**Decision-Making Framework for Operations**

In your company, how many decisions do you think are made every hour, every day or every week that determine the outcomes for that day or month and ultimately determine the strategic direction the company is moving? There are probably hundreds in a given day. What if those decision take too long to make? What if they are in conflict with the goals of the business? What if only a handful of people in your company can make the right decisions?

Speed and accuracy in decision making at the lowest level possible is a huge advantage for a business over a competitor that cannot do so. How many times have people been taken out of meetings to go to resolve an issue? Why is that? Why can’t those decisions get made by other people?

Accurate, quick decisions *are* possible and sustainable. You just need to set simple guidelines for those decisions so that people can readily make them. This article tells you a way that I have done this in various businesses; I started using it at a business that was going to run out of cash in less than one month. People were making the wrong decisions and they were costing the company a lot of money – money it did not have. We implemented this with key supervisors and management in one day and trained the other people in the company over the next few days. The improvement and alignment of the decisions was a key factor in saving the business. Regardless of whether you are in a tight cash flow position or not, fast and accurate decision making can help your business improve.

**The Decision-Making Framework**

The following is the *prioritized* order for factors that should be considered when decisions affecting operations are made:

**Safety** – obviously, we want this to improve or at a minimum stay the same (unless the same is unacceptable). So, the question that has to be asked about the decision that is getting made, is “does this decision make safety move in the right direction?”

**Quality** – same as safety – we want this to get better, etc.

**Throughput** – We want this to increase. Will the decision that I am considering increase throughput (cash coming into the company, or Revenue – Materials Costs)? This is the essence of why you are in business. Does the decision that I am considering make throughput increase? The impact on constraints and buffer levels/success can be added to this once the base concept is understood.

**Inventory** – Inventory consumes cash. It is a necessity because throughput is difficult to generate without inventory. The decision then should consider what is the impact on inventory. We want inventory to go down, but not to the point where it negatively affects throughput. As an example, we can buy 10,000 sheets for $4.00 per sheet. Cash out is $40,000. How long will that inventory last? Set a guideline that fits your business, such as, “We don’t want to tie up cash for 3 months.” If the required quantity for the job is 4000 sheets at $4.25, that is $17,000. Rather than looking at it that we paid $.25 extra, we can look at it that we have $23,000 available for other things that are more important than print media sitting on a shelf gathering dust.

**Operating Expenses** – This includes labor of all types, machine maintenance costs, etc. Everything that cash gets paid for. What should happen to operating expenses depends on what happens to the first four factors. So, if safety improves, quality stays the same, throughput goes up $25,000 and inventory stays the same, but operating expenses go up $2000, the decision is correct. As a result, the impact on operating expenses depends on what happens with the other factors.

**Optimization** – Does this decision improve my part of the process, but ultimately harm other steps in the process? If a decision gets made that improves one step in the process but ultimately hurts other steps in the process or hurts the entire process it obviously should be avoided; so take this into account.

**Parameters, Etc.**

Some obvious parameters should be established as well. For example, if the person that is to make the decision is a kitting worker, we probably don’t want them making a decision that will cost $5000. So, they should simply get a person involved in that decision that has that level of authority.

If there are questions where the answer is not so obvious, also get another person involved that should know. The lowest level person possible is the goal. Force the right decision to be made at the lowest level. The best way to help with this type of circumstance is to go through the list, starting with safety, and have that person explain their thoughts/conclusions, so that they can learn from the decision and have a greater opportunity of making it by themselves in the future.

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**About the Author:** Bob Krausert is the owner of STRATE***X***, a Twin Cities based firm that works nationwide. Bob is the author of the book, ***Extreme Lean***, published in 2018. Bob has worked with over 60 printing companies, mostly mid-sized companies, but also with larger companies like Jostens and Banta, now part of RR Donnelly. During his career, Bob has trained over 12,000 people at both public and private events. Bob has been working with PIM since 2010, periodically providing educational seminars for its members. Bob can be reached at stratexlean20@gmail.com or by phone at 612-743-8706. If you would like to have a specific question or topic covered in one of the articles, feel free to make the suggestion.