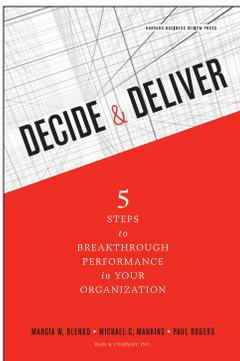


Decision Insights

Measuring decision effectiveness

By Marcia W. Blenko and Michael C. Mankins



Measuring decision effectiveness

Good, fast decision making and execution produce good financial results.

The research we conducted for our recent book firmly established this connection, but really, it's only common sense.¹ Companies that make high-quality decisions, make them quickly, and implement them effectively win more contracts, get to market faster and otherwise beat out rivals. Google launched Gmail, Google+, the Android operating system, and Google Apps, all while Yahoo! was struggling to decide on its priorities in these areas. Such dramas play out on a smaller scale in every company every day. Organizations that decide and execute better and faster than their competitors win the race.

And yet many companies do not even measure their decision effectiveness. They don't know how they stack up against the competition, and they can't tell whether they are getting better or worse over time. People may gripe in the hallways about this or that decision process, but there's no burning platform to stimulate improvement.

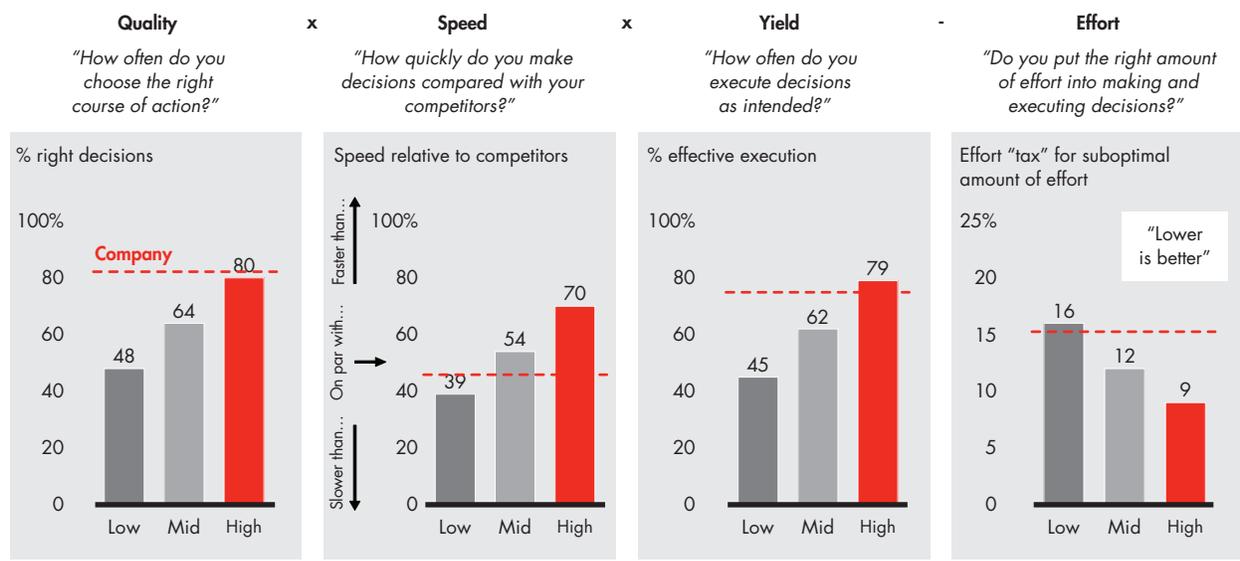
Measurement changes all that. As Peter Drucker famously observed, "What gets measured gets managed." And if the

measurement shows that your decision skills are way behind where they should be, suddenly you have a big incentive to get better.

Decision effectiveness involves four different dimensions. High-performing organizations, of course, make high-quality decisions. But they also make those decisions faster than their competitors, translate them into action more effectively and devote an appropriate amount of effort to the process. People need to know how well (or poorly) they perform on all of these elements—decision quality, speed, yield and effort.

Employee surveys are the best gauge of performance on each dimension, since no one knows better than the people involved how good the organization really is. Ask respondents to rate your company's abilities on quality, speed, yield and effort using a 1-to-4 point scale; this will allow you to compare scores with our benchmark database of high, average, and low performers (see Figure 1). The results will show you where your decision strengths and weaknesses lie, and what you need to do to improve performance. A pharmaceutical company, for instance, learned from a survey that its decisions were generally of

Figure 1: Benchmarking your company's decision effectiveness can help you focus on the right issues



Decision effectiveness benchmarks

Note: High decision effectiveness range = top quintile of decision effectiveness scores; Low = bottom quintile; Mid = all other
Source: Bain decision and org effectiveness survey Jan 2012 (n=1,065)

high quality compared with its competitors, but its speed was below average, and nearly 80% of respondents said that decisions required too much effort. The priorities for improvement were clear. Once a company launches efforts to improve its decision effectiveness, moreover, regular surveys can provide critical feedback to show you what's working and what isn't.

While survey results provide a high-level overview of a company's decision effectiveness, it helps to supplement this data with metrics that relate to specific trouble spots. Among them are the following.

Performance on certain kinds of decisions. Some organizations repeatedly stumble over particular types of critical decisions. Another pharmaceutical company, for example, found that sluggish decision procedures slowed its stage-gate process for product development, creating unnecessary iterations along the way. The data helped the company spot and unclog decision bottlenecks and thus get its products to market faster. A utility company learned that its forecasts of daily demand were often off the mark. So it began tracking the percentage of forecasting decisions that, with hindsight, turned out to be right. The process helped the executives responsible for forecasting to see where their procedures were strong and what actions could help improve them.

What happens in meetings. Meetings should be effective forums for discussing or making decisions, but often they are not. So top-performing companies make a point of setting decision-focused agendas, beginning meetings by specifying the decisions to be made and who is accountable for them, ensuring that committees have clear decision charters, and so on. Then they measure performance on these dimensions. A semiconductor company, for instance, tracked its R&D forums—groups charged

with developing new products—to determine the number of decisions each forum made, the number of decisions it delayed, and the number it revisited over a given time period. The company also tracked the frequency of escalation to a decision maker higher up in the organization. The data helped people learn to increase decision speed, cut back on reconsiderations, and reduce escalations.

Decision competencies and behaviors. Companies can assess individuals' decision-making skills in their regular performance evaluations. They can also track the behaviors that are central to effective decision making and execution, such as people's willingness to engage in open and constructive debate or their willingness to commit to a decision even when they disagree with it. For example, a tech company established a list of such behaviors and began measuring them through its annual upward feedback system. A financial services company tracked adoption of its desired decision behaviors through quarterly "pulse" surveys. Several companies link executives' bonuses to a range of decision metrics, including overall quality, speed, yield and effort; specific behaviors measured through employee surveys; and performance against established leadership standards. Both the measurements and the incentives encourage individuals to develop their own decision skills and to build organizations that make and execute decisions well.

Drucker's dictum about measurement and management is by now an accepted part of management lore. The challenge it presents is to measure "soft" but critical aspects of a business's operation, such as decision effectiveness. Some companies have met this challenge head-on and are reaping the rewards. They not only invest to improve their decision effectiveness, but they also measure how well those efforts generate better, faster decisions and thus better performance. 

¹ See Marcia W. Blenko, Michael C. Mankins, and Paul Rogers, *Decide and Deliver: 5 Steps to Breakthrough Performance in Your Organization* (Harvard Business Review Press, 2010).

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