



4 Tools & Strategies for Enhanced Decision-Making

Business Tips

Business leaders make hundreds of decisions every day, many of which influence the success of the business as a whole. No pressure, right? That's why one of the top skills sought after for managers is the ability to make efficient, informed, and effective business decisions.

The typical decision-making process involves defining the problem, gathering information, identifying alternatives, choosing among the alternatives, and reviewing/monitoring the results. There are many different techniques that are used by managers to help them choose among the alternatives and make a decision. In some instances, it may

be a combination of a couple different strategies that help them achieve the best results. What works for some organizations may not work for others, and what works for making one decision may not work for the next. We've compiled this list to help narrow things down and give you an idea of what some of the more popular tools and strategies for decision-making are.

Top Decision Making Tools & Strategies

Marginal Analysis



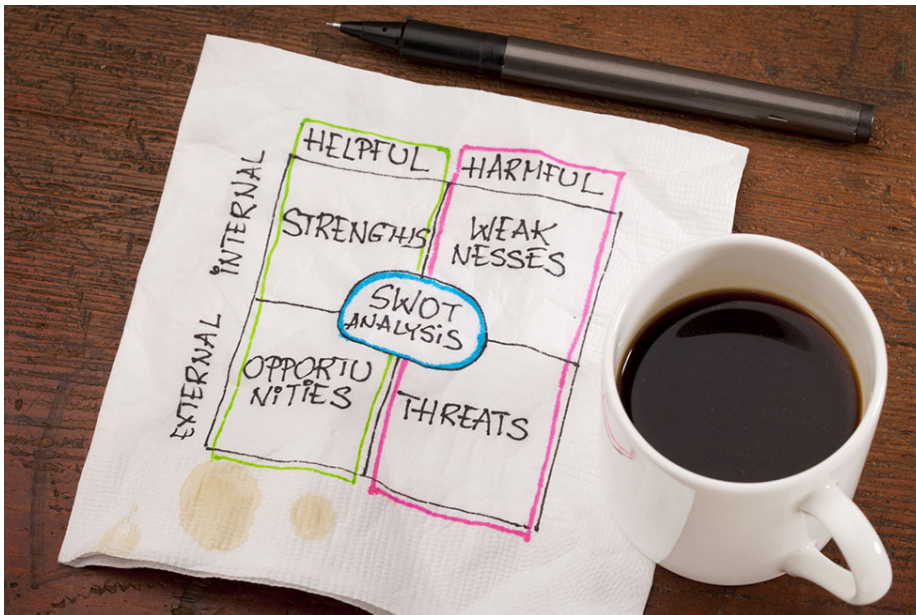
Marginal analysis weighs the benefits of an input or activity against the costs. This type of analysis helps business leaders determine whether and activity or input is providing the maximum return-on-investment (ROI). **Marginal analysis** is an effective tool for decision-making because it takes preferences, resources, and informational constraints into

account, so managers can make more optimal decisions based on this information.

To conduct a marginal analysis, you need to change a variable, such as the quantity of an input you use, or the volume of output you produce. Once you've identified that variable, determine what the increase in total benefits would be if one more unit of the control variable were added. This is considered the marginal benefit of the added unit.

Likewise, the marginal cost of the added good should also be calculated. The marginal cost is – you guessed it – the increase in total cost if one more unit of the control variable were added. If the marginal benefit outweighs the marginal cost, then there is a “net benefit” and the marginal unit of the variable should be added.

SWOT Diagram



When you are planning to make a **significant change in your business**, SWOT diagrams can help you break down the situation into four distinct quadrants:

- **S**trengths: What does your company do better than its competitors? Think of both internal and external strengths that you possess.
- **W**eaknesses: Where can your company improve? Try to take a neutral approach and consider what factors may be hurting your business.
- **O**pportunities: Look at your strengths and think of how you can leverage them to create new openings for your business. Also consider how eliminating a specific weakness could open you up to a new opportunity.
- **T**hreats: Determine what challenges stand in the way of achieving your goals. Identify the primary threats to your organization.

A **SWOT Analysis** can help you identify the forces that influence a strategy, action, or initiative. This information can then be used to guide you in the right direction and support your business decisions. To get the full picture, it's essential to take multiple viewpoints into account. When you enlist the help of other team members and stakeholders, it is easier to spot trends, patterns, and connections between the quadrants. Taking a collaborative approach can also offer deeper insight into potential opportunities and threats you may not have been able to identify alone.

