



## **WHITE PAPER**

# **DECISION COMPETENCE: THE 6 STEP FRAMEWORK TO AVOID COSTLY MISTAKES**

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## **ABSTRACT**

***“It is your decisions, not your conditions, that determines your destiny.”***

- Tony Robbins, American author, philanthropist and self-help guru

Life is too short and resources too precious to make bad decisions.

Our ability to face choices diligently should reap profoundly improved professional and personal results, however few of us consistently apply conscious decision parameters to help us achieve our highest outcome. We instead make choices through subconscious “default” settings that often deliver unwanted results.

**Decision Competence (DC)** - our ability to apply structure to make well-considered, effective decisions - is the key to getting what we want out of life, and it’s our most powerful skill to shape the future.

## **What many fail to realize is that consistent, sound decision making is both an art and a skill that can be learned.**

Every day, CEOs, business leaders and entrepreneurs face the relentless task of making tough decisions. Be it strategies, personnel, or operations, these decisions vary in significance and complexity, and many will materially affect the fate or fortune of a company or result in a defining moment for a leader's career.

The decision-making pace is accelerating, and while the average person has made **35,000 decisions before bedtime**<sup>1</sup>, it has never been more important to slow down and commit to the practice of taking time to make deliberate decisions.

### **In terms of these 35,000 decisions we're making on a daily basis, the questions then become:**

- Are the choices we're making setting us up for our best outcome?
- How do we know these decisions are good?
- How do we go about building our Decision Competence so that we can set ourselves up for success?

In this report we'll explore the need for business leaders and organizations to establish and follow an intentional and rigorous process when facing big choices.

We'll delve into the **6 Step Decision Quality Framework (the DQ Framework)** first developed in 1964, by Professor Howard Raiffa of Harvard University and Professor Ronald A. Howard of Stanford University<sup>2</sup>, and how this process of "reframing" can serve as the foundation for successful and sound decision making, and ultimately greater opportunity for growth and opportunity.

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<sup>1</sup> Dr. Joel Hoomans, "35,000 Decisions: The Great Choices of Strategic Leaders", *Leading Edge Journal*, Roberts Wesleyan College, March 2015.

<sup>2</sup> Ronald A. Howard, "Decision Analysis: Practice and Promise", *Management Science*, Vol. 34, No.6, June 1988.

We'll also examine results-oriented, no-fluff, easy to implement strategies, which will mindfully help manage decision quality blocks, making us more nimble, clear and energized when it comes to making high-caliber decisions.

Once you start incorporating these solutions into your future decision making, you and your business will see and feel the positive results, and enjoy opportunities you may not have otherwise imagined.

## PROBLEM STATEMENT

***“Using the power of decision gives you the capacity to get past any excuse to change any and every part of your life in an instant.”***

- Tony Robbins, American author, philanthropist and self-help guru

Human beings are not wired to achieve sound decision quality. We naturally fall into **“satisficing”**<sup>3</sup> aka settling for “good enough” and then rationalizing whatever decisions we make, telling ourselves that they are good decisions.

Additional factors such as the speed of business today and “decision fatigue” hamper our ability to make quality decisions. The influence of technology and high performance expectations in the workplace leave business owners, leaders - and people in general - resource depleted. They are often unskilled at DC, overwhelmed by options and settling for mediocrity - even succumbing to self-sabotaging outcomes such as addictions.

Just the stress of making a big decision can set us up for failure. Humans are innately highly motivated to avoid making choices they regret. This hard-wired fear of doing “the wrong thing” can lead to stress so great that it affects the quality of one’s decision making.

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<sup>3</sup> This term was first coined by Herbert Simon, the Nobel Prize-winning economist and social scientist who recognized that individuals and groups do not optimize (as was part of orthodox economic theory at the time) but rather use “bounded rationality” and “satisfice.”

According to Kendra Cherry, author of the *Everything Psychology Book*, relying too heavily on mental shortcuts, making poor comparisons, and being too optimistic or overconfident can all contribute to why people make bad decisions.<sup>4</sup>

Says Cherry, “While we all like to believe that we make our choices based on logic and rationality, the fact is that there are a number of decision-making problems that can complicate this process. Being aware of some of these potential pitfalls might help you make better decisions in the future.”

