



Strategic Decisions Group

# Building Organizational Decision Quality

Presented to:  
DAAG 2010 Orlando, FL

Carl Spetzler

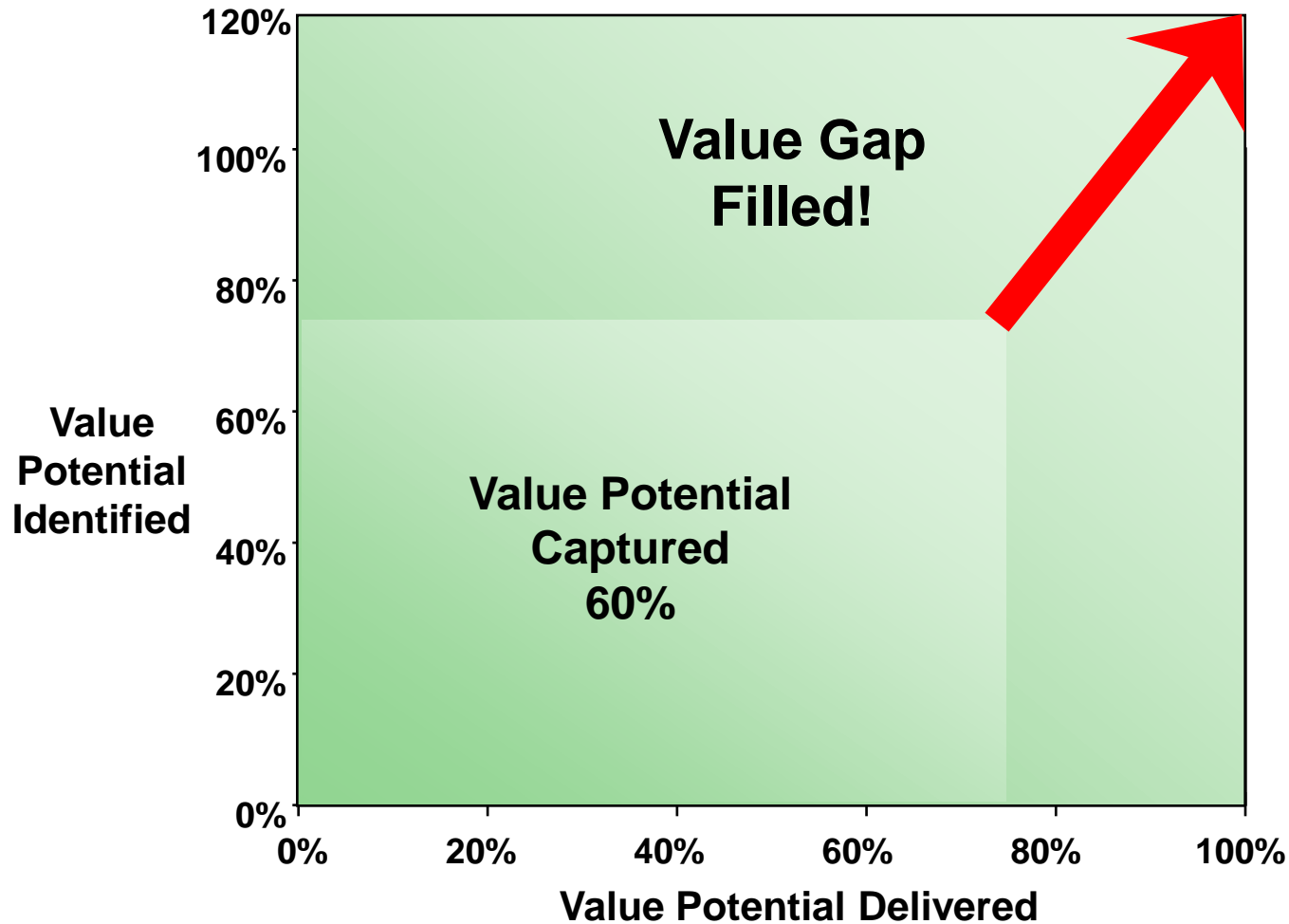
22 April 2010

# Agenda

## Organizational Decision Quality (ODQ)

- Closing the Value Gap with ODQ
- Building Organizational Decision Quality
- Setting Standards for Benchmarking ODQ

# Organizational Decision Quality (DQ) captures 30–100% more value in decision situations.



# Why do organizations leave so much value on the table?

Because decision-makers satisfice. They ...

- Fail to measure the value of their decisions
- Don't explicitly identify and quantify sources of risk and their impacts
- Identify and punish bad outcomes (“errors of commission”), while ignoring lost opportunities (“errors of omission”)
- Don't actively optimize and manage their portfolio of assets
- Fail to consider strategic alternatives
- Compromise on acceptable solutions to avoid conflict.

Because decision-makers are human – and humans are not wired to make quality decisions instinctively. We settle for “good enough” ...

**... but we can learn and build DQ skills as individuals and in organizations.**

# Companies that have embraced decision quality are reaping great benefits.

- **Create more value**

- Smarter, faster, more creative strategic decisions
- Clear line-of-sight to value
- Take the smart risks; pass on the others

*“The use of these processes and tools encouraged innovative thinking that challenged conventional thought paradigms.”*

**David Leonhardi,  
Executive Consultant, Boeing**

*“Most of our decision executives would say they believe the process does create significant value for the company.”*

**Frank Koch,  
Decision Analysis Practice Leader, Chevron**

- **Implement more quickly, with lasting change**

- Due to the smarter choices
- Due to organizational alignment
- No wasted effort “reworking” decisions

*“By investing in the decision-making capabilities of our people, we achieved significant financial returns, by eliminating poor investments, not losing attractive deals, and structuring deals to capture more upside and mitigate downside risk.”*

**President of a large  
private equity company**

- **Gain stronger competitive position**

- Decision making is a core competency
- Can be used to competitive advantage

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# **An organization has decision quality when all participants:**

## **1. Consistently make high quality decisions; it is second nature**

- Recognize and declare the right decisions
- Frame these decisions appropriately
- Make their decisions with clear “line of sight” to value.

