

# **What is organisational DQ?**

**How it can be achieved and what are the benefits**

**Nadia Papamichail**

nadia.papamichail@manchester.ac.uk

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# Overview

1

- What is organisational DQ?

2

- How can we achieve organisational DQ?

3

- So what? What are the benefits?

# A decision making crisis...

72% of senior executives concluded that **bad decisions is the norm**

2017

•McKinsey

Alignment of incentives with strategic objectives, **realistic assessment** of company's execution capabilities, and **accurate prediction** of markets are areas that need attention

2009

•McKinsey

Customer loyalty and company reputation are the top two casualties of poor decision making.

2006

•Teradata

Increased **complexity** and volume of data. Less time to take decisions

2003

•Teradata

2013

•Bain

Successful organisations take and **execute** decisions **faster** compared to competitors

2007

•EIU

61% of executives rated managerial decision making at their companies as **moderately efficient or worse**

2004

•CapGemini

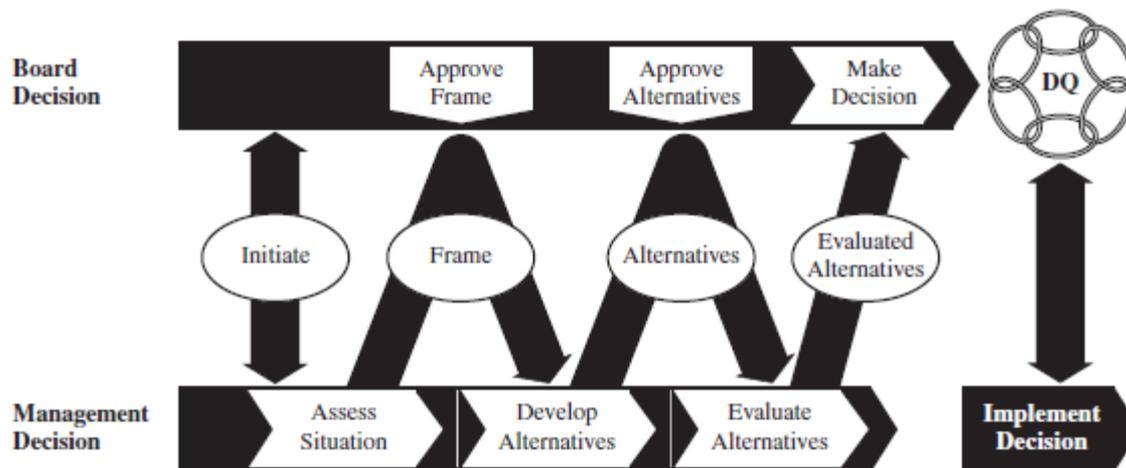
**Average failure rate** i.e. rate of wrong decisions in the UK is 24%

