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How the Big Data Explosion Has Changed Decision Making

by Michael Schrage

AUGUST 25, 2016

Organizations I work with increasingly struggle to straddle two painfully polarizing operating principles. On the one hand, they desperately seek greater agility; on the other, they genuinely want to include all the right stakeholders in their processes. This conflict

uncomfortably transcends traditional "centralization/decentralization" debates. Customers and clients demand greater agility, and employees and partners expect greater empowerment. So the companies push hard to provide both.

Including more people, alas, typically increases coordination costs and response times. But, almost paradoxically, greater organizational agility requires greater responsiveness and improved coordination. The more stakeholders involved, the more likely that decisions are delayed. But effective agility frequently demands inclusive stakeholder involvement.

In other words, more people want to make more-agile decisions more often. This tension drives my clients mad. At one Fortune 1000 company, for example, "flame wars" broke out between customer support units, desperate to respond faster to customer complaints, and the technical design group, equally desperate to avoid ad hoc fixes. Neither group could effectively solve the problems without the other, but their overlaps quickly became sources of conflict rather than collaboration. That pathology isn't uncommon.

The digitally networked enterprise — whether Slacked, Chattered, Skyped, Google Doc-ed — sharply exacerbates tensions and pain points: More stakeholders can instantly access, and share, actionable information. Technology facilitates greater transparency and visibility throughout enterprise ecosystems. Real-time situational awareness dramatically increases. But the managerial and operational ability to act on that data-driven information may not.

By far the best and most useful approach for managing those tensions is Michael Jensen's path-breaking work in decision rights a quarter-century ago. Simply put, decision rights clarify authority and accountability for decisions and decision making. Decision rights are about how organizations "decide how to decide" who is empowered to make decisions. Think of it as a governance model for enterprise decision.

Jensen's subtle and brilliant insight was that the right to make decisions — not just the ability to perform or be responsible for tasks — is essential to organizational efficiency and effectiveness. Consequently, assigning and allocating decision rights is every bit as organizationally important as defining jobs, roles, and tasks. In that light, decision rights can and should be seen as a managerial mechanism for empowerment. The greater your or your team's decision rights, the more empowered and accountable you are.

The RACI framework offers an excellent real-world instantiation of Jensen's decision rights approach:

Responsible. Who is completing the task?
Accountable. Who is making decisions and taking actions on the task?
Consulted. Who will be communicated with regarding decisions and tasks?
Informed. Who will be updated on decisions and actions during the project/process?

These questions are uncomplicated and relatively easy to map. That is, digitally linking the relevant individuals and teams identified in a RACI review should be straightforward. An increasing number of organizations I work with use RACI (or some variant) to create auditable accountability networks for project and process management.

These networks simultaneously become platforms for both inclusion and agility. Individuals and teams who want to be consulted or informed can ask to opt in to the network; conversely, when accountable or responsible managers need more agility in response to customer needs, they can tap their RACI network for a "just-in-time" response. Mapping these networks creates visibility and clarity for stakeholders and top management alike. They provide essential windows and lenses into the firm's decision hierarchies.

Intriguingly, ironically, and importantly, the fastest-growing application of decision rights I see emphasizes digitalization, data, and analytics. Who has the right to access, process, and share data has become the greatest source of opportunity and contention in the enterprise. This structural shift goes well beyond what Jensen originally envisioned and described 25 years ago because the rise of Big Data – and its associated analytics – changes contemporary debates and arguments around decision rights.

Decision rights around data increasingly require data around decision rights. In other words, if your organization has ready access to process and share 10x to 100x more data, chances are your existing decision rights mechanisms are woefully out of date. To wit, would any serious brand manager run a marketing campaign today without a capability for incorporating social media analytics? But brand managers need the computational competence of data scientists and analytic tools to get greater value from that data. Decision rights are needed to determine and define how brand management and data management collaborate.

At one company I've worked with, the big data explosion completely reframed the decision rights and RACI discussion. The company had traditionally focused its design and development efforts on new products. But with the rise of mobile apps, the firm's innovation priorities shifted away from building better products to facilitating better user experiences. That transformed the RACI decision rights template. Accountability for UX required different data and analytics than for products; a UX emphasis meant different teams and individuals needed to be consulted and informed. In essence, UX-driven data and analytics rebalanced the decision rights relationships between agility and inclusion.

The company wrapped its people, process, and technologies around UX decision rights — and the results proved measurably stupendous. The company received 10x more usable feedback via all forms of social media and use case monitoring, and it developed a better next version in three months, as opposed to the typical one-year timeframe, for previous product development efforts and for half of the usual product development cost.

As organizational decisions increasingly become more data driven, top managers need to assure decision rights are data driven as well. That explains why so many organizations have made data governance a strategic and organizational priority. Instead of more traditional IT governance, which seeks to create greater accountability for IT systems management, data governance recognizes that data is the mission-critical asset to manage.

How does that data get shared (inclusiveness)? And how does the organization effectively take advantage of that data (agility)? The answer to those data governance questions will be found in the innovative application of data-driven decision rights. The future of data governance depends on the future of decision rights, and the future of decision rights depends on the future of data governance.

Michael Schrage, a research fellow at MIT Sloan School's Center for Digital Business, is the author of the books *Serious Play* (HBR Press), *Who Do You Want Your Customers to Become?* (HBR Press) and *The Innovator's Hypothesis* (MIT Press).

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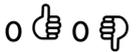
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