## **2. Understand their decision roles and have the right skills**

## **3. Use efficient decision processes routinely and appropriately**

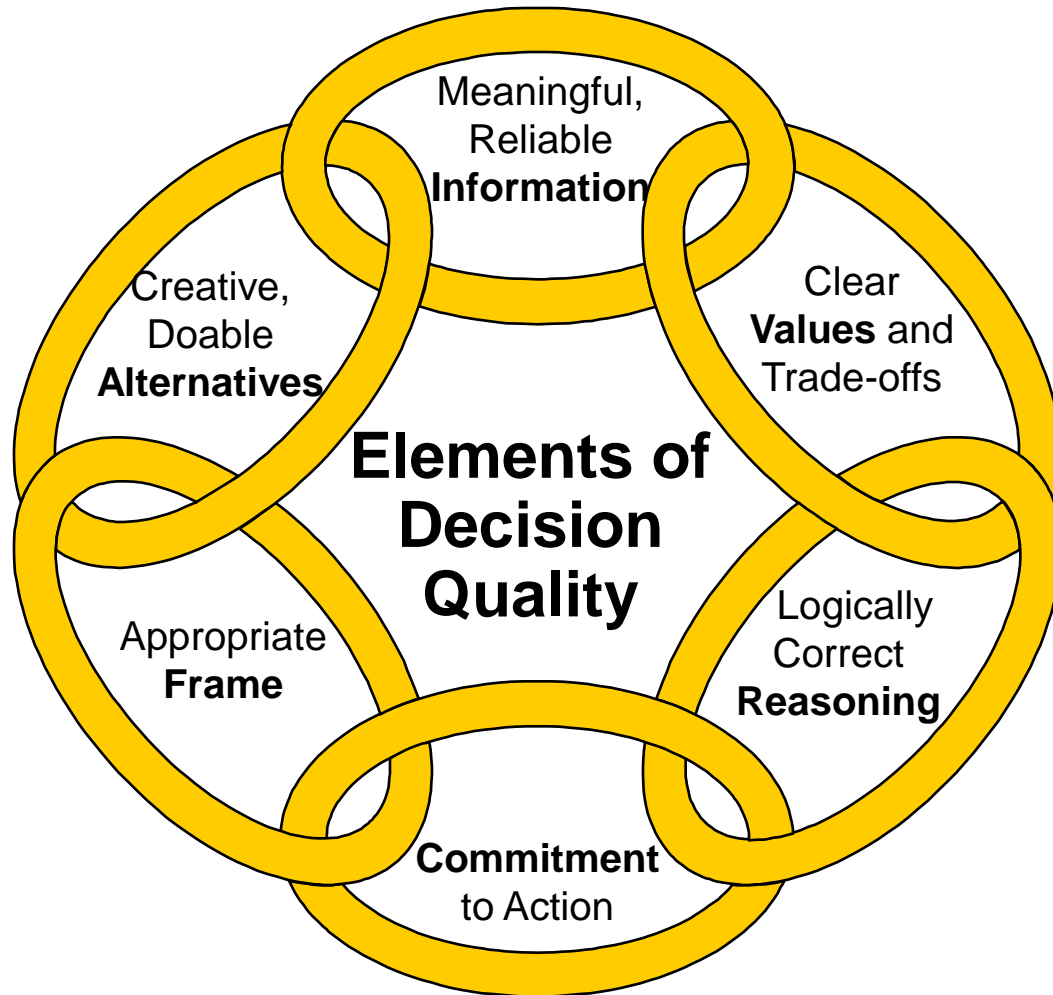
- Address each decision situation with the right balance of content, analytic rigor, and facilitation to reach a timely quality decision.

## **4. Are aligned around decision quality**

- Have a common language for and understanding of decision quality—including an understanding of value and value metrics
- Have a shared desire for decision quality, and walk the talk.

## **5. Continuously learn and improve decision quality.**




# Achieving quality in each of six elements produces quality in the overall decision.



Like a chain, overall quality is no stronger than the weakest link.  
***This is the goal of the decision-making process.***






# Major decisions typically require three distinct roles. The decision leader coordinates all roles.

Decision-Making Participants	Roles
 <p data-bbox="92 635 370 668">Decision-Makers</p>	<p data-bbox="434 511 1709 602">Making the decision and allocating resources to pursue the chosen course.</p>
 <p data-bbox="100 868 367 901">Decision Staff</p>	<p data-bbox="434 725 1835 873">Gathering content information, facilitating, analyzing alternatives, and integrating results to achieve clarity of direction and commitment to action by the decision-makers and the implementers.</p>
 <p data-bbox="96 1085 367 1159">Content Experts &amp; Implementers</p>	<p data-bbox="434 982 1734 1130">Providing facts and judgments necessary to understand the consequences of the decision. Bringing in implementers early in the decision-making improves successful execution.</p>

The decision leader coordinates the activities, and may be a key decision-maker, staff member, or content expert as well.

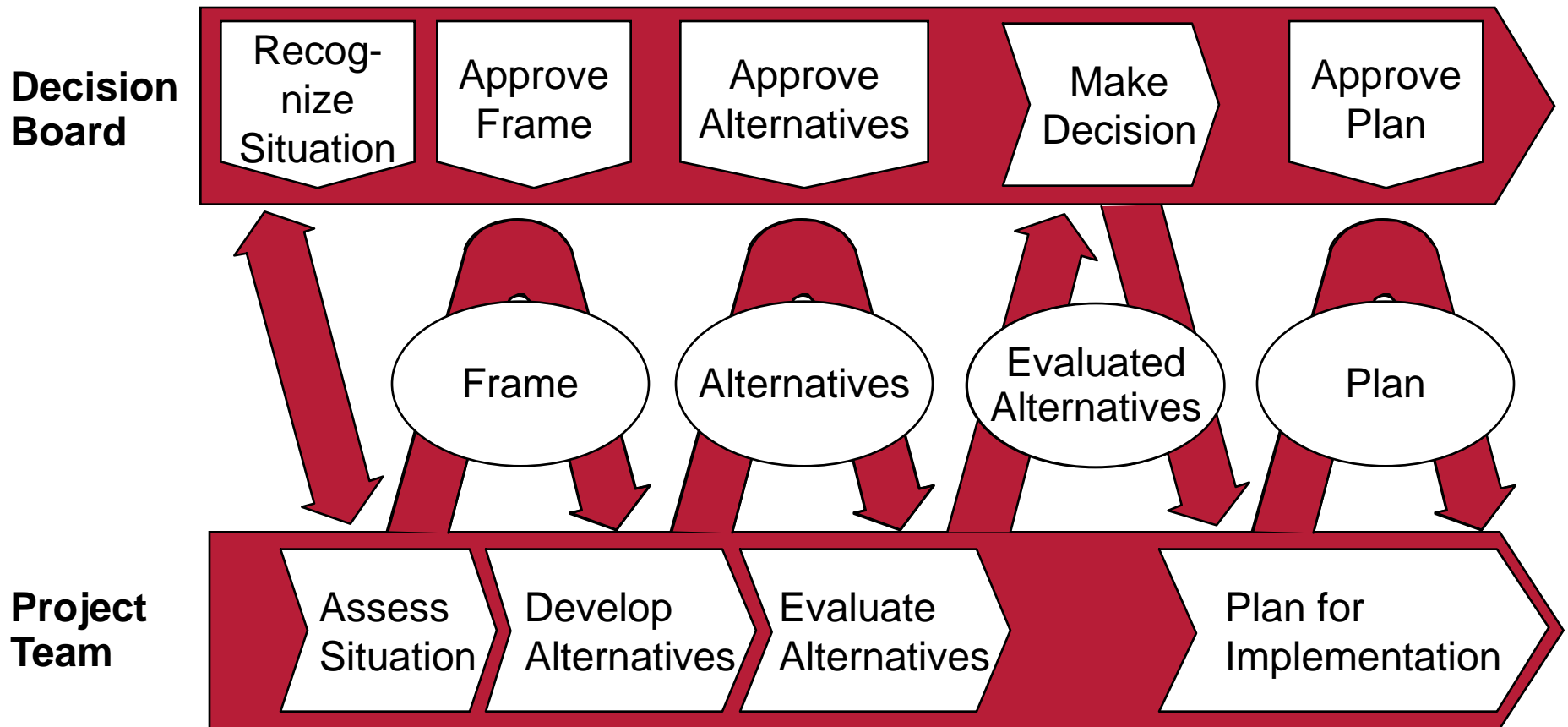
# Key to achieving organizational decision quality is developing appropriate skills at each level.

