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# DECIDE & DELIVER

5

STEPS

*to*

BREAKTHROUGH

PERFORMANCE

*in* YOUR

ORGANIZATION

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Breakthrough  
Performance in  
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With John Case and Jenny Davis-Peccoud  
Bain & Company

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# 1

## Decisions and Results

*Trevor Gregory was frustrated. A senior executive of ABB UK, the British division of the big Zurich-based power technology and automation company, Gregory was racing to put together several critical bids for clients, including the Channel Islands electricity grid, London Underground, and National Grid. The opportunities played to all of ABB's strengths as a global engineering colossus—they required technologies, project delivery, and services from several parts of the company. Few competitors could match these soup-to-nuts offerings. The contracts would mean hundreds of millions of dollars in revenues for ABB over many years.*

*But instead of cruising through, Gregory was bumping up against one organizational obstacle after another. The company seemed to reinvent the process for submitting major bids every time a bid came up, even though multi-million-dollar proposals like these were regular events. Worse, each of ABB's units had its own profit targets and set its own transfer prices, including a margin acceptable to*

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*that unit. By the time a bid got through the chain of ABB units, the end price was often too high to be competitive. Gregory and other managers then faced an exasperating choice. They could go in high and lose the business. They could walk away without bidding. Or they could invest blood, sweat, and tears in trying to pull the bid together, piece by laborious piece.*

*These opportunities are really important, Gregory thought to himself. We've got to make them happen. But he dreaded the arduous internal negotiations required to assemble the bids. Why on earth, he wondered, didn't his company work better? Why wasn't it set up to make good decisions on a routine basis for the benefit of the whole business?*

**T**HIS BOOK IS ABOUT how to fix decision failures like the ones that plagued ABB. It's about how to create an organization that hums—one that can make and execute good decisions, faster than the competition, and without too much (or too little) time and trouble.

ABB's situation was particularly severe, as we'll see in a moment: its decision failures led it to the brink of bankruptcy. But most failures are chronic rather than acute, and they show up in many companies, not just those that are courting insolvency. The signs are familiar. Decisions take longer than they should. They are made by the wrong people or in the wrong part of the organization or with the wrong information, and so turn out badly. They aren't made well, because no one is sure who's responsible for making them, or because the organization has created structures or incentives that virtually guarantee a poor outcome. Sometimes, of course, decisions *are* made, maybe even in a timely fashion. But then they are badly executed. Or else the debate starts all over again and they are never executed at all.

No company can live up to its full potential unless it can decide and deliver. Good companies can't become great. Troubled companies can't escape mediocrity. And it isn't just financial results that suffer. Organizations that can't decide and deliver are dispiriting to their employees. From the C-suite to the front line, people feel as if they're stuck in molasses or trapped inside a *Dilbert* comic strip. Aggravations and absurdities abound. The European division of an American automaker, for example, repeatedly lagged behind competitors in bringing out new features on its cars. The reason? Marketing thought it was in charge of deciding on new features. Product development thought *it* was in charge. The two functions had different incentives—marketing's were primarily on sales, product development's on costs—and so could never agree. Every proposal had to be thrashed out in long, contentious meetings. It isn't hard to imagine how the people in these functions—indeed, pretty much everybody in the organization—felt about coming to work in the morning.

But things don't have to be that way.

For more than twenty-five years, the three of us have consulted to organizations of all sorts. Our clients have included large multinational corporations, entrepreneurial ventures, research universities, and nonprofit institutions, and we have worked with leaders at every level. Despite their differences, we noticed, all these organizations share one consistent trait: when they focus explicitly on decisions, the organizations learn how to improve their performance. As their decision making and execution get better, so do their results. They can pull themselves out of the kind of downward spiral that ABB was caught in. They can create great working environments, which in turn attract the kind of people who get things done. They build the organizational capabilities to decide and deliver time and time again, in every part of the business. That, we saw, is the key to sustainable performance.

Over time, we worked with enough organizations that we began to see how to systematize this approach to decisions and performance, how to map it out and capture it in a sequence of steps. We conducted a series of research studies to validate and

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extend these insights. We published many of the ideas in *Harvard Business Review* and elsewhere and then refined them in light of feedback we received from executives. (See, for example, “Who Has the D? How Clear Decision Roles Enhance Organizational Performance” and “Stop Making Plans, Start Making Decisions,” both in the *Review*’s January 2006 issue.) Eventually we began to discuss writing a book about it, so that not only our clients but also other organizations could kick-start the process—so that they could understand what’s involved and see how others have done it.

