

Private Advice

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FROM THE WORLDWIDE MANAGEMENT CONSULTANCY OF

**KEPNER
TREGOE**

Decision making made easier in seven simple steps

BY JIM EDSON



*Jim Edson B Ec, Dip Ed
Managing director of
Kepner-Tregoe Australasia*

It was 1987. I was a new consultant and would get calls asking if we did "team building". I always said "No" because we had no such programme. Then I became a bit smarter and began asking why they wanted to know about team building.

Almost every answer related to difficulties in reaching decisions when a diverse group of people were involved. That's when I began asking if help with "decision-making" would solve their problem.

Did we have a programme for that, people asked. Did we ever, I'd reply and off we'd go.

There is a growing need to involve stakeholders in decision-making. With this has grown the need to use a common rational decision-making process to facilitate this involvement. This process provides a template that lets everyone have their say, allows them to feel their interests have been adequately considered, and does so in a sensible time frame. It turns a group meeting into a team with a purpose.

My experience is that there are seven clear steps in any detailed decision-making process. They are to:

1. Agree on the decision purpose
2. Agree on objectives or selection criteria
3. Determine relative importance of each objective
4. Generate alternatives
5. Evaluate the alternatives against the objectives
6. Assess risk of the best fit alternatives
7. Make the decision

Done correctly this process achieves the right goal because it:

- Makes sure it's the correct decision.
- Sensibly involves all stakeholders.
- Focuses on the objectives before discussion of alternatives.

- Provides a rational way of evaluating alternatives.
- Makes risk assessment part of the process.
- Is an iterative process, new data can be added without starting over again.
- Documents the decision to show the thinking behind it.

One of my warmest memories of the success of this process is a Kepner-Tregoe case history involving a large manufacturing organisation which had a problem establishing the most effective ways of moving people in and out of its plant at shift change-over times.

A group of security people, HR experts, line representatives and a full-time union representative attended a meeting where the above KT Decision Analysis process was explained. We'd got as far as listing the objectives when the union representative had to leave on other business.

When the remaining group proceeded to weight their objectives they tried to read the union rep's mind and gave his expected reactions generous weighting.

Unexpectedly, the union rep returned. He had postponed his other meeting because he had been so impressed by what he had heard of the decision analysis process being used. And to everyone's surprise he lowered the weightings we had given his objectives.

He explained that he considered his objectives to be very important but when he saw them alongside all of the other objectives he modified his position to the big picture perspective!

So in a few hours we had built a team and he had returned to join it in achieving that elusive objective – a unanimous decision swiftly reached!

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Rational process hits the jackpot at Aristocrat

Aristocrat Technologies was the Australian winner in Kepner-Tregoe's international Process Achievement Awards. We flew its winning team to Orlando in the USA, to present their case study. It is a compelling introduction to the power of KT Rational Process.

BY NESTOR MENDEZ



NESTOR MENDEZ is production manager of Aristocrat Technologies, the leading supplier of gaming machines in Australia and the world's second-largest supplier.



DAVID BYRUM, BSc (Hons), Grad Dip Mngt, a senior consultant with Kepner-Tregoe.

Aristocrat Technologies had long maintained an unwritten policy of internally manufacturing as many of its products as possible. But as part of a review of core technologies it became clear that it would make good sense to outsource the labour-intensive assembly of one of our printed circuit boards.

A decision analysis (DA) for choosing an external supplier became our first attempt at using Kepner-Tregoe Rational Process.

Historically, our method of sourcing and committing to suppliers was not systematic. Pricing, with no consideration of broader objectives, influenced supply contracts and the possibility of internal political influences was strong.

There was also an existing contract which met requirements when needed but incurred considerable indirect labour by Aristocrat.

Another consideration was what to do with a substantial component inventory.

Using Kepner-Tregoe's Management Involvement (MI), the intent of the commitment question was examined and the logical owner to emerge was me, the production manager. This in itself was a significant change because supply decisions had previously been in the realm of purchasing/procurement with no external input. A core Decision Analysis team was identified using the MI process adding Alex Beese, also from production, and Jenny Pietrzak and Debbie Mercer from purchasing.

The DA unfolded over a three-month period. All team members had only minimal process training but we took a great deal of time and did it properly, collecting data and formulating good objectives.

Although I had not been through process-leader training, I led the DA using knowledge gained in a five-day

executive session and with the guidance of Kepner-Tregoe consultants David Byrum and Craig Sutton.

We began with a Decision Statement to clarify the purpose of the application. This was coupled with a comprehensive list of 52 objectives developed by the stakeholders.

