



# Challenges faced when taking strategic decisions

## Results of 2010 Global Survey

### Executive Summary

December 2010



# Introduction



In the third quarter of 2010, Genesis Management Consulting launched its second global survey to obtain a greater understanding of challenges and best practices associated with strategic decision-making.

The definition of “strategic decision” is a decision that

- Could have a fundamental and significant impact on the organisation
- Is made in an environment of uncertainty where the scenario within which the decision will be enacted is unclear or variable
- Is made where all of the required facts of the situation are either not available or are open to different interpretations.

A number of face-to-face interviews were held to refine the hypotheses and questions. These were followed by an electronic questionnaire sent to a segmented selection of respondents

There were three sections to the questionnaire:

1. Selected factors were rated in terms of
  - general importance of that factor to the quality of the decision;
  - performance of the respondent organisation against each of these factors.
2. Respondents assessed the performance of their organisations in terms of the quality of their decision-making (outcome-based); and in terms of how they dealt with the challenges faced during this process.
3. A number of statistical questions were asked to define the size and nature of the responding organisations to allow for a level of segmentation of responses.



# Purpose of survey

A critical factor in the success – and often survival – of any organisation lies in its ability to make effective strategic decisions. This skill is of increasing significance in today's world, where the nature of these decisions is becoming more complex – as currently seen in the turmoil being experienced by the global economy.

The importance of the process of effective strategic decision-making is highlighted by the amount of research and analysis it has provoked. Genesis Management Consulting strives to increase the body of knowledge in this field, thereby helping our clients to improve their own capabilities. We specialise in assisting our clients in addressing critical strategic issues through assisting with specific decisions as well as building decision-making competency within our client organisations.



We have conducted this research from a real and practical perspective to highlight some of the major challenges that organisations face when making decisions. The output is intended to assist the reader of this research report to review their own organisation's processes and competency within the context of these results. Furthermore, to encourage the reader to initiate a programme of decision-making competency development to improve company performance so as to enjoy the vast benefits that can be obtained through better decision-making.



## Note to executive summary



The purpose of the executive summary is to give a high level overview of the results of the survey.

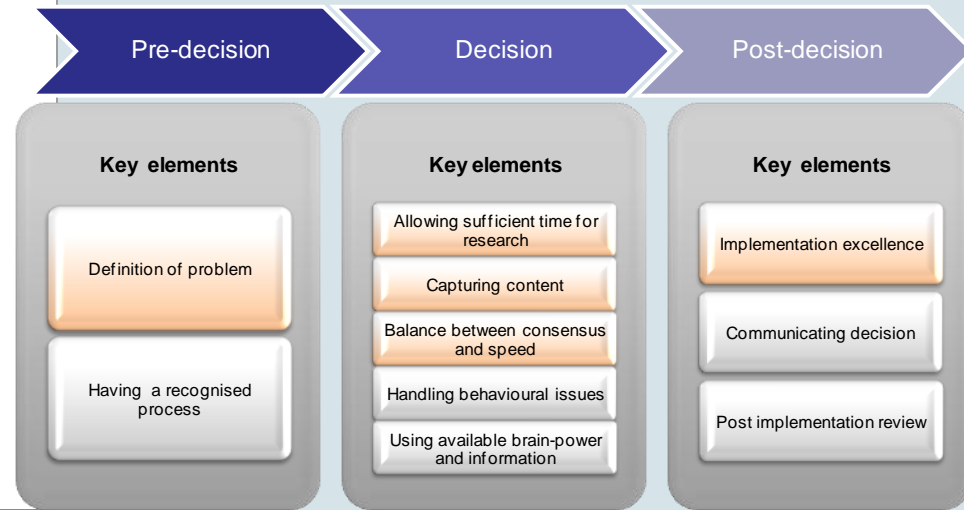
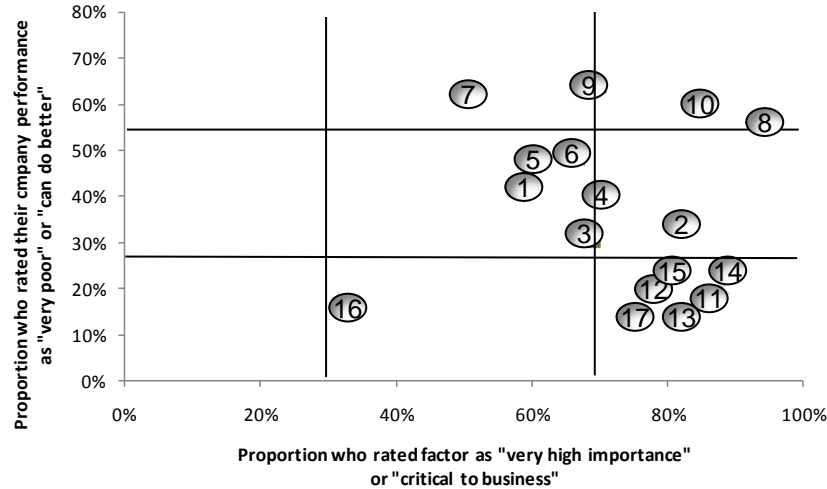
The document has been kept deliberately condensed and short to allow for a quick read. However, for a more in-depth understanding and to view the results at a more granular level, it will be necessary to read the full survey report (see last page of this executive summary for details of how to receive this document).

