

Value Analysis & Standardization:

Systematic steps to support system-wide change

Issue 5 JULY 2002

DECISION-MAKING: THEORETICAL PERSPECTIVE

Experts suggest that an effective decision-making process fulfills six criteria:

- 1) it focuses on what's important;
- 2) it is logical and consistent;
- 3) it acknowledges both subjective and objective factors and blends analytical with intuitive thinking;
- 4) it requires only as much information and analysis as is necessary to resolve a particular problem;
- 5) it encourages and guides the gathering of relevant information, and
- 6) it is straightforward, reliable, easy-to-use and flexible.

While minor decisions may require far less analysis than major decisions, developing a consistent, routinely used process that incorporates each of these six criteria will enable you to make better, faster decisions, both on-the-job and at home.

John Hammond, in his book *"Making Smart Choices,"* suggests that even the

most complex decision can be analyzed and resolved by considering a set of eight elements.

Work on the Right Problem

The way you frame the decision at hand can make all the difference in the ultimate solution. You may think your problem revolves around hiring the best vendor to install a new contract management software system. However, the real question may be whether to install the system at all. Finding a solution to the wrong problem won't help you to be productive.

Chances to redefine your problem are opportunities that should be seized, since adapting the problem along the way often leads to better decisions. As you work through a decision-making process, ask yourself

"Am I working on the right problem?"

Questioning the problem is particularly important when circumstances are changing rapidly or when new information becomes available.

Specify Your Objectives

Before you start looking for solutions to your problem, be sure that you have clearly determined what you want to accomplish with the decision.

If you want to install a new contract management system, why are you doing it? Is there a corporate directive to eliminate headcount?

Do you need information about contracts available to a broader group of individuals in your institution?

Do you require information to be analyzed and reported a number of different ways?

Clearly outlining your objectives will give direction to your decision-making. Objectives help you to determine what information must be collected, provide a framework for explaining your choices to others, and help link each individual decision to your overall goals.

Finally, when setting objectives, don't allow yourself to be constrained by the availability or access to data. Focusing on immediate, tangible, easy-to-measure objectives may be more comfortable, but may not help you to make the right choices.

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Work on the Right Problem



Specify Your Objectives

Know Your Risk Tolerance



Create Imaginative Alternatives

DECISION-MAKING: PRACTICAL PERSPECTIVE

GROUP DECISION-MAKING

“If people don’t participate in and “own” the solution to the problems or agree to the decision, implementation will be half-hearted at best, probably misunderstood, and more likely than not, fail.”

– Sam Kaner, “Facilitator’s Guide to Participatory Decision-Making”

As Value Analysis professionals, much of your time is spent coordinating the work of councils,

product committees, and other groups. While individual decision-making is complex, driving groups to make good, productive decisions is an even greater challenge. Many assume that decisions made by groups are better decisions, because a larger number of smart people contributed to the final solution. Unfortunately, this assumption is dead wrong. No matter how brilliant a group’s members may be, if the group does not practice balanced debate and careful intelligence gathering, the decisions of the group will be as bad as those of any individual who also fails to follow good decision-making processes.

Welcome conflict

In this situation, members either censor themselves, or put pressure on members who disagree with the majority opinion. Self-censorship occurs when members avoid disagreeing or speaking up for fear of ridicule or wasting the group’s time. Group censorship occurs when the group either knows, or feels, that the leader has already made a decision.

Groups that feel invulnerable, or who erroneously stereotype people outside the group, develop too few alternatives, spend little time on intelligence gathering, and limit their discussions about the consequences of solutions.

Groups fail when they lack consistency: consistency of leadership, consistency of membership or consistency of purpose. As the team leader, you should schedule routine meetings. During your meetings, make sure that the process for debate and discussion is predictable and understood by all.

Don’t allow your meetings to become unproductive because members aren’t always present. Establish an expectation up front that members are required to send an informed substitute, with decision-making authority, whenever they are unable to attend a meeting.

