

# 5 key tenets of decision-making for leaders & executives

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Decision-making, as business philosopher Peter Drucker once wrote, “is the specific executive task.” There’s nothing more critical to a top executive than making good decisions, while also ensuring that employees are equipped to do the same.

Also important for executives is to keep up with how their decision-making changes and figure out ways to improve over time. To that end, we’ve identified are 5 key principles that will help you build and improve upon good decision-making.

## 1. Trust data over gut

In the not-so-distant past, most executives would make intuitive decisions. Nearly every decision would be made from the top — what executives said was the truth as far as that company was concerned.

But was this truly the case? Holly Green, CEO and managing director of the Human Factor, says that decisions have always been made by employees across the company, whether executives knew it or not. Ultimately, each employee has the final say on where they spend their time, what they do with the information they receive, and what information they present to (or hide from) management.

“Even when we pretended that the decisions were held at the top, it was a silly notion to think that your front desk receptionist wasn’t making any decisions,” Green says.

If executives think of decision-making as a democratized affair, one where each employee’s job is to make the best possible decisions, they have to ask an important question: How can we ensure everyone makes the best decision each time?

Data is the best answer to this question, according to Tim Dorsey, founder and president of the Dorsey Group, which works to develop high-performing organizations.

There’s approximately 60 times the amount of data created in 2023 as there was in 2010, meaning each company has an oil well of data available at its fingertips, Dorsey says. By tapping into that well of data, executives can make well-informed decisions, while empowering those who work under them to do the same.

“One of the most important aspects of modern decision-making is making it evidence-based and getting away from gut feel and intuition,” Dorsey says.

This is the first important tenet of modern decision-making for executives: **Good data is essential to making good decisions**, whether you’re the CEO or a temp.

“If you can drive that down to your subordinates and teach them how to make decisions as part of the process, the executive is in a better position to make decisions,” Dorsey says. “Instead of sending them back to the drawing board asking a lot of questions, employees come to work prepared.”

Dorsey and his wife, Dr. Carla Dorsey, managing member and CFO of the Dorsey Group, work with businesses to give them access to the data that will help power decision-making across the company. They observe the business, interview employees and create a multifunction map.

This multifunction map looks at where the business collects data — and perhaps as importantly, where it does not collect data. These maps also factor in where employees are experiencing pain and roadblocks as they work.

“The map not only helps you make decisions, but it also helps you identify problems,” Carla Dorsey says. “Sometimes you don’t know what’s going on or don’t even know that there’s a problem. The map helps us figure it out.”

Every company can start this process by first looking at what goes on within their own organization, Carla Dorsey says. While examining the company, executives should think about what kind of data they need, what kind of decisions are being made across the company, and what kind of data they may be missing.

This part of the process is time-consuming, she says, which often scares smaller businesses away from adopting a plan to use data. But the upfront time investment will improve business processes, help the organization's bottom line over time, and help executives and employees make skillful decisions.

With data, Tim Dorsey says that executives can have a holistic view of their company, identifying the important issues in their organization while no longer wasting time fixing extraneous issues. "If you're making a decision on the wrong issue, you're not going to move the needle," he says.

Organizations don't have to adopt a data program with all the bells and whistles. Tim Dorsey says that companies can look for ways to simply start on their journey toward better understanding data by picking one area to work on rather than shooting for the stars and investing a big chunk of the budget.

"You want to have options and alternatives available," he says. "Using the data is not just a take-it-or-leave-it decision."

## **2. Define what winning is for your organization**

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Before executives put their data to work and start making decisions, they must first define what winning means for their organization in both the short and long term, Green says.

Knowing the organization's own definition of winning will give it a path toward making the best decisions at each level. It will also make decision-making far easier, as the choice becomes clear when you know what choice will best lead to victory.

"We often think we're making a great decision, but it doesn't align with the one before or the one after, because we weren't clear overall on where we want to go," Green says. "Getting clear on what winning means is called 'destination modeling,' which enables us to answer the question for everyone: Where are we going?"

