

Management
Consulting
Coaching

Strategy &
Alignment

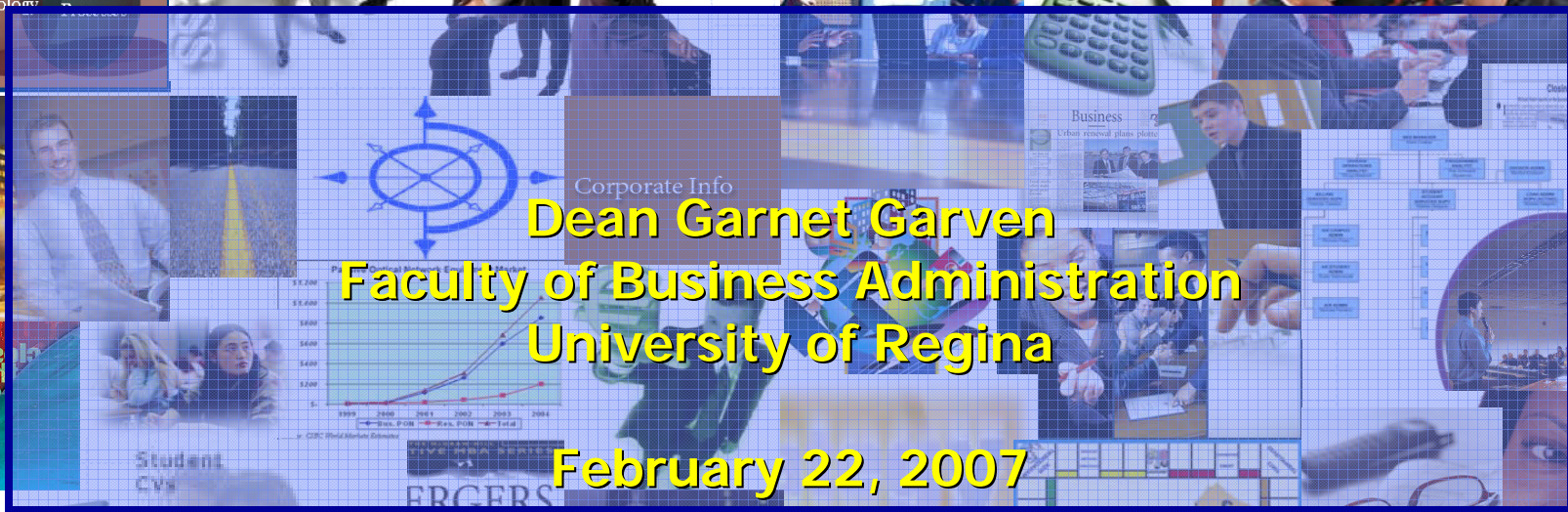
viewpoint

Better – Faster – Smarter Making Strategic Business Decisions

Technology People & Business

Corporate Info
Dean Garnet Garven
Faculty of Business Administration
University of Regina

February 22, 2007



Strategic Decision Making Overview

- **The “Essence of Management”**
- **What is decision making**
- **Kinds, levels and types of decision environments**
- **Decision “size-ups”**
- **Approaches, models and decision errors**

Learning Objectives

- **B ----- F ----- S**
 - **Better**
 - -----**Faster and**
 - -----**Smarter**
- **Strategic decision making is required in all case analysis**
- **The role of the CEO/General Manager is to assume responsibility for the “big D”**

Learning Base (theory and practice)

- **Based on some of the oldest and some of the latest management research**
- **Based on tested models and approaches**
- **Integrated with strategic management**
- **Derived from my interaction with senior managers**

Did You Ever Have To Make Up Your Mind

- **Did you ever have to make up your mind?
Pick up on one and leave the other one behind
It's not often easy, and not often kind
Did you ever have to make up your mind?**

**Did you ever have to finally decide?
Say yes to one and let the other one ride
There's so many changes, and tears you must hide
Did you ever have to finally decide?**

The Essence of Management

- A baseball player is a superstar if he makes the right decision at the plate a third of the time
- A neurosurgeon had better be right nearly always
- Professionals are expected to make correct decisions (even though they still refer to their work as “practice”).
- As managers, we fall somewhere in between

Thomas Stewart Editor of HBR

January 2006



- **Decision making is the essence of management**
- **Decision-making (or sometimes avoiding) is what managers do all day**
- **Managers are judged on the outcomes**
- **Most of us do not really know how we make decisions....we just do**
- **Most of us produce 'after-the-fact' accounts of a decision**

Thomas Stewart Editor of HBR

- **Carl Weick calls that “retrospective sense-making”**
- **Sensemaking, Knowledge Creation, and Decision Making - Organizational Knowing as Emergent Strategy is a new field of research**
- **Henry Mintzberg introduced the notion of emergent decisions and strategy**

Emergent Decisions/Strategy



“Decision-making before the creation of the Business School.”



What is it?

Robert Harris

- “Decision making is the study of identifying and choosing alternatives based on values and preferences of the decision-maker”
- “Decision making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them”

Kinds of Decisions

Robert Harris

- **Decisions “Whether”**
 - Yes/no.....either/or.....made before the selection of alternatives
- **Decisions “Which”**
 - Choice between alternatives based on criteria
- **“Contingent” Decisions**
 - Decisions on hold until a condition is met

Decision Levels

- **Strategic Decisions**
 - Strategic decisions are the highest level
 - Concerned with general direction, long term goals, mission and values
 - Future based
 - These are the least structured
 - Most risky and most uncertain