Compile necessary information

Finally, groups fail when they are afraid to make decisions. Whether you select your team at its inception, or inherit an existing team, make sure your team members are empowered to make decisions. Otherwise, you’ll drown in a cycle of discussion, with no resolution. Also, clearly communicate to the team their decision-making role and authority.

Depending on your institution, team members may be charged with making decisions for themselves, for their particular functional area, or for the institution as a whole.

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Require different alternatives

Why Groups Fail

Groups fail when they agree prematurely on the wrong solution, and then give each other feedback that makes the group feel certain they are making the right choice. Groups afraid of conflict will discourage their members from looking at the flaws in their thought processes. The group’s internal cohesiveness and loyalty dominate the decision-making process, often leading to poor decisions.

Groups also make poor decisions when there is a feeling that everyone must conform.

METHODS OF GROUP DECISION-MAKING

Autocratic or Directive – Leader defines the problem, generates, evaluates, and chooses among alternative solutions

Autocratic with Group Information Input – Leader defines the problem, but uses the group as an information source to generate data about his or her list of potential solutions

Autocratic with Group’s Review and Feedback – The leader defines the problem, selects a solution, and presents the plan to the group for review and feedback

Individual Consultative Style – The leader defines the problem and solicits input from the group regarding potential solutions, but makes the ultimate decision on which solution to explore

Group Decision Style – The group works together to generate, evaluate and choose among solutions to a problem

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How to Manage Group Decisions

Deciding HOW to decide is probably even more important in group decisions than in individual decisions. While an individual who has started in the wrong direction can easily go back and start over, a group that realizes it is moving in the wrong direction will have a tougher time undoing agreements and expectations among members in order to change course.

Three important questions should be addressed by the group leader:

- **What should I use this group for?**
- **In which of the key elements of the decision process (framing, intelligence-gathering, reaching alternatives, determining consequences, etc.) should the group participate? What is the role of the group in each of these phases?**
- **How do I encourage the group to participate in an open discussion, where opposing viewpoints are welcome?**

One of the most important jobs of a group leader is ensuring that the right questions are posed, and guiding the group to agreement on a common framework for the problem at hand. At this stage, the leader may also ask the group to decide how the problem should ultimately be resolved. Or, the leader may describe the process to be used to discuss the problem, but note that the group may not be the ultimate decision-makers. However, it is

vitaly important for the leader to avoid stating the final solution he or she would prefer. When the leader's preferences become known, group discussion is severely hampered and many members' ideas will never be heard.

Decide how to decide

Entire teams usually participate in intelligence-gathering. This is the stage where team leaders like you should encourage divergent thinking. Encourage people to think as broadly and creatively as possible. Don't be afraid of conflict during this stage. Conflict is necessary and valuable if group decision-making is to accomplish more than simple "groupthink." However, at the same time, you need to carefully manage the group to ensure that you have conflict among ideas, not conflict among members. In addition, it is your job to make sure members come prepared for the discussion. Communicate clearly, and check-in with members, to ensure that they are prepared with information that will be critical to group intelligence-gathering.

Experienced team leaders purposely form their teams with individuals not only from different functional areas, but with individuals they know have different decision-making styles and different ways of approaching problems. Diversity breeds more alternatives, more conflict, and hopefully, better decisions. When you inherit a team, and don't select the members, take some time at the beginning of the transition period to understand the styles of your team members.

10 Barriers to Effective Decision-Making

1. **Plunging in** – Beginning to gather information and reach conclusions without thinking about the issue at hand
2. **Frame Blindness** – Solving the wrong problem because you have framed the decision with little thought or consideration of all of the options
3. **Lack of Frame Control** – Failure to consciously define the problem in more ways than one or to be unduly influenced by the frames of others
4. **Overconfidence in your Judgment** – Failing to collect key factual information because you are too sure of your assumptions and opinions
5. **Shortsighted Shortcuts** – Relying inappropriately on "rules of thumb" or convenient facts
6. **Shooting from the Hip** – Believing you can keep straight in your head all the facts and data you've uncovered before making a decision
7. **Group Failure** – Assuming that good choices will be made by many smart people, without following a systematic group decision-making process
8. **Fooling yourself about Feedback** – Failing to interpret the evidence from past outcomes, either to protect your ego, or because you are tricked by hindsight
9. **Not Keeping Track** – Assuming that experience will make its lessons available automatically, and therefore not keeping records to track the results of your decisions
10. **Failure to Audit your Decision Process** – Failing to create an organized approach to understanding your own decision-making

