Every Decision is a risk!

Every decision involves making a choice between alternatives! If there are no realistic alternatives, you just have to get on with sorting out the issue or implementing the only viable solution[1].

However, in most situations the decision maker has to choose between a number of viable alternatives; the selection of the *best* option being influenced by information (usually insufficient) and preferences founded on values and ethics. In these circumstances the modern fad of '*risk-based decision-making*' can be seen as a tautology – every decision involves uncertainty and therefor incorporates an element of risk.

Usually, the worst outcome is to procrastinate until 'all' of the necessary information is available and as a consequence all of the opportunities have evaporated. Good managers make timely decisions, lucky ones get them right.

So how do you make good decisions? The starting point is to accept there is uncertainty in all true decisions. You have to choose between different options where:

- There is no clear best path
- The outcomes of some options cannot be fully known
- You have incomplete information to support the decision, and
- The outcome matters.

The challenge is to make the best decision in the available timeframe balancing risk and reward. No process can guarantee a good outcome from every decision but working through a pragmatic process can help increase the probability of an acceptable outcome. A pragmatic decision-making process needs to:

- **Define the objectives or outcomes you seek**; this frames why you need make this decision and what a good outcome may look like
- **Consider how risky each of the alternative are**, by assessing the level of uncertainty and the nature (or range) of the possible outcomes; educated guesses are OK
- **Sort the options,** based on the level of risk exposure and the probability of delivering the required decision objective; personal preferences are OK - you are deciding, using a weighted decision-making matrix[2] may help, but remember to keep costs and benefits in mind a well the level of uncertainty

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1 For more on ***decision making*** see: https://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf

2 Some options for ***weighted decision matrices*** are outlined at: https://www.mosaicprojects.com.au/WhitePapers/WP1062_Ranking-Requirements.pdf

- **Don't be afraid of letting your personal preferences into the process**, you are being asked to make the decision because someone thinks you are knowledgeable and/or experienced, and then
- **Make the decision** and move on to implementation.

Getting the 'weighting' right is central to this approach:

- In some situations, particularly when safety is involved, dull, safe but expensive may be the best choice, particularly if the cost is not particularly significant in the overall project budget; think about investing in the security layer for any on-line finance or ordering system
- In other situations where failure is only going to cause some embarrassment, innovative but risky solutions may be better, particularly if the cost is low. No one can predict when a web-site will become ultra-successful ('go-viral') but you won't be successful if you don't try! Investing $10,000 in an option that has a 10% chance of making $1 million is a good investment (but prudent managers have 'Plan B' ready to roll).

In summary, there's no way to ensure the best decision is made, and often no way of knowing if the decision you have taken was the best - you cannot re-run history. But you can measure bad outcomes; the worst decision is no decision; fate is usually very unkind. The next worse option is a late decision; this always costs a lot of money and may result in opportunities being missed. The next best options are the decision that were made based on a wrong premise; usually by trying to avoid 'all risk'.

If you avoid those pitfalls and accept risk is integral to the decision-making process, you are likely to be making a well-founded decision, this is the realm of competent managers; but you will also need luck on your side to be seen to have made a 'really good' decision. But to quote Ernest Hemmingway '*You make your own luck*'.

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