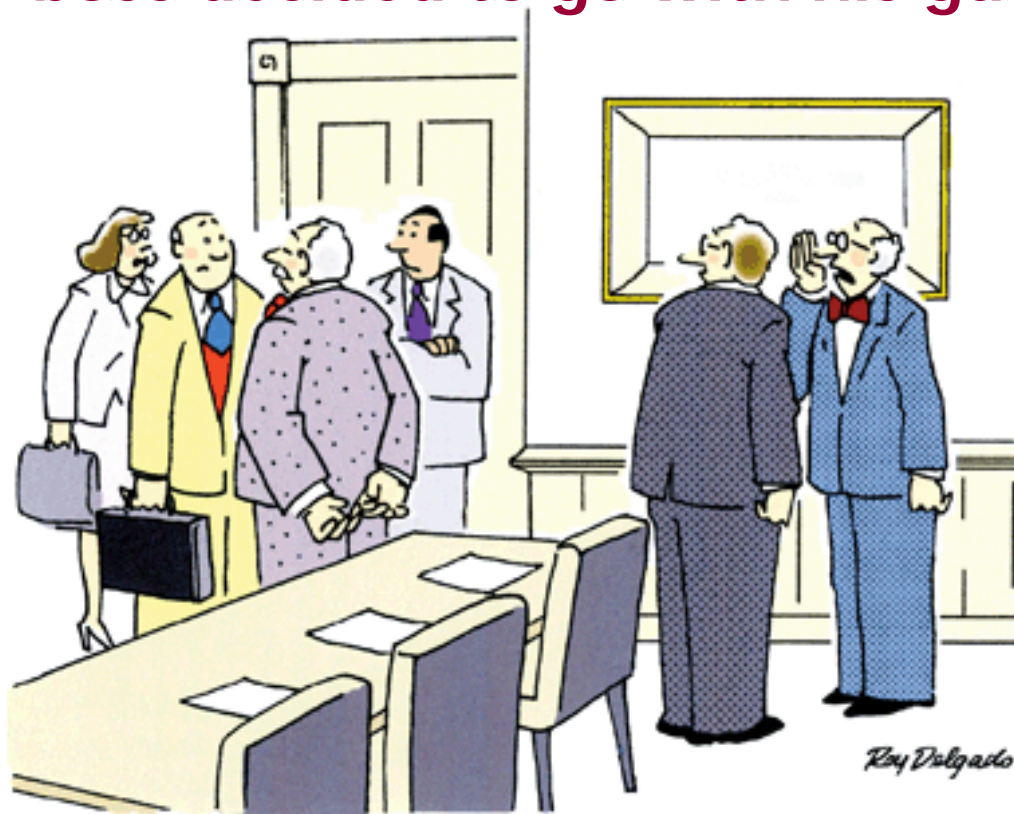
Decision Levels

- **Tactical Decisions**
 - These support strategic decisions and usually have a context
 - These are medium range and have medium significance
 - Errors have a moderate consequence

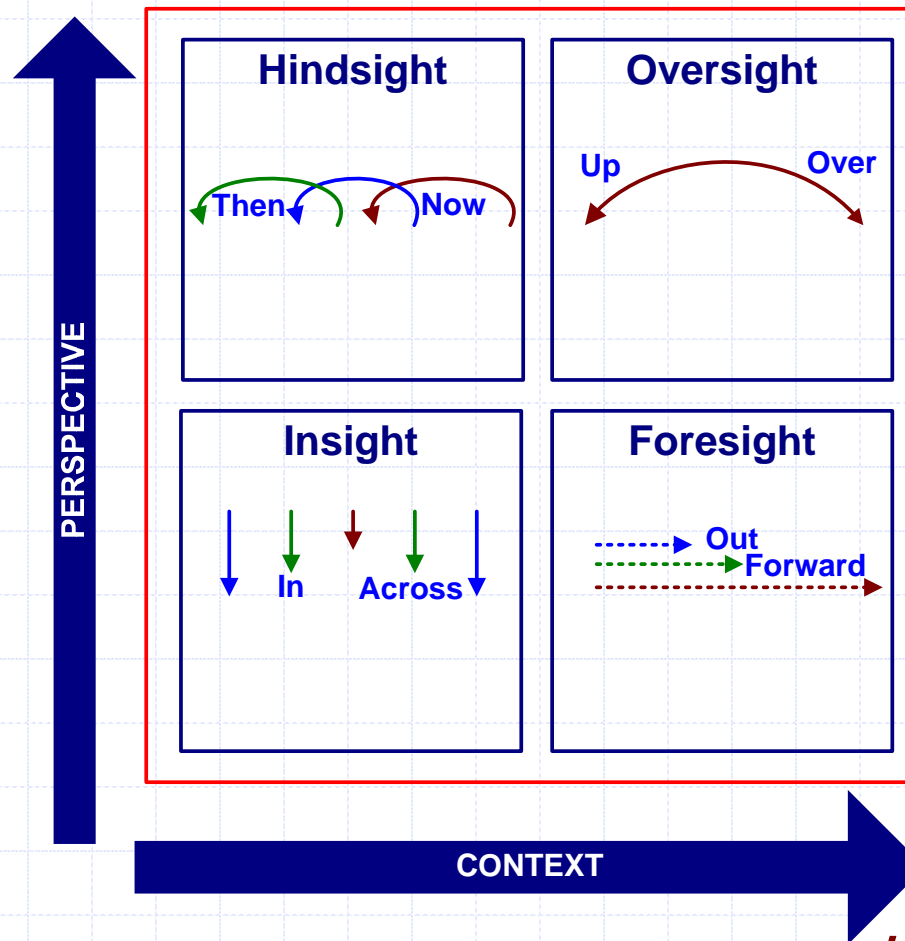
Decision Levels

- **Operational Decisions**
 - These are every day decisions that support tactical decisions
 - The impact is immediate or short-term
 - The impact of a single error is low but a series of bad operational decisions can be significant
 - These decisions can be programmed or driven by policy

**We did a cost-benefits analysis, a grid analysis,
a decision tree, a force field analysis...and then
the boss decided to go with his gut."**

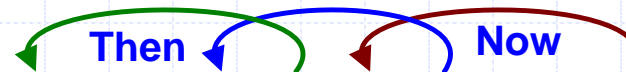


4 Sights of Strategic Decision-Making



4 Sights of Strategic Decision-Making

Hindsight

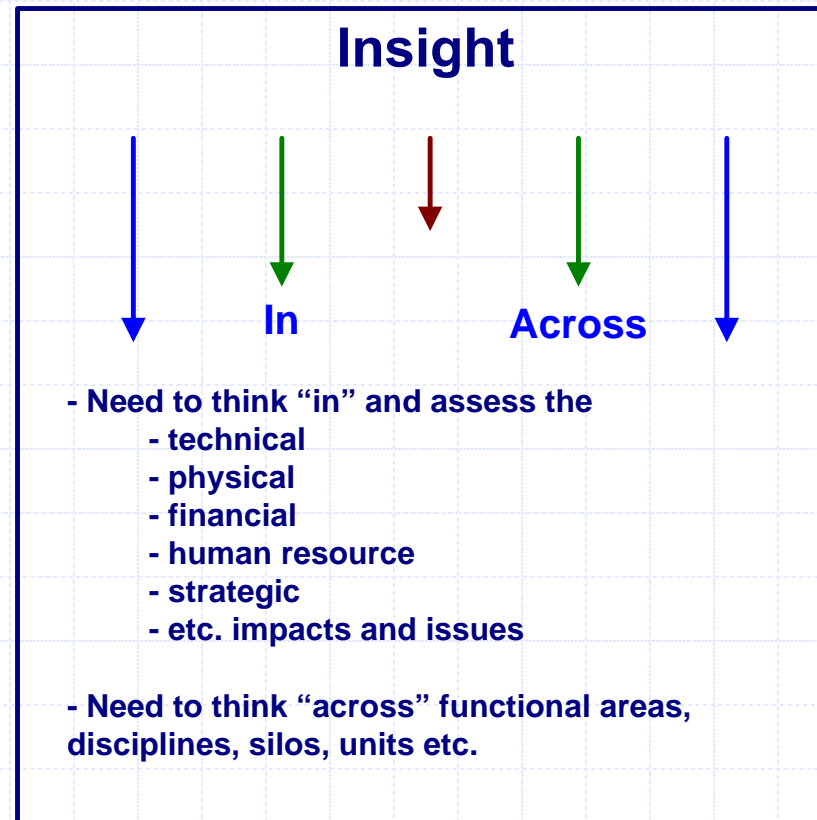


- Need to link the “now” to “then”
- History matters
- Prior experience is important
- Hindsight is 20/20 !!!
- But so does the decision “context”
- “that was now but this is then”

