



STRATEGICFIT

Decision Quality

2018

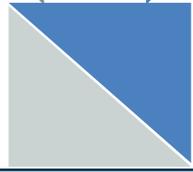
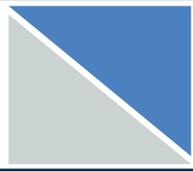


What is Decision Quality?

DQ Element	Addresses:	Question
Frame	<ul style="list-style-type: none"> • Select the right question to answer • Decide the process of how to decide • Scope the decision frame 	Are we working on the right issue? Is our perspective broad enough and insightful?
Alternatives	<ul style="list-style-type: none"> • Compelling, different, doable alternatives • Alternatives span the range for max learning 	Do we have clear, creative, realistic, and attractive alternatives?
Information	<ul style="list-style-type: none"> • Clear distinctions • Decision relevant • Expressed in ranges and probabilities 	Are we likely to be surprised because we have overlooked critical factors or uncertainties?
Value & Trade-offs	<ul style="list-style-type: none"> • Explicit statement of preferences • Trade-offs amongst decision criteria 	NPV, Capex, production etc. Have we assessed the risk, trade-offs, our risk tolerance, options ...?
Logic & Reasoning	<ul style="list-style-type: none"> • Distills the problem, what we can do, what we know and what we want to a clear choice • Insight is transparent, consistent and credible 	Have we used a well-structured, logical method of evaluating the alternatives
Commitment to Action	<ul style="list-style-type: none"> • Motivation and commitment to action from the individuals key to allocating resources and implementing the decision 	Have we involved key stakeholders from the beginning, building ownership and commitment? Are incentives aligned with value?



How can we measure Decision Quality?

DQ Element	Tools:	Poor (0%)		Good (100%)
Frame	<ul style="list-style-type: none"> • Charter • Issue raising • Decision hierarchy 	<ul style="list-style-type: none"> • Wrong people • Plunging in • Scope too narrow / broad • Unstated / untested givens 		<ul style="list-style-type: none"> • Conscious, shared perspective • Clear Purpose, scope, and perspective • Clear decision scope
Alternatives	<ul style="list-style-type: none"> • Creativity tools • Strategy table 	<ul style="list-style-type: none"> • Only one alternative • Missing a great alternative • Consider unfeasible alternatives 		<ul style="list-style-type: none"> • “Hybrid alternatives” • Explored options and gaming • Clear how to implement each strategy
Information	<ul style="list-style-type: none"> • Encode judgment • De-bias techniques • Influence diagrams • Sensitivity analysis 	<ul style="list-style-type: none"> • “Blissful ignorance” • Don’t know what we know • Ignoring uncertainty • Ignoring “intangibles” 		<ul style="list-style-type: none"> • “Knowledgeable and ready” • Information correct and explicit • Important gaps filled • Know limits of knowledge
Value & Trade-offs	<ul style="list-style-type: none"> • Stakeholder expectations • Value attributes • Explicit trade-offs 	<ul style="list-style-type: none"> • “It’s not clear what we want” • Not explicit about preference • Stakeholders not identified • Ignoring “intangibles” 		<ul style="list-style-type: none"> • Explicit trade-offs among criteria; attributes, stakeholders, timing, risk • Avoided double counting
Logic & Reasoning	<ul style="list-style-type: none"> • Modelling prospects • Sensitivity analysis • Probabilistic analysis • Value of information 	<ul style="list-style-type: none"> • “Extinction by Instinct” • Intuitive evaluation by each decision maker 		<ul style="list-style-type: none"> • The best choice is clear • Reliable, comprehensive analysis of each alternative • As simple as possible, but no simpler
Commitment to Action	<ul style="list-style-type: none"> • Involved key people during the process • Build in org readiness • Credible sources 	<ul style="list-style-type: none"> • “Unmotivated” • Lack of interest by key decision-makers, no support • Big organisational hurdles 		<ul style="list-style-type: none"> • “Take action” • Buy-in from project team, decision board, and those affected by decision



Appendix: Generating Alternatives



These are the essential ingredients of a quality set of strategic alternatives:

#	Each strategic alternative is . . .	Comment
1	Coherent	The choices made in each decision area are consistent with each other and with each alternative. Each choice is aimed to achieve the same overall goal.
2	Doable	The choices made in each decision area are actionable so that each strategy can be implemented.
3	Meaningfully Different	The alternatives are significantly different from each other and explore all possible directions of choice. They span the range of options that can take in a given business context.
4	Compelling	Each strategic alternative is a potential winner: no “straw-man” options!



Why look at alternatives rather than just develop one recommendation?

Exploring alternatives creates clarity, value and alignment.

- It gives decision-makers confidence that something different is also attractive.
- It allows ideas rather than individuals to compete
- Everyone can see that their preferred option is being treated fairly.
- It brings focus: don't have to test all possibilities to understand what's possible.
- It forces us to be systematic.
- It forces us to be thorough and define what we would do in each alternative.
- It improves our understanding. We begin to understand what you have to believe to champion the alternatives, what trade-offs you have to choose between and what you want to learn.



Here are our top ten tips for creating quality alternatives (I):

#	Elements	Comments
1	Strategy alternatives should specify executable actions, not aspirations for outcomes	“High Growth” is not a strategy, but an aspiration. A strategy alternative that has a goal of achieving high growth specifies the controllable actions that will increase the chance of meeting the goal. If we can’t articulate what the actions would be for a strategic alternative then we can’t evaluate it.
2	Give all alternatives a fair chance of winning: make them as compelling as possible	Put equal effort into each; develop a champion’s statement: “what would I have to believe to make this a winning strategy?”
3	Treat the process as an opportunity to learn; we’re not looking for the final answer yet!	Foster a spirit of inquiry rather than advocacy in Work Group and DRB sessions. We don’t need the answer at this stage: rather a set of alternatives to evaluate which will yield a rich set of insights.
4	Motivate alternatives by putting yourself in the shoes of other stakeholders and of competitors	E.g., it is often useful to think through what the preferred strategy of a JV partner or regulator would be. Use the business context to foster an “outside-in” perspective.
5	Make sure the alternatives are as different as possible from each other	Are some of the alternatives just optimisations along a single direction? Can you describe the differences in terms of actions?



Here are our top ten tips for creating quality alternatives (II):

#	Elements	Comments
6	Think through how the alternatives will map across different value metrics: where will the trade-offs be?	A test of clarity for a strategy table is to check whether one can determine what metrics (production, capex, opex) will be affected by selecting one choice for a decision versus others.
7	Bear in mind the implications for the evaluation phase	Taking the perspective of the person who will have to build an evaluation model to quantify the trade-offs between the alternatives helps drive clarity and doability of the decision choices
8	Be inclusive and exhaustive	Early in the process reach out to as many people in the organisation (not only the Work Group) as possible to identify new ideas. In particular seek out people who may have a unique perspective on what needs to be done.
9	At the DRB meeting, ask DRB members to identify “missing” alternatives	Remind the DRB that the purpose of evaluating the set of proposed alternatives is to enable them to help the Sponsor Group make a decision. Challenge them on whether the set of alternatives will yield sufficient insight for this.
10	Make sure the “momentum strategy” is well-defined and agreed on	What would be the set of actions we would take if the strategy project were to stop tomorrow? This should form the baseline against which to compare alternatives.

