



Executive Summary

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Stanford Strategic Decision and Risk Management eBriefing

Executive eBriefing®

Decision Leadership: Guiding Teams to High-Quality Decisions in Challenging Organizational and Analytical Contexts

Featuring: **Paul Marca, Jennifer Meyer, Carl Spetzler, Bruce Judd, and Hannah Winter**

Following is the summary of the Executive eBriefing covering:

- What decision-making situations most demand decision leadership
- What responsibilities and functions decision leaders have
- How decision leadership directly affects decision quality
- How different decision leadership tools and approaches are used in various organizational settings
- How effective decision leadership is achieved during all stages of the decision-making process.



STANFORD UNIVERSITY
Stanford Center for Professional Development



Decision Leadership: Guiding Teams to High-Quality Decisions in Challenging Organizational and Analytical Contexts

Speakers: Paul Marca, Deputy Director, Stanford Center for Professional Development
Jennifer Meyer, Senior Engagement Manager, SDG
Carl Spetzler, Chairman, SDG, Program Director, Stanford Strategic Decision and Risk Management Certificate Program, Lecturer of Economics, Stanford Graduate School of Business
Bruce Judd, Director of Executive Education, SDG, Adjunct Professor, Kellogg Graduate School of Management

Moderator: Hannah Winter, Partner, SDG, Associate Program Director, Stanford Strategic Decision and Risk Management Certificate Program

Overview

Leadership plays a tremendous role in the processes and applications of decision-making. This type of leadership—decision leadership—can facilitate communication, monitor change, ensure successful decision execution, and ultimately create higher decision-quality for an organization. Various leadership tools and approaches may be used during the different phases of the decision-making process. By understanding the nature and significance of decision leadership and its direct impact on decision quality, an organization can better diagnose internal and external problems, anticipate risk, and implement an effective decision.

SDG and Stanford University have developed a certificate program that addresses the complex elements of decision-making. The Stanford Strategic Decision and Risk Management (SDRM) Certificate Program and its companion executive

seminar help decision-makers and their staffs make decisions that ensure quality, create value, and reinforce the principles of strategic decision-making.

Context

The leaders of SDG explored the impact that decision leadership has on the decision-making process. They demonstrated how effective decision leadership is used to ensure high decision quality. Paul Marca later described the educational programs available at Stanford for strategic decision-making and risk management.

Key Learnings

Decision leadership is needed when stakes are high and organizational alignment is difficult.

When making complex decisions, organizations must consider several different factors. For example, the organization must evaluate what is at stake in making a certain decision: Are the stakes high? Is there enough time to make a sound decision in terms of those stakes? Other factors to be considered are the parties involved: information providers, team members, stakeholders. Consideration of these elements is especially important in making decisions to respond to competition, launch a new product, or develop a new business strategy. Decision leadership is needed most when the situation is organizationally challenging, analytically complex, uncertain, and dynamic.

With decision leadership, a timely and high-quality result is more likely. Decision-makers and project teams rely on the decision leader in planning and managing projects, gathering information, facilitating meetings, analyzing and synthesizing alternatives, and communicating results. Effective decision leaders are committed to an ultimate goal of achieving high decision quality.

Decisions leaders provide guidance and vision to ensure high decision quality.

Decision leaders create decision quality by (1) envisioning the destination (a high-quality decision), (2) diagnosing the decision situation, (3) designing an effective and efficient decision process, (4) leading the decision process, and (5) assessing the level of quality achieved. Decision leaders begin with an end result in mind—a high-quality decision. To reach this destination,

they incorporate into the process the six components of quality decision making:

1. The appropriate frame
2. Creative and doable alternatives
3. Meaningful and reliable information
4. Clear values and tradeoffs
5. Logically correct reasoning
6. Commitment to action.

Each of these elements serves as a link in a chain of decision quality; no link is stronger than another. In a quality decision, these six components have been considered and fulfilled before and during its execution.

Although decision leaders strive for decision quality, they must be able to gauge the effort being exerted to achieve it. They know that 100% quality has been reached when any additional effort will cost more than it is worth. For this reason, a decision leader carefully monitors decision quality in all dimensions.

Decision leaders diagnose decision situations.

Diagnosing a decision situation entails determining the nature and scope of the decision to be made. This leads to the initial framing of the overall situation. The diagnosis is done by answering a series of questions:

- What is the purpose of the decision?
- How important is the decision?
- What is the nature of the decision?
- How difficult is the decision?
- When does the decision need to be made?
- Who decides?

