

ESDEM

EVALUATING STRATEGIC DECISION MAKING

Online Evaluation Tools for Boards

*Evaluating the effectiveness
of board decision making*

Decision Process Module Individual Report

Report for: XXXX XXXXX

Decision: Whether to acquire company YYYY

Module taken: November 2011

Welcome to the *Decision Process* Module

Looking back at a specific decision reveals how effectively a board, a committee or a project team actually operates in practice. By completing the *ESDEM Decision Process* module, board members can review how effectively they made the selected decision, consider how typical this was, and determine how to improve their decision making in future.

A great many factors go in to effective decision making. Some of these many factors include: how people behave together, what information is analysed, what options are reviewed, how many external viewpoints are taken into account, and how bold or radical is the thinking on the board. It is quite easy to forget things, to overestimate the benefits and underestimate the costs, to be overly influenced by past events and sunk costs, to get stuck with our own biases or self interest, to ignore ideas we don't like or people we don't like, to allow one person to dominate, and so on.

Particular concerns on boards include:

Groupthink: We all think the same, particularly if a few people dominate, if we have members who are too similar or if we have all spent a very long time together and we ignore outsiders. Consensus is needed but only after we've heard all the doubts, challenges, risks and disagreements.

Risky Shift: We take more extreme views in a group than if left to ourselves. We can be swayed by others who have similar views to our own to become bolder and therefore take more extreme actions. If mixed with others who have very different views from our own, both sides can become even more entrenched.

Social Loafing: We sit back and let others decide for us. If we think others will carry the ultimate responsibility for the decision, we can leave them to it. We may not bother to read the papers, to form opinions or to make a contribution to the discussion.

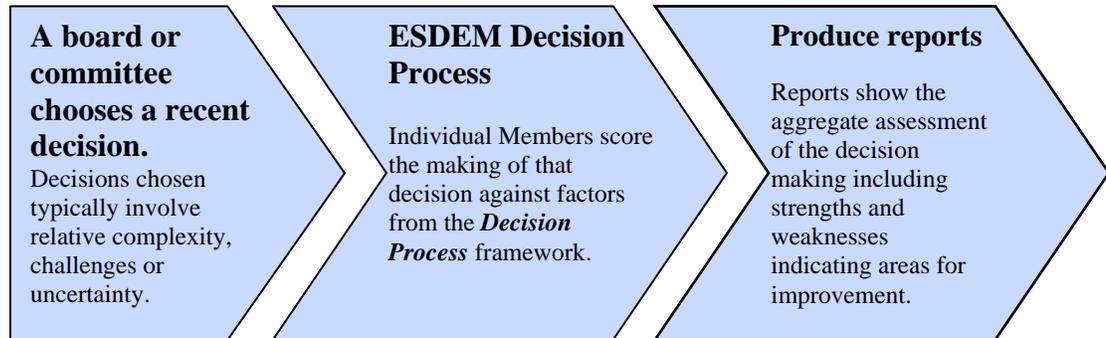
Unless we are careful with our decision making processes, we risk getting caught out in a great many ways. The *ESDEM Decision Process* module aims to highlight the strengths and weaknesses of the board's decision making. It is able to highlight whether they could fall into decision making traps.

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Using the *Decision Process* Module

A board or committee starts by selecting one of their recent decisions, usually one which was relatively complex, challenging or uncertain. Individual members of the board then complete the *ESDEM Decision Process* module where they score how they made that decision against over a hundred factors from the *Decision Process* framework. Reports from the *Decision Process* module show the aggregate assessment of the decision making. The reports show strengths and weaknesses in the decision making process, indicating areas for improvement.



