

# CENTRALIZED OR DECENTRALIZED ?

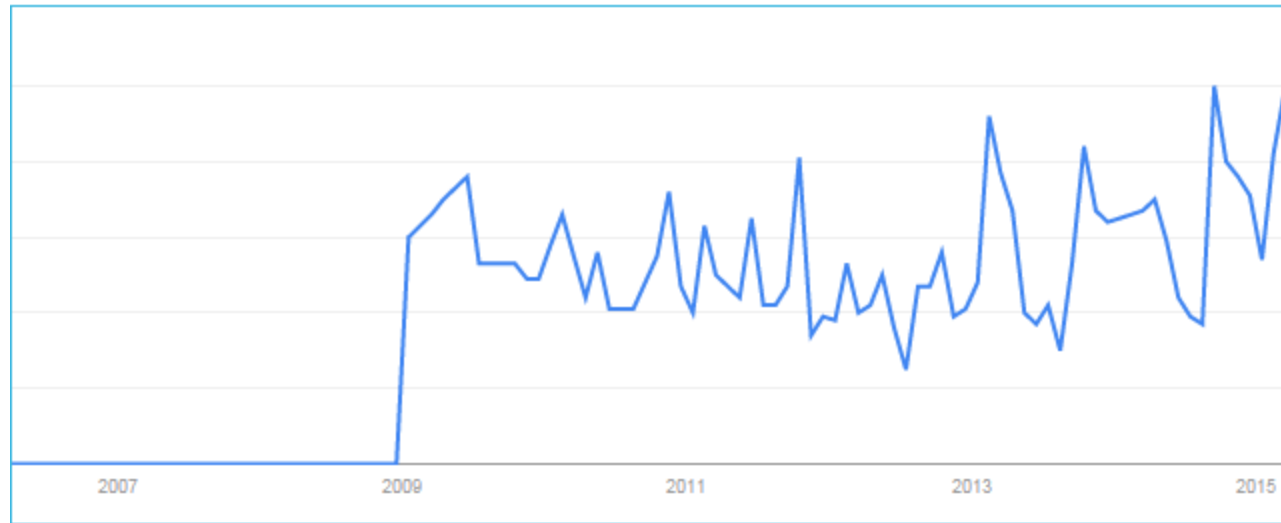
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## Centralized vs Decentralized

### Google Trends 2008 - 2015



## Centralize or Decentralize?

As shown above, Google searches on the topic of “Centralized vs. Decentralized” ramped up in earnest in 2008 during the time of the economic meltdown and have increasingly vacillated since. But it is the wrong question. It shouldn’t be centralize **vs.** decentralized. It has to be centralized **&** decentralized.

### Introduction

Over my 37 years of business experience the question of centralization vs. decentralization has resurfaced with the regularity of a clock pendulum. Each change in leadership starts the pendulum heading in the opposite direction.

Centralization is chosen because it “gets things under control.” Decentralization is chosen to “eliminate all this bureaucracy.” But framing this question as an “either/or” choice leads to repetitive disruption within your organization.

In reality you must do both. With today’s flatter organizational structures it’s impossible to centralize all decision-making. So the real problem you’re trying to solve is improving the quality, efficiency, and effectiveness of decision-making throughout your organization. To achieve this nirvana you must build a shared understanding of the implications each decision will have on your organization, both intended and unintended. This can only be accomplished if you have a high fidelity picture of needed changes and their interdependencies.

**Essentially this shared picture centralizes your decision criteria<sup>1</sup> and decentralizes quality decision-making at the same time. So the question of centralizing vs. decentralizing dissolves.**

Below are the **five steps** needed to make this happen:

1. Build a shared understanding of your starting point
2. Involve enough stakeholders for buy-in
3. Use a common language
4. Get everyone on the same page about decision criteria
5. Decide which decisions to make first, second, etc.

## 1. Build a shared understanding of your starting point

Every employee has their own image of your organization, some ideal picture of “how things work around here.” In my generation, we expected to work 30 years for a single company and in return they would take care of us in retirement. Those days are certainly gone.



