

THE DECISION BOOK

FIFTY MODELS FOR STRATEGIC THINKING

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NEW, FULLY REVISED EDITION

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PROFILE BOOKS

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INSTRUCTIONS FOR USE

WHY WE WROTE THIS BOOK

Nine years ago we were struck by the sudden realisation that we found it hard to make decisions. Not only big, life-changing decisions, but everyday ones, too: what to buy, what to wear, which music to download, what to order at the bar. So we went in search of models and methods that would help us to structure and classify, analyse and weigh up options – in other words, that would help us make decisions.

The result of our research is the book that you have in your hands. We wrote it primarily for ourselves. We thought that a print run of 500 would be more than enough. But then it sold a million copies in twenty languages. Obviously, other people were dealing with the same problem.

Over the years, we have received many useful suggestions of new models (and had mistakes in the book pointed out to us). So we decided to revise *The Decision Book* and to add some new decision-making theories.

WHY YOU SHOULD READ THIS BOOK

This book has been written for anyone who has to deal with people on a daily basis. Whether you are a teacher, a professor, a pilot or a top manager, you will be confronted by the same questions time and again: How do I make the right decision? How can I motivate myself or my team? How can I change things? How can I work more efficiently?

WHAT YOU WILL FIND IN THIS BOOK

The fifty best decision-making models – well-known and not so well-known – that will help you tackle these questions are described in words and diagrams. Don't expect straight answers; be prepared to be tested. Expect food for thought.

HOW TO USE THIS BOOK

This is a workbook. You can copy out the models, fill them in, cross them out, and develop and improve them. Whether you need to prepare for a presentation or carry out an annual performance review, whether a difficult decision lies ahead of you or a prolonged dispute is now behind you, whether you want to reassess your business idea or get to know yourself better – this book will guide you.

WHAT IS A DECISION-MAKING MODEL?

The models in this book fulfil the following criteria:

- They **simplify**: they do not embrace every aspect of reality, but only include those aspects that seem relevant.
- They **sum up**: they are executive summaries of complex interrelations.
- They are **visual**: using images, they convey concepts that are difficult to explain in words.
- They are **methods**: they do not provide answers, they ask questions; answers emerge once you have used the models, i.e. filled them out and worked with them.

WHY DO WE NEED DECISION-MAKING MODELS?

When we encounter chaos, we seek ways to structure it, to see through it, or at least to gain an overview of it. Models help us to reduce the complexity of a situation by enabling us to dismiss most of it and concentrate on what is important. Critics like to point out that models do not reflect reality. That is true, but it is wrong to claim that they compel us to think in a prescribed way. Models do not define what or how we should think; they are the result of an active thought process.

You can read this book in the American or the European way. Americans tend towards a trial-and-error approach: they do something, fail, learn from this, acquire theories and try again. If this approach suits you, start at the beginning with 'How to improve yourself'. Europeans tend to begin by acquiring theories, then doing something. If they then fail, they analyse, improve and repeat the attempt. If this approach is more your style, begin with 'How to understand yourself better' (p. 51).

Each model is only as good as the person who uses it.

HOW TO IMPROVE YOURSELF

THE EISENHOWER MATRIX

HOW TO WORK MORE EFFICIENTLY

The US president Dwight D. Eisenhower supposedly once said: 'The most urgent decisions are rarely the most important ones.' Eisenhower was considered a master of time management, i.e. he had the ability to do everything as and when it needed to be done. With the Eisenhower method, you will learn to distinguish between what is important and what is urgent.

Whatever the job that lands on your desk, begin by breaking it down according to the Eisenhower method and then decide how to proceed. We often focus too strongly on the 'urgent and important' field, on the things that have to be dealt with immediately. Ask yourself: When will I deal with the things that are important, but not urgent? When will I take the time to deal with important tasks before they become urgent? This is the field for strategic, long-term decisions.

Another method of organising your time better is attributed to the multimillionaire Warren Buffett. Make a list of everything you want to get done today. Begin with the task at the top of the list, and continue only when you have completed it. When a task has been completed, cross it off the list.

Better late than never. But never late is better.



Fill in the tasks you currently have to deal with.

THE SWOT ANALYSIS

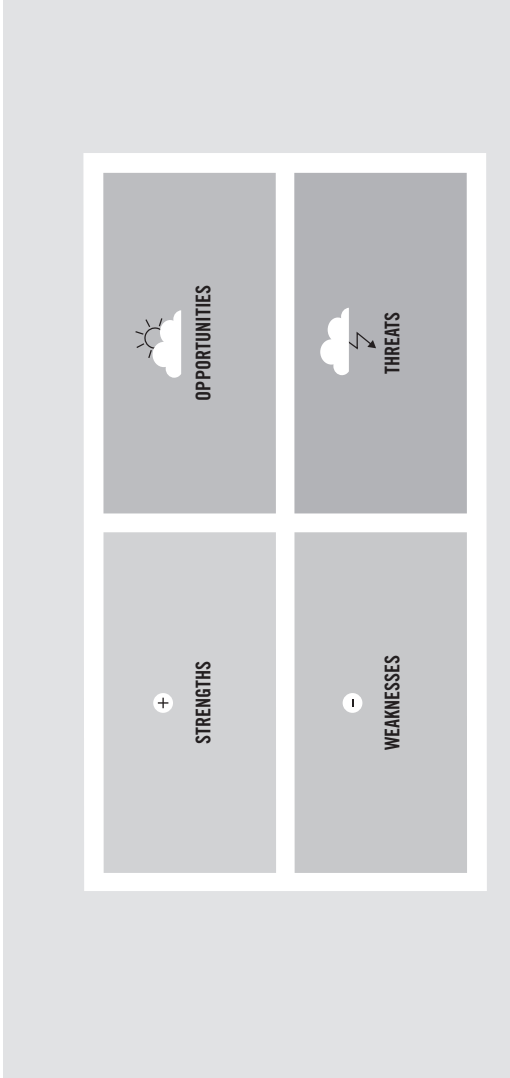
HOW TO FIND THE RIGHT SOLUTION

With SWOT analysis, you evaluate the Strengths, Weaknesses, Opportunities and Threats identified in a project. The technique is based on a Stanford University study from the 1960s which analysed data from Fortune 500 companies. The study found a 35 per cent discrepancy between the companies' objectives and what was actually implemented. The problem was not that the employees were incompetent but that the objectives were too ambiguous. Many employees didn't even know why they were doing what they were doing. SWOT was developed from the results of the study to help those involved in a project to gain a clearer understanding of it.

