

WHO DECIDES · CHAPTER FIVE

What a Late Yes Costs

The cost of a late decision can be counted, but only from records a firm already keeps and by rules agreed in advance.

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THE LICENCE

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Chapter Five of Who Decides. The whole book, with every chapter, is at business.hautelumiere.life/library/who-decides (DOI https://doi.org/10.5281/zenodo.23989215).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

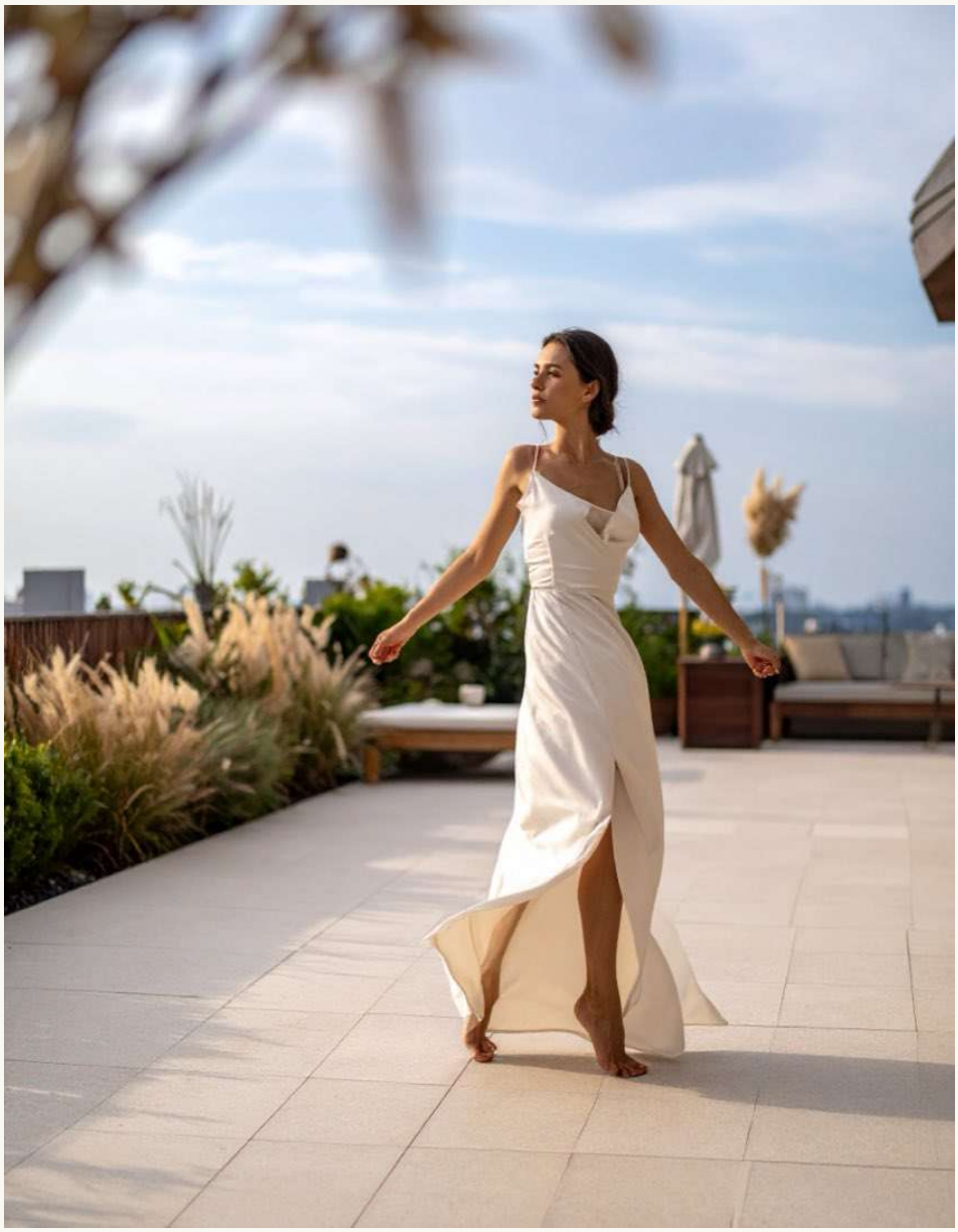
ABSTRACT

The cost of a late decision can be counted, but only from records a firm already keeps and by rules agreed in advance. It is half past five on the last Friday of March, and the chief operating officer of a regional insurer has the decision log open on the screen in the small meeting room by the claims floor. The blinds are half down against a low sun. The log is a spreadsheet the convenor of a working group has kept since the first week of January, and it has one row for every decision of any consequence that crossed the operations leadership in the quarter: a hundred and forty rows. Each says what was decided, when it was first raised, when it was decided, who decided it, and whether it has since been reopened. Nobody had kept such a list before.