Decision-Making Participants	Skills Developed through Training and Coaching
 <p data-bbox="94 634 374 668">Decision-Makers</p>	<p data-bbox="436 489 1785 636">Understand how to declare the need, diagnose the decision situation, select, implement, and (when appropriate) lead the decision process to a high-quality decision.</p>
 <p data-bbox="98 866 369 901">Decision Staff</p>	<p data-bbox="436 739 1702 886">Master the soft skills (e.g., facilitation) and analytic skills (e.g., information gathering, decision analysis) and know how to lead the decision process to decision quality.</p>
 <p data-bbox="98 1086 369 1160">Content Experts &amp; Implementers</p>	<p data-bbox="436 986 1773 1133">Align with the goal (decision quality). Know how to provide high-quality information with minimum bias; understand the decision process, and routinely make high quality decisions when implementing decisions.</p>

The skills are developed in classroom training, real-time coaching, and experience participating in decision processes.

# A rigorous process requires structured interactions with well-defined deliverables and analysis.

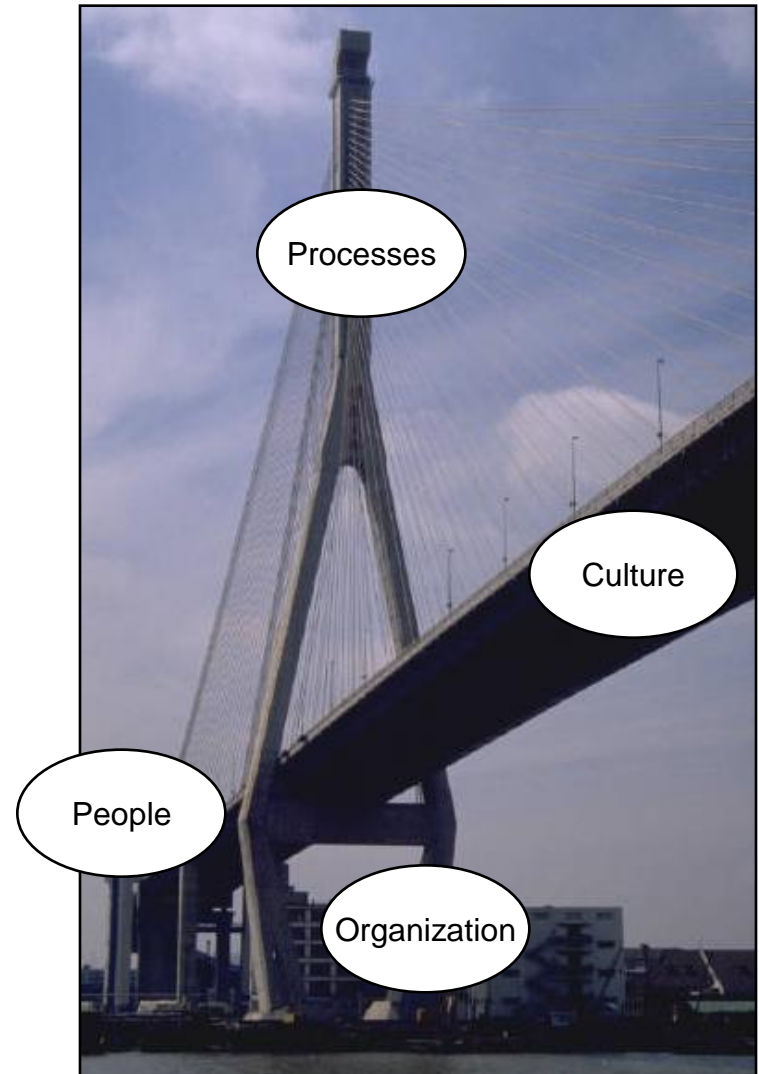
## Dialogue Decision Process



The actual decision situation dictates the appropriate number of interactions.

# The most effective cultures of decision quality achieve a state of organizational congruence.

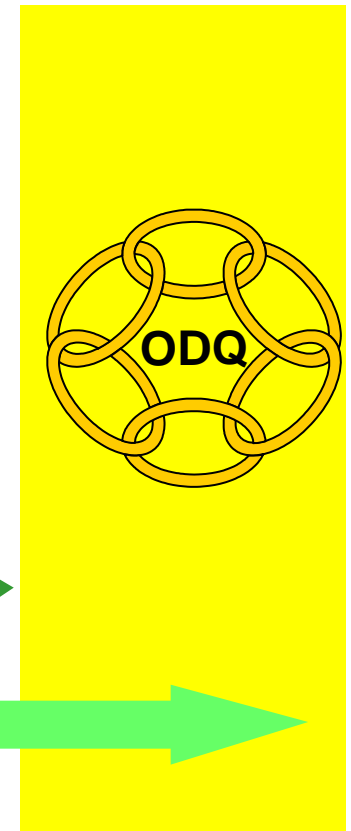
- Common language and philosophy of decision-making
- Shared understanding of value and value metrics
- Shared objective of decision quality
- Organizational Congruence:
  - Alignment of people, processes, culture, and organization
  - Working in harmony that is self-reinforcing
  - Knowing that failure arises from just one broken part!



# The most successful organizations have systematically progressed through six stages to achieve ODAQ.

## Stages of Building Organizational Decision Quality

1. Win the right sponsorship
2. Diagnose the situation
3. Design the transformation program
4. Demonstrate the process and its value
5. Implement in stages
6. Learn, reinforce, and improve



# The building blocks of ODQ are combined into a tailored ODQ program.



## People

• Decision Makers	2 day	Decision Boards: Coaching	★ Certification
• Decision Staff	2 week	Pilot Projects: Analyst w/ Coaching	Facilitation ★ Projects
• Content Experts	1 day	Project Participation	Prob. Asmt. ★
• Implementers	1 day	Project Participation	★

## Processes and Tools

• DDP	Customize Process	Apply / Review	Track Performance
• DQ Process	Design	Refine / Integrate	
• Portfolio Process	Design Process	Pilot Application / Integration	Roll-out

### Key

Classroom Training

Process Design

High-Value Applications

Ongoing Application

# Important lessons have been learned from the early attempts at building organizational decision quality.

- It is easy to adopt the form and the tools of decision quality; but achieving its true substance is harder.
- Common failure modes include:
  - Training analysts and focusing only on better tools
  - Dealing only with analytical complexity, while ignoring organization and content
  - Facilitating only organizational agreement, while ignoring the analytical and content complexities
  - Building decision quality piece meal, often with inadequate resources — not achieving congruence
  - Inadequate training and mentoring for process leaders
  - Bureaucratic decision process — creating a “process monster”
- Perhaps the most common failure mode is not maintaining the right sponsorship.

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- Survey Goals
- Survey Participants and Structure
- Survey Results
- Key Learnings
- What's Next

# Our Goal is benchmarking the institutionalization of Decision Quality processes and methods

## Strengthen Current Teams

- Share best practices
- Identify internal expansion opportunities
- Provide a benchmark for internal review

## Expand into New Practice Areas

- Help expand the reach of DQ into new organizations
- Provide a standard for practice leaders

## Identify Improvement Opportunities

- Identify areas of improvement within organizations
- Identify new needs and opportunities

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# Benchmarked six leading organizations about their implementation of Decision Quality

Participants include:



