

PREFACE

Beyond the Decision

From Better Decisions to Better Organizations

Organizations are built through decisions.

Some are highly visible: acquire a company, enter a market, invest in new technology, launch a product, close a facility, hire a senior leader. Most are less dramatic: add an approval, create a report, change a metric, make an exception for a customer, move responsibility from one department to another, require another review, introduce a control, solve a recurring problem with a workaround.

Individually, these decisions may seem small, and many are entirely reasonable when they are made. But they do not disappear after the meeting ends. They accumulate into processes, policies, controls, systems, reporting relationships, incentives, expectations, and habits. They influence what people know and notice, what they are allowed to do, what they are rewarded for doing, and what happens when something goes wrong. Eventually, yesterday's decisions become today's organization.

The first book in this series introduced a compass. The Improvement Compass provided a common language for thinking about improvement: More, Better, Faster, Cheaper, Safer, and Happier, balanced against the organizational friction of Waste, Defects, Delays, Excess Cost, Risk, and Frustration. It asked whether a decision, considered across its consequences and tradeoffs, moves the organization toward net improvement.

The second book introduced a lens. *The Decision Lens* examined judgment under uncertainty: what we know, what we do not know, what we assume, what we overlook, and how easily outcomes can distort our assessment of the decisions that produced them. The compass helps us think about where to go. The lens helps us think about how to decide.

This book asks a third question: *What kind of organization allows sound judgment to operate consistently?*

A manager may exercise excellent judgment and still receive incomplete Information. An employee may recognize a problem and lack the Authority to correct it. A department may make a rational decision that creates problems somewhere else. A metric intended to improve performance may quietly encourage the wrong behavior. A control introduced after one failure may remain long after the Risk that justified it has changed.

These failures often emerge from the environment in which judgment operates, not from individual judgment alone. *The Decision Lens* asks the decision-maker to see more clearly. Decision Architecture asks whether the organization makes relevant reality visible, usable, and actionable in the first place.

We usually think of organizational design in visible terms: departments, reporting structures, job descriptions, spans of control, and organizational charts. Behind that visible structure is another system through which Information moves, Authority is distributed, priorities compete, Incentives influence behavior, and controls constrain action. Decisions travel through this system, and their consequences either return to the people who need to understand them—or they do not.

This less visible system shapes thousands of decisions long before senior leadership becomes aware that any one of them has been made. Conditions shape decisions. Decisions shape outcomes. I use the term Decision Architecture to describe the organizational environment that shapes how decisions are made, carried out, evaluated, and improved over time. We will examine that architecture through six closely connected elements: Direction, Information, Authority, Incentives, Feedback, and Adaptation.

Every organization has a decision architecture, whether deliberately designed or simply allowed to develop. Most decision architecture develops gradually as organizations solve problems, respond to changing conditions, add capabilities, introduce controls, and adapt when formal systems fall short. Each response may be reasonable. Together, they can create an organization no one would have intentionally designed.

The architecture people inherit therefore reflects both deliberate design and accumulated history. Understanding the difference is one of the central tasks of

this book. No architecture will remain right forever, nor will every decision produce the expected result. What matters is whether reality becomes visible, whether the right people can respond, and whether experience changes what happens next.

There is no blueprint for the perfect organization. A manufacturer, hospital, school, government agency, nonprofit, startup, and multinational corporation operate under different conditions. Architecture that works well in one may create unnecessary friction in another. The aim is not to discover a universal design, but to see the architecture already there: how priorities are established, how Information moves, where Authority resides, what Incentives encourage, how consequences become visible, and whether what the organization learns can change what it does.

The first book gave us a compass for evaluating direction. The second gave us a lens for examining decisions more clearly. This book turns our attention to the environment in which both are used.

Every organization has a decision architecture. The question is whether it has been designed deliberately—or merely inherited.

INTRODUCTION

The Architecture Behind the Decision

What Is Decision Architecture?

Walk into an unfamiliar building and its architecture begins influencing you immediately. Doors determine where you can enter. Walls determine where you cannot go. Hallways establish the routes available to you. Signs direct your attention. Some spaces invite people to gather; others separate them. Structural elements carry loads you may never see. A poorly placed doorway can create congestion every day without anyone consciously deciding to create it.



You do not need to understand the architect's intentions for the building to influence your behavior. People adapt to its design, often so completely that they

stop noticing how much it shapes where they go and how they move. Organizations work much the same way.