*From Russo and Schoemaker.
The Ten Barriers to Brilliant Decision-Making
and How to Overcome Them.*

GUIDING GROUPS TO SUSTAINABLE DECISIONS

GATHER DIVERSE POINTS OF VIEW –

Members share what is on their mind

BUILD A SHARED FRAMEWORK OF UNDERSTANDING –

Members understand and accept the legitimacy of one another's needs and goals

DEVELOP INCLUSIVE SOLUTIONS –

Members reach solutions that incorporate the views and needs of every team member

REACH CLOSURE –

Team members agree not only on a decision, but agree to be a part of executing the decision

What's Your Reality?

Suggestions for dealing with daily issues...

SHARE *Your* VIEW

In each issue, we've identified issues that seem to be universally experienced by value analysis professionals, and suggested some alternatives for dealing with your reality. We continue that practice in this issue, with the spotlight on team decision-making.

One of your team members simply seems to enjoy being antagonistic, gaining pleasure from arguing over every little detail.

- Find a creative way to ensure that all members have a chance to speak. Go around the room with each person making a statement, pass a pencil or other symbol to those wishing to speak, put a time limit on the allowed discussion, or develop a rule that each person only gets to speak once if others also have something to say.

Your meeting agendas are too full, with too many items to review in too little time.

- As team leader, you must be realistic, and unwavering, when you develop team agendas. Consider what must be discussed at a particular meeting to meet deadlines or other external pressures. After allowing time for the "must do" topics, move down to the "want to do" topics. Don't let others force you to add agenda items to your meeting if you know they shouldn't be there, or won't allow sufficient time for discussing priority areas.

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Maria Christi has been a Value Analysis Manager, reporting to you, for the last three years. You've been extremely pleased to see how much she has learned in this position, which was a drastic change from her role in ICU nursing. Maria has become extremely adept at completing the financial analyses necessary to ensure that cost savings opportunities are explored. She has also become very good at 1-1 negotiation. She routinely meets with key members of her product committees, ensuring that they are aware of the issues that will be posed during team meetings and have the information they need to make a decision. In spite of this, you have noticed that Maria's teams routinely make very poor decisions. When you've observed Maria's meetings, you've found that the team makes decisions based on whoever speaks the loudest on any given day. There is an obvious divide between the clinically-focused and financially-focused members of the team, with each group adhering firmly to their own agenda.

Maria avoids conflict at all costs, and therefore the two groups are never forced to reconcile their differences. Because issues are not dealt with in meetings, team members question the team's actions, and are unwilling to be held accountable for team decisions when they return to their functional areas. You need to counsel Maria to help her grow as a team leader and to ensure that her team decisions are the right decisions.

What Advice Would You Offer Maria?

SCENARIO 1

Encourage Maria to have her teams make quicker decisions. Sometimes, with a deadline looming, people will reach better decisions because they won't have the opportunity to choose "sides" of an issue.

SCENARIO 2

Maria should decide that since she is so good at 1-1 negotiation, she should get individual input and decisions from each of her members separately, and then just present the decisions to the group when they meet as a team.

SCENARIO 3

Maria must review the composition of her team to make sure she has the right members, capable of making decisions. Second, she must completely revise the process her teams are using to make decisions. As team leader, she must help the team members to understand their role in the decision. She must also ensure that the right questions are posed for each decision. It may be helpful for Maria to develop a list of standard considerations that affect many of the team's decisions, so that the group can readily go through the list each time, making the process more routine and less "personal" for each agenda item. Finally, Maria needs to be comfortable with conflict. Conflict is necessary and valuable if the team is to reach the best solution. Members should be encouraged to present their views, with each idea discussed on its merits before a final decision is reached.

