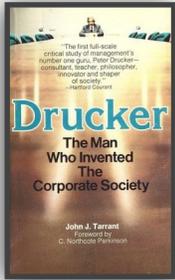


# 37. The Effective Decision

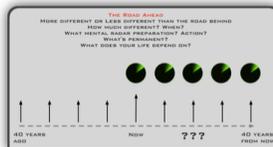
by [Peter Drucker](#) in [Management: Tasks, Responsibilities, Practices](#)



How is it possible ↓  
to work toward horizons ↑ ↓  
that aren't on your mental radar –  
at the right point in time? ↓



Navigating  
a changing world



↑ [larger](#)

[Thinking Broad and Thinking Detailed](#) ↑ ↓

[Intelligence, Information, Thinking](#)

▪ “Most of the **mistakes in thinking** are **mistakes in perception**.

❖ Seeing only part of the situation – [broad](#)

❖ Jumping to conclusions

❖ Misinterpretation caused by feelings” – [Edward de Bono](#)

▪ Awareness without [action](#) is useless

16 The MEMO they – the enemies of the future – don't want you to SEE

17 «§§§»

- 18 ■ The Japanese Way
- 19 ■ The Essentials
- 20 ■ Facts or Opinions?
- 21 ■ What Is the Appropriate Measurement?
- 22 ■ The Need for Dissent and Alternatives
- 23 ■ The Trap of "Being Right"
- 24 ■ Is a Decision Necessary?
- 25 ■ Who Has to Do the Work?
- 26 ■ The Right and the Wrong Compromise
- 27 ■ The Feedback
- 28 ■ Decision-making Is Effective Action

29 Executives do many things in addition to making decisions.

30 But only executives make decisions.

31 The first managerial skill is, therefore, the making of **effective** decisions. ...

32 There are countless books on the techniques of decision-making.

33 Complex logical and mathematical tools have been developed for the decision-making process.

34 But there is little concern with the essential process itself.

35 What is a "decision"?

36 What are the important elements in it? ...

- 37 The only people who have developed a systematic and standardized approach to decision-making are the Japanese.
- 38 Their decisions are highly effective.
- 39 Yet their approach violates every rule in the books on decision-making.
- 40 Indeed, according to the books, the Japanese should never be able to arrive at a decision, let alone an effective one.
- 41 It might, therefore, be fruitful to take a look at the Japanese way of decision-making in order to find out what the elements of the process are.

## 42 ***How the Japanese Make Decisions***

43 If there is one point on which all authorities on Japan are in agreement, it is that Japanese institutions, whether business or government agencies, make decisions by consensus.

44 The Japanese, we are told, debate a proposed decision throughout the organization until there is agreement on it.

45 And only then do they make the decision. ...

46 This, every experienced Western manager will say with a shudder, is not for us, however well it might work for the Japanese.

47 This approach can lead only to indecision or politicking, or at best to an innocuous compromise which offends no one but also solves nothing.

48 And if proof of this were needed, the American might add, the history of President Lyndon B. Johnson's attempt to obtain a consensus would supply it. ...

49 But what stands out in Japanese history, as well as in today's Japanese management behavior, is the capacity for making 180-degree turns—that is, for reaching radical and highly controversial decisions.

50 Let me illustrate: ...

51 No country was more receptive to Christianity than sixteenth-century Japan.

52 Indeed, the hope of the Portuguese missionaries that Japan would become the first Christian country outside of Europe was by no means just wishful thinking.

- 53 Yet the same Japan made a 180-degree turn in the early seventeenth century.
- 54 Within a few years it completely suppressed Christianity and shut itself off from all foreign influences—indeed, from all contact with the outside world—and stayed that way for 250 years.
- 55 Then, in the Meiji Restoration of 1867, Japan executed another 180-degree turn and opened itself to the West—something no other non-European country managed to do. ...
- 56 Toyo Rayon (Toray), the largest Japanese manufacturer of man-made fibers, made nothing but rayon as late as the mid-1950s.
- 57 Then it decided to switch to synthetic fibers.
- 58 But it did not phase out rayon making, as every Western company in a similar situation has done.
- 59 Instead, it closed its rayon mills overnight, even though, under the Japanese system of employment, it could not lay off a single man. ...
- 60 As late as 1966, when I discussed this matter with its officials, the Ministry of international Trade and industry was adamantly opposed to any Japanese companies going multinational and making investments in manufacturing affiliates abroad.
- 61 But three years later, the same ministry officials, working for the same conservative government, had turned around completely and were pushing Japanese manufacturing investments abroad. ...