- Who knows the necessary information?
- Who will lead the decision-making process?
- Who is involved in implementing the decision?

Diagnosing the decision situation can be difficult. Obstacles arise from clashes in organizational structure, personalities, and group dynamics. Analytical obstacles emerge from uncertainty, complexity, business cycles, and variability in risk attitudes. Content obstacles stem from information overloads, lack of data, biases, or the existence of too many or too few alternatives.

The most important question to ask during this phase of decision leadership is, Who should be involved? Decision-makers are those who have the authority to approve action. Meanwhile, the project team gathers information, facilitates dialogue, analyzes alternatives, and integrates results. Input and execution resources provide facts and the judgment necessary to understand the consequences of decisions and readiness for execution. The decision leader directs the project team, oversees organizational resources, and shares decision quality responsibilities with decision-makers.

Effective decision leaders select an approach and create a project plan.

Creating an effective project plan serves as the “how” of achieving decision quality. Especially during complex decisions, the roles of decision-makers and project teams should be carefully defined and separated. For example, decision-makers usually constitute the decision board. Their duties are to declare the decision, approve the frame, specify values and tradeoffs, and make the final decision. Project teams, on

the other hand, usually comprise analysts and subject matter experts whose duties are to develop an appropriate frame and alternatives, assess information, evaluate alternative strategies, and plan implementation.

With roles clearly defined, the proven-effective SDG decision process can be used to ensure quality: (1) declare and diagnose the decision situation, (2) assess and frame the situation, (3) create alternatives, (4) evaluate alternatives, and (5) make a final decision.

Throughout this process, continuing systematic dialogue between the decision board and the project team is crucial.

Decision leaders face the challenging task of selecting the appropriate approach, tools, and schedule to use for a decision situation—all of which are key to achieving decision quality. Some techniques used to ensure quality in the approach to gain content are brainstorming, market studies, experts, focus groups, trial clinics, competitive reviews, and customer interviews. Organizational tools used to achieve decision quality are competency assessments, surveys, teambuilding, personality tests, experts, incentives, and rewards. On an analytical level, scenarios, spreadsheet models, risk profiling, options and gaming, sensitivity analysis, and portfolio analysis may be used. These different tools render great aid to a decision leader in developing an effective project plan.

Decision leadership applies up, down, and across an organization.

Decision leaders often acquire overall project leadership responsibilities, making their guidance and dialogue essential. For

the decision board, the decision leader must know the context of the decision being made, maintain open communication, monitor change in the decision situation, and synthesize insights from the project team's work. When working with the project team, the decision leader is recognized as the project director, designs and supervises the team's activities, monitors progress, ensures quality, and manages resources.

With so many crucial responsibilities, skillful decision leaders will use different leadership styles depending on the nature of the situation:

1. *When declaring and diagnosing the decision*, decision leaders may use the visionary approach, in which they create an image of the problem for the project team. The democratic approach may also be used, in which the decision leader asks for input and different perspectives about the situation.
2. *When assessing and framing the decision*, decision leaders may use the visionary approach, in which they create an image of what the frame should or could be. The affiliative approach may also be used, during which the decision leader encourages the team to make goals that support one another.
3. *When generating alternatives*, decision leaders may use the visionary approach, in which they create an image of how the project team should think differently about the problem. Using the coaching approach, the decision leader encourages each team member or expert to help move toward high decision quality.
4. *When evaluating alternatives*, decision leaders can use the pace-setting approach, which involves creating a number of scheduled tasks for the

project team and helping the team complete them in a timely manner. Using the commanding approach, on the other hand, the decision leader takes complete charge and delegates specific tasks to each member.

5. *When reaching a decision*, Decision leaders using the visionary approach create an image of what is possible by making a certain decision. Using the democratic approach, the decision leader stresses the importance of having the team aligned when reaching a decision.

Decision leaders facilitate dialogue.

Facilitating dialogue during decision board meetings and team workshops is an essential skill for decision leaders. When interacting with a decision board, they lead a dialogue that yields commitment to a high-quality decision. When working with a project team, decision leaders' communication goals include designing and developing work products to build work quality and foster alignment. The decision leader also designs, opens, manages, and closes each meeting.

An effective decision leader holds a meeting that appropriately serves the tasks and the meeting attendants. As in project planning, different techniques to facilitate dialogue are used throughout the decision-making process:

1. *When declaring and diagnosing the decision*, decision leaders may use one-on-one interviews and draft reviews in meetings. Team development is important during this stage.
2. *When assessing and framing the decision*, decision leaders may use small group information reviews and summaries of challenges in meetings.

