

## **The ACE Decision-making Model**

When choosing between options, do you rely on cool analysis or lively intuition? Both have their place, yet both have shortcomings. Here's a framework that helps you make smart decisions with rigour

*By Salman Mufti*

MAKING A DECISION COMES SO NATURALLY TO US that we rarely take the time to explore how we do it and whether or not the decision was the right one.

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#### About the author

**Salman Mufti** is Associate Dean and Executive Director of Queen's School of Business Executive Education. He is also Associate Professor of Management Information Systems at Queen's School of Business and Visiting Associate Professor at The Johnson School of Management at Cornell University. He teaches and conducts research in the areas of managerial decision making and information technology strategy. Prior to joining Queen's School of Business in 1997, he spent 12 years as a manager and consultant working with organizations in the private and public sectors. He continues to advise senior managers in corporations and the government, and is a regular speaker at corporate conferences and in executive education programs.

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When senior managers are asked how they make decisions, they often tell a similar story. They say they first identify the problem, such as high employee turnover or low sales. They try to find the reason behind the problem, then list various objectives or criteria for solving it, based on the company's strategy. From this, they say, they generate a number of options that are gauged against objectives. Out pops the decision.

But when researchers actually observe senior managers make decisions, it is clear that the process has much more nuance. Intuition — a gut feeling — often dictates the final outcome.

If analysis is the science of decision making, then intuition is the art of decision making. Should we give more weight to one or the other? In most cases, the answer lies somewhere in the middle. Analysis of options is a necessary step but it is often not sufficient. Some issues simply cannot be quantified or we may be bombarded with conflicting information and not have the time to absorb it all. If you have ever worked on a SWOT analysis, you probably have had to make an intuitive leap beyond the hard data.

But there are problems in relying on intuition. Intuition, or sound judgment, rests on the foundation of experience. The world, however, is changing quickly and we are seeing situations we have not seen before. Past experience may not be relevant. There are other pitfalls to relying on intuition to make decisions: we tend to fixate on the first piece of information; we tend to be wedded to the status quo; sunk costs lead to justifications; and we look for data that support the decision we want to make. When it comes to intuitive decision making, we are clinically delusional.

There is a third way, a formalized hybrid approach to making decisions that incorporates both analysis and intuition. I call it the ACE framework (for Alternatives Criteria Evaluation). I developed it after closely following a cohort of 20 business managers who were acknowledged by supervisors and clients alike as ninja decision makers.

This was their approach to making decisions: They took a problem and came up with a possible solution based on their intuition. But instead of pursuing several levels of analysis, these managers developed alternative solutions in addition to their intuition. They listed the criteria that needed to be considered and then came up with a way of evaluating each alternative against each criterion.

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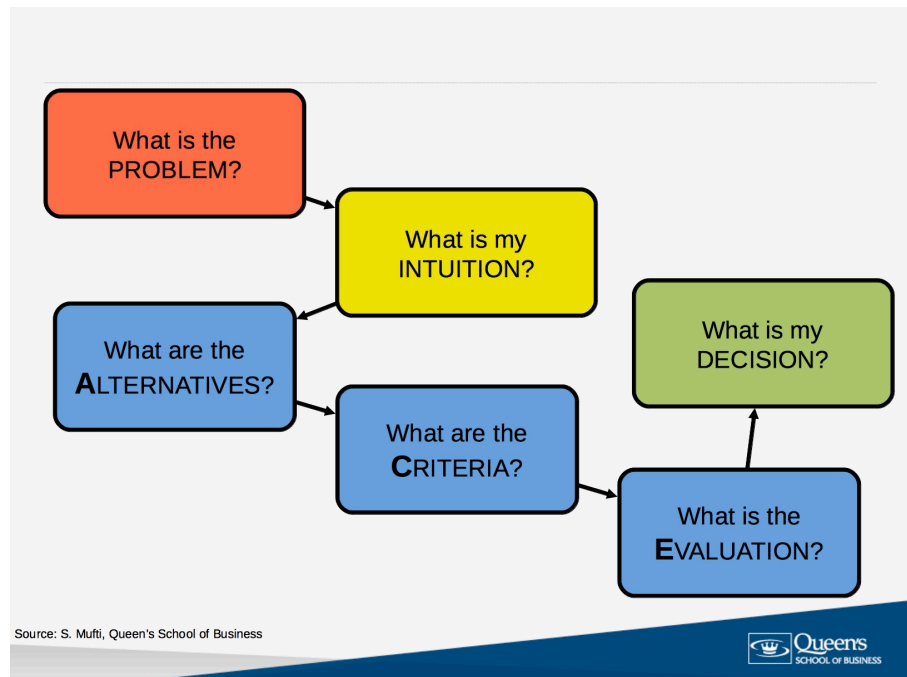
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From a decision-making perspective, what these managers told me made perfect sense — their thinking process follows a natural progression. They start with their intuition, because they have subject matter expertise. It may seem odd for them to place alternatives before criteria but, in reality, it reflects how we instinctively go about making a decision.

How would the ACE framework work in practice? Think of a situation in which you have been asked to launch a new product. Your intuitive decision might be to develop the new product in partnership with another company, perhaps because your brand isn't strong enough to go it alone. But you don't want to turn that intuition into a final decision. What are the alternatives? One may be to launch the new product yourself; a second option would be to acquire another company. Now we have three alternatives, including your intuition.



Next, what are the criteria that need to be considered in making the final call? Possible criteria could be: the desire to build the brand; the availability of resources; and projected profitability. You now have the inputs to build a simple decision table — the columns would list the criteria, and the rows the alternatives. Once that's populated, you can do a simple rank ordering or, if you want to be more sophisticated, give weights to the criteria. From this, the best decision should be staring you in your face. It's possible that the highest score is given to the partnership model, which validates your intuition. Or another alternative, developing the new product in-house, may get a higher score.

When you follow this model, you realize two things. One, the discussion is much more objective. And two, the discussion is focused on the important factors: Did we consider the right alternatives? Are these the right criteria? Did we get the rank ordering right?

The ACE framework is a deceptively simple yet powerful tool to assess options. It is an evidence-based approach to decision making that allows for human intuition and breeds confident management and leadership.

## **Making the Case for Intuition**

**The role of intuition in making decisions can be undervalued in many organizational settings. How do you explain intuition to colleagues, such as engineers, who pride themselves on analytics?**

**One way is to relabel intuition by referring to it as an “initial decision” or “hypothesis,” terms that may be more relatable for science-based staff.**

**Another way is to let the process sell itself. When I interviewed the 20 high-performance managers in my study, they said that when they initially used their decision framework, others were cynical; they thought it would be the same old process in a slightly different manner, particularly when the final decision was based on the manager's initial intuition. But when the manager's intuition was not the final decision, others realized the value of the decision framework.**

**Patience won the day, and why not? Wouldn't you find it exciting to be part of a team that actually tests assumptions and challenges each other's intuitions rather than simply goes through the motions?**

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