Which scenario would you follow? Would you do something else? Email your thoughts, ideas, questions, comments on this case to gardner@gmced.com. A sample of your responses will be published in the next issue.

SHARE YOUR VIEW...

In the last issue, we introduced Brandon Keith, Value Analysis Coordinator for a hospital system with six sites. We reported on Brandon's difficult transition from OR nurse to value analysis. Brandon was having difficulty working within the team/committee structure, and, as a result, was missing deadlines for initiating new contracts and cost-savings initiatives. We offered three scenarios for Brandon:

1) Meet with the supervisors of each team member and let the supervisor know the staff member is not meeting Brandon's expectations.

"Brandon should not meet with the team members' supervisors. He will be creating animosity between himself and his team members if he complains about their performance. Brandon is also undermining his role as team leader if he needs to go to functional area supervisors to make things happen."

2) Hold a meeting with his team and a facilitator to review the goals and objectives of the team. During the meeting, ask each committee member to explain why he or she is not meeting team commitments.

"Brandon's idea of holding a team meeting with a facilitator to discuss team goals and objectives is a great idea – but he shouldn't call people on the carpet during that session. Make the session a positive experience. If team members are clear about the goals of the team, and what they need to do to help the team meet the goals, they will be more cooperative. Brandon doesn't need to pose the team issues in a negative way. He might ask who or what is keeping them from meeting their commitments, and what assistance they need in the future."

3) Examine the way tasks get assigned within the team. Ensure that when tasks are assigned that the individual understands the task and the process for getting it done. Ensure that he is clearly setting expectations and defining deliverables.

"This is a great solution. Perhaps individuals are willing to complete the tasks, but they don't understand how to get it done. Brandon may also believe that he is being clear about what needs to be done, by when, but the fact that his team members are not following through suggests that he may not be communicating his expectations. He should ensure that at each meeting someone summarizes the decisions made, the actions agreed upon, who is responsible for action items and how action items will be pursued."

Standard Considerations for Evaluating a New Purchase in a Hospital

This list is offered as a "starting point" for your product committees. A list of this type should be developed by your teams, that matches your specific institution and culture.

- Reimbursement
- Time to Convert to the New Product
- Staff Training Needed to Convert to the New Product
- Existing Contractual Obligations
- Impact on Hospital Success Indicators: Length of Stay, Quality, Patient Satisfaction
- Overall Costs Saved
- Incremental Costs in the Short Term for Conversion
- Need to Continue with Multiple Products during Transition

What's Your Reality... continued from page 4

Your team likes to work fast, getting to decisions quickly, but, in your view, not always taking the time to analyze all of the possibilities.

- Slow them down. Guide the team through the decision-making steps outlined in this newsletter. Encourage the group to explore new alternatives, and to carefully analyze the impact of choosing each alternative on the overall institution objectives and goals, and on future linked decisions.

Your team likes to analyze rather than decide.

- Establish a firm time-limit for discussion, and a definitive deadline for making a decision about every item in front of your team.

Common Mistakes of TEAM LEADERS

Team leaders often "jump in" and make a decision when it appears that their team has dissolved into a general state of chaos. This is a common mistake. Just because the team leader sees a perfectly logical answer to the problem under discussion doesn't mean that all of the team members see the same solution. This type of quick resolution also may make it appear that the team leader made a decision before the team meeting began. Members immediate reaction—"Why did she tell me I'd have a say in this decision, when she had already decided the outcome?"

A period of confusion and frustration is a natural part of group decision-making. Let the discussion proceed (however painful) until group members see the solution to the problem.

FOOD *FOR* THOUGHT

In his book, *Facilitator's Guide to Participatory Decision-Making*, Sam Kaner presents qualities of two groups: a participatory group and a conventional group. He views conventional groups as those that operate according to deeply rooted cultural values that make it difficult to think in groups.