Consider this a *Call to Action*:

**Your DECISION COMPETENCE determines whether or not you will excel. By taking the time to understand how to make high-caliber, conscious, structured decisions, your outcomes and chances of achieving positive, cost-effective experiences will dramatically improve.**

## **BACKGROUND**

**“The time to take counsel of your fears is before you make an important battle decision. That's the time to listen to every fear you can imagine! When you have collected all the facts and fears and made your decision, turn off all your fears and go ahead.”**

- General George S. Patton

It is our natural human biases and dysfunctional habits that cause our decisions to fall short. This is where we are wired to **“satisfice,”** aka settle for good enough. This attitude of satisficing plays out in our careers, marriages, personal relationships and beyond. Failure in

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<sup>4</sup> Kendra Cherry, “Reasons Why You Make Bad Decisions”, Very Well Mind, January 17, 2019 / Kendra Cherry, “Problems in Decision-Making”, Very Well Mind, April 25, 2019.

business, relationships, health, money management, etc. are more prevalent than one might realize starting off, and statistics show that 40-50% of marriages result in divorce.<sup>5</sup>

Additionally, according to data from the Bureau of Labor Statistics, more than 50% of businesses will not make it to their 5th year. Bad decisions impact organizations around the world resulting in a tremendous amount of lost economic value for companies and shareholders. People make poor choices with costly consequence. And the short-term fix over long-term solution mentality permeates our culture resulting in overspending, cheating, shortcutting, addictive behaviors, social conditioning and more.

It may be tempting to avoid college, take on a risky investment, do that drug, spend on credit, have that affair. Smart or impulsive? The fact remains...the choice is yours and yours alone, so who's to blame, but yourself for what ensues?

**The correlation between our Decision Competence and the circumstances we experience in life and work are misunderstood. This disconnect is a major problem pervading our culture. Certain losses - financial or emotional - could unquestionably be minimized or avoided altogether. Yet, instead, we tend to blame others for our circumstances or just assume it's our destiny.**

The **stress** of making a high-caliber decision can be what sets us up for failure. Humans are highly motivated to avoid making choices they regret. This hard-wired fear of doing the wrong thing can lead to stress so great it affects your decision making, even to the point where you make a choice you wish you hadn't.<sup>6</sup>

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<sup>5</sup> American Psychological Association: Marriage & Divorce, 2019.

<sup>6</sup> Tom Scheve, ["Why do we make bad choices?"](#), How Stuff Works.

**Other factors that hamper our ability to make quality decisions include:**

- **Our Human Wiring**
- **The Pace at Which “Work” Happens**
- **Decision Fatigue**

### **OUR HUMAN WIRING: IT’S ACTUALLY NOT IN OUR DNA**

Decisions shape the future of our lives and business, but it’s actually not innate in the human psyche to make good decisions. Behavioral decision science research has revealed hundreds of biases that are part of human mental processes and social behaviors. While people generally believe they are naturally good decision makers, this notion is an illusion, and extremely dangerous.

Though there are countless more, here are a few typical ways our decision making can naturally go awry due to innate biases:

- **Relying on Advocacy** - Feeling pressured or influenced by a powerful organization or individual deemed as experts in a particular field
- **Oversimplifying** - Failing to consider alternatives and not taking the time to conduct thorough research
- **Acting Impatiently** - Having a weakness for the immediate gratification of a pleasant experience even if it makes for a poor decision
- **Relying on Past Experiences** - Your brain doesn't forget the good and bad choices you've made in the past, and it keeps emotional memories from these experiences and uses them as the background for future decisions. Unfortunately, these situations can impact our judgement
- **Confirmation Bias** - Happens when you look for information that supports your existing ideas, and reject data that go against what you believe

## **THE PACE AT WHICH “WORK” HAPPENS: FASTER DOES NOT ALWAYS MEAN BETTER**

Across most industries, the impact of technology on work has exponentially increased the rate of production and speed at which business occurs. Workers today are more productive and more efficient

than ever, thus creating an “always-connected” culture where performance expectations run high.

Because work can be done more quickly regardless of location, demands for employees to make decisions at the same pace are also expected. With time as valuable as it is and the pace at which we’re now working, the quality of the decisions we make are undoubtedly compromised.

According to Simon Oliver Sinek, a British-American author, motivational speaker and organizational consultant, “In our fast world, slow should not be a luxury reserved for time off on a beach or in a spa. Slow is a necessity. None of us learned to ride a bike in an afternoon. The process was slow. None of us formed deep, trusting and lasting relationships over one beer. The process was slow...slow is what allows us to learn.”