It is worth taking the time to think about each step of the SWOT analysis rather than just hastily fill it out. How can we emphasise our strengths and compensate for (or cover up) our weaknesses? How can we maximise opportunities? How can we protect ourselves against threats?

What is interesting about SWOT analysis is its versatility: it can be applied to business and personal decisions with equal success.

If you're not failing, you're not trying hard enough. *Gretchen Rubin*



Think back to a big project in your life and about how you would have filled in a SWOT diagram at the time. Compare that with how you would fill it in today.

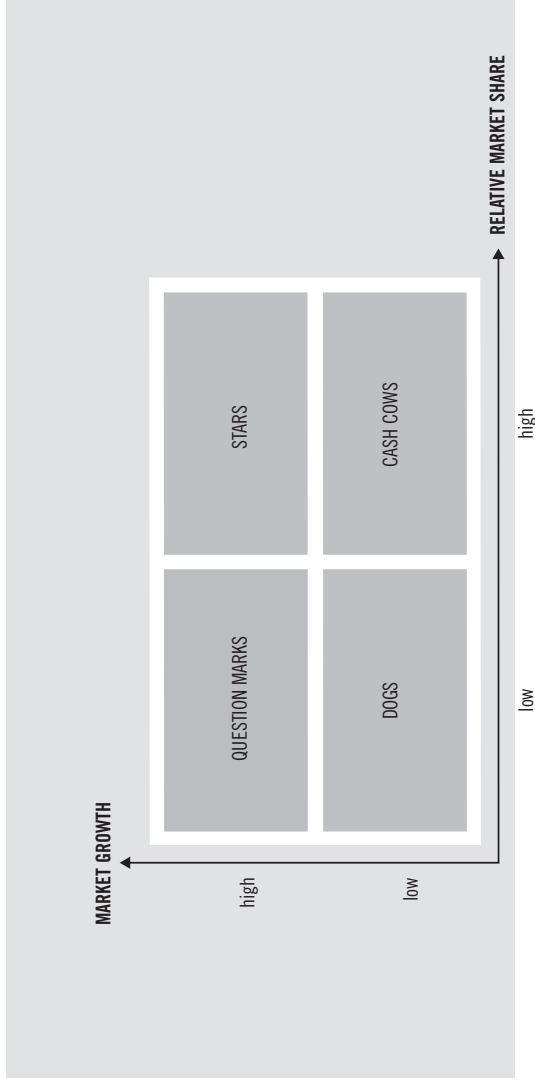
THE BCG BOX

HOW TO EVALUATE COSTS AND BENEFITS

In the 1970s, the Boston Consulting Group developed a method for assessing the value of the investments in a company's portfolio. The four-field matrix distinguishes between four different types of investment:

- **Cash cows** have a high market share but a low growth rate. This means they don't cost much but promise high returns. Consultants' verdict: milk them.
- **Stars** have a high market share and a high growth rate. But growth devours money. The hope is that the stars will turn into cash cows. Consultants' verdict: invest.
- **Question marks**, or 'problem children', have high growth potential but a low share of the market. With a lot of (financial) support and cajolement, they can be turned into stars. Consultants' verdict: a tough decision.
- **Dogs** are business units with a low share in a saturated market. Dogs should be held on to only if they have a value other than a financial one (e.g. a vanity project or favour for a friend). Consultants' verdict: liquidate.

The most dangerous words in investing are 'this time it's different.'
Sir John Templeton



Arrange your financial products, investments or projects in the matrix. The axes indicate growth potential and market share.

THE PROJECT PORTFOLIO MATRIX

HOW TO MAINTAIN AN OVERVIEW

Are you juggling several projects simultaneously? Then you are a 'slasher' (/). The term was coined by the New York author Marci Alboher and describes people who cannot give a single answer to the question 'And what do you do for a living?'

Suppose you are a teacher/musician/web designer. The variety may be appealing, but how can you balance all these projects? And how do you ensure a regular income?

To get an overview, you can classify your current projects, both work-related and private, with the help of the project portfolio matrix according to cost and time (see model on pp. 18–19). Think of costs not only in terms of money but also in terms of resources such as friends involved, energy and psychological stress.

Cost and time are just two examples. You can use whatever parameters are relevant to your situation: for example, the x-axis could be 'How much my project is helping me achieve my overriding objective', and the y-axis 'How much I am learning from this project'. Now position your projects in the matrix in relation to the two axes 'objectives achieved' and 'amount learned'.

HOW TO INTERPRET THE RESULTS

- Reject projects if there is nothing you can learn from them and if they do not correspond to your overriding vision.
- Projects that you can learn from but do not correspond to your vision are interesting but will not help you achieve your objective. Try to change the project so that it serves your vision.

- If a project corresponds to your vision, but you are learning nothing new, look for somebody else to do it for you.
- If you are learning something and achieving your vision, you have hit the jackpot!

Make sure you complete your projects properly. Even those that aren't successful.