- 62 The key to this apparent contradiction is that the Westerner and the Japanese mean something different when they talk of "making a decision."
- 63 In the West, all the emphasis is on the answer to the question.
- 64 Indeed, our books on decision-making try to develop systematic approaches to giving an answer.
- 65 To the Japanese, however, the important element in decision-making is *defining the question*.
- 66 The important and crucial steps are to decide whether there is a need for a decision and what the decision is about.
- 67 And it is in this step that the Japanese aim at attaining consensus.
- 68 Indeed, it is this step that, to the Japanese, is the essence of the decision.
- 69 The answer to the question (what the West considers *the decision*) follows from its definition. ...
- 70 During the process that precedes the decision, no mention is made of what the answer might be.
- 71 This is done so that people will not be forced to take sides; once they have taken sides, a decision would be a victory for one side and a defeat for the other.
- 72 Thus the whole process is focused on finding out what the decision is really about, not what the decision should be.
- 73 Its result is a meeting of the minds that there is (or is not) a need for a change in behavior. ...
- 74 All of this takes a long time, of course.

- 75 The Westerner dealing with the Japanese is thoroughly frustrated during the process.
- 76 He does not understand what is going on.
- 77 He has the feeling that he is being given the runaround. ...
- 78 To take a specific example, it is very hard for a U.S. executive to understand why the Japanese with whom he is negotiating on, say, a license agreement, keep on sending new groups of people every few months who start what the Westerner thinks are "negotiations" as if they had never heard of the subject.
- 79 One delegation takes copious notes and goes back home, only to be succeeded six weeks later by another team of people from different areas of the company who again act as if they had never heard of the matter under discussion, take copious notes, and go home. ...
- 80 Actually—though few of my Western friends believe it—this is a sign that the Japanese take the matter seriously.
- 81 They are trying to involve the people who will have to carry out an eventual agreement in the process of obtaining consensus that a license is indeed needed.
- 82 Only when all of the people who will have to carry out the agreement have come together on the need to make a decision will the decision be made to go ahead.
- 83 Only then do negotiations really start—and then the Japanese usually move with great speed. ...
- 84 There is a complete account of this process at work—though it does not concern a business decision. The account deals with the decision to go to war against the United States in 1941.\*<sup>1</sup> ...

- 85 When the Japanese reach the point we call a decision, they say they are in the action stage.
- 86 Now top management refers the decision to what the Japanese call the "appropriate people."
- 87 Determination of who these people are is a top-management decision.
- 88 On that decision depends the specific answer to the problem that is to be worked out.
- 89 For, during the course of the discussions leading up to the consensus, it has become quite clear what basic approaches certain people or certain groups would take to the problem.
- 90 Top management, by referring the question to one group or the other, in effect picks the answer—but an answer which by now will surprise no one. ...
- 91 This referral to the appropriate people is as crucial as the parallel decision in the U.S. political process which baffles any foreign observer of American government—the decision to which committee or subcommittee of the Congress a certain bill is to be assigned.
- 92 This decision is not to be found in any of the books on U.S. government and politics.
- 93 Yet, as every American politician knows, it is the crucial step which decides whether the bill is to become law and what form it will take.
- 94 For each committee—the one on Agriculture, for instance, or the one on Banking and Finance—has its own well-known point of view, its own "constituents" to whom it is willing to listen, and its own preferences, taboos, and sacred cows. ...
- 95 What are the advantages of this process?

- 96 And what can we learn from it? ...
- 97 In the first place, it makes for very effective decisions.
- 98 While it takes much longer in Japan to reach a decision than it takes in the West, from that point on they do better than we do.
- 99 After making a decision, we in the West spend much time "selling" it and getting people to act on it.
- 100 Only too often either the decision is sabotaged by the organization or, what may be worse, it takes so long to make the decision truly effective that it becomes obsolete, if not outright wrong, by the time the people in the organization actually make it operational. ...
- 101 The Japanese, by contrast, need to spend absolutely no time on selling a decision.
- 102 Everybody has been pre-sold.
- 103 Also, their process makes it clear where in the organization a certain answer to a question will be welcomed and where it will be resisted.
- 104 Therefore, there is plenty of time to work on persuading the dissenters, or on making small concessions to them which will win them over without destroying the integrity of the decision. ...
- 105 Every Westerner who has done business with the Japanese has learned that the apparent inertia of the negotiating stage, with its endless delays and endless discussion of the same points, is followed by a speed of action that leaves him hanging on the ropes. ...