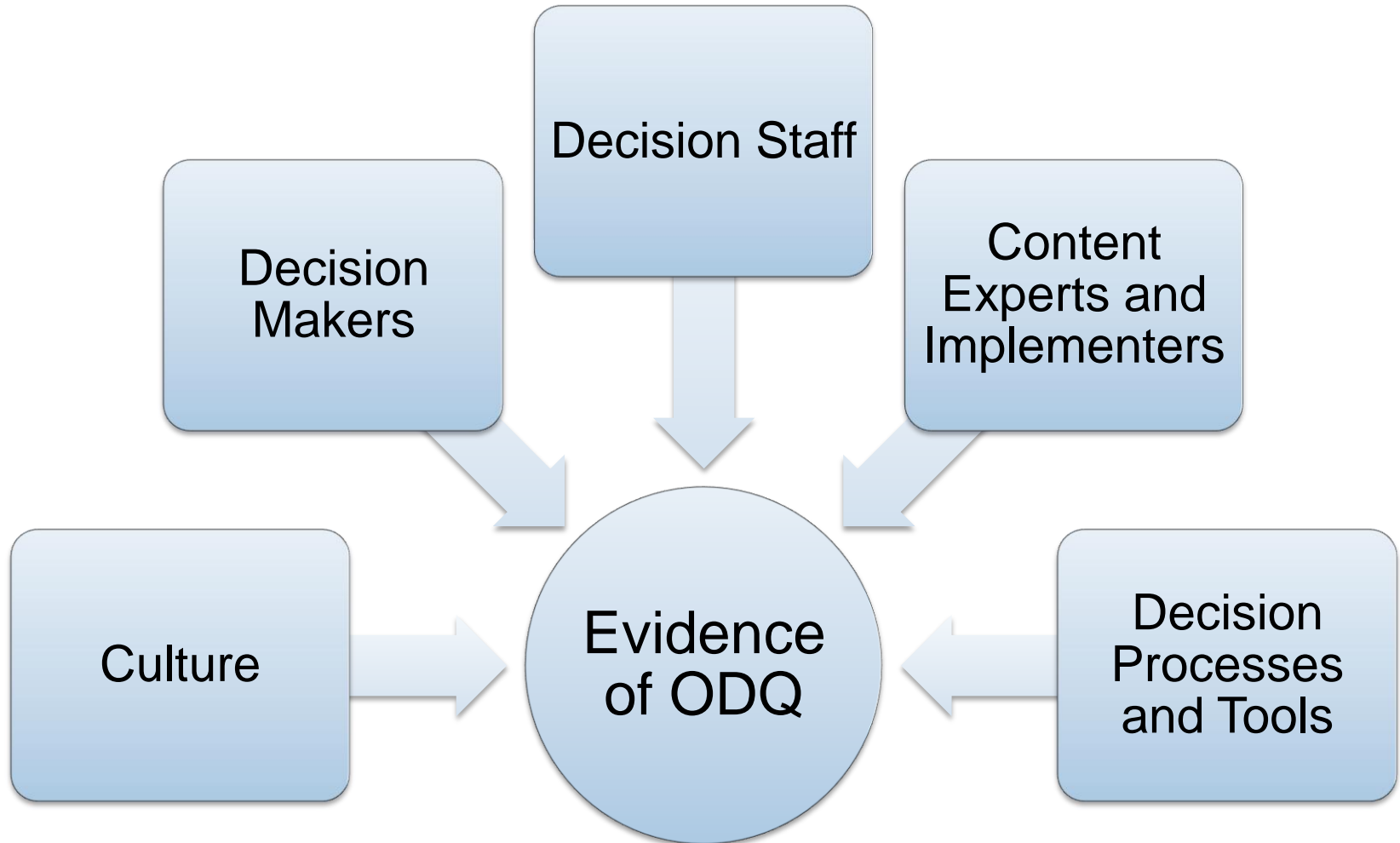
Unilever



Large Systems  
Multinational



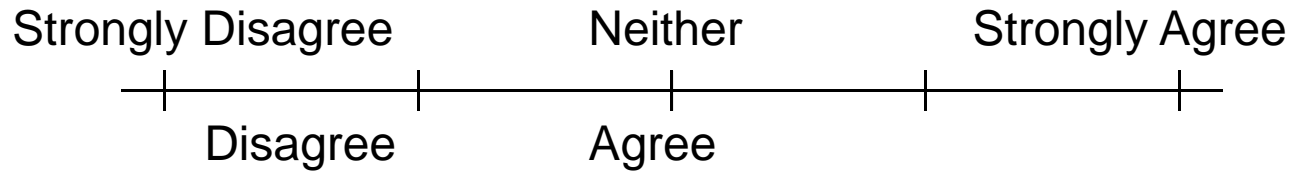
# We have organized the assessment of ODQ into six categories.



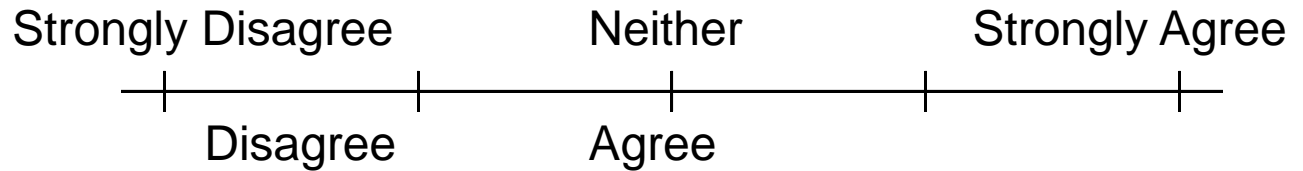
# Within each category, we benchmarked the organization's level against a five point scale.

Category 1

Question 1



Question 2



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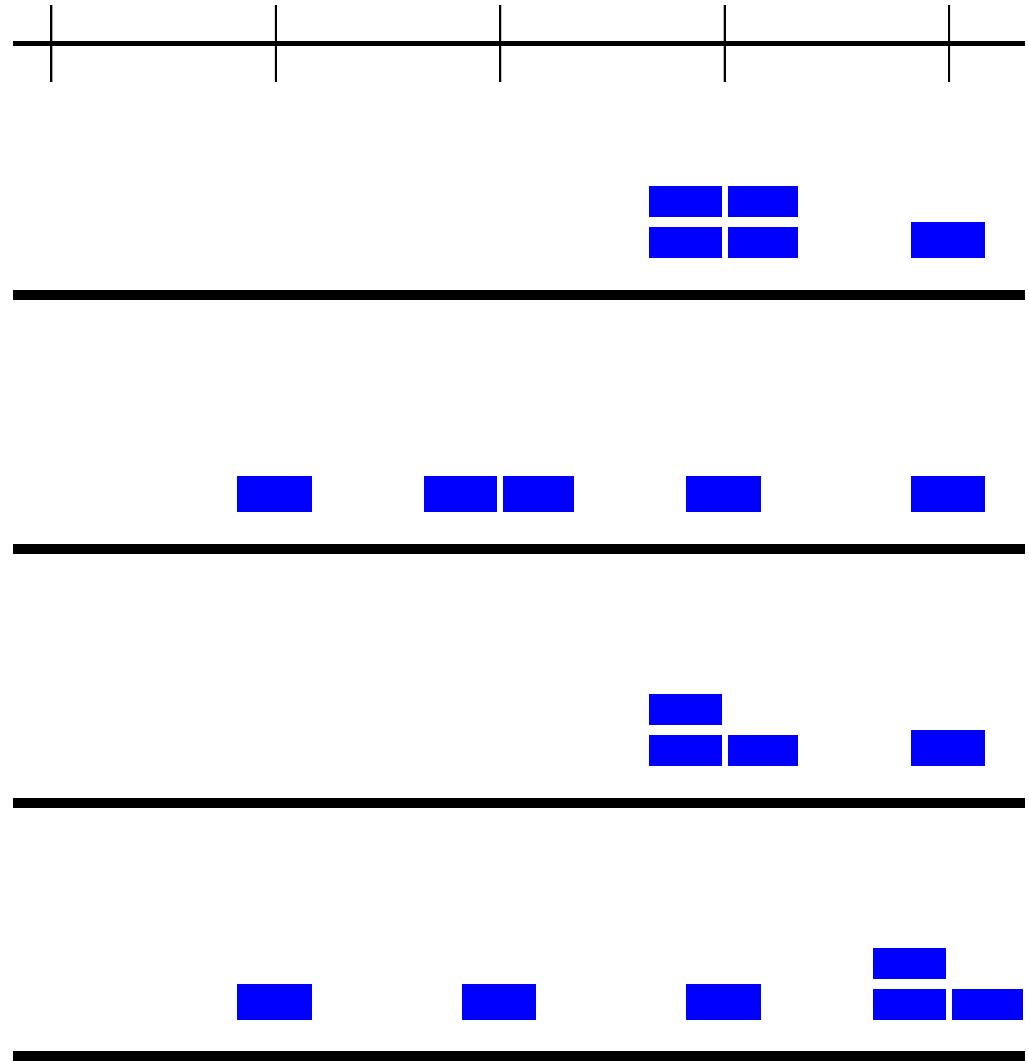
# Culture: *In Our Organization*

