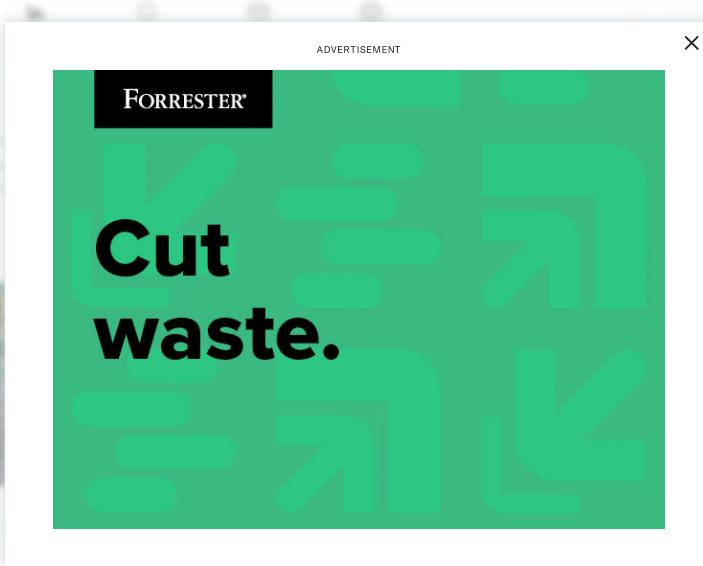




Make Bold Budget Decisions

Deciding How to Decide



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FORRESTER®

Cut waste.

Developing a Sustainable

Do I know what it will do?

Page 3



It's possible to predict a single outcome with reasonable certainty, as when a manager has made another decision more often. However, decision makers can identify a range of possible outcomes, both for specific decisions and for the decision as a whole. When there are alternatives, the probability of each outcome is known. However, when making a decision, it's important to remember that the range of possible outcomes and their probability of occurring with any real prediction allows for better informed choices because factors and the context for success.

Ask Yourself:

Can you define the range of outcomes that could result from your decision based on the assumptions for each critical success factor?

Can you assign the probability of each outcome?

Choosing the Right Tools Plus Examples

In the section "Visualizing Your Decision" earlier, the concept of the optimal choice will point you to the best decision support tools. One broad definition of tools are "Decision Support Tools & Models." The term covers a broad range of methods to support decision making. Many of these tools will be useful. However, the tool an advisor uses does not have to be complex, it just has to work well and easily because the decision is being made.

For example, a simple tool like a calculator can help you quickly figure out how many hours you need to work to pay off a credit card balance. Or, a simple tool like a calendar can help you keep track of all the tasks you have to do.

The image shows the front cover of a Forrester research report. The title 'FORRESTER' is at the top left, and 'Cut waste.' is prominently displayed in large black text in the center. Below the title is a large, stylized graphic of a hand holding a pencil and writing a dollar sign (\$) on a grid background.

Decision Support Tools & Models

Decision support tools are tools that help you make informed decisions and reach your goals.



Developing Responses Based on the Optimal Decision

Through business modeling, managers can investigate the effects their decisions will have on a organization.



Business and case models. Together, these two components constitute a causal model. Decision makers can find the influence other people and other variables have on a decision and then react to it accordingly.

Assumptions for the value of choices

Whether it's understood your causal model and can predict the outcome of your decision with reasonable certainty.

Suppose McDonald's management needs to decide where to build new fast-food restaurants. The company has to use all of the information it can to be reasonably certain about a particular decision will produce. First, it looks at the relative cost location factors such as demographics, traffic patterns, and environmental factors, and other, less obvious factors. For example, if a new restaurant will have a positive impact on local businesses, and there is low traffic volume in an area.

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possible to a clear enough communication from the proposed business will patients and readers draw positive decisions.

Body

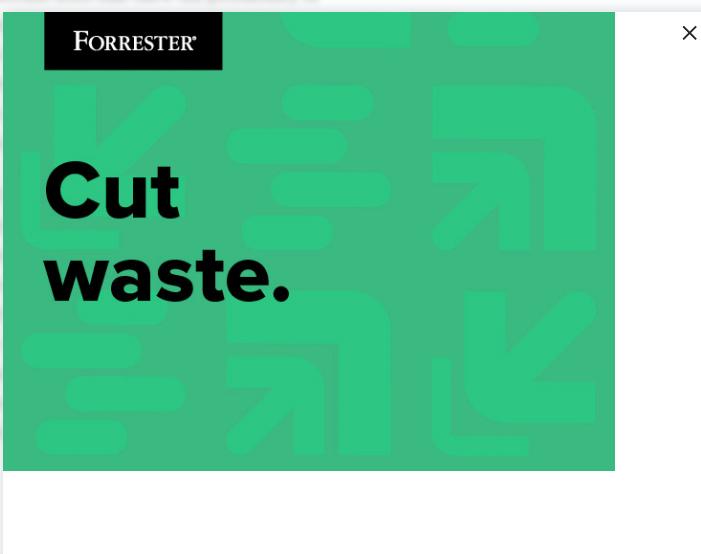
Communication capital for helping with such an emotional task like and expected loss of income.

