

A how-to guide for making **BIG Business Decisions**



An Apex Research Series
Summer 2018 - Vol. 1

Overview:

The human brain makes 35,000 decisions every single day. The vast majority are small, routine, and often mundane decisions with little risk of long lasting impact. Some decisions however, business decisions, carry a more significant impact. For example, do you hire a new employee, expand to a new location, or invest in equipment or software? As a business leader your job boils down to making decisions. Successfully managing and growing any business is all about making timely and effective decisions. So, what is the best decision-making process? This white paper explores the facets of decision making and provides a step by step framework to help you make timely and effective decisions to manage and grow your business.

A How-To Guide For Making Big Business Decisions:

Overview	2
Introduction	4
The Facts	5
The Cycle	7
Root Cause	10
The Solution	11
Real Life Decision	14
Conclusion:	15
About Us:	16
Sources:	17

INTRODUCTION:

In the nineteenth century, the medieval philosopher Jean Buridan constructed a thought experiment to support his view that human behavior was more determined rather than free. In what is today known as Buridan's Paradox, a donkey finds itself standing between two equal bales of hay. The bales are equidistance from the donkey and the size of each are identical. According to the paradox, because there exists no distinguishing difference between the two choices, the donkey makes no decision at all and instead chooses to starve to death in his paralysis. This may sound like an irrelevant experiment, but it actually brings up interesting points when evaluating the decision-making processes...

When facing a big decision, we often must consider many options, and it's common to feel paralyzed with indecision just like Buridan's donkey. In fact, this situation is so common in business decision-making, it's been termed Analysis Paralysis.

In everyday language we say, "kicking the can down the road." We all fall into this trap because it's actually built into our human nature. According to authors Diana Fitts and David Wethey, making what may seem like the wrong decision, is in fact far better than making none at all! "The problem with being in a state of indecision for an extended period of time is that we begin to question our instincts and become confused by what our true desires are," explains Fitts. Fitts goes on to explain that in life, we face many right and wrong decisions, but learn to adapt along the way because the only way to progress is to just keep moving forward. Fitts concludes, "we gain nothing by standing still." David Wethey agrees, adding "It is better to make a decision, and live with it, than delay indefinitely..."

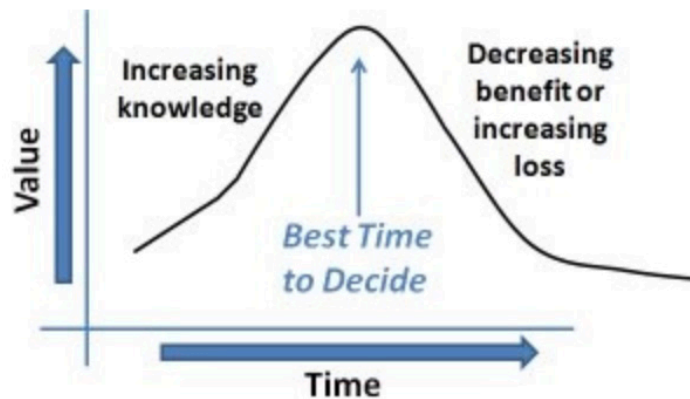
HERE'S THE FACTS:

Timely Decisions, Drive Financial Performance

Successfully managing a payroll service bureau requires execution in many fundamental areas of business such as: **sales, operations, customer service, and expense management.** Interestingly, a recent study by Bain Management in cooperation with the Harvard Business Review concluded timely decision-making is highly and directly correlated to business financial performance. The study asked over 700 executives about their company's organizational structure and decision-making processes, or lack thereof. The study found a 95% confidence level that decision-making effectiveness was most directly correlated to predicting financial performance. Bain and HBR concluded from this, companies following a consistent decision-making process to reach timely decisions on key business issues, outperform their industry peers. The research did not track if the decisions were ultimately right or wrong as that actually didn't matter. The two key factors being: timely decisions continually move businesses forward; avoiding decision delay (ie. analysis paralysis) and utilizing a process to make timely decisions, results in better financial performance. Indecision results in lower business performance, period.

The study found a 95% confidence level that decision-making effectiveness was most directly correlated to predicting financial performance.