Green — who has worked with companies as well as U.S. presidents, Navy SEALs, and Olympic athletes — says that organizations should define what winning and excellence mean for them in one-year timeframes, then examine their path every three months.

"That's crucial because most people wake up in the morning, and they want to do a good job, but they don't know what the criteria are," Green says. "They don't have a sense of the consequences. Their intentions are good, but not necessarily their impact. I'm a believer that

teaching the business of the business continuously enables much higher quality decision-making across the organization.”

This is the second tenet of making good decisions across an organization: **Define what it means to win.**

When planning to make winning decisions, organizations should be looking at what resources they'll need. Do they already have everything in place? Or do they need to develop new resources and make investments?

There's no one-size-fits-all answer to how organizations can create their plan to win, Green says. But senior leaders of the company should collaborate to figure out the company's big picture of what it means to win. An executive team might look to highlight three or four big targets for the year, Green says — big wins in each would mean a great year for the organization.

Once the executive team has figured out their definition of winning, they must break it down to the level of each team. Teams will then break down what winning means for each employee. The idea is to get specific so each team and employee knows how the decisions they make will have a winning effect on the company.

“It's a cascading approach,” Green says. “Unfortunately, so many organizations get caught in their one-pager, making everyone focus on something like profit. But that doesn't play out for people being able to make choices moment-to-moment — each job may not relate directly to profit.”

The brain needs specificity, says Green, who uses the latest in neuroscience when working with organizations. Rather than defining winning as something like, “We're going to be customer responsive,” which could mean 10 minutes to one person and 10 days to another, she says that organizations must specifically define what winning means from the organization's perspective. This will drive good decision-making for executives and employees alike.

Once executives have the data and employees have knowledge of what it means to win, there will be many great decisions made. People are great at proving themselves right, Green says, and when they know what it means to be excellent, their work will align toward excellence and winning.

“It's not magic. It's the nature of humans,” says Green. “It becomes a virtuous cycle when we're proving ourselves right in a positive way versus proving ourselves right in a negative way. It's something called a ‘presumptive stance’ — acting as if there is no doubt and no question we will achieve. And that's a technique that elite players in other sectors use regularly, but we don't see it used very often at work.”

### 3. Be clear and frequent with communicating

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Executives can't simply go from a vision to a result, says Carla Dorsey — they must work to communicate regularly with employees.

For example, if an executive has made the decision that employees need to be more proactive, they must first have the data to allow employees to work faster. Then, they must communicate both their objective and data across the company.

This is the third tenet of good decision-making across an organization: **Communicate clearly and frequently.**

“We have something that we show all of our clients called a ‘data line,’” she says. “Data is just bits and pieces all over the place, and we convert that data into information. We do that by stratifying it, graphing it and making it into something useful. Once we share it with the employees and our teammates, it becomes knowledge. Now, we all know that this is happening and we could take action.”

Tim Dorsey says executives should clearly communicate company expectations for using data, while also holding themselves to that same standard. If insights gleaned from data are pointing toward making a decision, everyone should follow through with that decision or be able to explain why they didn't. This allows the entire company to speak the same language and move in the same direction. “Clear expectations are critical to better decision-making,” Dorsey said.

This clarity of expectation can be as granular as a manager being clear about how they expect an employee to make a decision, Green says. If a manager delegates a task to an employee, they should be clear about what they expect from that decision — should the employee let the manager know first? Will they collaborate on the decision? Will the employee report their status along the way?

Working in this way will help combat what Green believes is one of the most common mistakes of executives: Assuming that everyone else knows what's in their heads.

“I spend a lot of my time really teasing out of leaders' heads what winning is, really forcing them to define what they want with specificity because they are typically so clear to themselves,” Green says. “It's very challenging to slow down enough to recognize that maybe I haven't defined this at the level of specificity everyone needs to make the right choices or decisions. The real challenge is articulating with such specificity that others can relate to and align to the same vision.”

Once that vision is clear, Green says that another mistake executives make is believing that they've communicated enough. “You simply can't,” she says. “It has to be constant. It has to be woven through employee touchpoints.”