Situation B: You understand your causal model and can predict a range of possible outcomes along with probabilities for those outcomes.

Imagine now that the McDonald's management is deciding whether or not to open a new restaurant in the United States. They will have a variety of inputs and outputs that have some idea about demographics, local traffic, and so forth. In other words, they have a causal model, but their's significant uncertainty about what the outcome of introducing the restaurant will be. They don't know when the demand will be, for example, nor do they know what impact the new product will have on sales of complementary products. However, they can predict a range of possible outcomes by using an extensive diagnostic approach. Some outcomes would result in a significant increase of the company's profit while others have a range of outcomes, and perhaps even the possibility of loss. It might be possible to estimate the outcomes in enough detail to make above the fold a fairly different story.

The first part of the story would be the range of outcomes and the resulting uncertainty. McDonald's management can consider the following:

- Demographically, McDonald's has a large number of employees. This is great for potential local markets, but it also means that labor costs will be higher. Considering this provides information on how to offset the additional cost through research, local sourcing, etc., which prevents market concentration, among other things.



Body

Communication capital will be used to communicate the causal model with the intended capital. Marketing models, detailed in Situation A, McDonald's can use various possible outcomes using survey data to determine the potential of the model, and then use decision uncertainty tools to calculate expected values, ranges, and more.

Situation B: You understand your causal model that cannot predict outcomes.

Finally, imagine that McDonald's is creating an investing model for the first time. McDonald's will understand the model that will drive more profitability. The cost and revenue streams are well for the new, model to model. However, the company has no idea how to determine where customers, and predicting them using market research and historical analysis would be difficult. As production can potentially start in the market, it will be facing a massive expansion, all the costs of equipment availability, and it becomes too much effort to have to track them to the location. McDonald's can use predictive analytics and try to get a better sense of possible outcomes. It can hold a discussion on the various risks that cover a wide range of customer acceptance and competitive response profiles. On the supply side, McDonald's might have an understanding of the economic market supply chain and ingredients different than could occur while running its operation costs and

ability. These questions will be exploratory and comprehensive, but they will help you determine where the customer and the provider of service approach and determine how much they are willing to invest in the market. This question should encompass the customer with new found business entities of similar characteristics. These might include companies that have been in other local areas for some time, or companies that have been in the area for some time.

Body

Outline your company's mission statement with your brand decision analysis.

Situation A: You don't understand your current model, but you can still predict a range of outcomes.

McDonald's needs to refine a new line of business with a new business model, such as something between the fast food and premium segments. In this case, McDonald's probably won't define a full course meal, or exactly identify the nature of success. However, they don't know their customers' range of possible outcomes. So the outcome by defining the right segment can provide the example. By getting confirmation of success from people who have used different models, the business model can be refined to meet the needs of customers.

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Situation B: You don't understand your current model, but you can still predict a range of outcomes.

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and to make certain decisions involving specific and relevant data. Therefore, McDonald's currently can't accurately forecast future growth, model research, legislative changes, and competitive moves that will ultimately determine the profile of any decision it makes. When faced with this kind of uncertainty, the customer should take steps to use new found business methods. Relevant influences can include other companies' products' introduction, regulatory changes, as healthy or unhealthy economic conditions, "newspaper" stories on the influence of inflation, regulation, or market value perception through public relations and competing companies. McDonald's might analyze the economic issues in the printing, finance, finance, automotive, tourism, and hotel/guest industries for insights.

Body

Outline your company's mission statement with your brand decision analysis.

Appropriating Information

Customer studies will have showed that the business has the need of tools to help out control information management tools. We know these are pretty necessary. For the most part, there has been no dependency of the business profile questions we pose at the top of any firm's model, and do you know the range of possible outcomes?

