

# Because Great Strategy Deserves Great Execution

The Case For  
Strategic Decision Management



Intense energy and discipline is investment in strategy development. We draw on proven frameworks to study our capabilities, research our customers, scrutinize our competitors, and understand our political and economic environment.

Yet despite all the structure in developing our strategy, the next step, execution, remains largely the domain of instinct and intuition. This approach to strategy execution is no longer adequate. Proven techniques in the hands of the right people will allow our strategy to achieve its full potential with dramatic impacts on profits and ROI.

## EXECUTIVE SUMMARY

Strategy development evolved long ago from gut instincts to a refined art form. Dozens of structured approaches populate the libraries of business leaders with now familiar names like Porter's 5 Forces, the BGC Matrix, the McKinsey's 7-S Model, and 3 Cs Analysis. These frameworks organize our thinking and prompt new insights.

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### Key Definition

#### "Strategy Execution"

Translating corporate strategy from general themes into concrete actions.

*Examples include capital expenditures, portfolio realignments, M&A, capital expenditures, joint ventures, and other major tactical initiatives.*

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Regardless of which framework a firm uses a strange thing happens once the strategy is set: execution is still left largely to the instincts of business teams. These instincts leave business teams vulnerable to missing better solutions, overestimating values and underestimating risks. As a result, a good strategy is undermined by mediocre strategy execution.

Great strategies achieve their full potential only when firms deploy capital and talent where it has the greatest impact. Improved structures for strategy execution are now available employing techniques that ignite greater innovation within business teams and defend against unconscious biases that distorting evaluations.

As one executive remarked, "Developing innovative solutions and applying objective evaluation is a specialty in its own right, but we usually just tack it on to other responsibilities."

A new breed of specialists, "Decision Engineers" if you will, are required to engage advanced practices in problem solving and decision-making.

This role demands careful selection of the right people, equipped with the right tools, and appropriately positioned for maximum effectiveness. The results are greater growth, increased profits, and higher ROIs.

## The Urgent Need: Strategic Decision Management

Our instinctive approach to attacking strategy execution leaves business teams highly vulnerable to shortcuts, biases, and blind spots. In the end, proposals delivered to the CEO often:

- Overlook better solutions
- Overestimate values
- Underestimate risks

As a result, second-rate solutions masquerade as winners. Capital and opportunities are squandered, profits and ROIs suffer... and the majority of this waste goes undetected (see the case study on the following page).

But there is a better way. It's time, as Thomas Davenport phrases it, to **“re-engineer our decision-making.”** We have re-engineered almost every process in Corporate America, but old instinctive methods still dominate our decision processes (see definition). In broad strokes, re-engineering our decision-making involves advanced practices that:

- Fostering greater innovation from the business teams to get better solutions on the table
  - Reframing the question to attack the problem from different angles.
  - Adjusting the business team's composition and diversity to reveal new perspectives and ideas.
  - Spurring teams past standard solutions to those with greater value, lower risk and/or less capital.
- Navigating biases and blind spots to deliver insightful, objective evaluations to the CEO or other decision-makers.
  - Establishing reliable methods that support and enhance objectivity.
  - Spotting and squashing biases or shortcuts during team deliberations.

**This is decision support on steroids and a role we call,  
“Strategic Decision Manager.”**

Effective decision managers (sometimes called decision engineers) have a powerful impact:

- Business teams generate better solutions with the same or even less capital.
- CEOs receive objective, business-relevant insights to make their best decisions.
- Effective follow-up produces lessons that provide accountability and improve future decisions.

Greater growth is achieved using existing or even fewer resources including capital resources. This increases profits and boosts ROI.

**CASE STUDY – The Power of Changing the Question**

Ask the wrong question and you'll likely end up with the wrong answer... but may never know it. "Reframing the Question" is one of the most basic disciplines, but for a variety of reasons, usually skipped. The consequences can be very expensive.

