

Berlin Civil Society Center



**BAIN & COMPANY**

# **Decision Effectiveness - Introduction**

25 August 2011

# Agenda

<b>Session</b>	<b>Duration</b>	<b>Timing</b>
Introduction to decision effectiveness	40 minutes	9:00-9:40
Individual/group work: Challenges	30 minutes	9:40-10:10
Break	30 minutes	10:10-10:40
Individual/group work: Solutions	90 minutes	10:40-12:00
Wrap up	30 minutes	12:00-12:30

# **DECISIONS DRIVE PERFORMANCE**

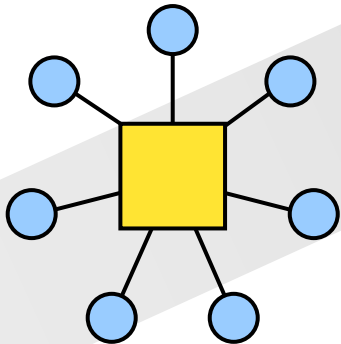
# Trevor Gregory was frustrated...



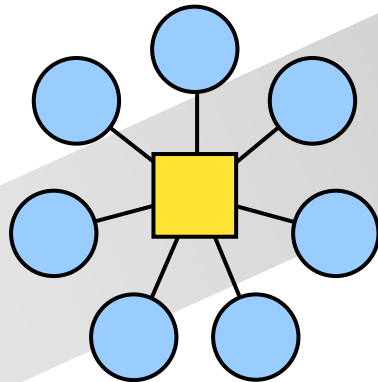
# A new approach to organisation is needed

***"The matrix is becoming a cube"***

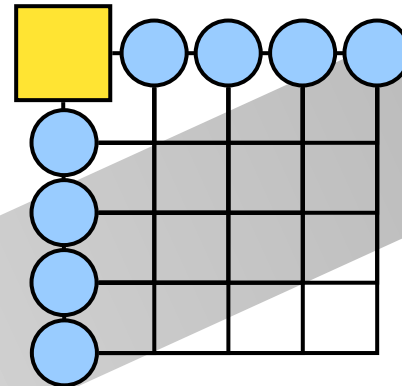
**Command and control**



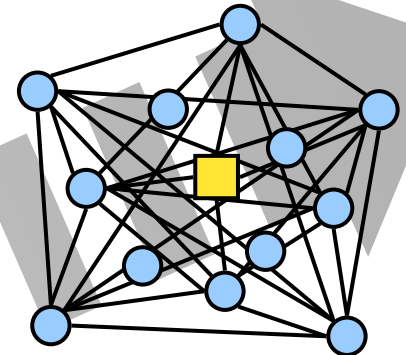
**Empowered business units**



**Matrix**



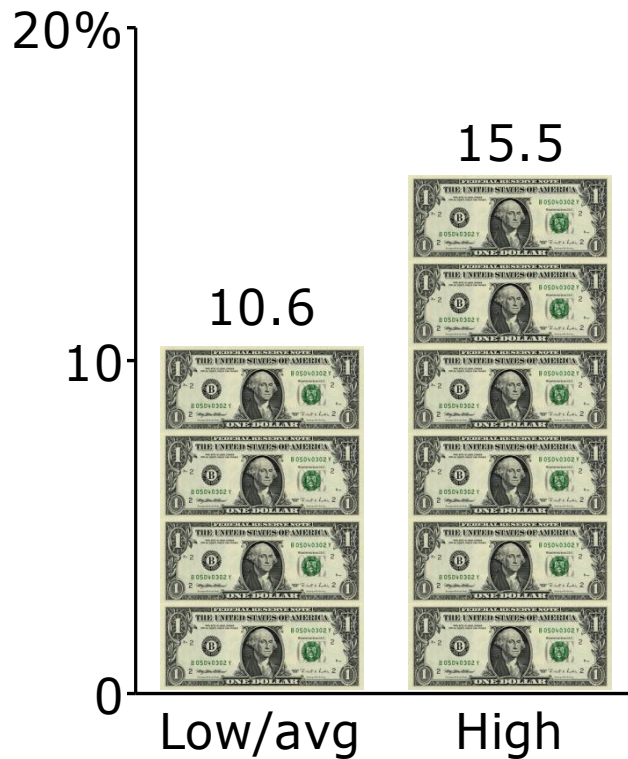
**Cube?**



A focus on decisions  
can cut through this  
complexity

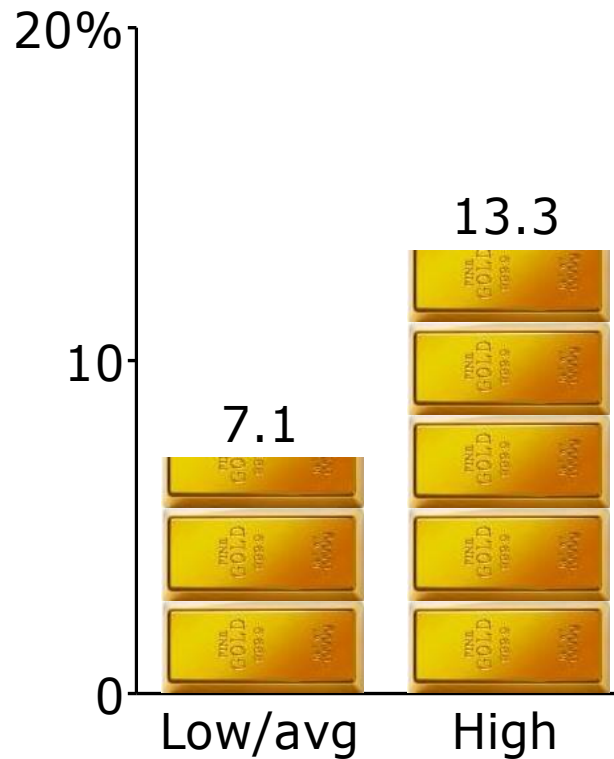
# Effective decisions = superior financial returns

## 5 year revenue growth



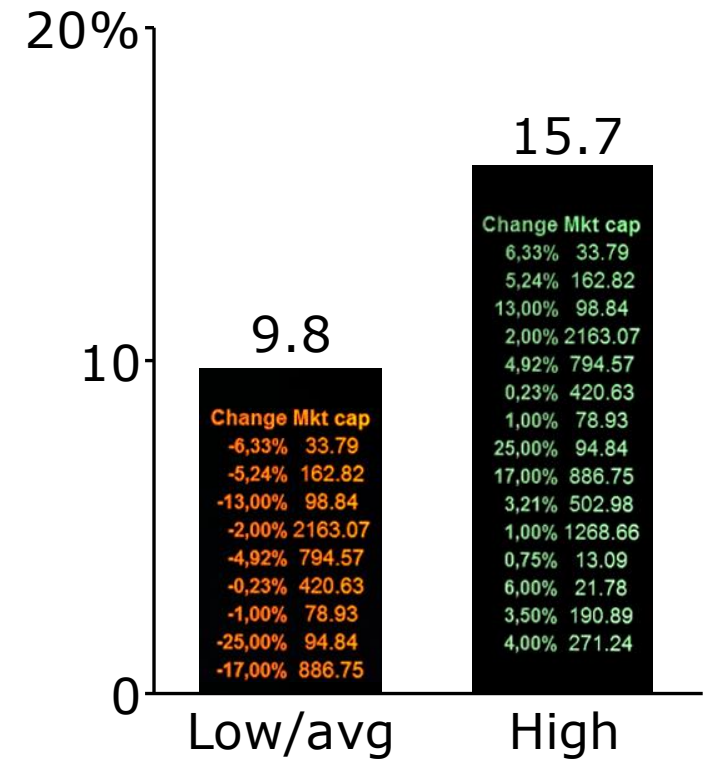
Confidence level = **95%**

## 5 year average ROIC



Confidence level = **99%**

## 5 year TSR



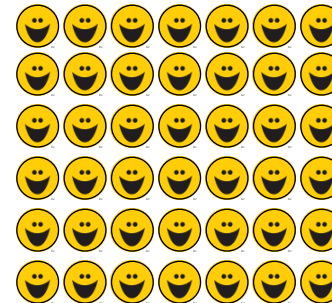
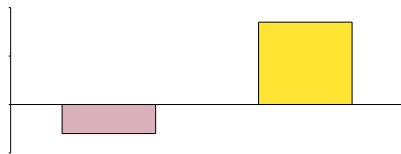
Confidence level = **96%**

Decision effectiveness group

# Effective decisions = more engaged people

**How likely would you be to recommend your organisation as a place to work to a friend or relative?**

*Net Promoter Score (NPS<sup>SM</sup>) = % Promoters - % Detractors*



<sup>1</sup> Net Promoter Score<sup>SM</sup> is trademark of Bain & Company, Inc, Fred Reichheld and Satmetrix, Inc.

