Paying attention to how your organization handles decision rights is the first step to making the effective, timely decisions needed to execute business strategies and realize goals.

Think of a company you admire. How do you imagine business decisions are made there? You probably aren’t picturing layers of bureaucracy, “paralysis by analysis” or decisions handed down by “Corporate” from a continent away. However, for too many organizations, outdated or all-out broken decision-making processes hamper productivity and performance in many ways. The delay in the important product launch… the lost opportunity to gain market share… the talented employee who feels marginalized and leaves. The effects of too-slow or poor decision making can ripple throughout the organization.

But just as other elements of an organization’s operating structure can be defined and refined, decision making can be as well. We call this decision rights. Decision rights are closely related to governance, which is a framework for managing business issues that require formal decision making. Decision rights go beyond the standard approach to governance, cataloging critical decisions that must be made, identifying who is closest to the relevant information that will help them make these decisions, and documenting who will ultimately be accountable for the decisions that are made.

Effective, clearly defined decision rights can drive efficiency and accountability while empowering individuals to make the right decisions at the right time.

But is now the right time for your organization to redefine decision making? Before you decide, let’s take a closer look at what decision rights can contribute to an organization and some of the common triggers that signal a need to rethink them.

**Decision making as a competitive advantage… or not**

Decision rights are a framework to manage any business issue requiring decision making. The framework includes three key components:

- **Decision Inventory** — A comprehensive list of the key decisions that must be made by an organization, leaders, team, business unit, or function.
- **Decision Rights Model** — The hierarchy of decision makers or decision-making groups who own the defined decisions. The model is designed by defining guiding principles, assigning decision-making accountability, and designing committees and advisory groups.
- **Decision Making Processes** — The defined roles and procedures that support delivery of decision making (e.g., meeting procedures and protocol, issue and action tracking tools, escalation processes)

Together, these three aspects of decision rights form a reference point for leaders and employees to formalize a consistent and efficient approach to decision making.

Why is it so important to formalize the decision-making process? Decision rights contribute to organizational effectiveness in a number of ways, and can drive quantitative and qualitative value.
A typical decision rights initiative may include defining...

**Enterprise decision rights**
- Executive leadership driving a consistent strategic decision-making process to integrate major enterprise-wide initiatives
  - Enterprise/C-Suite decision rights
  - Decisions made within specific corporate functions (e.g., IT, HR, and Finance)
- IT decisions may include managing the IT portfolio, common IT standards and processes, service level agreements
- HR decisions include the services delivery model, changes in HR policies, and employee portal
- Finance decisions include changes in accounting policies and practices, authorizations, internal controls, and inventory write-offs

**Global, regional, and local decision rights**
- Global: Decision rights that begin at worldwide headquarters; these focus on key areas and functions and encompass all levels from top to bottom
- Regional: Decision rights controlled by regions (i.e., “North America”)
- Local: Decision rights headed by a single office (i.e., “New York”)

**Decision rights roles and responsibilities**
- The positions assumed by the players in decision rights situations and their tasks. Typical roles and responsibilities include:
  - **Business owner**
    - Determines overall strategies and plan
    - Has overall accountability including the realization of business benefits
    - Secures dedicated resources including people, assets, time and money
  - **Steering committee**
    - Authorizes start/stop of individual projects
    - Allocates resources including money and people
    - Provides strategic guidance and priorities
    - Approves milestones and ratifies significant project/business decisions
  - **Program/business manager**
    - Integrates projects; tracks progress regarding schedule and budget
    - Provides coordination and support for program finances and contracting
    - Develops program plan with key milestones and priorities
    - Manages key risks of the program/business