- 106 It may take three years before a licensing agreement can be reached, during which time there is no discussion of terms, no discussion of what products the Japanese plan to make, no discussion of what knowledge and help they might need.
- 107 And then, within four weeks, the Japanese are ready to go into production and make demands on their Western partner for information and people which he is totally unprepared to meet.
- 108 Now it is the Japanese who complain, and bitterly, about the "endless delay and procrastination" of the Westerner.
- 109 For they understand our way of making a decision and acting on it no better than we understand their way of considering a decision and acting on it. ...
- 110 The Japanese process is focused on understanding the problem.
- 111 The desired end result is action and behavior on the part of people.
- 112 This almost guarantees that all the alternatives will be considered.
- 113 It rivets management attention to essentials.
- 114 It does not permit commitment until management has decided what the decision is all about.
- 115 Japanese managers may come up with the wrong answer to the problem (as was the decision to go to war against the United States in 1941), but they rarely come up with the right answer to the wrong problem.
- 116 And that, as all decision-makers learn, is the most dangerous course, the irretrievably wrong decision. ...

- 117 Above all, their system forces the Japanese to make big decisions.
- 118 It is much too cumbersome to be put to work on minor matters.
- 119 It takes far too many people far too long to be wasted on anything but truly important matters leading to real changes in policies and behavior.
- 120 Small decisions, even when obviously needed, are very often not being made at all in Japan for that reason. ...
- 121 With us it is the small decisions which are easy to make—decisions about things that do not greatly matter.
- 122 Anyone who knows Western businesses, government agencies, or educational institutions knows that their managers make far too many small decisions as a rule.
- 123 And nothing causes as much trouble in an organization as a lot of small decisions.
- 124 Whether the decision concerns moving the water cooler from one end of the hall to the other or the phasing out of one's oldest business makes little emotional difference.
- 125 One decision takes as much time and generates as much heat as the other. ...
- 126 To contrast the Japanese approach and the Western approach, let me illustrate: I once watched a Japanese company work through a proposal for a joint venture received from a well-known American company, with whom the Japanese had done business for many years.
- 127 The Orientals did not even discuss the joint venture at the outset.
- 128 They started out with the question "Do we have to change the basic directions of our business?"

- 129 As a result, a consensus emerged that change was desirable; management decided to go out of a number of old businesses and start in a number of new technologies and markets; the joint venture was to be one element of a major new strategy.
- 130 Until the Japanese understood that the decision was really about the *direction* of the business, and that there was need for a decision on that, they did not once, among themselves, discuss the desirability of the joint venture or the terms on which it might be set up. ...
- 131 In the West we are moving in the Japanese direction.
- 132 At least, this is what the many task forces, long-range plans, strategies, and other approaches are trying to accomplish.
- 133 But we do not build into the development of these projects the selling which the Japanese process achieves before the decision.
- 134 This explains in large measure why so many brilliant reports of task forces and planners never get beyond the planning stage. ...
- 135 U. S. executives expect task forces and long-range planning groups to come up with recommendations—that is, to commit themselves to one alternative.
- 136 The groups decide on an answer and then document it.
- 137 To the Japanese, however, the most important step is understanding the alternatives available.
- 138 They are as opinionated as we are.
- 139 But they discipline themselves not to commit themselves to a recommendation until they have fully defined the question and used the process of obtaining consensus to bring out the full range of alternatives.

- 140 As a result, they are far less likely to become prisoners of their preconceived answers than we are. ...
- 141 What are the essentials of the Japanese method of decision-making?
- 142 First the focus is on deciding what the decision is all about.
- 143 The Japanese do not focus on giving an answer; they focus on defining the question. ...
- 144 The Japanese, second, bring out dissenting opinions; because there is no discussion of the answer till there is consensus, a wide variety of opinions and approaches is being explored. ...
- 145 Third, the focus is on alternatives rather than on the "right solution."
- 146 The process further brings out at what level and by whom a certain decision should be made.
- 147 And finally, it eliminates selling a decision.
- 148 It builds effective execution into the decision-making process. ...
- 149 The specific Japanese system is, indeed, *sui generis*.
- 150 It could not be used elsewhere but presupposes the unique social organization of Japan and of Japanese institutions.
- 151 But the principles which the Japanese put to work in their decision-making process are generally applicable.

152 They are the essentials of effective decision-making.

153 ***Facts or Opinions?***

154 A decision is a judgment.

155 It is a choice between alternatives.

156 It is rarely a choice between right and wrong.

157 It is at best a choice between "almost right" and "probably wrong"-but much more often a choice between two courses of action neither of which is provably more nearly right than the other. ...

158 Most books on decision-making tell the reader: "First find the facts."

159 But managers who make effective decisions know that one does not start with facts.

160 One starts with opinions.

161 These are, of course, nothing but untested hypotheses and, as such, worthless unless tested against reality.

162 To determine what is a fact requires first a decision on the criteria of relevance, ...

163 especially on the appropriate measurement.