Source: Bain decision and organisation effectiveness database (2010)

# What is decision effectiveness?



**Three frogs are sitting on a log.  
One decides to jump off.  
How many are left on the log?**

# Effective decisions have four characteristics

## **Quality** x **Speed** x **Yield** – **Effort**

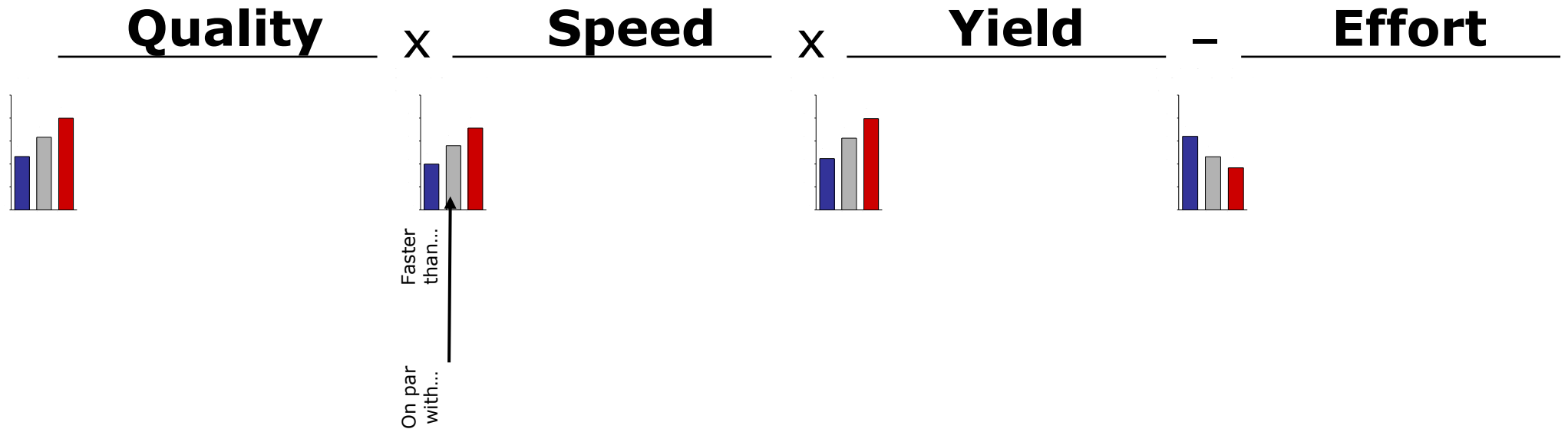
*"How often do you choose the right course of action?"*

*"How quickly do you make decisions vs. competitors?"*

*"How often do you execute decisions as intended?"*

*"Do you put the right amount of effort into making and executing decisions?"*

# High performers excel on all dimensions



Decision effectiveness group

*"How often do you choose the right course of action?"*

*"How quickly do you make decisions vs. competitors?"*

*"How often do you execute decisions as intended?"*

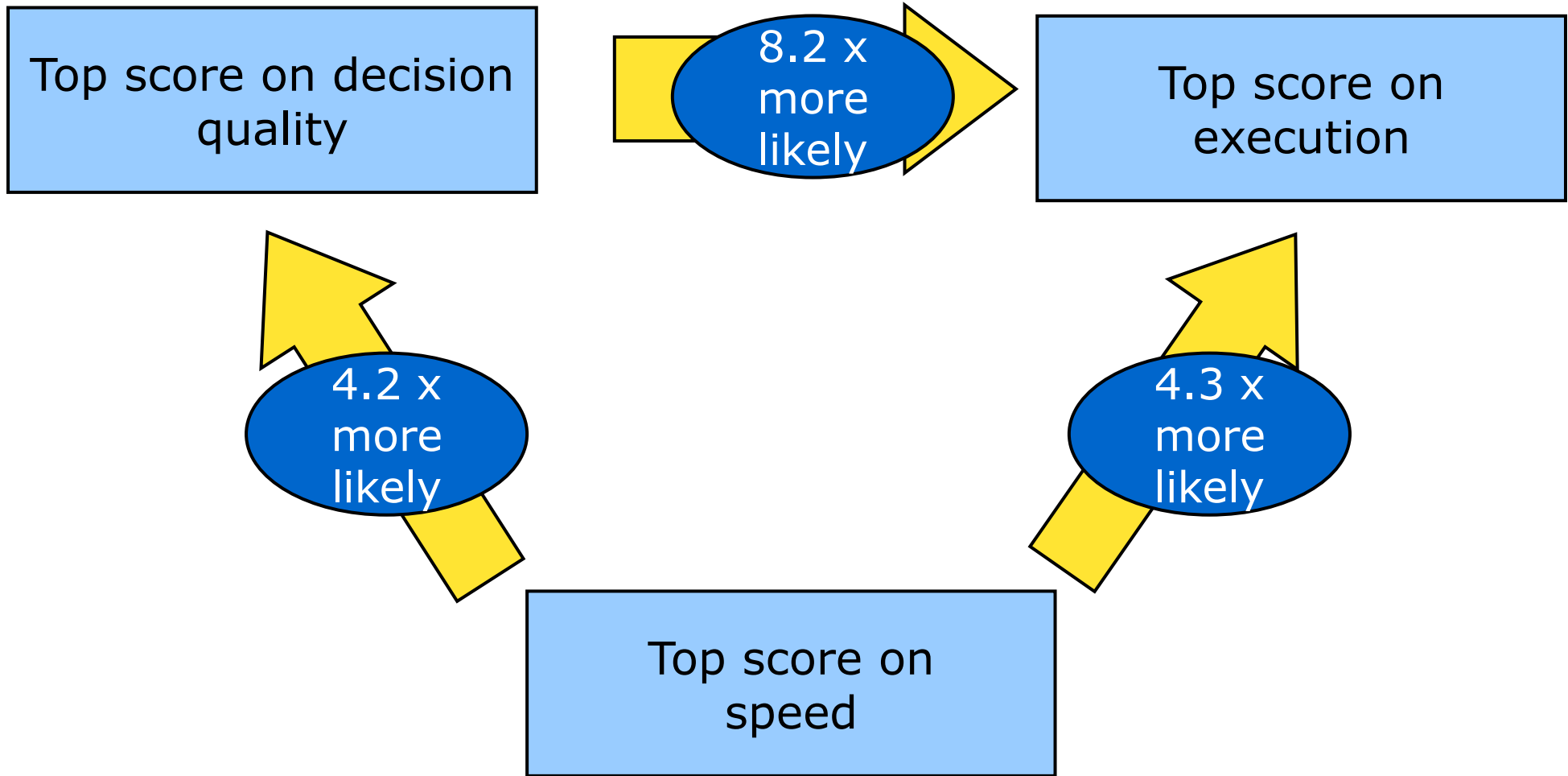
*"Do you put the right amount of effort into making and executing decisions?"*

High decision effect'ns = top quintile of 'decision multiplier' scores; Low = bottom quintile; Average = all other

Source: Bain decision and org effectiveness database (n=944)

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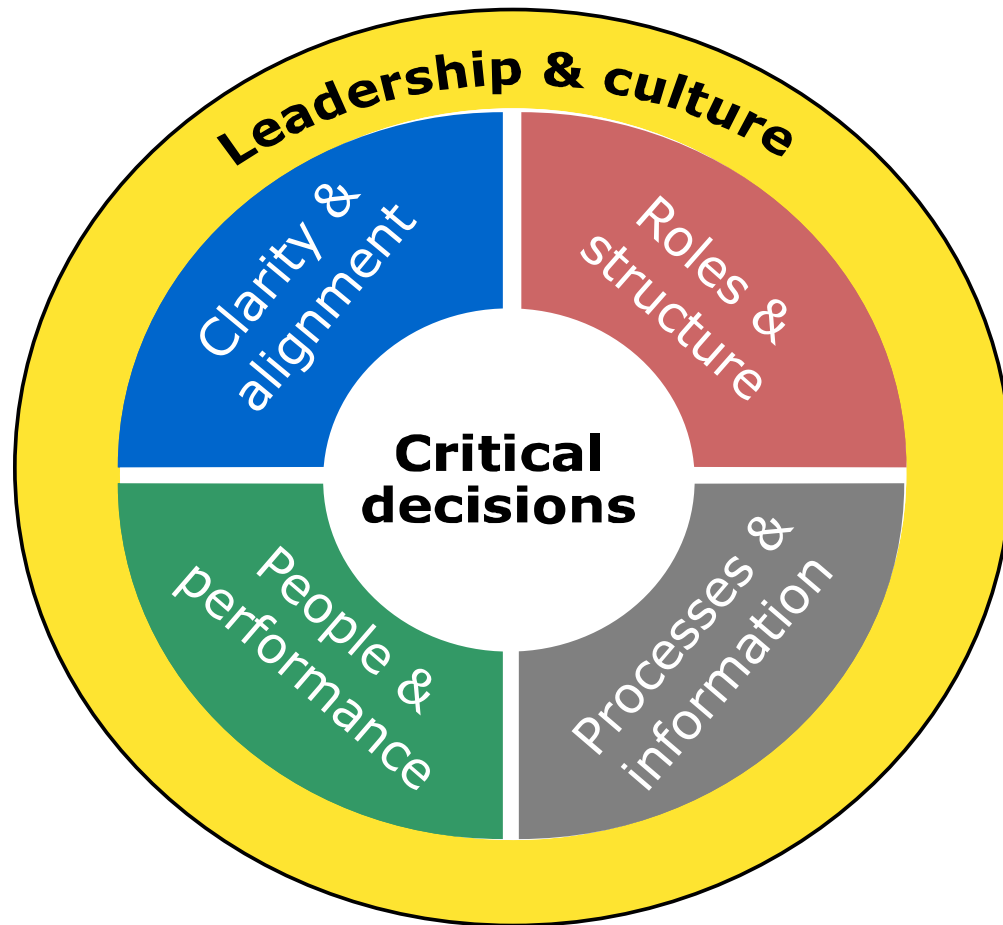
# The multiplier effect