The image to the right helps visualize the competing forces at work when trying to find the best time to reach a decision. Too little time and the decision is made without knowledge that could have enabled a more informed choice, generally reducing risk. Too much time and the benefits from the alternative solutions are delayed, or in the case of a problem, losses or pain continue to increase.



Harvard Business Review

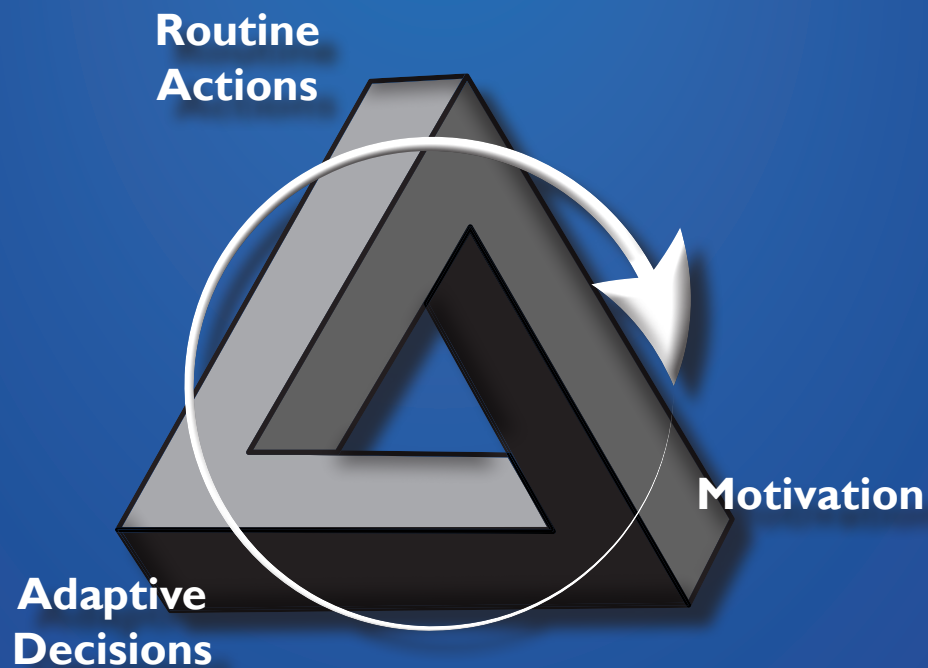
Slow decision making could be killing your business. It costs you time, money and impacts your business relationships. Taking too long to come to important, impactful decisions also disrupts innovation and causes a delay in the implementation process of new ideas. Your customers, clients and some of your team will get frustrated. You might recall the outcome for companies like Blackberry and Blockbuster; due to their inability to make big business decisions they ended up losing market-share, one of them, eventually closing their doors forever. Blackberry was one of the leading cell phone manufacturers 10 years ago, yet they failed to innovate and adapt to the changing market. Their slow decision-making led them to a massive fall in the market. Remember Blockbuster? The DVD and video retail chain failed to reach valuable decisions about changing with the times to create online streaming services, and ultimately collapsed under the weight of their inability to compete against rising online demands.