An employee learns that a \$5,000 purchase can be approved immediately but a \$5,001 purchase requires three signatures. A production supervisor learns that stopping a line for a quality concern is technically permitted but rarely appreciated. A salesperson learns which customer exceptions will be approved and which are not worth requesting. A manager learns that the official report is less reliable than the spreadsheet maintained by someone in Operations. Nobody needs to explain the architecture. People learn to move through it.

Some of that architecture is formal: reporting relationships, approval limits, policies, procedures, meetings, systems, and controls. Some is informal: trusted relationships, unwritten expectations, personal influence, habits, and the accumulated understanding of how things actually get done. Together, they create pathways and barriers through which Information, decisions, responsibility, and work must travel.

I use the term Decision Architecture to describe this organizational environment: the arrangement that shapes how decisions are made, carried out, evaluated, and improved over time. It includes formal structure, technology, culture, processes, controls, and relationships without being reducible to any one of them.

Its influence becomes most visible in patterns. A delayed decision may be a mistake. Decisions that routinely wait for the same executive suggest something else. One employee relying on an unofficial spreadsheet may be improvising. An entire department relying on it because the formal system cannot provide what people need reveals more. A customer exception may be justified. Hundreds of similar exceptions may be telling us something about the system that keeps producing them. Repeated behavior leaves clues.

Architecture Is About Alignment

Consider a manufacturing employee who notices that a recurring equipment problem is beginning to affect quality. The company may have excellent quality standards, sophisticated production data, experienced supervisors, and documented procedures. Yet none of those things alone determines what happens next.

Does the employee understand whether quality or output should take priority when they conflict? Does the employee have access to Information showing that the condition is abnormal? Can the employee stop or adjust the process, or is supervisory approval required? Will stopping production be viewed as responsible intervention or as failure to meet the production target? Will anyone later examine what happened and determine whether the underlying system should change?

Those questions reveal six closely connected elements of Decision Architecture:

Direction — What matters?

Information — What can we see?

Authority — Who can decide and act?

Incentives — What behavior does the system encourage?

Feedback — What happened?

Adaptation — What changes because of what we learned?

They are not sequential steps. They operate together. Direction establishes what the organization is trying to accomplish and helps people navigate competing objectives. Information determines what can reasonably be known. Authority determines who can decide and act. Incentives influence which choices become attractive, costly, safe, or dangerous. Feedback connects decisions with consequences. Adaptation determines whether what the organization learns changes what happens next.

Their interaction matters more than any element in isolation. Return to the employee who notices the equipment problem. Information is of limited value if the employee lacks Authority to respond. Authority accomplishes little if Incentives discourage its use. Clear Direction may say that quality takes priority while performance measures communicate something different. The employee may make the right decision, yet the organization gains little if the result never becomes Feedback capable of changing what happens next.

Culture, technology, controls, structure, and relationships operate across these elements. So does Risk. They affect how much Information is appropriate, where Authority can responsibly reside, which controls are justified, and how readily the architecture should allow a decision to be reconsidered or reversed.

The challenge is alignment. More Information is not automatically Better. More Authority is not automatically empowering. More measurement does not necessarily improve accountability. More controls do not necessarily make an organization Safer. Each can create value or friction depending on how it interacts with the rest of the architecture and the circumstances in which decisions are being made.

This connects Decision Architecture to the MBFC+SH principle of net improvement. Centralizing Authority may reduce inconsistency while increasing Delay. Adding a control may reduce one form of Risk while increasing Excess Cost and Frustration. Standardization may reduce Defects while limiting flexibility. Additional Information may improve judgment while creating Waste if people spend more time producing reports than using them.

Good architecture does not maximize any one desirable characteristic. It creates an environment in which the elements work together well enough for sound judgment to operate.

Formal Architecture and the Organization That Actually Operates

Every organization has a formal architecture and an operating architecture. The formal architecture appears in organizational charts, policies, procedures, approval matrices, job descriptions, systems, and documented workflows. The operating architecture is how decisions actually get made.

A policy may give a manager Authority to approve an expenditure while everyone understands that a senior executive expects to be consulted. A procedure may require Information to move through a formal system while employees rely on a spreadsheet because the system is too slow. An organizational chart may show one reporting relationship while the person with the greatest influence over a decision sits elsewhere. A meeting may exist to make decisions while everyone knows the decision will be made beforehand through individual conversations.

The difference is not inherently dysfunctional. No organization can document every interaction or anticipate every circumstance. Relationships, experience, judgment, and informal communication are essential. Trouble begins when the distance between formal and operating architecture becomes large enough that the organization no longer understands how it actually works.

