Climbing the Decision Ladder

Corporate decision-making tools leverage modern databases, networks, and distributed applications to consolidate and integrate information from many areas (e.g., manufacturing, sales, human resources, corporate finance). Some tools additionally provide analytic and reporting capabilities to aid in decision making. The ultimate goal of these tools is to provide an intuitive and information-rich decision-making environment.

The future of corporate decision-making tools may be likened to three rungs of a ladder:

- *data (observations of the past);*
- *knowledge (projections about the future); and*
- *wisdom (strategies that maximize value).*

Each step up the decision ladder represents increased capability to extract relevant decision-making information. Improvement of technology and processes at any step on the ladder drives rapid improvements at other steps. For example, as our wisdom increases, more valuable knowledge will be sought and better questions will be asked. In turn, this will change what data is measured, gathered, and collated. Improved data and knowledge then lead to even greater wisdom.

Data

Data are observations of the past, usually stored in databases across the enterprise.

Much of the recent progress with data is in core analytics, which are analytical tools used to define or analyze a current or past state. The goal of core analytics is information agility, providing the ability for fast (near real-time) movement and analysis of data. Today's top executives demand faster answers to the deeper questions on a daily basis. Where is their business doing well and where do the problems lie?

Knowledge

Knowledge is a collection of projections about the future.

Data without context tells us about the past but not the future. Decision makers use their information to predict how different the future will be from the past. Knowledge often exists in the absence of data, and is updated as data become available. Decision makers can also first investigate the data and then make predictions. To help with this, predictive analytics use complex mathematics to find relationships or patterns in data, or the likelihoods of possible future outcomes. Managers can receive frequent updates via a dashboard application or similar interface.

Wisdom

Wisdom is a collection of strategies that maximize value, discovered through knowledge and insight.

Insight is defined as "penetrating mental vision or discernment". Decision makers develop wisdom when they apply creativity and intuition to their experiences and other information sources. Corporations need all of their knowledge and insight to build increasingly complex and sophisticated strategies due to the accelerating pace of business and decreasing windows for competitive advantage. Firms seeking the most significant edge will look to the "top rung" of the decision ladder to optimize, democratize, and standardize their decisions, exceeding the simple connection of information dots. Proactive strategies enable the enterprise to stay ahead of competitors and market forces.

Reaching the Top Rung

To achieve wisdom, decision makers must be able to connect data and knowledge to the shareholder value of decisions.

Many corporations still operate on the data rung, while more advanced corporations are using predictive analytics and methods such as Balanced Scorecards to take advantage of the knowledge rung. Without the capability to connect data and knowledge to shareholder value, however, the creation and usage of data and knowledge tend to be undirected. Time and resources are spent gathering and creating information that is not used for strategic value creation. Reaching the top rung of the decision ladder allows the corporation to become decision-centric, pulling data and knowledge as necessary to support decisions. Investments in information systems and knowledge workers yield greater value as these resources are directed to create data and knowledge that are specifically for the purpose of creating corporate wisdom rather than just warehousing anything and everything.