The volume you’re holding is the result. It’s for every leader—no matter his or her level in the organization, no matter the size of the group he or she runs—who wants to improve how people make and execute decisions and thereby improve results. We’ll show you how to assess your decision difficulties and then how to attack them. We’ll outline the steps required to build an organization that can truly decide and deliver, and we’ll suggest some tools that will help you along the way. We’ll tell stories of companies that have dramatically improved their decision making and execution, and we’ll talk about others that are well along on the journey.

Let’s begin by examining what really went on at ABB, and how the company pulled itself back from the edge.

### **ABB’s road to success**

For much of the 1990s, ABB looked like the very model of a modern corporation. Its CEO, Percy Barnevik, was hailed as a visionary. Barnevik, said management writer Tom Peters, had created “the most novel industrial-firm structure since Alfred Sloan built ‘modern’ GM in the 1920s.”<sup>1</sup> ABB had some five thousand profit centers, each with its own leadership team. An intricate matrix-management system linked the profit centers to one of sixty-five business areas and to country organizations around the globe.

ABB’s economic performance at first seemed to justify the accolades. Beginning in 1997, however, the company began a long

downhill slide. Over the next five years, its profitability plunged, its debt skyrocketed, and the value of its shares collapsed. By late 2002, the company was literally forty minutes away from filing for bankruptcy. People throughout ABB were stunned. What on earth had happened to the company that was supposed to be the shining star of the new global economy?

In truth, ABB had a litany of problems. In 1990, it had acquired Combustion Engineering, an American company that turned out to have large potential liabilities from asbestos litigation. Later in the decade, ABB's leaders were caught up in the dot-com craze; they began channeling investment away from the company's core and into speculative ventures. ABB even became embroiled in a bitter public controversy over the pension packages of a former chairman and CEO.

Like other global companies, ABB might soon have wrestled these issues to the ground. But there was another and ultimately more devastating challenge lurking below the organizational surface. As Trevor Gregory knew, the company simply wasn't set up to make good decisions on a routine basis. It couldn't act quickly. It couldn't execute well. If you had peered deeply into its inner workings at the time, you would have seen a kind of systemic decision failure, with roadblocks and potholes dotting the organizational pathways. People were snared in traps that they couldn't escape.

The lack of good information on pricing and margins, for instance, made it impossible for managers even to know which potential contracts would offer an attractive return for ABB, let alone put together a bid. How could they possibly make good decisions about which opportunities to pursue? Overall, the company was structured into a complex labyrinth, with thousands of units operating on their own. Many of these local entities controlled factories and thus did all they could to sell the products those factories made, even if that meant discouraging customers from patronizing other ABB units. Some country managers pursued acquisitions that helped their own businesses but didn't help ABB as a whole. The thousands of profit centers at ABB may have enhanced people's feelings of ownership and accountability for



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individual units' performance. But the coordination and motivation required to optimize the company's overall performance was missing.

These decision failures grew more severe over time. The company made more and more acquisitions, often failing to integrate them into its matrix system. Some managers began to gripe that they had three, four, even five bosses and had to get approval for major decisions from each one. With so many decisions requiring intensive negotiations, internal politics grew bitter. No one seemed able to turn things around.

And then, at last, things began to change.

In September 2002, Jürgen Dormann took over the leadership of ABB. A former CEO of Hoechst and chairman of Aventis, he moved quickly. He sold noncore assets to raise cash. He negotiated a new credit facility. He created a trust fund to settle the asbestos claims.

Most important, he began to rebuild ABB's organization so that it could again make and execute good, speedy business decisions.

Dormann and his team restructured the company, consolidating its remaining businesses into two divisions and just twenty-eight business areas, down from sixty-five. They centralized profit-and-loss accountability. They eliminated an entire management layer, streamlining decision processes. They simplified transfer pricing and required full margin transparency. Under Dormann, ABB's market and country organizations began to operate according to what the company called demand profitability: they would henceforth focus not on what they could sell from their factories, but on what they could sell to *customers* in their areas, regardless of where in ABB the product might be made. Thanks to all these measures, managers could make decisions that benefited ABB as a whole, rather than just one part of it.