164 This is the hinge of the effective decision, and usually its most controversial aspect. ...

165 But also, the effective decision does not, as so many tests on decision-making proclaim, flow from a "consensus on the facts."

- 166 The understanding that underlies the right decision grows out of the clash and conflict of divergent opinions and out of the serious consideration of competing alternatives. ...
- 167 To get the facts first is impossible.
- 168 There are no facts unless one has a criterion of relevance.
- 169 Events by themselves are not facts. ...
- 170 Only by starting out with opinions can the decision-maker find out what the decision is all about.
- 171 People do, of course, differ in the answers they give.
- 172 But most differences of opinion reflect an underlying-and usually hidden -difference as to what the decision is actually about.
- 173 They reflect a difference regarding the question that has to be answered.
- 174 Thus to identify the alternative questions is the first step in making effective decisions. ...
- 175 Conversely, there are few things as futile-and as damaging-as the right answer to the wrong question. ...
- 176 The effective decision-maker also knows that he starts out with opinions anyhow.
- 177 The only choice he has is between using opinions as a productive factor in the decision-making process and deceiving himself into false objectivity.
- 178 People do not start out with the search for facts.

- 179 They start out with an opinion.
- 180 There is nothing wrong with this.
- 181 People experienced in an area should be expected to have an opinion.
- 182 Not to have an opinion after having been exposed to an area for a good long time would argue an unobservant eye and a sluggish mind. ...
- 183 People inevitably start out with an opinion; to ask them to search for the facts first is even undesirable.
- 184 They will simply do what everyone is far too prone to do anyhow: look for the facts that fit the conclusion they have already reached.
- 185 And no one has ever failed to find the facts he is looking for.
- 186 The good statistician knows this and distrusts all figures- he either knows the fellow who found them or he does not know him; in either case he is suspicious. ...
- 187 The only rigorous method, the only one that enables us to test an opinion against reality, is based on the clear recognition that opinions come first and that is the way it should be.
- 188 Then no one can fail to see that we start out with untested hypotheses-in decision-making, as in science, the only starting point.
- 189 We know what to do with hypotheses.
- 190 One does not argue them; one tests them.

191 One finds out which hypotheses are tenable, and therefore worthy of serious consideration, and which are eliminated by the first test against observable experience.

192 The effective decision-maker therefore encourages opinions.

193 But he insists that the people who voice them also think through what it is that the ...

194 "Experiment"-that is, the testing of the opinion against reality-would have to show.

195 The effective executive, therefore, asks, "What do we have to know to test the validity of this hypothesis?"

196 "What would the facts have to be to make this opinion tenable?"

197 And he makes it a habit-in himself and in the people with whom he works-to think through and spell out what needs to be looked at, studied, and tested.

198 He insists that people who voice an opinion also take responsibility for defining what factual findings can be expected and should be looked for. ...

199 Perhaps the crucial question here is "What is the measurement appropriate to the matter under discussion and to the decision to be reached?"

200 Whenever one analyzes the way a truly effective, a truly right, decision has been reached, one finds that a great deal of work and thought went into finding the appropriate measurement.

201 ***The Need for Dissent and  
Alternatives***

202 Unless one has considered alternatives, one has a closed mind.

203 This, above all, explains why the Japanese deliberately disregard the second major command of the textbooks on decision-making and create discussion and dissent as a means to consensus. ...

204 Decisions of the kind the executive has to make are not made well by acclamation.

205 They are made well only if based on the clash of conflicting views, the dialogue between different points of view, the choice between different judgments.

206 The first rule in decision-making is that one does not make a decision unless there is disagreement. ...

207 Alfred P. Sloan, Jr., is reported to have said at a meeting of one of the GM top committees, "Gentlemen, I take it we are all in complete agreement on the decision here."

208 Everyone around the table nodded assent.

209 "Then," continued Mr. Sloan, "I propose we postpone further discussion of this matter until our next meeting to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about." ...

210 Sloan was anything but an "intuitive" decision-maker.

- 211 He always emphasized the need to test opinions against facts and the need to make absolutely sure that one did not start out with the conclusion and then look for the facts that would support it.
- 212 But he knew that the right decision demands adequate disagreement. ...
- 213 Every one of the effective presidents in American history had his own method of producing the disagreement he needed in order to make an effective decision.
- 214 Washington, we know, hated conflicts and quarrels and wanted a united Cabinet.
- 215 Yet he made quite sure of the necessary differences of opinion on important matters by asking both Hamilton and Jefferson for their opinions. ...
- 216 There are three reasons why dissent is needed.
- 217 It first safeguards the decision-maker against becoming the prisoner of the organization.
- 218 Everybody always wants something from the decision-maker.
- 219 Everybody is a special pleader, trying-often in perfectly good faith-to obtain the decision he favors.
- 220 This is true whether the decision-maker is the president of the United States or the most junior engineer working on a design modification. ...
- 221 The only way to break out of the prison of special pleading and preconceived notions is to make sure of argued, documented, thought-through disagreements. ...

