

# **MAKING TOUGH CHOICES: A SIX STEP PLAN FOR MAKING TOUGH BUSINESS DECISIONS**

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**Business leaders make tough choices all the time to time. As a business lawyer, helping clients make tough choices is what I do. But while my clients only face tough decisions from time to time, I help clients make tough decisions every day. I do not profess to have the answers. In fact, having the answers is not my job. However, after almost two decades in practise, I have a good idea of what the questions should be. Here are some of my ideas on how to approach tough choices, and how to make more effective business decisions on an ongoing basis.<sup>1</sup>**

## **OPENING THOUGHTS**

The difference between being bold and being foolhardy is not in the decision you make or the outcome of your plan, but in how you make the decision in the first place.

Remember the 90/10 rule – there is no perfect decision, and the last 10% of anything takes 90% of the effort.

Finally, he who hesitates is lost. In most cases any plan is better than no plan at all.

## **STEP 1 – INTRODUCING THE PROBLEM**

How much money is involved?

What time factors are involved?

Is this strategic or mission critical?

Who is affected by the decision and how?

Who has the knowledge or expertise to help make the decision?

How do we get their input?

Who else can contribute to the discussion?

How do we get their input?

Who else should be consulted for other reasons?

Why? and How do we get their input?

Who are the decision makers on both sides?

What is likely to be most important them, and why?

Who will they consult?

What counsel will they receive?

What potential is there for a lose/lose, win/lose or win/win situation?

Fill in the following blanks from your perspective:

How do we get \_\_\_\_\_ to \_\_\_\_\_ without having to \_\_\_\_\_?

Fill in the blanks from their perspective: How are they going to get us to \_\_\_\_\_ without having to \_\_\_\_\_?

## **STEP 2 – OPTION ANALYSIS**

### **List all of your options:**

List them all, make no judgments up front.

Do no risk/reward assessment at this stage.

### **Do A Financial Risk/Reward Assessment For Each Option:**

We know a few things about risks and rewards: There is no zero risk activity, and there is no guaranteed reward. Nothing ventured, nothing gained. The greater the risk, the greater the reward.

For business decisions, the number one issue is money.

Answer the following questions, as specifically as you can, for each option:

Have I done everything I can to illuminate the risk?

Have I done everything I can to minimize the risk and maximize the opportunity?

Have I quantified the risk, the opportunity and the margin of error?

Have I quantified the best, the worst and the most likely scenario, and the likelihood of each one occurring?

What do I lose if I am wrong?

What do I gain if I am right?

What do I have to go through to get there?

Can I manage or cushion the blow?

What will be the impact of different outcomes on revenues, profits or overall sustainability?

What was my comfort zone going in?

Is my comfort zone any different today, and why?

Am I within my comfort zone?

### **Do A Relationship Management Assessment for Each Option:**

Consider the relationship issues for each option:

What relationships are at risk?

How can my decision impact on those relationships?

How much do I care?

How critical are these relationships to my future?

How can I get what I want without doing any major damage to any critical relationships?

If a relationship is part of the issue: is this a relationship that is broken and I want to fix, or one that is over and I want to wind up?

What does the other side think?

How can I find out?

If I want to fix it, does the other side want to fix it?

How can I find out?

How far am I willing to go to fix it?

How far are they willing to go to fix it?

What time frame is acceptable to both parties?

What is our measurement of success?

What happens if we are not successful at fixing it?

If I want to wind it up, does the other side feel the same way?

How can I find out?

What time frame is acceptable?

What is the best way of doing it?

### **Consider the legalities of each option:**

Remember: for every principle there is an equal and opposite principle; there are two sides to every story; the other guy is not a dummy; every trial is 50/50 at best; the only choices are yes, no or maybe.

What are the legalities around this option?

What are the procedures, costs and likely outcomes?

What are the hidden costs? Time, reputation, distraction?

### **Consider the fairness of each option:**

We know that life is often not fair – if you can't get or give fairness, then do not even try.

Can we get fairness here? If yes, what is it?

Is this option fair?

If you are trying to get fairness, keep the following standards in mind:

- ◆ Promises must be kept -- Did I give my word? Did I keep my promises? Do I have a good reason for not keeping my promises?
- ◆ Do no harm – Will I cause harm? Is it justified?
- ◆ Take responsibility for your actions – What harm did I do? Did I or should I have foreseen it? Am I responsible?

- ◆ The punishment should suit the crime -- Does the time fit the crime? Can I afford to do the time?
- ◆ Give fair value for what you take or are given – What value did I receive? What value am I giving in return? Have I answered these questions from their perspective as well as my own?
- ◆ The strong should not take advantage of the weak – Who is the stronger here? In money, position, politics, timing, etc.? Is someone using their strength to take advantage?

**Consider the “good business” test for each option:**

Consider whether each option represents a good business decision. After all, it is a business decision we are making, and the practical must outweigh the emotional.

I am being objective?

Have I allowed emotion to cloud my business judgment?

Is my decision consistent with my business objectives, goals and plans?

How will this decision impact my profitability? if I am right? or if I am wrong?

How will this decision impact my sustainability? if I am right? or if I am wrong?

**Rank the options:**

Go back overall the options and rank them in priority from the one you like the best to the one you like the least.

Remember that this is a risk/reward assessment. The least risky option may not always be the best one to choose.

**STEP 3 – FINISH DEFINING THE PROBLEM**

Have we got feedback from everyone we need?

Do we have all the information we need?

If not, when and how do we get it?

What impact might it have?

Have we considered every option?

Have we balanced legality, fairness and good business?

Re-visit our problem definition, is it still right or does it need changing?

**SET 4 – DEFINE THE SMART DECISION**

What is our preferred decision? strategy? outcome?

Make sure it is SMART– Strategic, Measurable, Action oriented, Realistic and Timely, if it is not, change it so that it is.

Make sure it is legal, fair (to the extent possible) and represents good business.

Consider under what circumstances you will revisit the decision.

### **STEP 5 – MAKE A SMART ACTION PLAN TO IMPLEMENT THE DECISION**

Take the decision and turn it into an action plan.

It must be SMART -- Strategic, Measurable, Action oriented, Realistic and Timely, if it is not, change it so that it is.

Each step must have built in accountability – who, what, where, when, why and how? Who is responsible for accountability?

The plan must allow for adjustments on the fly. It must contain some flexibility.

### **STEP 6 – MAKE AN AGREEMENT TO IMPLEMENT THE DECISION AND THE PLAN**

Finally, all the key people must buy-in to the plan and commit to working together to making and implement the decision. There must be solidarity going forward, even if there was controversy getting there.

### **CLOSING THOUGHTS: THE GUT CHECK**

Does your decision pass the coin flip test? Flip a coin. Heads is for your decision, tails is for something else. Does whatever comes up feel right?

Remember two more things:

- ◆ What goes around comes around.
- ◆ The only thing more important than being right is doing the right thing.

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<sup>1</sup> Fortunately business is mostly about money. For insight into how people make decisions when life and death is at stake, read the following article on my website [www.philthompson.com](http://www.philthompson.com): *Warfighting and Business: What Owner Managers Can Learn From The U.S. Marines*; and read the book: *Warfighting: The U.S. Marine Corps Book of Strategy*; Doubleday, New York (1994).