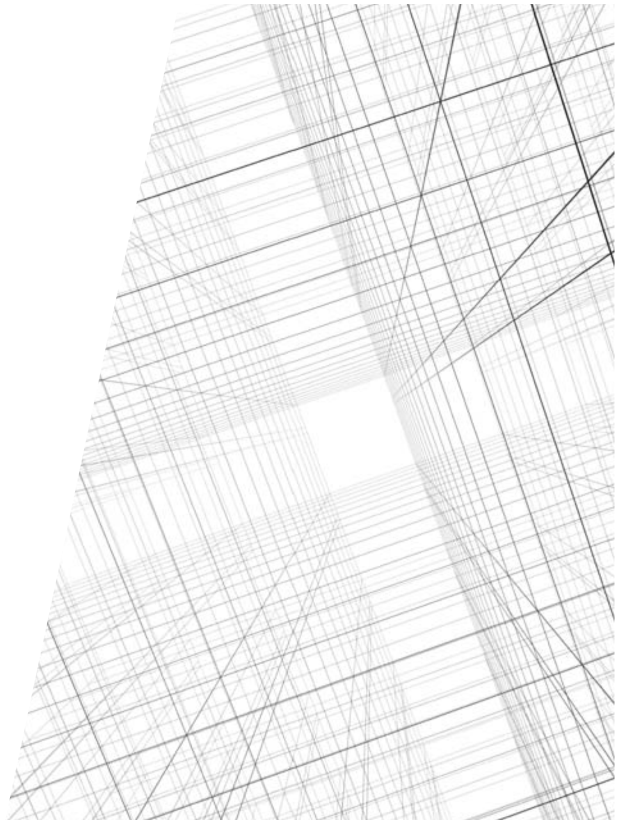
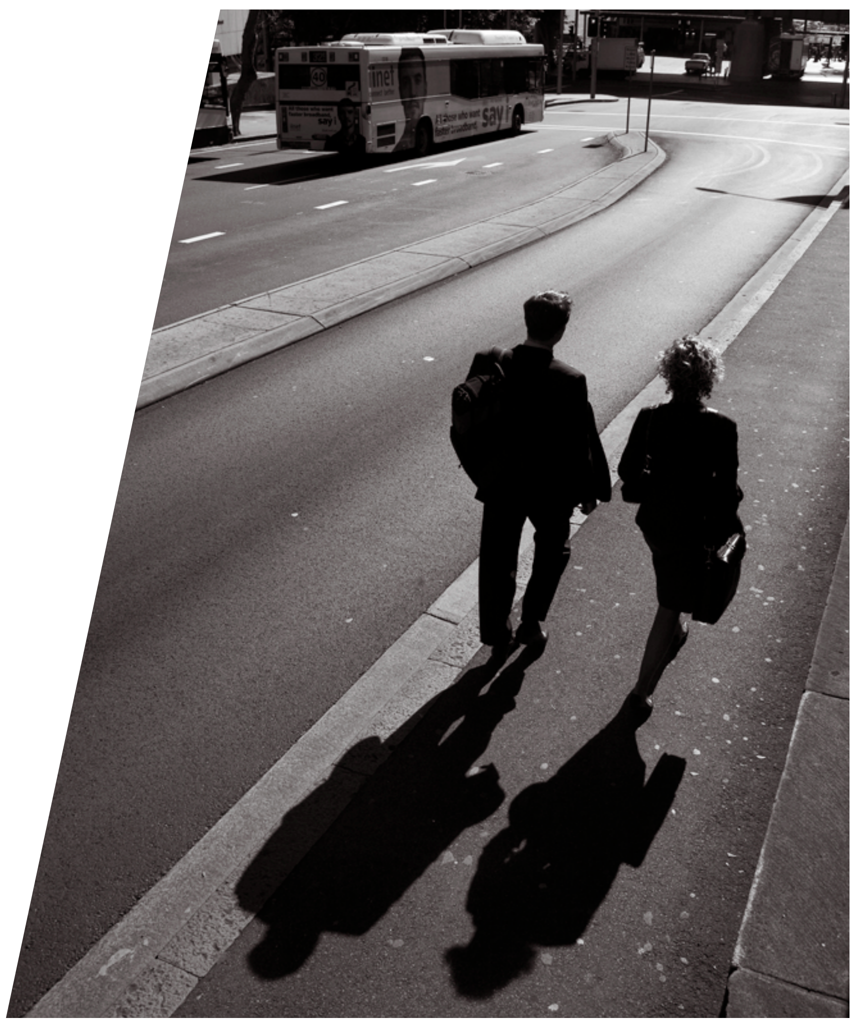
Decision Insights

Compendium (Issues 1–5)

By Marcia W. Blenko, Michael C. Mankins and Paul Rogers





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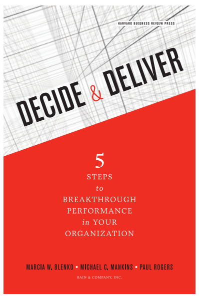

Marcia W. Blenko ***(marcia.blenko@bain.com)*** leads Bain's Global Organization practice. She has extensive experience in decision effectiveness and organization design across a range of sectors. Marcia has authored numerous articles on organization, decision effectiveness, and leadership and often speaks on these topics. Her writings have appeared in *Harvard Business Review*, *Financial Times*, *Wall Street Journal*, *Economic Times*, *European Business Journal*, *Harvard Management Update*, and the World Economic Forum's *Global Agenda*. She is also a contributing author of *Winning in Turbulence* (Harvard Business Press, 2009). Marcia is a partner in Bain's Boston office.

Michael C. Mankins ***(michael.mankins@bain.com)*** leads Bain's Organization practice in the Americas and is a key member of Bain's Strategy practice. He advises business leaders on the strategic and organizational initiatives required to drive performance and long-term value. Michael's writings have appeared in *Harvard Business Review*, *Wall Street Journal*, *Financial Times*, *Harvard Management Update*, *Journal of Business Strategy*, *Directors & Boards*, *Chief Executive*, and other publications. He has been a featured speaker at numerous conferences and is co-author of *The Value Imperative: Managing for Superior Shareholder Returns* (Free Press, 1994). In 2006, *Consulting Magazine* named Michael one of the year's "top 25 most influential consultants." Michael is a partner in Bain's San Francisco office.

Paul Rogers ***(paul.rogers@bain.com)*** is the managing partner for Bain's London office and previously led Bain's Global Organization practice. Paul's organizational experience spans comprehensive transformation, decision effectiveness, culture change, talent management, frontline employee loyalty, overhead optimization, and change management. Paul has authored numerous articles on organizational effectiveness and successful change in *Harvard Business Review*, *European Business Forum*, *Business Strategy Series*, *Financial Times*, and others, and he regularly speaks on these topics.

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Score your organization

Decision effectiveness and financial results correlate at a 95% confidence level or higher for every country, industry and company size we studied. Top-quintile companies on decisions generate average total shareholder returns nearly 6 percentage points higher than those of other companies.

Hospira, a $3.6 billion specialty medical device and pharmaceutical company, had developed an ambitious plan for growth and for more than $100 million in cost savings. Executing the plan would put the company in its industry's top quartile, where then-CEO Chris Begley felt it belonged. But was Hospira's organization up to the challenge? Begley wasn't sure. Many decisions in every part of the company seemed to take longer than they should. Hospira produced hundreds of marketing brochures every year, for instance, and the process for each was painfully slow. Drafts were passed along in manila folders. People added comments in longhand. Nobody really knew who had the final say.

If the company couldn't speed up its metabolism on everyday issues like that, could it really hope to enter the top ranks?

Decisions are the key to organizational performance.[1] You may have a great strategic plan, plenty of resources and a deep bench of talent. But if your company can't make and execute decisions well, nothing else matters.

CEOs such as Chris Begley know this, which is why so many companies are focusing on improving their decision abilities. The first steps in this process, not surprisingly, are (1) a rigorous, fact-based assessment of your organization's decision effectiveness and (2) an equally thorough review of the organizational strengths and weaknesses that contribute to your decision score.

Assessing decision effectiveness: What are the trouble spots?

In our view, decision effectiveness has four distinct components:

- **Quality.** One is decision quality—whether a company makes good decisions more often than not. The best gauge of quality is whether in retrospect people believe they chose the right course of action.
- **Speed.** How quickly an organization moves can be as important as how good its decisions are. What counts most isn't absolute speed, which will vary according to the business you're in and the kind of decision you're making, but speed relative to competitors.
- **Yield.** Decision yield, or how well a company turns its decisions into action, is always critical to performance. Poor execution of a decision—or a complete failure to execute, as sometimes happens—naturally undermines any virtues the decision itself might have had.
- **Effort.** Effort is the time, trouble and sheer emotional energy it takes to make and execute a decision. Decision effectiveness obviously suffers if the effort involved is greater than what the decision merits. But it can also suffer if companies shoot from the hip—that is, if the effort involved is too little.