# The six elements of decision quality

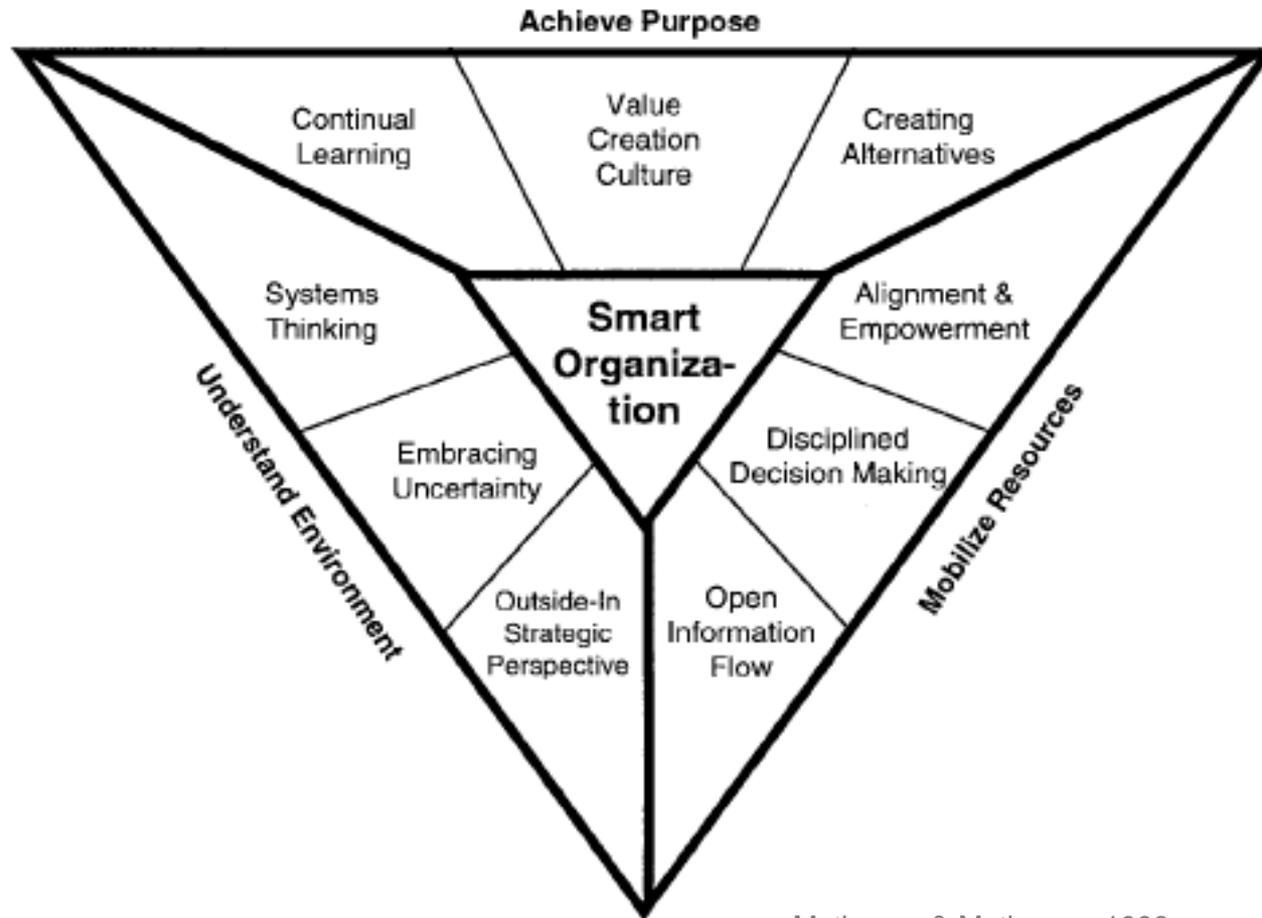


Spetzler, 2007

## Structured Decision Dialogue A Collaborative Model For The Board

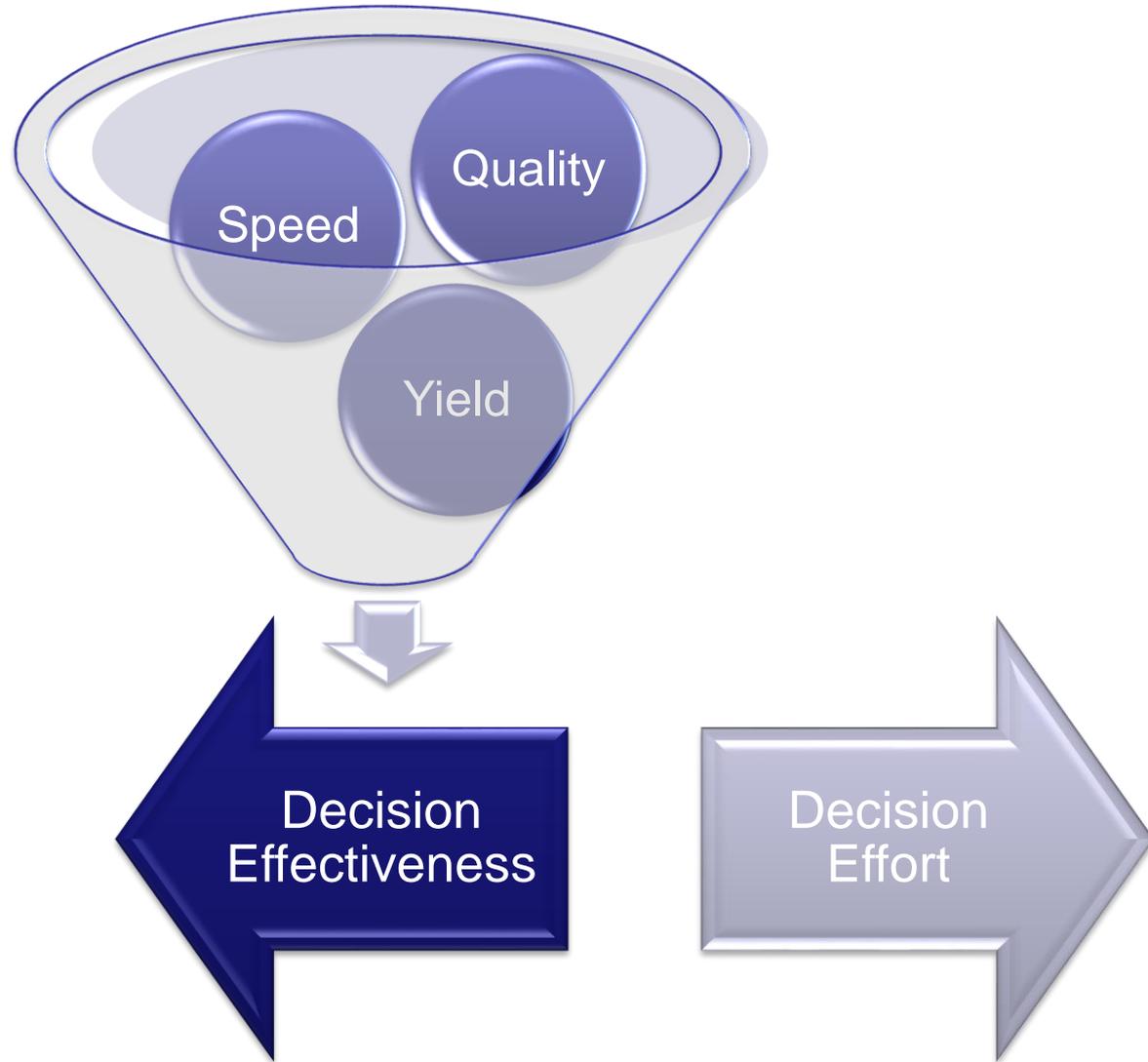


# The nine principles of a smart organisation



Matheson & Matheson, 1998

# Decision audit



# Kahneman's decision quality control

Confirmation

- “Have you fallen in love with a proposal?”

Halo effect

- “Do you assume that a successful approach in one area will be as good in another?”

Sunk-cost fallacy

- “Is a decision overly attached to a history of past ones?”

Confidence

- “Are you overoptimistic or overcautious?”

Disaster neglect

- “Is the worst case bad enough?”

Anchoring bias

- “Where do the numbers come from?”

# Prescriptive decision analysis

## Value focused thinking

- **Values** are what we care about. They should be the driving force for our decision making.
- **Alternative focused thinking** closes down the mind
- Focus attention on **what matters**
- Teams share **common goals**