For example, ideas expressed tentatively are often treated as if they were inferior to those expressed eloquently; making action plans is more valued than exploring the root of a problem, and group members are advised to speak their mind, but are shut down when asking too many questions.

On the other hand, participatory groups operate with entirely different group norms, which are much more conducive to making better group decisions. Mr. Kaner's observations of the two types of groups are noted here.

Which style do your committees most often match?

PARTICIPATORY GROUPS	CONVENTIONAL GROUPS
Everyone participates, not just the vocal few.	The fastest thinkers and most articulate speakers get more air time.
People give each other room to think and get their thoughts all the way out.	People interrupt each other on a regular basis.
Opposing viewpoints are allowed to co-exist.	Differences of opinion are treated as conflict that must either be stifled or solved.
People draw each other out with supportive questions.	Questions are often perceived as challenges, as if the person being questioned has said something wrong.
Each member speaks up on matters of controversy. Everyone knows where everyone stands.	Some members remain quiet on controversial matters. No one really knows where everyone stands.
People refrain from talking behind each other's backs.	Because they aren't direct during the meeting, people talk behind each other's backs outside the meeting.
Even in the face of opposition from the person in charge, people are encouraged to stand up for their beliefs.	People with discordant, minority perspectives are commonly discouraged from speaking out.
A problem is not considered solved until everyone who will be affected by the solutions understands the reasoning.	A problem is considered solved as soon as the fastest thinkers have reached an answer. Everyone else is then expected to "get on board" regardless of whether he/she understands the logic of the decision.
When people make an agreement, it is assumed that the decision still reflects a wide range of perspectives.	When people make an agreement, it is assumed that they are all thinking the exact same thing.

GETTING YOUR TEAMS TO SHIFT

If your committees look more like "conventional groups" how do you, as team leader and facilitator, make them more participatory?

- As a facilitator, your role is to encourage the team to do their best thinking. Foster an environment where it is OK to offer "half-baked" ideas – by ensuring that no idea is criticized when it presented.
- Help team members to understand each other's positions, and appreciate the value of exploring other points of view. Create a mindset that the best team decisions will be inclusive – incorporating everyone's thinking – not a "win" for some and a "lose" for others.
- Make sure your meetings are well run. Have a formal agenda, and clearly communicate what the group's role is for each agenda item. Groups operate much more smoothly if they know what they are trying to accomplish.

Create Imaginative Alternatives

Alternatives are the potential choices you have for meeting your objectives. The rewards of spending the time to develop well-considered, creative alternatives are extremely high. However, as a general rule, individuals often don't take the time to contemplate the full range of options available. More often than not, we allow ourselves to take the "easy way out". One of the most common pitfalls – "business as usual" – is deciding to take a course of action that leads us to do the same thing we always do. It's easier to follow a well-trodden path than to forge a new course. Another trap is choosing the first possible solution. In our busy lives it is easier to accept the first solution that seems workable, rather than taking the time to develop other options or gather data to support a different alternative. Also common – waiting too long to make a decision – and therefore being "stuck with what's left".

Need help generating better alternatives? See our suggestions in the box to the right.

Understand the Consequences

As you think about possible solutions to your problem, consider how well each alternative would satisfy your ultimate objectives. Sometimes, considering the consequences of each of your alternatives makes your decision obvious.

A contract management system designed to do the analyses currently handled by three of your staff members would enable you to eliminate those three jobs. However, that action will have far-reaching consequences on your department, your institution, and the individuals involved. Eliminating the three staff may still be the right thing to do. However, you can't be sure until you have fully contemplated the ripple effect from your decision.

The trick is to describe the consequences with enough precision to make a smart choice, but not go into unnecessary and exhausting detail. How? Put yourself mentally into the future and picture life as a result of the decision you are making. Or, prepare a "consequences table" for yourself that compares your objectives versus each of your alternatives. These types of activities help you organize information in a way that allows you to easily evaluate various options.

