THE DECISION GAP · PART II

The Last Unimproved Function

Every other part of the company has new tools. Its biggest decisions are still made the way they were thirty years ago.

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A lot of my career in Special Operations has been spent responding to contact. Sometimes that was overseas. More often than people outside the military would guess, it was a senior leader with a decision to make and not enough time to make it. Either way, the drill started the same: pull whoever was available into a planning team and build a plan you could execute, fast. The 5- and 25-meter targets, the threats right in front of you, came first.

Over three decades I learned that the quality of those plans came down to two things more than anything else: time, and the people in the room. With enough of both, the process did what it was built to do. We challenged our assumptions, dug into what could go wrong and how to blunt it, and made room for the people who disagreed, because dissent made the plan better. Short on either one, we still produced a plan. It just wasn't the plan the decision deserved.

Business leaders run the same drill every year and call it strategic planning. The leadership team comes together to make the year's big calls: where the company is going, what to launch, which markets to enter, what to fund and what to stop. It's a planning sprint with the same two limits, too little time and too short a bench, and what comes out of it sets the course for everything after. Most of those decisions are one-way doors. Once you're through, it's hard to walk back.

The process those teams use isn't broken. It was built for a time when the clock ran slower, markets held still longer and the bench was deeper. That time is passing, and the way we decide hasn't caught up.

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Every Generation Gets New Tools

Anyone who worked through the arrival of the internet remembers the before and after. Companies that ran on mail, phone calls and filing cabinets learned to run on email, search and shared drives. The old way wasn't foolish. It fit the speed of the world it was built for, and when that speed changed, the work changed with it.

Spreadsheets did the same thing to finance. Teams that had spent days recalculating a model by hand could run a dozen scenarios before lunch. Nobody fired the accountants. Their work moved up, from doing the arithmetic to deciding what the numbers meant.

In 1935 the Army Air Corps was choosing its next bomber, and Boeing's entry crashed on takeoff at Wright Field. The crew was experienced; the pilot was the chief of flight testing at Wright Field. On an airplane with more to manage than anything they had flown, they missed one step, and the controls were still locked. The Army didn't respond by replacing pilots or simplifying the airplane. It wrote a checklist. Pilots didn't need one because they had bad memories. They needed one because everyone misses a step sooner or later, and in an airplane a missed step kills people. Every pilot still flies with a checklist, and every pilot is still in command.

GPS didn't take the navigator off the bridge, either. The military still teaches map and compass, because the tools change and the responsibility doesn't.

Each time, the tool took over the routine work and people kept the judgment, and most of them found their jobs had grown. Decision-making is next in line.

How a Big Decision Gets Made Today

Take one big decision inside a well-run company: buying a competitor, say, or opening a new region, or putting a quarter of next year's budget behind a single bet.

It usually starts as a question from the CEO or the board. A small team gets pulled together, and everyone on it already has a full-time job. They gather data, talk to the people who know the market and build a model. If the stakes are high, the company brings in a consulting firm for extra hands and an outside view, often so the board has more confidence in whatever comes back. Over several weeks the work becomes a deck, forty pages or sometimes eighty, with the recommendation up front.

The deck goes out before the meeting. The leadership team or the board meets for an hour or two, the sponsor presents, and people ask questions. The hard ones get answered in the room or in the hallway afterward. The decision gets made, and the plan moves to execution.

Months later someone asks why. The PowerPoint is sitting in an inbox somewhere. The people who argued the other side have moved on. The assumptions behind the decision were never written down as assumptions, so nobody can say which of them have since changed.

None of that is careless. Good companies have decided this way for decades, and plenty of those decisions turned out well. But it's worth being clear about what the process depends on.

What the Process Depends On

The first thing it depends on is time. McKinsey surveyed more than 1,200 executives and managers and found they spend 37 percent of their working time on decisions. Sixty-one percent of them said most of that time is used ineffectively. For an average Fortune 500 company, McKinsey estimated the cost at more than 530,000 days of managers' time a year, roughly $250 million in pay. Those numbers come from managers describing their own time, so they say more about the process than about anyone's effort.