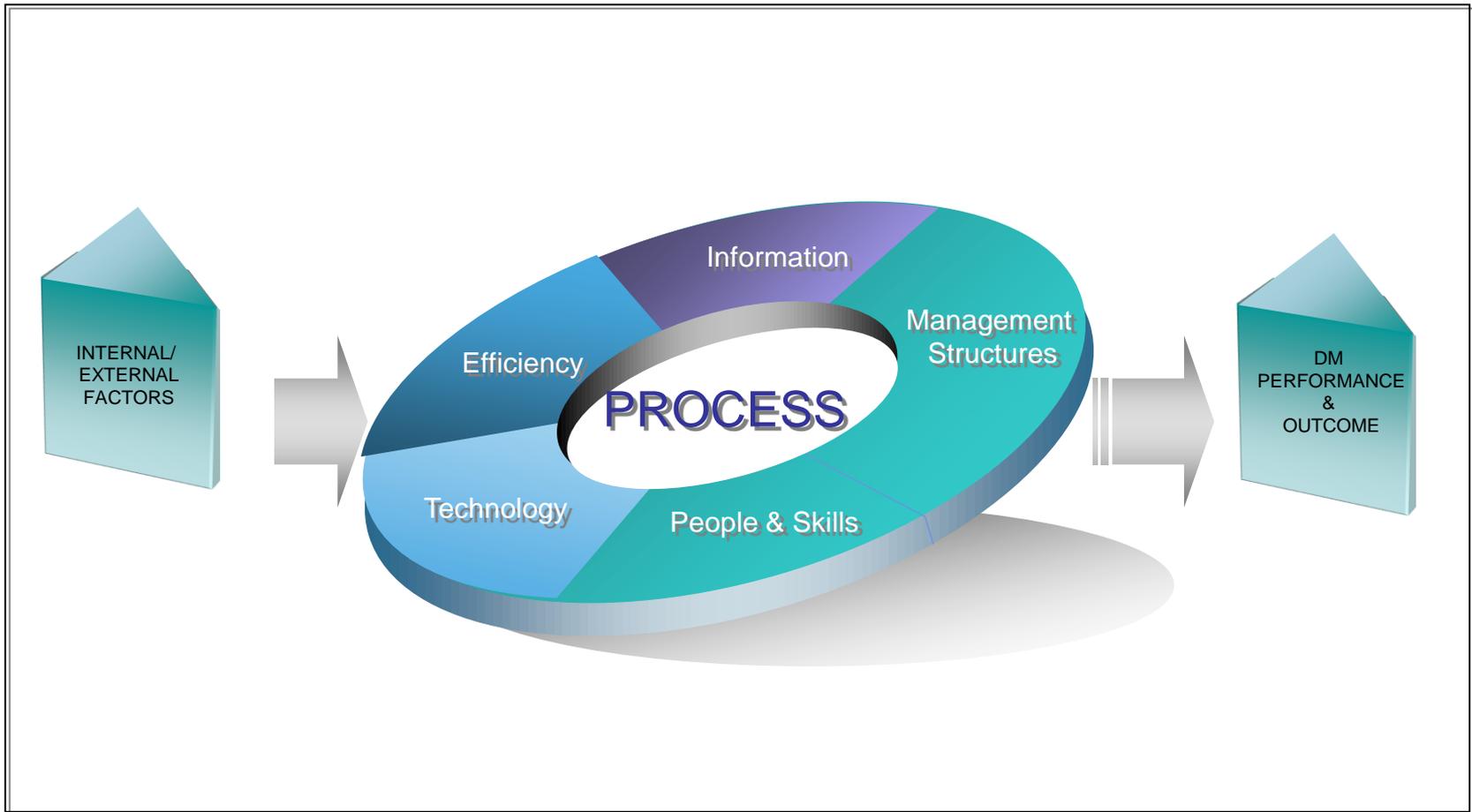
(Keeney, 1992)

## A decisive leadership team

- Articulate **decision roles** (responsible, accountable, authority)
- Work through **conflicts** in a constructive way
- Work out **what's best for the organisation overall**
- Increase the **number of alternatives** considered
- Conduct a **stakeholder analysis**

(French et al, 2009)

# Decision making practices (DMP) framework



# Examples of good practice and bad practice

## Information

Critical, timely, accurate, relevant and sufficient information available.

Lack of systematic ways for providing and gathering information.

## Management structures

Easy to allocate authority and implement decisions, ensure equal access to information, foster a trusting culture.

Communication problems between managerial levels, lack of trust, lack of structured approaches, no structured debates

## Efficiency

Immediate response to decision stimulus, no delays in the process, right level of resources

Slow DM process, prolonged decision activities, high communication costs

## Performance and outcome

The decision is perceived as successful, the problems that evoked the decision were solved and any opportunities were wholly taken, sense of satisfaction

Neither short-term nor long-term benefits, poor decision quality, no sense of achievement

## DM Process

Diversity of interests in the decision making body, involvement of experts, constructive conflict, deciding how to decide.

Rapid convergence upon a single alternative, wrong assumptions, lack of commitment to action, lack of resources.

## Technology

Use IT to compile and disseminate information in a thorough and timely manner, gather and model evidence