The best way we know to understand how well a company performs on each of these dimensions is to ask the people who work there. For example: ***In retrospect, how often does your organization make the right decision?*** Or: ***How quickly is your organization able to make decisions—faster than competitors, slower or about the same?*** In making an assessment, we typically survey a broad cross-section of people, including those on or close to the frontline, using questions like these. We then flesh out the survey data (where appropriate) with supplementary information from interviews or group discussions, "X-ray" analyses of decisions that have gone well or badly and so on.

We have also surveyed large numbers of executives from companies around the world, with the objective of creating a diagnostic database for benchmarking purposes (see the box, "What the research shows"). Companies use our data to see how their own performance on each of the four elements measures up against competitors and peers.

Hospira, for example, administered a decision survey like ours to the top 300 people in the organization, covering every function and geographical unit. When the results were in, the news wasn't nearly as good as CEO Begley had hoped. The company's decision score was below average (around the 40th percentile)—a far cry from the top quartile where Begley and his team aspired to be. Decision quality was fairly good, but speed was below average and effort was higher than it should have been. Nearly 80 percent of respondents, regardless of level or function, said decisions took too much effort. Top-level respondents actually rated speed and effort worse than did others in the organization, perhaps because these higher-level leaders were involved in thorny cross-functional or cross-unit decisions.

When Begley and the team asked themselves whether, from their own experience, the survey results rang true, they had to admit that the scores seemed accurate. They thought back to the marketing brochures, for example. Those decisions, with their many manila-folder stopping points, clearly took too long to wend their way through the system. And the need to reconcile everybody's handwritten changes meant that effort was definitely higher than it needed to be. But speed and effort weren't the only issues. The feedback from the sales organization was that the brochures weren't all that great. The company was taking too much time, devoting too much effort and still not making the best possible decisions.

For Hospira, as for many organizations we have worked with, benchmarking was a wake-up call. Begley began to see that if Hospira could improve on its weakest elements, the company's whole metabolism would begin to function better. It would accelerate the journey toward top-quartile performance.

But Begley also had to ask himself what was holding things back. With the marketing brochures, it was most likely the decision process that needed fixing. But what about all the other decisions that were taking too long or requiring too much effort? Maybe talented, decisive people weren't in the right positions. Maybe the culture somehow encouraged people to act slowly. Or maybe it was something else entirely. Like any company that has assessed its decision effectiveness and found it wanting, Hospira now had to move on to the second part of the assessment: the organizational system within which decisions happen.

Assessing organizational health: Where are the decision barriers?

To add depth to a decision survey, we typically also look at the organizational root causes of decision strengths and weaknesses. We have surveyed hundreds of organizations worldwide in this manner as part of our ongoing research, so again we have benchmark diagnostic data.

This part of the survey typically offers statements on a broad range of organizational topics and asks respondents to what extent they agree. For example: ***Individuals are clear on the roles they should play in making and executing critical decisions. People with decision authority have the skills and experience to make good decisions.*** This kind of research enables executives to identify what is actually helping decision effectiveness and what may be holding it back.

There is rarely a direct, one-to-one relationship between specific decision weaknesses, such as poor quality or lack of speed, and a single aspect of the organization. Every organization is a system, and all the elements have to work together to produce great results. Each element of the organizational system not only has to support effective decisions but also reinforce the other elements of the underlying system. In our research, we found that companies with top-quintile decision scores outperformed other companies by about 15 to 20 percent ***in every single organizational area***. And the more elements of organizational health a company scored highly on, the higher its overall decision effectiveness.

Hospira's organizational survey revealed significant strengths. The company had good leadership, for instance, and a strong talent pipeline. These were important findings, attributes on which further improvements could be built. Hospira had to ensure that such strengths weren't undermined by changes to other elements of the organizational system. But the survey also turned up weak spots. People felt that decisions weren't always made at the right level of the organization, and that the balance between the corporate center and the operating units wasn't on the mark. They believed that decision processes were flawed: Meetings weren't used well, interactions around decisions weren't mapped clearly and so on. Also, the culture needed attention. Not everybody in the organization acted like an owner and made decisions reflecting the company's best interests. Not everyone brought a customer focus to decisions.

Thanks to these diagnoses, Hospira redesigned a wide variety of key decisions, and it began reshaping the organization to support and enable continued good decision making and execution. These efforts involved extensive training as well as strong leadership engagement on the organizational changes that would help take Hospira from good to great. At this writing, the company has come far on its journey. One early win was those marketing brochures. A team redesigned the process required to design and approve a set of marketing materials, reducing approval time substantially. Management clarified decision rights, thereby ensuring that people in marketing had a say over the quality of the brochures. The outcome was a smoother process that was faster, consumed less effort and produced brochures attuned to customer needs as well as regulatory requirements.

Hospira has made similar gains in many other decision areas. If it can consistently improve on decision speed and effort while maintaining quality and yield, it should achieve its ambitious plans. Already, the company has achieved results well ahead of its cost and revenue targets. And the recent stock price was up more than 80 percent since the announcement of the transformation efforts, with total shareholder returns in the upper quartile—right where Begley and his team believed they should be.

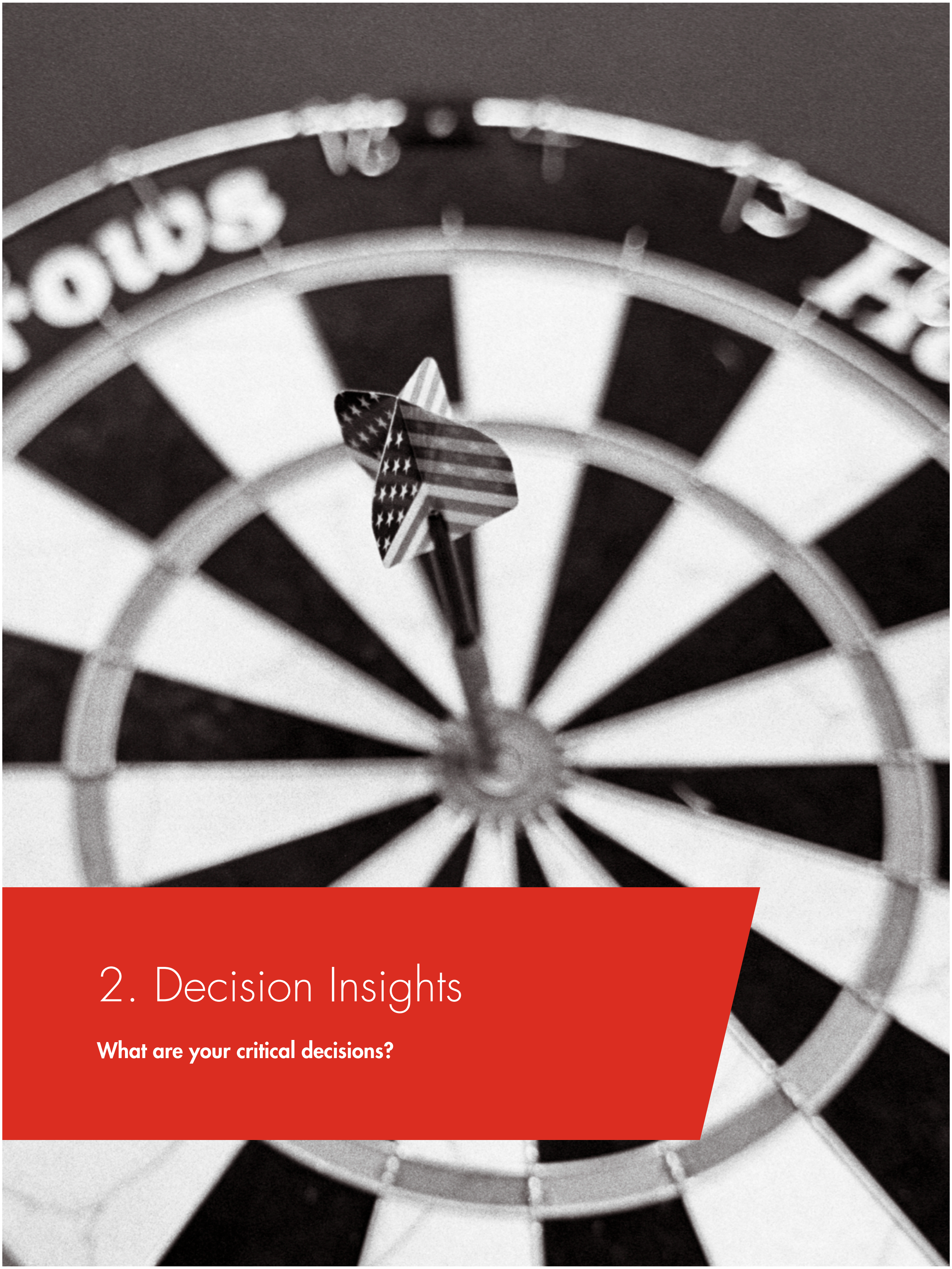
Decisions are a key to performance, and a strong organization is the key to decision effectiveness. A diagnosis of both can show you where your organization is strong and where, like Hospira's, it can be improved.

