Design Smart Decision-Making into the Organization (and Forget RACI)

By Greg Kesler, Amy Kates, and Tara Oberg

Leaders of every company struggle with decision rights, defined as the allocation of power and authority across organizational boundaries. It doesn’t matter the starting point. Highly cooperative cultures report no problem having good discussions, but run into trouble being decisive, making a call, and moving on. At the other end of the continuum, companies with highly autonomous cultures that are trying to build more integrated organizational models find their leaders aren’t adept at engaging partners and working collaboratively.

Decision rights confusion is an almost universal challenge in large, matrixed organizations precisely because the matrix is designed to surface competing global, local, functional, and other cross-boundary priorities. The tension across these interfaces is purposeful. The matrix ensures that the diverse assets of the business are fully leveraged, while allowing for the agility and speed needed to match smaller competitors. But often that tension is not well managed, and conflicts over decision-making become value drains, rather than drivers. Getting to clear definitions of “power for purpose” is not an easy task. Many companies choose to ignore the negative tensions in hopes they will just go away.

Others go to extremes of attempting to prescribe an outcome for virtually every issue to be faced. They turn to tools such as RACI (responsible, accountable, consulted, informed) and
RAPID (recommend, agree, perform, input, decide) which often even more confusion as leaders try to parse the difference between accountability, authority, and responsibility. These instruments are often too simplistic for complex decisions.

Clearly, neither extreme is the right path. There is a better approach to the frustrating process of clarifying decision rights. Our organization design work with more than two dozen complex, global companies over the past decade points to an action-oriented and integrated way to improve the clarity, speed, and quality of decisions. These insights are focused on improving the conversations across what we call the “handshakes”—the partners at the critical junctures of the matrix that must come together to create value. These conversations are supported by guardrails that reflect the complexity and uncertainty of the real world.

Three sets of practices work together to define how guidance on decision authority and collaboration are best embedded in the organization:

Define the operating model and where value is expected from cross-boundary decisions
Enable better conversations through the right forums, data, and management processes
Set guardrails for the top 10 tension areas

**The Operating Model**

A first step in designing fast, effective decision-making is to be clear about the nature of the operating model. How integrated do the business units need to be? Where do you believe there is value to be gained by linking the product lines, geography, and functions together? The four types of operating governance represent a continuum, ranging from high to low degrees of integration as shown in Table 1.

It is not uncommon for a business unit and country leaders to believe that their company is, or should be, in a loosely related model. They are hyper-focused on competing in their market and see significant differences in the business units that make up the portfolio. They are skeptical that common ways of work that diminish their local autonomy will add value to their business. Corporate center and global functional leaders, by contrast, will typically characterize the same portfolio as closely related. From their perch they see myriad opportunities to leverage expertise, scale, and influence. They see that increased ability to move assets and talent to hot spots of growth will yield enterprise agility.

Leadership alignment on the operating model is an essential first step to creating a framework for decision rights. Leaders must agree where synergies are expected and which connections will add value, as well as where collaboration is not necessary. Integration is an expensive and wasteful use of management time if it isn’t directly contributing to invent, make, or sell activities.

**Better Conversations**

The operating model informs the decision forums and management processes that are needed. For example, in an integrated single business, portfolio management and strategy groups meet regularly to set company-wide policy. In a loosely related portfolio, strategy setting and portfolio management of the business units takes place at the sector or division level and each sector may have a different cadence and process.

Sophisticated companies carefully design and regularly adjust the governance forums that bring leaders together to identify issues and make decisions. In this way, the right people focus on the right topics with shared data. A common mistake is to oversize the direct report team to the CEO for too broad an action-oriented and integrated way to improve the clarity, speed, and quality of decisions. These insights are focused on improving the conversations across what we call the “handshakes”—the partners at the critical junctures of the matrix that must come together to create value. These conversations are supported by guardrails that reflect the complexity and uncertainty of the real world.

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Sophisticated companies carefully design and regularly adjust the governance forums that bring leaders together to identify issues and make decisions. In this way, the right people focus on the right topics with shared data. A common mistake is to oversize the direct report team to the CEO for too broad a range of decisions. This may not be balanced between functional staff and operators. Or, it may be missing important voices closer to customers or markets. Another mistake is to cre-
The challenges of managing omnichannel marketing and distribution are many. Not least among these is the need to create a decision culture of collaboration, balancing competing voices that lead to the best outcomes for the consumer and the shareholder.

**Oversight**  
Cross-enterprise integration and alignment to achieve operational goals  
What key metrics do we need to monitor in order to ensure we are meeting our goals together and making the right trade-off decisions? Where do we need to realign resources to execute core work as well as projects and initiatives?