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Half past five, the decision log

It is half past five on the last Friday of March, and the chief operating officer of a regional insurer has the decision log open on the screen in the small meeting room by the claims floor. The blinds are half down against a low sun. The log is a spreadsheet the convenor of a working group has kept since the first week of January, and it has one row for every decision of any consequence that crossed the operations leadership in the quarter: a hundred and forty rows. Each says what was decided, when it was first raised, when it was decided, who decided it, and whether it has since been reopened. Nobody had kept such a list before.

Across the table the finance director has a printout of the same sheet and a pencil. She has drawn a line under the twenty longest waits. The longest is a change to the way small water-damage claims are approved, raised on the ninth of January and decided on the twenty-first of March, and in the column the convenor added for notes it says *agreed in principle 16 Jan; waited for sign-off.* The chief operating officer looks at that row and feels the same heat at the back of his neck he felt in January, when he first heard the change described and thought, then, that it was obviously right.

He is a composite, drawn from the way such reviews are described in the research below and in the house's own practice, and no insurer is meant. The finance director asks him the question he has been expecting. What is it worth? He is tempted, for a moment, to multiply something by something and give her a large number. He does not, because he knows she will ask him where each part of it came from.

Ammanuel Santa Anna's canon describes the cost he is looking at in a passage about trust that names its price without inventing one:

> *In organizations with low collective trust — which is to say, in most soul-depleted organizations — everything takes longer, costs more, and produces less.*[26]

This chapter makes one claim, and it closes the argument of the four before it. The cost of slow and unclear decisions can be measured, but only by counting time from records the firm already keeps, pricing only what those records show, and agreeing before anything changes how the count will be read. A decision log kept for one quarter is both the first measure of where a firm's decisions wait and the baseline against which any gain from deciding better can honestly be counted.

Good enough, by when

The scholar who did most to describe how organisations actually decide was Herbert Simon, and his account begins with a limit. In 1955 he published *A Behavioral Model of Rational Choice*, which argued that real decision makers do not search all the alternatives and pick the best; they lack the information, the time and the capacity to compute it.[27] The following year, in *Rational Choice and the Structure of the Environment*, he described what they do instead, the behaviour he called satisficing: searching until an option is found that is good enough, and stopping there.[28] Both papers are summarised here from their long reception, and their text was not reopened for this book. Simon's work on bounded rationality earned him the Nobel memorial prize in economics in 1978. Before either paper, in *Administrative Behavior* (1947), he had made the organisation itself the subject: a firm, he argued, is a structure for dividing up decisions, deciding which premises each person decides from and which are decided for them by the people around them.[29] Read that way, every row of the convenor's log is a small piece of the firm's design, made visible.

Simon's idea is often read as a description of human limitation, and it is that. It is also a description of time. A decision has a moment at which it is needed, and a choice that is optimal but late can be worse

than a choice that is good enough and on time. The water-damage change was good enough on the sixteenth of January. Everything after that date was not deliberation. It was waiting.

That is the first thing a decision log shows, and it shows it without any arithmetic. Read down the convenor's notes column and the same phrases recur: *agreed in principle*, *waiting for sign-off*, *needs to go to the next meeting*, *parked pending*. Each marks a point at which a decision was, in Simon's sense, already made, and the firm went on holding it. The canon's book on governance gives the general form of what the log has caught: "Every hierarchical organization is, to some degree, making decisions based on distorted information." The same book notes where some of the waiting comes from, in a list of what low trust does to an ordinary week: "Meetings take longer because people are managing impressions rather than speaking truth." The log does not record impressions. It records dates. But a decision that took nine weeks from agreement to sign-off is, very often, a decision that waited for someone to feel safe enough to put a name to it.