Source: Bain/eRewards decision and organisation effectiveness survey 2008 (n=761)<sub>SYD</sub> 2011 - Decision effectiveness 12

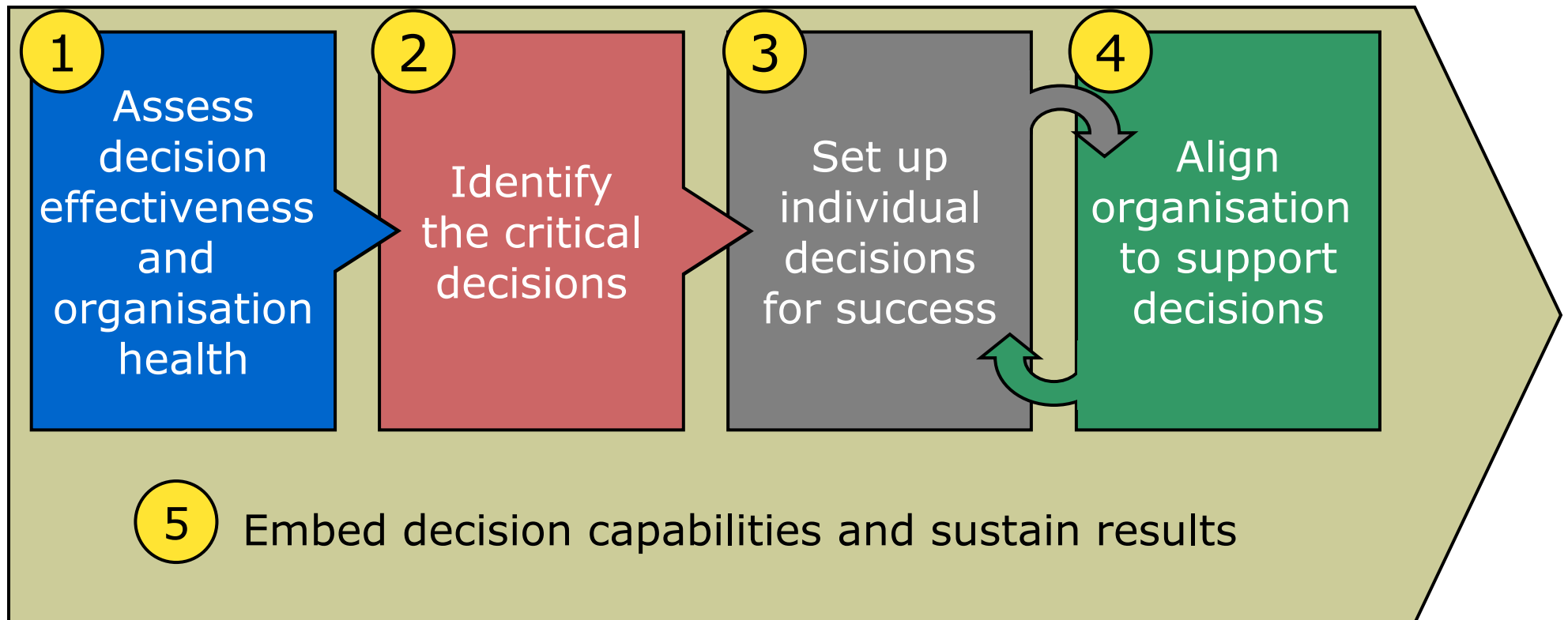
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# Success requires an integrated approach



- **Clarity** on priorities and principles
- Communication and **alignment** throughout the organization
- Clear **roles** for critical decisions
- Simple, cost-effective **structure** that supports value creation
- Robust decision **processes** linked to effective business processes
- Key metrics and **information** – right place, right time
- Right **people** in right jobs - will & skill
- Objectives & incentives focused on **performance**
- Cohesive **leadership** team living the right behaviors
- Winning **culture**, with individuals who personally engage

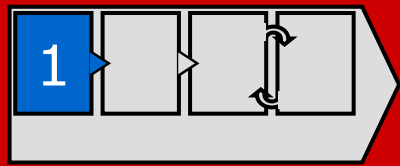
# 5 steps to building an organisation to decide and deliver



1

# Assess decision/org health (Hospira)





# Decision effectiveness...room to improve

## Decision Effectiveness Bands (Quality x Speed x Yield – Effort)

Best/81-100th percentile

61-80th percentile

41-60th percentile

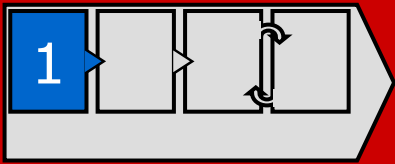
21-40th percentile

Worst/1-20th percentile

**Hospira: 40<sup>th</sup> percentile**

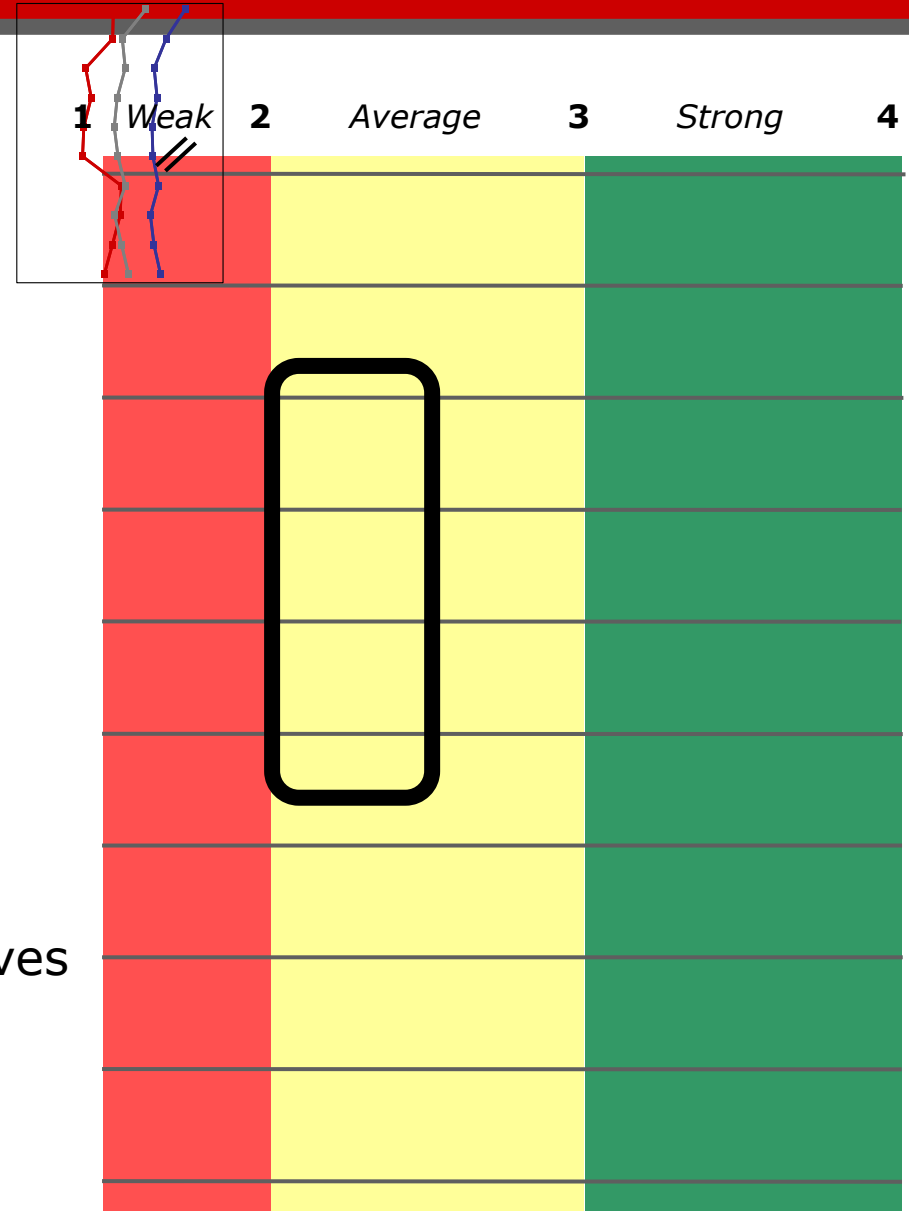


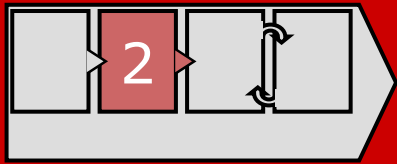
# Organisational health...clear bottlenecks to address