Leaders may improve the formal process while employees continue navigating a different one. Controls may exist on paper but not in practice. Authority may appear decentralized while expectation and habit keep decisions centralized. To understand Decision Architecture, we therefore need to observe more than how decisions are supposed to happen. We need to see how they actually happen.

Architecture Produces Patterns

One poor decision tells us relatively little about an organization. Patterns tell us much more. If decisions routinely wait for the same executive, Authority may be misplaced. If employees repeatedly discover conflicting versions of the same Information, the Information architecture deserves attention. If departments improve their own metrics while harming the larger process, Direction or Incentives may be pulling them apart. If the same failure returns despite corrective action, Feedback may not be producing Adaptation.

The immediate response may still be necessary: approve the request, correct the report, resolve the dispute, fix the defect. Then look upstream. Repeated outcomes can reveal conditions that individual events conceal.

This does not turn every problem into an architectural problem. Equipment fails. People make mistakes. Markets surprise us. Customers change their minds. Individual accountability still matters. But when capable people keep encountering the same barriers, making the same tradeoffs, waiting for the same approvals, protecting the same metrics, or inventing the same kinds of workarounds, the environment itself deserves examination.

Designing Without a Blueprint

The word *architecture* may suggest that somewhere there is a correct organizational design waiting to be discovered. There is not.

A routine purchasing decision and a major acquisition should not require the same architecture. A production supervisor responding to a familiar equipment condition operates under different circumstances than an executive entering an unfamiliar market. A small business can rely on informal communication that would become unreliable across thousands of employees. A highly regulated environment may appropriately require controls that would create needless friction elsewhere.

Architecture must fit the decisions, Risks, capabilities, scale, and environment of the organization. That makes Decision Architecture less a blueprint than a way of seeing. It allows us to examine the organization we already have, understand the behavior it makes rational, and decide more deliberately what should be preserved, changed, removed, or redesigned.

No architecture will remain right forever. The organization needs enough stability to operate and enough capacity to recognize when reality has changed.

Organizations rarely behave randomly for long. Repeated behavior usually has a reason. Sometimes the reason is the person. Sometimes it is the circumstances. But when the same patterns continue across capable people and changing situations, another possibility deserves consideration: the organization may be producing exactly the behavior its architecture makes rational.

Understanding Decision Architecture begins by learning to see that architecture.



PART I

THE ORGANIZATION BEHIND THE DECISION

Looking Beyond Individual Judgment

“We shape our buildings; thereafter they shape us.”

— Winston Churchill

“A bad system will beat a good person every time.”

— W. Edwards Deming

When a decision produces a disappointing result, attention naturally turns to the person who made it. What did they know? What did they overlook? Why did they choose one course instead of another?

Those are reasonable questions. But decisions made inside organizations have another dimension. The person making the decision rarely works with Information, Authority, priorities, and Incentives entirely of their own choosing. Much of the decision environment already exists around them.

These conditions do not excuse poor judgment. They help explain the environment in which judgment operates. That environment is partly designed and partly inherited. Formal decisions shape it, but so do accumulated responses, informal adaptations, and the ways people learn to make the organization work in practice. As the organization solves problems, it continually modifies its own architecture.

Understanding that architecture requires stepping behind individual decisions to examine how decisions accumulate into organizational structures, why locally rational behavior can create system-level problems, how people compensate for

weaknesses around them, and how recurring friction can reveal architecture that is otherwise difficult to see.

The decision belongs to the individual. The conditions surrounding it belong to the organization.



Chapter 1

The Invisible Architecture

Decisions Begin Before Someone Decides

In February 2014, General Motors began recalling Chevrolet Cobalts and other vehicles equipped with an ignition switch that could unexpectedly move out of the “run” position. The engine could shut off, power-assisted systems could be affected, and—if a crash occurred while the switch was no longer in the run position—the frontal airbags might not deploy. The recall ultimately included approximately 2.6 million vehicles.

The problem had not appeared suddenly. Concerns about the ignition switch had surfaced years earlier. Engineers, investigators, lawyers, safety personnel, and managers encountered different pieces of Information over time. The issue was examined and discussed, yet the organization failed for years to assemble those pieces into an effective response.

Looking backward, the questions seem obvious. Who should have recognized the danger? Who should have escalated it? Who should have connected the incidents and forced a decision? Individual responsibility matters, but those questions can obscure another: What kind of organization allows important Information to exist in multiple places without reliably producing an effective decision?