To maximise commitment and visibility an unused office was transformed into a DA war room and became the focal point for all data and documentation and a venue for all meetings and discussions.

We quickly discovered many advantages in having the process so visible including easy reference, the ability to involve others, and the opportunity to secure senior management support and feedback.

To classify objectives into Musts and Wants we broadened the scope of involvement to include our field service division. The objectives were re-written as questions or requests to help potential suppliers structure their submissions against common criteria.

The questions formed the measures for each objective. For example: The objective *Maximise continuity of supply* was re-written as "Demonstrate systems that are in place that will maximise the reliability of supply while accommodating +/- 20 per cent variance in demand without incurring cost penalties".

Eight potential suppliers structured their proposals using these objectives.

Objectives were also classified into categories: Commercial quality, material management, user interest, and technical. This facilitated both preparation of proposals by potential suppliers and analysis of them by our team.

We allocated one core person from the DA team to each category. For example: One person analysed all

tenders relating to commercial criteria. This minimised variation in extracting data from the tenders.

We evaluated the tenders as a group with the responsible person answering questions relating to their data. Our approach saved time and gave equal weighting in terms of data to each proposal.

The first pass through the alternatives reduced the eight potential suppliers to four.

Then we used Rational Process to identify where each in the remaining group scored low and provided the final four candidates with an opportunity to review and amend their submissions. Scores became very tight with less than 10 per cent variation.

We invited the four potential suppliers to present to a panel that had been broadened to include finance. Presentations were video-taped for review and to add data to the DA format.

After the presentations we completed a formal risk assessment and reduced the list of potential suppliers to two.

We finally chose our supplier because of the low risk we perceived in two areas: The pro-active management of their workplace and people, and their similarities to us in process equipment.

Other significant results achieved included:

- Six people were re-deployed with consequent savings to the unit.
- 400 sq metres of warehouse (33 per cent of our plant) was decommissioned.
- The new supplier purchased our component inventory, reducing total inventory by a third and releasing

associated capital which is no longer tied up in inventory.

- Assembly purchase price dropped by 12 per cent.
- We now pay for stock only when consumed, a saving yet to be measured.
- Total impact on the business unit is a cost reduction of 15 per cent.

Additional technical support benefits include:

- The cost of warranty has been transferred from Aristocrat Technologies to the supplier.
- Replacement of faulty product is within 24 hours.
- Service support is 24/7.

The Decision Analysis provided us with a template and benchmark for future decisions.

The success of this project and the resulting substantial savings began the integration of Rational Process at Aristocrat Technologies. In the future, process will be used for all operational decisions concerning inventory, procurement, staffing, core technology, and other areas.

All of us on the core team have gone on to work on other DAs concerning supply of raw materials and key assembly components. MI helped us maximise stakeholder ownership and optimise resource usage.

It brought a level of commitment that kept morale high and eliminated rumours and fear of lost jobs. MI will continue to be a key tool at Aristocrat Technologies.



CRAIG SUTTON, BE, a consultant with Kepner-Tregoe

How well do you implement projects?

A

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SNAPSHOT SURVEY

Your Organisation's Project Management IQ.

This is the second snapshot quiz of a series. We're interested in how you score, so fax your answers – anonymously if you like, to Kepner-Tregoe on 02 9955 1625. We will collate the results and publish them in a later newsletter.
Queries: 02 9955 5944.

When complete,
please fax to
02 9955 1625

or

Mail to
Kepner-Tregoe,
Management
consultants,
PO Box 1333, North
Sydney
NSW 2060

QUESTIONS	SCORE	QUESTIONS	SCORE
<p>1 Does your organisation have a documented and in-use set of operating procedures for managing all projects?</p> <p>■ Yes a ■ No b</p>		<p>5 How do you identify value outcomes in a project?</p> <p>■ Lists of key deliverables a ■ Meeting delivery deadlines b ■ Formal procedures to identify objectives and measures c ■ It is up to the project manager d</p>	
<p>2 What percentage of your project teams understands resource estimating?</p> <p>■ 0-50% a ■ 50-75% b ■ 75-90% c ■ 90-100% d</p>		<p>6 How confident are you that resource managers understand the priority to be given to all projects they service?</p> <p>■ Very confident a ■ Confident b ■ Not confident c ■ No idea d</p>	
<p>3 If a project fails on delivery schedule or budget what do you do?</p> <p>■ Tell the project manager to try harder next time a ■ Get some training for the project team b ■ Provide expert coaching to the project team c ■ Conduct closeout evaluation and look for systemic causes d</p>		<p>7 How do project managers deal with risks in the project plan?</p> <p>■ Have an established process for risk management a ■ Do some risk management on critical issues b ■ Manage as they arise c ■ Don't know d</p>	
<p>4 Who in your organisation is formally trained in project management?</p> <p>■ Project owners, managers, team members. a ■ Project managers and team members. b ■ Project managers. c ■ Nobody. d</p>		<p>8 What percentage of your project teams knows what the critical path of a project network is?</p> <p>■ <50% a ■ 50-75% b ■ 75-100% c ■ Don't know d</p>	