Read next: *Data Driven Decisions, Learning, and Cognition*

Decision Matrix



When you are dealing with multiple choices and variables, a decision matrix can bring clarity to the disarray. A **decision matrix** is similar to a pros/cons list, but it allows you to place a level of importance on each factor. That way, you can more accurately weigh the different options against each other.

How to Create a Decision Matrix:

- List your decision alternatives as rows
- List relevant factors as columns
- Establish a consistent scale to assess the value of each combination of alternatives and factors
- Determine how important each factor is towards making your final decision and assign weights

accordingly

- Multiply your original ratings by the weighted rankings
- Add up the factors under each decision alternative
- The option that scores the highest wins

Decision Matrix Example:

In this example, a company is trying to make a decision about which vendor they should work with for an upcoming project. The factors they are using to evaluate each option are: capabilities, reputation, reliability, and price. They care more about the capabilities and price than the reputation and reliability of the vendor, so they weighted the importance of those factors accordingly. Based on the results from their decision matrix, they should be able to confidently decide on Vendor 2.

	Capabilities	Reputation	Reliability	Price	Totals
<i>Importance</i>	2	1	1	2	
Vendor 1	8	3	3	7	36
Vendor 2	9	7	7	3	38
Vendor 3	2	6	9	8	35

Pareto Analysis



The Pareto Principle helps in identifying changes that will be the most effective for your business. The principle is named after economist Vilfredo Pareto, who found that an 80/20 distribution occurs regularly in the world. In other words, 20% of factors frequently contribute to 80% of the organization's growth.

An example of this principle applying to business management would be 80% of sales coming from 20% of your customers. A business can leverage the Pareto Principle by identifying the characteristics of the top 20% of their customers and finding more customers like them. When you can identify what small changes will make the largest impact, you are able to prioritize the decisions that have the highest level of influence. This allows managers to dedicate their energy and resources on what will actually move the needle for their business.

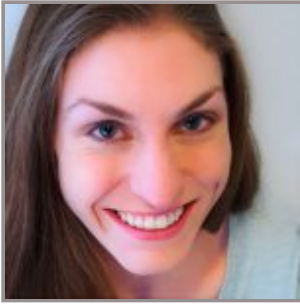
The Next Step: Reviewing Your Decision & Making Adjustments



Once you've determined which strategies best aid in your decision-making, you can't stop there. Being able to consistently make the right decisions is too important. In fact, decision effectiveness is **95% correlated** with financial performance, so it is critical for managers to keep track of the decisions they make and how they turn out. Decision-making is an on-going process, and the best way to keep up is to use data dashboards.

Dashboards allow managers and executives to get information from multiple data sources in one system, so they can see how the business is performing against their goals. Plus, company data can be accessed in real-time, so managers can make quick decisions and adjustments based on what is working and what is not. Interested in seeing how a dashboard can help you make more informed, objective decisions? [Click here to schedule a personalized demo.](#)

Jennifer Horne Sr. Digital Marketing Coordinator



@iDashboards

Jennifer Horne handles SEO, PPC, content and digital marketing for iDashboards. She has won multiple 30 Rock trivia competitions, makes a mean green curry, and loves living in Detroit.



GET THE GUIDE

Fundamental Design Principles for Dashboards

Even if you're not the artistic type, this guide will have you thinking like a graphic designer and making informed choices that support your data narrative.

First Name

Last Name

Company

Email

GET THE GUIDE

Comments

20 Ways Introverts Can Have The Success They Choose – Hypnosis Downloads by HypnosisFirst

October 2, 2019 at 10:04 am

[...] not familiar with this approach to business (and life, frankly), you can check out this article

(<https://www.idashboards.com/blog/2019/04/10/4-tools-strategies-for-enhanced-decision-making/>) and

probably find a class at a local college or even online at a place like Udemy. It's worth [...]

[Reply](#)

HENRY KEBABE

January 31, 2020 at 7:39 am

This is a very good piece of work. Keep up!!!!

[Reply](#)

Your email address will not be published. Required fields are marked *

iDASHBOARDS

900 Tower Dr | 4th Floor

Troy, MI 48098

(248) 528-7160

[Contact us](#) [f](#) [t](#) [in](#)

PRODUCT

Features

Data Hub

Data Connections

Upgrades

Pricing

LEARN MORE

Learn Portal

Examples

Solutions

Customers

Support

ABOUT US

Company

Careers

Partners

Blog

Conference

→ STAY IN TOUCH

Get the latest news from iDashboards and cool stuff.

© 2020 iDashboards. All rights reserved. [Privacy](#) | [Terms](#)