



Decision Making, Learning, and Competitive Advantage

Business is not war, but there are a few similarities. War is inherently disorderly, uncertain, dynamic, and dominated by friction-- just like business. In such environments, time is a critical factor in effective decision-making-- often, the most important factor.

The maneuver warfare doctrine to which the Marines aspire was shaped by Air Force Colonel John Boyd. Boyd demonstrated that survival and adaptability was a function of the relative pace of one's OODA cycle. The OODA cycle consists of Observe, Orient, Decide, and Act. According to Boyd, decision-making occurs in a recurring cycle.

An organization that can iterate through the cycle faster than its competitors will have an advantage and may even be able to shape the competitive landscape. This is called getting inside your opponent's OODA loop. In other words, success requires that you learn relatively fast, and effective learning means doing as well as thinking.

The first step in the OODA cycle is to observe what is happening around you. That means paying attention to your senses, intuition, and personal experience as well as information you receive from reports and other sources.

Observing seems simple. Upon reflection, though, you'll realize that observing is complex and difficult. That's because our biases condition us to perceive only a fraction of the relevant, available information. We tend to observe what we expect to observe.

The second step in the cycle is to orient. It's the step in which we synthesize our observations and make sense of what it all means to us. An individual might require a moment to orient. A

large, complex organization might take months to make sense of what's going on. Orientation culminates with the enumeration of alternative actions.

Deciding is the third step in the cycle. An individual might take milliseconds to decide on a course of action. It might take an organization with many stakeholders much, much longer to make a decision.

Acting is the final step in the OODA cycle. Your action may cause a change in the external environment, which reveals new information that initiates a new OODA cycle.

Of course, accelerating your OODA cycle means identifying and reducing delays in the execution of each of the four steps. For example, you might ask, why does it take us so long to prepare financial reports? What can we do to reduce the delays associated with receiving and compiling relevant information? Are we taking too long to study things? Why does it take us so long to make a decision? How might we reduce our execution time?

Addressing each of these delays can help reduce your OODA cycle time and increase the rate at which you learn and adapt to a changing business environment. However, it's hard and increasingly expensive to go faster and faster.

Absolute speed isn't the goal. What matters is your relative cycle time. As the saying goes, you don't have to be faster than the bear. You just have to be faster than your competitor. Just remember, your real competition is often the external environment's pace of change.