- 222 Second, disagreement alone can provide alternatives to a decision.
- 223 And a decision without an alternative is a desperate gambler's throw, no matter how carefully thought through it might be.
- 224 There is always a high possibility that the decision will prove wrong-either because it was wrong to begin with or because a change in circumstances makes it wrong.
- 225 If one has thought through alternatives during the decision-making process, one has something to fall back on, something that has already been thought through, studied, understood.
- 226 Without such an alternative, one is likely to flounder dismally when reality proves a decision to be inoperative.
- 227 Both the Schlieffen Plan of the German Army in 1914 and President Franklin D. Roosevelt's original economic program in 1933 were disproved by events at the very moment when they should have taken effect. ...
- 228 The German Army never recovered.
- 229 It never formulated another strategic concept.
- 230 It went from one ill-conceived improvisation to the next.
- 231 But this was inevitable.
- 232 For twenty-five years no alternatives to the Schlieffen Plan had been considered by the General Staff'.
- 233 All its skills had gone into working out the details of this master plan.
- 234 When the plan fell to pieces, no one had an alternative to fall back on.

- 235 All the German generals could do, therefore, was gamble-  
with the odds against them. ...
- 236 By contrast, President Roosevelt, who, in the months  
before he took office, had based his whole campaign on  
the slogan of economic orthodoxy, had a team of able  
people, the later "Brains Trust," working on an alternative-  
a radical policy based on the proposals of the old-time  
Progressives, and aimed at economic and social reform on  
a grand scale.
- 237 When the collapse of the banking system made it clear  
that economic orthodoxy had become political suicide,  
Roosevelt had his alternative ready.
- 238 He therefore had a policy. ...
- 239 Above all, disagreement is needed to stimulate the  
imagination.
- 240 One may not need imagination to find the one right  
solution to a problem.
- 241 But then this is of value only in mathematics.
- 242 In all matters of true uncertainty such as the executive  
deals with-whether his sphere be political, economic,  
social, or military-one needs creative solutions which  
create a new situation.
- 243 And this means that one needs imagination-a new and  
different way of perceiving and understanding. ...
- 244 Imagination of the first order is, I admit, not in abundant  
supply.
- 245 But neither is it as scarce as is commonly believed.

- 246 Imagination needs to be challenged and stimulated, however, or else it remains latent and unused.
- 247 Disagreement, especially if forced to be reasoned, thought through, documented, is the most effective stimulus we know. ...
- 248 The effective decision-maker, therefore, organizes dissent.
- 249 This protects him against being taken in by the plausible but false or incomplete.
- 250 It gives him the alternatives so that he can choose and make a decision, but also ensures that he is not lost in the fog when his decision proves deficient or wrong in execution.
- 251 And it forces the imagination-his own and that of his associates.
- 252 Dissent converts the plausible into the right and the right into the good decision.

253 ***The Trap of "Being Right"***

254 The effective decision-maker does not start out with the assumption that one proposed course of action is right and that all others must be wrong.

255 Nor does he start out with the assumption "I am right and he is wrong."

256 He starts out with the commitment to find out why people disagree. ...

257 Effective executives know, of course, that there are fools around and that there are mischief-makers.

258 But they do not assume that the man who disagrees with what they themselves see as clear and obvious is, therefore, either a fool or a knave.

259 They know that unless proven otherwise, the dissenter has to be assumed to be reasonably intelligent and reasonably fair-minded.

260 Therefore, it has to be assumed that he has reached his so obviously wrong conclusion because he sees a different reality and is concerned with a different problem.

261 The effective executive, therefore, always asks, "What does this fellow have to see if his position were, after all, tenable, rational, intelligent?"

262 The effective executive is concerned first with understanding.

263 Only then does he even think about who is right and who is wrong.\* ...

264 Needless to say, this is not done by a great many people, whether executives or not. ...

- 265 Most people start out with the certainty that how they see is the only way to see at all.
- 266 As a result, they never understand what the decision-and indeed the whole argument-is really all about. ...
- 267 The American steel executives have never asked the question "Why do these union people get so terribly upset every time we mention the word 'featherbedding'?"
- 268 The union people in turn have never asked themselves ...
- 269 'This, of course, is nothing new.
- 270 It is indeed only a rephrasing of Mary Parker Follett (see her *Dynamic Administration*, ed.by Henry C. Metcalf and L. Urwick [Harper & Row, 1941]), who in turn only extended Plato's arguments in his great dialogue on rhetoric, the *Phaedo*. ...
- 271 why steel managements make such a fuss over featherbedding when every single instance thereof they have ever produced has proved to be petty, and irrelevant to boot.
- 272 Instead, both sides have worked mightily to prove each other wrong.
- 273 If either side had tried to understand what the other one sees and why, both would be a great deal stronger, and labor relations in the steel industry, if not in U.S. industry, might be a good deal healthier. ...