The log adds a second sentence beside it. Every organisation is also, to some degree, making decisions late, and it rarely knows by how much.



Three hundred and fifty-eight decisions

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Three hundred and fifty-eight decisions

Speed is not the only thing worth counting, and the best-known study of decisions that went wrong is a warning against counting it alone.

The management scholar Paul Nutt spent much of his career collecting decisions made in real organisations and following what happened to them. In 1999 he summarised the work in an article whose title states its finding: *Surprising but True: Half the Decisions in Organizations Fail.*[30] His abstract describes "Studies of 358 decisions in medium to large organizations in the U.S. and Canada," and traces the failures "to man-

agers who impose solutions, limit the search for alternatives, and use power to implement their plans." Success went with the opposite habits: managers "who make the need for action clear at the outset, set objectives, carry out an unrestricted search for solutions, and get key people to participate". The tactics most prone to fail, the abstract adds, "were used in two of every three decisions that were studied."

Nutt's definition of failure, and how each decision was classified, is in the full work, which was not reopened for this book; the figure is his, and it should be read as one researcher's careful judgement across a large set of cases, not as a law. But its direction agrees with a longitudinal study published three years earlier. James Dean and Mark Sharfman followed fifty-two strategic decisions in twenty-four companies to see whether the way a decision was made affected how well it turned out, and their answer, as the literature has long summarised it, was that it did: decisions made with more careful gathering and analysis of information were more effective, and decisions shaped by political manoeuvring less so.[31]

Put those two studies beside the decision log and they say what the log must also count. A firm that measured only how long its decisions took would reward the habits Nutt found in failing decisions, the imposed solution and the narrowed search, because those are fast. Chapter 3 described the speed trap a team can fall into when every decision is treated as urgent, and a measure of speed alone would build the trap into the firm's own figures. The insurer's own log bears this out on a small scale. Of the decisions made fastest in the quarter, within a day of being raised, several were reopened within a month, because they had been made by one person on the spot without asking the people who would carry them out. Of the decisions that took longest, almost none were reopened, but that was because most of them had waited for nothing more useful than a signature. Neither end of the distribution is the target. The target is a decision made as soon as the people who know enough have been heard, by someone entitled to make it, and then left alone.

So the convenor's sheet has a column for reopening. A decision that is made quickly and unmade a month later has not been made quickly. Santa Anna's book on governance asks the same of every decision once it has been carried out: "Did the decision produce the intended results? Were there unintended consequences? What can be learned?"

What the log can price, and what it cannot

The finance director's question deserves a careful answer, because the honest answer is smaller than the temptation and much more useful.

Some of what a late decision costs is in records the insurer already keeps. The water-damage change, once made, lets claims handlers settle small claims on the first call instead of sending each one for a second approval. The claims system records when every claim was opened and when it was settled; it has done so for years. It is therefore possible to see, from the firm's own data, how long small water-damage claims took before the change and how long they take after it, and to read, from the time each handler records against a claim, how much work the second approval used to take. The days between the sixteenth of January and

the twenty-first of March are days on which that saving was available and not taken. Their cost is in the records, and it can be counted.

Other costs are real and cannot be counted from any record. The handlers who knew for two months that a simpler process had been agreed and was not being used. The customers whose claims took a week longer than they needed to, some of whom will not renew, for reasons the insurer will never be told. The team leader who raised the change and has quietly concluded that raising changes is not worth the trouble. The canon is right that these are the larger costs over time, and its book on performance is right about what follows from that: the answer is not to give up on counting, "Not by abandoning measurement — that would simply replace one form of blindness with another". The answer is to count what the records show, say plainly what they do not, and never put an estimate of the second kind into a figure that someone will be asked to sign.

Practitioners and consultancies have published figures for what slow decisions cost firms in general, and some of them are large. This chapter does not repeat any of them, because they are rarely traced to a study that measured them, and because a general figure is no use to the finance director. She does not need to know what decisions cost the average insurer. She needs to know what the water-damage change cost this one, and the claims system can tell her.