It depends on people. The process works best when your most experienced people can step away from their day jobs and give a decision their full attention. In practice the bench is short. Your strongest people are already committed somewhere else, so the work falls to whoever is free or gets hired out at consulting rates. Even then, the consultants end up interviewing your own experts, because the knowledge the decision needs is inside your company.

It depends on memory. In Part I of this series I described how a decision memo carries perhaps twenty percent of what a team actually knows. The rest lives in the people. Today's process counts on those people being in the room and filling in what the document leaves out. That works while they stay. Teams change, people move on, and the reasoning goes with them.

And it limits what a leadership team can look at. Every company sees more opportunities than it has time to study properly: acquisitions, partnerships, new markets, new products. With a short bench and a full calendar, most get a quick look and some get none. Some are turned down for good reasons. Others are turned down because nobody had time to assess them, and those are opportunities missed without anyone deciding to miss them. Even the ones that get pursued are rushed. Paul Nutt studied more than 400 decisions made by top managers and found that about half failed, and that failure was four times more likely when leaders went with the first idea instead of weighing alternatives. When time runs short, the first idea usually wins.

The process was designed for a world where time and people were the price of a good decision, and most companies could afford it. A lot of leadership teams today can't pay that price on the timeline their decisions demand.

What Changed

Three things have changed at once. The first is the sheer amount of information a leader is expected to weigh. IDC estimated that the world created about 33 zettabytes of data in 2018, a zettabyte being a trillion gigabytes, and projected 175 zettabytes by 2025, more than five times as much in seven years. Inside companies, most of it is never used. In a 2020 IDC survey of 1,500 business leaders for Seagate, 68 percent of the data available to their companies went unused. More data doesn't make a decision easier. It makes the work of finding what matters harder, and telling the signal from the noise matters more now than it ever has.

The second is that a convincing recommendation got cheap. Any team can now produce a polished, confident recommendation in minutes, with AI writing the memo, building the model and drafting the summary. More analysis than ever is reaching leadership teams, and all of it looks finished, which adds to the noise rather than cutting through it. As I argued in Part I, the danger in the room was never a shortage of confidence. AI makes polished recommendations easy to produce. It does nothing to make the decisions behind them better.

I use AI myself, as more and more people now do. It helped me write this paper in a fraction of the time my papers took in graduate school, before these tools existed. The speed is real. But writing faster isn't the same as deciding better, and that difference is what this series is about.

The third change is that the work around the decision is being automated. AI assistants now read inboxes, prepare briefings and summarize meetings before an executive walks in. A lot of what used to fill a leader's day is being handled for them.

That leaves the decision itself as the part people still own, and it still runs on a process built for a slower time: the slides, the meeting, and the people who carry what the decks can't. Of everything a company does, it's the part that has changed least.

The decision is the last unimproved function.

What Formula 1 Figured Out

Formula 1 is the clearest example I know of a field that kept up with its times, and of what happens to the teams that didn't.

For much of the sport's history a race ran on the driver's feel and the mechanics' experience. Today every car carries more than 300 sensors sending back over 1.1 million data points a second. Engineers

watch that data live and change strategy while the race is still running. Drivers learn each track in a simulator before they arrive. Between sessions the team studies what the data showed and improves the car before it goes back out. Pit stops now take under two seconds; the record is 1.80.

That's continuous improvement: science, technology and discipline pointed at the same job, year after year. Lap times keep falling. Aviation, medicine and nearly every sport that keeps score have been through the same thing.

For leaders, the lesson has two halves. The first is that the old way can't compete. No team could turn up today with a thirty-year-old car and thirty-year-old methods and expect to qualify. Those methods weren't wrong; they won races in their day. The field moved, and anyone who stayed put fell off the pace.

The second half is that the driver still drives. All of that technology exists to make the driver faster and the team smarter, and nobody in the paddock wants a car without a driver in it. The technology supports the person in the seat. It doesn't take the seat.

Big decisions are at that same point now. The leader is the driver, and the call is theirs. The deck and the meeting are the thirty-year-old methods. They still work, but they're falling off the pace of the decisions leaders now face.

What the New Way Looks Like

The new way keeps people in charge and gives them what a modern race team gives its driver: a proven method, better information, and a way to get better every time.