## **DECISION FATIGUE: THE FATIGUE IS REAL**

Though all the decisions we make have varying significance, each call for time, energy, and thought. Compounded into a constant cycle, making decisions can exhaust and wear us down over time because we are simply faced with too many. The name for this affliction is **decision fatigue**, and it has the power to paralyze us.

Coined by social psychologist and author of *Willpower: Rediscovering the Greatest Human Strength*, Roy F. Baumeister, decision fatigue is simply the deterioration of our ability to make good decisions after being faced by having to make too many.

In a 2019 *New York Times* article, Professor of Medicine at Northwestern, Dr. Jeffrey A. Linder, discusses how decision fatigue plagues physicians. After a long day of seeing patients, research shows that doctors ordered fewer breast and colon cancer screenings and wrote more unnecessary antibiotic prescriptions for respiratory infections as the day went on.<sup>7</sup>

Dr. Linder says, “This same pattern of doctors defaulting to the easy thing later in the day has appeared for decreased influenza vaccinations, increased opioid prescribing for back pain and decreased physician hand-washing. We doctors like to think of ourselves — and the public might like to think of us — as rational decision makers, but depending on the time of day, treatments change.”

Whether it’s physicians, judges, CEOs or entrepreneurs, decision fatigue proves that the more decisions you need to make, the worse you’re going to be at making them.

## **SOLUTIONS**

**“A real decision is measured by the fact that you've taken a new action. If there's no action, you haven't truly decided.”**

- Tony Robbins, American author, philanthropist and self-help guru

Our innate human nature + the pace of work + decision fatigue provide blocks when it comes to making high-caliber decisions. With personal commitment and deliberate practice, however, sound decision skills can be learned and consistently applied with the intent to exponentially improve financial growth, relationships and emotional well-being.

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<sup>7</sup> Dr. Jeffrey A. Linder, “Don’t Visit Your Doctor in the Afternoon”, *New York Times*, May 14, 2019.

The following solutions underscore the importance of not going into decision making blindly and that strategies we can adopt - and **start practicing immediately** - will better prepare us.

### **SOLUTIONS TO BUILD DECISION COMPETENCE:**

- 1. Use a deliberate decision-making process - the 6 Step DQ Framework**
- 2. Simplify your base needs, relationships and goals**
- 3. Reevaluate your priorities and core values**

Some of the world's most influential CEOs approach/have approached decisions quite differently:

- Amazon founder, Jeff Bezos analyzes decisions from the point of view of his *future self*
- Larry Page and Sergey Brin, founders of Google noted, "The first step to greasing the wheels of the decision-making progress is to begin by calculating the time and effort each decision is worth, who needs to have input, and when you'll arrive at an answer."
- Steve Jobs once said, "You can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future."
- Sir Martin Sorrell, PR group founder at WPP, one of the world's largest advertising firms, prefers to gather insights from a diverse group of people and create a "balance sheet" prior to making a decision.

In spite of their different styles, these CEOs share something in common:

**They apply a decision-making process that is intentional, deliberate, and conscious.**

### **D&H SOLUTION 1:**

**APPLY A DELIBERATE DECISION-MAKING PROCESS -  
THE 6 STEP DECISION QUALITY (DQ) FRAMEWORK**

Though many strategies exist, the **DQ Framework** is easily applied to your professional and personal life. It has been tested repeatedly and proven successful since the 1960s, and continues to guide business leaders and organizations as they navigate their way in today's landscape.

DQ is a philosophy based on the principles of decision theory that have been developed over the past 300 years. These concepts were first developed in 1964, building on developments in statistical decision theory and game theory by Professor Howard Raiffa of Harvard University, and dynamic probabilistic systems by Professor Ronald A. Howard of Stanford University.<sup>8</sup> The goal was to help organizations effectively and efficiently manage and handle the practical challenges of complex decisions.

The first implementation of these concepts in a professional application is documented in Prof. Howard's paper "*Decision Analysis: Applied Decision Theory*," published in 1966. Since then, decision analysis tools and decision quality concepts have been adopted by many corporations to guide and elevate their decisions. The DQ Framework forms the core knowledge of a large and growing group of decision professionals who assist leaders around the world with strategic decisions.

This Framework provides the key to making better decisions, and through this process, we learn:

- Decision skills can be developed
- Because we have to make decisions in the face of uncertainty, we have to distinguish between good decisions and good outcomes
- Decisions must be judged according to what the decision maker considers when making the decision, not on the basis of what happens afterward
- The best weapon against traps and biases (innate for us as humans) is through disciplined pursuit of all six requirements

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<sup>8</sup> Ronald A. Howard, "Decision Analysis: Practice and Promise", *Management Science*, Vol. 34, No.6, June 1988

To judge the quality of a decision before we act, we must identify what goes into it. Every decision can be dissected into six distinct elements, which encompass the DQ Framework. Arriving at high-caliber decisions will mean you have equally addressed and covered all six areas.