[1] See the book *Decide & Deliver: 5 Steps to Breakthrough Performance in Your Organization* (Harvard Business Review Press, 2010), from which this article is adapted.

What the research shows

Not long ago, we conducted an extensive global survey of nearly 800 companies. We asked about their decision effectiveness, their organizational health and the connections with financial results. Here are some of the highlights:

- **Decisions = performance.** Decision effectiveness and financial results correlate at a 95 percent confidence level or higher for every country, industry and company size we studied. Top-quintile companies on decisions generate average total shareholder returns nearly 6 percentage points higher than those of other companies.
- **Quality, speed and yield reinforce one another.** Each factor alone correlates with financial results. But there's a multiplier effect: The product of all three is a much stronger predictor of financial performance than any single element.
- **Effort is a drag.** The amount of effort that goes into decisions separates truly great companies from merely good ones. Of all the companies with high scores on quality, speed and yield, for instance, nearly half report effort as too high or too low—and this group's overall decision score is only two-thirds that of the optimal-effort group.
- **Few trade-offs.** Although it's counterintuitive, high performance on quality goes along with high performance on speed and yield, and vice versa. For instance, companies that score the highest on quality are nearly eight times as likely to execute their decisions effectively as those with average or low quality scores.
- **Room for improvement.** On a decision-effectiveness scale of zero to 100, top-quintile companies score an average 71. All other companies average only 28. The size of the gap may be surprising, but it is due to the multiplier effect of quality, speed and yield on overall decision effectiveness. Stated differently, the average organization has the potential to more than double its ability to make and execute critical decisions.



2. Decision Insights

What are your critical decisions?

Any organization's success obviously hinges on big, high-value choices, whether strategic or operational. There's also a second category of decisions that can be equally important: those that are made and remade frequently, week in and week out, and that add up to a substantial amount of value over time.

Nike's famous "swoosh" is a global icon, a brand that's recognized by consumers and sports fans worldwide. Less well known are the organizational structure and processes Nike has relied on to build global leadership in sports-related footwear, apparel and equipment. The company had long been organized as a matrix, with the three businesses on one dimension and geographic areas on the other. In 2007, however, executives began to see that they were missing a holistic focus on a given sport—soccer, golf, etc.—*across* the three business areas. So they introduced a sport-focused dimension to the matrix.

With their "Just Do It" attitude, most people at Nike welcomed the change, realizing it would bring them closer to consumers. But many also wondered if another set of dotted-line accountabilities would bog down the organization. Who would make key decisions? Who would be responsible for implementing them? Unless everyone at Nike understood exactly how the new organization would work, they would never be able to respond quickly enough to changing trends in all the countries, products and sports where the company competes.

An organization's decision abilities determine its performance.[1] Companies that make better decisions, make them faster and translate them into action more effectively nearly always outrun their competitors. But managers and employees in any large company make countless decisions every day. How can an individual manager or a leadership team know which decisions to focus on? How can it analyze those individual decisions to see what's working and what isn't?

This article will help you answer both questions. It shows how to identify your organization's *critical decisions*, the ones that most affect results. And it shows how to use a tool we call a *decision X-ray* to expose the trouble spots and begin to identify improvements. Taken together, these actions can tune up your organization to deliver peak performance.

Two categories of critical decisions

What are your critical decisions? Any organization's success obviously hinges on big, high-value choices, whether strategic or operational. When Starbucks introduced its instant coffee, or when Applied Materials moved its manufacturing and engineering base to Asia, the decisions involved sizable amounts of resources and significant risk. Each company had to do the best job it possibly could on the decisions.

Decisions like these aren't limited to the corporate level—every unit within a company has big strategic decisions of its own. When IT decides to invest in a major systems upgrade, for example, that's clearly a critical decision for the IT organization.

But there's a second category of decisions that can be equally important: those that are made and remade frequently, week in and week out, and that add up to a substantial amount of value over time. These decisions are typically more operational in nature. The people who make and execute them can be anywhere in the organization, and often they are on or near the frontline. For instance, Amazon.com's continuing success depends partly on a host of savvy merchandising decisions, including decisions about special prices and shipping discounts, suggestions for complementary purchases and targeted email notices about new offerings. Individually, each of these decisions may have a relatively small impact. Taken together, they stimulate many millions of dollars in sales and contribute to a winning customer experience.

Every part of an enterprise is likely to have this kind of everyday critical decision as well. IT organizations, for example, must make routine but often essential decisions about matters such as software upgrades and help-desk staffing levels.

Critical decisions are an example of the "80–20" rule—a subset of decisions has a disproportionate impact on an organization's performance. The key, therefore, is for organizations at whatever level—business units, functions, even teams—to develop their own lists of critical decisions, including decisions from both categories. That way they will always be focusing on what's most important.

Identifying your critical decisions

Here's a simple two-step process that will help you identify your own critical decisions.

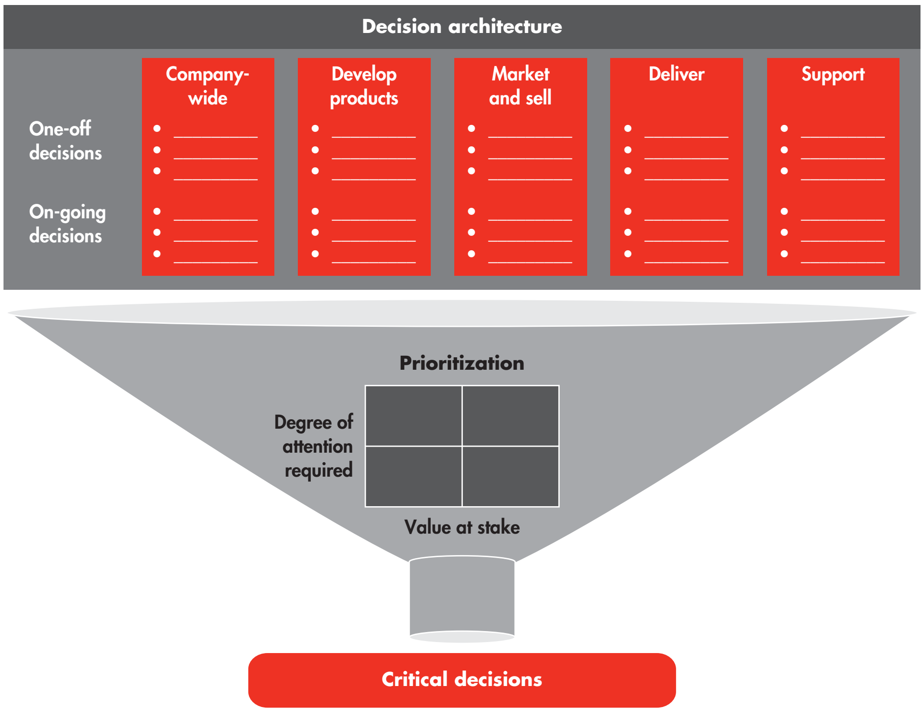
1. **Create a decision architecture.** A decision architecture lays out a list of decisions for every major business process of a given company or unit. It shows the value creation steps that the business or unit is responsible for. It identifies the decisions, both one-off and ongoing, involved in each one. Depending upon the business, a decision architecture may contain scores of decisions. It gives you a holistic view, enabling you to home in on those that are central to success. It ensures that you have thought through all the possibilities and that you don't miss any important decisions.

2. **Winnow the list.** The next step is to shorten the list of decisions to those you most need to focus on. Companies typically employ two distinct screens as they narrow down their lists. One is the *value at stake*. High-value decisions are generally more important than those with lower value. To make sure you don't miss the everyday decisions that add up over time, you can keep in mind a handy formula: decision value multiplied by frequency. A European rental-car company, for instance, realized that its growth would come from serving international travelers, which it had failed to serve well in the past. So it put a high priority on everyday operating decisions made in one geographical area but affecting customers originating from elsewhere. These decisions affected pricing, customer service and fleet management, among others. The objective was to do everything necessary to provide the international travelers with a seamless experience.

The other screen is the *degree of management attention required*. Some decisions need more management attention than others in order to work well. They may be particularly complex. They may represent an organizational bottleneck that is getting in the way of other decisions. Or they may be new to the organization—decisions resulting from a change in structure, for example.