The full report gives details of responses by question, some comparisons with the previous years report and some insights into the different responses between:

- Large and small organisations
- Successful and less-successful decision makers



# Section 1 Critical factors: importance and performance



1. Recognised process
2. Trade off information
3. Using available info
4. Using brain-power
5. Behavioural issues
6. Consensus vs time
7. Capturing content
8. Implementation excellence
9. Time for research
10. Problem definition
11. Creativity & innovation
12. Potential scenarios
13. Risks & sensitivities
14. Communicating decision
15. Post implementation review
16. Independent facilitator
17. Stakeholder involvement

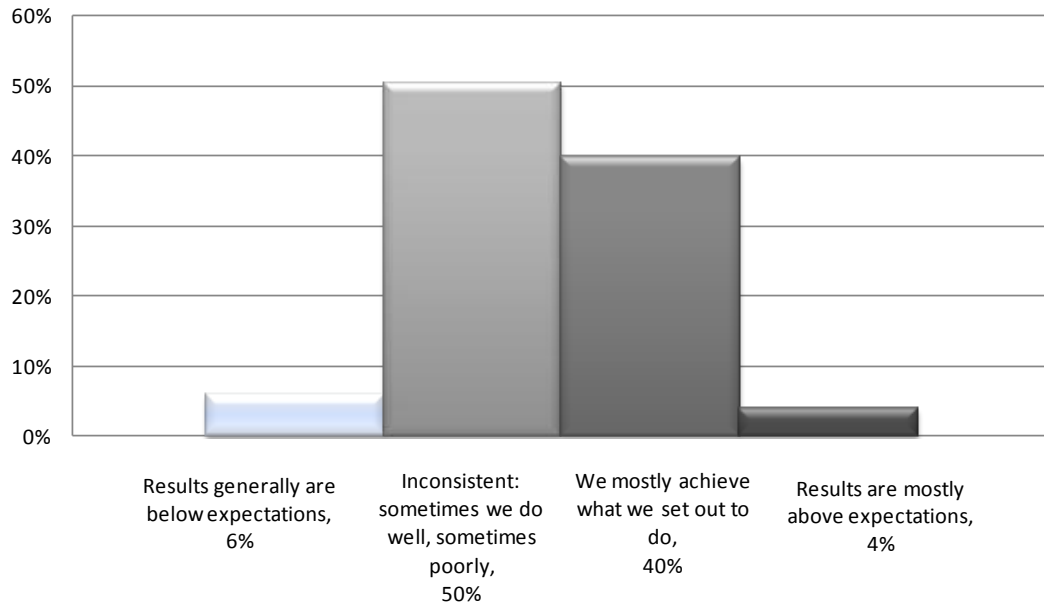
Key factors were rated on the basis of how important they were considered to be in making good decisions; as well as how well the respondent organisation performed against this factor. The results of both dimensions are plotted in the bubble chart on the top left and the critical issues summarised in the process diagram on the right.

Although all factors are important, the top issues in terms of BOTH: importance in taking decisions AND areas which are commonly not performed well, are:

- > Problem definition
- > Allowing sufficient time for research
- > Capturing the content of the decision
- > Finding a balance between consensus and speed
- > Implementation excellence

**See appendix for full questions**

## Section 2: Quality of decision-making performance



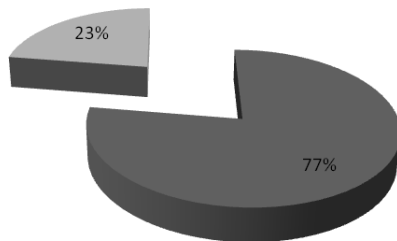
**More than half of respondents stated that in general the results of their strategic decisions were inconsistent or poor.**

Respondents admitted that results of decision-making are worse than they would have liked.