4 Sights of Strategic Decision-Making

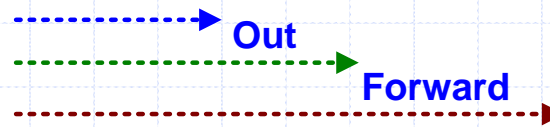


4 Sights of Strategic Decision-Making



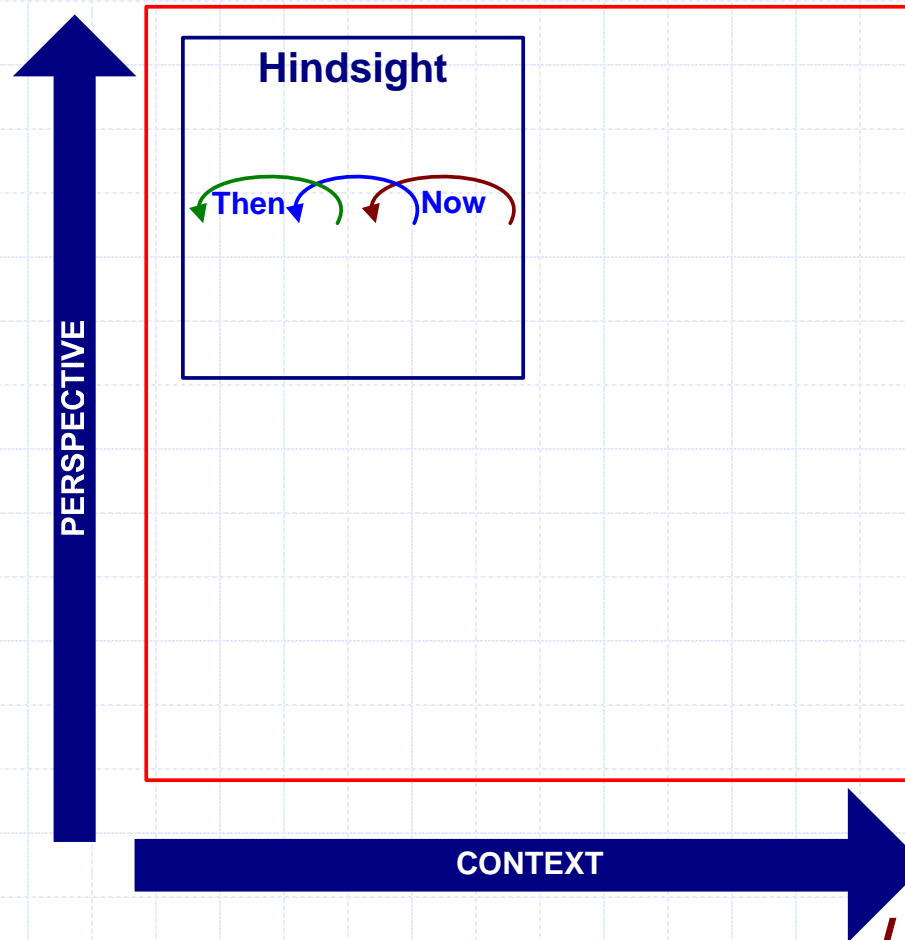
4 Sights of Strategic Decision-Making

Foresight

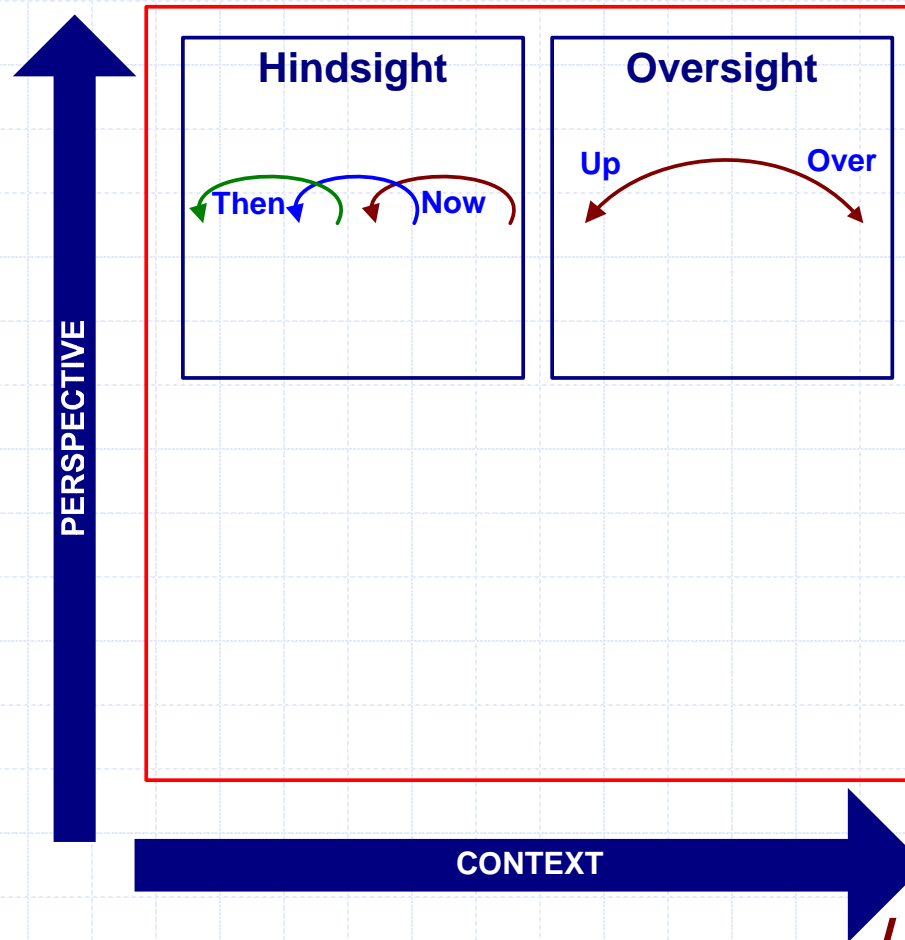


- Decisions are all “future-based”
- Need to link to the organization’s strategy
- Need to “Look out of the organization”
- Need to “extend the decision” out to complete an assessment
- Need to evaluate the decision on a “go-forward” basis
- will the decision result in a sustainable outcome - does it build capacity