The output from these two screens is a list of critical decisions, which must work well if the organization is to improve its performance (see Figure 1).

Figure 1: Identifying critical decisions often starts with a decision architecture that is then prioritized



In practice, each company tailors this two-step process to its own situation. Some take a comprehensive approach, listing decision areas (such as brand management) and then identifying important decisions within each area (such as the target customer segment for each brand). Once they have a long list of decisions, they use surveys, interviews and workshops to assess the value and degree of attention required and thus pare down the list.

Other companies take a simpler approach. They create a high-level architecture with decision areas, assign priorities to each area and brainstorm critical decisions only in the areas with the highest priority. Both approaches can work, and both are likely to produce 20 to 30 decisions to focus on. Nike, for example, identified 10 major decision areas, including category selection, budgeting and targeting, and channel and sales strategy. Then the company came up with 33 key decisions under the 10 headings.

Using a decision X-ray to analyze critical decisions

Once you have a clear sense of your organization's critical decisions and have highlighted those that most need improvement, it's always tempting to jump right in and fix things. That's understandable. But it's usually more productive first to take a closer look at many of these decisions. How are they working right now? Where are the failings, exactly—decision quality, decision speed, execution of the decision (yield), the effort involved or some combination of the four? What aspects of the organization are holding the decisions back?

To reach that level of specificity, we use a tool called a decision X-ray. In a decision X-ray, leaders ask questions of everyone involved in the selected decisions. How do they rate quality, speed, yield and effort? Who plays what roles, and are the roles clear to all? How well does the process work? Where is the organization helping or hurting? What behaviors get in the way? An X-ray often uncovers issues that a broad survey misses. It can reveal the kinds of actions likely to improve problem areas. It also may turn up issues common to many key decisions.

At Nike, team members used surveys to get broad input on all 33 critical decisions. Then they conducted detailed X-ray-style interviews to get more insight into a few. One set of decisions, for instance, involved how much to invest in new product development. In the previous system, the business unit (such as apparel or footwear) would make the decision. But who should make the decision in the new system? Should it be the business unit, with input from the category organization? Or should the roles be reversed? Survey respondents had a range of views both on how the decisions worked today and on how they should work in the future, with perhaps predictable differences on country versus center, and category versus sport. Decisions regarding retail strategy for each country showed similar differences.

Nike, of course, wasn't just interested in diagnosing the issues. The company used the decision X-rays to help resolve them. In workshops, managers clarified how specific decisions should be made in the new matrix. They also proposed other practical changes, such as co-locating project teams that had previously been dispersed throughout the building. That made it easier for teams to communicate and collaborate, and for Nike to deploy teams quickly to the hottest opportunities, whether it was basketball in Poland or swimwear in Germany. The one-two punch of identifying the critical decisions and then X-raying them to determine specific fixes helped Nike get the new matrix working without missing a beat in performance.

Many attempts to reshape organizations inevitably have a scattershot quality—a little bit here, a little bit there. The teams leading the charge never really know whether the changes they're working so hard on will have a real effect. But viewing the organization with critical decisions in mind transforms the process. You're now focused on what matters—and you *know* that improving these decisions will generate better performance.

[1] See the book *Decide & Deliver: 5 Steps to Breakthrough Performance in Your Organization* (Harvard Business Review Press, 2010), from which this article is adapted.

How to conduct a decision X-ray

A decision X-ray assesses the effectiveness of the particular decision and diagnoses what's holding it back. You can gather people in a room (physical or virtual), conduct a series of interviews or send out a broader online survey. Start with gauging quality, speed, yield and effort. Then assess which organizational elements may be standing in the way of an effective decision **(see below)**. Of course, if an area is particularly strong, you'll want to note that, too. Decision effectiveness is as much about building on strengths as it is about fixing weaknesses.

Decision X-ray

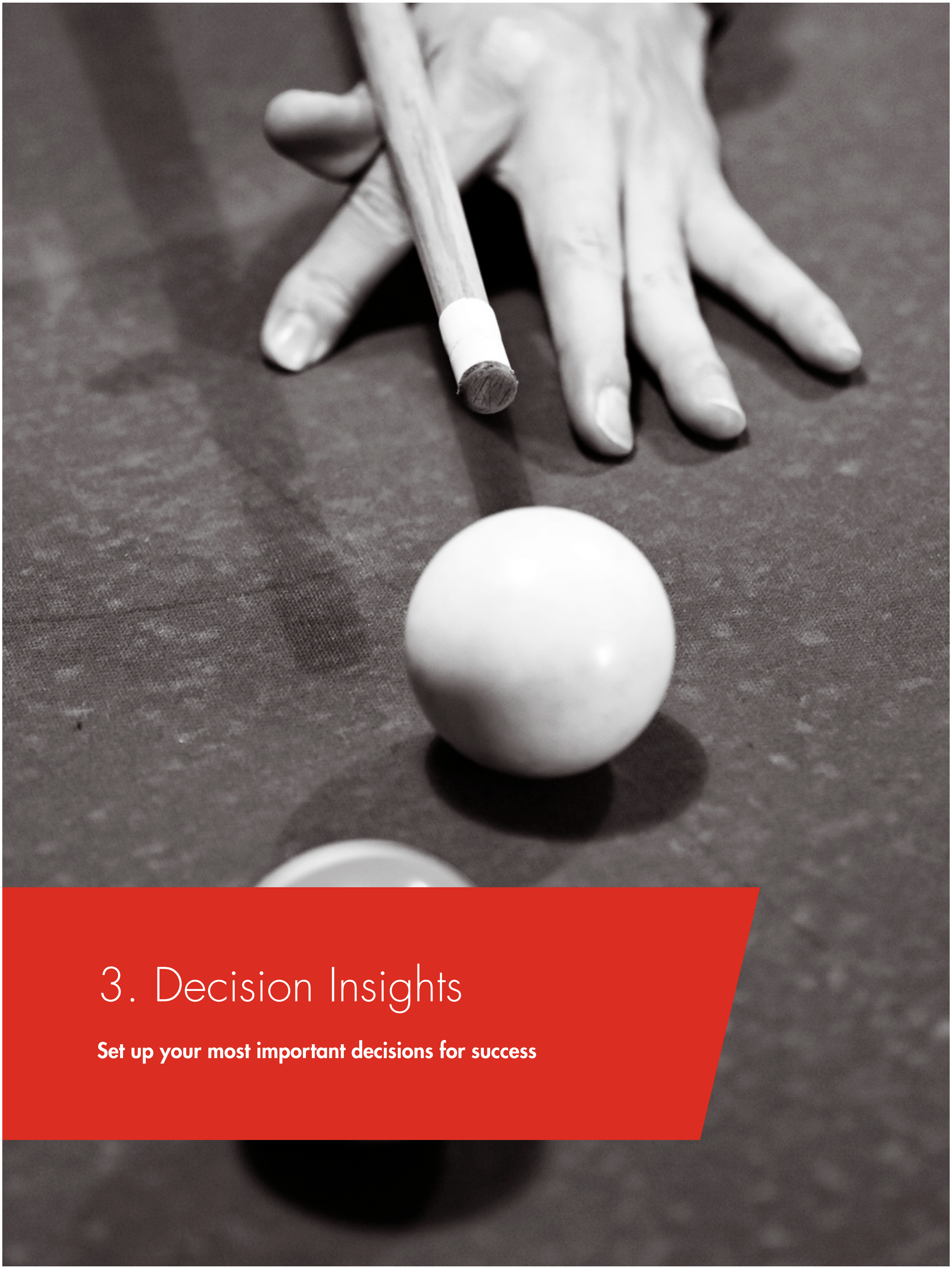
Decision:

Question: What works about this decision? What doesn't? =Good/great =So-so =Poor

Decision effectiveness attributes:	
	Quality
	Speed:
	Yield:
	Effort:

Org enablers:		**Rating:**	**Comments:**
Clarity & alignment	• Strategic context/priorities clear • Management aligned		
Roles & structure	• Clear/appropriate decision roles • Structure supports/doesn't hinder decision		
Processes & information	• Effective decision process/disciplines • Right information, right place, right time		
People & performance	• Right people in key roles • Effective performance objectives/incentives		
Leadership & culture	• Supportive leadership behaviors • Helpful culture		

As part of the X-ray, it's often helpful to sketch out a "day in the life of a decision." This shows what a decision has to go through—the loops, disconnects and misalignments that slow things down and push people toward lowest-common-denominator solutions. Mapping the *actual* steps a decision goes through, rather than the ideal steps encapsulated in a process guide, often leads to a "How could we have let that happen?" moment. It also provides concrete ideas on how to fix the problem.



