

H4 Consulting Brief

Decision Rules

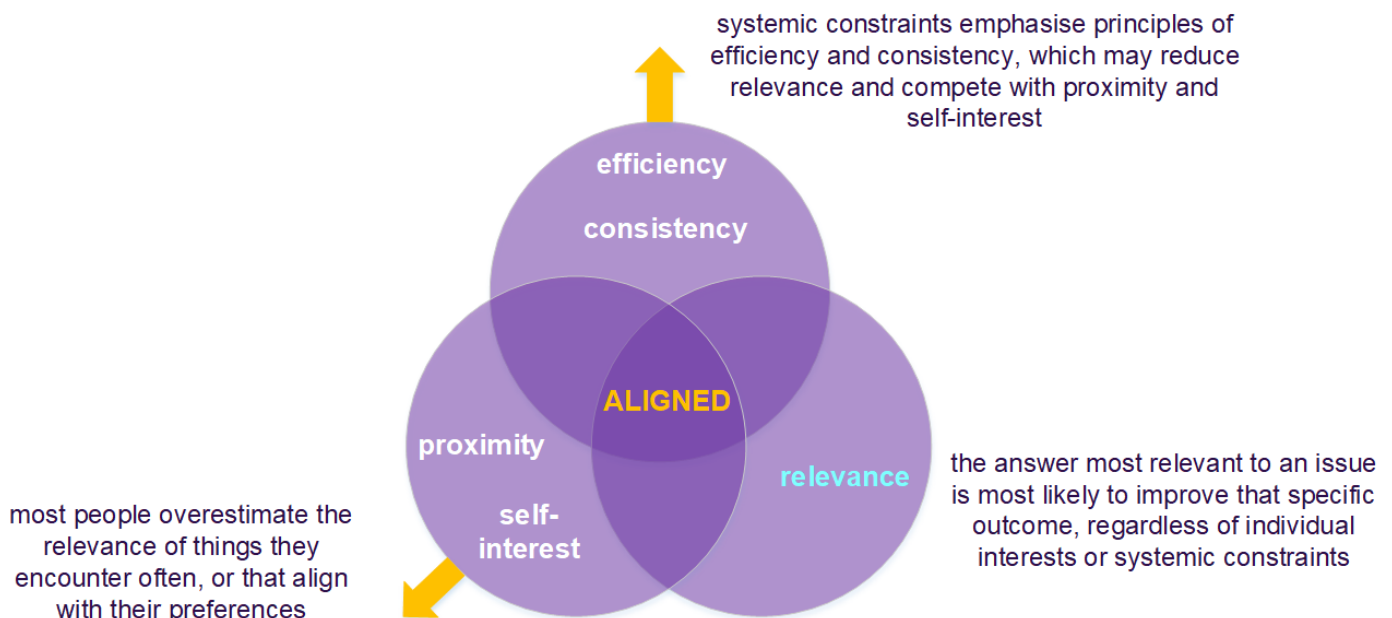
Many people in publicly funded organisations feel frustrated by the friction caused by decision rights being concentrated in the wrong places. Outcomes often seem poorly defined and many of the people with the authority to act can send the bill to someone else, while someone else again gets the blame if it does not work out. This misalignment can lead to inefficiency, ineffectiveness, and a lot of organisational friction.

One way of reducing friction in the public value chain is to figure out the right place in the organisation for a particular type of decision to be made and then to organise authority, resource allocation, and accountability around that place.

Five simple decision rules can help to identify the best place in an organisation for people to make a given decision. The starting assumption is to maximise relevance, with decisions being made as close as possible to the point of implementation.

The other four decision rules are reasons why we might retreat from that starting point, and trade off relevance for some other benefit. We might apply system controls to improve efficiency and consistency, for example, or to encourage decision makers to focus on longer term outcomes.

Relevance: making decisions as close as possible to the point of implementation ensures that solutions are relevant to the circumstances, and so have the best chance of being effective.



Efficiency: making a decision 1000 times is less efficient than making it once and implementing it 1000 times. Extra thinking and inventing of wheels is costly, particularly if decisions end up being very similar.

Consistency: certain types of decisions must be consistent, such as eligibility criteria for a program or allowance. Too much local discretion can compromise the value we place on equity.

Proximity: people tend to focus on the things that are closest to them in space and time, like the client in front of them. Workers will be tempted to trade-off longer term problems, like routine maintenance, to deliver more immediate value to the client.

Self-interest: people tend to prefer actions that serve their personal goals and values. It's usually easier to create incentives that align self-interest with the public good than to persuade people to act against their perceived self-interest.

Where a decision maker perceives the right action as being simultaneously relevant, efficient, consistent, proximal, and aligned with their self-interest, they will be willing and happy to follow their instincts to the right answer. Structuring our organisations to focus authority for each type of decision in the place that best balances these decision rules will lead to organisations that work better, and feel better too.

To find out more about how you can use this approach in your organisation, contact us: info@h4consulting.com.au
Find additional resources at www.h4consulting.com.au/resources