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<tr>
<th>Decision rights benefit</th>
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| Provide structure to decision-making forums | • Improves decision-making efficiency  
  • Reduces time (and money) wasted on ineffective or unnecessary meetings |
| Engage the right stakeholders in the decision-making process | • Improves efficiency in making and socializing decisions as stakeholders feel ownership over the product |
| Establish a single point of accountability for each decision | • Creates ownership and accountability within individuals  
  • Clarifies the escalation process |
| Create a common understanding of who is responsible for each decision | • Pinpoints the individual/role that is responsible for the decision  
  • Increases transparency and potential for collaboration across the organization |
| Create a common understanding of who is accountable for each decision | • Reduces delay and duplicated efforts that can result from confusion over owners  
  • Reduces the misconception that everyone who is consulted has veto power over the decision |
| Push decision making close to “where the work is done” | • Empowers employees  
  • Enhances creativity and innovation as employees feel a sense of ownership  
  • Creates efficiencies by allowing less costly resources to execute effectively and reducing bottleneck |

By clearly outlining expectations and requirements, an effective decision rights strategy can contribute to employee satisfaction because employees know what’s expected of them and can endeavor to deliver on those expectations. Understanding what results they are responsible and/or accountable for achieving allows them to be successful. Creating clear alignment to goals and incentives can further reinforce employee commitment and helps support and sustain the decision rights structure over time.

While helpful in organizations of many sizes, decision rights can become even more important as size and complexity increase. Most organizations today operate through a complex web of functional and geographic units that frequently have competing priorities. For global organizations, the complexity intensifies as leaders try to manage the need for efficiency and standardization across the company, while accounting for the nuances and customs of local regions. In the wake of many corporate failures and excessive risk taking, we have seen organizations revert to the type of command-and-control behavior that often frustrates or alienates regional units. Tensions tend to multiply when the corporate center begins to exert influence into areas previously handled by the regions or individual business units, as these units are typically driving the revenue generation. Effective decision rights can help leaders manage this tension and improve process efficiency while empowering the decision making needed to succeed in local markets.

As leaders help their organizations settle in to the new realities of the global economy, including increased public scrutiny and heightened regulatory oversight, clear accountability is a must. To drive this accountability at the required levels, leaders are tasked with confirming the broad understanding of decision rights throughout the organization. Finding areas where decisions, decision owners, or decision-making processes are ambiguous is a signal to leaders that decision rights likely need to be reassessed to enhance clarity and align with current organizational goals.
Triggers that can signal the need for change

Other events and situations in the life of an organization can also trigger the need for a decision rights overhaul.

Growth strategies
As the economy begins to turn around and companies continue accelerating their expansion into global markets, organic growth will likely create challenges for current decision rights structures. Integration of new markets, new product lines, and new organizational structures may all require a careful handover and redesign of a company’s decision rights model. Globalization can place a particular strain on current decision rights structures. As leaders become more geographically separated and communication channels are stretched, sharing and coordinating data becomes even more critical to the decision making needed to effectively execute business strategy.

New executive team
Executive change remains high across sectors — 14.3% — and in areas hit hard by the recession, such as financial services, leadership turnover has topped 17%. With changes in leadership come changes in decision-making styles. Leaders stepping into a new role may increase employees’ sense of empowerment or, conversely, may wish to regain more central control over business decisions in order to affect change. Achieving this type of shift in the decision-making climate of an organization requires two things: (1) a reassignment of decision rights to act as a catalyst and (2) targeted cultural and behavioral change to support and sustain the transformation.

Mergers and acquisitions
Many organizations that made acquisitions in the past and allowed the acquired companies to operate independently or with minimal integration are likely looking to streamline operations to reduce costs. However, integrating different structures and cultures is not as simple as putting a new organizational structure in place. Even the most similar organizations have a unique set of product lines, vendors, customers, and manufacturing processes, all of which require careful integration of roles and decision making authority. Each of these factors should be addressed, and decision rights are one of the primary engines to do so.

Case in point: A new decision rights model sets the stage for a successful acquisition

The challenge
One of the world’s largest and most diversified financial services companies wanted to spin off a part of its global business with the goal of making it attractive for a speedy acquisition and worthy of a favorable price. Creating this type of turnkey operation meant first getting an effective organizational and leadership structure up and running and putting strong talent in place. The company knew the “corporate center” model it used to centrally coordinate its businesses wasn’t appropriate for “SpinCo.” A new governance model was needed — one that not only met mandated governance requirements for publicly traded companies, but also met stakeholder expectations for transparent and reliable financial reporting. At the same time, SpinCo needed to position itself to recruit, develop, and retain key employees who could lead and grow a global financial organization. A comprehensive and transparent decision rights framework was an essential piece of the puzzle.