◆ High performers n=151  
◆ Low/average performers n=610  
◆ Client n=211

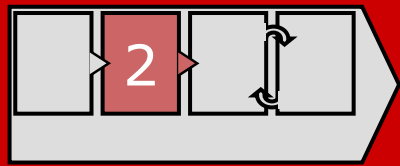
- Clarity & Alignment
- Clarity** on priorities and principles
- Communication and **alignment**
- Roles & Structure
- Clear **roles** for critical decisions
- Simple, cost-effective **structure**
- Processes & Information
- Robust decision **processes**
- Key metrics and **information**
- People & Performance
- Right **people** in right jobs - will & skill
- Performance**-linked objectives/incentives
- Leadership & Culture
- Cohesive **leadership** and behaviors
- Winning **culture**



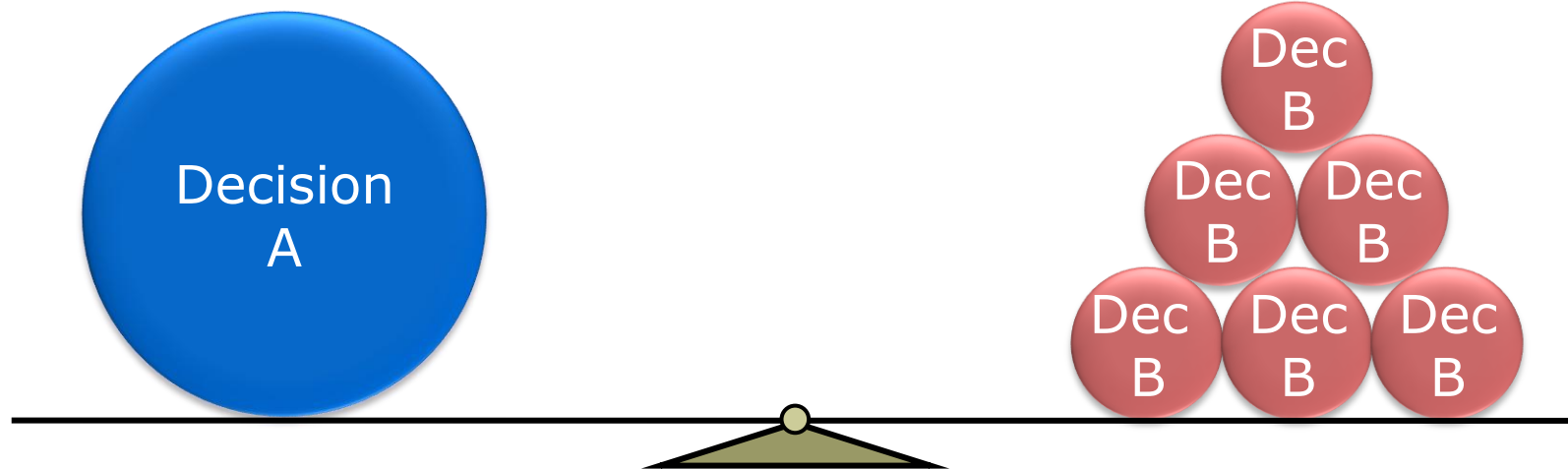


# Identify critical decisions (British American Tobacco)





# Seemingly small decisions can be as important as the big ones

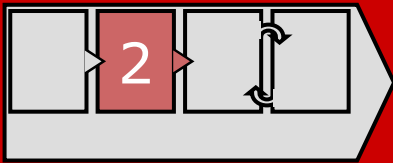


## Big, one-off decisions

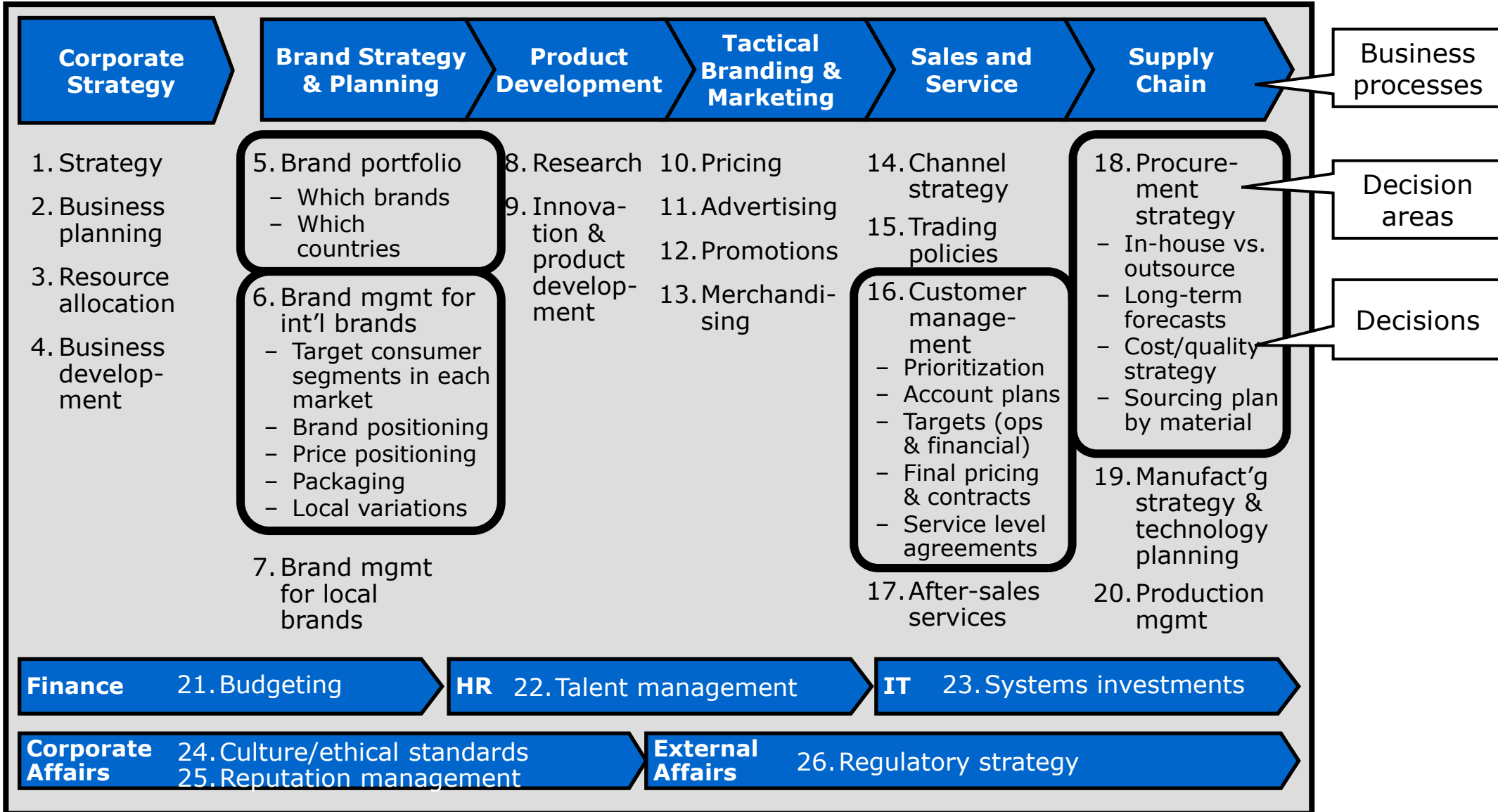
- Mergers & acquisitions
- New market entry
- Divestitures
- Major capital programs

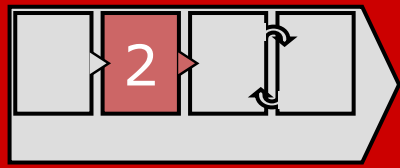
## Smaller, frequent decisions

- Pricing specific items
- Dealing with a customer
- Checking quality
- Front line safety

