

Decision Clarity

**Making confident decisions through
understanding risk and reducing bias**

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Organizations struggle with decision making under uncertainty

Our experience is that many organizations struggle with making decisions, especially when there is a lot of uncertainty. They would welcome having more structure when making important choices. They look for something that allows them to see the wood from the trees. Our *Decision Clarity* approach can provide that structure¹.

To use an analogy: when cooking a great meal, one starts off with a list of ingredients. Subsequently one identifies the steps to be followed: peeling and cutting, executing the appropriate preparation methods – boiling, frying, baking, whatever – in the right order and with the correct timing. Lastly one serves the result in some attractive way to the guests. A good recipe provides the clarity needed to achieve such a result.

The why, what and how in decision making

A decision opportunity can be modeled in the same way. There are three dimensions: the why, the what and the how. The *why* obviously alludes to the reasons for the intended decision. With the *what* we mean the list of ingredients: all the elements of a decision that are in play. With the *how* we mean the steps that are needed to arrive at a point where the decision can confidently be made. It will be seen that collating – up front – all the elements of the *why*, *what* and *how* is the most important step in the decision-making process. This is called *framing*.

As with preparing a meal, the decision elements to be considered and the steps to be taken will vary from case to case. However, it is useful to have a template to explore what needs doing.

¹ Decision Clarity is a modification of the decision quality concept as this originated from Stanford.

The why

First, the rationale for the intended decision needs to be addressed. This will involve an opportunity statement: a clear articulation of the decision to be made and a clarification how it fits in a strategy or an overall plan.

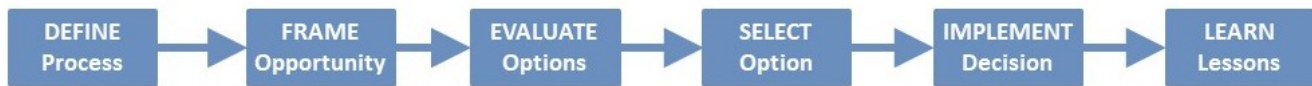
The what

Next, the decision elements (the ‘ingredients’) are explored:

- **Timing:** when should the decision (or set of decisions) be made.
- **Decision scope:**
 - Prior decisions: decisions that have been taken earlier and should be considered as givens.
 - Focus decisions: the set of decisions or choices that are in scope right now.
 - Tactical decisions: choices that can be deferred to later.
- **Alternatives:** multiple options to choose from.
- **Information**
 - Facts: things we already know and that are relevant for the decision.
 - Data out there, waiting to be acquired.
 - Uncertainties: things that we do not control, with multiple possible outcomes.
 - Risk: exposure to things that can derail the opportunity.
- **Stakeholders:** external parties that are affected by the decision.
- **Values**
 - Boundary conditions: constraints that will limit the options.
 - Desirables: things that are considered important and need to be weighed when deciding.
 - Decision criteria: those variables and considerations on which the final call will be based.

The how

Thirdly, we need to define the steps to arrive at the point where the decision can be made, the *how*. We always start with the define step (the why) followed by framing, already mentioned above. This is so important that it is separately discussed. The steps that follow will usually include the elements as shown in Figure 1.



Framing is the most important

Following a precise articulation of the opportunity or problem at hand (Define Process), the *what* needs to be framed. This involves establishing which decision elements are in play and will require attention. Framing may be done, for example, in a brainstorming mode using the issue raising technique. All relevant issues are categorized using the list outlined above. It is important to ensure that the frame is wide enough so as not to overlook important issues, but not too wide to avoid spending time on irrelevant matters.

A matter which is often overlooked, is to agree on the most appropriate steps to evaluate the decision opportunity: how to gather information, which analysis techniques to deploy and how to present the information and analysis to the decision-makers. A first stab at this is taken in the Define Process step, to be further refined in the framing. If this is well considered up front, the evaluation will be fit for purpose and efficient.

Evaluation can imply iteration

Once we have a good overview of the decision elements and evaluation steps, we can proceed with gathering information and analysis. There is a plethora of tools that can be used to acquire and evaluate the information, ranging from asking around or searching the internet to sophisticated statistical and probabilistic analysis techniques. Clearly, the tools to be chosen will depend on the problem at hand. Often, there will be emphasis on the proper analysis of uncertainty and risk, as such issues can complicate decision making immensely. It is key to properly **integrate multiple disciplines** from within the organization that contribute to the evaluation of the alternatives: decision analysis, risk management, finance, strategy and other – as relevant and needed. Of course, evaluating decision opportunities is not a linear process. There will be iteration involved, circumstances might change, new insights may develop. Occasionally it may be needed to go back and completely re-frame. In simple cases the

decision-making can be intuitive and fast with the various steps being taken implicitly. However, for complex cases, with many parties involved, a structured approach is imperative. A fine, elaborate meal cannot be cooked on the fly. One needs a comprehensive list of ingredients and clear process steps, especially if the preparation is done by multiple persons.

Deciding is choosing one of multiple alternatives

For decision makers, the choice to be made should not be just a yes or a no, but selecting one of several options. This means that in the decision preparation process multiple distinctly different **alternatives** must be identified and evaluated. The job of the decision maker is then to transparently make the **trade-offs** between various characteristics of the alternative options.

Decision quality assessments should be done regularly

During the evaluation process and just before the final call is to be made, it is a good idea to lean back and check whether indeed all relevant issues (the *what*) have been taken on board and secondly if the appropriate evaluation steps (the *how*) have been followed. When preparing a meal, the cook will taste the intermediate results or, even better, let others do that. Such a quality assessment may be executed by going through a set of questions that explore the degree to which the different elements of the *what* and the *how* have indeed been considered.

Concluding remarks

This approach of distinguishing the *why*, the *what* and the *how*, the categorization of issues, the orderly set of steps to evaluate the decision options and the regular intermediate assessments provides for structure in the decision-making process. It provides confidence from the beginning and increases the chance that all relevant issues are considered. This also means that re-work is avoided. The decision process will be fit for purpose and agile. It will provide maximum decision clarity all along.