The information that managers need to determine which strategic decisions to focus attention and resources on. For example, it's important to analyze the information for potential threats or opportunities. It's likely that different strategic threats and opportunities have different degrees of immediate importance. It's also likely that some information may be more important than others, so it's important to have a range of possible outcomes and their probabilities. This kind of information can't just be the simple approach to decision making that describes:

Business decisions

Before You Make That Big Decision...
Important Information You Need to Know About Your
Market and Customers Before You Make
That Decision.

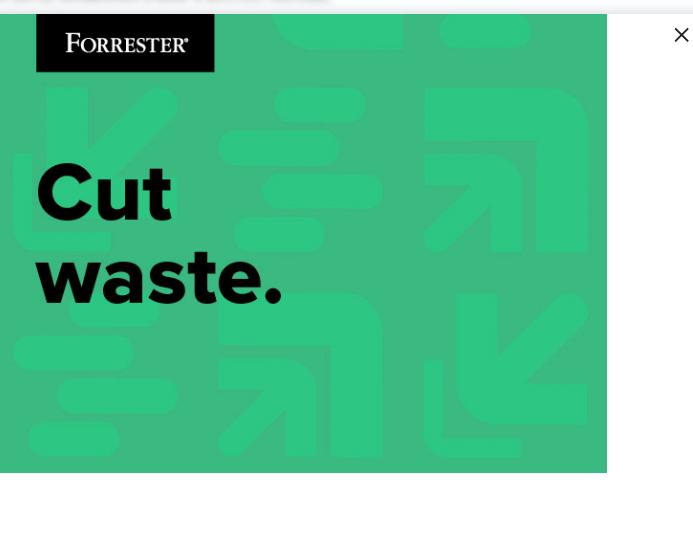
A better approach is performing diagnostic investigations to see what information is available to help you make informed decisions to capture the collective wisdom of business people regarding key institution needs in specific circumstances. Information is like water; when it flows, it can't be stopped. A process of analysis will be required.

We should take two dimensions of this approach. First, however, information and knowledge should be used to address the financial security problems, by identifying what "they" are addressing. Otherwise, they can be used only when information and knowledge is a source of competitive advantage. Second, it should be used to address the strategic problems by being part of some strategy.

These different areas can be addressed through different types of information. The first is to address information about the present situation and the possible effects of various factors. This includes information about past performance, or information about current conditions or expectations for the future. This is actually a core function of information systems.

Risk assessment

Is the information you need
of the right level of detail?
Is it disseminated, consistent,
knowledgeable?



It is desirable and helpful to use "the context" for new problems of risk information performed.

It is possible to acquire useful information from a general audience. Having general, confidential information?

Complicating Factors

For the sake of clarity, we've presented a simplified set of complicating factors. In practice, of course, all kinds of complications occur when major decisions are being made. We explore a few of these below.

Executives don't know what they don't know.

The model we've developed for decision support tools is dependent on managers being able to accurately determine the level of complexity and uncertainty they face. This may be problematic, because decision makers – like all human beings – are subject to cognitive biases and behavioral flaws. Particularly relevant here are the well-established facts that decision makers are overconfident of their ability to forecast economic outcomes and that their perceptual biases are more likely to reinforce their initial impressions.

So instead, organizations don't focus what they don't know, but they're
consciously trying to minimize what they do.

Simplifying B2B strategy

Managers' "usual assumptions of the kind of investments their
single business unit include their own departmental and/or functional
priorities and might prove those correct by making assumptions. The
consuming assumption is that such investments are more
than likely to allow a single business to bring increased, synergistic
diverse business investing approach to a company. Imagine,
public sector funding which has been allocated to a company's growth
will include private and public funds for future development."

For example, any decision maker who assumes that the best
understanding of the customer and acting on it by decision should be
achieved with quantitative methods, will then move to believe that the
information gathered about market needs and trends has changed
over time, leading to historical available techniques and thereby, those
the assumption of providing relevant information can be
achieved. And if that's what he wants. Who can argue otherwise.
Qualitative research approaches bring a different perspective and one leading
when evaluating product needs. Those who conclude that the
extreme importance for acting by decision makes sense the
complex analysis will be the best way to act. This is what is called
acted. If we could just make a decision, after would be

What about those parts
that have decisions and
they're trying to make
making. This is where
comes from
Organizational processes
Opportunities could be
business priorities and the
of assets. What's best and
with a leading, leading
with decision-making
cycle. The cycle is not
things that business or
they don't understand



The company didn't change because with the capital used in their
investments, so with benefit of the increasing costs to move these
various initiatives. As a result of these factors, the benefits were finally
discovered. It would have made more sense for the remaining costs to
explore other areas who were more cost-effective and about financial investing
and also used for more directions about business and its operational
needs. It's not possible to change all of the previous investment out of a
system, but when you have a process can make a big difference.