We have formal requirements for achieving DQ

We reward DQ, not just outcomes

DQ has become a language and a lens for looking at problems and opportunities

DQ skills are an important part of our leadership development program





# Our Decision Makers,

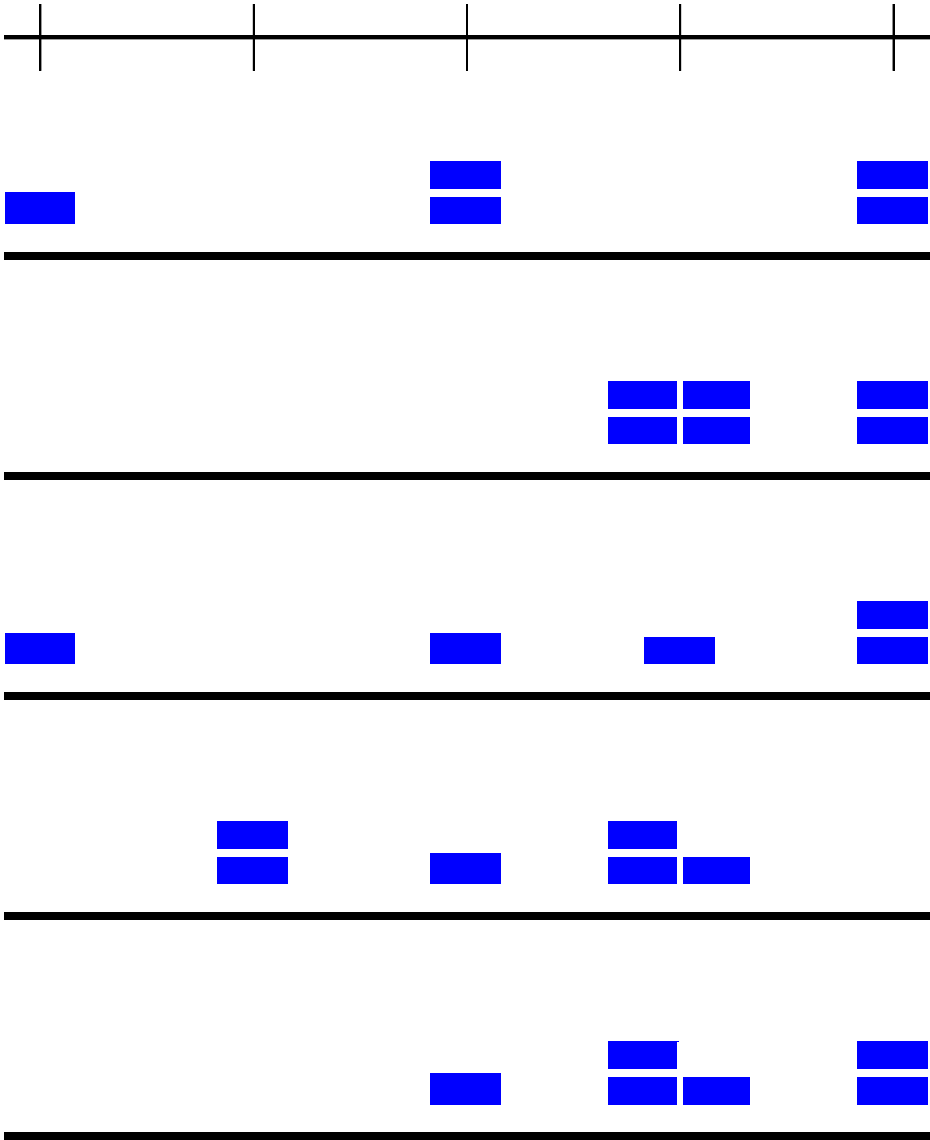
Have formal training in Decision Quality relevant to their need

Have a working knowledge of Decision Quality

Demand DQ for all strategic decisions within their purview

Use DQ effectively (Triage decision situations using the appropriate process)

Are committed to continuous improvement in their decision-making competency



# Our Decision Staff,

Have formal training in DQ

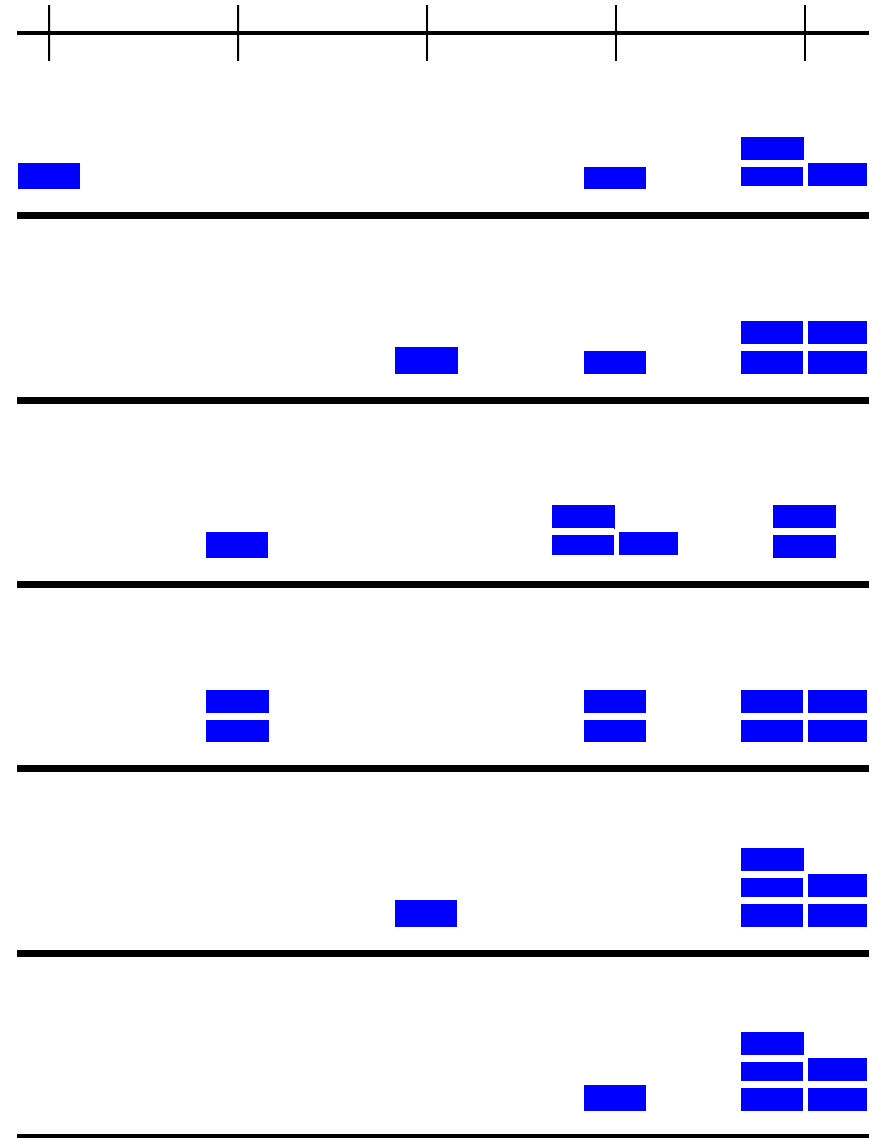
Have mastered DQ concepts, processes and tools

Have the confidence of the decision makers & are brought in to support most difficult strategic decisions

Use DQ effectively (Framing, alternative generation, uncertainty, etc)

Include some effective decision leaders (i.e. project team leaders)

Are committed to continued professional development.