3. Decision Insights

Set up your most important decisions for success

Attack your troubled decisions by *resetting* them—in effect, setting them up to succeed. A decision reset not only gets individual decisions working better, it also demonstrates to people in the organization that they can cut through bureaucratic logjams and get things decided and delivered.

One of ECG's key decisions wasn't working right, and general manager Doug Davis knew it.

The decision in question was what should go on the roadmap of products slated for development by ECG, Intel's Embedded and Communications Group. The general manager and marketing director responsible for each of ECG's three product areas wanted a say. So did the unit's strategic-planning manager, who looked across all three areas—industrial, automotive and communications applications. Because of the confusion, said Davis, "We were making decisions without including the right people, so they didn't stick. Someone who hadn't been involved early on would bring a new piece of data, and we'd go back and revisit the decision."

Too many organizations struggle with their critical decisions. Some simply dither. Others make a decision and then, like ECG, revisit it. Still others make poor choices or cannot translate their decisions into action. For decisions with a great deal of value at stake, the cost of all these failings can be extraordinarily high.

This article shows you how to attack your troubled decisions by *resetting* them—in effect, setting them up to succeed. A decision reset not only gets individual decisions working better, it also demonstrates to people in the organization that they can cut through bureaucratic logjams and get things decided and delivered.[1]

A reset involves clarifying the answers to just four questions:

- ***What*** decision needs to be made and executed?
- ***Who*** will play the key roles that go into a decision?
- ***How*** will people make and execute the decision?
- ***When*** will they make and execute the decision?

Let's take a look at each one. Resets that bring you closer to best practice on all four will put you well along on the path to greater decision effectiveness.

Define the *what*

Is the decision at hand clear in everyone's mind?

If not, the first step is to state the decision explicitly. Intel, for example, asks its employees to begin every meeting with a single statement: "The purpose of this meeting is to inform you about X, to discuss Y and to decide on Z," where Z is a specific, well-defined decision.

Sometimes framing the decision right is essential. When the team at Ford Motor Company was deliberating whether to accept a bailout from US taxpayers, for example, CEO Alan Mulally framed the decision as "What strategy will maximize the long-term value of the company?" This forced the group to examine alternatives such as "fix the operations," "merge with a competitor," "seek Chapter 11 bankruptcy protection" and others, along with accepting government funding. By framing the decision this way—and not "Should we accept a bailout or not?"—Ford was able to make the best decision for all the company's stakeholders.

Determine the *who*: RAPID®

Even if the decision itself is clear and well framed, individuals may be uncertain about their own roles and responsibilities. In helping our clients reset decisions, we use a time-tested tool known as RAPID[2] to cut through the uncertainty and to clarify who's accountable for what. The words that form the acronym RAPID—Recommend, Agree, Input, Decide and Perform—reflect the primary roles in any decision, though we have taken liberties with the sequence to create a memorable acronym.

- **Recommend.** The person in this role leads the process. He or she is responsible for obtaining and evaluating the relevant facts and other inputs and then proposing alternative courses of action.

- **Input.** People with input responsibilities provide the data that is the basis of any good decision. They also offer their own judgments about the proposals. They have the right to provide input to a recommendation but not to veto it.

- **Agree.** People who must agree to a recommendation are those who must sign off on it before it can move forward—executives with legal or regulatory compliance responsibilities, for instance.

- **Decide.** Eventually, one person will decide. (Many RAPID users say that this person "has the D.") Giving the D to one individual ensures single-point accountability.

- **Perform.** The final role in the process involves the individual or group who will perform or execute the decision. It's this party's job to implement the decision promptly and effectively.

Spelling out decision roles was one key to resetting product-roadmap decisions at Intel's ECG. Doug Davis and his team gave the D to the strategic-planning manager within ECG, who was best placed to make trade-offs across the unit's product areas. They assigned an input role to the product managers. Implementation wasn't perfectly smooth. Some of the product general managers, for example, weren't happy with just offering input and would second-guess the strategic-planning manager's decisions. But Davis reinforced the new roles, and soon the decisions were going smoothly—and a lot more quickly. "We're not thrashing around on these things as much," he says.

Clarify the *how*

Companies that are best at handling decisions use a consistent, well-defined process for every major decision, whether it is made in the C-suite or on the frontlines. They modify it only to take into account the value that is at stake—more care and attention for high-value decisions, less for lower-value ones. Like RAPID, a structured decision process has the great advantage that people eventually come to understand and expect it. If one person isn't following the drill, someone else is likely to raise a red flag.

The best practices, such as those listed in Figure 1, are remarkably similar from one company to another. Any structured approach needs to incorporate the appropriate steps and sequencing. It needs to factor role assignments into the picture. ECG's process specifies how people will play their roles, at what stage they will provide input, when a recommendation will be developed, how approval will be sought when necessary and how the final decision will be reached. Communications is also a key part of ECG's decisions. Davis says, "We developed a regular cadence of 'Here's what we've done, here's why we've done it' to help people understand what's being added to the roadmap and why. This has reduced the amount of revisiting we do by a lot."

Figure 1: The *how*—elements of a best-practice decision process

1	**Structured decision approach**	• Conscious approach to decisions: sets **criteria**, considers relevant **facts**, develops **alternatives** and makes a clear **decision** weighing all of these
2	**Clear steps and sequence**	• **Logical steps and sequence** for how decision roles and processes will work in practice • Clear **guidelines** on how, when to escalate and when not to
3	**Meetings and committees**	• **Key meetings** required for the decision specified, with purpose and participants clarified up front • **Appropriate committee reviews**
4	**Closure and commitment**	• Final **decision communicated** to key parties • **Resources allocated** (people and money) • **Execution plan** in place (actions, accountabilities, milestones)
5	**Feedback loops**	• Ongoing **review of execution progress** to drive fast corrective action or to replicate successes

Make the *when* explicit

The best performers create schedules, timetables, milestones, deadlines. They ensure that decisions are quickly followed by action. Bob Walter, the CEO who led Cardinal Health from start-up to $100 billion in sales during his tenure, was a stickler for avoiding decision drift. He would say, "Delay is the worst form of denial." When an issue hit the executive agenda at Cardinal, the clock began ticking. Every team had a certain length of time to come back with facts, alternatives and recommendations. Every executive had a strict timetable for making a decision and seeing that it was carried out. Timetables ensure that decisions get made at the right speed and that execution stays on track.

Resetting a decision

In an earlier article we described the case of Hospira, a specialty pharmaceutical and medical device company that sought to increase its effectiveness on many critical decisions.[3] Among the decisions that weren't working well at Hospira were everyday operational matters such as producing marketing materials. That particular process seemed to take forever. Often it didn't lead to effective sales aids. So a team attacked it in just the manner outlined here:

What. Everybody knew that the US Food and Drug Administration (FDA) had strict regulatory restrictions on what a pharma sales aid could say. But discussions with the team suggested that while the employees were rightly concerned with FDA guidelines, they didn't put enough emphasis on the benefits of the product. So Hospira agreed that the what of the decision was to develop effective, compelling brochures that were also FDA compliant.

Who. The team also discovered that decision roles were less than clear. Marketing, regulatory and medical functions all believed they had the D on decisions regarding sales aids. Further discussion unbundled the decisions involved and resolved the issue. To ensure compliance with FDA rules, Regulatory got an A role on the words that could be used. Product marketing got the D on most subdecisions to ensure that they presented a compelling story to customers (see Figure 2).

How. In the existing process, colleagues jotted down comments on a draft and passed it around in a manila folder. Team members received the draft with no context for the critiques and had to interpret and make their own edits as best they could. Going forward, the team agreed to hold focused meetings to discuss specific issues on a brochure and thereby provide the person in the recommend role with more information and insight.

When. Finally, the team outlined a timetable for decisions. Each step in the process—determining a promotional strategy, developing a brief, customizing the language and distributing a draft—had its own deadline. That way, everyone had clear guidelines about how long each step and the entire project should take.

The Hospira team reset the what and the who of these decisions in a one-day workshop. Team members collaborated on the how and when over the following weeks. Finally, the entire group met to finalize the process. The results have been positive: while the teams used to take about four weeks to approve a sales aid, they are now churning through approvals much faster.

Like Intel and Hospira, you can reset your organization's key decisions and get them humming. The likely outcome? Better, faster decisions and improved performance—and a renewed sense of engagement and enthusiasm among the people involved.

Figure 2: Hospira's decisions on marketing materials, before and after RAPID

R ecommend
A gree
P erform
I nput
D ecide

	Product marketing	Corporate marketing and commun-ications	Medical	Regulatory	Creative	Sales/ customer	Global marketing
Before: "What marketing materials will be compliant with FDA regulations?"	R / D	R	D	D	I / P	I	I
After: "What marketing materials will be compelling to customers, while also compliant with FDA regulations?"							
• Who is the target audience, and what is the message?	R / D				I / P		
• What words can we use?	D	R	A	A	I / P	I	I
• What is the look and feel?	D	R	I	I	I / P	I	I

1 See the book *Decide & Deliver: 5 Steps to Breakthrough Performance in Your Organization* (Harvard Business Review Press, 2010), from which this article is adapted.
2 RAPID® is a registered trademark of Bain & Company, Inc.
3 See the first article in this series, "Score your organization" (Bain & Company, 2010).