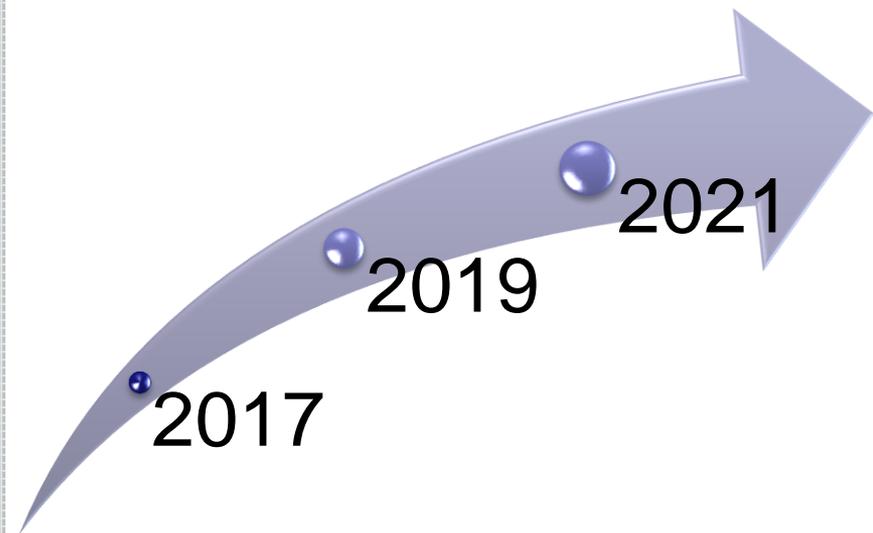
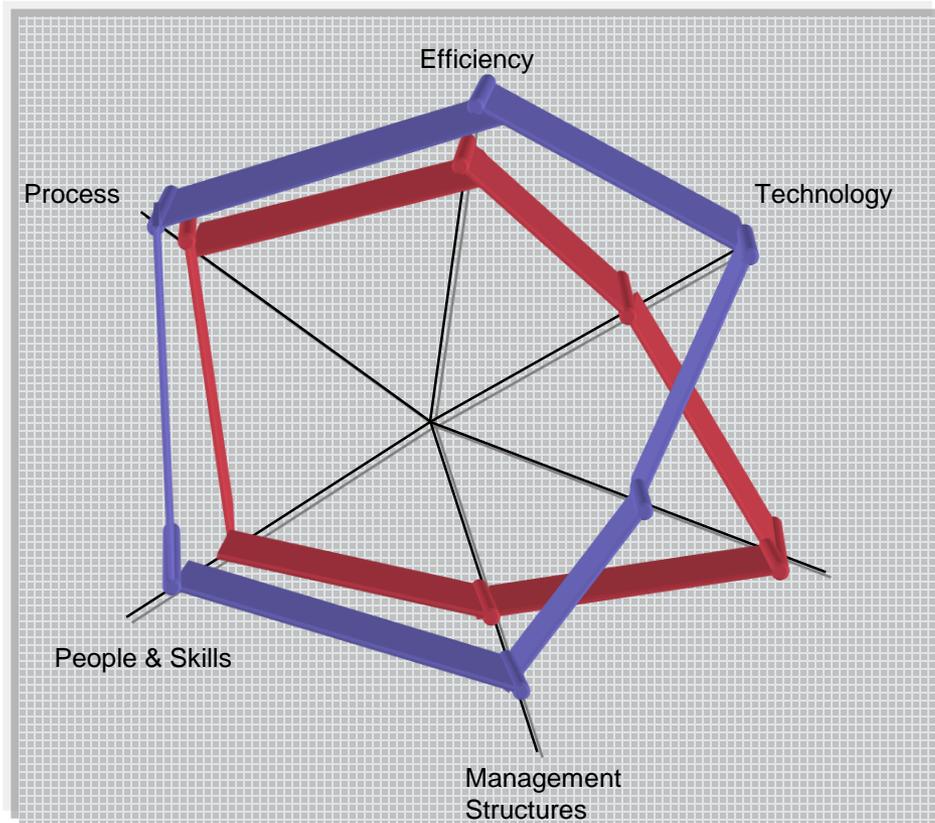
Lack of IT or Technology used but it is not secure, nor efficient, nor effective, no DSS to facilitate DM processes