# Our Content Experts & Implementers

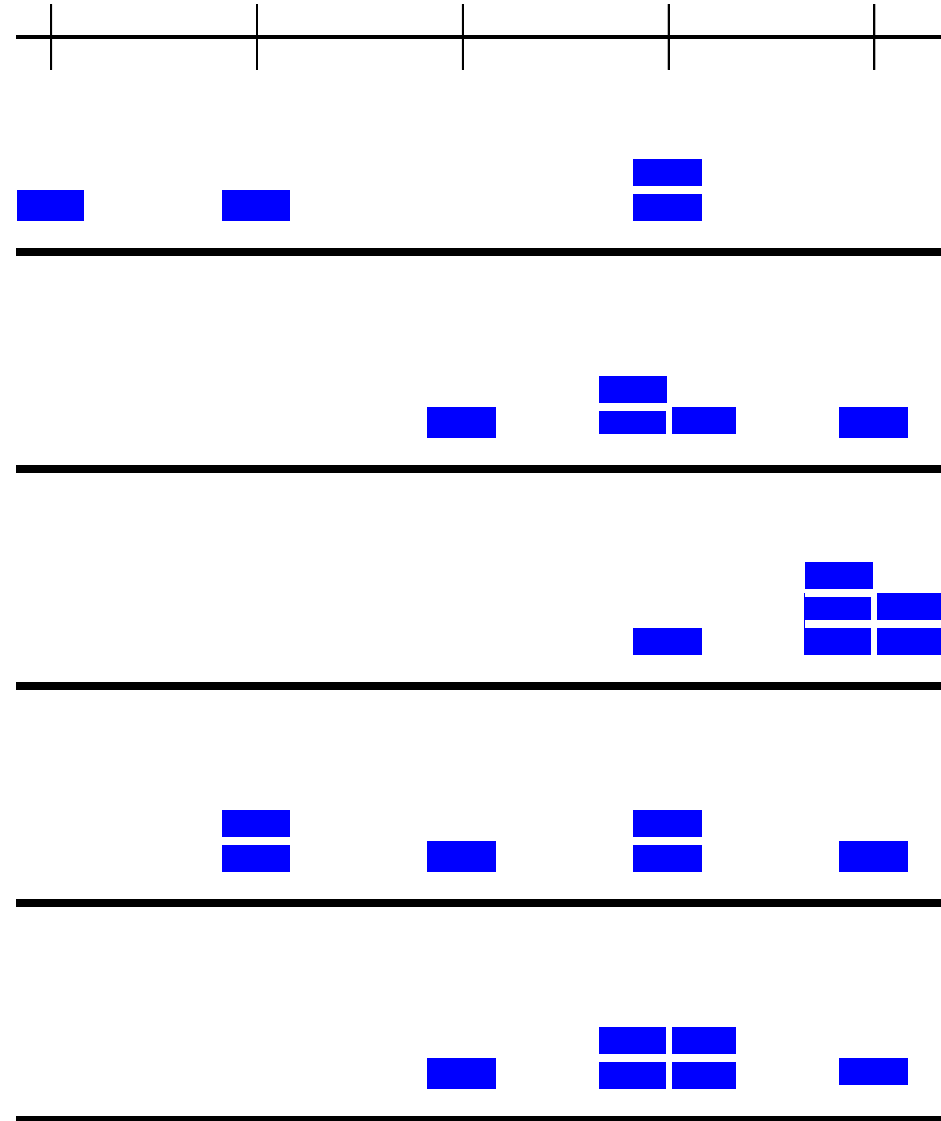
Have formal training in DQ relevant to their need

Understand DQ and the concepts and tools it employs

Participate in the DQ process (e.g., generating the input to the decision analysis)

Insist on achieving high DQ

Work to avoid biases and other behavioral challenges



# Our Decision Processes & Tools

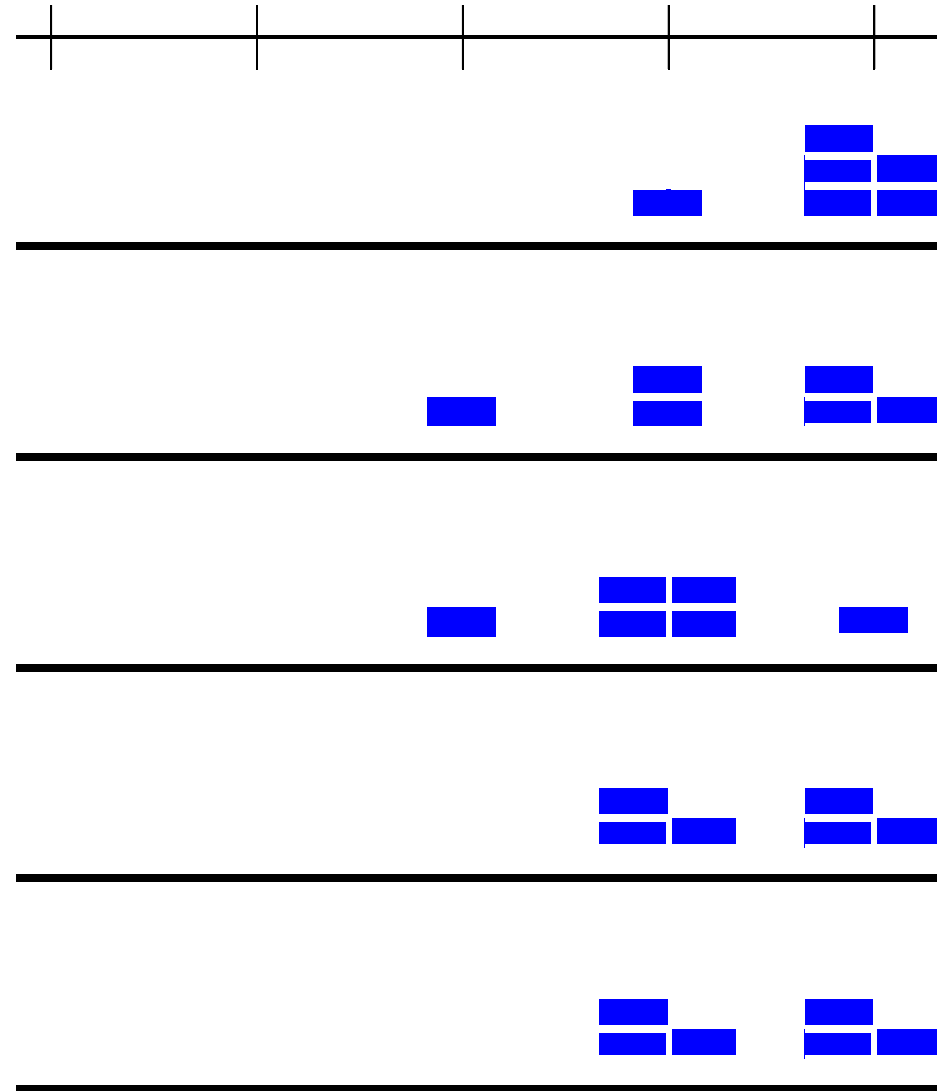
Are focused on achieving DQ

Achieve alignment around high quality decisions

Are efficient and timely, as appropriate to the decision

Are accepted as the way we routinely meet decision challenges

Are comprehensive (we have the right processes and a complete suite of tools)