An operations team presented a solid business case for an urgent nine million dollar expansion. Marketing had signed a long-term contract with a new customer without considering the facility's current capacity limitations, but the team acted with admirable speed and produced three options for the question "How can we expand capacity?" All evaluation pointed to one option as the clear favorite with respectable returns and very low risk. By every standard, this was a "no-brainer" warranting fast-track approval.

It was only at this late point that the Decision Engineer was engaged. Despite pressure to forego the "bureaucracy of the process," when the answer was so obvious, the Decision Engineer challenged the team to revisit some foundational techniques including redefining the question. We don't expand capacity for capacity's sake, and the team redefined the question as, "How do we meet the demands of this customer?"

That simple change shattered the team's tunnel vision. Capacity expansion was only one category of possible solutions. With the blinders off, the team generated several additional options beyond capacity expansion. In the end, an option involving their customer mix provided a solution with all the benefits the expansion promised with zero capital required.

Had they fast-tracked the original proposal, it would almost certainly have been approved on its apparent merits. The equipment would have been installed on budget, operated according to cost projections, and generated the forecasted earnings and returns. No one would have ever suspected that nine million dollars had been wasted.

Prompted by the Strategic Decision Manager in the disciplined application of the right tools, the team produced a genuine "no-brainer."

There are three crucial steps in establishing effective decision engineering capabilities:

1. Selecting Your People
2. Equipping Your People
3. Positioning Your People

## Step 1 – Selecting Your People

The right people make all the difference. The three critical attributes for selecting your Strategic Decision Manager:

1. Business Acumen – Broad, flexible skills that understand the interplay of strategy, operations, marketing, etc. to maximize value.
2. Relationship Skills – Effective in quickly building strong relationships based on mutual respect and trust.
3. Technical Competence – Equipped with current decision tools, techniques and processes and Adept at spotting unusual results or errors in estimates or the final analysis.

An interesting paradox emerges in these criteria: deep industry experience is absent.

Industry experience is not a critical attribute because that experience already resides in the rest of the business team – the Decision Manager guides the team to discover the best solutions within themselves.

Deep experience may even be counter-productive, narrowing the Decision Engineer's field of vision. The most effective decision managers genuinely believe the best solutions will come from the business team, not themselves.

Great decision managers may come from outside your company, even from outside your industry.

## Step 2 – Equipping Your People

Once the right candidates are identified, they must be equipped with the best tools for your industry. In broad strokes, these tools fall into five categories:

1. Framing the question: Redefining the question profoundly affects innovation and decision criteria.
2. Generating Solutions: Applying practices that push past the familiar and comfortable into the extraordinary and innovative.
3. Evaluating Solutions: Mitigating the many common biases such as overconfidence, anchoring, and groupthink.
4. Selecting a Solution: Delivering business relevant insights in a clear, concise format to the CEO for fast consumption and response.
5. Follow-Up: Establishing simple and reliable follow-up procedures for accountability and identifying lessons to improve future decisions.

It is essential that your tool selection and process design reflect the CEO's expectations. The CEO must genuinely value each and every component to ensure business teams take the work seriously. Otherwise, the program can devolve into a “check the box” exercise producing counterfeit discipline – the outward appearance of rigor but mere motions pasted together in the rush to obey old habits.

### **Additional Resources**

We cannot adequately address the details of advanced decision disciplines in this limited space but below are excellent resources for your Strategic Decision Manager to get started:

- Ariely, Predictably Irrational
- Davenport, Are You Ready To Re-Engineer Your Decision-Making? (MIT Sloan Management Review)
- Huyett & Koller, How CFOs Can Keep Strategic Decisions On Track (McKinsey Quarterly)
- Lovello & Sibony, The Case for Behavioral Strategy (McKinsey Quarterly)
- Russo & Schoemaker, Winning Decisions: Getting It Right The First Time

...and more at [StrategicBets.net](http://StrategicBets.net)

### Step 3 – Positioning Your People

For maximum effectiveness, the Strategic Decision Manager's role needs to be clearly defined and understood across the organization. Appropriate positioning includes:

#### Where

First, let's address a common misconception: Decision Managers should NOT be team leaders. Strategic initiatives MUST be business-led to promote business-focused outcomes and business ownership of those outcomes.

