ignore
2. Johnson, Scholes and Whittington: Mapping stakeholders' reactions
3. The Eisenhower Principle and the delegation of decisions
4. Managing unrealistic expectations.
5. Hersey and Blanchard:The Situational Leadership Model
6. Moore's Headpin Model
7. SWOT – Done right!
8. Discounted cashflow (DCF): Calculating today's value of tomorrow's returns
9. Shewhart's Plan, Do, Check, Act (PDCA) Implementation Model

All that remains is to unveil the names of the Vice-Captain and Captain of The First 11. This decision was difficult and involved a lot of soul searching. But in the end the theory that was crowned Emperor of all Management Theories in *The Little Book of Big Management Theories* was pipped at the tape.

I can now confirm that the Vice-Captain of the Team is Vilfredo Pareto and his Principle that tells us that we should concentrate our efforts on the vital few rather than the unimportant many (see Model 10). By directing us to where we should concentrate our efforts he saves us time and resources. Add to this the numerous situations in which the Pareto Principle can be applied and it means that Vilfredo consistently plays a blinder regardless of what position he plays in.

However, this team is about decision making and no one can touch Robert Townsend for his wonderfully concise description of the Rules of Decision Making (see Model 1). In his seminal book *Up the Organization* Robert displays great wisdom and humour. His little book, of less than 25,000 words, was a revelation in 1970s and continues to be entirely relevant for managers today. A 40th Anniversary Edition of his book has just been issued and I'd urge you to read it.

Townsend understands people and organisations in a way that very few academics or writers on management do. He was a great manager, had a great career and most importantly of all demonstrated that it was entirely possible to be a hugely effective manager and still have great fun at work.

A FINAL WORD

I'll keep this brief. Thank heavens I hear you say.

Decision making engages both the intellect and the emotions. Unless you are a social sociopath, and there are a few of those in business, you will have the odd sleepless night as you make difficult decisions about people's careers and livelihoods. I'm afraid that comes with the job. However, there is one golden rule as a decision maker that you should always follow. It won't entirely eliminate your worries and concerns but it will assuage them.

You are employed by the organisation. Your professional duty is to act in the organisation's best interests.

For much of the time what is best for the organisation will coincide with what's best for the staff and other stakeholders. But occasionally they will conflict and when that happens don't take decisions that are in your best interests or those of your staff or department. Instead, work out what's best for the organisation and use that as your guide.

If managers routinely fail to adopt this approach they are putting the future of the organisation at risk and if the company fails than everyone connected with it suffers.

In conclusion, remember what Jimmy Greaves (the greatest British striker of them all) said, a great goal scorer will manage to convert one in four chances into a goal. The average is not much different in baseball where a great hitter fails 70 per cent of the time in order to achieve the magical 300 average. Great decision makers are almost as rare as great strikers and hitters so don't beat yourself up when you get it wrong occasionally.

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RECOMMENDED READING

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