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PORTFOLIO DIRECTOR'S DINNER SERIES

Making the hard decisions: The challenge of decision making at the portfolio level

APM Portfolio Management Specific Interest Group
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Portfolio directors' dinner
Insights from the practitioners

Decision making is hard at the best of times – but the complex and stakeholder-heavy environment that the Portfolio Management Office operates in can feel like this problem is exacerbated. Indeed nearly all our engagements with practitioners points to rapid and effective decision making as one of the hardest aspects of the modern portfolio director's role. So this seemed like the perfect topic to challenge our portfolio directors with for the second APM Portfolio Directors' Dinner! At this dinner the subject was 'Making the hard decisions: the challenge of decision making at the portfolio level' and we looked to answer two critical questions:

1) **How do you define a 'good decision'?**

2) **How do you help create a 'good decision'?**

With the clear goal of understanding what enables strong decision making. We've captured many of the thoughts, insights and quotes from the dinner within this piece of thought leadership.

Topic 1: How do you define a good decision?

The evening began with a discussion of what a good decision is in the context of portfolio management. This proved to be a more complex question than it at first seems with two particularly interesting points of contention:

Firstly, is no decision worse than a bad decision? Or to put it another way 'a good decision is a decision'. There were a number of comments identifying the importance of continuing to move forward and the damage caused by procrastination through delayed decision making. However a number of people also pointed out that, if the data was not there or the time was not right, then often the best decision is to consciously not make that decision. All sides did agree, though, that delaying decision making should be something done consciously as it can rapidly drain energy from a portfolio and render governance forums pointless.

Secondly, if a decision is made that the portfolio director disagrees with is that, by default, a bad decision? This drove a lively discussion as to whether the portfolio director should act as a simple conduit to the relevant information or should have a recommendation on that data. This got to the heart of the role of the portfolio director with the group feeling strongly that the portfolio director should absolutely be presenting a recommendation around any key decisions (as well as the data to support that recommendation) but that, if constituted right, the other members of the governance forum will bring different and equally valid perspectives, and information, to the issues so that a decision that goes against that recommendation is not always a bad decision if taken for the right reasons.

So how did the group 'define' a good decision? Following much discussion, the group settled on the following definition:

A good decision is one that is taken:

Descriptor	Description
In a timely manner	Decisions should be taken at the earliest available moment that information allows, but in a fashion that does not 'surprise' anyone with the requirement to make that decision.
In an objective manner	Decisions should be taken without promoting any personal agenda (whilst remembering that decision making inevitably has an emotional element to it) but rather representing the organisation's agenda.
Using impacted data	Decisions should be taken with the appropriate data which clearly shows the impact of the decision/options on the relevant data sets over a period of time.
Made by appropriate and accountable decision makers	The people with the power to say yes or no should be clearly identified and have both the information to make the decision, the power to implement the decision and have an element of accountability for the success of the decision.
Following the right challenge from relevant stakeholders	Opinions should have been sought from those people who either have knowledge or a relevant stake in the outcome of the decision.
And for the right reasons	The context for why the decision needs to be made is as critical as the decision that is made and ensuring everyone shares that context (for instance the overarching strategy to be delivered) is critical to ensure 'the right decision' is made.

Illustrator: David Gifford, inscritpdesign.com

"There may be no right decision – but there's definitely a wrong decision!"

'A good decision is one taken in a timely and objective manner; using relevant data, made by appropriate and accountable decision makers and following the right challenge from relevant stakeholder for the right reasons.' Many of the table would also add 'underpinned by a strong recommendation from the portfolio director'.

Topic 2: What makes a good decision?

Having warmed up our debating skills and settled on a definition of good decision making we then looked at the factors that support good decision making. These roughly broke into three groups:

1) **Governance** – relating to formal or informal communal vehicles for decision making: their make-up, timing and dynamic.

2) **Information** – relating to how the information relating to the decision was captured and presented.

3) **Psychological** – relating to how an individual approaches decision making.

Governance:

The make-up and ways of working of the decision-making forum was an area the directors spent more time on than any other. Three areas proved of considerable interest.

