: What is high-velocity decision making?

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Strategic, consequential decisions can and often should be made using a high-velocity, high-quality decision making process. High-velocity decision making is a new label for a familiar idea. Use streamlined, rapid decision processes focused on issues, yet make sure the processes are thoughtful and goal-oriented. Jeff Bezos, Founder and CEO Amazon.com, Inc., in his 2016 and 2017 shareholder letters discusses decisions and decision making. His ideas are very relevant to managers interested in using analytics and decision support to improve decision making outcomes. Bezos advocates for high-velocity, high-quality decision making for consequential and *reversible* decisions.

Bezos (2016) states "One common pitfall for large organizations – one that hurts speed and inventiveness – is 'one-size-fits-all' decision making."

Rule 1: Know what kind of decision you are trying to make. Is it a Type 1 consequential and irreversible decision? If so, fit the decision to an appropriate process.

Bezos notes "Some decisions are consequential and irreversible or nearly irreversible – one-way doors – and these decisions must be made methodically, carefully, slowly, with great deliberation and consultation. If you walk through and don't like what you see on the other side, you can't get back to where you were before. We can call these Type 1 decisions. But most decisions aren't like that – they are changeable, reversible – they're two-way doors. If you've made a suboptimal Type 2 decision, you don't have to live with the consequences for that long. You can reopen the door and go back through. Type 2 decisions can and should be made quickly by high judgment individuals or small groups."

Note: I assume a "high judgment" individual is a person with experience and good judgment.

Bezos argues "As organizations get larger, there seems to be a tendency to use the heavy-weight Type 1 decision-making process on most decisions, including many Type 2 decisions. The end result of this is slowness, unthoughtful risk aversion, failure to experiment sufficiently, and consequently diminished invention [see note 1]. We'll have to figure out how to fight that tendency."

Bezos Note [1] "The opposite situation is less interesting and there is undoubtedly some survivorship bias. Any companies that habitually use the light-weight Type 2 decision-making process to make Type 1 decisions go extinct before they get large."

In his 2017 letter Bezos, explains high-velocity decision making:

"I've been reminding people that it's Day 1 for a couple of decades. I work in an Amazon building named Day 1, and when I moved buildings, I took the name with me. I spend time thinking about this topic."

"'Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it is always Day 1.' ..... "

"Day 2 companies make high-*quality* decisions, but they make high-quality decisions slowly. To keep the energy and dynamism of Day 1, you have to somehow make high-quality, *high-velocity* decisions. Easy for start-ups and very challenging for large organizations. The senior team at Amazon is determined to keep our decision-making velocity high. Speed matters in business – plus a high-velocity decision making environment is more fun too. We don't know all the answers, but here are some thoughts."

Rule 2: Strive to make high-quality, high-velocity decisions.

How are high-quality, high-velocity decisions made?

"First, never use a one-size-fits-all decision-making process. Many decisions are reversible, two-way doors. Those decisions can use a light-weight process. For those, so what if you're wrong?"

"Second, most decisions should probably be made with somewhere around 70% of the information you wish you had. If you wait for 90%, in most cases, you're probably being slow. Plus, either way, you need to be good at quickly recognizing and correcting bad decisions. If you're good at course correcting, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure."

Rule 3: 70 percent of the information is usually enough for most decisions. Consider the tradeoff between seeking more information and a slower decision.

"Third, use the phrase 'disagree and commit.' This phrase will save a lot of time. If you have conviction on a particular direction even though there’s no consensus, it’s helpful to say, 'Look, I know we disagree on this but will you gamble with me on it? Disagree and commit?' By the time you’re at this point, no one can know the answer for sure, and you’ll probably get a quick yes."

Bezos provides an example "This isn’t one way. If you’re the boss, you should do this too. I disagree and commit all the time. We recently greenlit a particular Amazon Studios original. I told the team my view: debatable whether it would be interesting enough, complicated to produce, the business terms aren’t that good, and we have lots of other opportunities. They had a completely different opinion and wanted to go ahead. I wrote back right away with 'I disagree and commit and hope it becomes the most watched thing we’ve ever made.' Consider how much slower this decision cycle would have been if the team had actually had to *convince* me rather than simply get my commitment."

