



**ACHIEVING ORGANIZATION AGILITY THROUGH
DECISION RIGHTS AND GOVERNANCE**

AUTHOR: BOE YOUNG AND MITCH GALLOWAY



GALLOWAY
experience • results • value

ORGANIZATION STRUCTURE AND DECISION RIGHTS

Proper organizational structure is one of the most critical enablers to any successful strategy implementation – but it is only one part.

Clarity in decisions rights – who gets to decide what – and the **governance processes** that support those decision rights – are fundamental to nimble executive management and allowing the organization structure and strategy implementation to work as designed. Often, it is more important than organization structure itself.

All organizational design elements - structure, culture, strategy, infrastructure, people and competencies must be coordinated and synchronized for the design to work as intended. When one element changes, it has a corresponding impact on the others to include the organization structure. This idea is represented in the visual diagram below.

The dynamic nature of your business, the need to constantly adjust operational strategies and the interrelated nature of organizational elements leads to a simple conclusion: **Every organization is perfectly designed - - to achieve its previous strategy.**

In other words, organization design must evolve with the changing strategy and as part of this, the structure has the potential to become obsolete as soon as the strategy changes.

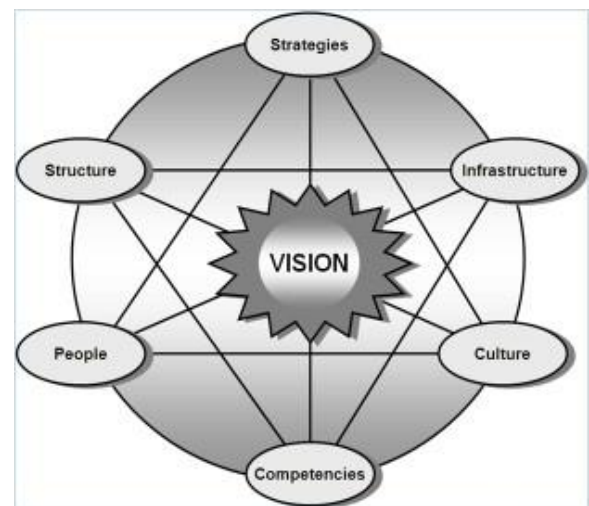
We see a bias to believe that altering the structure alone will have a profound impact on performance, efficiency, culture and competence. Some companies spend an inordinate amount of time tweaking organization structure as a primary method of responding to market dynamics.

But what we often see is the opposite; rather than creating a new-found synergy, what occurs is a level of turmoil, as those most directly affected by new reporting relationships work to reestablish relationships with their new counterparts or senior executives who jockey for more direct reports since for them status equals structure.

To create **true agility**, companies must look beyond just structure. We find the best organizations are those that focus less on the boxes and the lines. What many organizations hope to accomplish by changing the organization structure is in fact better achieved by leaving the core foundation of structure intact and placing more organization emphasis toward two items:

- **decision rights framework** – a clear guide for who makes what decisions about which issues – those that decide, those that have input and those that govern
- **governance infrastructure** – establishing simple business rhythm and structure that is consistent across organizations, that formulates guidelines for how information flows and establishes a hierarchy for moving issues across decision forums, which in, helps accelerate strategy implementation

Decision rights and governance processes provide organizations agility that can be difficult to achieve by moving other organizational levers.



Source: Dr. Robert Miles, *Big Ideas to Big Results*. This model shows the interconnected nature of the main elements that exist in organization design. The elements must remain in balance for the organization to be effective; as one changes, the others should adjust

DECISION RIGHTS FRAMEWORK

The concept of decision rights is easy to grasp. Often, however, there is a lack of specificity among senior executives when one dives into specifics. We find it common that a simple question such as “who has the authority to discipline and fire Employee X”, is often met with odd silence, followed by conflicting answers. Of course, all organizations have Position Descriptions, but most only superficially address levels of authority in a way that adds precision.

Dyads and dotted line relationships that imply authority – common in healthcare organizations - look elegant on paper but are destined for inconsistent application without clearly defined decision rights.