4. Decision Insights

Build an organization that decides and delivers

If you focus on the changes to the organizational system that will most affect decision making and execution, you can be confident that these changes will improve both financial performance and employee morale.

The leaders of UD Trucks in Japan, formerly Nissan Diesel, had laid the groundwork for a major transformation, focusing the company on sales to large, nationwide operators and growth in profitable after-sales service. But some important decisions weren't working well. Decisions about pricing and service levels for key national accounts, for example, weren't integrated across the network. Each branch set its own policy.

Assigning roles and establishing better processes for decisions like these would help, but they wouldn't be enough to put UD Trucks on the road to success. The firm needed a major organizational realignment. Its structure was too complicated. The organization's key performance indicators didn't focus people on the right things. And the company's culture didn't yet support a truly integrated national strategy. How could UD Trucks turn its new strategy into a reality?

Decisions determine performance. If you want to outstrip your competitors, your company has to make better decisions than they do, make them faster and execute them more effectively.[1]

But people at every level make important decisions, so a company's decision capabilities ultimately depend on its organization. *Every* element of the organizational system—the people, the processes, the incentives, the culture and so on—must explicitly reinforce good, quick decision making and execution (see Figure 1).

If you accept those premises, then you have at your disposal a wholly new way of approaching organizational change. You no longer have to rely on hopes and prayers that your organizational initiatives will somehow have a positive impact. Instead, you can focus specifically on the changes to the organizational system that will most affect decision making and execution—and you can be confident that these will improve both financial performance and employee morale.

The key to the new approach is to replace traditional questions about organizational change with questions focused squarely on decisions.

Clarity

- **Traditional question:** Do we have a clear and compelling mission and vision?
- **Decision-centered question:** Are we clear on our top three to five business priorities, and on what they mean for decision making and execution in each part of the organization?

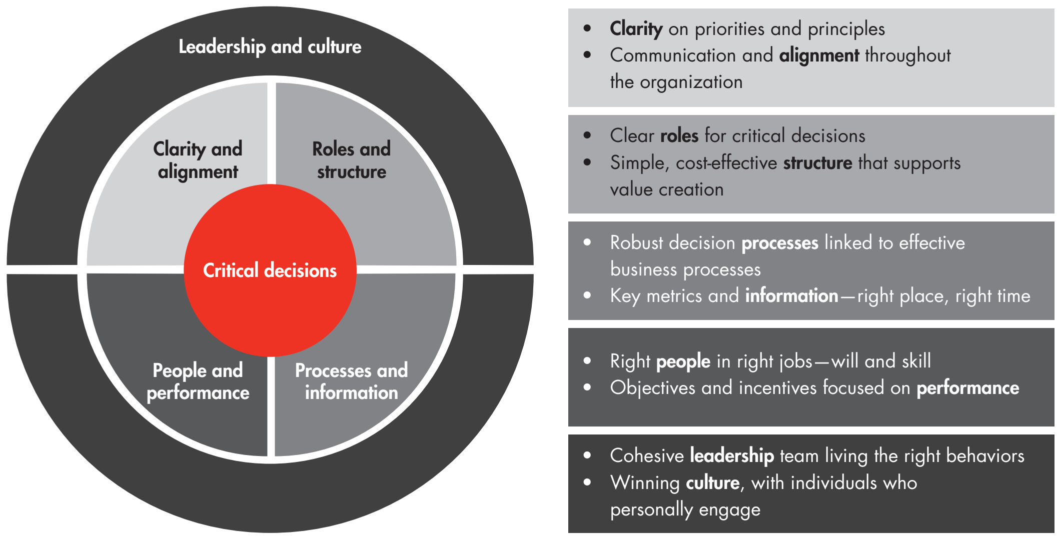
When people understand a company's priorities, they can make good decisions about what to do. British American Tobacco (BAT), for example, was once comprised of four competing companies. When he became CEO in 1998, Martin Broughton eliminated the internal competition and set out a goal of regaining the No. 1 spot in the industry. A very few priorities and principles guided decisions under this framework. The company's new focus on growth in premium global brands allowed people to worry less about local value brands. A new emphasis on achieving savings through global scale in procurement encouraged people to seek out suppliers that could deliver those savings. Clarity on the few priorities that would create value for BAT's business provided the context people needed to make and execute decisions in line with those priorities.

Alignment

- **Traditional question:** Do we have effective internal communications?
- **Decision-centered question:** Are we helping everyone in the organization understand our objectives and strategy so that they have the context they need to make and execute decisions?

Though executives talk a lot about alignment, it's hard to align a leadership team that is spread out over regions, functions and business units. Even harder—yet even more critical to effective decisions—is ensuring alignment *throughout* the organization, so that people at all levels can make and execute decisions in line with the company's top priorities. One key to this is good communication: spreading the word

Figure 1: Align the organization around decisions



about goals and priorities through clear, simple messages, usually repeated many times through many different methods.

A few years ago, the Zurich-based power equipment and automation company ABB transformed the way it made and executed decisions. Thanks to the company's extensive communication, no one at ABB could miss the fact that things were changing. The five members of the executive team distributed a video explaining the core elements of the transformation. Each team member spent a huge amount of time out rallying the troops. Every employee got a weekly email from the CEO talking about the new ABB—what the priorities were, what the challenges were, how the company was doing. The email included a feedback tool so that employees could let the CEO know any questions or concerns.

Roles

- **Traditional question:** Who should report to whom?
- **Decision-centered question:** What are the specific roles and accountabilities for our critical decisions?

Today, traditional job descriptions and reporting lines often say little about who should play particular roles in major decisions. That's why many companies find it valuable to spell out those roles with a decision-rights tool such as RAPID®[2], described in the previous article in this series. The letters in RAPID stand for each of the five major roles in any decision: Recommend, offer Input, Agree, Decide and Perform.

For RAPID to be effective, however, companies need accountability guidelines—broad principles that help managers know where decisions should sit. BAT's guidelines, for instance, reflect the company's need to balance strong global roles in key areas such as brand management and procurement with local autonomy in execution and customer relationships. Following such principles, managers can quickly use a tool such as RAPID to clarify roles in hundreds of decisions.

Structure

- **Traditional question:** Is our structure aligned with our strategy?
- **Decision-centered question:** Does our structure support the decisions most critical to creating value?

Structure is rarely the chief culprit behind poor decision making and execution. Senior leaders should scrutinize other organizational elements before shouldering the expense of a reorganization. But if a reorg is necessary, the key to success is aligning the structure with the business's most important decisions. UD Trucks, for instance, consolidated 10 regional sales companies into a single national sales group that was better suited to the new integrated strategy. A guiding principle for the move: the new group could make better decisions about how to pursue the large, nationwide operators that were critical to the strategy's success.

Processes

- **Traditional question:** Are our core business processes effective and efficient?
- **Decision-centered question:** Are our processes geared to produce effective, timely decisions and action?

Most companies spend a lot of time engineering and reengineering their business processes, but they often fail to consider the decisions involved. At the Internet company Yahoo!, for instance, every new product, such as a new version of the home page, moves through well-defined processes. Yahoo! people develop it, market it to advertisers and users, launch it and eventually make sure it operates effectively. But the company had originally designed those processes without specifying and coordinating the critical decisions each one entailed. So product development might consider a new product finished, even though the regions hadn't yet weighed in on the degree of flexibility needed to meet local user needs.

To remove the blockages, team members carefully defined where the new-product development process stopped and the marketing process began. That helped to ensure coordination of decisions and kept things from slipping through the cracks.

Information

- **Traditional question:** Do our information systems support our business objectives?
- **Decision-centered question:** Do the people in key decision roles have the information they need when and how they need it?

In theory, every improvement in a company's IT systems provides more or better information. But it's easy for managers to get overloaded. So the real key is to think through exactly what's required for critical decisions and figure out how to make that information available in a systematic way. Lafarge's Aggregates & Concrete Division, under executive vice president Tom Farrell, realized that some of its most important decisions involved its fleet of heavy mobile equipment, which was scattered across 620 sites in 25 countries. Farrell invested in a system that captured information about equipment at each site—the location of individual machines, usage levels, maintenance logs and so forth—and married that data with a standard analytic process reflecting group best practices. This system allowed local managers to make better-informed decisions about fleet size, maintenance schedules and equipment sharing between sites.