A named leader makes the call, and the system never does. If the leader goes against what the analysis recommended, the record shows both, along with the reason.

Every big decision follows the same steps: frame the question, establish who decides, surface the assumptions, build real alternatives and test each one. After a few decisions the routine becomes second nature, the way it does for a pit crew.

You can see where every number and every claim came from, and what someone stated is kept apart from what was assumed. That's how a leader knows what a recommendation actually rests on.

The case against the decision stays on the page. Each assumption carries a confidence rating. The strongest argument against the choice is written down instead of left in the hallway, and the conditions that would prove the decision wrong are agreed before the commitment, not discovered after it.

The effort matches the stakes. A decision you can't undo gets the full treatment, and one you can easily reverse gets a lighter one. This is where time and people come back: a small team, or even a single leader, can do with a proven method what used to take a full planning team and a consulting engagement.

And every decision leaves a record of what was decided, why, and what would change it. The record stays after the people who made the call move on, and over time it shows a leadership team where its judgment is strongest and where it needs help, the way a race team learns from every lap.

So the new way changes four things. The process is new: a proven method instead of a blank page and a deadline. The technology is new: the gathering, organizing and testing that used to take a team weeks now takes hours. The floor comes up, because every decision starts from a complete and consistent base, which frees leaders for the part only they can do, weighing the trade-offs and making the call. And it gets better with use, since each decision teaches the next one. None of the speed comes from skipping steps. It comes from the days that no longer disappear between them.

The Old Way and the New Way

	THE WAY WE DECIDE TODAY	THE NEW WAY
Who decides	Leaders, in a meeting	Leaders, with the full reasoning in front of them
Time	Weeks to build the analysis and the deck	Hours to days
People	Whoever is available, plus consultants	The same team, with a proven method doing the heavy lifting
What the decision-maker sees	A story and a recommendation	The recommendation, the case against it, and the facts it rests on
Assumptions	Buried in the spreadsheet	Written down, rated and tested
Disagreement	Voiced in the hallway	Written into the record
Memory	The deck, and whoever was in the room	A permanent record
After the decision	Carry on until something breaks	Check it against what actually happens, and revisit it when it breaks

What It Means for CEOs, Boards and Private Equity

For a CEO and the executive team, the new way gives back time: the planning sprint, the acquisition window, the market that won't wait. The team spends its hours on judgment rather than on assembling the inputs.

For a board, it changes what arrives. Today a board often sees one recommended option, already shaped. With the new way it also sees the alternatives that were considered, the case against the recommendation, and the conditions management agreed to in advance. Oversight becomes a review of the reasoning, not only the conclusion.

For private equity and its portfolio companies, it eases the problem every operating partner knows: more decisions than people to make them. A portfolio company CEO with a lean team can bring the board a decision with the rigor of a full diligence process. The firm gets one standard across every company it owns, and a record of every major call that outlasts management changes and, eventually, the sale.

That's what I built Pronoa to do. It walks a leadership team through a proven eighteen-step method, leaves the leader in charge of the call, and keeps a permanent record of every decision, including the options that weren't chosen. Checking each decision against what actually happens comes next.

Why People Stay in the Loop

Every new generation of tools has brought the same fear: that the tool would replace the people using it. Every time, the people who learned the tool ended up doing more important work.

Decisions will go the same way. Leaders who adopt a new way of deciding won't hand their judgment to a machine. They'll put more of their limited time and people into judgment and less into everything around it. Their decisions will come faster where speed matters, get more care where the door only swings one way, and be remembered long after the people who made them have moved on.

Today's process served its time well, and the time has changed. No race team wins today with the methods that won thirty years ago, and no leadership team will either. The companies that change how they decide first will build an advantage that grows with every decision they make.

Every leader I have served with has faced the same trade-off: decide fast, or decide well. The leaders who change how they decide will no longer have to choose.

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THE DECISION GAP

A series on decision governance: where the way organizations make their biggest decisions falls short, and what it takes to fix it.

Part III asks a question most leadership teams have never asked: what happened to the deals you passed on? The decisions you turned down may tell you more about your judgment than the ones you made.

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