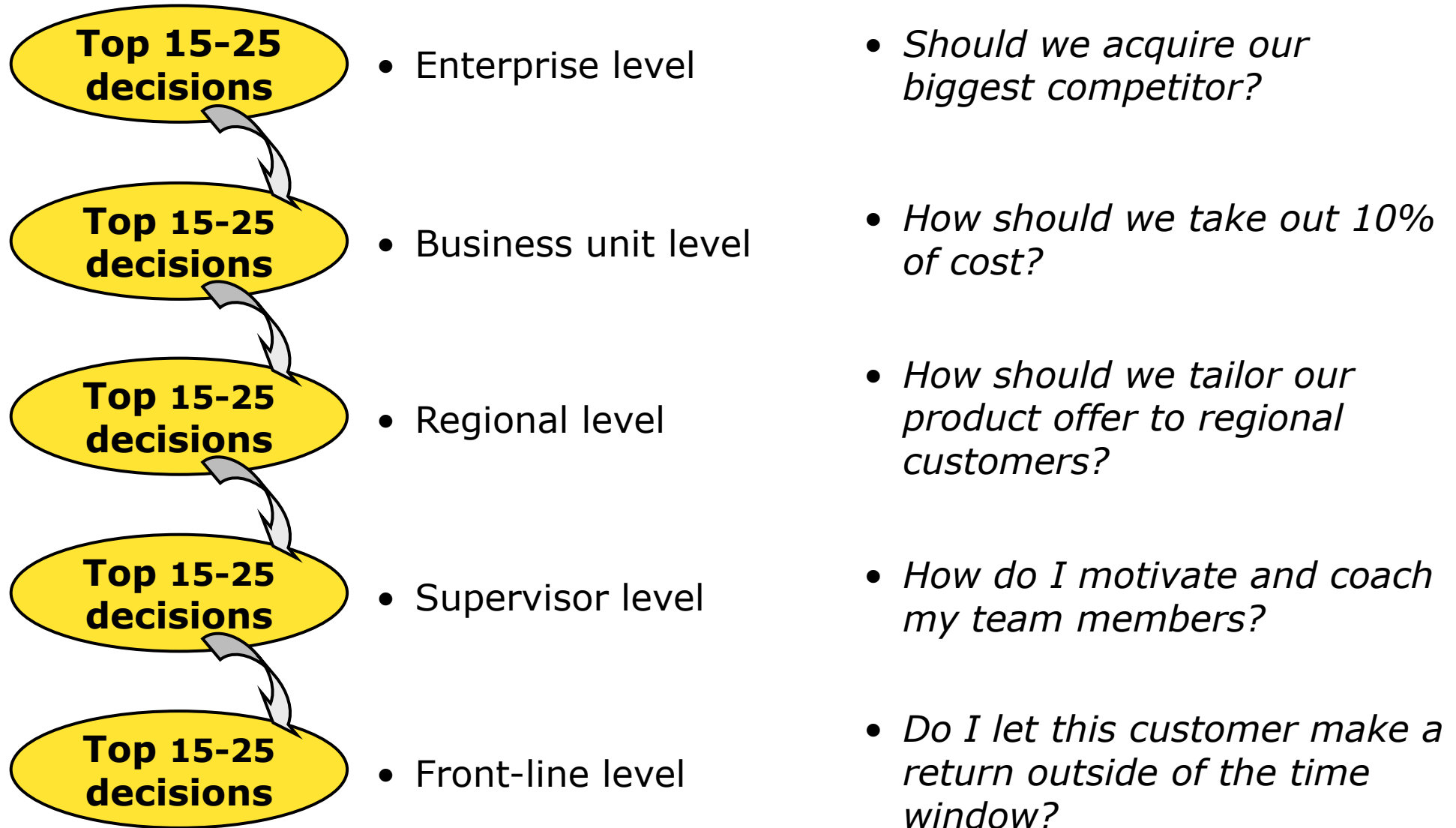


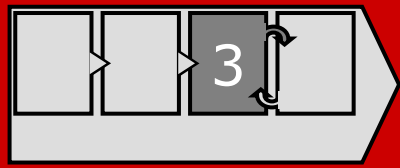
# BAT's "decision architecture"





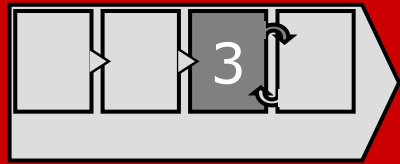
# Critical decisions can sit at any level of the organisation



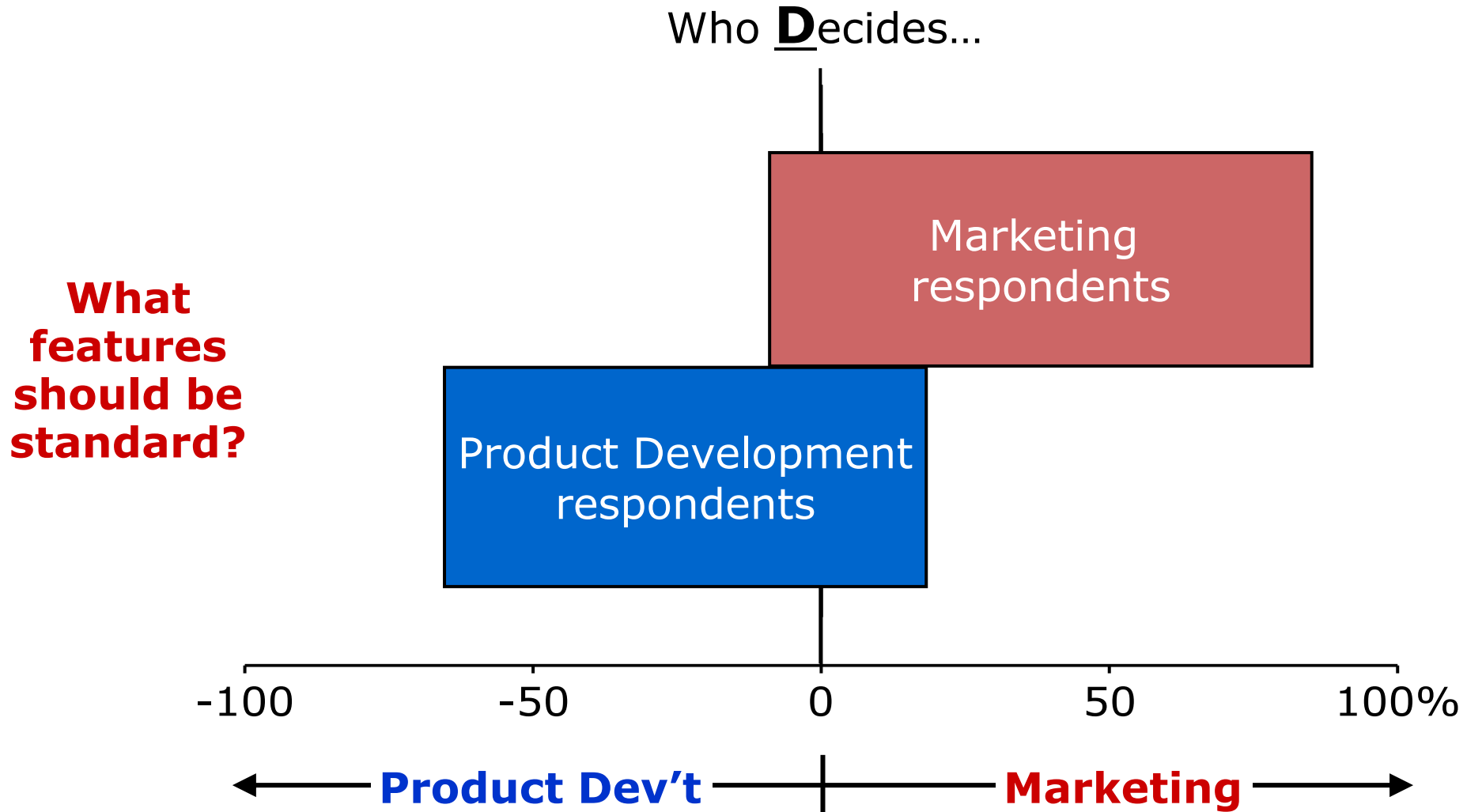


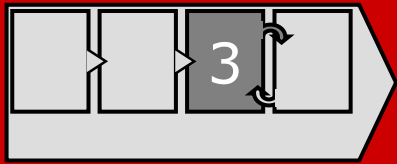
# Set up individual decisions for success (Ford)



