Decisions: what, who, how, when

What does employee ownership mean in terms of decision making? Certainly employee ownership does not necessarily imply that everyone participates in all decisions, but who are the decision makers? How do you decide who decides?

In general terms, answers depend upon many factors, including:
- The management structure already in place (if you are transitioning to employee ownership)
- Your legal structure (e.g., ESOP, coop, etc.)
- Your size and industry
- Organizational culture, including lines of authority, norms and traditions that already exist.

One of my clients, for example, whom I'll call Markers, Inc., is an ad agency of about 25 employees who used to be run by two co-owners. Now an employee-owned company where everyone but the newest employees is vested, the agency still has a senior manager who, working with her department heads, makes strategic and major operations decisions.

On a little more granular level, I think finding *your* best fit ways to distribute decision making depends upon everyone's clear understanding about the following:
- Employee ownership is not synonymous with employees making or even participating in all decisions
- Differences among three broad categories of decisions—policy, operations and local decisions—and these differences need to be delineated for your company
- You will need to decide who has authority to make decisions within each of these three categories.

You might think of the three categories of decisions as concentric circles. In the outer ring are decisions concerning governance policies and business strategy. In the second circle are operational decisions, such as annual business planning and creating/adjusting HR policies and procedures. I call the inner ring "local decisions" because they are made by project teams and functional groups (like a shipping department or quality assurance team), for instance.

Here is an example. In a building restoration company I'll call Restore, decisions in the outer two rings are made by a small group of veteran owner-managers. They set overall company policy, create and continually adjust business strategy, and set the budget and annual goals.

On each construction site, an experienced carpenter heads the site team where local-level decisions are made. As a project supervisor, she/he has the authority and responsibility to clarify which decisions are made by the team and which by individual carpenters. He/she also facilitates group decision making and guides newer employees as they learn to make sound decisions.

I believe employees should have as broad a scope of decision making ("span of control") as is practical for your business to operate efficiently and effectively. In one ESOP, for instance, the bakery, store, testing and packing departments each make their own hiring decisions. Just as Peter Block suggests in *Stewardship* (1996), the HR department is a servant of these other departments; it checks references, verifies credentials, processes new hires and runs orientation workshops. In this company, which prizes teamwork, "local" hiring decisions encourage careful team composition.

Because lines between strategy, operations and local decisions *will* be fuzzy, individual decision makers should think carefully about their authority, role and decision making preference before they embark on a decision making process. A decision maker with positional authority—such as the senior manager and department heads at Markers, Inc. and the founders of Restore, Inc.--have the following five choices.

1. She/he (or a small group of, say, three co-managers) makes the decision without additional stakeholder input. A CEO in a land management business made it clear that he would make this choice in any emergency that threatened the land, such as a fire. Your organization's culture will suggest the extent to which you need to explain why you are making choice #1.
2. The person or group makes the decision with input. When this is the choice, the decision maker should specify what input, from whom, exactly how and by when, and why choice #2 is preferred.
3. The decision maker seeks a recommendation and then makes a final decision. Be clear about the objectives and scope of the requested recommendation. Be specific about who will recommend and by when. It is a good idea to share your reasoning for making choice #3.
4. The decision maker wishes to be a co-equal participant in a consensus building process. (Leading consensus building is a subject for another article, so I will just say here that everyone in the organization needs to know how consensus will be built, tested and confirmed.)
5. If consensus is used, the decision maker(s) should specify what fallback method is used when consensus fails. Voting is usually the fallback.

Where there is ambiguity about how a decision will be made, positional leaders should clearly state which of the five choices will govern the upcoming decision. The five choices, in other words, help leaders navigate decisions that do not clearly lie within one of three broad categories of decisions (policy, operations and local.)

Naturally, your "best fit" decision making system needs to be communicated clearly to all employees. As people are vested and take on more responsibility over time, they need guidance, teaching and support for sound decision making. Finally, since monitoring and adjusting are, as you know, keys for continuous improvement in all business processes, you will need to regularly evaluate your decision making systems and practices.

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