People

- **Traditional question:** Are we winning the war for talent?
- **Decision-centered question:** Do we put our best people in the jobs where they can have the biggest impact on decisions?

The key positions in any organization are those with the biggest impact on critical decisions. Since some critical decisions involve everyday operations, key positions can be anywhere in the organization, including on the frontline. The individuals who can best fill key positions are people with the skills to make and execute decisions well and quickly, and the will to do so. Looking at your organization from this perspective may change how you think about talent. One technology company, for instance, found that fewer than 30 percent of its mission-critical positions were filled by top performers. And it found that only 40 percent of its top performers were in key positions. This approach to deployment helped the company make the most of its talent pool and improve its decision effectiveness.

Performance-linked incentives

- **Traditional question:** Is our compensation competitive with our peers?
- **Decision-centered question:** Do our performance objectives and incentives focus people on making and executing the right decisions for the business?

Nearly every well-run company translates company goals and metrics into performance objectives and incentives for individual managers and employees. But the incentives have to encourage good decision making and execution. UD Trucks, for example, had been rewarding its salesforce mainly on the number of trucks sold in a given period, with only a small incentive for after-sales services. To ensure that incentives helped sales reps make the right decisions about their time and their interactions with customers, the company added new targets for truck inspections (a leading indicator of service revenue) and service profits. During the last recession, this focus helped UD Trucks make up for falling sales volumes with greater service revenue, keeping the operation profitable.

Leadership behaviors

- **Traditional question:** Do we have an effective leadership team?
- **Decision-centered question:** Do our leaders at all levels consistently demonstrate effective decision behaviors?

An organization's leaders set the tone for handling decisions. But some may second-guess assigned decision makers or make snap decisions without adequate information. To avoid these traps, high-performing organizations define the behaviors they want to see and support people as they adopt those behaviors. When he was CEO of Gillette, Jim Kilts noticed a lot of hallway chatter after meetings—some people were passively resisting decisions made in those meetings. So he asked his team to agree to a specified code of behaviors, including open and honest debate and wholehearted support for a decision once made. Gillette's executives at the time received four separate annual ratings on their behaviors, one from themselves, one from peers, one from direct reports and one from Kilts. The score affected a meaningful portion of their bonus pay.

Culture

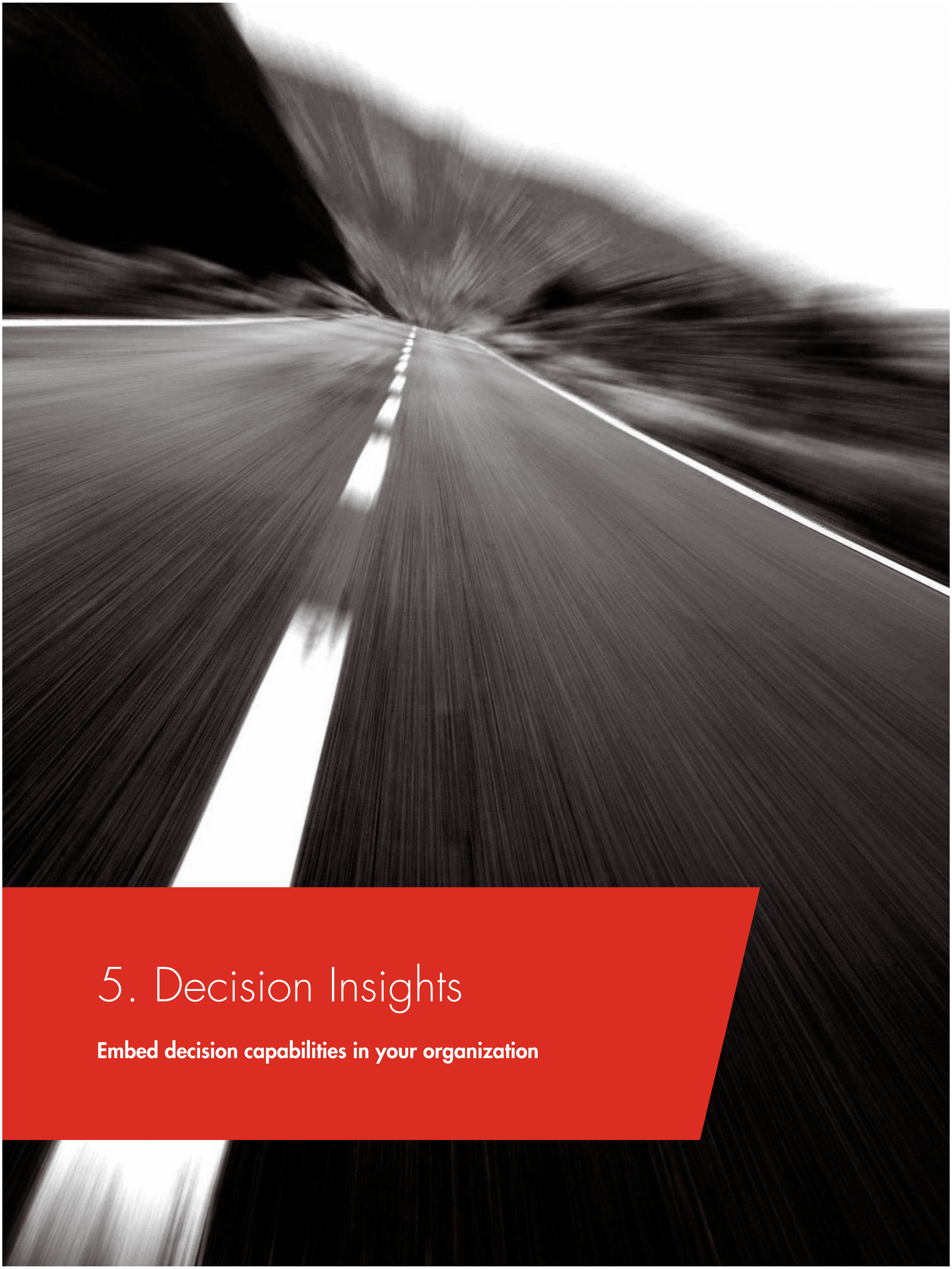
- **Traditional question:** Do we have a high-performance culture?
- **Decision-centered question:** Does our culture reinforce prompt, effective decision making and action throughout the organization?

Lasting improvements in decision effectiveness often require changing a company's culture. Though every high-performance culture has its own unique personality, all seem to encourage a remarkably similar set of behaviors—and all of those behaviors support decision effectiveness. People care passionately about winning. They orient themselves outward, focusing on customers and competitors rather than on internal politics. They think like owners and have a bias to action. They build teamwork, and they bring enthusiasm and energy to their jobs. Shinhan Bank has grown to be the second largest in Korea and consistently wins top marks for customer satisfaction. One key factor: its culture of accountability, performance and focus on the customer.

A company that attacks its organizational weak spots will soon find that its decision making and execution improve significantly. For the team at UD Trucks, the list of challenges included structural change, resetting measures and incentives, establishing a clearer context for decisions and building a culture focused on nationwide success. These moves allowed the company to make and execute the decisions essential to achieving its goals and to deliver a multimillion-dollar improvement in operating income. With an organization that decides and delivers, your company can do the same.

1 See the book *Decide & Deliver: 5 Steps to Breakthrough Performance in Your Organization* (Harvard Business Review Press, 2010), from which this article is adapted.

2 RAPID® is a registered trademark of Bain & Company, Inc.



5. Decision Insights

Embed decision capabilities in your organization

If you want decision effectiveness to be more than a four-month flash in the pan, you'll need to build lasting capabilities. There's no single road map, but companies that have built durable decision capabilities have learned three important lessons.

MetLife was on the move. The insurance giant was reengineering its operations, deepening its relationship with customers, expanding into global markets. The company's organization already functioned pretty well, CEO Rob Henrikson thought. But reaching the full potential of the business required MetLife to work better than ever. People needed to make great decisions day in and day out. They needed to make those decisions quickly and execute them smartly.

Now, in the company's Technology & Operations division, the rubber was about to meet the road. "We are counting on all of you," executive vice president Maria Morris explained to 500 of her division's leaders. "The path to transforming ourselves into a decision-driven organization will require commitment and tenacity. It will require new skills, new behaviors and new ways of working that will sometimes feel uncomfortable. Every individual will have to be open to change." Morris could see that people were getting fired up. But would they follow through and embrace the change she was hoping for? The effort to improve decision making and execution couldn't be seen as just another chore—people were already working hard on so many fronts. "Decision effectiveness is not another initiative," she said firmly. "It is a capability—a capability that will help us deliver the initiatives our future depends on. Let's get started!"