Continued overleaf

Snapshot Survey continued

When complete,
please fax to
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or

Mail to
Kepner-Tregoe,
Management
consultants,
PO Box 1333, North
Sydney NSW 2060

QUESTIONS

SCORE

- 9** What percentage of your project teams understands EVA?
- <50% a
 - 50-75% b
 - 75-100% c
 - Don't know d
- 10** How do you know when you need to use project management thinking processes?
- Whenever you are given a project brief a
 - Whenever you have a decision to implement b
 - When all else fails c
 - Don't know d
- 11** What proportion of project team members has documented procedures that are followed?
- All a
 - Most b
 - Some c
 - None d
- 12** How do your project team members receive feedback about performance?
- Real time from project managers a
 - Project owner complaints b
 - Project steering groups or committees c
 - They don't d

How you scored:

- **75 – 100:**
Excellent result – top of the class or well on the way there.
- **50 – 75:**
Well done – Your team understands what is involved in managing projects.
- **25 – 50:**
You're on the way – but have some distance to go.
- **0 – 25:**
Trust us – it's time to do something and quickly.

ANSWERS:

Q12: a-8, b-2, c-0, d-0
 Q11: a-8, b-6, c-2, d-0
 Q10: a-4, b-8, c-0, d-0
 Q9: a-0, b-4, c-6, d-0
 Q8: a-2, b-4, c-8, d-0
 Q7: a-8, b-4, c-0, d-0
 Q6: a-8, b-6, c-2, d-0
 Q5: a-4, b-2, c-10, d-0
 Q4: a-10, b-6, c-2, d-0
 Q3: a-0, b-1, c-6, d-8
 Q2: a-0, b-2, c-4, d-8
 Q1: a-10, b-0

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Kepner-Tregoe helps management to meet critical business needs with solutions which our consultants have proven to be successful all over the world.

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Benchmark your way to mediocrity

BY ANDREW SLIMMING



*Andrew Slimming, BE
(Chem) Hons, a team leader and
partner with Kepner-Tregoe*

Many organisations are driving relentlessly for efficiency improvements and productivity gains and benchmarking is one of the tools they are using to help close the gaps between them and the world's leading companies. Unfortunately, we are seeing many flaws in the way benchmarking studies are implemented, resulting in mediocre outcomes. Common flaws and problems include:

1. It is almost impossible to find an organisation that is close enough to yours for the benchmarked data to really mean something. Usually your product mix and range is dramatically different (more complex in Australia) or things are measured differently. Either way, drawing conclusions from the data can be erroneous.
2. In Kepner-Tregoe's dealings with clients, we often find examples of Best Practice operations being adopted from a benchmarked company, with inadequate thought about why that practice might have worked in a different organisation. Rarely do transplanted ideas work, unless they are carefully thought through and tailored for the local conditions.
3. Given the difficulties in finding similar companies to benchmark against, it is rare that a benchmarking exercise does not show that your organisation is world class in some aspect of its operation. I have seen organisations latch on to those aspects of a study and use that data to show why they don't need to get any better.
4. Many employees already have some good ideas about how to improve the business but often lack the detailed technical understanding and language required to communicate their ideas to management. Benchmarking, which in effect is ignoring their ideas, alienates them

from the business. Continuing to show them how good other people are (and hence how poor they are) also does little for their confidence.

5. Benchmarking is almost by definition trying to make up the gap. You are always looking for someone better. Benchmarking can become a process for playing catch up.
6. The very best organisations do not rely on benchmarking. With whom would they compare themselves? These organisations typically understand their own businesses very well, and look around for ideas for improvement – wherever they might find them. They have an environment which supports improvement and high performance.

Finally, while we are benchmarking ourselves against the best, the best are continuing to improve.

So by all means use benchmarking as a source of improvement ideas. But beware of trying to transplant things that you see working elsewhere without a detailed study. Also, never assume that all the data comparisons are valid – there are always differences between organisations.

It is more important to seek ways of harnessing the creativity and knowledge that already lies within your organisation. You might be surprised by the results.

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Kepner-Tregoe helps management to meet critical business needs with solutions which our consultants have proven to be successful all over the world.

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