



SOCIETY OF ACTUARIES

Article from:

The Stepping Stone

January 2004 – Issue No. 13



The Power Of Decision Making

by David C. Miller

What would you think if I were to tell you that every day you have the power to dramatically influence your world? In fact, you do it every day whether you are aware of it or not. I'm referring to the countless decisions each of us makes every day whether it be in our professional or personal lives. Every decision you make will affect the quality and direction of your life to some degree. Obviously many decisions we make will have more neutral consequences while others will have a profound impact. Think about your life experiences: would your life be radically different if you had made some different decisions? Even small decisions can have a major impact on your life if measured over the course of several years.

If we focus on our professional lives, we can see this principle in many decisions we make from what company we work for to who we hire to work for us. Do we develop and implement that new product this year or do we wait? Which new administrative system do we select (we know we will have to live with that decision for many years and the consequences could be painful!)? Do I obtain my FSA? Should I specialize in a particular area of expertise? If so, which area? There are an endless number of examples we could examine which will affect our professional (and company's) direction and future.

Reasons For Not Making Decisions

So, if decisions have such a powerful influence in our lives, why do we tend to put them off? Here are three reasons I have observed in working with my coaching clients:

1. Fear of Failure

Many people are afraid of making the wrong decision, so they resolve this by not making a decision. We have been taught in

school that making mistakes is bad—instead we should strive to be perfect. The reality is that we learn much more from our mistakes than we do from being “perfect.” Show me someone who has not failed and I will show you a person who has not taken a risk. This isn't to say that we should go around making reckless, haphazard decisions. Rather we should be aware of how the fear of failure can prevent us from making a decision at all.

2. Uncertainty About The Consequences of Making the Decision

In the same vain, people put off decisions because there is a belief that a decision should not be made until you are certain it will work out. The truth is that decisions are made based on probability, not certainty. When you decide to hire a new employee, there are no guarantees that it will work out. There is only so much interviewing and background checking you can do and then you must make a decision. If you wait until you are certain to make a decision, it will be too late.

3. Information Overwhelm

These days almost everyone is busier than they would like to be. We are deluged with information constantly, thanks to the Internet, e-mail, voice mail, fax machines, etc. Then when we are pressured to make decisions based on all of this information that surrounds us, we often don't know where to start.

The Cost of Not Making Decisions

So what actually is happening when people avoid making a decision? The common dynamic is that they are *associating more pain to making the decision than to NOT making the decision*. If I am afraid that my decision may be the wrong



David C. Miller, FSA, MAAA, is president and professional coach of Miller & Associates Business and Sales Coaching in Newtown, Penn, and a member of the Management and Personal Development Section Council.

Dave@TransLifeCoach.com

Every decision you make will affect the quality and direction of your life to some degree.

one, it probably feels much more comfortable not making the decision or at least putting it off as long as possible.

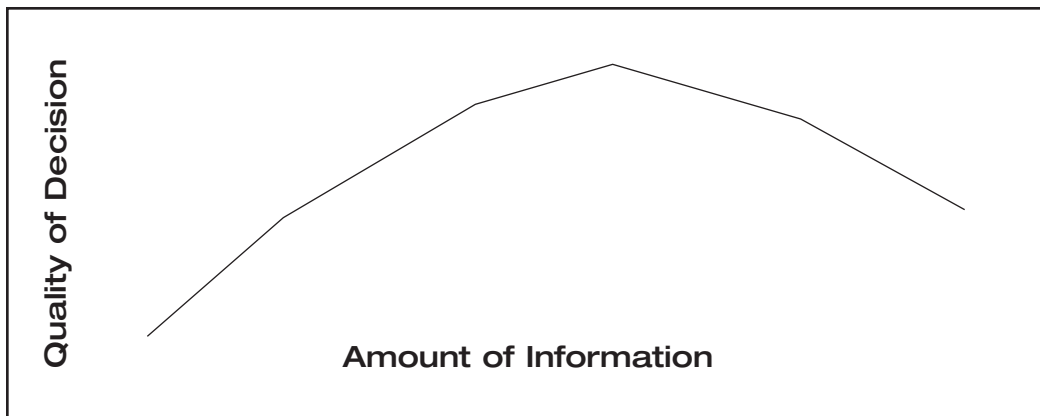
When we avoid making decisions, what we are often not factoring into the equation is the cost of not making the decision. But the truth is that **no decision is a decision!** Just as deciding has consequences, not deciding also carries a future result which is not necessarily the status quo.