"Note what this example is not: it’s not me thinking to myself 'well, these guys are wrong and missing the point, but this isn’t worth me chasing.' It’s a genuine disagreement of opinion, a candid expression of my view, a chance for the team to weigh my view, and a quick, sincere commitment to go their way. And given that this team has already brought home 11 Emmys, 6 Golden Globes, and 3 Oscars, I’m just glad they let me in the room at all!"

Rule 4: Trust other managers and know when to respectfully disagree and go along with the group.

"Fourth, recognize true misalignment issues early and escalate them immediately. Sometimes teams have different objectives and fundamentally different views. They are not aligned. No amount of discussion, no number of meetings will resolve that deep misalignment. Without escalation, the default dispute resolution mechanism for this scenario is exhaustion. Whoever has more stamina carries the decision.
I’ve seen many examples of sincere misalignment at Amazon over the years. When we decided to invite third party sellers to compete directly against us on our own product detail pages – that was a big one. Many smart, well-intentioned Amazonians were simply not at all aligned with the direction. The big decision set up hundreds of smaller decisions, many of which needed to be escalated to the senior team."

Rule 5: Know when senior management should make the "big" decision.

As Bezos explains "'You've worn me down' is an awful decision-making process. It's slow and de-energizing. Go for quick escalation instead – it's better."

Bezos asks "So, have you settled only for decision quality, or are you mindful of decision velocity too? Are the world's trends tailwinds for you? Are you falling prey to proxies, or do they serve you? And most important of all, are you delighting customers? We can have the scope and capabilities of a large company and the spirit and heart of a small one. But we have to choose it."

Case studies and news stories at DSSResources.com suggest that high-velocity environments are increasingly common and that managers must learn to make high-velocity decisions to remain relevant and part of the decision process. Managers must develop fast, incremental processes for Type 2 decisions in high-velocity decision environments or these decisions will be increasingly made by software algorithms. In rapidly changing environments, people will be eliminated from many decision processes because they are too slow. Highly-structured Type 2 decisions will be automated. Also, business analytics can be used to analyze and understand business data that can be used to make high-velocity decisions.

Rule 6: Learn to make Type 2 reversible decisions quickly while keeping goals in mind (or become increasingly irrelevant).

High-velocity decision making is not the same as high speed decision making. High speed decision making describes only how fast decisions are made, while high-velocity decision making means decisions are made quickly and in a goal-oriented direction. High-velocity decision making means a decision maker is aware of and considers the goals that are being pursued. If the decision is reversible, non programmed decisions about new, novel situations requiring innovation can be made using a high-velocity, high quality decision making process.

Bezos' views are similar to but do differ from results of Bourgeois and Eisenhardt's (1988) decision making research. In their classic study, Bourgeois and Eisenhardt investigated how executives make "strategic decisions in industries where the rate of technological and competitive change is so extreme that market information is often unavailable or obsolete, where strategic windows are opening and shutting quickly, and where the cost of error is involuntary exit." They noted "Our results consist of a set of paradoxes which the successful firms resolve and the unsuccessful firms do not. We found an imperative to make major decisions carefully, but to decide quickly; to have a powerful, decisive CEO and a simultaneously powerful top management team; to seek risk and innovation, but to execute a safe, incremental implementation. Despite the apparent paradox, effective firms do all of these simultaneously."

In a related study published in 1989, Eisenhardt reported that her "results link fast decisions to several factors, including the use of real-time information, multiple alternatives, counselors, consensus with qualification, and decision integration." She also noted "the emergent perspective highlights emotion as integral to high stakes decision making. ... emotion is critical for understanding strategic decision making."

Rule 7: Strategic, consequential, irreversible Type 1 decisions should be made using a high-quality decision making process that is methodical, careful, and thoughtful, and made with great deliberation and consultation.

Strategic decisions are important, usually with long-term consequences, and with large resource commitments. By definition strategic decisions are consequential and some are not reversible. Reversibility means senior managers are able to change, roll-back and reverse a decision and that the actions to implement the decision can be undone. Rather than two states, reversible and irreversible, there seems to be a vague continuum of decision reversibility ranging from completely irreversible to completely reversible. For example, Bezos notes some decisions are "nearly irreversible."

High-velocity decision making at Amazon under Jeff Bezos is apparently effective. Making successful strategic decisions in an environment of rapid change does create paradoxes we only partially understand. One aspect of the decision process paradox is captured in the question -- **How do we know when and if a decision is reversible?**

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