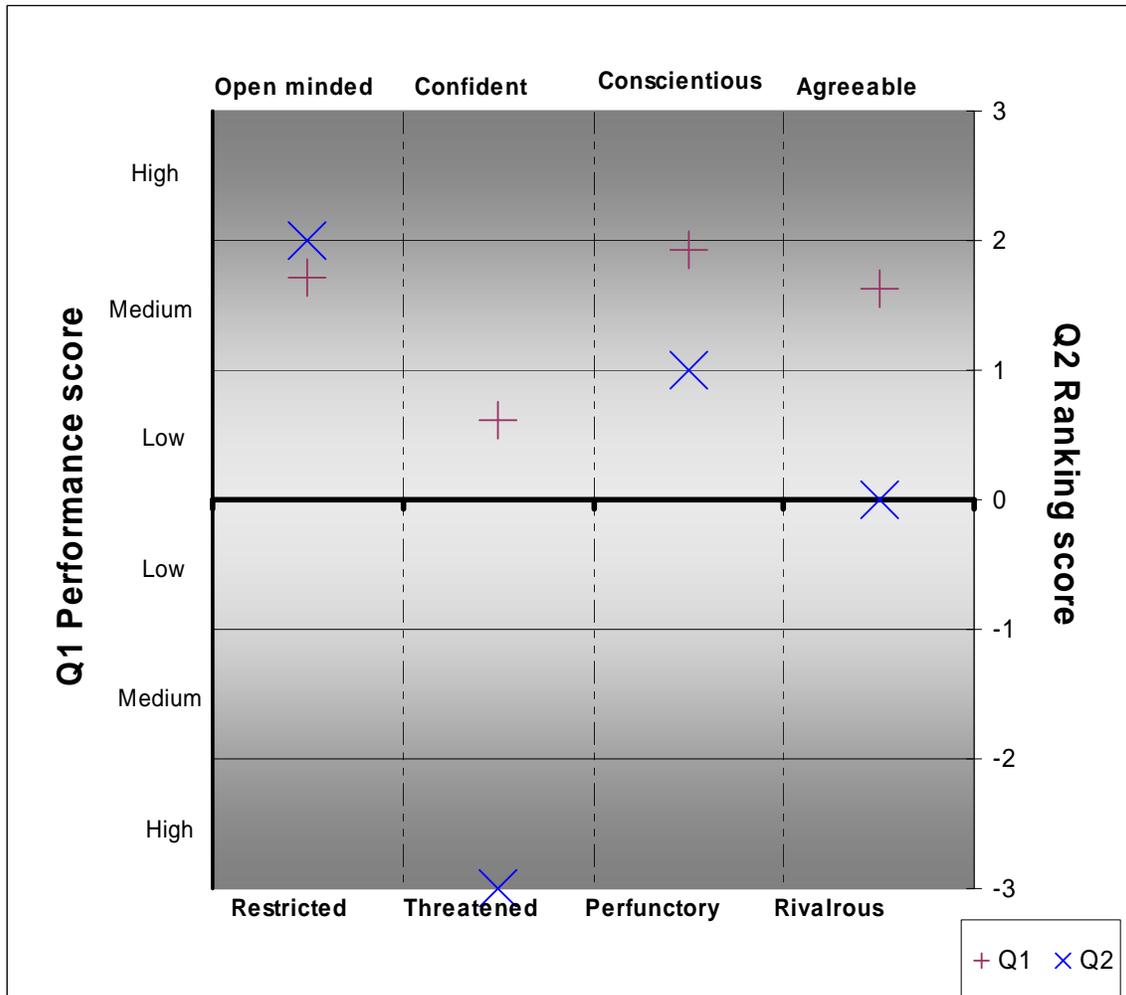
ESDEM Decision Process Critical Performance Areas

Open Minded	Restricted
The board considers a deliberately wide range of factors in the external environment and many viewpoints	The board limits the range of factors in the environment and the viewpoints it considers, either consciously or unconsciously
Confident	Threatened
The board is able to challenge each other however dominant or strongly held the views and to make bold moves	The board is afraid to counteract dominant players and assumptions and to make substantial changes
Conscientious	Perfunctory
The board uses clear and measurable criteria and systematically assesses options against these	The board takes short cuts in its analysis of option, using unclear criteria and variable process
Agreeable	Rivalrous
The board listens to all views and encourages and builds on each others contributions; disagreement is based on facts and all feel able to express views	The board ignores some contributions, intimidates or limits inputs from some members, creates factions or considers only certain viewpoints

The decision compared to others made by this board

	Neutral			
The decision was Much harder	+			Much easier
The preferred option was Much less obvious		+		Much more obvious
The degree of challenge between members Much tougher			+	Much gentler
The thoroughness of the option analysis was Much more thorough	+			Much less thorough
The personal bias of the individual members was Much more apparent		+		Much less apparent
The board influenced the decision More significantly		+		Less significantly

The making of this decision



Q1 (red crosses) asked for an assessment of a great many factors (over a hundred). These are categorised and aggregated for the purpose of this chart.

Q2 (blue crosses) asked for the two best performing and the two worst performing of 8 summary factors for the same categories. It therefore shows a forced choice

Commentary on the Decision Making

The Decision

The decision was much more difficult than most taken by this board and the preferred option was less obvious than most. The degree of challenge between board members was about the same as usual. However personal biases were more apparent. Option analysis was much more thorough. In the end, the board had a significant impact on the decision.

Decision making

Your general assessment of the decision making shows that:

The board was best at considering a good range of external factors and considerations and taking these into account. The board was open to a good range of perspectives from other parties or constituencies. Hence relatively speaking, the board was Open minded and not Restricted in its approach. When you were forced to say what was done best, Open mindedness came out top.

The board was moderately Confident in its approach to this decision. When you were forced to say what was done least well, Confidence came out bottom and could be described as Threatened. This could have been because the board was not able to challenge some dominant viewpoints successfully or was not bold enough in its approach. Although a Threatened stance may not have materialised this time, it would appear that this was the greatest potential risk in the decision making process.

The board did well with regard to the process of analysing options and ensuring a sound and systematic approach. There appears to be little evidence of Perfunctory performance with regard to this decision. When you were forced to say what was done best, Conscientiousness did reasonably well if not as well as Open minded behaviour.

The board did well at creating an Agreeable atmosphere with little Rivalrous behaviour. When you were forced to state what was done best or worst, this was not a distinguishing factor. Performance in this regard was therefore reasonable rather than outstanding.

Overall

Overall you were impressed by the decision making process adopted for this decision. If others agreed with you, this would be a good result for the board particularly as this was a harder than usual decision. The board has some good decision making capability within it which it applied this time, and it is to be hoped it would be routinely applied.

The risks in the board's decision making capability are that the board may on occasions not be sufficiently bold and courageous. The board should consider whether this could have a long term impact on the entrepreneurial opportunities taken, if not guarded against.



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