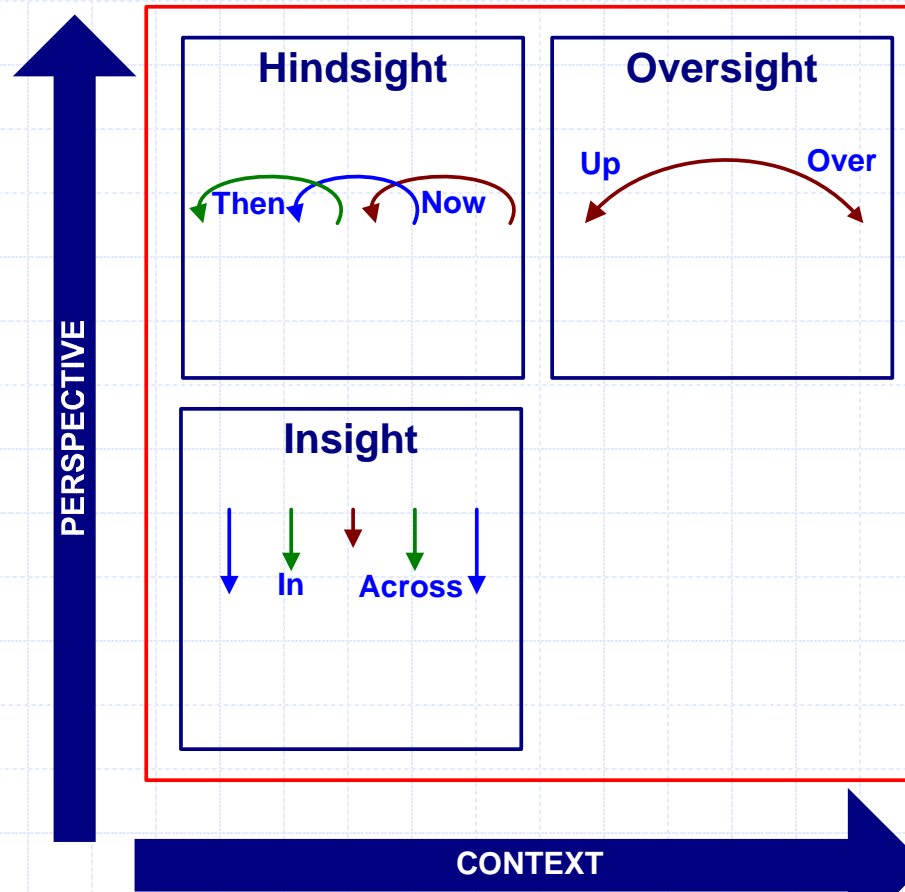
4 Sights of Strategic Decision-Making



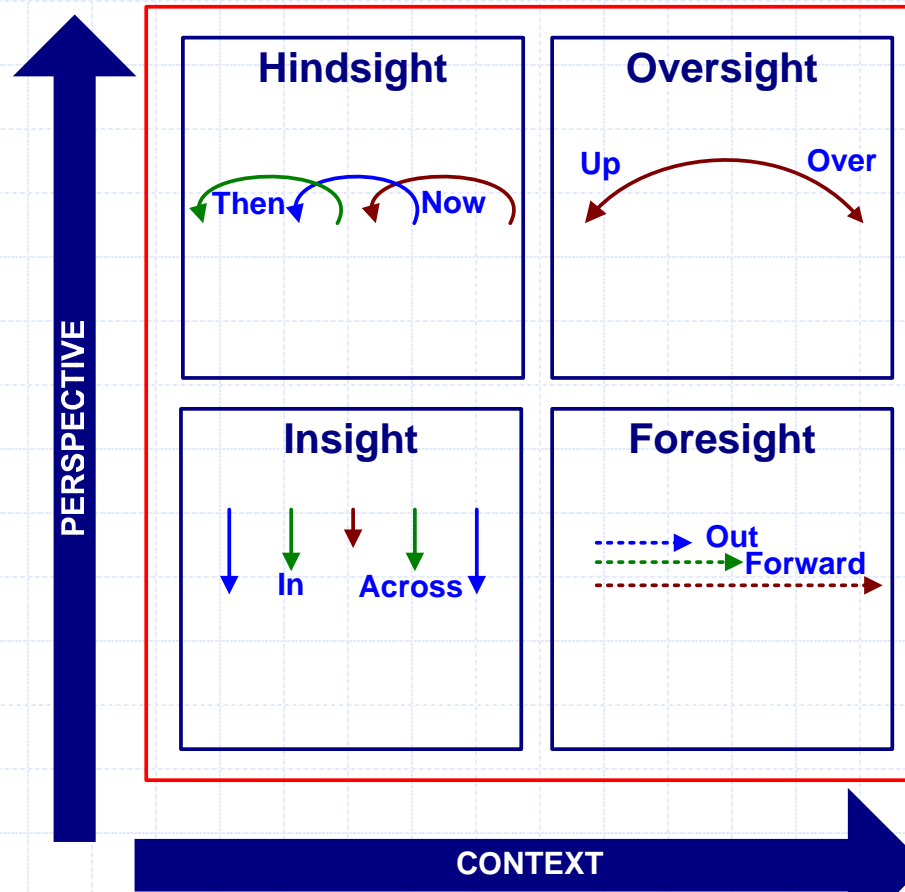
4 Sights of Strategic Decision-Making



4 Sights of Strategic Decision-Making



4 Sights of Strategic Decision-Making



Decision Size-up

- **Is a decision required?**
- **what Decision Level?**
- **what Kind of Decision?**
- **What type of Decision Environment?**

Decision Environments

- **Three Types of Decision Environments:**
 - **Certain environments**
 - **Risk environments**
 - **Uncertain or strategic environments**

Decision Environments

- **Certain environments.**
 - Exist when information is sufficient to predict the results of each alternative in advance of implementation
 - Certainty is the ideal problem solving and decision making environment

Decision Environments

- Risk environments.
 - Exist when decision makers lack complete certainty regarding the outcomes of various courses of action, but they can assign probabilities of occurrence
 - Probabilities can be assigned through objective statistical procedures or personal intuition