**Innovation**  
Expertise and diverse perspectives brought together to identify and champion new possibilities  
What is the right portfolio of work to drive current and future sources of growth? What is our criteria for investment? How can we best foster a culture of innovation?

**Strategic Intentions**  
Special focus based on unique aspects of the strategy, such as growth, customer experience, brand building, talent management, and deals and acquisitions  
The governing role of executive groups is to focus on non-routine and ambiguous problems and trade-offs, often among hard-to-compare demands and opportunities. When leaders come to the table in their enterprise governance role, they are no longer advocates for their unit, but arbitrating, as a group, among competing objectives.

**Guardrails**  
Perhaps the most common mistake matrixed companies make in trying to define decision rights is to apply the wrong tools. Think of two types of decisions that involve cross-boundary interaction. The first are fairly tactical, such as consistency of a product promotion plan across markets. These decisions benefit from consultation, and RACI type tools can be useful to initially clarify roles. Real speed comes, however, when leaders build high trust relationships, understand and value one another’s expertise, and let go of involvement in many of these decisions.

The second type of decisions are what we are concerned with here. Our research and consulting experience indicates there are only a few—perhaps no more than a dozen—decision areas in most businesses that generate the bulk of the tension. These are strategic decisions. They can only be made by partners across the matrix working through a set of often equally compelling options with difficult trade-offs. These choices include cost versus quality, risk versus time to market, inclusiveness versus speed, profit versus revenue, short-versus long-term objectives, and customization versus standardization.

Some common tension areas involve:
- Resource sharing and movement across business units
- Investments in new markets, products, or systems
- Priorities and portfolios
- Inventory and capacity
- Pricing
- Hiring, promotion, and performance management

These tensions don’t have easy answers and the outcome to any particular scenario can’t be determined ahead of time, but the right conversation can be constructed. The president of a very large and successful apparel company told his team recently, “We don’t want to use the term decision rights. No one has the right to unilaterally make decisions in this company. It’s just not the way we work in our matrix. What we need are decision guardrails to help leaders collaborate.” He has a point. Some tools for doing this:

**Use Decision Principles**  
Decision principles shape the boundaries within which trade-offs can be made. One of our clients was trying to move from a solely financially driven mindset. The principle of “assess risk and reward from multiple perspectives—values, compliance, customer, business, team, and financial,” sent a clear message regarding the discussions that executives expected to take place. Principles also make clear behavioral expectations.

A useful one is this: Eliminate management rework. Once decisions are made, focus should be on execution. Decisions made should only be revisited if significant new facts emerge. This one reduces after the fact lobbying and sets the bar high for unwinding a decision.

**Distinguish Between Consensus and Collaboration**  
They can look the same on the surface with lots of high involvement and debate. But, consensus means that everyone has a veto. The drive toward unanimous agreement can result in compromise and sub-optimized decision quality. True collab-
distribution strategies, the leadership team focused on creating the company became increasingly experienced in omnichannel retail doors and aggressively invested in digital commerce. As primarily wholesale, increasingly the company had opened commercial business units. While the go-to-market model had been primarily around strong global categories and regional combinations, we worked with a large, global consumer brand company who has successfully managed a complex matrix for a number of years, and they were the best equipped to identify the key tension areas and to recommend a set of decision guardrails.

The Approach in Practice
We work with a large, global consumer brand company who has successfully managed a complex matrix for a number of years, primarily around strong global categories and regional commercial business units. While the go-to-market model had been primarily wholesale, increasingly the company had opened retail doors and aggressively invested in digital commerce. As the company became increasingly experienced in omnichannel distribution strategies, the leadership team focused on creating a seamless shopping experience for consumers across company-owned retail, partner-owned retail, .com sales, and traditional wholesale trade partners across the globe.

The challenges of managing omnichannel marketing and distribution are many. Not least among these is the need to create a decision culture of collaboration, balancing competing voices that lead to the best outcomes for the consumer and the shareholder. Decision-making forums and processes must balance the pressures to generate profitable growth from the existing business, while investing in new direct-to-consumer capabilities. Fully embedding digital into the go-to-market model requires a power shift.

Digital is no longer an adjunct or enabler to the core business, but a fully formed dimension. In the new model, leaders must balance the competing demands across markets for the right assortments and drive consistent brand stories across multiple channels. Pressures on the supply chain for the right inventory availability must be managed. And increasingly, the drive to personalize products and experiences, especially in consumer discretionary businesses, means taking tight control of the shopping experience, while continuing to work with retail partners. These tension areas require a collaborative approach to decision-making, without bogging down in a slow, consensus-drive process.