## People & skills

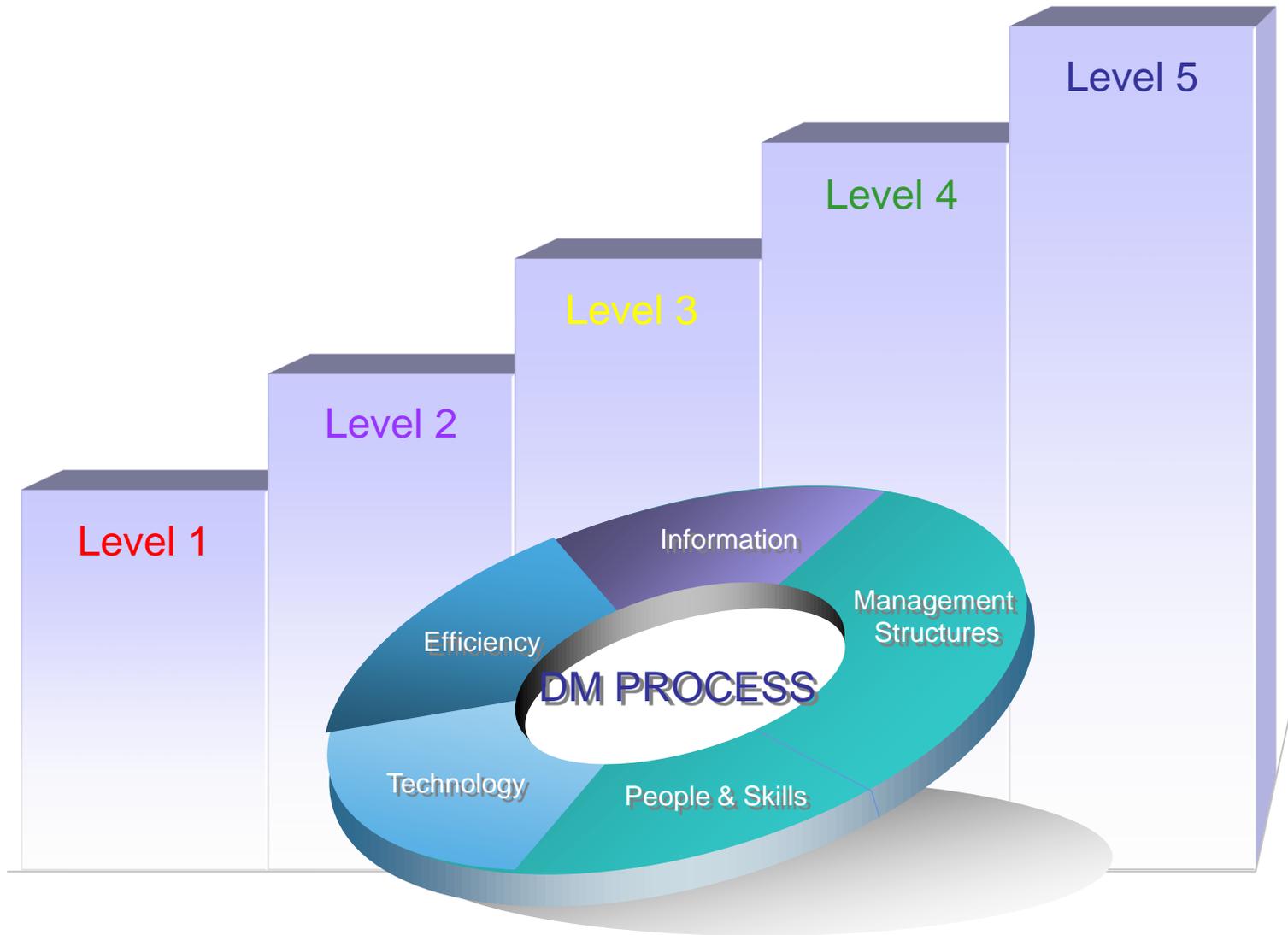
Active learners, creative problem-solvers, able to use and share information, seek to adopt best practice examples

Limited awareness, lack of interpretation skills, making inconsistent decisions

# Internal vs. competitive comparison



# Taxonomy of organisational DQ levels



# Challenges - Decide how to decide

1

- Efficiency vs. effectiveness

2

- Make better decisions vs. make better decision makers

3

- Make the right decisions vs. make decisions the right way

# Benefits

## Outcome – Impact

- Emphasis on financial outcomes
- Examples: Profit, new markets, new products
- Strategic vs. operational decisions