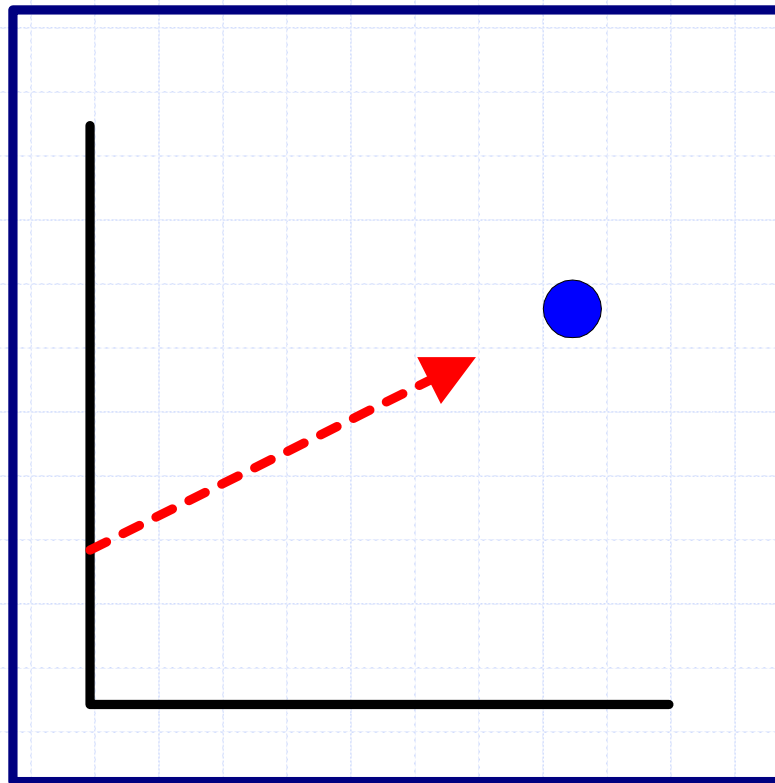
Decision Environments

- **Uncertain environments.**
 - Exist when managers have so little information that they cannot even assign probabilities to various alternatives and possible outcomes
 - Uncertainty forces decision makers to rely on individual and group creativity to succeed in problem solving

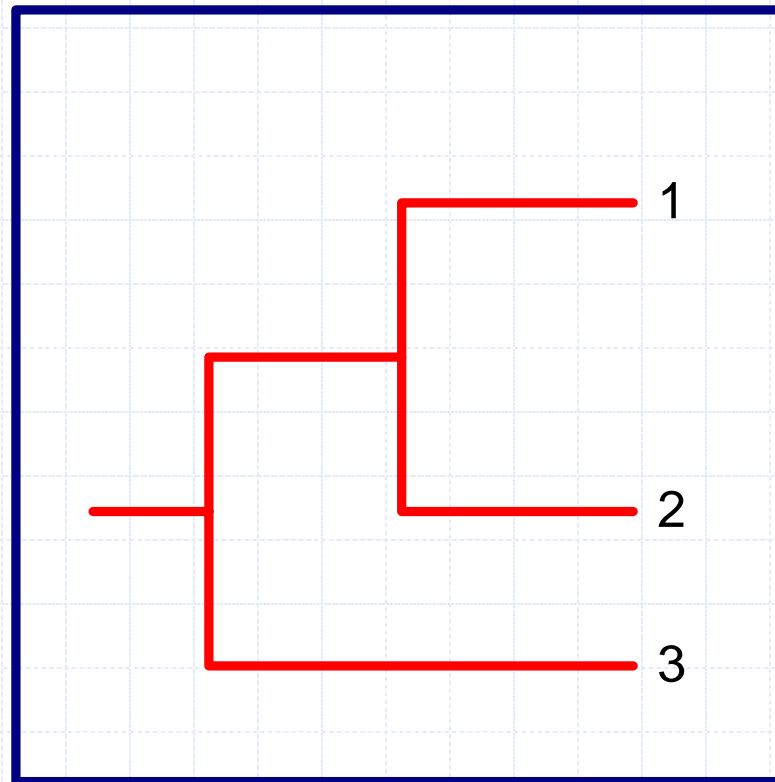
Strategic Decision-Making in an Uncertain Environment

- **Four uncertainty perspectives**
- **These range from certain to uncertain**
- **Underscore all strategic business decisions**
- **These are based on four views of the “future”**