- First, was the effect of different levels of authority, or power, in the room. One or two overpowering people could significantly skew the decision making in the room to the detriment of that decision. It was roundly agreed that a strong debate around the pros and cons of an option improved decision making and this can only occur when 'authority' levels are roughly similar or there was a positive culture that welcomed difference of opinion.

- Second, was the impact of the wider organisation's culture on decision making. As well as a culture that allows discussion around differences of opinion the other key cultural aspect was the risk appetite of the organisation (often a factor of the sector the organisation operates in). There was no 'ideal' risk culture for decision making but the group agreed the risk appetite (and the information needs it inevitably drives) are critical in supporting decision making. The final key cultural aspect was how collaborative an organisation needed to be – does everyone need to agree before a decision can be taken? Often this cultural aspect drives the need for pre-meetings and whether one needs to enter the decision-making room with everyone already having agreed the specific decision. Again, critical to understand this cultural aspect to drive decision making.

- Thirdly, are regular or ad-hoc/exceptional meetings better for decision making? This drove a huge amount of discussion. Clearly time-limiting decisions or holding an 'exceptional meeting' can help raise focus and force a decision. It also helps avoid the 'decision boredom' that can be experienced with regular meetings – where members nod through decisions without really focusing on them. But regular meetings have the distinct advantage of both ensuring attendees build up a store of knowledge about the portfolio over time, and the information that relates to that portfolio with the added benefit that people are not 'surprised' when asked to make decisions. Also, forcing a decision in no way guarantees that decision will be a good one – just a quick one. The most interesting point, however, about the value of regular meetings was that it allowed the attendees to build relationships with each other – in other words to build respect and trust for each other. Something we look at in more detail when we explore the psychological aspects of decision making.

So, with most governance related aspects the key take-away was 'it depends' – there is no magic bullet that works in all situations and the right answer is entirely contextual and for the portfolio director to assess. A good decision-making forum should be emotionally engaged, with clear clarity of roles, authority and consensus around the importance of decision making (if not on the actual decision to make) – and it is the portfolio director's role to enable the forum to get to that state. Not for the first time it was commented that many of the essential skills a portfolio director needs to help drive decision making are the classic soft skills or emotional quotient (EQ) as opposed to IQ.

Information:

Information relates to the capture and presentation of the information that supports strong decision making. This was, probably, the least controversial of the three discussion areas with all the directors vouching for the absolute criticality of presenting information of a completeness and in a fashion that helps everyone around the governance forum understand what has happened, what is likely to happen without intervention and what impact the various options are likely to have. All agreed that ensuring the data provided these three views was absolutely critical.

Beneath this the directors agreed on three fundamental principles:

- **Clear visuals that tell a story**: A clear visual representation of the data was the best way of presenting the majority of information. Equally critical was to ensure that any visual representation is tested – ideally with those who have to digest the information but if not, with someone who was not intimately involved in the image's creation. This had the very important role of ensuring that the image was genuinely easily accessible to those not intimately involved in the portfolio and its data sets. Critically that data and image needs to 'tell a story' to help the viewers quickly grasp the point and implications.

- **Business impact information**: Another point that everyone agreed on was the need to ensure that the impact on the business was captured and monitored as part of portfolio reporting and decision making. Although often cost was the main driver of options analysis many people around the table felt that both impact on the business (ie can the business accept the change) and/or capability/capacity to deliver the change (ie the available change resource) was a far more relevant metric to track in order to understand the risk being carried by the portfolio and the options that relate to it.

- **Options and recommendations**: Finally, there was strong agreement that the portfolio director should provide not just options but a strong, evidence based, recommendation for all transformation-related decisions as part of the information provided. Many round the table felt that without this the Portfolio Office was not fulfilling its function however everyone accepted how challenging this would be if a) the Portfolio Office was not established and respected; and b) if the portfolio director did not have strong sponsorship from the senior change stakeholders. One director strongly recommended ensuring the senior change stakeholder specifically ask the portfolio director for their recommendation at any new governance forum as a way of cementing the portfolio function's position and influence. It was also highly recommended that in stating a position the portfolio director bent over backwards to be even-handed with the data that supported all options – nothing destroys trust in an individual's recommendation as much as if they are found to be skewing the data to make their own case.