How we helped
We worked closely with the parent company to assess SpinCo’s needs, define the governance model for the new company, and develop a decision rights framework. Our team worked with company leaders to establish requirements for the new Executive Committee, including its mandate, role, purpose, and membership. The Executive Committee would help the CEO run day-to-day business and provide the additional levels of control necessary to meet the governance, regulatory, transparency, and performance pressures of a public company. The team also developed an approval process, annual meeting cycle, and a recommended decision calendar, which included a meeting schedule, milestones and interdependencies, topic areas, and decision outcomes for each meeting.

Results
With its effective leadership team, governance model, decision-making structure, and employee talent in place, the company was quickly acquired at a favorable price. Equally important to the parent company, the acquirer retained SpinCo’s talent after the acquisition. Spending time and attention on establishing the right decision rights model paid off.

1 “Trouble at the top: The turnover of bosses at the world’s biggest companies remains high,” The Economist, 19 May 2010.
Strategy or operating model changes
Many organizations have revisited their core business and operational strategies, whether to address market opportunities, reduce operating costs, meet shifting consumer demands, or tackle similar issues. At the same time, shareholders are pressuring companies to identify new revenue streams, grow existing products and market share, retire ineffective products, and improve operating margins. Pursuing these objectives requires a clear allocation of resources and, in many cases, a reorganization of the operating model. Managing these competing interests while maintaining focus on business-as-usual necessitates clear decision rights.

Quality focus and regulatory changes
Regulatory reform is another important factor impacting companies. Global regulations impose new decision-making criteria. In addition, for those organizations with a strong U.S. presence, recent reforms in health care may have a significant impact on a firm’s governance model and, in turn, on its decision rights. Recent large-scale product recalls, such as in the automotive industry, are also creating a new imperative to monitor quality to an exacting degree. Managing these new requirements and confirming compliance requires new processes, procedures, and means of oversight. Effective decision rights are essential to meeting these needs.2

Need for increased speed to market
The recession has changed the approach many business leaders use in planning and forecasting for current needs and future opportunities. For example, as consumer behaviors have changed, some leaders are hesitant to invest in new products or to expand into new markets. In today’s world, the key is finding quality data, which often requires working across functions and geographies to achieve a more broad view of opportunities and risks. Decision rights can help overcome tendency towards risk avoidance and subsequent delays in decision making by enabling business leaders to quickly identify and analyze the required information, and make successful and efficient investment, competitive, and customer decisions.

Case in point:
Decision rights drive strategic change and innovation
The challenge
Emerging from the market turmoil and related layoffs during the heart of the financial crisis, the U.S. subsidiary of a global company recognized two things: an opportunity for significant growth and a need to reset its strategic focus to address the new market realities. To drive this evolution, the leadership team chose to reorganize, shifting the operating model from a functional to a business-unit focused model. This design better aligned with the company’s new areas of strategic focus and created a stronger culture of empowerment, leadership, and innovation. But it also required introducing more change to the business and the approximately 4,000 impacted employees already weary from the recent turmoil. It was critical that the change be effectively managed to mitigate risk, minimize business disruption, and strengthen employee engagement.

How we helped
We teamed with the company on all aspects of the transition, including developing the high-level and detailed organization design, the detailed governance and decision rights model, and the transition and communications plans as well as handling the overall program management of the effort. Because top-down support was critical, we worked to align all executives at the top two levels around the new strategic goals and involve them in the process of shaping the new structure and culture. Once leaders were aligned, the new operating model was launched. Through facilitated working sessions, the team was able to restructure their decision inventory to clearly delineate responsibilities and accountabilities.

Results
Ultimately, decision rights played a key role throughout this company’s strategic journey. Decision rights were defined to help expedite project decision making and manage stakeholder input. This empowered each new business owner to develop a detailed organization design while maintaining certain decisions centrally and successfully transitioning all employees to the new organization structure. Decision makers in the new organization were able to support business strategy execution from the start and served as a catalyst for culture change. Bigger picture, the new decision rights framework helped to create the organizational transparency necessary to increase employee empowerment and satisfaction and begin fostering a culture of innovation.