3. *When generating alternatives*, Decision leaders find individual idea generation and group brainstorming very effective. Decision leaders may also conduct individual interviews using debiasing techniques.
4. *When evaluating alternatives*, decision leaders can use small group synthesis of key evaluation points, large group reviews and prioritizations, and interactive development of model structures.
5. *When reaching a decision*, Decision leaders may use one-on-one previews of results and recommendations. They also use insight-focused dialogue in this stage of the decision-making process.

A well-designed meeting will not only fulfill its purpose, but also accommodate different personality styles: introverts, extroverts, big thinkers, analytical types, etc. However, a meeting can only be as effective as its decision leader, whose ultimate goal is to add value to an organization by ensuring high-quality decisions are made, implemented, and maintained.

Stanford offers educational programs to improve innovative strategy.

SDG and Stanford are working together to create enriching educational programs to aid professionals of all levels and industries to make and manage better decisions. These programs are available on site, on campus, and online in March, June, and September. To earn a certificate in the Strategic Decision and Risk Management (SDRM) certificate program, which begins March 17, 2008, participants take six courses—four core classes and two electives, at 2.5 days each. Courses cover such topics as modeling for strategic insight, decision analysis, and decision quality. These courses are indispensable for all levels of business.

Beginning on November 13, 2008, a two-day seminar will also be offered to executives who have significant for decision-making responsibility. This seminar is designed to foster innovation in addressing challenges, enhance leadership and decision-making, and help executives turn uncertainty into advantage. Together, the SDRM Certificate Program and the executive seminar greatly benefit professionals in an ever-changing business world.

Biographies

Bruce Judd, Executive Director, Client Education, Strategic Decisions Group

Dr. Judd has more than 30 years of experience as a consultant and educator in strategic decision-making. He founded and directs SDG's client education practice, which helps clients develop internal capabilities to enhance the quality of their decision-making. Dr. Judd was also on the faculty of the Stanford University Graduate School of Business for 14 years, and he currently teaches in the MBA program at the Kellogg Graduate School of Business, Northwestern University. Typical consulting assignments include transforming the decision-making culture in a Fortune 50 company; developing strategies to revitalize telecommunications, medical devices, automotive, office products, and printing and publishing companies; evaluating capital investment decisions in the energy industry; determining foreign compliance with arms-control treaties; and prioritizing scientific research. Dr. Judd holds PhD and MS degrees in decision analysis from Stanford University and an undergraduate degree in science engineering from Northwestern University.

Paul Marca, Deputy Director, Stanford Center for Professional Development

Mr. Marca assesses industry needs to identify opportunities for effective program development, while fostering new opportunities for SCPD partnerships. His is a strategic development and new business development role in SCPD. As a Stanford graduate, Mr. Marca has strong ties to Stanford, and he enjoys the opportunity to extend the Stanford experience to others in industry through the SCPD programs.

Jennifer Meyer, Senior Engagement Manager, SDG

Dr. Meyer has worked in strategy development, economic evaluation, and business portfolio modeling for clients in the transportation, oil and gas, and technology industries, as well as telecommunications, automotive, power, and manufacturing. In a recent project for a national Canadian transportation company, she led the development and evaluation of major capital alternatives and facilitated improved organizational alignment around a new strategic direction. Dr. Meyer is active in SDG's Client Education program, training clients in strategic decision-making and risk management. She received a PhD and an MS in operations research from Stanford University and a BA in mathematics and physics from Drake University.

Carl Spetzler, Chief Executive Officer, SDG

Specializing in strategy development, business innovation, and strategic change management, Dr. Spetzler has developed creative business strategies for major financial institutions, capital-intensive companies, high-technology manufacturers, and systems businesses. Over the past 20 years, he has been a leader in designing an innovative strategy development process that helps corporate leaders cope with the lack of explicit strategic alternatives, deal with the complexities of uncertainty and risk over long time horizons, and achieve lasting change. Dr. Spetzler leads strategy assignments to redirect and restructure major US corporations and to create revolutionary new products and strategic alliances. He received an MBA and a PhD in economics and business administration and a BS in chemical engineering from the Illinois Institute of Technology.

Hannah Winter, Partner, SDG; Associate Program Director, Stanford Strategic Decision and Risk Management Certificate Program

Ms. Winter is a partner in the executive education practice of SDG. She oversees SDG's relationship with the Stanford Center for Professional Development, a partnership that has developed the Strategic Decision and Risk Management certificate program for mid-career professionals.