

# Thoughts on Decision Quality

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## *Peace of Mind: Explaining the Value of Decision Analysis*

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I have wrestled with the problem of how to explain the value of decision analysis for years, as, I believe, most internal and external decision professionals have. Sometimes I use figures from past reports such as those referenced by Michael Menke during his 2011 Society of Decision Professionals webinar “The Value of DA/DQ: Building a Compelling Case for Decision Makers.”<sup>1</sup> But most often, when I listen closely to the heads of R&D, VPs of Strategy and Portfolio Management, or heads of Global Strategic Marketing, they want to know they have either recommended the best alternative or made the right decision for the company.



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They want **Peace of Mind**.

So I ask them why they do not have this ataraxis, this **Peace of Mind**, and they mention typical frustrations of Decision Makers. While each company is different – we work mainly with pharmaceutical companies and large agricultural companies – we find we can help them achieve **Peace of Mind**, by contributing in three key areas: **Creativity, Logic, and Transparency**.

## **Creativity**

The **creativity** we add is in two areas – framing the original decision and then helping the teams develop creative alternatives. Value-Focused Thinking techniques help us use the objectives of the company to casting a wide net in search of good and differentiated alternatives rather than rolling up our sleeves to work on the momentum strategy.<sup>2, 3</sup> These decision makers are worried that value is being left on the table, better alternatives are not being discussed or offered. A very simple example was a large partnering opportunity. The experimental drug’s program had much larger than normal commercial opportunity but the risk was huge – over \$400 M (after the initial deal price!) of development costs and only 35% chance of reaching the market. The creative part was simply to draw the risk profile – Total Probability of Success vs Cumulative Cost for each phase – and discuss with the Business Development team the company’s desire to mitigate risk. We pushed them to come up with an alternative development plan, which would reduce some of the upfront risk, and change the shape

of the risk profile. Within a day, a plan was developed which involved resolving about 1/3 of the risk with 1/10th of the money by running an additional trial. The drawback was that it would slow the project down, but the DM now had at least 2 good alternative strategies and the risk did not look as ominous as it had. The company made the deal and the drug is now on the market – and appears to be meeting expectations. While there was still tremendous risk involved, the Decision Maker felt he had made the right decision – and had **Peace of Mind** – on that issue.

## Logic

**Logic** is extremely valuable simply because so many issues facing Decision Makers are quite complex. They just do not feel at ease with their cross functional team's ability to handle the complexities correctly. The logic we bring may be as simple as using influence diagrams to reduce the clutter of working with huge decision trees. Or the problem may require a sophisticated model of the system. For more than one company, the decisions they were facing were of internal structure, resource allocation, and level of effort. We built a discrete event simulation model for them that, once validated, became the platform that provides the manager and decision analysts with the ability to test different alternatives and obtain distributions of key objectives such as NPV, R&D Costs, or Successful Launches. The head of Commercial Strategy and Portfolio Management now has more **Peace of Mind**, knowing that his recommendations are for a very complex system, but logically backed by a consistent and validated platform.

## Transparency

**Transparency** has been an important element in helping Decision Makers in their quest for anxiety relief. We talk about transparency all the time with our clients. One good example is the Multi-Objective approach for early development pharmaceutical decision making.<sup>4</sup> After interviewing several of the top leaders of the company, it was clear that none of the functional heads or project leaders really knew how go/no-go decisions were made on their projects. The result was management feeling that project leaders were only telling half of the story of their project and often were sent back for more information. The project leaders were asked for different information each time, delaying the decision and frustrating the team members. By working with both management and project team members and leaders to develop the Multiple Objective Decision Analysis (MODA) model, all major objectives were addressed, good to know information that was not critical to decision making was dropped, graphics of each characteristic, rolled up to major objectives then showed the connection. Project teams now know what is important, decision makers have the information they need to make the decision, and know they can dig into any of the objectives for more detail. The Project Leaders go into a decision making meeting with less uncertainty and Decision Makers reach consensus more quickly – and achieve **Peace of Mind**.

**Peace of Mind** is often hard to achieve given the complex and risky business of R&D. But by focusing on creative problem solving and alternative generation, solid, defensible logic for both modeling a system and assessing the risk and value of each alternative, and finally ensuring transparency which builds confidence and credibility, increased **Peace of Mind** has become one way to explain the value we add.

## References

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