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2 Deloitte. “Health Sciences Reform PIP/P Summit: Smart First Steps.”
Enterprise transformation programs
Today’s large-scale technology implementation projects are increasingly global and complex and require large investments of time and capital. In order to protect the value these projects create, organizations need to make sure that decision cycles are efficient, and that the right people and groups are properly set up to make those decisions. Companies contemplating or already implementing large-scale transformation programs, such as an enterprise resource planning (ERP) system, IT or Finance transformation, or a comprehensive cost reduction exercise, can take advantage of the change by establishing a clear decision rights framework up front.

Complex, matrixed organization designs
As organizations push for leaner operations, employees are taking on additional roles, often reporting to multiple managers through dotted-line reporting relationships. Without clearly articulated decision rights, decision making can be dramatically slowed — or even halted — in lengthy review and sign off processes. At the same time, complex reporting relationships can also create a challenge for employees as they attempt to manage competing priorities, expectations, and demands. Left unchecked, this situation can de-motivate employees and impact organizational productivity.

Case in point:
Decision rights support success in large-scale projects
The challenge
A major global life sciences company embarked on a long-term, global supply chain ERP implementation. This project, spanning 10 years and replacing more than 50 unique global systems with a single application, represented a major investment for the company, and required careful integration and oversight from multiple leadership groups. This large number of oversight groups had the potential to create substantial project risk in the form of increased decision cycle time, lack of integration between decision makers, and even risks stemming from having the wrong stakeholder or stakeholder group make critical decisions. These issues were further compounded by the structure of the organization itself; the project was sponsored through a shared services entity, but required buy-in and coordination from multiple independent operating companies. Furthermore, decision making had historically been challenged by the company’s deep reliance on consensus-building, which commonly led to a need to revisit decisions downstream, further lengthening decision-making cycles.

How we helped
To proactively address these decision-related risks, we helped the company develop a decision rights framework. The framework began by cataloging all foreseeable critical decisions, which were then mapped to the specific oversight groups. This mapping process was especially important given the complex relationship between the shared services group and the operating companies. These decision groupings were then assessed with each group, and we led the stakeholders in a “RACI-V” process to identify who should be Responsible, Accountable, Consulted, Informed, or able to exercise a Veto for each specific decision. To further support and systematize key decision-making activities, the team developed a series of tools and templates to help coordinate and capture all necessary decisions.

Results
Implementing this broad decision rights framework had multiple positive impacts on the broader ERP project. The increased transparency and accountability of specific decisions facilitated quick decision making, helping to keep the project on track. It also created greater clarity about when specific groups needed to come together to create consensus, or when individuals or small groups should be empowered to decide. Finally, by creating systems and tools for decision making, people knew where to turn if they got bogged down or were unsure what to do next. Escalation processes could be rapidly deployed, helping to quickly solve problems and mitigate major risks.
Getting it done

Altering decision rights often shakes up the organizational power base, eliciting strong reactions from the stakeholders involved. But once the ensuing behavior changes have been adopted, the results are typically impressive. Based on our experience, several factors should be addressed when considering decision rights: organizational culture and norms, regional/local culture, and personalities/egos. Our work with clients across industries and organizational levels has identified a core set of leading practices to help address these factors early and to quickly identify and mitigate any issues.

• **Engage the right level of leader in the process:**
  For example, if the organization is reassessing enterprise-wide decision rights that impact the C-Suite’s authority, the CEO or the Board needs to be engaged. The participation of a party one level removed from the process is critical to facilitate appropriate delegation of decision authority and to serve as a sort of checks-and-balances.

• **Enlist a Steering Committee of the key stakeholders:**
  Even the potential for a change in decision authority is concerning for leaders and employees alike. This transition can be eased by engaging key stakeholders early and monitoring their commitment throughout the process. In addition to providing organizational perspective, this approach builds a coalition of leadership support that will help drive acceptance for the changes at lower levels.