Both these results have deteriorated since the last survey in 2009.

Interestingly, larger companies cited worse results than smaller organisations – probably due to the level of complexity of the issue being addressed.

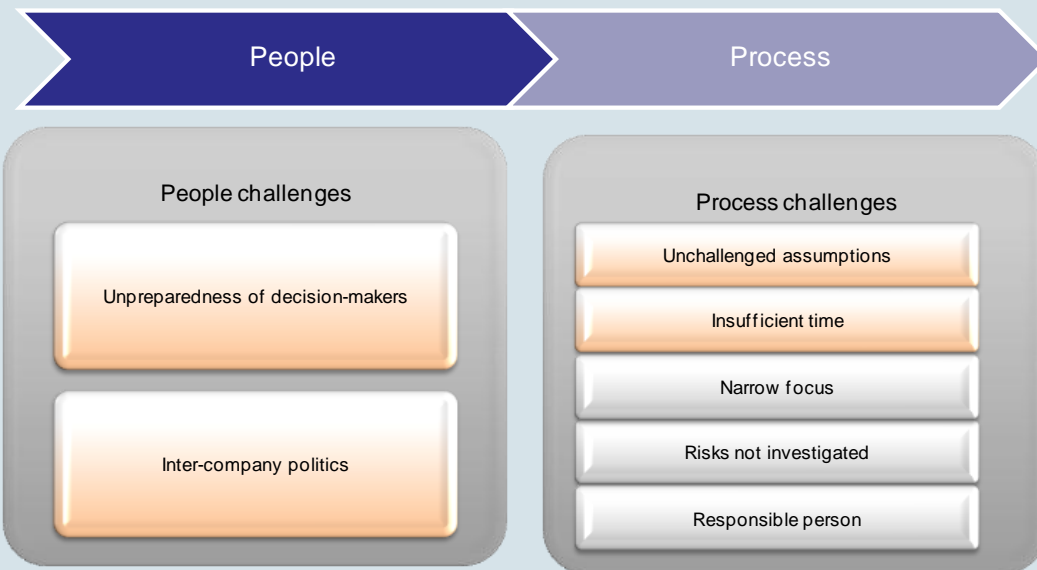
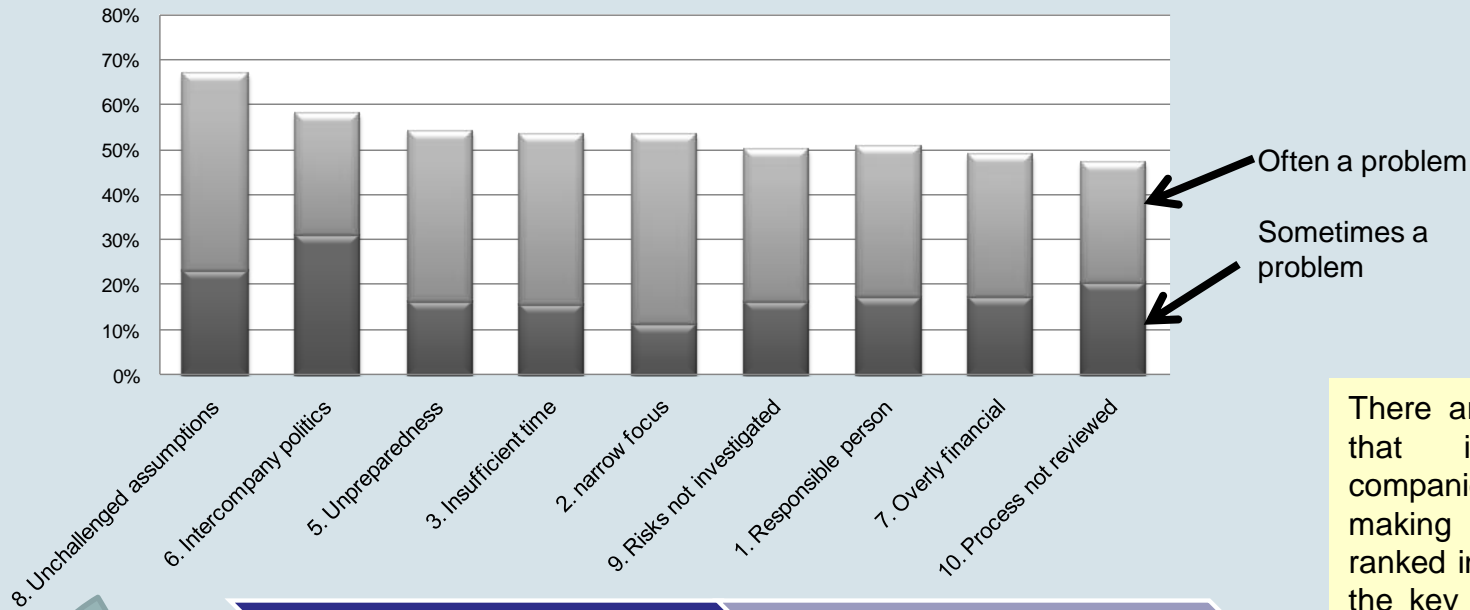
The main causes are shown on the next page.....