But Dormann knew that those changes by themselves wouldn't be enough. ABB also needed a strong, focused organization that helped and encouraged people to make good decisions and execute them well. It needed an environment that liberated managers and employees from the silos they had worked in, that freed them

to make decisions benefiting the company as a whole. Everywhere in the organization, ABB would need individuals who were able and willing to make those decisions.

So right from the beginning, Dormann built a tight, cohesive leadership team aligned around a set of clear, well-understood goals. He pushed the organization to adopt three simple values—responsibility, respect, and determination—and sponsored discussions of what those values meant in practice. His team spelled out which decisions would be made by headquarters (relatively few) and which by the divisions and business units; executives then promoted people who were committed to the new approach and who could actually make the necessary decisions. HR director Gary Steel led an initiative for a new, frugal culture, ultimately saving the company about \$1.2 billion as people began factoring cost considerations into more of their decisions. Steel also revamped ABB's incentive system, putting most managers on a bonus scheme tied to a group scorecard. That, too, prompted decisions aligned with the company's interests.

By 2007, ABB was fully back on track. It was profitable. It had cash in the bank. Its share price and market value had grown more than fivefold in the previous four years. It was hit by the economic downturn, of course, but by late 2009 was climbing back. Not surprisingly, leaders who lived through the turnaround tell the story from different angles. Steel emphasizes the culture shift; another executive talks about customer focus and leadership; a third emphasizes restructuring and operational excellence. But the theme that ran through all those changes, the thread that linked them one to another, was that all contributed to eliminating the decision barriers that had hamstrung the company. As the turnaround progressed, ABB developed a new capability—the ability to make and execute the decisions that produce great performance, day in and day out. In short, the ability to decide and deliver.

Gregory, now the U.K. and Ireland CEO for ABB, summed it up for us. “The changes we went through back then gave this business an opportunity to fly,” he says. “And it has flown.”

## Decisions matter

ABB's experience illustrates a simple and uncontroversial premise that is the starting point for this book. Decisions matter. They are to an organization what cells are to an organism: the basic building blocks. An organization's performance relative to its competitors is no more or less than the sum of the decisions it makes and executes. Better, faster decisions and better, faster execution naturally produce better results than do poor, slow, or badly executed decisions.

That's probably obvious to any executive, and there's evidence for it all over the business world. Asahi decides to introduce new "dry beer," while market leader Kirin and other competitors remain focused on traditional products. Asahi gains significant market share and is able to compete for the number-one spot in the Japanese brewing industry. Netflix offers customers the convenience of movies by mail for one flat monthly fee. Blockbuster is slow to respond—and when it later decides to compete head-on with Netflix, Blockbuster has to play catch-up. The U.K. retailers Tesco and Sainsbury, fierce competitors, both decide to launch a line of private-label products in the 1990s. But Sainsbury's positioning is confusing and its packaging unappealing; Tesco executes better, in these and in many other areas. Tesco pulls ahead, and its shareholders are handsomely rewarded.

The connection between decisions and results is intuitive; it's also supported by data on decision effectiveness that we gathered from more than 750 companies around the world. We'll discuss the implications (and limitations) of that data in chapter 2. For now, we note just two points. First, in every industry and country we studied, there is a high correlation between an organization's decision abilities and its financial results. Good decisions, made and executed quickly and effectively, go along with good performance everywhere. Second, there's an equally strong correlation between decision effectiveness and employees' attitudes. We asked people how likely they would be to recommend their company as an employer to a friend or relative, which is one of the

best ways to learn how people really feel about their organization. The scores are far higher for companies that are best at making and executing decisions.

### **How this book is different**

Nearly everyone would accept our premise about the connection between decisions and results. But here's the rub: surprisingly few companies look systematically at what gets in the way of good decision making and execution. And few take the actions necessary to improve how they make and execute their most important decisions.

The signs of this disconnect are all around us. Most organizations, for example, have never assessed their decision capabilities. They lack a reliable way to tell how good or bad they are at decision making and execution relative to competitors and peers. Nor do they know whether they are improving their ability to decide and deliver over time. Many companies invest millions, of course, in fixing organizational issues. But without knowing whether those investments improve decision abilities, it's difficult for companies to gauge whether they are likely to generate better financial performance.