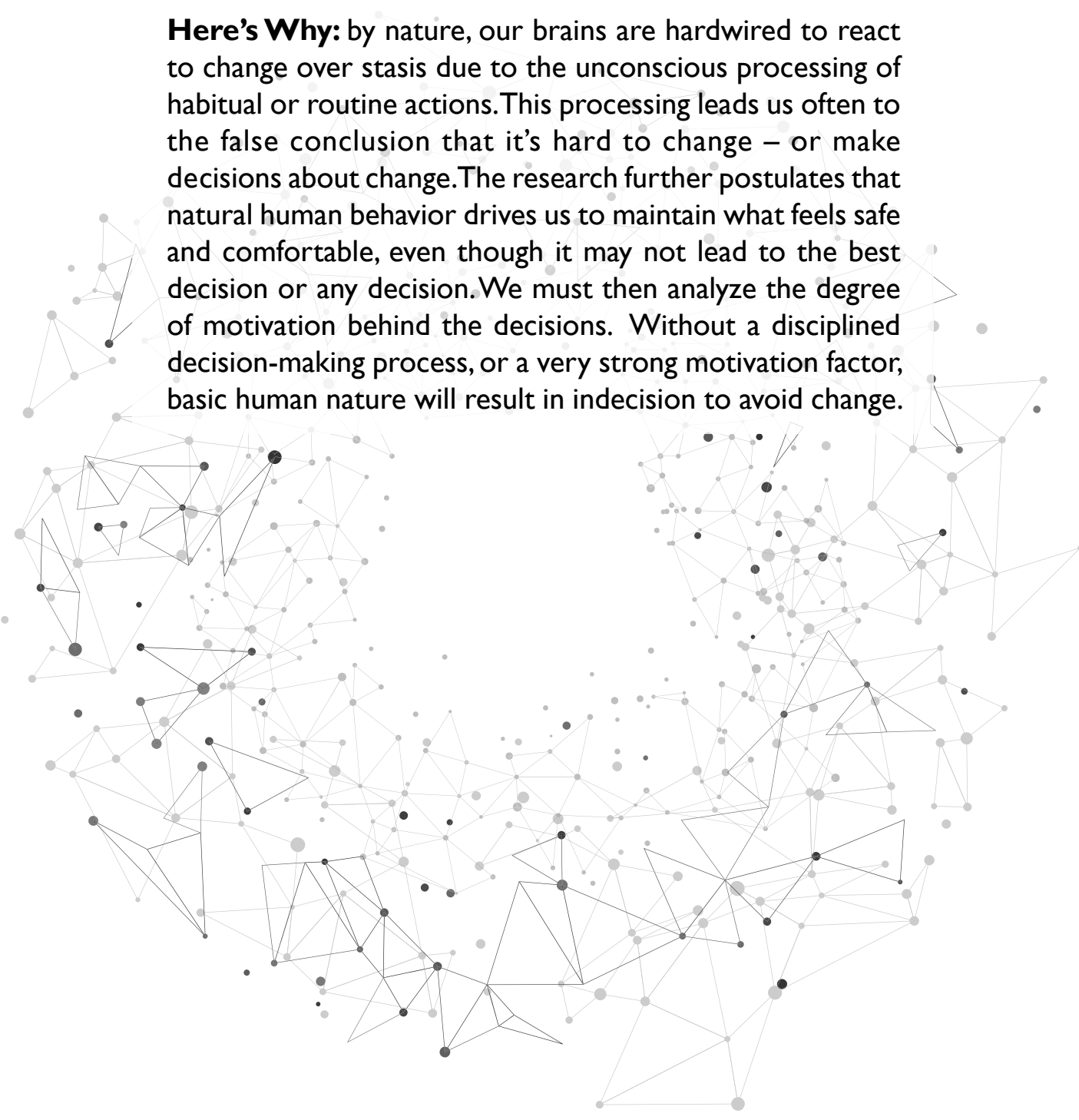
THE CYCLE:

Routine Actions, Motivation and Adaptive Decisions

To break-down the study of decision making a bit further, we look to the US National Library of Medicine and the National Institutes of Health. The NLM and NIH sponsored research on the topic of indecision and concluded the root of decision-making can be seen most simply as a triangular construct consisting of: Routine Actions, Motivation and Adaptive Decisions.



All three stages work together to come to one conclusion, it's a constant rotation between the stages. Sometimes this rotation leads to analysis paralysis, which the research shows is simply information overload between the stages of routine actions and motivation.



Here's Why: by nature, our brains are hardwired to react to change over stasis due to the unconscious processing of habitual or routine actions. This processing leads us often to the false conclusion that it's hard to change – or make decisions about change. The research further postulates that natural human behavior drives us to maintain what feels safe and comfortable, even though it may not lead to the best decision or any decision. We must then analyze the degree of motivation behind the decisions. Without a disciplined decision-making process, or a very strong motivation factor, basic human nature will result in indecision to avoid change.

In addition, as humans, our culture and brain chemistry drive us to place greater weight on the latest information versus the most important information. Hence, we almost always view change as an inherent risk. Our brains place more attention, and risk, on new information entering which can sometimes send us into analysis paralysis. In terms of the decision-making triangle model, analysis paralysis is the back and forth between routine actions and motivation. So, how do you break the cycle?