**The six requirements for a good decision are as follows:**

- 1. An appropriate frame**
- 2. Creative alternatives**
- 3. Relevant and reliable information**
- 4. Clear values and tradeoffs**
- 5. Sound reasoning**
- 6. Commitment to action**

Quality in decision making requires quality in each of the elements listed, and the overall quality of the decision is limited by the weakest element. DQ is achieved when - for each element - the cost to obtain additional information or insight to improve its quality exceeds the added value.

**THE SIX REQUIREMENTS OF DQ:**

**(1) THE FRAME**

Framing ensures the right decision problem is addressed. Quality in framing is met when the **decision makers are aligned on purpose, perspective, and scope of the decision problem to be solved.** In other words, it means the right players will work the problem out the right way.

Decisions can be framed broadly or narrowly depending on topic. For example, a company deciding to launch a new product would be a broad frame, as this type of decision is complex and would involve many components like marketing, sales, production and distribution. Conversely, a narrow frame, such as a company's decision to use a new printer for its marketing collateral has a smaller focus, involves less people and resources, and stakes tend to be lower.

**An appropriate frame suits the situation, and finding the right one for any decision is critical**, as this means that you are addressing the problem accurately.

## **(2) ALTERNATIVES**

Consider the alternatives, which are the **different courses of action that can be taken. When alternatives exist, it means there are decisions to be made.**

Companies and leaders make the mistake of not thinking to create better options if the alternatives on the table aren't compelling enough. There is often debate about accepting or rejecting an idea, without thinking through any other alternatives. The downside to this approach is that people tend to gravitate to ideas that are comfortable, accessible and align with their experience. Taking the time and effort to create and consider better, more innovative alternatives will likely result in more value once a decision is made.

The most powerful stimulant of good thinking is pointed questions that force you to analyze and decide exactly what you want and what you are going to do to achieve it. Your alternatives should be:

- Creative
- Add value
- Significantly different
- Representative of a broad range of choices
- Manageable in number

## **(3) RELEVANT AND RELIABLE INFORMATION**

**To understand and measure outcomes for each alternative, relevant and reliable information is critical.** We obviously can't predict outcomes for the future, but in order to make a high-caliber decision, we must arm ourselves with knowledge, possibilities and probabilities.

**Relevant information** is anything important that we know, would like to know, or should know about the outcomes of the decision.

For example, when considering a new business venture, an investor needs information such as estimates of future costs and revenues to understand the value of the opportunity.

**Reliable information** is trustworthy, relevant, unbiased, and comes from authoritative sources.

Besides being relevant, information for quality decisions must be reliable—that is, accurate and unbiased, not based on false beliefs or obtained from untrustworthy sources.

An example of reliable information would be the same potential investor mentioned above getting research and industry information on the investment opportunity not only from the company seeking funding, but perhaps from another expert in the same field.

To achieve this level of information, thorough research must be done, all the while avoiding distortions from biases and decision traps.

#### **(4) CLEAR VALUES AND TRADEOFFS**

Making a good decision is easiest when we have **clear values against which to measure each alternative**. Values describe what we want or care about, however in the context of DQ, values are sometimes called **preferences**.

It's not unusual to want more than one thing from a decision - greater shareholder value, a positive brand image, and environmental sustainability - may all be important. When one alternative fulfills everything desired, then the choice among the alternatives is easy. This seldom happens, as decision makers are often forced to make trade-offs or concessions. They must determine how much of one value they are willing to give up in order to get more of another.

Without clarity about both the values and the tradeoffs in a decision, we are unlikely to choose the best path forward.

## **(5) SOUND REASONING**

Integrate alternatives, information, and values from the basis of the decision and illuminate the search for the alternative that will deliver the most of what we want, given the information we have.

Quality in this element is achieved **when the value and uncertainty of each alternative is understood, and the best choice is clear.**

The conclusions drawn from sound reasoning can be articulated and defended through rational argument: “I am choosing this alternative because it involves less risk and better prospects of ROI than other alternatives. I used the following data, analysis tools and research in selecting this alternative...”