- 274 No matter how high his emotions run, no matter how certain he is that the other side is completely wrong and has no case at all, the executive who wants to make the right decision forces himself to see opposition as his means to think through the alternatives.
- 275 He uses conflict of opinion as his tool to make sure all major aspects of an important matter are looked at carefully.

276 ***Is a Decision Necessary?***

277 There is one question the effective decision-maker asks:  
"Is a decision really necessary?"

278 One alternative is always the alternative of doing nothing.  
™

279 One has to make a decision when a condition is likely to degenerate if nothing is done.

280 This also applies with respect to opportunity.

281 If the opportunity is important and is likely to vanish unless one acts with dispatch, one acts-and one makes a radical change. ™

282 Theodore Vail's contemporaries agreed with him as to the degenerative danger of government ownership; but they wanted to fight it by fighting symptoms-fighting this or that bill in the legislature, opposing this or that candidate and supporting another, and so on.

283 Vail alone understood that this is the ineffectual way to fight a degenerative condition.

284 Even if one wins every battle, one can never win the war.

285 He saw that drastic action was needed to create a new situation.

286 He alone saw that private business had to make public regulation into an effective alternative to nationalization.\*  
™

287 At the opposite end there are those conditions with respect to which one can, without being unduly optimistic, expect that they will take care of themselves even if nothing is done.

- 288 If the answer to the question "What will happen if we do nothing?" is "It will take care of itself," one does not interfere.
- 289 Nor does one interfere if the condition, while annoying, is of no importance and unlikely to make much difference. ...
- 290 It is a rare executive who understands this.
- 291 The controller who in a financial crisis preaches cost reduction is seldom capable of leaving alone ...
- 292 'See also Chapter 13. ...
- 293 minor blemishes, elimination of which will achieve nothing.
- 294 He may know, for instance, that the significant costs are in the sales organization and in physical distribution.
- 295 And he will work hard and brilliantly at getting them under control.
- 296 But then he will discredit himself and the whole effort by making a big fuss about the "unnecessary" employment of two or three old men in an otherwise efficient and well-run plant.
- 297 And he will dismiss as immoral the argument that eliminating these few semi-pensioners will not make any difference anyhow.
- 298 "Other people are making sacrifices," he will argue.
- 299 "Why should the plant people get away with inefficiency?" ...

- 300 When it is all over, the organization will forget that he saved the business.
- 301 They will remember, though, his vendetta against the two or three poor devils in the plant-and rightly so.
- 302 De minimis non curat praetor (The magistrate does not consider trifles) said the Roman law almost two thousand years ago-but many decision-makers still need to learn it.  
™
- 303 The great majority of decisions will lie between these extremes.
- 304 The problem is not going to take care of itself; but it is unlikely to turn into degenerative malignancy either.
- 305 The opportunity is only for improvement rather than for real change and innovation; but it is still quite considerable.
- 306 If we do not act, in other words, we will in all probability survive.
- 307 But if we do act, we may be better off. ...
- 308 In this situation the effective decision-maker compares effort and risk of action to risk of inaction.
- 309 There is no formula for the right decision here.
- 310 But the guidelines are so clear that decision in the concrete case is rarely difficult.
- 311 They are:
- 312 -act if on balance the benefits greatly outweigh cost and risk; and
- 313 -act or do not act; but do not "hedge" or compromise.

- 314 The surgeon who takes out only half the tonsils or half the appendix risks as much infection and shock as if he did the whole job.
- 315 And he has not cured the condition, has indeed made it worse.
- 316 He either operates or he doesn't.
- 317 Similarly, the effective decision-maker either acts or he doesn't act.
- 318 He does not take half-action.
- 319 This is the one thing that is always wrong.

320 ***Who Has to Do the Work?***

321 When they reach this point, most decision-makers in the West think they can make an effective decision.

322 But, as the Japanese example shows, one essential element is still missing.

323 An effective decision is a commitment to action and results.

324 If it has to be "sold" after it has been made, there will be no action and no results-and, in effect, no decision.

325 At the least, there may be so much delay as to obsolete the decision before it has become truly effective. ...

326 The first rule is to make sure that everyone who will have to do something to make the decision effective-or who could sabotage it-has been forced to participate responsibly in the discussion.