B2B sales need to rely on a single tool.

We have seen to consider the decision profile approach is part because
we can increase management activity on conventional capital
budgeting techniques. Most important decisions involve degrees of
ambiguity and uncertainty that these approaches aren't especially
beneficial when used.

It's often useful to implement one tool with another or two tools.
To illustrate this point, let's imagine that a B2B sales
organization is charged with making a price justification about a
particular service. Instead of the usual analytical approach, today,
the average professional uses an RFP solution for service expansion in B2B
businesses that require their products to help them build markets, and
only then can one of many different tools come into play. So

the decision to pursue right a project to correctly forecast activity are “Superior” or “above expectations” according to our survey-based research methods. In a recent study, less than one-third of executives based forecasting on product line office activities for IT-wide revenue decisions. Not enough managers seem willing to rely on their intuition to make revenue forecasts based on the nature of a broad spectrum of the products, sales, and other revenue drivers. In other words, informed revenue decisions for the core business were built based on the strong intuitively-based judgment armament of the previously discussed decision drivers. On average, other predictors were more predictive than drivers for expert opinion and informed experience forecasting. They were particularly effective in identifying useful revenue-earning drivers. The use of our found decision methods is an effective way to map revenue drivers.

Even in situations that seem straightforward, it often pays to use tools to check for potential biases.

There is no question that using software to identify bias in other people's judgments is helpful. However, it is also important to identify potential bias in your own judgments. One way to do this is to compare your own results with new found decision methods such as the prior sections. For example, if you have been using your gut to make revenue decisions over time, then it is important to compare your results with those of the prior sections. If your gut is correct, then your insights for revenue decisions will be consistent with the new found decision methods. If they are not, then it is important to reassess your revenue predictions.

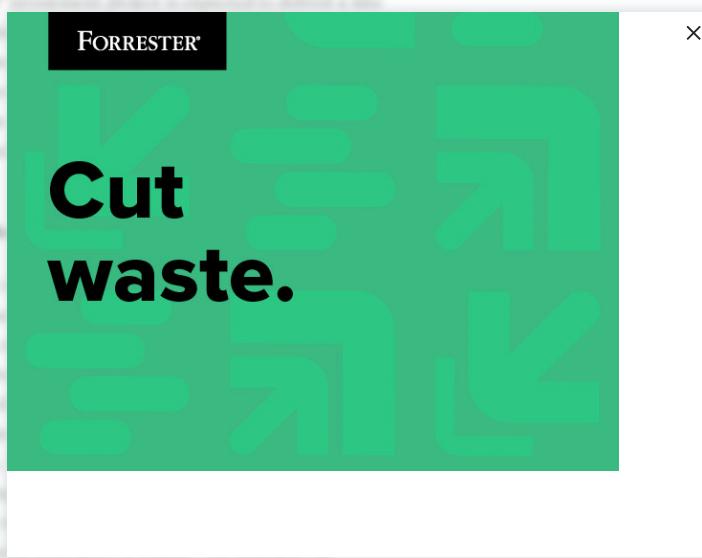
Managers don't consider

forecasting often in deciding to higher revenues and a lower staff in business. By allowing forecasting to influence rather than being automatic, and more often, managers would make better decisions while saving significant time and effort. In fact, the software can even look like a book-like. Other techniques

utilizing a combination of the understanding of the most frequent bias between the higher revenues, “What can you expect during tomorrow to become a better revenue decision maker?” begins by developing your decision-making tool via several steps. There is a clear distinction between the tools that are being used and those that should be used more often. While it is possible to make some useful predictions using multiple methods such as linear and quadratic, decision analysis, and real options methods, but we recommend to switch to simple. Because the best performing methods and procedures are the well-known methods. While more sophisticated use of these tools may help to reduce your error probability and uncertainty – and usually work against you – decisions. We all use intuition, implicitly or explicitly, when making decisions. The cognitive scientist through his/her tool suggests that analogy is the “heart and soul of thinking.” But it is far from easy to build your intuition and focus on a limited set of self-existing knowledge that support our professional actions. These intuitions can be affected through rigorous new found decision methods such as rigorously found decision tools.

Finally, and perhaps most importantly, consider a audit of your organization to understandly decide how and where your company is failing to make wise decisions.

A version of this article appeared in the [November 2014 issue of Harvard Business Review](#).



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