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How do you Create a Culture Where All Employees Take Accountability for Decision Making?

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How do you Create a Culture Where All Employees Take Accountability for Decision Making?

Abstract

“Organizational scholars and practitioners alike have argued that if organizations are to flourish in the volatile global environment and meet the concomitant challenges of geographic dispersion, electronic collaboration, and cultural diversity, they must become more knowledge intensive, decentralized, participative, adaptive, flexible, efficient and responsive to rapid change.” Based on research, I have found that this can be achieved through methods of increasing employee participation and empowering more employees to make decisions.

Keywords

human resources, accountability, employee involvement, employee engagement, employee culture

Comments

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EXECUTIVE SUMMARY

Research Question

How to create a culture where all employees take accountability for decision making? How to increase employees' involvement in workplace decisions even in a large company? How does a company create organizational conditions that support high levels of employee participation?

Introduction

"Organizational scholars and practitioners alike have argued that if organizations are to flourish in the volatile global environment and meet the concomitant challenges of geographic dispersion, electronic collaboration, and cultural diversity, they must become more knowledge intensive, decentralized, participative, adaptive, flexible, efficient and responsive to rapid change."¹ Based on research, I have found that this can be achieved through methods of increasing employee participation and empowering more employees to make decisions.

I. Increase Employee Participation

Research recommends approaching employees as stakeholders in the company in order to increase participation levels of workers. Stakeholders are individuals and entities/institutions who may influence or be affected by the functioning of the company: shareholders, employees, customers, pressure groups, civic institutions, etc.² To improve responsibility and accountability of a company stakeholder, organizations should: 1) increase stakeholder focus on longer-term involvement and engagement/identification with the enterprise and 2) engage stakeholders in decision making from a collective and individual standpoint.

1. Long-Term Involvement/Enterprise Identification: Establishing good dialogue between management and employees means regular strategic discussions regarding the long-term policy of the company, the strategic background of restructuring and the coherence of the different decisions. Methods to improve long-term engagement involve storytelling around the company's history and development while structural improvements include reducing the hierarchical levels of an organization in favor for a flatter structure. Networking and relationships to develop a partnership between management and stakeholders requires a longer-term strategic orientation rather than a narrow focus on short-term interests.³

2. Collective Participation: Employees can be involved through representative participation such as participation in the Board or European Works Councils. Many European firms employ a triangle system composed of the Board of Directors, the Supervisory Board and the Works Council/Trade Unions to increase employee participation at the corporate level. This triangle situation is based on regular tripartite consultations and informative meetings to discuss the future of the company and the long-term perspective of each entity's contribution towards performance.⁴

3. Individual Participation: Employees can be involved in forms of direct worker's participation such as teamwork, self-steering, and bottom-up employee centered decision-making. This alternative decision-making strategy will be further analyzed in the following section. Overall, combining individual and representative perspectives for employee participation yields a highly valuable and coherent system of employee participation.⁵

II. Decision Making

The decision making process is a continuum of practices, from the simplest where the decision maker simply gives Verbal Approval without supporting documentation, to a Standardized Approval process where the decision maker signs their name(s) next to an authorization statement. (Appendix A). The

type of approval should be dictated by both 1) the presumed risk involved with the decision and 2) the speed required to take the most effective action.

1. *Risk Aversion*: To empower employees with the ability to weight these risks many companies have turned to decision-making training¹ and creating dedicated data governance functions to equip employees with accurate and useful customer focused data.⁶ Additionally, holding employees accountable for their decisions can increase risk mitigation. According to Michael Useem, a management professor at Wharton, "Decision-making employees must be held accountable, with compensation and advancement tied to the quality of their decisions. Incentive pay is the high-octane fuel in the system. It helps people keep score. Keeping track of that score requires a business to have adequate appraisal and tracking tools for evaluating whether employee decisions are producing the desired results."⁷

2. *Decision Speed*: Many experts agree that while faster decisions are not necessarily better, a shorter decision-making path is.⁸ More formal approval processes mean a longer wait-time before actions can be taken.⁹ Bain's global study of 760 companies has demonstrated that a company's financial performance is highly correlated to its decision effectiveness. Their research showed that top-quintile decision-effectiveness companies earned their shareholders on average, approximately 6 percentage points more per year than other companies in addition to improved performance on return on invested capital (ROIC) and revenue growth.¹⁰ Slow Decision-making can have millions of dollars of negative business impact, including missed business opportunities, slower product time-to-market, increased project costs, and losing the first-entry competitive advantage. Expedited decision-making is essential if a company is to dominate the marketplace.