### **A comprehensive approach to decisions**

Some companies do try to address decisions directly. But even these companies often tackle only part of the problem. For instance, they may focus only on the quality of their decisions, without worrying about how much time each one takes. Yet speed can be as important as quality in determining a company's overall decision effectiveness. Execution is equally important. Larry Bossidy, who has been CEO of both Allied Corp. and Honeywell, and coauthor Ram Charan rightly emphasize in their book on the subject that companies need processes and tools to ensure that things actually happen.<sup>2</sup> But a decision approach takes us a step further.

It ensures both that the decisions an organization makes are actually worth implementing and that the organization helps move every individual decision from “made” to “executed.”

There’s another partial approach that some companies pursue as well. They concentrate on the big, strategic decisions made in the executive suites, devoting considerable management attention to ensuring that these decisions are made well. They pay far less attention to improving the day-to-day operating decisions made by middle managers and frontline workers. Yet some decisions in the latter category may be just as important to success, perhaps even more so. Sales reps’ decisions about discounts and terms, marketing managers’ decisions about promotions and ad placements, procurement specialists’ decisions about how much to pay for parts and components—for some companies, getting all these decisions right can add hundreds of millions of dollars to the bottom line.

So we want to introduce a new way of thinking. We want to look squarely at decisions, and we want to look at every element of decision effectiveness, including execution. We want to help you identify your organization’s most important decisions wherever they may be, assess them, and make them more effective from start to finish.

### Organizations, not just individuals

This book is also different in another way. It looks not just at how well *individuals* make and execute decisions, but also at how much *organizations* help or hinder people in doing so.

Much has been written on decisions in recent years. Current research has shed light on how biases in the human brain affect the way an individual makes choices. Malcolm Gladwell’s *Blink* and Dan Ariely’s *Predictably Irrational*, for example, have helped many people understand these built-in biases.<sup>3</sup> Other research has examined how teams can make better decisions by avoiding groupthink and other impediments and by incorporating a diversity of views that can then be vigorously debated. And several recent books have

described new methods and systems for improving decision processes. *Competing on Analytics*, by Thomas H. Davenport and Jeanne G. Harris, shows how companies can use sophisticated software and analytical procedures to help leaders make better decisions.<sup>4</sup> James Surowiecki's *Wisdom of Crowds* describes methods for tapping the collective knowledge of large groups.<sup>5</sup> Companies applying such methods often report significant improvements in the way they make important decisions.

Valuable as these approaches are, however, individual and team-based approaches regularly run into an insuperable barrier: the organization. After all, every decision in business is ultimately made and carried out within the context of an organization, often a large and complex one. Even if individuals and teams have honed their decisions skills and developed innovative decision processes, the organization can stop people in their tracks. Consider ABB. The managers of each unit Trevor Gregory had to deal with may have been highly skilled decision makers. But those managers still made decisions designed to maximize their own units' profitability, because of flawed transfer-pricing information. The decisions still reflected the every-unit-for-itself culture that ABB had cultivated, and they still ended up harming the company as a whole.

It isn't just seriously troubled organizations such as pre-Dormann ABB that impede good decision making and execution. Take Lafarge, the French building materials giant. Lafarge has long been a superior performer, one of the most respected companies in its industry. And when new CEO Bruno Lafont took the reins in January 2006, he mapped out an ambitious plan for growth. Implementing that plan fell to operating executives such as Gérard Kuperfarb, copresident of the company's Aggregates & Concrete Division. In the past, Kuperfarb's concrete business focused on Lafarge's traditional markets, including France, the United Kingdom, and the United States. Now it set its sights on expanding aggressively in the developing world. To get there, Kuperfarb knew, the division had to beat its principal competitors—local independent operators—by ensuring world-class execution at every

site. It also had to capitalize on Lafarge's global scale by rolling out a common operating model, including, for example, new value-added products such as quick-set concrete, to all its local operations.

But Lafarge's concrete organization wasn't yet tuned to this level of performance. One problem: decision authority wasn't necessarily in the right place. In some areas of the United States, for instance, truck dispatching was handled by regional managers responsible for large geographic areas. Site managers often felt that they could make better dispatching decisions themselves because they were closer to customers and more familiar with local conditions—but they didn't have the authority to do so. A second problem: the company was organized differently from one country to another. When it came time to roll out value-added products across the entire organization, different people in each market organization were likely to have responsibility for key issues such as sales training. That didn't make for easy, seamless rollouts. Finally, Lafarge had layer upon layer of support functions—organizations within the company that were widely perceived as bureaucratic and resistant to change. All of these issues could stymie Kuperfarb's vision of global expansion.