Which leads to the third leg of the decision-making triangle, **Adaptive decisions**. These are the types of **decisions made when problems and alternative solutions are not routine**, and the options may only be partially understood. In the business world this means making decisions where you won't have the whole picture, which is the vast majority of all major business decisions. The decisions discussed earlier: people, budget and strategy, all involve some degree of unknown that you must fill with your experience and intuition. The question now remains, how do you become a better decision-maker?

ROOT CAUSE:

Understanding Business Decision-Making

How do we apply this to running a payroll business, and how do we learn to overcome these decision hurdles to make good and timely decisions? Let's start by breaking down the three common decision areas within the payroll industry: people, budget and strategy.

People decisions involve issues like hiring and firing, roles, responsibilities, training and compensation.

Budget decisions involve spending money and how to allocate your resources. For example, purchasing new equipment is a common budget item.

Strategy decisions consist of assessments about your business plan; should you partner with XYZ company, expand such-and-such services, expand the size of your sales team or even open new locations.

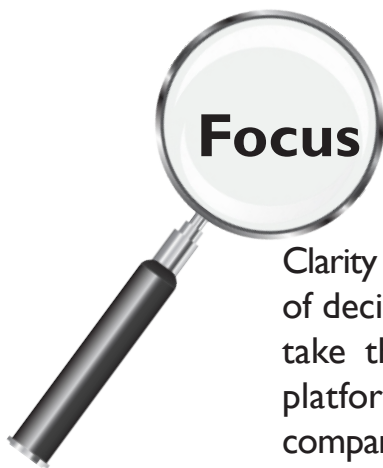
These are impactful decisions that can change the nature or direction of your company. Switching to a new payroll software platform is often a strategic decision for a payroll service bureau.

Strategic decisions often suffer from the most indecision and can drag on for months or years. This indecision can impact your employees and your customers, ultimately having a negative effect on your business. To combat this cycle of indecision, we present the following step-by-step process to guide you through overcoming business decision hurdles. In the next few pages you will learn what prevents business owners from making these decisions – leaving them much like the donkey in Buridan's Principle and starving their business of its potential success.

THE SOLUTION:

A Step-by-Step Process for Decision Making

The following four-step process is based on a collection of decision making techniques recommended by industry influencing publications including: Psychology Today, Forbes, BizJournals, Inc.com and Science Daily.



Focus on the Objective - Step I

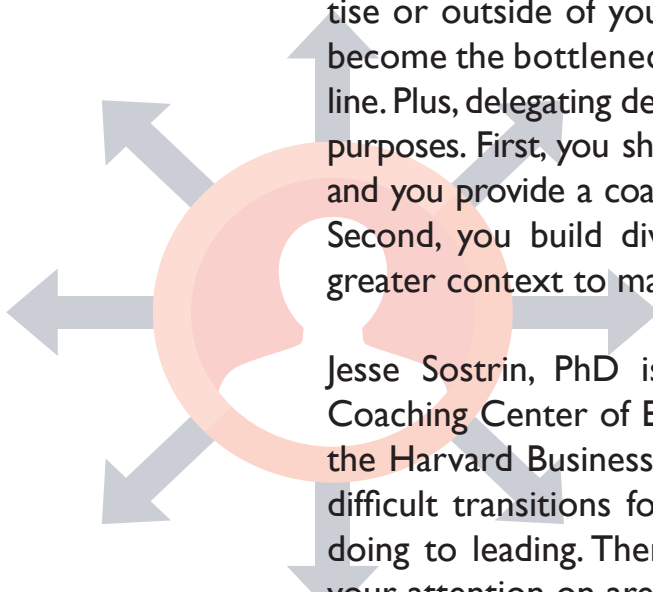
Clarity improves decision making. Identify the true objective of decision you face. What is the primary outcome? Let's take the example of upgrading your payroll software platform. Is the primary objective of the decision to drive company growth, or improve customer service, or provide clients broader HCM services? Identifying the main objective, ie. creating clarity, will help you focus to make a decision. Don't let the fine details and minutia derail you. Clarity on primary objectives come first. Chances are, you'll start "feeling" what is right and wrong for your business as you go through the decision making process.