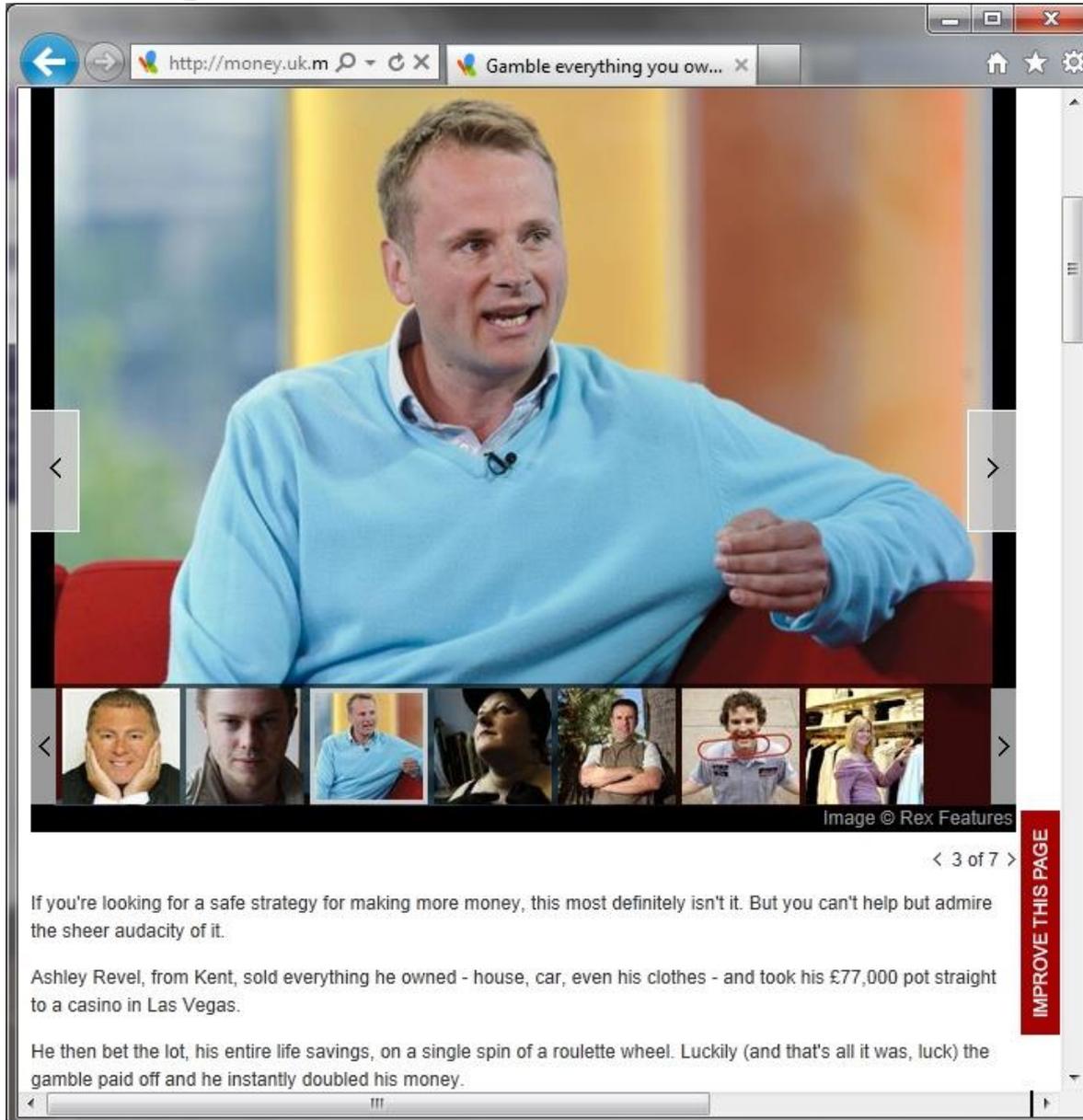
## Incremental benefits

- Quick wins (Operational efficiency)
- Impact vs. feasibility analysis
- Decision making capability