A final point that resonated with everyone was the importance of trust in the data. A forum can disagree about the best option and even the impact of those options but if a forum disagrees with the raw data being presented then it becomes impossible to find a common set of facts to debate. All agreed that this was fatal for decision making and so a key role of any portfolio director is to ensure a strong, stable base of information (ideally single-source) that is respected by the attendees at the forum.

Psychology:

The psychological underpinnings of strong decision making was an extremely broad topic – the discussion focused on three key points.

- Firstly, the importance of framing the decision correctly by carefully phrasing the question. Decision making is a two-stage process: understanding the question and then identifying the answer. Many of the attendees expressed the importance of both being clear in the phrasing of the question and spending time on the what and why of the question before moving on to look at options to answer that question.

- Secondly, having an awareness of the psychological biases that drive poor decision making. These can never be fully avoided but an awareness of them can be helpful. The three key biases touched on where anchoring (where people fixated around a specific fact or opinion because it is given first), optimism bias (which drives poor planning and estimation) and the Dunning-Kruger effect (which means the more certain you are about something the less likely your opinion is to be based on sound fact!).

- The final 'psychological' point could have sat in any of the other categories, came up multiple times and was arguably the most important point of the evening. Namely that the most critical factor in driving strong decision making is that the members of the decision-making forum trust and respect each other's opinions. Recognising and respecting the position and opinion of the others around the table allows free and frank discussion of the options whilst also allowing decisions to be taken without fear of being undermined or 'sniped' if the decision goes badly. All agreed just how critical this is for strong decision making and a number of attendees were surprised to find themselves now believing it was a key part of their role to build a governance structure that encouraged and embedded trust between the main attendees.

So, at the end of a long and detailed discussion, many of the attendees felt the main question they needed to answer was not 'how do I get a good decision?' but 'how do I create the conditions and environment for good decision making?' As a group we would summarise these conditions as:

Conditions affecting strong decision making:
Clarity and appropriateness of the question
Trustworthiness and relevance of the raw data
Presentation and dissemination of the information relating to the question
The decision makers: their roles, responsibility and relationship
Appropriate challenge of engaged stakeholders
The cultural underpinning of the organisation and its relationship to decision making
The cadence and regularity of the decision-making forum (and any supporting engagements)
Presentation of the options and recommendations and their supporting information
The dissemination of the information relating to the decision
Oversight of the implementation of the decision.

Decision making is at the absolute heart of a healthy Portfolio function. The modern portfolio director should be comfortable taking responsibility both for creating an environment supportive of strong decision making and providing strong evidence-based recommendations to help drive that decision making. Whether the training and methodology exists to support portfolio directors in creating this environment, however, is another matter entirely!

Illustrator: David Gifford, inscritpdesign.com

"It is critical to take ownership of the process of decision making – whether that's making recommendations or ensuring you're getting recommendations from the right people. Active management of the process, the psychology of the decision makers and the choosing of the right process are critical and should be a key area of focus for any portfolio director."

We hope you've found these insights on decision making at the portfolio level interesting. As the APM Portfolio Management SIG we work hard to both share and promote good practice in the portfolio space and we could not do it without the immense help and support of a wide range of extremely experienced portfolio professionals who give freely of their time to help us with conferences, webinars and events like this. We'd particularly like to thanks the below who gave up their evening to make this portfolio director's dinner such a successful event:

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- Richard Moor — National Grid
- Petula Alison — Yorkshire Building Society
- Adam Skinner — P2 Consulting
- Steve Leary — Tata Consulting Services
- Andrew Goodman — Metropolitan Police
- Robert Nicholas — Ministry of Justice
- David Gifford (rich picture artist) — Inscript Design

And, of course, APM which supports and funds so much of our activity as a Specific Interest Group.

We run these dinners twice a year and are looking forward to our next one in the autumn. If you are a portfolio director or executive and would like to be involved please contact us. Similarly, if you are interested in speaking at our conferences or in a webinar or just want to be more involved with our SIG please get in touch with us at **portfoliosig@apm.org.uk**

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