Stick to a Timeline - Step 2

Determine when you want the decision made. Break the decision into easy pieces that allow yourself realistic time to complete each step. Then stick to the timeline! In the example of changing payroll software, start by building the timeline with the deadline clearly identified. If your goal is to implement new software by January 1, then put a deadline on your vendor decision 90 days prior. Then outline each step of the process, and set the dates to enable your decision by Oct 1.

Delegate - Step 3



Delegate those tasks that lie outside your area of expertise or outside of your time availability. Don't personally become the bottleneck in sticking to your decision timeline. Plus, delegating decision tasks to others serves multiple purposes. First, you share your thought process as a leader and you provide a coaching opportunity for up-and-comers. Second, you build diversity of thought that affords you greater context to make better decisions.

Jesse Sostrin, PhD is a Director in PwC's Leadership Coaching Center of Excellence, and regular columnist for the Harvard Business Review suggests, "One of the most difficult transitions for leaders to make is the shift from doing to leading. There's this psychological shift to focus your attention on areas that are vital to the company, and as you become less involved in the daily tasks, that shift can bring about fear." Delegating can produce anxiety but it's critical to become an effective decision maker and leader.

Start by delegating a few of your simple daily tasks to an employee(s). Then, time block the time saved, whether it's 15 minutes or an hour, but block it on your calendar to solely think about and take actions around your list of unmade decisions.

Trust Your Gut

Sometimes a certain course of action makes absolute sense from an intellectual perspective but still seems wrong. If so, your subconscious mind may have noticed something your conscious mind hasn't. It's important to use both your IQ and your EQ (emotional intelligence) when making decisions. Consider both sides of the IQ/EQ equation, and make your decision based on which side weighs the heaviest.

An associate professor of psychology at the University of New South Wales in Australia, Joel Pearson, conducted a study on intuition. For the first time, his research team found evidence that people can use their intuition to make better, faster, more accurate and more confident decisions. These research findings are corroborated by personal experience. Peter Kozodoy, Partner and Chief Strategy Officer at GEM

I've come to understand that going with your gut isn't just a trite admonition, but a scientifically sound way to make better decisions.

- Peter Kozodoy, CSO



Advertising, "How many times have you been advised to 'go with your gut?' Normally, we interpret that adage to mean that we should follow our intuition and instincts. Now that I've seen a thing or two out here in the business world, I've been confounded to both see and experience firsthand the role that intuition can play in making otherwise very serious, data-intensive and logic-based decisions. I've come to understand that going with your gut isn't just a trite admonition, but a scientifically sound way to make better decisions."

REAL LIFE DECISION: *Upgrading Your Software*

Throughout this paper we referred to upgrading or replacing your payroll software platform as an example of a big “real-life,” business decision. Let’s apply the four-step process suggested in this paper:

1

Step 1 – Focus on the Objective. You’ve been thinking about switching to new software for a while. Maybe you’ve already been researching and have selected a short list of vendors that look good. Step back now and thoughtfully determine your core primary objective of why you want to switch software. Focus on that objective as you continue your analysis.

2

Step 2 – Stick to a Timeline. Identify all the tasks and information needed to make your decision. Create a spreadsheet of the items and set deadline dates for each. Be disciplined and follow the process to your decision.

3

Step 3 – Delegate. In order to stay on time, you will need help. Also, some of the tasks you identify may be better performed by others in your organization. Determine those members on your team and delegate appropriately. Identify your staff members that can best evaluate the software functionality. Involve your salespeople to get their input about additional revenue opportunities the new software may support.

4

Step 4 – Trust Your Gut. In the end, some unknowns will remain. For example, will the vendor truly deliver on their promises? Is the software easy to learn for your staff? Will the functionality perform as it did in the demo? Ultimately, only time will tell and in the absence of a crystal ball, you can either avoid making the decision or, trust your gut! Look for the people your gut tells you are honest and sincere. Go back to your conversations with each company and remember how they made you feel when you were talking to them. Were they patient and responsive? Did they listen to your needs and not talk over you? Were their plans for the future exciting and fill you with optimism? It’s important to select the vendor that made your “gut” feel good.

