



PPSDM Jakarta, November 2nd, 2017

Company decision-making for geothermal projects

(GEOCAP course 1.07)

Topic: Decision Quality (repeat)

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Public document (GEOCAP-2016-REP-TNO-1.07-xx)

Stanford Decision Analysis Process

ref. Ron Howard

- Clear articulation of the decision to be made
- Framing
- Recognition of a decision hierarchy
- Development of alternatives
- Identification of uncertainties
- Valuation, including probabilistic analysis
- Sensitivity analysis
- Interpretation and communication
- Assessment of decision quality

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DA process: establish Decision Quality (DQ)

- Establishing Decision Quality is the last step in the Decision Analysis process.
- Look-back on the decision process to assess whether it had sufficient quality:
 - *appropriate frame*
 - *meaningful reliable information*
 - *creative alternatives*
 - *clear values and tradeoffs*
 - *logically correct reasoning*
 - **fostering learning and working towards "best practices"**
 - *commitment to action*

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Summary DA / DQ

- Establishing DQ is the last step in the DA process.
- Look-back on the decision process to assess whether it had sufficient quality
 - ref. criteria →
- Note: DQ ≠ decision outcome!



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Summary what is a 'good' decision?

My personal suggestions

- A good decision is a decision that has been taken according to a *precise* process that is *consistently* applied to different cases / different alternatives within a case
 - **Precise:** unambiguous, repeatable
 - Little room for subjective, haphazard process steps, nor for omitting steps
 - Beware: process should not become a "box-ticking exercise" & should continuously invite critical thinking / innovation so as to improve corporate learning
 - **Consistent:** this allows *corporate learning* (signal-noise ratio)
- A good decision is *not* a decision that resulted in a good (or acceptable) outcome!
 - Certainly not in case of large uncertainties! Being lucky is not same as being good.
 - But when applied consistently, process should lead to **excellent average outcome**
- Staff should not be rewarded based on outcome, but on having properly applied the agreed process
 - And on proposing process innovations
 - Staff should not be rewarded for being lucky!

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Wrap-up

- A good decision (forecast) \neq a good outcome (forecast)
- Decision Analysis (DA) comprises many methods and processes
- DA is at the core of how a company conducts its business
- DA and DQ are a company's critical success factors
- Detailed knowledge and skills can only be acquired over many years, but growing personally in this domain can be very rewarding

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