

## ***The Four Rs of High-Stakes Decision Making***

Decision making in a high-stakes, high-pressure situation is never easy. It can make or break your career as a leader.

In a recent strategy + business article, Eric J. McNulty, Director of Research at the National Preparedness Leadership Initiative wrote about his observations after interviewing leaders in the response to crises such as the Deepwater Horizon oil spill, Superstorm Sandy, and the Boston Marathon bombings. These situations bring into stark reality that decisions must often be made with incomplete, sometimes conflicting information. A leader has to evaluate whether they have enough information to move forward. Decide too soon and resources may be committed in the wrong direction. Wait too long and the consequences could be disastrous.

Decisiveness is often cited as a desirable trait in leaders. Definitions of decisive include “having the power to decide; conclusive” and “characterized by decision and firmness; resolute.” A leader must make decisions, but effectiveness depends on when and how the decision is made, not just that it was made.

One of the challenges is that, in routine times, the threshold for certainty is typically high. Note how companies will engage in focus groups, market tests, and competitive intelligence forays before bringing a new product to market. Risk avoidance tends to rule; it is acceptable to take a little longer if the delay increases the certainty of a hit.

But in a crisis, that delay could have severe costs: a drop in share price, reputation damage, and even the loss of life. So how do you know how much you know and whether to wait for more? Unfortunately, there is no chart to tell you when to act. You can, however, assess how much certainty you require in routine situations—how risk averse you and your organization are—and use that as a benchmark. If the routine standard is 75 to 80%, understand that in a crisis you’ll have to act with 50 to 60% certainty at most. Former Secretary of State Colin Powell said that once you have 40 to 70% of the information needed to gauge your probability of success, you can make a gut decision.

When you’ve reached the threshold, McNulty says it’s time to apply the “4R Test,” something he developed after watching leaders in action and studying their decision making process.

- **Regret:** What will you regret if you fail to act and are wrong? The more serious the potential regret, the sooner you should make your decision.
- **Repeal:** How difficult will it be to reverse course? The easier a decision is to repeal, the sooner you can make it.
- **Repercussions:** Who and what else will be affected by your decision? The broader the impact, the more carefully you should consider the decision. Be sure to account for less obvious stakeholders to minimize unintended consequences.
- **Resilience:** What will be the impact of the decision on your personal resilience and that of your organization or other affected parties, such as customers or suppliers? Always give more weight to the option that is likely to build resilience.