### Our message

The central message of the book is this: you can't consistently improve decision making and execution in a company without looking at the entire organizational system. You need to build an organization that supports and encourages decision making and execution rather than one that erects barriers. You need an organization that enables individuals and teams, day in and day out, to *use* the skills and procedures that make for great decisions. You also need an organization that can regularly and effectively execute those great decisions if you hope to deliver great results.

At first glance, building such an organization might seem like a tall order. You would need to reexamine the organization's

structure—the first stop for many frustrated executives—to see if it facilitates good decisions. You'd want to inspect the roles involved in major decisions to be sure that they are properly defined and clear to all. You would certainly look at decision processes and the flow of information, and you would need to know whether you have people with the necessary skills and motivation in positions where they can make and carry out the important decisions. You'd also assess your performance measurements and incentives—do they help or hinder individuals' ability to make and execute good decisions, and to do so quickly? And, of course, you would scrutinize your organization's cultural norms and values, the everyday assumptions that govern how people act. Do leaders model the behaviors that reinforce good decisions? Do people in the organization emulate those leaders?

While such a holistic approach can sound daunting, it is the key to success. And decisions offer a practical point of entry to what would otherwise be a large and potentially overwhelming task. Once you shine a light directly on decisions, the organizational obstacles and bottlenecks suddenly show up in stark relief. You can see adjustments that will help you make your most important decisions better and faster. You can see what else in the organization needs to be changed to sustain good decision making and execution, and you can begin fixing that. Over time, you can embed the changes in the way the organization works. And you can gauge your progress by assessing your decision effectiveness before and after.

Lafarge's Aggregates & Concrete Division, for instance, implemented a series of measures designed to facilitate better decision making and execution. It eliminated layers and simplified reporting lines. It clarified the roles managers played in key decisions. One of the most important changes was to push many decisions out to people who could make better choices and execute them faster. Dispatch and pricing were now handled at local sites. Only a few of the critical decisions, such as geographic investment priorities and capital expenditures, remained the province of senior leaders. Thanks to such measures, the division trimmed overhead



costs and improved effectiveness, raising its operating profit from 7.4 percent to 9.5 percent. It increased its share of value-added products from a very low level (except in France) to an average of about 30 percent worldwide. And it achieved its goal of expanding into developing countries, with emerging markets accounting for 50 percent of sales in 2009 compared with 10 percent five years earlier. These changes helped Lafarge weather the downturn better than many of its competitors.

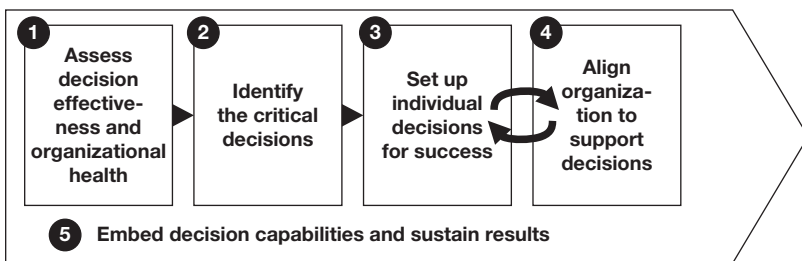
### Five steps to better performance

Our plan of attack for improving decision effectiveness includes the following five steps (figure 1-1). We'll devote a chapter to each.

1. *Assess your decision effectiveness—and how your organization affects it.* It's hard to improve until you know where you're strong and where you're weak. Maybe your organization typically makes good decisions, for example, but takes too long to do so. Or maybe the real bottleneck is translating decisions into action. Chapter 2 defines what we mean by decision effectiveness and describes our research into how companies can assess it. Using the information we gathered as a kind of diagnostic database,

FIGURE 1-1

#### Five steps to improving decision effectiveness



you can create a “decision scorecard” showing how you stack up against competitors on each dimension of decision making and execution. You can also develop an organizational scorecard to indicate which elements of your organization are the greatest barriers to decisions.