GM commissioned former U.S. Attorney Anton Valukas to investigate the ignition-switch failure. His investigation described failures extending across years and organizational boundaries. Different people encountered different pieces of the problem as issues moved through engineering, legal, safety, investigative, and committee processes. The report found no conspiracy or deliberate company-wide cover-up. The failure was more diffuse: people, processes, and organizational conditions repeatedly failed to turn distributed knowledge into an effective response.

No organizational chart would have revealed the full problem. A chart could identify departments and reporting relationships. Procedures could describe how

safety concerns were supposed to be investigated. Systems could contain engineering records, customer complaints, field reports, and incident data. Yet none could show, by itself, how Information actually traveled, where responsibility settled, how concerns escalated, or why knowledge distributed across the organization failed to become organizational understanding. To see that, we have to look beneath the formal structure.

Employees do this instinctively. They learn which decisions they can actually make without consultation, which reports are trusted, which meetings matter, and which measures attract attention. They discover who possesses Authority on paper and who possesses influence in practice. They learn whether disagreement is welcomed, when certainty is expected, and what happens when someone interrupts an important objective with inconvenient Information.

Most of these lessons are never formally taught. A supervisor may technically have Authority to stop production but discover that every shutdown produces an uncomfortable conversation about lost output. A manager may be encouraged to raise problems early but learn that bringing a problem without a solution creates more difficulty than waiting. No policy needs to say: *Wait. Escalate. Protect yourself.* People learn by watching what happens.

When Rational Behavior Produces an Irrational Organization

When capable people behave in similar ways across situations, it is tempting to assume that they share the same weakness. They are too cautious. They resist accountability. They lack initiative. They protect their departments. They escalate too much. Sometimes those judgments are correct, but repeated behavior can also reveal people adapting rationally to the environment around them.

Consider a company in which purchase orders routinely wait for approval. Management sees the Delay and tells managers to approve purchases Faster. It establishes a response-time target and sends reminders when approvals become overdue.

Suppose, however, that managers hesitate because the budget Information available to them is unreliable and they are personally questioned whenever spending exceeds forecast. Approving quickly increases their exposure to a consequence they cannot confidently evaluate. Waiting may be entirely rational.

The people do not have to be irrational for the organization to behave irrationally. Before a manager evaluates alternatives, the organization has already influenced what Information reaches that manager. Before an employee exercises judgment, experience has helped define how much Authority can safely be used. Before departments negotiate a tradeoff, priorities and Incentives have influenced what each considers important. Before someone escalates a problem, the organization has taught that person something about what happens when bad news travels upward. Much of the decision has been shaped before the apparent decision begins.

Architecture does not eliminate individual responsibility. People still make decisions, and exceptional people can compensate for organizational shortcomings. But an organization that routinely depends on exceptional people overcoming the environment around them has created a fragile operating model. Change the people without changing the conditions and the pattern may return. The names have changed. The architecture has reproduced the behavior.

Look Upstream

When the same problem keeps returning, architectural thinking changes where we look. If employees escalate decisions they supposedly have Authority to make, ask whether that Authority is genuinely usable. If departments repeatedly negotiate the same conflict, ask whether the organization has provided enough Direction to resolve the tradeoff. If bad news repeatedly arrives late, ask what happens to the Information—and to the people carrying it—as it moves through the organization.

None of this assumes that friction is inherently bad. Approvals can protect capital. Controls can reduce Risk. Centralized decisions can bring broader judgment to consequences extending beyond one function. Standardization can reduce Defects. Redundancy can increase resilience. The question is what that friction accomplishes and what it costs.

What GM Changed

The GM ignition-switch case ultimately became about more than a defective component. After the recall, GM reorganized its vehicle-engineering teams, created a global vehicle-safety organization, strengthened emerging-issues and data analysis, reworked its field-investigation process, and introduced Speak Up for Safety so employees and suppliers could raise potential safety concerns. GM

also restructured safety decision-making to elevate significant issues higher in the organization.

The nature of those changes is revealing. GM did not merely address the failed component or the individual decisions surrounding it. It changed the conditions under which future decisions would be made.

When something goes wrong, we should ask who made the decision and whether the judgment was sound. But when similar delays, conflicts, workarounds, or failures recur, the visible decision may be only the surface of the problem. Beneath it is an architecture influencing what people see, what they can do, what they are encouraged to do, and what experience has taught them is prudent.

Before we can improve the decisions an organization makes, we have to see the organization that is shaping them.