Clear-Enough Decision Future



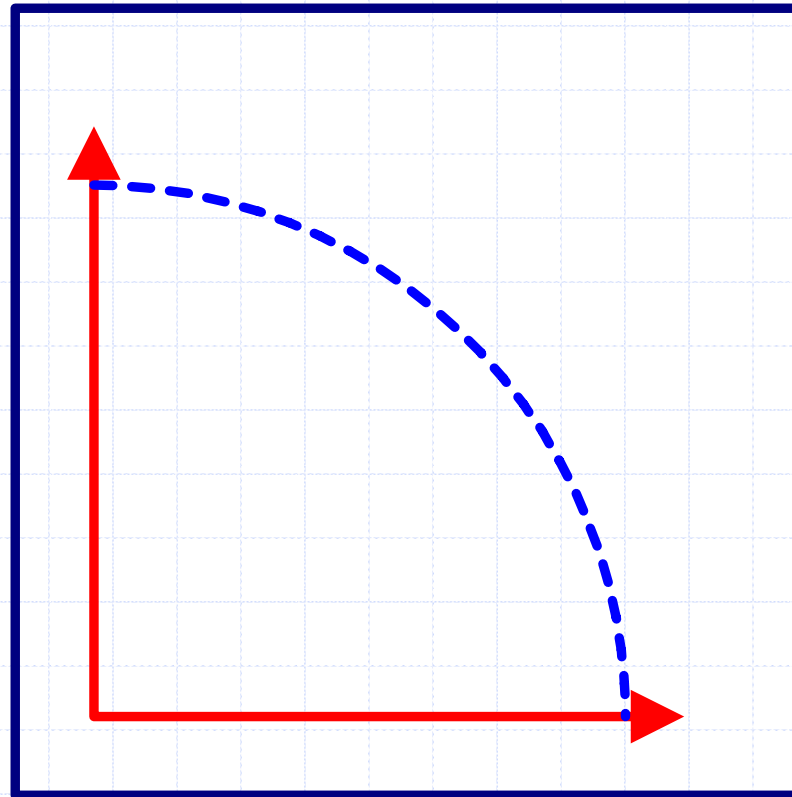
Alternative Decision Futures



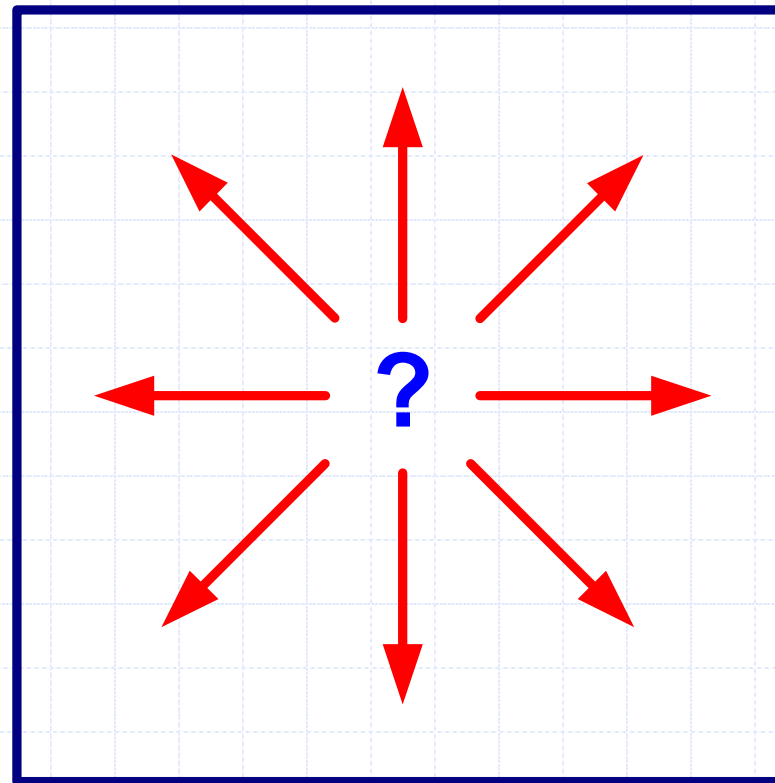
**"Maybe I'll have the rabbit—then again,
maybe I won't have the rabbit."**



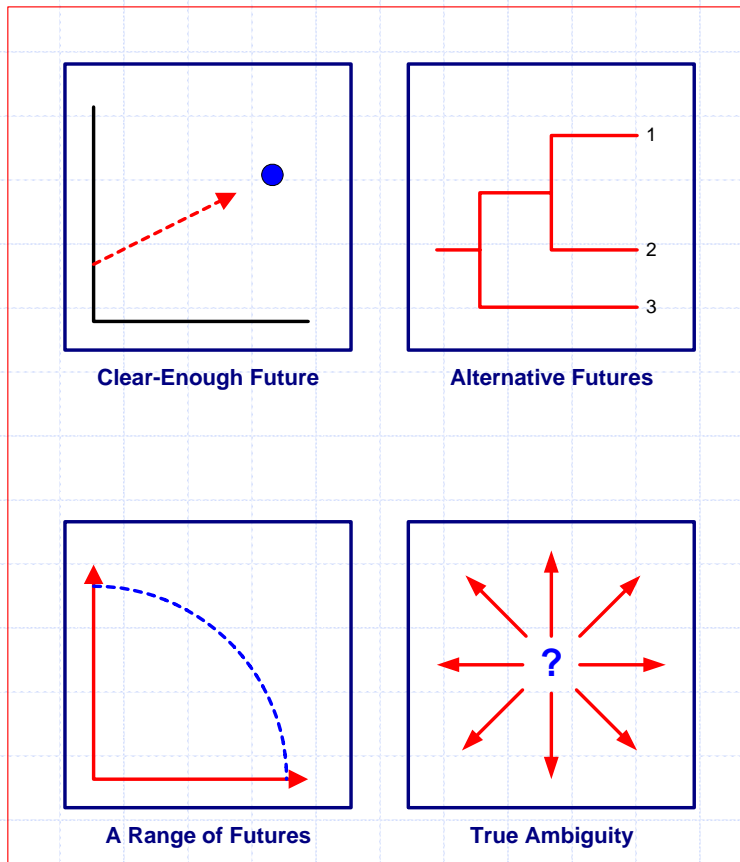
A Range of Decision Futures



True Decision Ambiguity



Four Levels of Decision Uncertainty

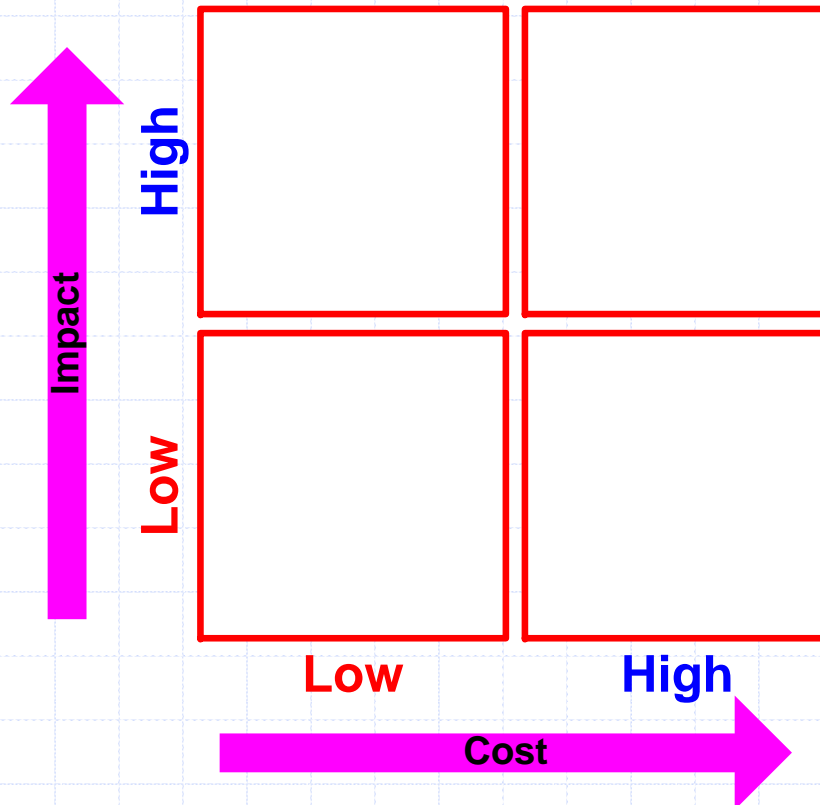


- **Clean Enough Decisions**
- **Alternative Decisions**
- **Range of Decisions**
- **No Clear Decision**