Today's millennials are looking for rewarding challenges each day in both their current and future employers.<sup>2</sup> So blindly following orders from the top has been replaced with the dreaded “Why are we doing this?” question.

To answer/avoid this “Why?” question you must build a shared understanding of your situation and the challenges your organization faces. The facts are the facts. Making these facts transparent (at a granular level) equips every decision maker with the correct decision context. So more perspectives are needed which leads us to the next step of adequate participation.

## 2. Involve enough stakeholders for buy-in

There is wisdom in crowds. The problem is one of orchestrating all this input in a timely fashion. In my research, I've found 30-minute individual, casual conversations with a representative sample at each level of management will provide a strong fact base to work from. The largest number of participants we've worked with is 200 stakeholders, but typically less than 50 folks are interviewed.

The sheer number is less important than making sure you involve those individuals (“change agents”) that other employees look up to. If they are not involved in defining the facts on the ground they will certainly argue against using them in their decision-making.

Rest assured, everyone's opinion will differ based on his or her unique view of the organization. But when you combine these views a very rich picture emerges. In my experience about 50% of this picture is essentially noise, 30% are desired outcomes that cannot be directly addressed, 15% are high leverage suggestions, and the remaining 5% are central constraints that should be factored into all your decision-making. Getting this picture built requires using a common language.

## 3. Use a common language

Let's face it, different groups in your organization speak different languages and this is not a new phenomena. C.P. Snow wrote about this in 1959 describing the differences between sciences and humanities.<sup>3</sup>



I experienced this first hand when I moved from an internal IT role to an external sales role. What seemed so black and white in the digital world became very gray in the real world of commerce.

The only common language I found surfaced when discussing issues and desired outcomes—behaviors. Either something changes or it doesn't. This includes tangible things like the number of customers, and intangible things like morale. So when you involve your participants in analyzing your situation you need to boil their issues and suggested improvements down into things that could actually change: increase, decrease, or stabilize.

Once you've gathered a large enough sample (between 30-50 unique changes) you will have a robust set of factors to guide your decision-making and positions you to take the next step of alignment.

#### 4. Getting everyone on the same page

Getting and keeping everyone on the same page is mandatory if you wish to eliminate the centralization/decentralization debate. The first step is involving them in the creation of the current state picture, which you've done in the participation step. If they can see their input, their fingerprints, they are more likely to agree on the overall direction.



Now in reality, every suggested change doesn't have the same power to improve decision-making. Providing this feedback to those contributors is a delicate balancing act for sure. This leads us to the powerful explanatory concept of leverage and how it can drive the bundling and sequencing of decisions.

#### 5. Deciding which decisions to make first, second, etc.

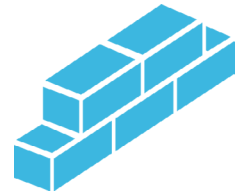
Prioritizing and sequencing decisions is an art form in itself. But once you've built a single picture of needed changes and how they are dependent on each other you've gone a long way toward getting it adopted by your organization.



What makes this possible is the irrefutable logic of leverage. You create leverage by taking the time to connect the dots between all your suggested criteria, then triage them by how connected they are to each other (like dominos). This visible "leverage map" will enable you to defend the bundling and sequencing of decisions based on their cascading implications. As one recent executive commented: "it is illogical to argue with the outcome."

#### Building a shared decision criteria with LeverSource

Of course you can explain the criteria behind each of your decisions but it will take a long time to transfer this type of knowledge across your organization, and millennials won't wait.



Our LeverSource solution helps organizations of any size quickly stop worrying about what decisions should be centralized or decentralized and just focus on improving performance. LeverSource does this by combining both continuous improvement activities and strategic planning activities into one integrated, cloud based process.

We take you through the entire process from surfacing changes, connecting the dots, finding the leverage, bundling changes into projects, adding resources, building business cases, performing portfolio planning, and finally developing executable roadmaps. Of course the amount of time needed to complete this process will be driven by the complexity of your situation and how accessible your stakeholders will be, but generally we're talking weeks not months.

Please visit us at [www.leversource.com](http://www.leversource.com) to get more information or reach out to us directly at:

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