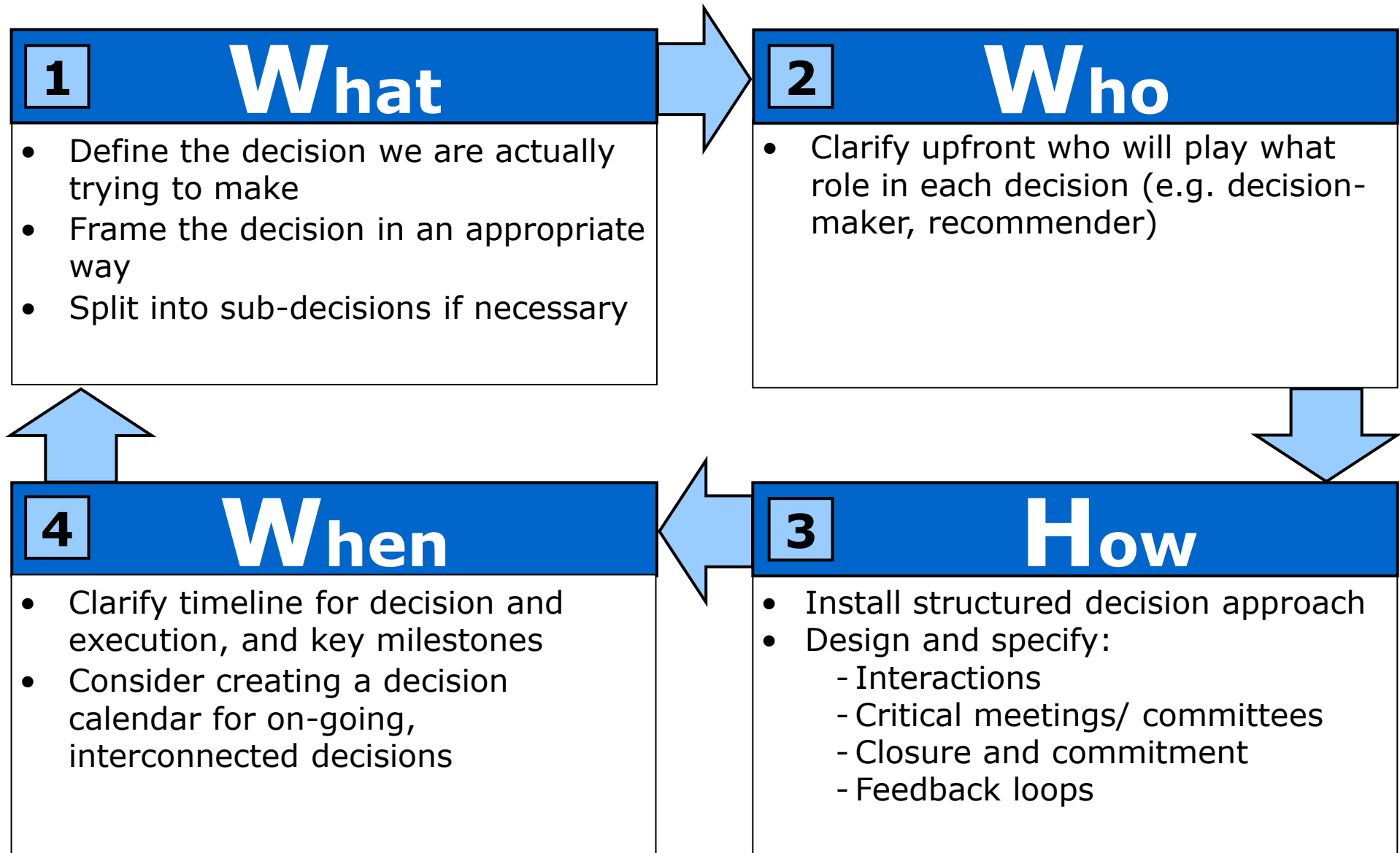


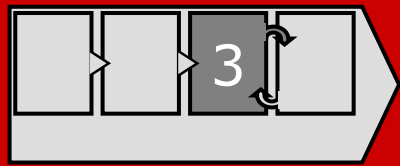
# One issue...lack of clarity on decision roles





# What-who-how-when





# "Who" – RAPID<sup>®</sup>, a (very) simple tool for allocating decision roles

Provide **input** to a recommendation  
– Must be consulted, may be ignored

**R**ecommend

**Recommend** a decision or action

**I**nput

**D**ecide

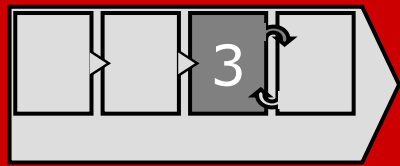
Make final **decision**  
– "commit the org to action"

**A**gree

Formally **agree** a recommendation  
– Must be consulted, should not be ignored

Be accountable for **performing** a decision once made

**P**erform



# "How" – Best practice decision disciplines

1

## Structured decision approach

- Conscious approach to decision which sets **criteria**, considers relevant **facts**, develops **alternatives**, and makes clear **decision** weighing all of these up

2

## Clear steps and sequence

- **Logical steps and sequence** for how decision roles and process will work in practice
- Clear guidelines on how, when/when not to **escalate**

3

## Meetings & committees

- **Key meetings** required for the decision specified, with purpose and participants clarified upfront
- **Appropriate committee reviews**

4

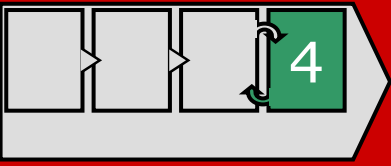
## Closure & commitment

- Final **decision communicated** to key parties
- **Resources allocated** (people and money)
- **Execution plan** in place (actions, accountabilities, milestones)

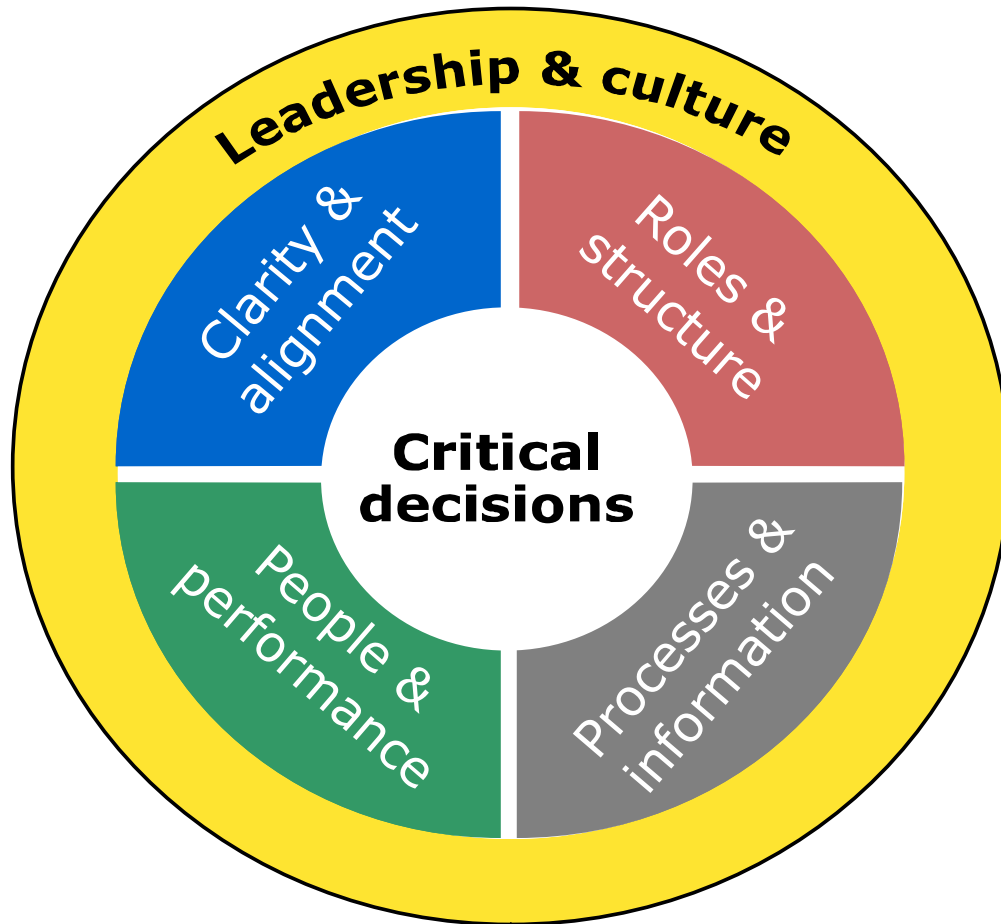
5

## Feedback loops

- On-going **review of execution progress** to drive fast corrective action or replicate successes

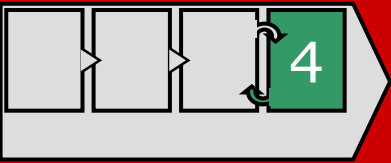


# Align the organization



- **Clarity** on priorities and principles
- Communication and **alignment** throughout the organization
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- Key metrics and **information** – right place, right time
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- Objectives & incentives focused on **performance**
- Cohesive **leadership** team living the right behaviors
- Winning **culture**, with individuals who personally engage

# Behaviors are especially key to improving decision effectiveness



**“Tips and tricks”** to embed changes in the way people work

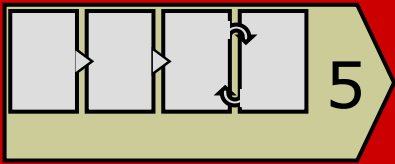
**On-going coaching** to ensure behavior role modeling