This means that at every meeting, every management interaction, and every recruiting event, executives must be sharing their version of winning. This helps every employee understand the criteria of how they can make a good decision — even during tough moments — and will create a company that is more aligned with a vision.

One of Green's favorite examples of the power of communication to improve decision-making was a CEO client she worked with. The CEO, leader of one of the world's largest restaurant companies, is a fast thinker, she says, both intellectually and emotionally intelligent. But often, he moves so fast in his thinking that he leaves even his employees behind.

In their work together, Green taught him to slow down to articulate his ideas with specificity. Today, he is an even stronger leader because of it. "I would say he's probably one of the strongest leaders I'm aware of in business today," Green says.

## 4. Improve over time

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When improving the structure of an organization to make better decisions, there will surely be mistakes, errors and failures along the way.

To work toward making better decisions, Green says that executives should bring the mindset of practice to work. Elite athletes, for example, don't stop playing a game when they've lost — they simply review game film and practice to get it right the next time.

"Every single thing we do at work is practice," Green says. "It's all thickening the neural pathways in our brain."

This is the fourth tenet of good organizational decision-making: **Reflect on decisions to practice and improve decision-making.**

As far as figuring out why a mistake was made, Carla Dorsey says that it's important to figure out the root cause of the problem. Sometimes, the problem is different from what executives think the root cause is.

For example, a hospital the Dorsey Group worked with believed that long hold times on the phone were due to a bad phone system and planned to invest millions of dollars into a new one. When the Dorsey Group examined the hospital's system, they found that the accounting department was making so many errors that patients were frequently calling, jamming up a perfectly functional phone system. If they had never examined the data across the entire organization, millions of dollars would have been wasted.

When executives have put a good system of data and communication in place, better decision-making will come via incremental improvement. If executives find that they're spending too much time down in the weeds instead of making big decisions, for example,

then they have to delegate more of the decisions to those below them and trusting that their system will win.

Adopting a score-keeping system can help keep the entire system humming, according to Tim and Carla Dorsey. The organization can create its own system by collecting its most important key performance indicators and watching how it moves over time. If one area is stalling or moving in the wrong direction, it may be time to examine what's happening.

The score-keeping system can be a great way to know if executives and the organization at large are on the right track, making as many good decisions as they can. And this kind of system can be especially helpful if an organization widens its data stream, incorporating operational data — blow-by-blow productivity reports — in addition to financial data.

“Operational data is proactive,” says Carla Dorsey. “It’s helping you look forward. Whereas financial statements are like an autopsy, looking at what happened. You can’t make decisions based on your financial statements. You’re probably a day late and a dollar short by now.”

## 5. Talk to others making tough decisions

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One way any executive can improve their decision-making is to talk to other business leaders in similar positions.

“There’s safety in numbers,” Carla Dorsey says. “The more people you talk to, the more confidence you feel when you’re making decisions by gathering and benchmarking yourself. I think that it’s important to share knowledge and successes with other people.

This is the fifth and final tenet of making good decisions: **Get honest feedback from other executives.**

Tim Dorsey says that CEOs should work to listen to other successful executives, bounce ideas off them and hear their feedback to improve their decision-making. This is where joining a group like Vistage can be especially helpful, as executives can receive feedback on decisions they’re making and new programs they’re putting into place.

By talking with other executives, Green says people keep each other accountable for decisions they’ve made.

“As adult humans, we don’t like to let other people down, so the accountability factor is very strong,” Green says. “You’ve also got to have people who can question your decisions. People below executives in organizations often don’t often ask candidly about decisions. Vistage provides a place where that can happen effectively.”

And once executives have put this system of decision-making in place, Green says that they can expect two things: Profit and growth.

“That includes all of the Vistage clients I work with,” she says. “After I work with clients for a couple of years, they recognize that after they defined success, it wasn’t as hard as they previously expected. It’s still hard work because just that’s just the nature of work, but winning makes work more enjoyable.”

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