CONCLUSION:

Perfect decision-making is not the key to business success. Rather, your goal in leading a growing business is to make timely decisions, based on a logical and disciplined process, to keep your business moving forward and competitive. While this may seem shocking or reckless to some business owners, especially perfectionists, the research shows the greatest risk to your business is not making the wrong decision, but rather making no decision at all.

Ignoring or denying a standing decision is not a path to success. Yes, it is inherently hard to make big decisions, especially ones that create change in your business. As this paper explored, our human nature drives us to avoid big decision that involve new, changing and incomplete information. Don't be like Buridan's donkey, stuck in the indecision cycle and ultimately starving yourself, and your business. Use a logic-based process to help you make good and timely decisions, which can ultimately become your competitive advantage and help drive the success of your business.



About Us:

Apex HCM provides a state-of-the-art software platform allowing our clients to take full advantage of the benefits of cloud computing technology. We help organizations escape the bindings of traditional software, including the hidden costs of protracted implementations, disaster recovery, data security, software upgrades, and everyday IT needs.

Apex HCM is a market leader in licensing cloud-based payroll, benefits and HR technology. Over 300 payroll service firms nationally use Apex's technology as the core of their business foundation. Our highly customizable and comprehensive suite of products and services include payroll & tax, time & attendance, benefits enrollment, ACA, human resources, mobile apps, reports & analytics, employee onboarding, applicant tracking, and other business management tools normally reserved for large enterprises. Apex HCM's cutting edge cloud-based software allows its customers to effectively compete feature-for-feature with larger established firms while dramatically improving their workforce productivity. For more information, please visit www.apexhcm.com or call 877-750-APEX (2739).



SOURCES:

<https://www.psychologytoday.com/us/blog/the-athletes-way/201505/the-neuroscience-making-decision>
<https://www.lesswrong.com/posts/Kv5B8SEhFZuTdbXGo/buridan-s-ass-and-the-psychological-origins-of-objective>
<http://steve-patterson.com/paradox-resolved-buridans-ass/>
https://philosophynow.org/issues/81/Why_Buridans_Ass_Doesnt_Starve
<https://go.roberts.edu/leadingedge/the-great-choices-of-strategic-leaders>
<https://www.lesswrong.com/posts/Kv5B8SEhFZuTdbXGo/buridan-s-ass-and-the-psychological-origins-of-objective>
<https://inews.co.uk/inews-lifestyle/wellbeing/science-decision-making-indecision/>
<https://community.uservoice.com/blog/analysis-paralysis-what-it-is-and-how-to-avoid-it/>
<https://bigthink.com/experts-corner/decisions-are-emotional-not-logical-the-neuroscience-behind-decision-making>
<https://community.uservoice.com/blog/analysis-paralysis-what-it-is-and-how-to-avoid-it/>
<https://www.sciencedaily.com/releases/2015/02/150227084303.htm>
<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2954047/>
<https://www.decision-making-solutions.com/decision-timing.html>
<https://www.adamstrong.net/slow-decisions-making-ruin-business/>
<https://hbr.org/2010/06/the-decision-driven-organization>
<http://www.studygs.net/problem/adaptivedec.htm>
<https://www.bizjournals.com/bizjournals/how-to/growth-strategies/2014/03/7-tips-for-overcoming-paralysis-of-analysis.html>
<https://psychologie.com/what-is-analysis-paralysis-how-to-overcome-it>
<https://personalexcellence.co/blog/analysis-paralysis/>
<https://personalexcellence.co/blog/analysis-paralysis/>
<https://www.forbes.com/sites/jeffboss/2015/03/20/how-to-overcome-the-analysis-paralysis-of-decision-making/#3ee1b66f1be5>
<https://www.inc.com/peter-kozodoy/going-with-your-gut-see-what-science-says-about-making-better-decisions.html>
<https://www.forbes.com/sites/forbescoachescouncil/2018/02/21/great-leaders-perfect-the-art-of-delegation/#6f9d9d61eb2c>
<https://hbr.org/2017/10/to-be-a-great-leader-you-have-to-learn-how-to-delegate-well>
<https://blog.todoist.com/2015/07/08/analysis-paralysis-and-your-productivity/>