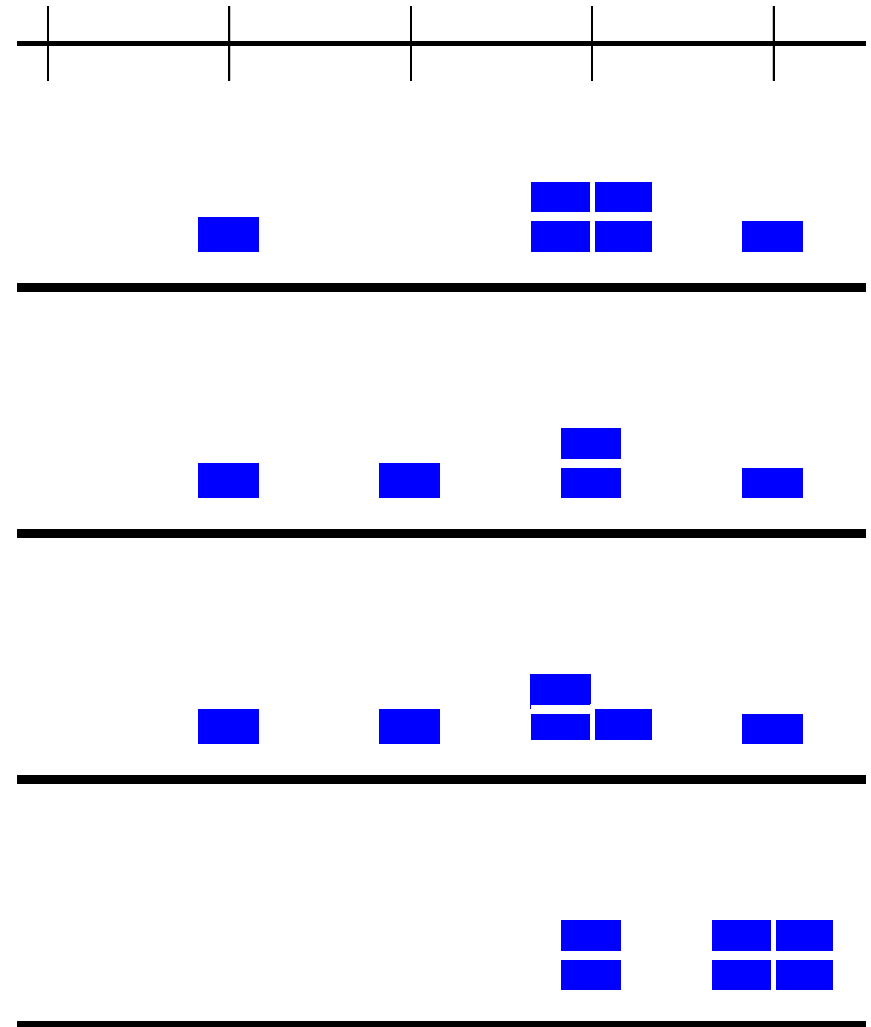
# Our Degree of ODQ is Evidenced by,

We recognize important decision situations and allocate appropriate resources to them

We frame these decisions appropriately

We generate creative yet realistic alternatives

We seek relevant information when appropriate (trustworthy facts and experts' judgments including uncertainty)



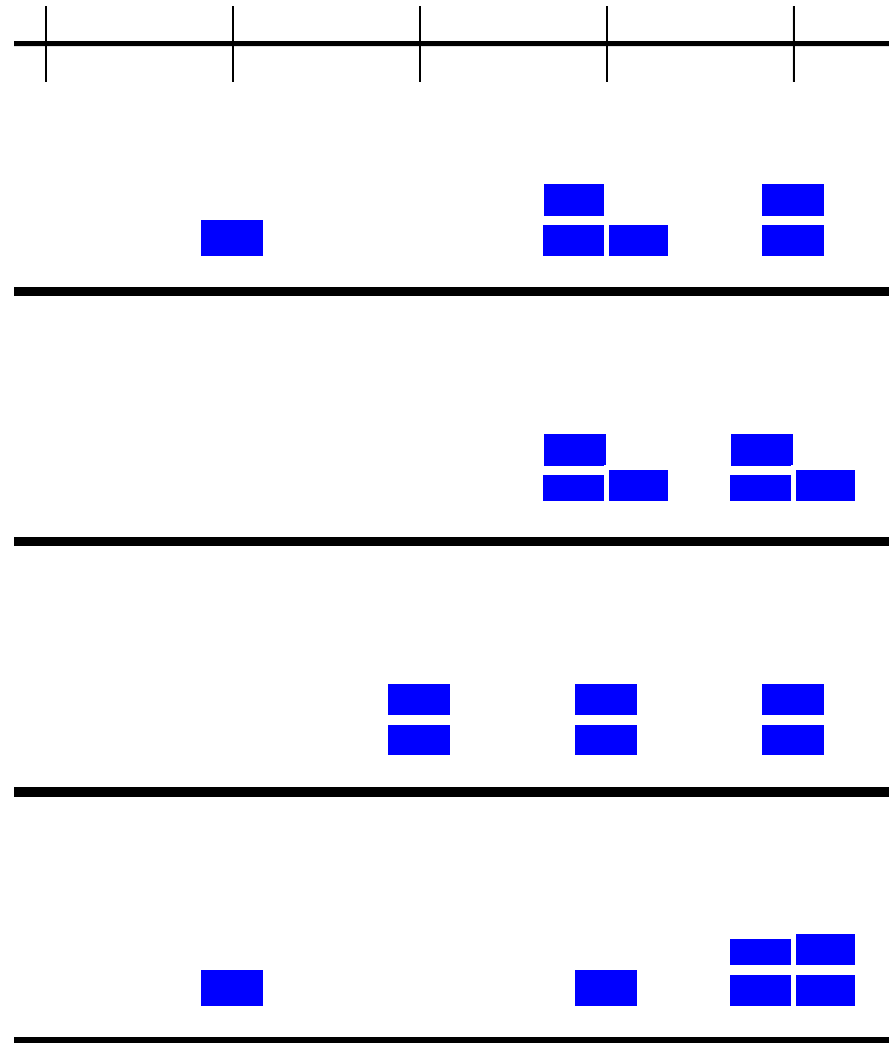
# Our Degree of ODQ is Evidenced by,

We clearly state the values by which alternatives are evaluated, & we make explicit tradeoffs among value measures where necessary

We apply the appropriate analytic methodology – portfolio analysis, decision trees, etc

We reach timely commitments to the most value-creating actions with alignment across relevant organizations

We clearly communicate the chosen decision



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## Our Key Learnings So Far

### No Standard of Comparison

- Organizations are not aware of what's possible what is current best practice
- Organizations lack common language and vision for ODQ

### Focus on DMs

- Organization's main challenge is to have decision makers understand and thus appreciate the value of decision quality