For example, you may be wrestling with the decision to develop and implement a new product. Your current product sales are strong, but there are new features being introduced by the competition which may put your product at a disadvantage. Developing a new product is an expensive, time-consuming process. There is an element of "pain" associated with this activity, plus your current product is doing exceptionally well. There is a temptation to look at the status quo as certainty about the future. But as we all know, the insurance marketplace is dynamic. If you decide to wait until you are certain you need to retool your product, it may cost you greatly in terms of sales and profits. Two years from now, your current product may have lost steam and you may be introducing your new product in a saturated marketplace. You missed the opportunity. This does not mean you automatically react to the competition. It just means you should equally weigh the cost of doing nothing in your decision making process.

I had a situation in which a company I was working with wanted to develop a new annuity product. When it came time to get approval from senior management to go ahead with the product, I prepared what I believed was the relevant profit and risk information to make a solid, informed decision. It is not atypical under these circumstances for management to want to see some more data, scenarios and competitive information in order to get more comfort. However, after the fifth iteration it became clear to me that management was looking for an absolute guarantee that the product would succeed. Meanwhile, time was passing and this company was missing out on an opportunity to sell a product that was doing very well in the marketplace. I realized that management was caught in a type of decision paralysis and was hoping that more information would make the decision easier to make.

I use this example to illustrate how the cost of obtaining more information outweighs the value of the information. In the graph below, you can see how getting more information, can in general, help you make a better, more informed decision. But there comes a point where more information will not improve your ability to make a good decision. In fact, it begins to weaken your ability to do so because it can become overwhelming and it is negatively affecting the timeliness of the decision. In other words, the marginal value of information to the decision making process becomes negative.

Marginal Impact Of Information on Decision Making Quality



(continued on page 6)

Six Steps To Effective Decision Making

In order to overcome the challenges of putting off decisions, it is helpful to have a system or process for making complex decisions. In his audio program, "The Time Of Your Life", Anthony Robbins provides a six-step process to effective decision making:

1. Get Clear On Your Outcome(s)

What is the specific result you are after? Why do you want to achieve it? Get clear on your outcomes and their order of importance to you. Be as specific as possible.

2. Define Your Options

Brainstorm all of your options, including those that initially sound implausible. There is a principle that says you need at least three options before you make a decision. The rule works as follows:

One option is no choice.

Two options is a dilemma.

Three options is a choice.

Make sure you give yourself true choice. Also, remember to include "doing nothing" as an option.

3. Identify The Consequences

What are the upsides and downsides of each option? What will you gain from each option? What will each option cost you?

4. Evaluate

Weigh the consequences of each option. Review your options and evaluate each of their upsides and downsides.

- What outcomes are affected?
- How important is each upside/downside in terms of meeting your outcomes (on a scale of 0-10)?
- What is the probability that the upside/downside will occur (0-100 percent)?

- What is the benefit or consequence if this option were to actually happen?

After completing this stage, you will be able to eliminate some options from your list.

5. Mitigate

Review the "downside" consequences for each of your remaining options. Then brainstorm alternative ways to eliminate or reduce the downside.

6. Resolve

Based on the most probable consequences, select the option that provides the greatest certainty you will meet your desired outcomes and goals.

- Select your best option and strengthen your resolve to make it work.
- Resolve that no matter what happens, this option will give you a win.
- Design your plan for implementation and then take massive action in order to attain your outcome. □

Congratulations to our New Section Council Members!

Jennifer L. Gillespie, FSA

Blue Cross/Blue Shield of MN • Eagan, Minn.

Vincent Mace, Jr., FSA

Wellpoint Health Networks, Inc. • Thousand Oaks, Calif.

Alan J. Sheptin, ASA

MONY Life Insurance Co. • New York, N.Y.

K.H. Kelly Rendek, FSA

The Co-operators • Regina, SK CANADA