

DECISIONS DECISIONS DECISIONS

**BUSINESS OWNERS
GUIDE TO SUCCESSFUL**

DECISION MAKING



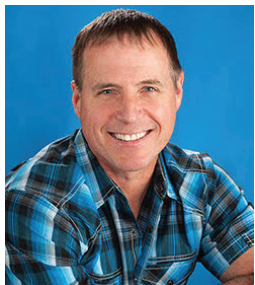


GOOD DECISIONS = **SUCCESSFUL BUSINESS**

The ability to make more good decisions than bad decisions is the most important factor in starting or operating any successful business. Whether you are a first-time business owner or this is your sixth business this guide will give you the tools and techniques to make the best business decisions possible for your company.

Think about your past important business decisions that were unsuccessful. Why were they not the “right” choice? I have learned by interviewing hundreds of business owners, most say they didn’t take enough time to evaluate the outcomes of the decision or didn’t have enough information. But when you delve deeper into the cause you learn almost no one has a process to make important decisions. Have you ever used a process to make important business decisions? Likely not.

Have you ever taken a class or heard of a class on how to make important business decisions? I got my MBA and I was never taught a process on how to make any type of decision. We all use methods like; learning from trial and error, following our instincts, or asking your advisor (if you have one). Most business owners rely on past experiences and past failures to make future decisions. But as we all know, the past rarely predicts the future, especially if you are starting a new business.



Hello, my name is Mike Grabham. I have spent 31+ years operating, starting, and selling businesses. I questioned why there isn’t a process to help business owners make good decisions? I spent hundreds of hours, interviewing hundreds of business owners, reading and listening to 16 books, and researching hundreds of past studies on decision making. The result is a simplified step-by-step guide made for a business owner like you and me.

LET'S GET STARTED

TIMELINE: You should be able to use this guide to reach any important business decision in a few hours by yourself (not recommended) or a few days when getting feedback from others.

We are making two critical assumptions.

First, we assume you are making decisions that are best for the company and not only for you.

Second, you must be honest with yourself, even when it hurts your feelings or ego. We are all good, actually great at justifying anything when you are listening to your own self-talk. Be honest with yourself and good decisions and good outcomes will follow.

STEP 1. KNOW YOUR OUTCOME, RESOURCES, CONSTRAINTS.

As the decision maker are you clear on what you want the outcome to be? Decisions have several outcomes both intended and unintended. Also, what is the primary goal of your decision? I have found being crystal clear on the primary goal makes choosing supporting outcomes is easier.

What are supporting outcomes of your decision? They are the additional reasons you are making the decision. To help understand this look at the sample decision.

SAMPLE DECISION: I will use this decision throughout this guide. "Do we hire our company's first VP of Sales?" Primary goal is to increase revenue.

Add Value?

Is this outcome going to add value to the company? Will the decision do one or more of these; add more income, add more profits, add or subtract employees, teach new skills or increase work/life balance? Keep it simple. It should be straightforward, we do this action(s) and this valuable "outcome" happens.

The following supporting outcomes are the desired results for hiring the VP.


- Increase revenue (Ultimate goal)
- More structure/leadership to the Sales team
- More coaching to the Sales team
- Improve morale of the Sales team
- CEO reduces time spent on Sales activities
- Increase overhead

RESOURCES

A major part is knowing your resources? There are three resources in your business; time, money, and people. You should know what resource you have the most and which one you have the least. You likely have more of one than the others or maybe you are lacking in two. I have found that knowing your resources also highlights your biggest constraint, which for many is money.



CONSTRAINTS

 **IMPORTANT:** It is important in decision making to know your constraints as this speeds decision making. You must evaluate your resources truthfully. This is NOT the time to be overly optimistic or unrealistic about the time, money or people you have or don't have. Please be clear and honest with yourself on your resources.

To evaluate your three resources, and thus constraints, ask these or similar questions.

- Which do you clearly lack; money, time or people?
- What resources do you feel you have better or more of than your competitors?
- Do your partners and employees have some edge over others? Faster, Smarter, Better Connected?
- Do you have a smart, flexible team that can pivot quickly and easily?

The results of these questions will show you what resource(s) you have in abundance and your biggest constraint. Know your constraint(s) as it helps you understand what you can and cannot risk.



ACTIVITY: Create a list of outcomes for your company in a spreadsheet. List them in the order of importance with primary goal on top..

PRIORITY	OUTCOMES
1	Increase revenue (Primary)
2	More structure/leadership to Sales team
3	More coaching to Sales team
4	Improve morale of Sales team
5	CEO reduces time spent on Sales
6	Increase in overhead per month

STEP 2. SEEK OPTIONS TO REACH OUTCOME

What are the creative, unique options in this situation to get to your outcome? What different paths are there to reach your outcome(s)? You know your primary goal by now and with this you can look for different paths to reach the goal. What methods or options are there to get to your outcome?