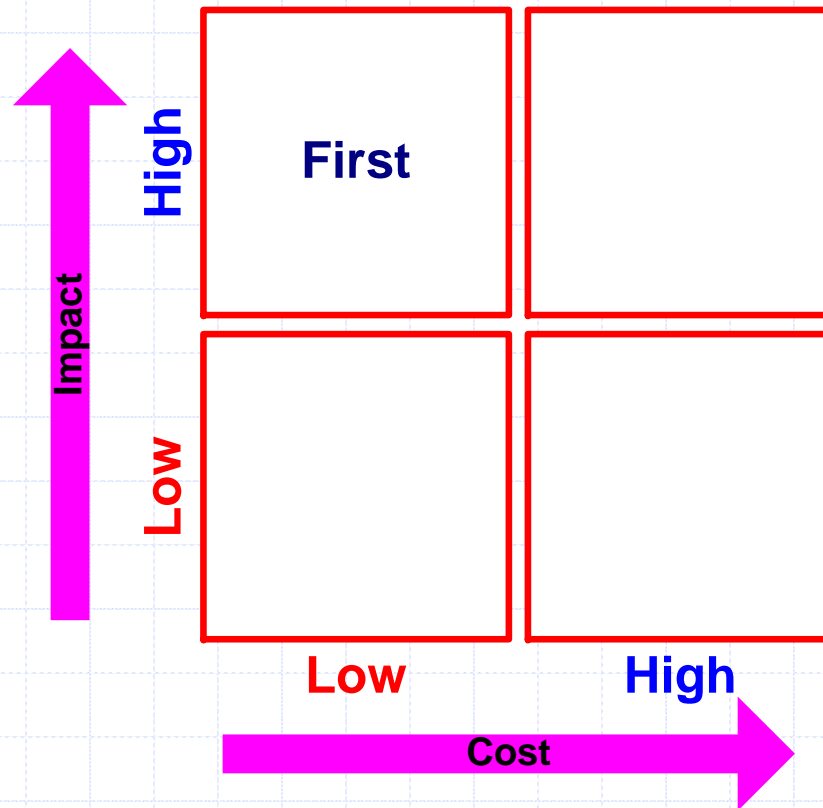
**"Looks like you've got all the data—
what's the holdup?"**