### ODQ is doable

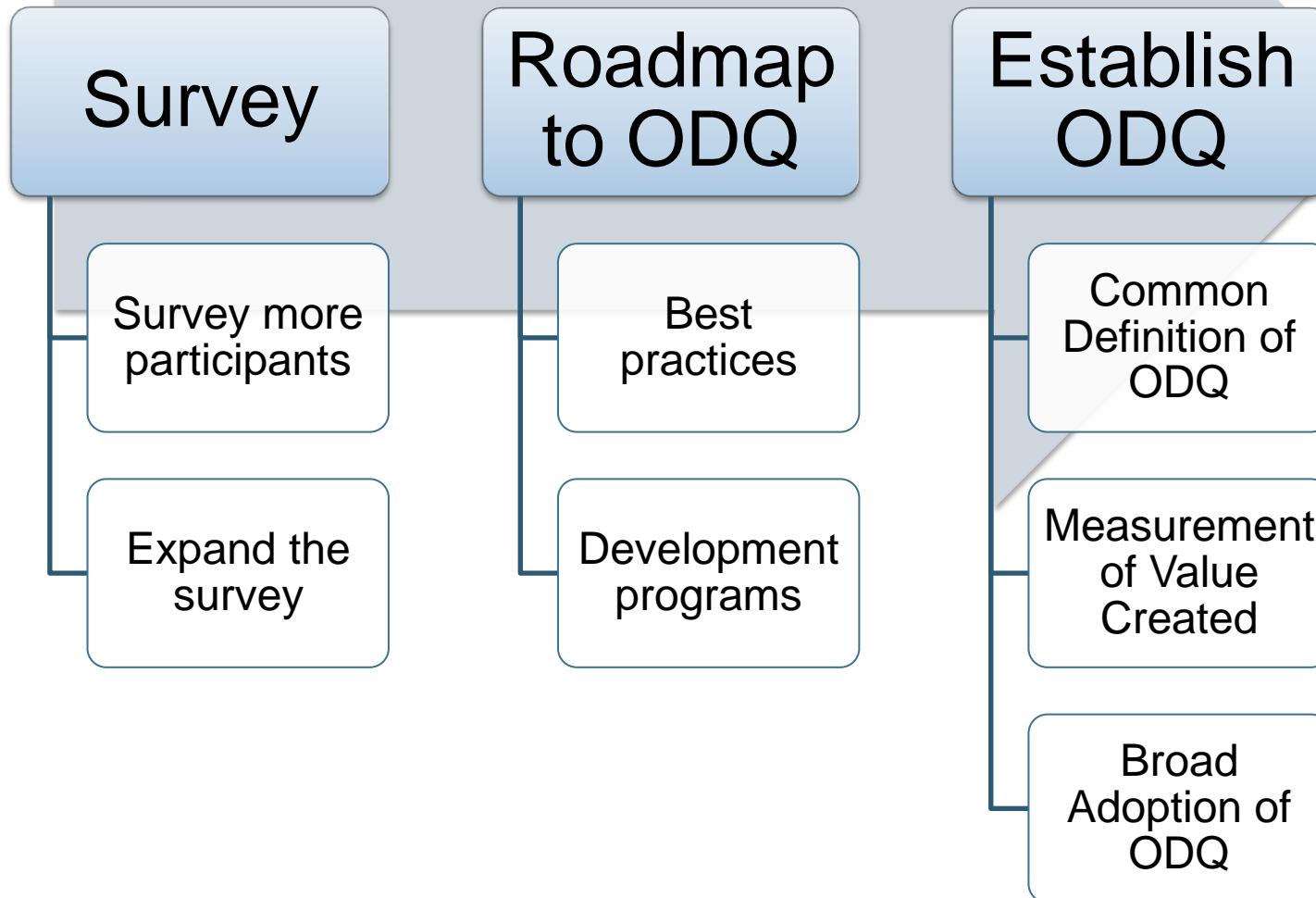
- Best practices currently employed are very sophisticated and close to a full implementation of ODQ



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# What Next?



# What's your Organizational DQ?

Find out at:

[www.surveymonkey.com/s/odq](http://www.surveymonkey.com/s/odq)

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# THANK YOU



Strategic Decisions Group

# **Building Organizational Decision Quality**

## **Panel Discussion**

David Leonhardi

Larry Neal

Phil Beccue

Carl Spetzler, moderator

DAAG 2010 Orlando, FL

21 April 2010

# David Leonhardi – Challenges in Org'l Adoption

## •Executive Mindsets

- Arrogance (I know how to make decisions, that's how I got to where I am)
- Operationally focused (keep the production lines full & keep the costs down)
- Lack of understanding of the value of DA

## •Organizational Roles & Responsibilities. (Where does DA fit into the organization?)

## •Lack of Career Paths for DA Practitioners

## •Business Success (How is the business doing?)

# David Leonhardi

## Successes

**Executive Sponsorship (get them to give it a try – show value)**

**High visibility projects**

**Look for the “quick wins”**

**Embedding DA processes in existing Business processes**

## Failures

**Not understanding the needs of your customer**

**Not understanding the complexity of the decision situation**

**Making the “Process” too laborious or time consuming**

**Take too long to work through the process**

Being too rigid when applying the DA process

Making the problem fit your process or tool set

# **Phil Beccue -- Top 5 Challenges in Organizational Adoption of DA at Baxter**

**Lack of champion at the senior management level**

**Senior leaders are too busy to think deeply about important decisions, whether or not they are informed by DA**

- **Reluctance to explore multiple alternatives**
- **Perception that considering multiple futures is too complex and time-wasting**

**Concern about what the boss thinks prevents independent, critical thinking**

**Dispersed teams around the globe prevent face-face interactions**

**Tendency to discount any analysis if important criteria cannot be incorporated (strategic fit)**



# **Phil Beccue -- Successes**

**Internal Training program has raised awareness and demand, and has positioned DA as best practice (not a Baxter experiment)...although in an early class I had one VP leave after 1 hr because DA wasn't a requirement in his function. Training is spreading throughout Finance function.**

**Portfolio tools have encouraged better quality thinking around R&D investments**

- **Initiated in BioScience as experiment, adopted across divisions over time**
- **We built in DA features (technical risk, downstream decisions, timing uncertainty, commercial uncertainty) before needed, treated as optional, gradually became mandated**
- **Won industry award**

**Called in on special projects (2-3 / yr): Colleague, Capex, Clinical supply, Clinical strategy for early stage programs, technical risk assessment for BD programs**

## **Phil Beccue -- Failures**

**In our division, there are only a handful of individuals outside of our portfolio group who are able to conduct NPV-based analyses, so we must be making many decisions without a value perspective (stage-gate, capital investments, commercial strategies, etc.)**

**Despite tremendous growth in R&D spend and overall profitability, have been unable to grow the portfolio/DA group in 7 years (stable at 2.5). One cause: 6 boss changes in just over 6 years.**

**Timeline risk analysis is our most current challenge addressing a key point of interest from sr. mgt, and the amount of time invested to build consensus and agreement has been torturous.**

## **Larry Neal -- Hurdles:**

**No established career path for a DA practitioner**

**Had to develop the practice internally ahead of any progression**

**Learning to help with decision making without treading on exec's turf**

**Dealing with a few significant “failures”**

**Establishing corporate standards**

## **Larry Neal -- Events:**

**Somewhere over Greenland (“almost” major model bust)**

**Transportation lawsuit**

**The Dinosaurs**

**Lack of Documentation**

**Killing early CNG projects**