## Best practice decision behaviors

- Decision **set up**
  - Establish clear decision roles
  - Clarify criteria, process and timeline
  - Determine information and level of rigor required
- Decision **process**
  - Play agreed roles, right time, right way
  - Run meetings to advance decisions
  - Engage in open and constructive debate
  - Escalate selectively and appropriately
- Decision **follow-through**
  - Support decisions once made
  - Set up effectively for execution
  - Do not reopen decisions once made
  - Track, learn and adjust
  - Hold people accountable

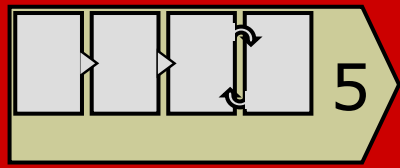
**Facilitation** for top leadership team decisions

**Cascaded training** on effective decision making



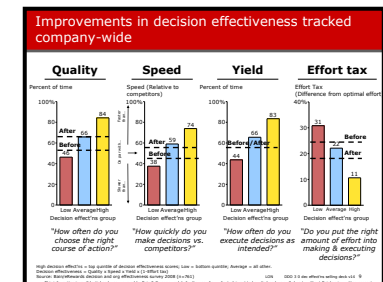
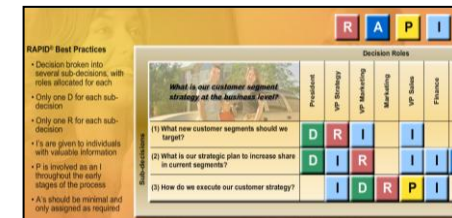
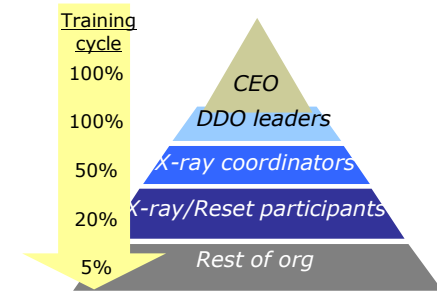
# Embed decision capabilities (MetLife)





# MetLife took 6 actions to ensure decision effectiveness stuck

- ① Leadership from the top – e.g. CEO sponsorship, video to all staff
- ② “DDO Council” of BU and functional leaders to ensure focus and share best practices
- ③ Cascaded training program for key middle managers
- ④ eLearning modules for front-line capability building
- ⑤ Tracking of decision effectiveness metrics
- ⑥ Celebration of milestones and improvements



# Fixing a single decision – ABB

- Leadership aligned behind vision and plan
- Relentless communication

- KPIs tied to overall ABB goals
- Group bonus plan

- Clear set of values
  - Responsibility
  - Respect
  - Determination
- “Best for the overall business” mindset
- Non-stop role modelling

- Simplified org structure, (65 operating units to 28 BUs)
- Demand (not supply) P&Ls for territories
  - Clear decision accountabilities

- New processes for transfer pricing, with greater margin transparency

# A journey to decision effectiveness...



# When might a decision review help?

## Restructuring

*"We need to fundamentally change the way our organisation works"*

## Speed

*"It takes too long to make decisions and make them happen"*

## Complexity

*"Our organisation is too complex"*

## Collaboration

*"We work in silos"*

## Capacity to execute

*"We have ambitious plans – but can we execute them?"*

## Cost

*"We have too many people involved in too many things"*

## Talent

*"We don't have enough good people to go around"*

## Engagement

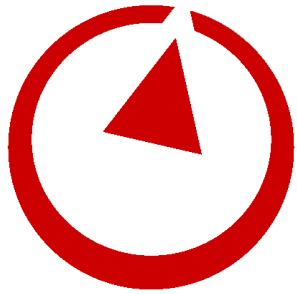
*"Our people don't think we're a good place to work"*

# Key takeaways

- A **new approach** is needed to organisation
- **Decision effectiveness** is not a part of the solution it is **the key** to it
- An effective decision requires **not just quality** but also speed, yield and effort
- High performers **focus on the decisions which matter**, often including seemingly small everyday operating decisions...
- ...and they **build an integrated organisational system** which helps people at all levels to decide and deliver
- **Benchmarking your organisation** against our database of 1,000 companies can be a practical first step

# Questions for you

- Do you know **how you perform** on decisions and what elements of your organization are helping or holding you back?
- Can you list your **most critical decisions** – big and small?
- Are these systematically made and executed with clarity on the **what, who, how and when**?
- What 3 changes to your **organizational system** would you make today to improve decision-making and execution?
- Is the time right to **start the journey** to improved decision effectiveness?



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# **Decision Effectiveness – Challenges**

25 August 2011

# Instructions

- The following pages contain a **brief diagnostic** on decision effectiveness and org health
  - Complete this assessment considering the **most critical decisions** you are involved in making and executing
- **Score yourself on** each dimension. Then **calculate your overall score**, and **benchmark** yourself vs. our database
- Jot down some thoughts on the final page – **strengths and weaknesses** of each area

# Diagnostic 1: Decision Effectiveness

 Circle your score

	1	2	3	4
<b>Quality</b>	We make good decisions...			
	<25% of the time	25-50% of the time	50-75% of the time	>75% of the time
<b>Speed</b>	We make critical decisions...			
	Much slower than competitors	Slower than competitors	Faster than competitors	Much faster than competitors
<b>Yield</b>	We execute decisions as intended...			
	<25% of the time	25-50% of the time	50-75% of the time	>75% of the time
<b>Effort</b>	In making and executing critical decisions...			
	We never get the level of effort right, always putting too much/ too little	We put significantly too much/ too little effort vs. the amount we should	We put moderately too much/ too little effort vs. the amount we should	We put exactly the right amount of effort
<b>Total score</b>	Multiply Q x S x Y x E/4 * <input type="text"/>			

Total Score vs. Benchmark

<i>Top quartile</i>	>30
<i>Second quartile</i>	30-21
<i>Third quartile</i>	20-11
<i>Bottom quartile</i>	<=10

\*For example, if Q=4, S=3, Y=2, E=3, total score=4\*3\*2\*[3/4] = 18

# Diagnostic 2: Organisation Effectiveness

 Circle your score

		Strongly disagree	Disagree more than agree	Agree more than disagree	Strongly agree
<b>Priorities</b>	We are clear on the 3-5 priorities that are most important to driving our success over the next 3 years	1	2	3	4
<b>Alignment</b>	We have communicated our priorities clearly enough that people throughout the organization have the right context for decision-making and execution in their area	1	2	3	4
<b>Roles</b>	Individuals are clear on their roles and accountabilities in our most critical decisions	1	2	3	4
<b>Structure</b>	Our structure helps not hinders the decisions most critical to our success	1	2	3	4
<b>Processes</b>	Our processes are designed to produce effective, timely decisions and action	1	2	3	4
<b>Information</b>	The people in critical decision roles have the information they need when and how they need it	1	2	3	4
<b>People</b>	We put our best people in the jobs where they can have the biggest decision impact	1	2	3	4
<b>Measures &amp; Incentives</b>	Our measures and incentives focus people on making and executing effective decisions	1	2	3	4
<b>Leadership Behaviors</b>	Our leaders at all levels consistently demonstrate effective decision behaviors	1	2	3	4
<b>Culture</b>	Our culture reinforces prompt, effective decisions and action throughout the organization	1	2	3	4
<b>Total score</b>		(Add all scores)		<input type="text"/>	

**Total Score vs. Benchmark**

*Top quartile*

>35

*Second quartile*

35-31

*Third quartile*

30-26

*Bottom quartile*

25-10

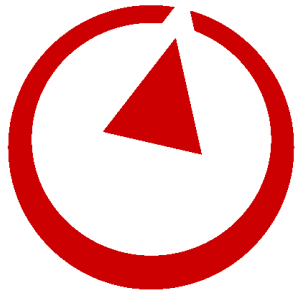
# Commentary (strengths and weaknesses)

## Decision effectiveness

<b>Quality</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Speed</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Yield</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Effort</b>	<ul style="list-style-type: none"><li></li></ul>

## Organization health

<b>Priorities</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Alignment</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Roles</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Structure</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Processes</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Information</b>	<ul style="list-style-type: none"><li></li></ul>
<b>People</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Measures</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Leadership</b>	<ul style="list-style-type: none"><li></li></ul>
<b>Culture</b>	<ul style="list-style-type: none"><li></li></ul>



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# **Decision Effectiveness – Solutions**

25 August 2011

# Instructions

- The following pages contain a set of templates to help you conduct a **what-who-how-when reset** of a specific critical decision
- Suggested timing and approach
  - 20 minutes:** Work **individually** to pick a decision that's broken in your organisation and consider the 6 templates which follow
  - 30 minutes:** Pick a **volunteer** to work his/her problem through with the breakout group
  - 10 minutes:** Synthesise **key points/ lessons learned** to report back to the full group
- Follow the **instructions in the purple boxes** on each page

# Decision X-ray & Reset overview

- **'Decision X-ray'** diagnoses what holds decisions back



## X-ray aims to answer:

- What works particularly **well** with this decision? Where are the **pain points**?
- Which are the most impactful areas for improvement?