Decision Managers support the team leader and are responsible for guiding teams through the tools and techniques according to the CEO's expectations. The bottom line, however, is that decision engineers are ultimately accountable to the CEO to ensure best practices are applied.

Ideally, Strategic Decision Managers are located outside of the operating hierarchy they manage

Second, a Strategic Decision Manager's location within the organization must nurture independence and objectivity. This means they should almost always reside outside of the operating hierarchy, free of internal biases and pressures to conform to the opinions of their peers and the head of the operating unit.

Other popular locations for decision specialists are:

- The Project Management Office (PMO): This makes logistical sense because the PMO is already involved in strategy execution, using highly refined processes. However, significant pressures to support big projects exist within the PMO and the potential for overlooking smaller, more effective solutions is relatively high.
- The Strategy Department. Given that this team was intimately involved in developing the strategies they are well-suited to execute those very strategies. Unfortunately, having facilitated the strategy there is a strong bias to endorse projects that "prove" the strategy's worth even if all subsequent execution options are later found to be value deficient.
- The Finance Department: Finance typically brings the highest potential for objectivity. After all, finance rarely has a personal stake in project deliberations. Also, a healthy finance function brings the strong analytical skills as well as process management expertise required for this role.

While my personal bias toward locating Strategic Decision Managers within finance may be intruding into the above discussion, this does not mean the decision engineers should all come from the ranks of finance.

In my experience, one of the most effective Strategic Decision Managers reported to the CFO. The majority, however, came from operations. Only a minority had a finance background.

There is no one size fits all solution to locating Decision Managers for maximum effectiveness, the unique dynamics of an organization will dictate the ideal answer to this question. The key concern is maintaining the independence and objectivity of your specialists.

### **When**

Decision Managers need to be involved from the very beginning of each major initiative. Joining a team that is already close to a conclusion leads to frustration and conflict with all concerned.

Not having witnessed the team's foundational work, the Decision Managers cannot assure the CEO that all the appropriate disciplines were applied, no shortcuts were taken, and no biases influenced the outcome. They cannot vouch for the quality of the results if they are involved only at the end.

The case study related earlier was an outlier of impact realized so late in the business case process. To acknowledge the flawed question, backtrack to re-brainstorm solutions, and accept their initial "no-brainer" was a waste defies the odds – the company was exceedingly lucky that business team would make a genuine effort to proof their initial conclusions wrong.

### **Why**

Finally, business teams receive clear justifications for the role and involvement of Strategic Decision Managers. This comes directly from the customer of their work: the CEO. Only when the CEO has genuine confidence in their Decision Managers will the CEO reject token efforts and rebuff backstairs lobbying.

The CEO's confidence and expectations must be fully reflected in the process' design and the Decision Manager's role. Business teams need to know that, if the Decision Manager has reservations about the proposal's quality, then the CEO has reservations.

#### **Advice from the Front: Anticipate Resistance**

It is common for operating divisions to initially resist the role of a Strategic Decision Manager, particularly if they are not from within their division.

Business teams usually see no need for help from "outsiders" in their strategy execution as they know their business better than anyone else.

Even so, if you have selected Decision Managers with the strong relationship skills described above and implement with a well-crafted change management plan, this new role will enhance the creativity and objectivity of business teams.

## Making It Happen

Strategy execution is ripe for an overhaul. Proven problem-solving tools and techniques stand ready to improve the breadth of options and quality of insights for strategic proposals.

Only when armed with better information and business-relevant insights can CEOs make their best decisions. Capital and talent resources will be stretched beyond what we previously imagined possible with marked improvement in growth, income and ROI.

## About StrategicBets.net

Strategic Decision Management — barely acknowledged a decade ago now is evolving so rapidly that it's tough keeping up on the tools and techniques that deliver a new standard of business case information and insights that senior executives deserve. StrategicBets.net serves up “Bite-Sized Ideas” compact enough to enjoy in just a few minutes as well as “Deeper Dives” to further enhance the impacts of this emerging business discipline.