**And more than three quarters state their organisation has made a poor strategic decision in the prior 12 months**

**With the advantage of hindsight, has your organisation made any poor decisions in the last year?**

# Section 2: Main reasons for poor decision-making



There are a number of areas that impact on many companies in their decision-making processes – they are ranked in the graph above and the key ones split into people and process issues in the chart on the left.

Interestingly all the top ones are easily addressable with discipline and forethought:

- Unchallenged assumptions
- Unpreparedness of decision-makers
- Inter-company politics
- Insufficient time

See appendix for full questions

# Section 2: Responses to qualitative questions re decision-making



When a decision had a poor outcome (as was the case for 77% of respondents), what was the main area of impact? (More than one response was possible)

Financial results  
95%

Morale  
78%

Market share / brand image  
68%

Does the decision leader understand the impact of behavioural issues and try and reduce their impact?

Yes & yes  
(45 %)

No & no  
(35 %)

Yes & no  
(20 %)

Is your organisation likely to take a strategic decision in the next 6 months and what is likely to be the nature of that decision?

Growth  
50%

Contract  
50%

New markets  
(45%)

New products  
(30%)

Acquisition  
(25%)

Focus business  
(50%)

Restructure cost base  
(33%)

Close or sell division  
(17%)

What tools and technologies do you frequently use to support the strategic decision making process?

Order of frequency of response

None (20%)

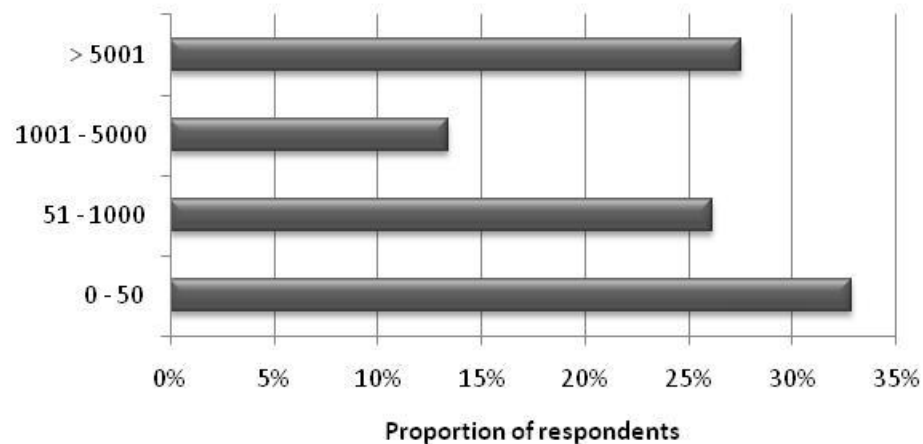
Financial models  
Visualisation / mind maps  
Strategy tools e.g. SWOT  
Statistical e.g. Monte Carlo  
Specific decision tools  
Scenario development  
Brainstorming / creativity  
Integrated tools-set  
Systems dynamics

## Section 3: Respondent demographics

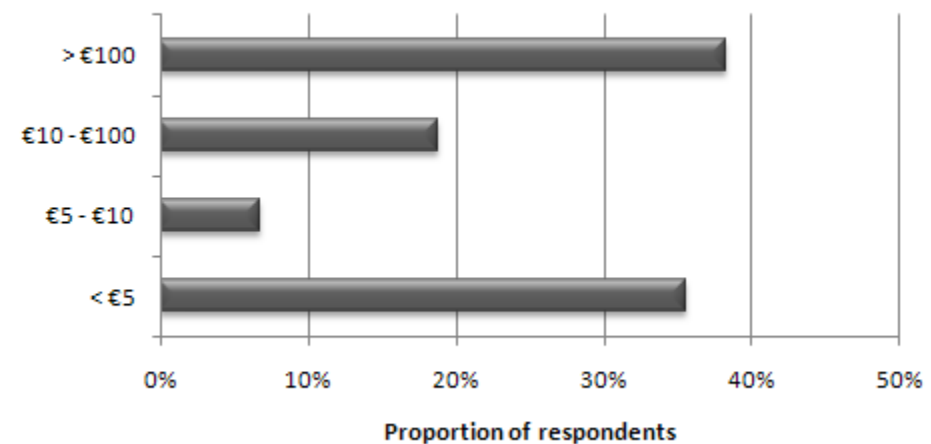


The size of the respondents' organisations varied and included a mixture of smaller and large organisations, with a slight under-representation of medium-sized organisations.