Workspace Solution: HR thought leader Dr. John Sullivan claims there is one easy and effective solution to improving decision making speed: designing an open space work environment to maximize interaction, energy and cross functional collaboration. Global healthcare leader GlaxoSmithKline saw a 45% increase in the speed of decision making with the development of a new open office design.¹¹

III. Case Study: Creating a Bottom-Up Culture at AAA

When Paul Gaffney became president and CEO of AAA Northern California, Nevada & Utah, he wanted to invert the structural hierarchy of the 111-year old company and create a bottom-up culture. He did this largely by 1) increasing employee participation and 2) getting employees more involved in the decision making process. In order to increase employee participation, he created a culture in which employees were comfortable sharing ideas and were motivated to play a more active role. He increased employee focus on long-term involvement and organization identification by reminding his employees how they "fit into the company's vision and mission" and through the promotion of a story-telling culture, encouraging leaders to utilize meetings and other internal communications as opportunities to share members stories and anecdotes. In order to involve all employees in decision making, this new CEO began to empower employees to implement their ideas to solve problems, innovate and improve. To do this, he trained employees on how to properly evaluate their ideas so the best ones rise to the top. Even when ideas don't work, encouraging employees to find solutions teaches them to come up with ideas that work which in turn pushes decision-making down in the organization. "I think the number one advantage is people have wider ranges of responsibility now. They go to fewer meetings. They have to prepare fewer presentations and that inspires them to just get things done. There are so many opportunities here, we need to unlock them right away and take a little bit of risk in moving quickly onto a new platform" Gaffney said in an interview.¹²

Appendix A

Approval Type	Verbal	Written	Standardized
Speed	Fast	Slower	Slow
Periodicity	Daily to monthly	Quarterly, First-ever or Stage Initiation	First-ever or Stage Initiation
Level of Presumed Risk	Low	Intermediate	High
Decision Maker(s)	Verbal Approval	Written Approval	Signature on a Standardized Approval Document
Approval Seeker(s)	Verbal Request	Written Request	Preparation of a Standardized Approval Document
Approval Meeting	Adhoc	Meeting where the decision maker(s) may question the approval seeker(s)	Meeting where the decision maker(s) may question the approval seeker(s)
Documentation	None	The Request Document	The Standardized Approval Document
		Documents Supporting the Request	Documents Supporting the Request
			Set of completed SOPs indicating completion of a process
Post Approval Action Governance	No Guidelines or Verbal Guidelines	No Guidelines or Written Guidelines	Post-approval SOPs to ensure that subsequent actions follow the approved process(es)

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Further Reading

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Abstract

This paper explores the nature of decision making. It discusses the common mistakes that managers make which hinder the decision-making process. It also describes the key elements of the decision-making process which can be used to improve the effectiveness of a decision. For years, decision making has been construed primarily as a choice from among alternatives, without any recognition of how the decision was being made or how it would be carried out. Recently, decision makers have given recognition to the decision-making process to predict the consequences of choices made. By using the entire decision-making process, decision making can become more effective. Managers in the future will have to adjust to changes in society, and develop decision-making skills that can succeed in an often unpredictable environment

Baum, Robert J & Wally, Stefan (2003). Strategic decision speed and firm performance. *Strategic Management Journal*, 24 (11), 1107-1129.

Abstract

This 4-year study examines the effect of strategic decision speed upon subsequent firm performance and identifies environmental and organizational characteristics that relate to decision speed. We draw upon strategic decision-making theory and organization theory to propose that strategic decision speed mediates the relation between environmental and organizational characteristics and performance. Measures of business environment, organization structure, strategic decision speed, and firm performance (growth and profitability) were collected from 318 CEOs from 1996 to 2000. Structural equation modeling confirmed that fast strategic decision-making predicts subsequent firm growth and profit and mediates the relation of dynamism, munificence, centralization, and formalization with firm performance. Copyright © 2003 John Wiley & Sons, Ltd.