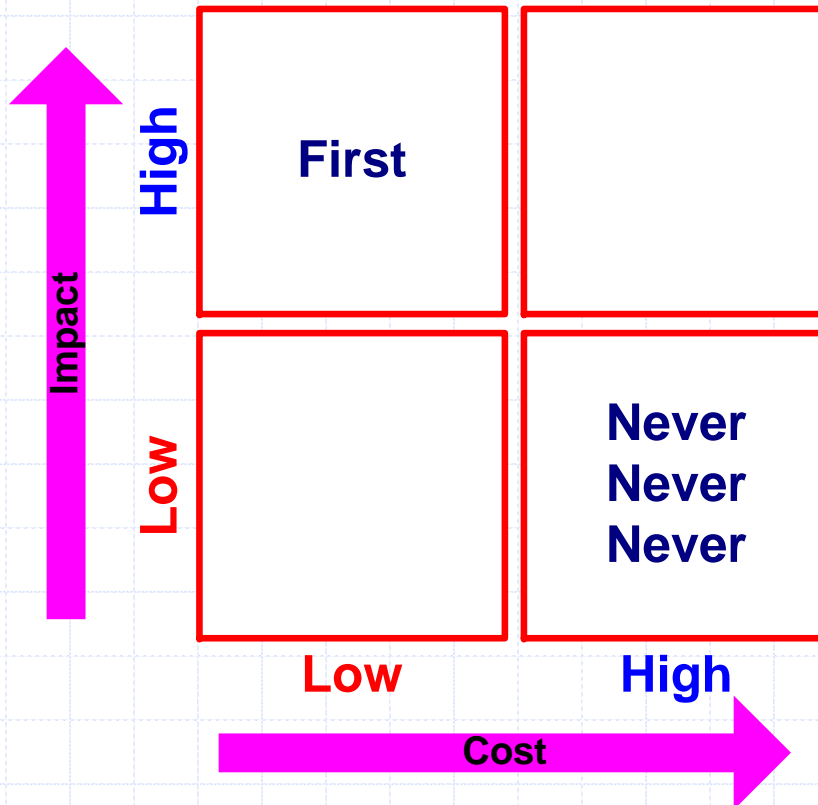
Decision Model



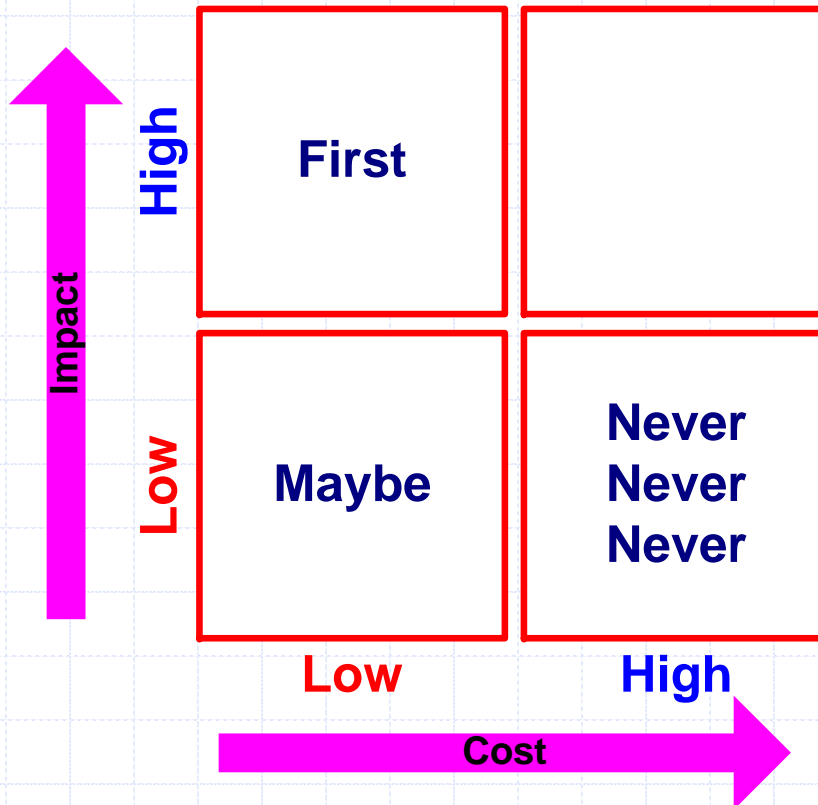
Decision Model



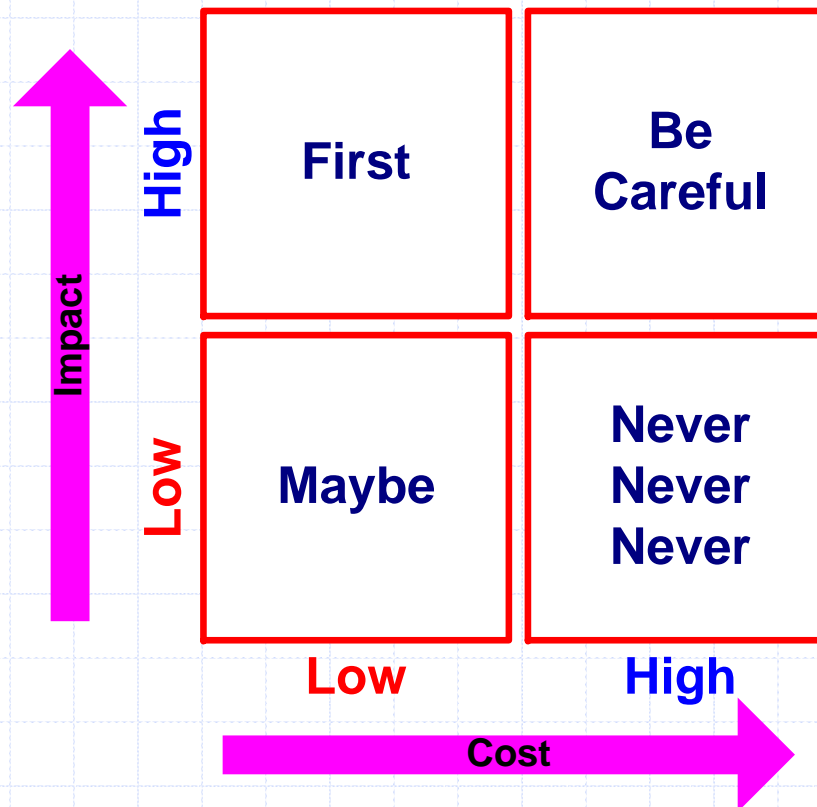
Decision Model



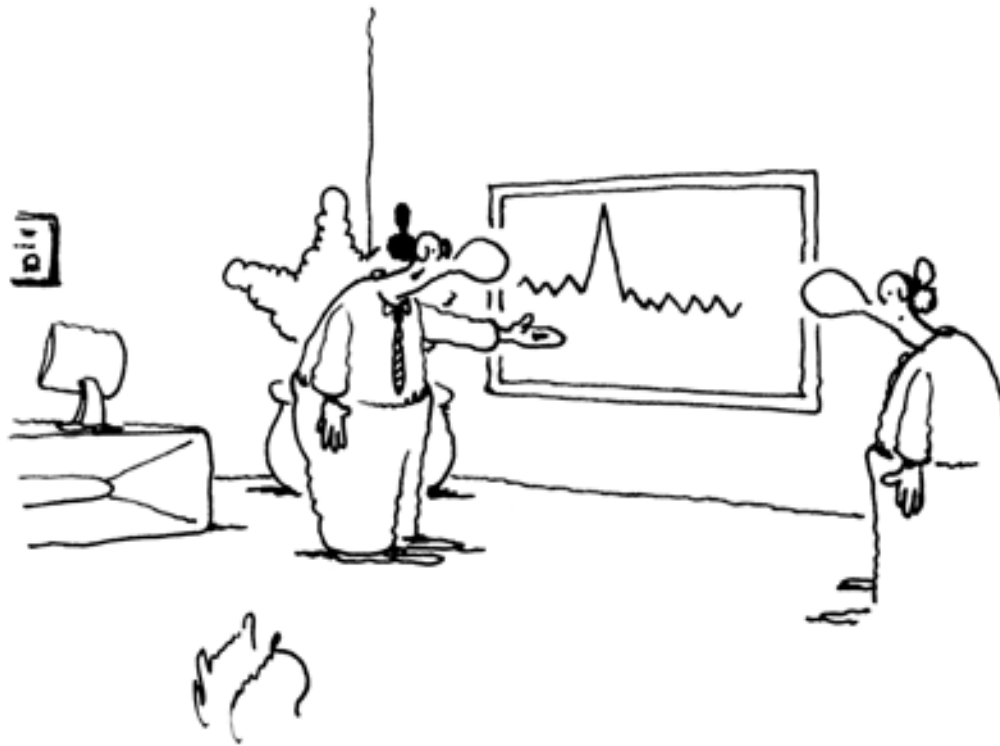
Decision Model



Decision Model



**"Oddly enough, that was the one time I
asked the Magic 8 Ball."**



Decision Strategy as Simple Rules

- Kathleen Eisenhart (Stanford) and Donald Sull (Harvard)
- In stable markets, managers can rely on complicated strategies and decision making built on detailed predictions of the future
- When business becomes complicated, strategy and decision-making should be simple

Strategy as Simple Rules

- In turbulent markets, business managers should flexibly seize opportunities.
- But... flexibility must be disciplined
- Smart companies focus on key processes and simple decision rules
- Different types of decision rules help managers cope

Strategy as Simple Rules

How-to-Rules	identifies the key features of how a process is executed	tech. gurus / R & D through sales / customer service
Boundary Rules	identifies which opportunities cannot be pursued	Cisco M & A - no more than 75 employees / 75% engineers
Priority Rules	help rank accepted opportunities	Intel allocates manf. based on product's gross margin
Timing Rules	clarifies the pace of emerging opportunities	Nortel - product development must be less than 18 months
Exit Rules	When to leave yesterday's opportunity	If a key team member leaves a project for another firm

Success & Failure of Decisions

- Going too fast
- Going too slow
- Investing
- Not investing
- Focus
- Diversification
- Not market focused
- Not development focused
- Decision overreach
- Getting in
- Getting out
- Many, many more

Decision Overreach as a Failure

- **Management size (organ. slack)**
- **Decision process duration (due diligence)**
- **Lack of Foresight (strategic thinking)**
- **Overfamiliarity**

Two Temptations (Decision Errors)

- The temptation for some is to make a set of decisions that fit the environment well, not realizing that the organization cannot deliver it.
- the temptation for others is to make a set of decisions that the organization can deliver, not realizing that it does not suit the environment

Decision Diagnostic

Adapted from Paul Rogers & Marcia Blenko

1. Was the decision correct?
2. Was the decision timely?
3. Was the decision properly executed?
4. Were the right people involved in the appropriate way?
5. Was it clear....
 - Who would recommend a solution?
 - Who would provide input?
 - Who had the final say?
- Who was responsible for following through?
6. Were the decision roles, process and time frame respected?
7. Was the decision based on appropriate information?
8. Was it clear who has the “D” ?
9. Was the decision-maker at the proper level?
10. Were there measures and incentives to encourage a proper decision?

Take Aways

- **Understand the kind (whether, which or contingent) decision**
- **Consider the level of the decision (strategic, tactical or operational)**
- **Reflect on the 4 sights of strategic decision making (hindsight, oversight, insight and foresight)**
- **Properly assess the decision environment (certain, risk, uncertain or strategic)**

Take Aways

- **Size-up the type of uncertainty (clear, choice, range or unclear)**
- **Consider better decision making through simple rules**
- **Understand the nature of decision errors and how to avoid these**

URBusiness

The University of Regina means *business*

Questions.....

Discussion

