



**Riverland Division
of General Practice Inc.**

To: Board

From: CEO

Subject: Item 2.4 Decision Making

Date: 27/9/11

1. FOCUS

To provide the Board with strategies and information relating to effective decision making.

2. BACKGROUND

In August 2011 the Chair and CEO of RDGP attended a Company Directors Course through the Australian Institute of Company Directors. One of the modules focused on decision making for Boards and the following information excerpts were requested by RDGP Directors.

3. DISCUSSION

The **important elements** for good decisions are:

- **Timeliness** – decisions made at the appropriate time to maximise benefits and minimise costs
- **Transparency** – understanding the basis of the decision and the material relied on in making it
- **Responsibility** – fulfilling the duty to the organisation ahead of personal interests
- **Acceptability** – acceptance of the decision by stakeholders (even if they disagree with it)
- **Authority** – decisions made by those with the authority to make them relying on credible and authoritative information
- **Long term sustainability** – rather than just short term expediency. Good decisions achieve both long and short term objectives of the organisation
- **Rigour** – rigorous thinking and analysis in the decision making process

There are some **distortions** in individual and group thinking that may interfere with good decision making. These include

- **Anchoring** – initial information distorts views of subsequent information (eg cost estimates)
- **Escalating commitment (sunk costs)**- previous actions are used to justify subsequent actions
- **Perpetuating the status quo** – maintaining the status quo to avoid difficult or risky decisions, procrastination, shifting responsibility
- **Over-confidence** - or over optimistic about future outcomes – particularly in environments where only good news is welcomed
- **Optimism** – delusional optimism rather than rational consideration of gains, losses or probabilities. Overestimating benefits and underestimating costs, focusing on success and overlooking potential errors or miscalculations
- **Confirming evidence** - choosing only information that confirms a particular viewpoint, discarding importance of conflicting information
- **Framing** – manipulating the context in which decisions are presented to show

information in a particular light

- **False consensus** – quieter members give up and go along with stronger members because they don't believe they have alternatives

Advantages of collective decision making

- Provides a check and balance against biases that may exist within individual decision making
- Aims to bring diverse perspectives to the process to gain additional information or ideas
- Diverse thinking styles are brought to evaluation and judgement phases
- Involves more people so increases legitimacy and acceptance of final decisions.

Optimal Board decision making

- Build collective emotional intelligence – self awareness, self management, social awareness, and relationship management
- Increase diversity on board – be wary of risks associated with too much diversity
- Good leadership – all directors have this role although leadership role of chair is particularly important
- Good personal communication skills
- Have an agreed vision or corporate story-line
- Clear roles – well thought through and documented delegations of authority
- Board calendar that indicates in advance the major topics that will need to be considered
- Creation of a governance culture
- Overcome cultures of indecision through open, honest and sincere requests for involvement indecision making
- Define agreed processes to guide decision making
- Have the courage to revisit and re-do part of the process if necessary.

4. RECOMMENDATIONS

That the Board consider these elements in decision making processes used in the future.

5. RISK CONSIDERATIONS

N/A

6. BUDGET CONSIDERATIONS

N/A

Bron Marie
CEO