To help **clarify decision rights**, we created a tool that generates a multi-dimensional matrix around each position, identifying **friction points** around three constructs:

- the things people will decide (policy, process, programs)
- the things decisions will impact (people, strategy, resources)
- the level of authority (decider, governance, input)

To clarify the level of authority, each definition can be tailored for your organization, but it should provide clear distinction between who has the final decision-making authority. Failure to make effective decisions quickly will negatively impact your performance, regardless of your people, resources or strategies. A future paper will talk more about the actual tool we use.

GOVERNANCE INFRASTRUCTURE

Regarding process governance, each organization has existing committees, forums, and councils charged with executing various aspects of strategy, growth and operations.

What we often see is one or more of three things:

- first, these forums operating in an independent manner, so entrepreneurial that they do not produce output that is particularly useful for the common good; or
- second, ones so disjointed that their output is activity, not results.
- third, lack of mapping them together so that they remain desynchronized and non- supporting

Ideally, each has a rhythm that supports the overall business rhythm. The most effective clients are those that blend a streamlined organization structure with an innovative, cohesive group of task force like entities – that change as needed - to move ideas and initiatives through the organization. Sometimes it is not easy to accomplish.

But this is where emphasis can add to organizational **agility**. It is easier to adjust the composition of these sub-entities than to adjust the main organizational structure.

The limits of authority need to be clear and a Decision Rights Framework for these groups should be created to avoid potential conflicts. For example, it is highly likely that the physician leadership group could have overlapping issues with a strategy or operations forum. The same friction could exist between campus level medical committees and the regional or corporate entities. Documenting these processes is only one part; communicating how these changes will work to stakeholders in the organization is just as important.

The goal of the process is to define the authority at each level of leadership to make designated decisions to reduce uncertainty and bottlenecks and empower individuals at the appropriate levels in the organization.

This in turn will increase employee engagement and speed and ensure your structure is most responsive to changes in the business dynamic.

It is important to remember that decision rights and governance improvement are tactical responses. **The introduction of a new strategy requires adjustments in all the other organization design elements; failure to do so is managerial negligence that will trigger resistance across the organization.** We can design the perfect supporting tactics but without full alignment across the design construct we are only ensuring that improved decision rights and governance makes a substandard organizational design wobble like a substandard top.

In summary the friction points and inefficiency that organizations often try to solve by reorganization, can be more efficiently and quickly resolved with a tough review of decision rights and governance. It is not as glamorous as redrawing the organization chart, but it usually results in a more effective solution, providing more organizational stability and the flexibility needed to respond to the day to day pace of business.

MEET OUR EXPERTS



Boe Young is the Chief Operating Officer and Executive Vice President with Galloway and has personally led new CEO/senior executive transitions in five private and public-sector organizations. He was the founding leader of the Army's 75th Innovation Command, designed to accelerate private sector innovation and technology into the military. He also was the senior army representative for the Defense Innovation Board, the DoD's leading institution for driving disruptive innovation inside the DoD. He has commanded a battalion in combat, has two master's Degrees, including an MBA from Goizueta Business School at Emory University, and over 25 years of senior executive profit and loss experience. He was a Major General in the US Army Reserve where he commanded the Army's largest organization for training senior executives and their teams to perform in a cohesive, synchronized and effective manner and served as the Reserve's senior human resource executive for over 200,000 individuals. He has worked with leading healthcare organizations on organization restructuring, strategy implementation, governance, performance improvement, efficiency and executive leadership.



Mitchell Galloway is the CEO and co-founder of Galloway Consulting and built his reputation by helping healthcare executives transform their organizations, often achieving landmark results on seemingly impossible timetables. Among the country's foremost authorities on organizational strategy, he takes the lead role with our clients, rapidly diagnosing the challenges they face and prescribing innovative, timely, and effective responses. His analytical expertise and fearless candor has earned him the confidence of decision-makers across the healthcare industry, from small, rural hospitals to multibillion-dollar corporations.

Mitch has been in the healthcare business for his entire thirty-five-year career, starting his first consulting business 28 years ago. He has built and led several companies over the years that all focused on helping healthcare executives drive significant improvement in their organizations. He has an MBA from Emory University's Goizueta Business School, where he achieved the #1 class ranking and was recognized as the Outstanding Graduate Student in the field of Organization and Management. He has a Bachelor of Science in Health Systems from the Georgia Institute of Technology.