There is a discipline in that smaller answer that the chief operating officer comes to value. A figure built from the claims system can be checked by anyone with access to the system, including an auditor, a regulator or a sceptical colleague in another department. A figure built from estimates of goodwill lost can be checked by nobody, and so it will be believed only by the people who already agreed with it. The first kind of figure persuades. The second kind starts arguments, and the argument is usually about the person who produced it rather than about the decisions it was meant to describe.

A baseline in a spreadsheet

All of this could be read as a reason for caution, as though no gain from deciding better could ever be measured well enough to share. The opposite is true, and the shape of an honest measure is not new.

The house's first book on organisations, *Where the Flow Stops*, sets out [how a gain is measured in a way both sides would sign]({{BOOK:orgdev-flow}}): a baseline locked at the start from records already kept, adjustments named in advance, a second measure that would expose gaming, a calculation checked by someone with no stake in the answer, and the result shown to the people whose work produced it. That shape applies to decisions as well as to scrap, and the decision log makes it practical.

The log's first quarter is the baseline. It shows, for each kind of decision, how long it took from being raised to being made, how often it was reopened, and who made it. Beside it sit the operational records the decisions touch, the claims times, the repair times, the approval times in the purchasing system, each of

which the firm already keeps and has kept for years. The adjustments are named before the second quarter begins: a holiday period, a change of system, a surge of claims after a storm. The second measure, beside the time a decision takes, is the rate at which decisions are reopened, so that a firm cannot appear to decide faster by deciding worse. Each adjustment deserves a sentence written in advance, because each will be argued about if it is written afterwards. The storm that doubles the number of claims in a fortnight will slow every decision connected to claims, and the agreement says, before any storm, that weeks of that kind are either excluded or read separately. The new claims system due in the autumn will change how dates are recorded, and the agreement says that the old and new records will be run side by side for a month before any comparison is made across the change. None of this is sophisticated. All of it is the difference between a figure that survives its first sceptic and one that does not.

The figures are calculated by someone in finance who reports outside operations, and shown to the operations team in the same form finance sees them. Which records, which adjustments and which period are questions for each firm and the people it covers, and they are the substance of an engagement rather than a book. How a measured gain is then divided is not described here at all.

It is worth saying who this protects. A measure agreed in advance protects the people who changed how decisions are made, the team leader who raised the water-damage change, the handlers who now settle on the first call, from the scepticism of whoever reads the figure later. Without it, the gain depends on the story the chief operating officer tells. With it, the gain depends on what the claims system recorded, by rules everyone saw before they started.

The house's interest in this is stated once, plainly. Luminous Prosperity works with organisations to find the gains they already hold, where work, knowledge and decisions have stopped moving, and to share in what is found. Sharing is only honest when the measurement is, which is why this chapter has spent so much of itself on the part most discussions of decision-making leave out.



Reading the log

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Reading the log

What the chief operating officer and the finance director do next is the practice this chapter is about, and it takes an afternoon.

They sort the hundred and forty rows by the time each decision took, and look first at the slowest tenth, not the average, because the average hides the decisions that waited longest. For each of those fourteen they ask the same three questions. Who decided it, in the end? Who could have decided it, on the day it was raised, with what they knew? And what did the wait hold up, in a record that would show it? Nine of

the fourteen were decided by the chief operating officer and could have been decided by the person who raised them. Three waited because nobody was sure who owned them. Two waited for good reason, on a regulator.

Then they look at the eleven decisions that were reopened. Seven were reopened because something the person deciding needed to know had not been asked for at the start; four because the person who decided was overruled later by someone who had not been in the room. The canon's book on governance poses the question beneath both lists: "Are there decisions being made at the wrong level of the system?" The log answers it, row by row, without anyone having to argue.

They agree three changes, and they write them on one page. Small claims decisions of the water-damage kind move to the claims team leaders, who tell the chief operating officer the same day. Every decision raised to the operations leadership carries an owner and a date on the day it is raised. And the two largest programmes on the books each get a page saying what would make them pause. Before they sign anything they do one more thing, which costs nothing and changes what the log means to the people who fill it. The chief operating officer writes to the claims team leader who raised the water-damage change in January. He tells her the date it was agreed, the date it was decided and the reason for the gap, which was his own sign-off, and he tells her that the decision is now hers to make for changes of that kind. Santa Anna's book on decision-making names the failure this note is meant to prevent: "Without clear accountability structures and feedback loops, the collective intelligence of the deliberation phase can be quietly overridden by the operational preferences of a few." The team leader's change was overridden by nothing more than a queue. The note says so, and says what has changed.