327 This is not "democracy."

328 It is salesmanship. ...

329 But it is equally important to build the action commitments into the decision from the start.

330 In fact, no decision has been made unless carrying it out in specific steps has become someone's work assignment and responsibility.

331 Until then, there are only good intentions. ...

332 This is the trouble with so many policy statements, especially of business: they contain no action commitment.

- 333 To carry them out is no one's specific work and responsibility.
- 334 No wonder that the people in the organization tend to view these statements cynically if not as declarations of what top management is really not going to do. ...
- 335 Converting a decision into action requires answering several distinct questions: "Who has to know of this decision?"
- 336 "What action has to be taken?"
- 337 "Who is to take it?"
- 338 "And what does the action have to be so that the people who have to do it can do it?"
- 339 The first and the last of these are too often overlooked-with dire results. ...
- 340 A story that has become a legend among management scientists illustrates the importance of the question "Who has to know?"
- 341 A major manufacturer of industrial equipment decided to discontinue one model.
- 342 For years it had been standard equipment on a line of machine tools, many of which were still in use.
- 343 It was decided, therefore, to sell the model to present owners of the old equipment for another three years as a replacement, and then to stop making and selling it.
- 344 Orders for this particular model had been going down for a good many years.
- 345 But they shot up temporarily as former customers reordered against the day when the model would no longer be available.

- 346 No one had, however, asked, "Who needs to know of this decision?"
- 347 Therefore nobody informed the clerk in the purchasing department who was in charge of buying the parts from which the model itself was being assembled.
- 348 His instructions were to buy parts in a given ratio to current sales-and the instructions remained unchanged.
- 349 When the time came to discontinue further production of the model, the company had in its warehouse enough parts for another eight to ten years of production, parts that had to be written off at a considerable loss. ...
- 350 Above all, the action must be appropriate to the capacities of the people who have to carry it out. ...
- 351 A chemical company found itself, in the early sixties, with fairly large amounts of blocked currency in two West African countries.
- 352 To protect this money, it decided to invest in local businesses which would contribute to the local economy, would not require imports from abroad, and would, if successful, be the kind that could be sold to local investors if and when ...
- 353 currency remittances became possible again.
- 354 To establish these businesses, the company developed a simple chemical process to preserve a tropical fruit which is a staple crop in both countries and which, up until then, had suffered serious spoilage in transit to its markets. ...
- 355 The business was a success in both countries.

356 But in one country the local manager set the business up in such a manner that it required highly skilled and, above all, technically trained management of the kind not easily available in West Africa.

357 In the other country the local manager thought through the capacities of the people who would eventually have to run the business and worked hard at making both process and business simple and at staffing from the start with nationals of the country right up to the top. ...

358 A few years later it became possible again to transfer currency from these two countries.

359 But though the business flourished, no buyer could be found for it in the first country.

360 No one available locally had the necessary managerial and technical skills.

361 The business had to be liquidated at a loss.

362 In the other country so many local entrepreneurs were eager to buy the business that the company repatriated its original investment with a substantial profit. ...

363 The process and the business built on it were essentially the same in both places.

364 But in the first country no one had asked, "What kind of people do we have available to make this decision effective?"

365 And what can they do?"

366 As a result, the decision itself became frustrated. ...

- 367 All this becomes doubly important when people have to change behavior, habits, or attitudes if a decision is to become effective action.
- 368 Here one has to make sure not only that responsibility for the action is clearly assigned and that the people responsible are capable of doing the needful.
- 369 One has to make sure that their measurements, their standards for accomplishment, and their incentives are changed simultaneously.
- 370 Otherwise, the people will get caught in a paralyzing internal emotional conflict. ...
- 371 Theodore Vail's decision that the business of the Bell System was service might have remained dead letter but for the yardsticks of service performance which he designed to measure managerial performance.
- 372 Bell managers were used to being measured by the profitability of their units, or at the least, by cost.
- 373 The new yardsticks made them accept rapidly the new objectives. ...
- 374 If the greatest rewards are given for behavior contrary to that which the new course of action requires, then everyone will conclude that this contrary behavior is what the people at the top really want and are going to reward. ...
- 375 Not everyone can do what Vail did and build the execution of his decisions into the decision itself.
- 376 But everyone can think through what action commitments a specific decision requires, what work assignment follows from it, and what people are available to carry it out.