• **Support the Steering Committee with Working Groups of their direct reports:**
  Depending on the type of decision rights transformation taking place, it is likely that the Steering Committee members will have limited capacity for participation. In order to maintain momentum for the project, Steering Committee members should nominate one or two members of their team to join Working Groups. The Working Groups can serve multiple purposes; for example, they might assist with the development of recommendations, socialize ideas with their leaders in advance of Steering Committee meetings, take on individual development or logistics tasks, and create a pathway to different organizational groups, as needed. At the same time, this assignment can be used to provide organizational exposure for up-and-comers or serve as a special assignment to keep top talent engaged.

• **Maintain appropriate levels of transparency throughout the process:**
  While a Steering Committee and Working Groups can help with acceptance and adoption of the new decision rights at senior levels, engaging a large group of stakeholders also virtually ensures that news of the initiative will travel within the organization quickly. This inevitability can work to a leader’s advantage if used correctly. However, this also makes consistent transparency a must. Leaders of these initiatives must communicate to employees from the start about the objectives of the initiative and the project timelines. Maintaining regular communications will help bring employees along the “journey” and will aid acceptance at lower levels. A communication bonus is that if the Steering Committee and the Working Groups are properly composed, the program will also have a natural communications cascade structure in place, allowing the initiative to capitalize on an organic flow of information in addition to formal messages.

• **Understand and respect organizational and cultural norms:**
  As previously noted, changes to decision authority and the decision-making process are highly personal to and keenly observed by impacted stakeholders. People tend to feel threatened, so it’s important to build trust and cooperation by understanding and respecting the organization’s cultural norms, what people are fearful of, and what various business groups consider “non-negotiable.” Respecting how the organization currently interacts, both formally and informally, helps more carefully predict the impact the change will have on stakeholders and helps facilitate negotiation so groups feel “heard” and are more likely to support the new decision-making framework.

• **Push decisions to the lowest organizational level possible:**
  By delegating decision authority, leadership creates capacity in the upper ranks for more strategic pursuits while also creating a pathway to improved efficiency. When possible, decisions should rest with the owner of the necessary and relevant data inputs. Organizational efficiency is created by keeping the data and the decision together because it removes intermediary steps of packaging and presenting data and awaiting a response.
Is it time to pull the trigger on a decision rights overhaul?

If you answer “yes,” it may be time to redefine your organization’s Decisions Rights:

☐ Do overlapping responsibilities between various decision-making bodies result in duplicate efforts or contradictory decisions and direction?

☐ Are there unofficial or “shadow” decision-making mechanisms in play?

☐ Does complexity in the existing organizational structure (i.e., a heavily matrixed model with many lines of reporting) make it unclear who should be deciding what?

☐ Is decision-making authority or processes out of date with the current organizational strategy (e.g., Did the organization fail to update decision-making and role clarity during the last strategic shift)?

☐ Does a lack of sponsorship or misalignment among leaders create delays or challenges in decision making?

☐ Do unmanaged or mismanaged behavioral and cultural norms (e.g., operating in silos, hoarding information, excluding important people from the conversation) impede effective decision making?

☐ Is there more focus on creating or shifting reporting structures and relationships without corresponding attention to the organization’s underlying decision-making capability?

☐ Are the metrics used to evaluate or incent people out of sync with decision-making (e.g., rewarding people to be responsible for something they don’t have decision-making authority over).

☐ Do inconsistent information analysis and business impact assessment hamper the decision-making process?

☐ Have initiatives to implement enabling technologies or encourage their use met resistance that could not be overcome?

☐ Does your organization use different data sources or a large number of redundant analytical tools to try and support decision making?
A force for action

As a framework for formal decision making, decision rights are one of the most powerful organizational levers at a leader’s disposal, supporting efficiency in operations and driving accountability. Whether your organization is experiencing a trigger event (leadership change, M&A activity, external pressures, etc.) that provides an opportunity to rethink decision rights or you see more general indicators that decision rights are out of sync with the organization’s needs, we invite you to contact us.

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