2. *Identify your critical decisions.* People in any large organization make millions of decisions. But in our experience, more than 80 percent of most companies’ value is tied to less than 20 percent of the decisions its organization makes and executes. Since you can’t focus your attention on every decision, it makes sense to concentrate on those that are most important. Some of these critical decisions are obvious—they’re the major strategic choices that typically involve allocating large amounts of resources. Others are daily operational decisions that cumulatively create (or destroy) a lot of value. Chapter 3 shows you how to lay out your “decision architecture” and identify your most important decisions, those that carry the most value. It then shows you how to X-ray these critical decisions to understand the trouble spots and prepare to address them.
3. *Redesign individual critical decisions for success.* With your critical decisions identified, you can begin applying best practices to those that are most in need of improvement. Does everyone understand exactly what the decision is? Are all the roles clear to everybody? Is the necessary information available at the right time, and are the procedures for decision making and execution well defined and well understood? Does everyone know the timetable? It’s often amazing how much progress organizations can make simply by applying time-tested decision tools and techniques to their most important decisions. Chapter 4 shows how.
4. *Ensure that the organization enables and reinforces great decision making and execution.* Fixing individual

decisions is a start. But it rarely solves the whole problem, because the real trouble often lies outside the mechanics of any one decision. Sometimes, the organizational structure makes it impossible for decision makers to act quickly. Sometimes, the style of decision making slows things down—too great an emphasis on consensus, say. View the entire organization through the lens of your critical decisions, as we do in chapter 5, and you'll see barriers and potholes that you might otherwise have missed. Then you can eliminate them, one by one.

5. *Embed the changes in everyday practice.* Once on the path to decision effectiveness, companies find all sorts of ways to make the changes stick, as we'll see in chapter 6. They celebrate good decisions and reward the people responsible. They build a common vocabulary of decision effectiveness. They create tools for redesigning individual decisions and embed new decision capabilities through coaching and training. They stay focused on the decisions that carry the greatest value, which means that the new approaches will have a significant impact. Not surprisingly, these companies closely track and monitor their performance—and they continue to adjust the organization so that it reinforces good decision making and execution over time.

Implementing these five steps may be a big job or a modest one, depending on your organization's situation. But we don't recommend omitting any one of the five. Each is essential to success.

## The payoff

In many years of work with clients, we have noticed that the highest-performing organizations have a distinctive look and feel about them. It's true of present-day ABB, Lafarge's Aggregates & Concrete Division, and many others that we will describe in this

book. The people in these organizations—and it doesn't matter where they sit—*know* how to decide and deliver. They intuitively understand which decisions are most important. Executives and frontline workers share a common vocabulary and set of expectations about how to make and execute those decisions. People know how to collaborate across the organization to make decisions that benefit the business, and they are able to respond quickly and flexibly to changing circumstances. If some element of the organization—its incentives, its processes, or something else—is getting in the way, the leaders work hard to change that element. The result is continuous improvement, but not in the usual sense of the term. These companies continuously improve their decision effectiveness and thus their performance.

Decision effectiveness, in short, is a path to a better organization, one that accomplishes what it sets out to do and that liberates rather than oppresses the people who work for it. If your company understands which decisions are critical to its performance, if it can make them better and faster than the competition, if it can execute them more effectively, well, then we're right back where we began this chapter, with the connection between decisions and results. Making a step change in your decision capabilities should, over time, provide a sustainable competitive edge, create enormous value for shareholders, and help turn your organization into a great place to work.



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# DECIDE & DELIVER

**NO COMPANY CAN LIVE UP TO ITS FULL POTENTIAL** without being able to decide and deliver. But all too often, troubled organizations get bogged down in layers of process. People in these organizations don't decide, they dither. When decisions do get made, they often turn out to be wrong or difficult to put into action. Financial performance suffers, employees feel dispirited, and work grinds to a halt.

But it doesn't have to be this way. Decisions can become the driving force in your organization. *Decide & Deliver* offers you a fresh lens on organizational performance and tools for systematically making and executing smart decisions at every level. Based on Bain & Company's global experience and research, this book presents a framework to:

- ◆ Assess your organization's decision effectiveness
- ◆ Diagnose when and where decisions have the most impact
- ◆ Ensure that your organization enables and reinforces great execution

Packed with examples and practical advice, *Decide & Deliver* is your guide to becoming a decision-driven organization.

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