

J. Michael Locke

Musings

#62: No Ambiguity in Decision Rights

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One of the challenges I see in our societal response to Covid-19 is the ambiguity in decision rights. President Trump says it is his decision and the Governors say it is theirs. Governors take positions and then the state legislators sue saying they have the decision. Governor Pritzker says outdoor dining is alright then Mayor Lightfoot says not in Chicago. Personally, I think it is best for the decision right to rest as “close to the action” as possible. I would rather have the local mayor making decisions than someone from Washington. I think all of this applies to business as well.

As a leader, you have to make clear who has decision rights. This is easier said than done. You won’t have a binding document like the Constitution and decades of court decisions to lead the way. You have to get there “by feel” working with your team. What do they need to run by you and what do they not? I recommend you lay out some bright lines on certain matters. As an example, the CFO should not engage in things to change the capitalization of the business without CEO approval (actually should have board approval). However, he or she certainly should have the decision right to manage the collection process and try to change how much accounts receivable is on the balance sheet. Generally, decision rights are kept to “high and centralized” in my view. Push them “down and out.” If you have built the right team and culture, you will get good decisions.

Be careful about getting involved in any decision that is presented to you. Some individuals will abdicate and just bring you everything. Don’t let them. Even if you have an opinion on the right decision, demur and just say “that is your call.” The more decision making you can push “down” the organization and closer to the market and line level employees the better. Our daughter’s soccer coach showed me this. After watching him sit on the sidelines with minimal commentary during the game, I asked why he wasn’t standing up, yelling directions and coaching like the opposing coach. He told me that the girls needed to develop their judgment and make the decisions. They wouldn’t do that if he was telling them what to do. Then, he would review their decisions with them at half time and after the game. Good coaching.

I think we all have experienced how many companies have taken all discretion away from customer-facing employees. You ask for some slight variation in policy at a hotel or restaurant or store and you hear “Sorry, that is the policy, I am not allowed to do that.” You might then ask for a manager who has some broader decision rights. Compare that to the empowered customer-facing professional who can handle your request on the spot. Recently at a Marriott, the front desk let me use a room for free for a conference call. Simple gesture but probably against policy.

Matrix reporting is becoming popular but it creates decision rights issues. Matrix reporting involves “blackline” reporting to one boss and “dotted line” reporting to the other. Usually, this is combination of reporting to a geographical manager and reporting to a functional manager. Which boss has the

decision right on the raise for the employee? What is lost in matrix reporting is who owns developing the employee? You need clarity on who is the coach held accountable for the development.

Every parent knows the decision rights issue raised by matrix reporting. Did mom say “no” and now they are coming to me in some attempt to get a different answer? We simplified in our house. Mom has the decision rights on sleepover and other requests. No second opinion needed.

Be safe. Work hard.

Jml

Second Thoughts

In an earlier musing I wrote about the Kardashians and the power of social media as a marketing tool. If you needed more proof, this week Joe Rogan (who you probably have never heard of) cut a deal with Spotify to stream his vodcasts (a video podcast) for over \$100 million. That is more than twice what Michael Jackson paid for the rights to the Beatles catalog (\$47.5mm in 1985). Rogan is a comedian, television host and mixed martial arts commentator. According to the WSJ: *Mr. Rogan, 52 years old, had so far withheld his podcast from Spotify, saying the streaming service doesn't pay enough and he had been generating significant revenue on other services such as [Alphabet Inc.](#)'s YouTube. His full library, dating back 11 years, is to hit the service Sept. 1, and become exclusive to Spotify after that, before the end of the year. His video podcasts, which will also appear on Spotify, will no longer be available on YouTube.*