377 ***The Right and the Wrong  
Compromise***

378 The decision is now ready to be made.

379 The specifications have been thought through, the alternatives explored, the risks and gains weighed.

380 Who will have to do what is understood.

381 At this point it is indeed reasonably clear what course of action should be taken.

382 At this point the decision does indeed almost "make itself." ...

383 And it is at this point that most decisions are lost.

384 It becomes suddenly quite obvious that the decision is not going to be pleasant, is not going to be popular, is not going to be easy.

385 It becomes clear that a decision requires courage as much as it requires judgment.

386 There is no inherent reason why medicines should taste horrible-but effective ones usually do.

387 Similarly, there is no inherent reason why decisions should be distasteful-but most effective ones are. ...

388 The reason is always the same: there is no "perfect" decision.

389 One always has to pay a price.

390 One has always to subordinate one set of desiderata.

391 One always has to balance conflicting objectives, conflicting opinions, and conflicting priorities.

- 392 The best decision is only an approximation-and a risk.
- 393 And there is always the pressure to compromise to gain acceptance, to placate strong opponents of the proposed course of action or to hedge risks. ...
- 394 To make effective decisions under such circumstances requires starting out with a firm commitment to what is right rather than with the question "Who is right?"
- 395 One has to compromise in the end.
- 396 But unless one starts out with the closest one can come to the decision that will truly satisfy objective requirements, one ends up with the wrong compromise-the compromise that abandons essentials. ...
- 397 For there are two different kinds of compromise.
- 398 One kind is expressed in the old proverb "Half a loaf is better than no bread."
- 399 The other kind is expressed in the story of the Judgment of Solomon, which was clearly based on the realization that "half a baby is worse than no baby at all."
- 400 In the first instance, objective requirements are still being satisfied.
- 401 The purpose of bread is to provide food, and half a loaf is still food.
- 402 Half a baby, however, is not half of a living and growing child.
- 403 It is a corpse in two pieces. ...

- 404 It is, above all, fruitless and a waste of time to worry about what is acceptable and what one had better not say so as not to evoke resistance.
- 405 The things one worries about never happen.
- 406 And objections and difficulties no one thought about suddenly turn out to be almost insurmountable obstacles.
- 407 One gains nothing, in other words, by starting out with the question "What is acceptable?"
- 408 And in the process of answering it, one loses any chance to come up with an effective, let alone with the right, answer.

## 409 ***The Feedback***

- 410 A feedback has to be built into the decision to provide continuous testing, against actual events, of the expectations that underlie the decision.
- 411 Few decisions work out the way they are intended to.
- 412 Even the best decision usually runs into snags, unexpected obstacles, and all kinds of surprises.
- 413 Even the most effective decision eventually becomes obsolete.
- 414 Unless there is feedback from the results of a decision, it is unlikely to produce the desired results. ...
- 415 This requires first that the expectations be spelled out clearly-and in writing.
- 416 Second, it requires an organized effort to follow up.
- 417 And this feedback is part of the decision and has to be worked out in the decision process. ...
- 418 When General Eisenhower was elected president, his predecessor, Harry Truman, said: "Poor Ike; when he was a general, he gave an order and it was carried out.
- 419 Now he is going to sit in that big office and he'll give an order and not a damn thing is going to happen." ...
- 420 The reason why "not a damn thing is going to happen" is, however, not that generals have more authority than presidents.

- 421 It is that military organizations learned long ago that futility is the lot of most orders and organized the feedback to check on the execution of the order.
- 422 They learned long ago that to go oneself and look is the only reliable feedback.\*
- 423 Reports-all an American president is normally able to mobilize-are not much help.
- 424 All military services have long ago learned that the officer who has given an order goes out and sees for himself whether it has been carried out.
- 425 At the least he sends one of his own aides-he never relies on what he is told by the subordinate to whom the order was given.
- 426 Not that he distrusts the subordinate; he has learned from experience to distrust communications. ...
- 427 One needs organized information for the feedback.
- 428 One needs reports and figures.
- 429 But unless one builds one's feedback around direct exposure to reality-unless one disciplines oneself to go out and look-one condemns oneself to sterile dogmatism and with it to ineffectiveness. ...
- 430 In sum: decision-making is not a mechanical job.
- 431 It is risk-taking and a challenge to judgment.
- 432 The "right answer" (which usually cannot be found anyway) is not central.
- 433 Central is understanding of the problem.
- 434 Decision-making, further, is not an intellectual exercise.

435 It mobilizes the vision, energies, and resources of the organization for effective action. <sup>m</sup>

436 This was certainly established military practice in very ancient times—Thucydides and Xenophon both take it for granted, as do the earliest Chinese texts on war we have—and so did Caesar.

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438 <sup>1</sup> See Japan's Decision for War, Records of the 1941 Policy Conferences, translated and edited by Nobutaka Ike (Stanford University Press, 1967).