

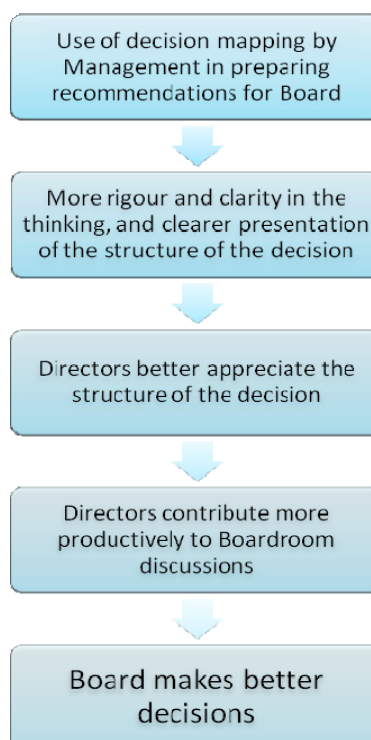
ENHANCING BOARD DELIBERATIONS WITH DECISION MAPPING

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Every board should design work processes that enhance its ability to raise important concerns, explore important issues, and make fully informed decisions. It is incumbent on board leaders to manage the flow of information to ensure that directors are equipped to ask the right questions and fulfil their responsibility for informed business judgments.

- Nadler et al, Building Better Boards, 2006.



The central responsibility of any Board is to make the most important decisions concerning the direction and the control of the organisation. The best Boards are continually improving their capacity to make those decisions. In addition to ensuring that there is an appropriate mix of Directors on the Board, the Board should seek to improve its effectiveness by refining its decision making *processes*.

But how should these processes be improved? What specific steps might a Board take to help improve the probability that Directors will make soundly-based, wise decisions?

We propose the use of decision mapping, a technique which promises to lift the clarity and rigour of thinking behind Board decisions. This proposal requires modest – but concrete – enhancements to the way Management prepares, presents, and records such thinking. The goal is to better equip Directors to participate in Board level decision making.

THE STRUCTURE OF THE DECISION

There is extensive literature on how the effectiveness of Boards can be improved. There is universal agreement that Boards must have a culture of open discussion and constructive dissent. This requires individual Directors to think critically and be prepared to speak up against prevailing opinions.

To play this role, individual Directors must have a sound appreciation of the issues and the arguments bearing on the decision. Consider the common scenario in which a Board must decide whether to endorse or reject a recommendation from Management, and where the case for that recommendation is conveyed primarily by means of a Board paper. To constructively debate the recommendation, a Director should be able to determine, from that paper, what we call the *structure of the decision*, including the following:

- **Options:** Most Board decisions purport to select the best course of action to deal with some problem or challenge. There will usually be various options, each with advantages and disadvantages. Directors must not only be clear on what is the recommended option; they must also understand the range of possibilities from which it is drawn.
- **Arguments and evidence:** For better or worse, Board papers often contain lots of detailed information. The Director reading the papers must be able to see how that information functions as *evidence* for the recommendation and against alternatives. In other words, the structure of *argument* (relating information to conclusions) must be transparent.
- **Assumptions:** Given the uncertainties surrounding most Board decisions, any recommendation must be based on a range of assumptions. It should be clear exactly what assumptions are being made and where they are operating. This includes both *explicit* working assumptions (e.g. that inflation will average x% over y years) as well as the kind of *implicit* assumptions which are usually left unstated and yet so often turn out to be the critical weakness in the case.
- **Objections/risks:** Poor decisions often result from inadequate attention to known or potential problems or risks associated with the recommended option. Directors must be able to easily determine what objections or risks have been recognised and how Management is responding to those objections.

With clarity in these areas, a Director is well positioned to add value to the discussion, bringing their own experience and insight to bear in a targeted and constructive manner.

Much of the structure of a decision will be contained in the Board paper and the associated presentation. Unfortunately, it is often difficult for a Director to ascertain that structure. This can happen for three reasons:

- The Management team may not have clarified the structure to an adequate level.
- The team may not have included all the structure in the paper.
- The structure may have been fully developed and included, but it is not transparently laid out; consequently, the Director has to work hard to see what it is.

In short the Director is faced with a challenge akin to solving a complex jigsaw puzzle with many pieces missing and others misshapen or ill-matched.

We believe that this difficulty is an important barrier to constructive debate at Board level, and hence to the quality of Board decision making. However it can also be seen as a point of opportunity for improving performance. Our proposal to use decision mapping targets this opportunity.

