Decision Governance

How to make Decision Clarity part of an organization’s DNA

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Good decision practices requires an appropriate governance structure

Any analyis methodology or a well designed decision evaluation practice is useless if it is not embedded in a comprehensive decision governance structure. This is especially the case for the larger organizations, although also medium sized companies need protocols to guide the steps to go through when preparing important decisions. The crux of effective decision making is excellent communication and alignment: between the decision-maker and the teams that provide input and analysis, and also between various disciplines within an organization that have a role to play in decision processes. This means that all these parties need to understand each other's perspectives and use a shared language.

It should be clear who makes the decisions

The first requirement is, of course, to have full clarity on who calls the shots. For the big ticket topics this will clearly be the Executive Committee, Management Team or whatever the top leadership of the organization is called. But not all decisions can be taken by this body. Therefore there needs to be some way to categorize the decisions to be made and clarify across the organization which individual or which team is the 'decision owner', and if it is a team, who chairs it. This categorization is often done by headline size, the amount of capital involved, if the decision involves an expenditure – and in most cases it does. And of course, one may expect an overlap between budget owner and decision maker. At the same time there need to be checks and balances. It is therefore usually not a single individual who is asked to bite the bullet. Important decisions will need to be discussed by teams of senior executives, for example called Decision Review Boards. All this may be captured in a 'Manual of Authorities' or something with a similar name.

For signification decisions a stage gate process is the way to go

A stage gate approach structures the decision opportunity in chunks allowing a decision quality overprint. By requiring, for example, that that several *alternatives* are developed, the principle of deliberately exploring more than one or two options is enforced. This step is followed by a convergence phase with the aim to land on a preferred choice. Another imposed requirement should be to start the process (preceding 'Explore') with one or more *framing sessions*. A stage gate process designed in this way may then look as depicted in Figure 1.

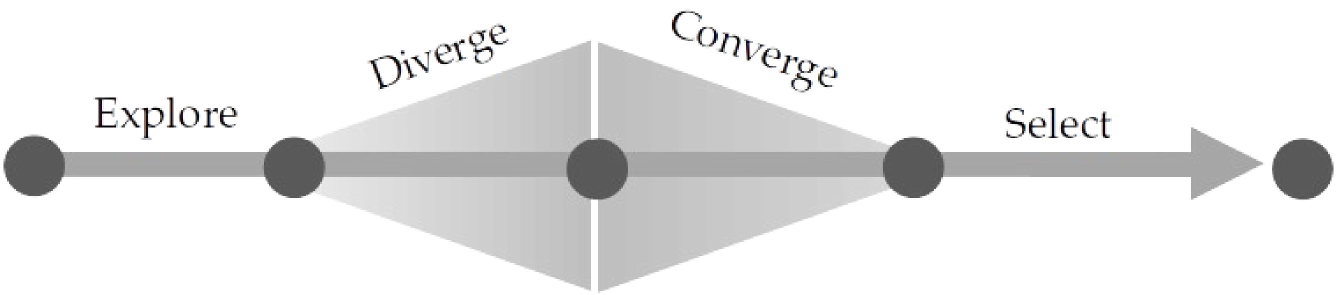

Figure 1 : Stage gate process

For product development and research projects similar schemes are available, tailored to the specifics of that category of decisions.

A continuous Decision Dialogue is key

The milestones between the phases should be used as check points and communication opportunities. At these points a status check can be made of the decision opportunity evaluation process, informally or by means of formal meetings. This should involve a meaningful interaction between decision makers and the evaluation team. This would be part of a continuous *Decision Dialogue*. A practice where decision makers see a proposal for the first time at the end of the decision evaluation process is doomed to fail. Such intermediate interactions are essential to ensure that decision makers fully understand the merits of the decision opportunity or issue. Also, it allows them to ensure that the evaluation teams do not go off-tangent and that the solutions and options explored fit within the overall strategy of the organization. Ideally, decision makers and analysts also engage informally whenever possible and practical to ensure that the broad strategy of the organization, the domain of decision makers, and its implementation, the domain of the evaluation teams, are aligned. At the same time executives will want to fully exploit the creativity available in the workplace and will guard agains micro-management.

Confidence is built by quality assurance

For decision makers it will be essential that a good practice of quality assurance is in place. They will want to be confident that the numbers they are looking at, the diagrams that are shown and the narratives that for example describe the risks and opportunities are robust, checked and meaningful. This means that the organization must have some way to assure the evaluations executed. This can involve just simple peer reviews, or substantive assurance exercises with external experts involved. Clearly in this effort the balance must be struck between exposure and expenditure. Larger organizations may employ dedicated reviewers and auditors that will assess larger projects, for example at the milestone points between the phases discussed above. It is useful to include *decision quality assessments* at the stage gate milestones.

Lookbacks improve assessment capabilities

Not many organizations have the discipline to execute regular lookbacks or after action reviews. Yet such a practice is very helpful to truly become a *learning organization*. Of course, the aim is not to merely assess whether the choice made was ‘good’ or ‘bad’ per se (after all, a less favourable outcome can be bad luck, although there can certainly be a correlation between a poor result and an ill-considered decision). Another, more important, dimension is to assess to what extent the assumptions that were underpinning the decision indeed held up in reality. Such reviews will improve the capability of the analysts to develop assumptions that will guide future decisions. As an analogue, consider meteorologists who use actual weather conditions to continuously update their forecasting models.

Decision consistency across the organization needs a plan

For larger organizations it can be a challenge to ensure that investment decisions are made in a consistent fashion when they are taken by different parts of the organization. This can involve a complex capital allocation process alongside a usually tortuous annual business planning cycle. With that, it will also be required to have clear guidelines for decision proposals, the decision metrics and other indicators to be used. A particular concern will be that in some way like for like comparisons can be made of benefits and risks of various investment opportunities and other types of significant decisions.

Effective and efficient decision making is a skill that can be learned

Whereas guidelines and well designed processes will be required to support most of the above good practices, the only way to achieve that decisions are taken efficiently and with confidence is to **ensure that across supporting departments the right skills and tools are available**. Various disciplines providing input into various phases or dimensions of decision processes must have a common language and work in an integrated fashion. The worst that can happen is that all aspects of important decisions are only joined up at the table of the decision-maker, who then needs to interpret how the different (and perhaps 'siloed') perspectives might hang together. This requires that all relevant staff have the appropriate level of understanding of decision and risk analysis tools and concepts. Skills need to be built and maintained cutting through the silos.

With a decision governance structure we mean the overall suite of processes and practices that will support effective and efficient decision making. The most important components of such a structure are described in this note. This is required alongside the embedding of the decision clarity principles: the decomposition of (significant) decision problems and opportunities in the why, the what and the how. A third requirement is a collaborative attitude and working practice within the organization, across disciplines and departments: integration.