With effort, any organization can rid itself of internal logjams and get things decided and delivered for a period of time. But most organizations have enormous amounts of inertia and are likely to slide back into the old ways of doing things. If you want decision effectiveness to be more than a four-month flash in the pan, you'll need to build lasting capabilities—to embed the new ways of working in the organization and ensure that they produce continuing results.

This fifth step in our program is last in the sequence. But as with any attempt to reshape an organization, you have to think about the change process from the very beginning. Which leaders will you count on to spearhead the effort? How will you persuade people of its importance? How will you maintain momentum and overcome the obstacles? As Maria Morris recognized at MetLife, how you plan and lead this journey makes the difference between success and failure.

Every company is different, so there's no single road map. But the companies that have built durable decision capabilities have learned three important lessons, which we'll summarize here (see Figure 1).

1. Build the foundation for effective decisions

The process has to begin with a powerful rationale for embarking on the journey: a big, meaningful, worthwhile goal. MetLife CEO Henrikson, for example, wanted the company to be recognized as a leading global insurance provider. He and his team made it clear that better decision making and execution were essential to achieving that goal. Along with two other senior leaders, Henrikson videotaped a speech shown at leadership meetings throughout the company. The three officers declared that MetLife would become a "decision-driven organization." It would use best-practice tools to increase the speed of decisions and optimize the effort involved. It would shift to a participative style, with all the changes in leadership behaviors that shift implied. These measures, the officers said, would help the company become a true top performer. Leaders

Figure 1: Embed decision capabilities

Build the foundation for effective decisions	Create and sustain momentum	Equip people to decide and deliver
• Make decision effectiveness a priority • Engage influential leaders early	• Apply good decision disciplines to improving decision effectiveness itself • Celebrate decision successes—and nurture grassroots pull	• Build new capabilities and skills • Walk the talk • Measure the impact

in each area of the business shared the video with their own teams and echoed the messages whenever they could. A year later, they were still starting major meetings with reminders of how important decision effectiveness was and what people still needed to do to improve it.

This kind of commitment from the senior team helps to engage influential leaders throughout the business. For example, Henrikson's urgent appeal to boost decision effectiveness found a receptive ear in Bill Mullaney, then head of MetLife's Institutional Business segment, which accounted for more than 40 percent of the company's earnings. Mullaney rallied his executive team and met with his top 200 leaders to talk about why decision effectiveness was so important and to enlist their support. Then Maria Morris began to mobilize her team in Technology & Operations to work on decision effectiveness. Soon other leaders were following suit. Seeing influential executives like Mullaney and Morris embrace the effort was just the inspiration they needed.

Two techniques are particularly helpful in engaging influential leaders: building commitment through hands-on experience, and asking leaders to co-create the plan. Once the top team and other leaders are on board, the job of spreading the new ideas and approaches to the rest of the company becomes that much easier.

2. Create and sustain momentum

If you have successfully laid the foundation, the next task is to harness people's energy and build momentum. A great way to begin is to apply good decision practices to the process you will use to improve decision effectiveness. Establish clear accountabilities for the people who will lead the effort. Define the roles involved in selecting and resetting decisions, and in redesigning elements of the organizational system. Clarify up front the what, who, how and when for each of these major decisions. The process itself can be an object lesson, showing people the benefits of good decision making and execution.

One judgment call you'll have to make is what must be decided at higher levels and what can be pushed outward. The senior leader—for a companywide effort, the CEO—must be involved from the beginning and needs to stay involved. He or she must make the tough calls on decision accountabilities, organizational redesign and people changes. But plenty of other decisions can be delegated, especially since you want future leaders involved in the process. MetLife launched its decision effectiveness effort as part of a broader change management program called Operation Excellence. Once the decision effort was under way, the company appointed Bill Moore, head of its Auto & Home business, to lead the charge. Moore's job was to monitor progress, encourage and support the various businesses and functions and ensure that the new decision approaches became part of how MetLife did business day to day.

Successful companies also sustain momentum by celebrating decision and execution successes and thereby nurturing grassroots pull for more. People need to feel confident that there will be real victories. So announce the early wins loud and clear. Communicate them, celebrate them, show that others are likely to follow. The early wins don't have to be huge. MetLife, for instance, revamped its process for evaluating IT investment decisions, which had been a bottleneck. The new process delivered tangible, measurable improvements to the process and illustrated the possibilities of a decision-centered approach.

One benefit of early wins is that they inspire people at the grassroots to explore the changes for their own organizations. Nothing is quite as powerful as when decision effectiveness goes viral—when people begin to say spontaneously, "I'd like to do that in my area," or "Where can I go to learn about this?"

3. Equip people to decide and deliver

Improving decision making and execution over time requires investing in new skills and capabilities. Successful companies have developed four essential techniques for helping people handle important decisions more effectively.

- ***Develop a repeatable model that can be applied throughout the business.*** MetLife established a step-by-step approach to decisions and codified a set of tools that made it easier for each business and function to apply best practices in its own area. The repeatable approach meant that people could tackle a few decisions and improve them, tackle the next set and so on, until the approach became a natural part of continuous improvement.
- ***Use a "train the trainer" approach—and tailor the training to the audience.*** At MetLife, senior leaders and designated rollout champions got directly involved in redesigning important decisions and discussing the leadership behaviors that would be critical to the change. The next tier of leaders—individuals who would lead efforts to improve decisions in their areas—attended half-day sessions that taught them how to evaluate and redesign individual decisions. People from this group then worked on specific decisions, with support from the senior team and rollout leaders. In addition, a one-hour e-learning program provided an overview of the approach, helping people in the broader organization understand key terms, expected behaviors and the like.
- ***Help people learn through experience.*** Just as leaders need hands-on experience, so do other people throughout the organization. The most successful training programs involve actual decisions, not just theoretical exercises. Teams work with experienced coaches to develop capabilities on the job rather than in the classroom.
- ***Share best practices.*** At MetLife, executives held kickoff meetings in their own areas, inviting leaders from units that had already begun redesigning decisions to discuss their experiences. The company also formalized best-practice sharing by creating a council of rollout leaders from each area of the business to review progress and help resolve emerging issues.

Any change effort, big or small, requires resources, time and management attention. Naturally, you want to know whether you're getting a return on your investment. You may want to run the decision diagnostic and organizational health surveys again and compare scores. You will certainly want to track progress on the specific decisions that you are working to improve. Effective measurement helps build enthusiasm about achievements and helps strengthen resolve to tackle the remaining challenges.

Even if you follow all these prescriptions, the journey to decision effectiveness isn't necessarily an easy one. There are plenty of potential pitfalls along the way—difficult decisions, tough people issues and so on. It takes determination and perseverance, and a willingness to finish what you've started.

At MetLife, Maria Morris got her leadership team committed to drive the change. Team members learned RAPID, decision X-rays and other techniques. They laid out a plan, appointed a rollout leader and worked with the organization to identify critical decisions and redesign them. By the end of 2009, Morris and her team had worked through nearly 20 major decisions, and the new approaches were starting to gain traction. Maybe most important, the organization was beginning to show signs of a culture change—people were learning to act differently, day in and day out. Though Morris was enthusiastic about the results so far, she would be the first to tell you that the journey was far from over.

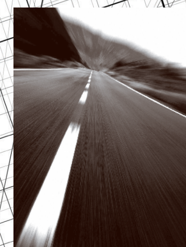
But MetLife had begun. Too many other organizations hold back from attacking their decision difficulties. They fail to reshape their organizations so that they can build stronger decision capabilities. The result, almost inevitably, is mediocre performance. Great results, by contrast, require a great organization—an organization that, like MetLife, is prepared to build on its strengths, work on its weaknesses and learn to decide and deliver, day after day after day.

Decisions—before and after

ABB, the big Zurich-based power technology and automation company, came close to bankruptcy several years ago. Part of the company's trouble was that it couldn't make good decisions on important matters such as bids on major jobs. Each ABB unit, for example, had its own profit targets and set its own transfer prices. By the time a bid got through the chain of ABB units, the price was often too high to be competitive.

But ABB recovered, partly because it fixed that kind of decision trouble and embedded a different way of working deep in the organization. A new leadership team simplified the organizational structure into just two divisions, centralizing profit-and-loss accountability. It simplified transfer pricing and required full margin transparency. New goals and incentives set managers' sights on the company's performance rather than the performance of individual units. Leaders launched a major change effort, communicating the new priorities relentlessly, building momentum, helping everyone learn the new ways of doing things.

By 2007, ABB was back on track, again profitable, again a leader in its industry. Its share price and market value had grown more than fivefold in the previous four years. And it was making and executing its key decisions well and quickly.



To learn more about Bain & Company's five-step process for better decision making and how companies can improve their decision effectiveness, go to: **www.bain.com/decisions**

For more on *Decide & Deliver*, the book that describes how to achieve breakthrough performance in your organization, go to: **www.decide-deliver.com**

Notes

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