## Cultural changes and decision-driven structure

- Resistance
- ‘Bad driver’ syndrome

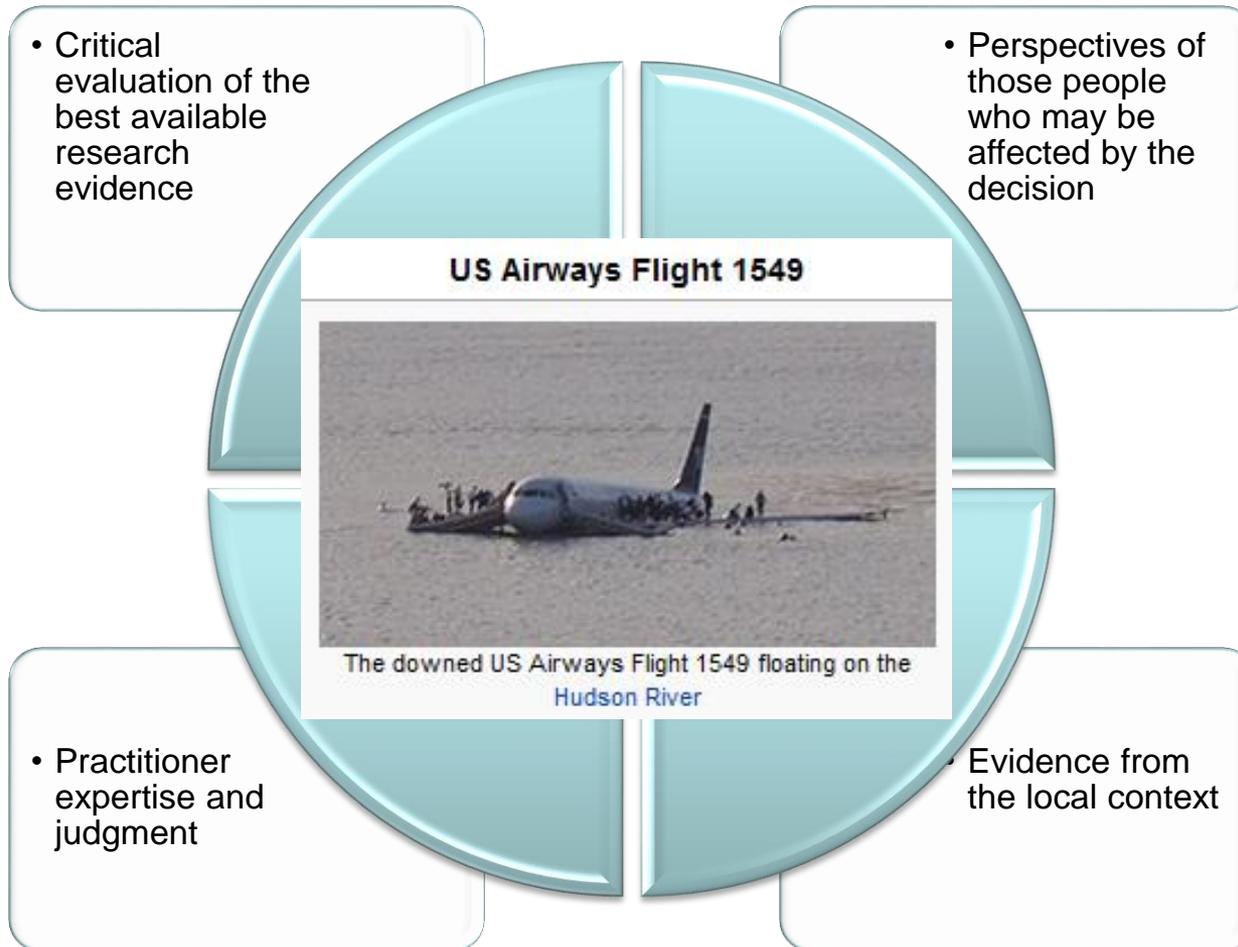
# Decision process vs. decision outcome



The screenshot shows a web browser window with the address bar displaying "http://money.uk.m" and a tab titled "Gamble everything you ow...". The main content is a video player showing a man in a light blue sweater sitting in a red chair. Below the video is a gallery of seven small images, with the third image (the man in the blue sweater) selected. The text below the gallery reads: "Image © Rex Features", "< 3 of 7 >", "If you're looking for a safe strategy for making more money, this most definitely isn't it. But you can't help but admire the sheer audacity of it.", "Ashley Revel, from Kent, sold everything he owned - house, car, even his clothes - and took his £77,000 pot straight to a casino in Las Vegas.", and "He then bet the lot, his entire life savings, on a single spin of a roulette wheel. Luckily (and that's all it was, luck) the gamble paid off and he instantly doubled his money." A red vertical button labeled "IMPROVE THIS PAGE" is on the right side of the page.

# Evidence-based management

## The four elements of EBMgt



Briner, Denyer, & Rousseau (2009)