How decision guardrails are developed has an enormous impact on whether they are used in the real world. Our consumer brand company engaged a cross-section of over 100 leaders from across channels, brands, categories and regions to design the new organization, through a series of two-day workshops. A core team of about 25 leaders worked through all of the sessions and became deeply knowledgeable about shifts in the strategy as they worked through a complex set of design challenges for the new organizational model. They were the best equipped to identify the key tension areas and to recommend a set of decision guardrails.

The first step was to clarify the operating model. The organization had spent the previous five years transitioning from a decentralized model of country units to a much more center-led organization, driven by global categories, with greater

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consistency to product assortments. Leadership had learned to work with this new framework, but additional shifts in governance would be necessary to bring a stronger voice to the table from digital commerce and direct-to-consumer retail. General managers at the region level would become the integrators in overseeing six or seven distinct channels, and would manage the trade-offs in their markets with more guidance from the center. And the consumer-insights processes would have to become more robust to assure that the center-led categories and functions didn’t lose touch with consumers around the world, a difficult challenge under the best of circumstances. These role shifts would be articulated in an explicit set of illustrations, engaging the core design group.

In order to define the red-flag tension areas, interviews were conducted with senior executives and members of the core design group. The analysis identified seven critical tension areas in the new, global matrix that would create the most challenge once the new organization was implemented: defining brand story, marketplace mapping choices (which doors go where), product assortments, digital investments, brand investments, agreed with each of the conclusions that was reached. All, however, understood what collaboration should look like as the company makes a conscious shift in decision-making patterns toward new go-to-market channels, with more guidance from global category teams. The materials will be living documents, tested periodically in management meetings, and communicated in leader messaging, development programs, and onboarding.

Turning Theory into Practice

The challenge of defining decision-making in a matrixed organization should not be underestimated. It is one that many of today’s complex, global companies have not yet mastered. Beyond seeming overwhelming due to the range of decisions that need to be made, decision rights work can feel abstract and disconnected when not integrated into an organization’s design. Existing tools such as RAPID and RACI are not enough for teams facing more complex decisions. As a result, many companies grow frustrated and shy away from this work. The promise of the matrix isn’t realized and the structure is blamed for being just too complex.

There is a manageable and effective way to ensure high quality decision-making in an organization. An action-oriented approach that centers on first on aligning on a clear operating model, designing forums, and management processes to enable the right conversations, and defining top tension areas so guardrails for decision-making can be created.

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inventory availability, and pricing. A guardrails guide for each tension area was created to design the right conversation. The elements of the guide are:

• A tension scenario (a typical example of how the tension might play out in the real world)
• The impact of decision-making on consumers and shareholders—whether this is a high-value/high-risk decision
• The management forum and/or process where the decision conversation should play out
• The roles to involve and the data that should be brought to bear
• A clear statement of what leadership role should have the tipping vote if a conclusion cannot be reached

Through a series of half-day workshops, various leaders reviewed the drafts, working through scenarios and iterating on the assumptions. Finally, a larger group, including country and region leaders, was brought into the final editing process and the document was shared with the executive committee for approval and endorsement. Not everyone

Greg Kesler consults with CEOs and other senior leaders on global organization design and activation. He specializes in designing and implementing global operating models and governance practices in large multi-national organizations. He is the co-author of Bridging Organization Design and Performance (John Wiley, 2016) and Leading Organization Design (Jossey-Bass, 2011), as well as numerous articles and book chapters. He teaches and speaks on the subject to executive groups in public and in-house programs. He can be reached at greg@kateskesler.com.

Amy Kates consults with CEOs and senior leaders on global organization design and activation. She specializes in designing and implementing global operating models and governance practices in large multi-national organizations. She is the co-author of Bridging Organization Design and Performance (John Wiley, 2016) and Leading Organization Design (Jossey-Bass, 2011) with Greg Kesler, and two other books with Jay Galbraith. She teaches and speaks on the subject to executive groups in public and in-house programs. She can be reached at amy@kateskesler.com.

Tara Oberg is a consultant with Kates Kesler, supporting the firm’s research and client facing work. She was previously with the Seurat Group, where she managed the firm’s research, marketing, and PR capabilities. She also directed the research department at Kantar Retail, leading projects to support category and brand growth initiatives for CPG clients. Tara can be reached at tara@kateskesler.com.

(The article includes excerpts from the book Bridging Organization Design and Performance: Five Ways to Activate a Global Operating Model, Wiley, 2016.)