

## Carl Spetzler: The Six Elements of a Good Decision

By Kim Girard

published on BNET.com 5/04/2009



Decision-making guru, Carl Spetzler

As director of the Strategic Decision and Risk Management program at Stanford University and CEO of the **Strategic Decisions Group**, Carl Spetzler helped develop a decision-making framework to guide managers in making choices about everything from potential acquisition targets to international strategy. Today executives at IBM and Chevron, among many others, swear by Spetzler's framework.

Spetzler says that managers make three basic types of decisions:

**Strategic decisions.** Managers have weeks or months to make these decisions, which have life-shaping effects on a corporate or personal level. Strategic decisions are very important, involve significant uncertainty and complexity, and are hard to think through.

**Typical decisions.** These decisions often come from team meetings that last a few hours. They can have a big impact, but they are frequently tactical in nature and arrived at through a collaborative process.

**In-the-moment decisions.** For decisions made on the fly, managers use a different part of the brain that emphasizes rapid pattern recognition. Beginning with limited or incomplete information, they habitually look for similarities to experiences they've had in the past.

BNET asked Spetzler to explain how these different types of decisions come into play for managers in an uncertain business environment.

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## How do you define a “good” decision?

Six elements go into a good decision: (1) The right frame — making sure you’re solving the right problem in the first place. (2) Clarity about what you want. For example, are you trying to maximize shareholder value or just trying to stay alive and minimize damage? (3) Creative alternatives. (4) Gathering the right information, including information about uncertainty, which is essential if you want to choose the best alternative. (5) Reasoning, which includes what you know and what you don’t. (6) A commitment to make it happen, since a decision is no stronger than its weakest link.

## Where do team leaders fall down when making decisions?

They fall down on all six elements. I’ve taught a lot of management groups. After we introduce the six elements of decision quality, we ask them to think of significant decision failures in their organization. Then we ask which of those links was the weakest and led to the failure. We get different answers. In some organizations, managers don’t get the information they need to make a decision, so they end up having to make decisions based on experience and intuition.

## Does personality type determine decision making?

Yes. When people become aware of their natural biases and habits, it becomes easier to avoid them. I look at my personality: I procrastinate. I focus on the big picture and the creative. I am great at the beginning of projects. My rule of thumb is that halfway into the project, I turn it over to people who can dot the i’s and cross the t’s so it comes in on schedule. My habits will get me in trouble if I don’t watch out. Yet most people drag a problem into their comfort zone instead of solving it.

## How do you evaluate the success of your framework?

Here’s how we figure out if it made a difference: We take a decision and try to document what people would have done otherwise, which is called the momentum strategy. Then we compare the best choice they make with us to the momentum strategy they would have used. We can now say pretty clearly that our approach avoids lots of downside errors. It avoids value destruction and creates a lot of value. Most people leave a lot of value on the table when they make intuitive decisions.