### Headcount



### Revenue (€ million)



The industries surveyed included all major sectors.

The location varied with the majority having its Head Office based in Europe, the UK and the Middle East; although other regions included the US, Australia and Africa.

The majority of respondents were Executive Directors of their organization

## Possible next steps



➔ Read the full report – you will obtain far greater insight to the results.

➔ Compare your company's results against your peers to identify specific areas where you might improve  
*(Complete an individual survey form and receive a free comparison report).*

➔ Consider undertaking a decision optimisation programme for your business.



If you are interested in any of the above, please contact Simon Gifford at [sgifford@genesis-esp.com](mailto:sgifford@genesis-esp.com) for the full survey results, an individual survey form or a discussion around our decision optimisation programme.

# GENESIS MANAGEMENT CONSULTING

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# **Appendix to Executive Summary**

## **Questions asked**

# Section 1: Questions asked

**1. From the perspective of importance to the quality of the decision , please rate the following elements of strategic decision-making:**

**2. From the perspective of how well your organisation performs, please rate the same elements:**

- Having a recognised process for reaching strategic decisions
- Finding the best trade-off between having “perfect” information and making timely decisions
- Using all the available information that already exists within the organisation.
- Using the full “brain-power” of the organisation in the process – which may include people not normally part of the decision-making forum.
- Reducing the impact of group behavioural issues in decision-making forums (e.g. impact of dominant individual)
- Finding the balance between total consensus and timely decisions
- Formally capturing the content, debate and evidence as well as the result of a decision-making process.
- The ability to take a decision and implement it with commitment and consistency.
- Allowing sufficient time and resource for research and debate to make key strategic decisions.
- Clearly defining the problem up-front, including definition of the parameters within which the decision should be taken.
- Bringing creativity and/or innovative thinking into the decision-making process.
- Considering the different potential scenarios with which you may be faced and/or testing the results of the decisions against those scenarios.
- Ensuring risks and sensitivities of alternative options are evaluated as well as simply the potential returns of the selected path.
- Effectively communicating the decision-making upwards and downwards in the organisation to ensure buy-in from those impacted by the decision.
- Post implementation, reviewing the original decision to evaluate its success and to provide a feedback loop to improve future decision-making.
- Utilisation of a facilitator (e.g. a consultant) to coordinate decision-making proceedings (could be internal or external, but does not have a “say” in the actual decision)
- Involving all the relevant stakeholders in the decision-making process

## Section 2: Questions asked

1. Generally, how well does your organisation perform when making strategic decisions
  - *Results generally are below expectations*
  - *Inconsistent: sometimes we do well, sometimes poorly*
  - *We mostly achieve what we set out to do*
  - *Results are mostly above expectations*
2. Experience shows that many organisations sometimes make sub-optimal decisions, or results are below expectations because of deficiencies in the decision-making process.  
Please indicate if your organisation sometimes displays these characteristics
  - *The person responsible for implementation is not part of decision making process*
  - *The focus of the process is too narrow and not all options are considered*
  - *Insufficient time is given to the process and decisions are too hurried*
  - *Innovation and creativity are not encouraged*
  - *Some members of the team do not arrive sufficiently prepared for the decision-making forum*
  - *Inter-company politics impact negatively on the decision*
  - *Too much attention is given to the financial aspects*
  - *Underlying assumptions are not sufficiently challenged*
  - *The risks of the decision are not sufficiently investigated*
  - *If the results are below expectations, the decision-making process is not reviewed to assess what went wrong*
3. With the advantage of hind-sight, has your organisation made any poor strategic decisions in the last 3 years?
4. If you answered "yes" to the question above, how was your organisation impacted?
5. Is your organisation facing any major strategic decision in the next 6 months?
6. Are there any specific tools and technologies your organisation frequently uses when taking strategic decisions?
7. Is the leader of your decision team aware of behavioural challenges that are frequently encountered? If so, does he/she work at reducing the impact of them?