

## **What are your company's decision making principles?**

### **What is the purpose of this article?**

Enable shareholders, the board of directors, C-Suite, and advisory board to discuss your company's decision making principles.

### **What are the critical learnings in this article?**

- 1) Decision making principles enable better decision making, resulting in faster growth and more profits.
- 2) Decision making principles are inter-related with your company's: purpose; values, morals, and ethics; value creation; and corporate governance.

### **What is the purpose of decision making principles?**

- 1) Principles are the guidelines within which people make decisions. If rapidly growing or large companies have centralized decision making for every decision, the result is slow moving paralysis. If people in the company make any decision they feel like, the result chaos.
- 2) Successful employee empowerment depends upon principles.
- 3) Decision making principles enable better decision making.

### **What is the context for decision making principles?**

There are five aligned and inter-related sets of concepts:

- 1) What is the purpose of your company?
- 2) What are your company's values, morals, and ethics?
- 3) How does your company create value?
- 4) What is corporate governance?
- 5) What are your company's decision making principles?

### **What are four examples of decision making principles?**

The number and type of principles are unique to each company at a specific point in time.

#1 The founder and CEO of a global transaction company had one simple principle. Keep customer application latency below xx milliseconds. If latency increased beyond this point, the company would quickly lose customers, regardless of any additional functionality.

#2 Staples was founded in 1986 with three core principles:<sup>1</sup>

- 1) Provide a one-stop shop for all of the products consumed in the office.
- 2) Offer everything at half price.
- 3) Provide a convenient place to shop.

#3 Tim Cook, early 2009 on a conference call with analysts, shortly after Steve Jobs went on a medical leave.

"We believe that we are on the face of the earth to make great products, and that's not changing. We are constantly focused on innovating. We believe in the simple not the complex. We believe that we need to own and control the primary technologies behind the products that we make, and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects, that that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups which allow us to innovate in a way that others cannot. And frankly, we don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and the courage to change. And I think, regardless of who is in what job, those values are so embedded in this company that Apple will do extremely well."<sup>2</sup>

#4 Ray Dalio (Founder of Bridgewater Associates, an investment firm with \$150 billion (USD) in assets. Ray's personal wealth is estimated at \$15.6 billion (USD)) wrote a 540 page book filled with his life and business principles.<sup>3</sup>

### **What are your next steps?**

- 1) Review your existing documentation regarding: the purpose of your company; your company's values, morals, and ethics; how your company creates value: your current corporate governance structure; and any existing decision making principles.
- 2) Interview and survey members of your company's ecosystem to assess the degree to which your documentation reflects current reality.
- 3) Assess the degree of alignment among: purpose; values, morals, and ethics; value creation; corporate governance; and any existing decision making principles.

- 4) What are the differences between the perceptions of the ecosystem members and your company's documentation?
- 5) What are the ecosystem member perceptions in the cases where your company has no documentation?
- 6) Analyze the above, including by ecosystem member.
- 7) What are the implications for your company?
- 8) Determine what improvements need to be made to the behaviour of your employees (this includes board of directors, CEO, C-Suite, every employee, and contractors)
- 9) Determine where a principle (or a few principles) could have the greatest impact on: achieving purpose; enabling moral, values, and ethics; and growing value.
- 10) Some possible areas which could have a major impact on value could include: selection and exiting of board directors; selection and exiting of CEO and C-Suite; the experience cash-paying customers and users have when interacting with your company; making strategic decisions; etc.

### Footnotes

<sup>1</sup> David G. Thomson, *Master the 7 essentials of high growth companies*, (Hoboken, New Jersey, 2010) John Wiley & Sons, Page 174

<sup>2</sup> Walter Isaacson, *Steve Jobs*, (New York, 2011), Simon & Schuster, Page 488

<sup>3</sup> Ray Dalio, *Principles*, (New York, 2017), Simon & Schuster

### What further reading should you do?

What is the purpose of your company?

<http://koorandassociates.org/corporate-governance/what-is-the-purpose-of-your-company/>

Why are morals, values, and ethics important?

<http://koorandassociates.org/values-morals-and-ethics/>

<http://koorandassociates.org/values-morals-and-ethics/why-are-values-morals-and-ethics-important/>

How does your company create value?

<http://koorandassociates.org/creating-business-value/what-is-value-growth/>

What is corporate governance?

<http://koorandassociates.org/corporate-governance/what-is-corporate-governance/>