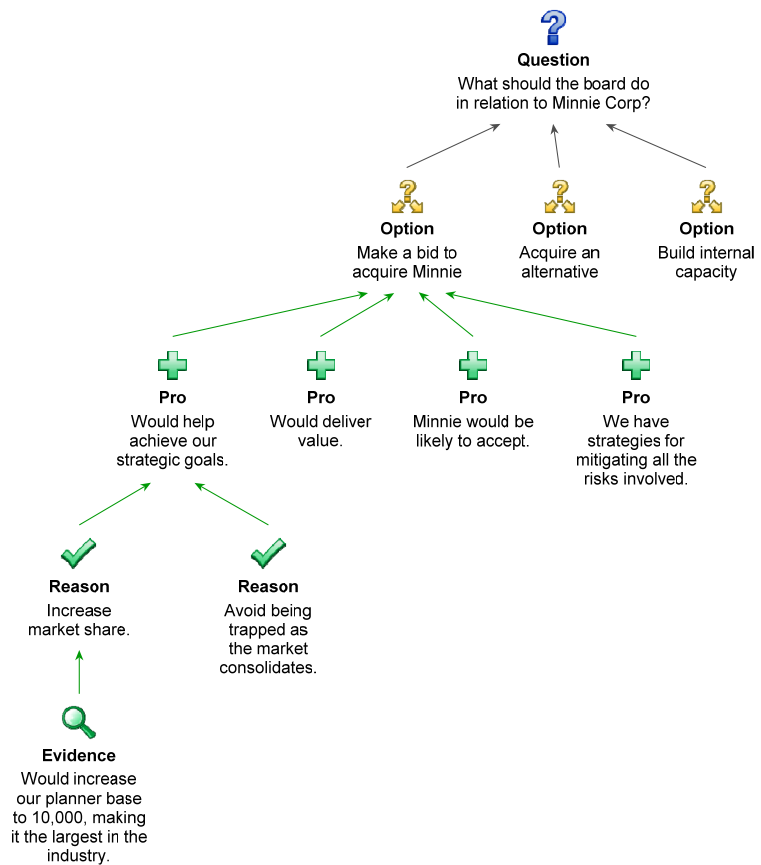
WHAT IS DECISION MAPPING?

Decision mapping is simply the technique of displaying the structure of a decision in a diagram. The rationale behind it is that visual displays help our minds cope with complexity. In a Board reporting context, many types of information are already presented visually. Decision mapping simply extends this practice to the overall structure of the decision.

There are two main dimensions to decision mapping:

- **Making fully explicit** the decision elements and their relationships, in a manner governed by timeless logical principles.
- **Displaying** the explicit structure in a diagram or map, using certain diagrammatic conventions. The map makes use of colours, lines, shapes and icons to communicate the complex structure rapidly, clearly and intuitively.

Figure 1. A partial, schematic decision map. It concerns a hypothetical decision to acquire another company. Only a small portion of the map is displayed here, but it illustrates some key features of decision maps: showing the alternatives considered, the claimed advantages of the preferred option, supporting arguments, and detailed evidence.



Decision maps, by design, present the case in a clear, simple and intuitive manner. However a good decision map does not oversimplify the issues. The clarity and easy readability of a good decision map only results from strenuous efforts to articulate, distil and sharpen the thinking involved.

Decision mapping is part of a wider trend towards the use of visual language in business. It is closely related to the *Minto Pyramid Principle*, a de-facto standard for structuring thinking in the large management consulting firms. It also draws heavily on *argument mapping*, an Australian innovation which is being adopted in intelligence agencies, particularly in the United States, to improve the rigour and reliability of analytical judgements.

It is important to understand that decision mapping is not some “new-fangled” management methodology. A decision map simply makes explicit, in an intuitive visual form, the rigorous thinking that Management and Board should be – and often are – already doing. Organisations already map out the structure of decisions; we are just proposing that this be done more systematically and in a more transparent visual form, so as to help Directors better play their crucial role in the decision making process.

I encourage Boards to carefully assess ... what improvements they can make to their decision making processes.

ASIC Chairman Tony D'Aloisio, commenting on the Hardie case.

USING DECISION MAPPING

While decision mapping might find many uses in an organisation, we recommend three specific uses to improve Board decision making.

1. Creation of decision maps by Management

The Management team responsible for developing a submission or business case for Board decision creates a decision map as a key part of their process. At least one person on that team should have expertise in decision mapping, and should have primary responsibility for creation of the map.

Note that creating a decision map need not be difficult or time-consuming. If the team's thinking is clear, rigorous and complete, then creating the decision map is simple. It will be laborious only if the team's thinking is underdeveloped. Thus, decision mapping can have the benefit of demanding additional thinking precisely when it is really needed.