## **(6) COMMITMENT TO ACTION**

**Any decision must conclude with action, because without effective action, all the time and effort that went into the process is wasted.**

The quality of a decision now depends on the participation and commitment from all key decision makers to act upon the choice that is made. DQ is characterized by buy-in across all stakeholders and an organization that is ready to take action and commit resources.

## **D&H SOLUTION 2:**

### **SIMPLIFY YOUR BASE NEEDS, RELATIONSHIPS AND GOALS**

While the DQ Framework can be a gamechanger for business leaders and organizations, it is just as **important for individuals to personally incorporate certain strategies to combat decision blockers such as decision fatigue.**

**How can the DQ Framework be entirely effective if the key decision makers are depleted?**

Baumeister's studies of decision fatigue show that people who make decisions more easily, with the best self-control, are the ones who structure their lives in a certain way. He says, "They don't schedule endless back-to-back meetings. They avoid temptations like all-you-can-eat buffets, and they establish habits that eliminate the mental effort of making choices...the best decision makers are the ones who know when not to trust themselves."

Similarly, former President Barack Obama wore only blue or gray suits for his entire 8-year term in the White House, and Steve Jobs rarely deviated from his famous turtleneck and jeans uniform.

They were onto something genius – simplifying certain decisions to make space for more impactful ones.

According to Alina Tugend in *The New York Times*, "Research also shows that an excess of choices often leads us to be less, not more, satisfied once we actually decide. There's often that nagging feeling we could have done better."<sup>9</sup>

### **D&H SOLUTION 3:**

#### **REEVALUATE YOUR PRIORITIES & CORE VALUES**

As a way of making better decisions and not getting debilitated by the minutiae of making so many, it's also extremely important for business leaders to take mindful steps to start identifying and prioritizing what's key to their happiness and success. This will pave the way for clarity when it comes to going through the DQ Framework and tackling tough decisions.

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<sup>9</sup> Alina Tugend, "Too Many Choices: A Problem That Can Paralyze", *The New York Times*, Feb. 26, 2010.

The best leaders who make the most sound, high-caliber decisions establish priorities and goals not only for their professional lives, but for their personal lives as well. They have clarity around:

- What they want
- Who they are
- Who and what is important
- Where they are going and why
- What strengths and weaknesses will help or hinder them

It's through this clarity that one becomes a better listener, communicator and delegator, making it dramatically easier and more seamless to work through the DQ Framework and decision-making in general.

## CONCLUSION

**“All business activity really comes down to two simple things: making decisions and executing on decisions.”**

- Dave Girouard, CEO of personal finance startup, Upstart

There is a cost of continuing to make and execute inferior decisions, and it's obvious that **your Decision Competence determines whether and how much you will or will not excel.**

Given the obstacles that hinder our ability to make sound decisions, it's that much more critical that we take notice and action before our work and life suffer.

The upside is that **we can learn how to go about making better decisions to achieve fulfilling outcomes.** To keep up the pace of daily business growth activities, while taking the time to seamlessly infuse this new DQ Framework can often be daunting and difficult to implement on one's own. Thankfully, outlets such as business and

leadership coaching have dramatically grown to aid executives and entrepreneurs alike help accomplish their goals.

## **TAKE ACTION**

**“Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy.”**

- Dale Carnegie, American leadership guru

We encourage you to make a decision about how you'll be making decisions moving forward. Future opportunities and experiences may be missed by not taking a more deliberate, thoughtful approach to building your Decision Competence.

A direct route toward this goal would be to:

**Seek expert support and advice to help you learn, practice and commit to making more effective decisions.**

People take lessons to improve their golf swing, work with trainers to get in shape and meet with therapists to sort out their personal problems.

The same can be applied to building **DECISION COMPETENCE.**

We all want better outcomes. A highly-skilled, unbiased outside perspective can give you effective tools, strategies, encouragement and leadership to help reframe the quality of your thinking, which in turn will determine the quality of your decisions, and as a result the quality of your actions.

**The impact of building your Decision Competence with the guidance and support of a coach is truly worth the investment of time and resources...**

**Connect with DEFY & HUSTLE BUSINESS SOLUTIONS today** to learn how to make high-caliber, conscious and structured decisions that will lead to greater profits, more opportunity, improved confidence and less stress.

## **REFERENCES**

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Visit our website at [www.defyandhustle.com](http://www.defyandhustle.com).

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*“After many years as an executive in Manhattan’s lucrative private equity and real estate worlds, I thoroughly understand the necessity of Decision*

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