Grapple with Tradeoffs

By the time you get to this stage of the process, you will likely have eliminated several alternatives. You are starting to narrow down your choices, and probably recognize that no one solution is the perfect solution. Because objectives often conflict, you may need to consider how to sacrifice some of one objective to gain most of another objective. Where necessary, seek out more information to accurately weigh different tradeoffs.

Clarify Uncertainties

The future holds numerous uncertainties, some of which we can anticipate, and others which will be a complete surprise. Uncertainties complicate decision-making. However, thinking through likely scenarios and their possible impact helps you to confront uncertainties. As an example, consider a situation where a CFO is pushing hard for a particular software system that most other members of management don't want. The CFO is nearing retirement age and rumors suggest that he will be gone before the system is fully implemented. Individuals working for the CFO should consider the risk of going forward if he retires and they are left to implement a system that no one else in the organization supports.

Think Hard about your Risk Tolerance

Before making a final decision, weigh your alternatives against your own personal level of risk tolerance. At work, you also may need to consider the level of risk tolerance that is part of your institution's culture. Understanding these levels of risk tolerance will help you choose solutions that will best fit you and your organization (and control your stress level).

GENERATING BETTER ALTERNATIVES

- Ask How? and Why?
- Challenge Constraints
- Set High Aspirations
- Do your Own Thinking First – before Consulting Others
- Learn from Experience
- Ask Others for Suggestions
- Give Your Subconscious Time to Operate
- Create Alternatives First – Evaluate them Later
- Never Stop Looking for Alternatives
- Tailor Your Alternatives to your Problem
- Know When to Quit Looking

*Hammond, Keeney and Raiffa.
Smart Decisions.*

POINTS TO REMEMBER TO IMPROVE GROUP DECISION-MAKING

- Don't be afraid of conflict – it leads to better decisions
- Develop different alternatives
- Maintain a level of consistency – with your meetings, with your members, with your leadership
- Encourage diversity in your teams

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For example, you may recognize that a software system offered by a brand new vendor is the best system. However, knowing that you will be one of the first clients to purchase this new system, launched only a few months earlier by a very small company, may affect your decision if partnering with an unproven entity is too risky for either you, or your institution. The “second-best” package, offered by a reputable vendor in business for many years, may be the better solution.

Things to “watch out for” at this step of the process – overfocusing on the negative, being foolishly optimistic or ignoring significant uncertainties.

Consider Linked Decisions

Many important decisions are linked over time. What you decide today will impact your life tomorrow. Likewise, your goals for the future should impact the decisions you make today. Although the future is uncertain, considering the impact of decisions on future actions is an important final step to making better decisions. The essence of making smart linked decisions is planning ahead. You should always be thinking about the next few decisions that will face you before making the current decision. Because they are so complex, linked decisions will be among the most difficult you will face and will often be among the most important to you. However, as complexity and importance increase, so does the value of systematic, qualitative decision-making. Recognizing how decisions are linked and using a modest amount of foresight help considerably in making smart choices.

Summary

In summary, the art of good decision-making relies on good systematic thinking. A planned, thoughtful approach to decisions allows you to address the right problem, clarify your objectives, develop creative alternatives, understand the impact of each, and plan ahead for decisions linked over time.

Whatever you do, avoid the bane of good decision-making -- procrastination. Whatever the reasons for putting off a necessary decision – too complex, too risky, too uncertain – the need to make a decision won’t go away. If you ask yourself the question “what’s preventing me from making this decision?” you will often be presented with one or two areas that need your attention. Whatever it is, concentrate on that step of the decision-making process, be it making tradeoffs, becoming comfortable with risk, or better understanding future linked decisions.

Most important, remember that a good way to exert control over your life is through your decision-making. Be proactive, develop good decision-making habits, and make better decisions. You’ll be rewarded with a fuller, more satisfying life.

Decision-Making Elements

Work on the Right Problem

Specify your Objectives

Create Imaginative Alternatives

Understand the Consequences

Grapple with Tradeoffs

Clarify Uncertainties

Think Hard about your Risk Tolerance

Consider Linked Decisions

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