Decisions, Decisions, Decisions

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In this issue, we revisit decision quality, drawing on the concepts set forth in David and Jim Matheson’s best-selling Harvard Business School Press book The Smart Organization: Creating Value through Strategic R&D. In chapter two, David and Jim introduce the Six Dimensions of Decision Quality (DQ).

**Appropriate frame:** the correct background, setting, and context for a decision. “The right frame helps us avoid solving the wrong problem and often guides us to breakthrough thinking.”

**Creative, doable alternatives:** the authors cite, “creative, doable alternatives are preconditions for any decision. If there are no alternatives, there is no decision.”

**Meaningful, reliable information:** requires that the right information is brought to bear on the decision. “Companies are usually good at bringing what they know to bear. The key to quality … is information about what is not known, that is, the limits of our knowledge.”

**Clear values and trade-offs:** establishing criteria for measuring the value of alternatives and how the company will make rational trade-offs among them. Being explicit about each of these trade-offs helps ensure thoughtfulness and consistency.

**Logically correct reasoning:** this dimension requires bringing together the inputs of the previous dimensions to determine which alternatives will create the most value.

Commitment to action moves decisions to activities. The best decision is useless if the organization will not implement it.

To achieve real decision quality, each of the dimensions must link as in a chain. “The decision quality chain is only as strong as its weakest link.”

Value-based management process and software help bring these dimensions together in a way that is visible to those who have a stake in successful outcomes. In new product development,

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Originally published as a series of ValuePoint articles in early 2010, we have compiled *Forecasting under Uncertainty* into a single white paper. The series describes SmartOrg processes and tools that help you develop defensible projections around the value to be derived from new products and other business opportunities. This is especially important when there is a great deal of uncertainty about market size, pricing, market share, profit margins and other factors vital to producing profitable results.

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for instance, this means involving marketing, sales, R&D, finance and others in determining the best products to select for development and commercialization.

Since the introduction of Portfolio Navigator® almost ten years ago, we have seen impressive improvements in growth and profits from companies that use value-based management processes and software. Two companies have reported such results in public webinars. Dow AgroSciences cites creation of a billion dollars in additional portfolio value. (See webinar archive). Chevron Technology, an early adopter of the process, reported 100% improvement in projects moving from technology to commercialization within one year and double the number of projects killed early. (See webinar archive).

How good are your decisions? The spider diagram enables you to assess the quality of your decisions. Pick a recent decision and place a dot that represents 0% to 100% along the line. Connect the dots to reveal strengths and areas for improvement.

To learn more about decision quality please see: The Smart Organization: Creating Value through Strategic R&D, Matheson and Matheson. (Amazon)