Then the finance director writes a fourth line, which is the one that will matter most next quarter: what will be counted, from which records, against which baseline, with which adjustments, calculated by whom. They both sign it.

There are predictable ways this goes wrong, and Chapter 7 carries the log, the review and the measurement conversation as run sheets. The log is kept for a month and then lapses. The slowest decisions are explained rather than examined. The figure is calculated after the fact by the person whose standing it serves. And the first quarter's figures are compared with the worst quarter rather than an ordinary one, which flatters the start and punishes everything after.

Keeping the log in your own building

The chapter read one quarter of one log. The book can go further, into the finer points of keeping one, which is less simple than a spreadsheet makes it look.

Begin with what counts as a decision. The log is for decisions of consequence that cross a leadership team or travel upward: approvals, policy changes, commitments, exceptions, choices among options. It is not for

the routine work of the operation, which has its own records. A useful test is whether, if the decision were made wrongly, someone senior would expect to hear about it. In a team of a few hundred people the log usually runs to a hundred or so rows a quarter, which is enough to read and few enough to keep.

The second finer point is the date a decision was raised, which is the hardest field to fill honestly. The rule is the first written record: the email, the paper, the ticket in which the choice was first put to someone who could make it. Not the date it reached the agenda, which flatters the queue, and not the date someone first thought of it, which nobody can check. The convenor fills it from the record, and when the record is unclear says so in the notes column rather than guessing.

The third is the other columns, and they are few. What was decided, as a sentence. Who decided it. The date it was decided. Who was heard. Whether it was reopened within three months, and why. What it held up while it waited, if a record shows it. A log with twenty columns is not kept for long. A log with seven is kept for years.

The fourth is who keeps it. The convenor, a person trusted to write down what happened rather than what the leadership would like to have happened, and given an hour or two a week to do it. The log is read by the leadership weekly, in a few minutes, and reviewed properly each quarter. It is visible to the people whose decisions are in it.

The fifth is how it is read. Look at the slowest tenth before the middle, because the middle hides the waits that matter. Look at the reopened decisions beside the fast ones, because a decision made fast and reopened was not made fast. Look at who decided, and ask, for the slowest and the reopened, who could have. And look for repeated phrases in the notes, *waiting for sign-off*, *parked*, *next meeting*, because each is a place where the firm holds decisions it has already made.

The sixth is the link to the measure. The first quarter of the log, and the operational records beside it, is the baseline, and the measurement conversation of this chapter is held before the second quarter begins, with the adjustments named in advance and the calculation done by someone outside operations. If any change has already begun before the log was kept, agree the measurement for it from now and do not count the earlier improvement; that is a real cost and a small one beside a figure nobody believes.

And the decision that most changes the result is what happens to the people in the log. If the slowest decisions are used to blame the people who held them, the log will be kept less honestly every quarter until it describes nothing. If they are used, as the chief operating officer used them, to see where the firm's design makes decisions wait, the log becomes the most useful page the leadership reads. Chapter 6 places the log at the start of a ninety-day plan, and Chapter 7 gives the log, the quarterly review and the measurement conversation as a page each.

Half past five, the next quarter

It is half past five on the last Friday of June, and the chief operating officer has the decision log open in the small meeting room by the claims floor. There are a hundred and twelve rows this quarter. The slowest tenth is shorter than it was. Four decisions have been reopened.

On the table is the page the finance director signed in March. Beside it is the management accountant's sheet, which says what the claims system says: small water-damage claims are settled faster than they were, against the baseline, after the adjustment for the storm in May, and the rate of complaints has not risen. The figure is smaller than the one he was tempted to give in March. Nobody in the room will dispute it.

He closes the laptop, and the sun on the blinds goes on falling across the empty claims floor, where the last handler has just settled the last small claim of the day on the first call.

A NOTE FROM THE HOUSE

The cost of a late decision can be counted, but only from records a firm already keeps and by rules agreed in advance. Counted that way, a sooner yes is a gain two parties can share. Luminous Prosperity Inc. does this work inside organisations, and is paid as a share of the gain it helps find.

REQUEST A CONVERSATION

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