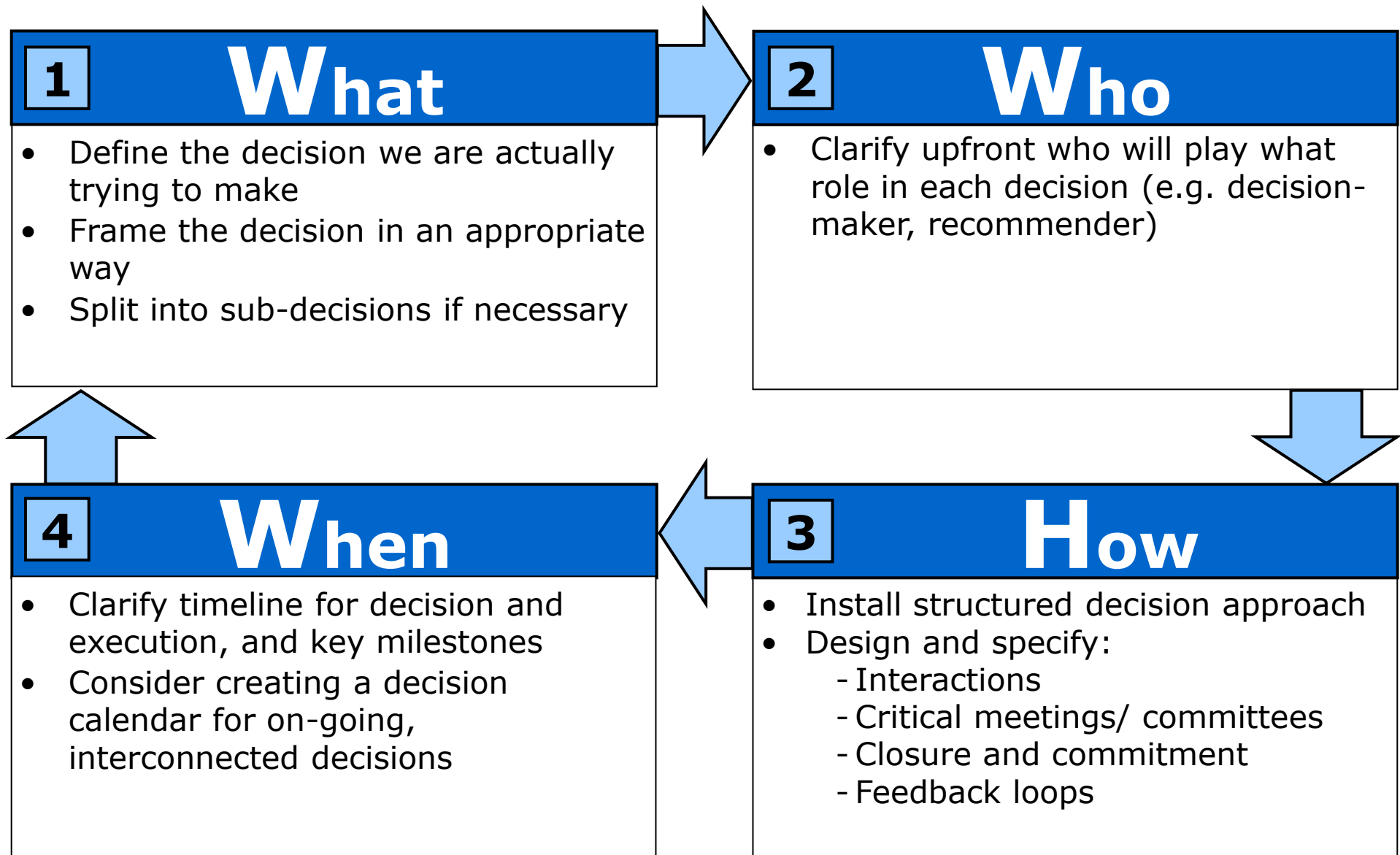
- **'Decision Reset'** fixes critical decisions using 'what-who-how-when' best practices



## Reset aims to answer:

- **What** decisions need to get made, and **who** should make them?
- **How** and **when** should the decisions be made?
- What **other issues** need to be addressed for the decision to work?

# What-who-how-when



# Critical decision for x-ray and reset

**Step 1** – Pick a decision to use for the exercise

## **Decision:**

Pick a decision which is critical for your organization's success and which doesn't work as well as you would like today

### **Example decision areas and critical decisions**

- Strategy (e.g. Decide which beneficiaries we should we target)
- People and talent management (e.g. Decide on hiring targets for next year)
- Fundraising (e.g. Decide on targets for each fundraising type, grants, individuals, corporates)
- Marketing and comms (e.g. Decide on key marketing messages)
- Policy/advocacy (e.g. Decide on policy areas for focus)
- Performance management (e.g. Decide on performance metrics for each delivery program)

# What and Who: RAPID



**Decision:** Enter decision here

**R** Recommend      **A** Agree      **P** Perform      **I** Input      **D** Decide

**Step 2** – Assign roles for how decision works today

**“Who” (Roles)**

**Step 1** – Identify key positions involved

**“What” CURRENT**

e.g. CEO	e.g. Finance Director												

**“What” FUTURE**


**Step 3** – Break down sub-decisions, if helpful for designing future RAPID

**Step 4** – Assign roles for how decision should work in the future

# 'Rules' for allocating decision roles

**RAPID should reflect what will work in 90% of situations – design for the rule, not the exception**

- **Only one D for each decision**
- Locate the D at the right level in the organisation
  - Primary value lies in the business
  - Appropriate information lies
  - Reaction time is appropriate
  - Best capability to integrate information, make trade-offs
- If D belongs to a group, clarify how it gets exercised

**R**ecommend

- Only one R – individual who does 80% of the work to develop the recommendation
- R has broad visibility and access to information for relevant inputs
- R has credibility with both Is and D

**I**nput

**D**ecide

**A**gree

- Can be multiple Is
- Assigned only to those with valuable, relevant information which could potentially change the decision
- Avoid I proliferation

- May be multiple Ps
- May involve P as an I to help upfront planning

**P**erform

- A's should be assigned sparingly
- Usually for extraordinary circumstances (e.g. regulatory or legal)
- A is on the R – D breaks a deadlock

# How and When: Decision disciplines



**Decision:** Enter decision here

● Good/great 
 ● So-so 
 ● Poor

**Rating:**

**Diagnostic review:**

**Thoughts on reset:**

**1** We take a structured decision approach—criteria, facts, alternatives

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**2** Key steps and sequence are clear (incl. timing)

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**3** We have effective meetings & committees

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**4** We have closure and commitment

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**5** We have effective feedback loops

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**Step 1** – Rate how well the current decision process follows best practice

**Step 2** – Characterise strengths and weaknesses

**Step 3** – Suggest how process might be changed

# Best practice decision disciplines

<b>1</b> → <b>Structured decision approach</b>	<ul style="list-style-type: none"><li>• Conscious approach to decision which sets <b>criteria</b>, considers relevant <b>facts</b>, develops <b>alternatives</b>, and makes clear <b>decision</b> weighing all of these up</li></ul>
<b>2</b> → <b>Clear steps and sequence</b>	<ul style="list-style-type: none"><li>• <b>Logical steps and sequence</b> for how decision roles and process will work in practice</li><li>• Clear guidelines on how, when/when not to <b>escalate</b></li></ul>
<b>3</b> → <b>Meetings &amp; committees</b>	<ul style="list-style-type: none"><li>• <b>Key meetings</b> required for the decision specified, with purpose and participants clarified upfront</li><li>• <b>Appropriate committee reviews</b></li></ul>
<b>4</b> → <b>Closure &amp; commitment</b>	<ul style="list-style-type: none"><li>• Final <b>decision communicated</b> to key parties</li><li>• <b>Resources allocated</b> (people and money)</li><li>• <b>Execution plan</b> in place (actions, accountabilities, milestones)</li></ul>
<b>5</b> → <b>Feedback loops</b>	<ul style="list-style-type: none"><li>• On-going <b>review of execution progress</b> to drive fast corrective action or replicate successes</li></ul>

# Actions

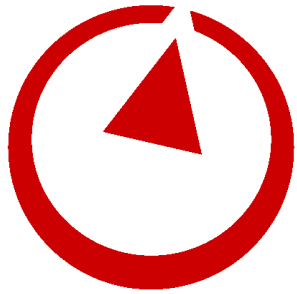


**Decision:** Enter decision here

Actions (to implement changes outlined on previous templates)	Resp.	Timing
•		
•		
•		
•		
•		

**Step 1** – Considering changes you've recommended, identify actions required to implement them

**Step 2** – Suggest who should be responsible for each action, and timing



Berlin Civil Society Center



**BAIN & COMPANY**

# **Decision Effectiveness – Conclusion**

25 August 2011