2. Inclusion of maps with Board papers

Maps displaying the structure of the decision can be included with the Board papers. Typically the map would be a colour A3 fold-out addendum, either bound with the Board paper or provided separately.

Directors then have the option of scanning the map to help them appreciate the structure of the decision. We expect that some visually-oriented Directors will tend to focus on the decision map. Some Directors will not find the map useful and will prefer the traditional format. For the majority, the two forms of presentation will be complementary.

3. Post-meeting updating and archiving

During a Board meeting, Directors can be expected to bring up considerations not mentioned in the Board submission or decision map. The Board's final decision may turn in part on these additional considerations. It is recommended that the decision map should be updated to reflect these further deliberations. The map can then be stored as a definitive record of the structure of the decision, bringing the thinking together in one place more effectively than the standard combination of Board papers and meeting minutes.

BENEFITS OF DECISION MAPPING

For the organisation

The foremost benefit for organisations is that Boards should, over time, make better decisions. Needless to say, no process or method can guarantee that every decision will turn out well. Boards can however ensure that decisions are considered with the highest degree of rigour and with a proper appreciation of the risks involved. Decision mapping is designed to assist in this by ensuring that individual Directors are able to contribute more effectively to the debate over the merits of the decision.

A secondary benefit is that decisions will be better documented.

For individual Directors

- **Reduced burden.** For visually-oriented Directors, decision maps will substantially reduce the mental effort and time involved in digesting a Board paper.
- **Improved performance.** Directors will be able to perform their role more effectively. With less effort and time put into simply understanding the structure of the decision, they can give more effort and time to critical reflection. With better understanding of the logic, their contributions are likely to be more substantial and pertinent.
- **Protection against liability.** Reliance by a Director on a well-constructed decision map will add protection under the Business Judgement Rule. Such reliance would be easily exhibited if, for example, the Director was able to furnish the map annotated with relevant remarks.

You have to be active and attentive at Board meetings, you have to be looking for red flags, you have to be engaged in discussions, you have to ask questions, you have to provide constructive criticism if needed, and you should think about embracing best practices.

Holland, J., Delaware Supreme Court, commenting on the Business Judgement Rule.

For Management

The CEO and Management team have much at stake when presenting a recommendation to the Board. They will want the Board to recognise that the recommendation is correct and that Management has provided a rigorous and compelling case. Decision mapping can aid Management in the following ways:

- **Better research planning.** Creating a decision map early in the process can identify the relevant options and the issues which must be explored in order that the options are properly evaluated.
- **Uncovering problems in advance.** A decision map can be the focus of critical scrutiny, an arena in which the CEO and executive team can articulate, review and “stress test” the reasoning before taking it to Board.
- **More effective presentations.** A decision map will provide the logical skeleton around which a Board paper or presentation can be constructed. The map will help the team (a) select the information to be presented, and (b) present that information in the form of a transparently compelling case.

ADOPTING DECISION MAPPING

Our proposal is that decision mapping eventually becomes a standard part of the Board’s decision making processes, operating largely behind the scenes. For Directors, there should be a map accompanying every major Board decision.

Pilot program

The first step is to verify the utility of decision mapping by means of a pilot program in which decision mapping would be used with a number of recommendations going to Board. Experts in decision mapping would work with the Management team to introduce the concept, transfer the relevant skills, and to ensure that in the pilot phase the decision maps are well-crafted and likely to succeed in the Boardroom.

Software

Recently, dedicated software for decision mapping has become available. This software largely eliminates the practical problems involved in producing and sharing decision map diagrams. Further, software can help users articulate and discipline their thinking.

Consulting

Together, Austhink and Oppeus International have expertise in decision mapping and corporate governance and are able to assist organisations in piloting and adopting decision mapping to enhance Board deliberations.

AUTHORS



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Tim van Gelder is Managing Director of Austhink Consulting, which he founded in 2000. From 2004-8 Tim was CEO of Austhink Software Pty Ltd, a software start-up which has developed the leading decision mapping software, bCisive. Tim also holds a Principal Fellow position at the University of Melbourne, Faculty of Arts. His academic background is in philosophy and cognitive science, where he has over 100 publications on various aspects of mind and reasoning. In 2001 he won a Eureka Prize for his research showing that it is possible to dramatically accelerate growth in critical thinking skills in undergraduate students using mapping techniques.

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Austhink Consulting

Austhink Consulting is a Melbourne-based consulting firm providing facilitation, consulting and training services in critical thinking. Austhink have been pioneers in the development of decision mapping and related mapping techniques. Austhink clients tend to be large organisations in the corporate, government and professional worlds, including major intelligence agencies, law firms, banks and government departments.

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Note: A more comprehensive version of this White Paper (with examples) is available from the authors.