SAMPLE DECISION: Do we hire our company's first VP of Sales?" Primary goal is to increase revenue. Here are the following options that we uncovered in our situation.


- Promote someone from within your company
- Add more duties to the most qualified sales person
- Add Sales duties to the head of Marketing
- Hire Sales Consultant
- Hire outside Sales Executive with industry knowledge


As you see each path is an option, look for at least four options that can get you to your goal. Be creative. Look past the status quo. Ask yourself this, "How would [Elon Musk or your creative problem solver] try to solve it if they were in this situation?"

Let yourself and ask others to look for alternative ideas, good, bad, crazy or laughable but don't settle for only 'business as usual' options. Avoid asking so-called experts in your industry until you have some alternatives on your list. Experts have a tendency to come up with status quo ideas in their field of expertise.

The most common mistake in making important business decisions is not looking at enough options of getting to your goal. Most business owners don't take the time to uncover options or alternatives that are not the status quo.

You must stretch yourself and your team to discover unique, creative options. Get some of the options from your trusted network; ie. a circle of smart people, a mastermind group, advisors, or people you consider good decision-makers or creative problem solvers.

 **IMPORTANT:** If you only do one thing after deciding on your outcome and primary goal. And use nothing else in this guide then do this activity.

 **ACTIVITY:** List the options for each outcome in a table, there can and should be several options. List all options to start then you can trim them down later as needed.



OPTIONS						
PRIORITY	OUTCOMES	PROMOTE WITHIN	ADD MORE DUTIES TO BEST SALES LEAD	ADD SALES DUTIES TO HEAD OF MARKETING	HIRE SALES CONSULTANT	HIRE OUTSIDE VP WITH INDUSTRY EXP
1	Increase revenue (Primary)					
2	More structure/ leadership to Sales team					
3	More coaching to Sales team					
4	Improve morale of Sales team					
5	CEO reduces time spent on Sales					
6	Increase in overhead per month					

I have found that reducing the options by yourself is not effective since we all have biases that cloud our decisions. Share your list with several others. If most people believe it is less than a 5% chance of happening you likely shouldn't waste your time evaluating the option.

NOTE: To discover creative options. It works best when people can do this independently before having a discussion about the options. You can schedule a discussion after people have created their list. You will be surprised by what others discover.

STEP 3. PREDICT WHICH OUTCOMES ARE MORE/LESS POSSIBLE?

Go through each option and rank or score them. It is critical to use a scale of some type. The more descriptive the scale the better. The most typical scales are money, time, or a simple score of 1-5. 5 being the most likely to occur, 1 being the least. We used all three in our example.

OPTIONS			
OUTCOMES	PROMOTE WITHIN	ADD MORE DUTIES TO BEST SALES LEAD	ADD SALES DUTIES TO HEAD OF MARKETING
Improve morale of Sales team	4	3	4
CEO reduces time spent on Sales	15 hours/week	12 hours/week	7 hours/week
Increase in overhead/month	\$2,500	\$1,000	\$3,000

Once again, share this with your trusted network. The more diverse in feedback and scores the better. Give several people the options and let them rate them on their own before you discuss it with them.

! IMPORTANT: When evaluating options. Whether the option can be easily reversed or not should be an important factor. Is the option hard to reverse or go back to where you started? Is it easy to go back and change paths? This is a critical activity that needs to be fully addressed and evaluated. Knowing an option is reversible without a lot of disruption for your business would have less risk. And of course the opposite would have more risk.

⚙️ ACTIVITY: Send the list options to others and get at least three different responses. Input all the scores in each cell.

NOTE: If you have scores that vary widely, as one person scores a 2 and someone else scores a 5 then find out why there is a big difference. This is a good way to uncover information to help mitigate risk in the options.

OPTIONS						
PRIORITY	OUTCOMES	PROMOTE WITHIN	ADD MORE DUTIES TO BEST SALES LEAD	ADD SALES DUTIES TO HEAD OF MARKETING	HIRE SALES CONSULTANT	HIRE OUTSIDE VP WITH INDUSTRY EXP
1	Increase revenue (Primary)	2,3,2,3,1	2,2,2,3,3	4 3 3 4 4	4 5 4 4 4	4 5 5 5 5
2	More structure/leadership to Sales team	3 1 2 3 2	1 2 3 3 4	2 2 1 4 3	5 5 4 5 5	4 5 5 4 5
3	More coaching to Sales team	1 1 2 3 2	3 4 3 3 2	4 1 3 2 2	3 4 4 5 4	5 4 4 5 5
4	Improve morale of Sales team	5 4 3 4 4	4 5 4 4 4	4 4 4 4 4	5 4 4 3 3	5 4 3 3 5
5	CEO reduces time spent on Sales	10-15 hrs/ week	8-12 hrs/ week	5-8 hrs/ week	2-4 hours/ week	3-6 hours/ week
6	Increase in overhead/month	\$2,500	\$1,000	\$3,000	\$10,000	\$8,000

STEP 4. FIND THE RISKS AND OPPORTUNITIES.

