



KNOWLEDGE BITES - BROUGHT TO YOU BY D&M RESEARCH

Welcome to Knowledge Bites, periodic bite sized pieces of knowledge exchange, designed to be consumed immediately without ruining your appetite for the rest of the day.

THE VALUE OF A GOOD DECISION



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In February 2009, D&M surveyed 200 business decision makers (BDM's) across a range of industries and enterprise sizes. The study aimed at understanding the value of decision-making; giving it a dollar value.

This Knowledge Bites will explore how the value of decision making varies by business size, what the top areas within firms require significant decisions, and how decision-makers might go about ensuring they get it right.





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Last Significant Business Decision.

Respondents were asked in which area (Sales & Marketing, Advertising & Marketing Communications, Operations, HR & Staffing etc) their last significant business decision was made.

Overall results showed that around 1 in 3 significant decisions related to Sales & Marketing (18%) or Advertising & Marketing Communications (15%).

Advertising & Marketing Communications was highest amongst businesses with turnover \$1m to \$5m at around 1 in 4 (24%).

Sales & Marketing in general was highest amongst those with \$500K to \$1m turnover at 29%, followed by those with more than \$5m turnover at 18%.

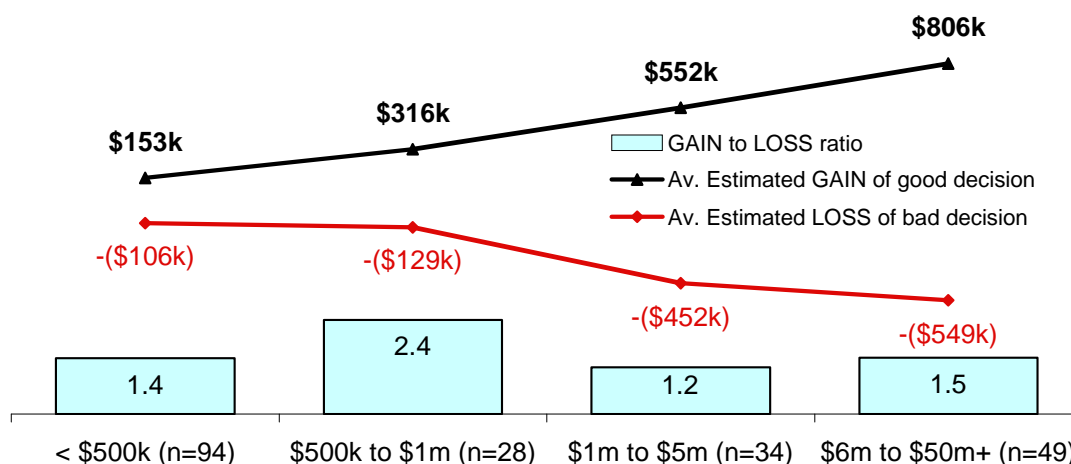
Across the sample other key areas were Operations (17%) and IT (15%), followed by Legal & Accounting (9%) and HR & Staffing (8%).

How much is your next decision worth?

Business decision makers were asked to estimate the value of their next big decision, in terms of the likely dollar amount to business stood to gain or loss depending on the outcome.

The chart below shows the average “range of risk” by business size, and the gain-to-loss ratio, in terms of the size of gain compared to the potential loss.

The Range of Risk (by company size)





As can be seen, making the right decision is likely to really pay off for businesses. Potential good decision gains for businesses were significant, ranging from an average of \$150K for small operators, up to over half a million dollars for companies with turnovers of \$1m or more.

Almost 1 in 10 (9%) put the value of their next decision as having a potential gain of over \$1m if they were right!

The price of a bad decision.

While it's easy to be focussed on the rewards of a correct decision, making a bad decision was also likely to have a significant financial impact.

Smaller businesses estimated that a poor decision would cost them around \$100K, while potential loss for those with revenue over \$1m averaged around half a million dollars.

For around 1 in 14 (7%), a bad decision could potentially cost the business over \$1 million!

Gain vs Loss

It is interesting that the size of the potential gain relative to the estimated loss remains similar even as business sizes increases, except for medium firms with revenue between \$500K and \$1m. Here average gains are predicted to be more than 2 times that of a loss.

Across all business decision makers and sizes, averages by key areas were:

	Gain	Loss	G-L ratio
Ad & Marketing Communications:	\$606K	\$255K	2.4
Sales & Marketing:	\$480K	\$209K	2.3
Operations:	\$451K	\$353K	1.3
IT:	\$366K	\$463K	0.8

As can be seen from the table above, the relative predicted pay-off from a good decision against potential losses is biggest for the areas of Advertising, Sales and Marketing.





Getting it right

How can key decision makers ensure they get it right? Traditionally the areas of Advertising and Marketing are best supported by sound market research, which makes sense if potential gains are likely to be more than 2 times losses.

Conclusions

Consider how businesses might increase their chances of making the right decision, via careful planning and research.

Of course D&M offer the full range of research-based decision support solutions to put you in the most informed position for making the best choice for your business.

SECOND HELPINGS!

Want to know more? We are happy to provide more details on any of the information in Knowledge Bites. To get dessert please forward your requests to Trudie at trudie@dandmresearch.com.au or call us on 02 9565 2655.

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Decision Making Study 2009 - D&M Research P/L February 2009. National on-line survey of n=205 Business Decision makers. February 2009.