There will be some risk and uncertainty in all your options. Look at the scores to find where the biggest risks of failure especially for the resource(s) you lack the most.

Looking at the 4 and 5's in the spreadsheet. What risks exist for the option not to be a success? Can you mitigate those risks? Look at the 1, 2, 3 scores. Can you add or subtract any variables to increase the likelihood of success?

EXAMPLE: In our example of hiring the VP, you could hire a sales consultant for several months to assist the person who was promoted within (Option 1) for the development of more structure (Outcome 2).

I have found asking these questions and others like them help understand your risks and uncover opportunities.

- What are the key variables that cause the option to be high risk?
- How can I learn more about these key variables?
- Can I eliminate any variables?
- Can I change any variables?

Can you get any better information for the variables of the options? Have you gathered all the information possible with your current resources? Does it make sense to spend more money or time to reduce risk or ensure success with any one option?

Talk to others, listen to different viewpoints and ideas. Have them walk through the options with you. Challenge one another to remove risk and uncertainty in options.



THE CONSEQUENCES


The scores are a strong indicator of your choice but it should not be the only decision point. You need to look at the unintended and intended consequences of some of these actions. What could happen when you do choose an option? Look into your crystal ball for risk.

Force yourself to act like you have already made a decision. Ask questions like these to discover consequences.

- Is the decision going to adversely affect your company in the next 6, 12, 24 months?
- Think about how the result of your decision would look in the next month, quarter or year.
- How are your people acting or reacting?
- Has it affected your customers?
- What operational changes happened?
- How does it affect the workload of you and others?
- What are the good things that could happen?
- What are the bad things that could happen?

Seek out other perspectives to hear the “what if’s”. Talk to your trusted network; your mentor, your business/mastermind group or smart friend. Get opinions from others in and around your company that understand your company as a whole.

NOTE: Getting feedback from non-qualified people, who don't have some business knowledge about your business, is a recipe for disaster. Please don't do it.

 **IMPORTANT:** Business owners in general are too optimistic, I know I am and it has costs me dearly. Be careful when evaluating the possible consequences and extra careful about the unintended consequences.

STEP 5. MAKE THE DECISION

Decision making is not a perfect science. You have to look at the scores for each outcome and option then evaluate based on time, money, people, consequences and risk factors.

Look at priority of the outcomes, and primary goal. Then look at which option has the lowest risk of the resource you have the least of. You don't want to choose something that has a high risk of wasting money if you don't have any money to waste. The same goes for people and time.

The timing of making the decision also changes. Today you may have more people resources and less time and next year more money and less people resources. I have found it is best if you are looking at your situation at least one year in advance.



FINAL ACTIVITY: Knowing your constraints, resources, options and the timing, look at all your options.

- With the options in mind how can you ensure success or mitigate risk?
- What outcomes have the highest risks of failure according to how they are scored?
- What can your team do to increase your chances with the highest priority outcomes?
- How can you lower risks for the highest priority outcomes?

You likely have answers for all of these if you have done the previous activities.

LOOK AT ALL THE INFORMATION YOU HAVE GATHERED AND CHOOSE THE OPTION THAT FITS YOUR SITUATION THE BEST?

EXAMPLE: Hiring a VP of sales, we would choose adding extra duties to our head of Marketing. Our constraint is money. She is a great marketer, has some minor sales experience and we don't have to spend a lot. We think this is the lowest risk and highest return for our money.

How we made the example decision

We didn't have a lot of money, but we had great people. What we had most were people resources. The CEO had a good rapport with the head of marketing so we thought he would spend less time helping her. We could easily reverse the decision if things didn't go well. And the team already respected her so we thought there was a low risk for team culture damage.

STEP 6. CULTURE FIT.

Do you and others in the company feel good about the decision? Would you be proud to tell the story of this decision to your parents, son or daughter? How do you feel about the outcome of the decision? Yes, FEEL!

Does your decision follow your company values? Does it align with the good decisions you have made in the past? What story does this tell about your company to outsiders?

You have a history and a culture that is built on the values in your company so follow them.

Starting and operating a business is not easy. I know I have done it six times. Keep on moving it forward, make good decisions each day and good things will happen. If you have questions or want to say hello send me an email, I will respond.
mike@michaelgrabham.com

Have an Amazing Day,

Mike Grabham

