Narrator:

Welcome to the MIT CISR Research Briefing Series. The Center for Information Systems Research is based at the Sloan School of Management at MIT. We study digital transformation.

Nick van der Meulen:

Hi, I’m Nick van der Meulen, a research scientist with MIT CISR. Today I’m pleased to share with you the July 2021 research briefing that I co-authored with Cynthia Beath, “Decision Rights for Organizational Acceleration.”

When COVID-19 was declared a pandemic in early 2020, companies were compelled to accelerate their digitization and digital transformation efforts in order to address new business needs. Demand for online services and sales had increased globally, curbside and contactless pickup had become a necessity, and much of everyday life—from work to education, healthcare, and social engagements—had become virtual. In response, companies took advantage of digital technologies to create and enhance solutions that could fulfill these new demands.

Doing this quickly meant that companies’ reliance on their organization chart and established ways of working gave way to empowered teams that crossed functional silos to lead the way forward. Teams identified root problems and customer needs and then collaborated to develop solutions that delivered results at speed. Yet with approved COVID-19 vaccines now being rolled out across the globe, the return of business as usual (and with it, a slower organizational pace) looms large. In this briefing we address how companies can sustain the momentum of empowerment that has helped them operate and innovate faster during the pandemic.

Go Fast—by Going Together

A popular proverb says that those who want to go fast should go alone; those who want to go far should go together. Companies, however, can go much faster and farther when they involve the entire organization (every team, function, unit, and leader) in sensing, responding to, and shaping the changes in their business environment—provided that the company clearly establishes decision rights and corresponding guardrails.

In 2020, MIT CISR research showed that companies that empowered cross-functional teams with clear decision rights outperformed their command-and-control counterparts on net profit margin, revenue growth, and revenues from offerings that were introduced in the past three years. Because of their proximity to customers and operational activities, empowered teams can rapidly sense and respond to business opportunities and challenges. In addition, empowered teams don’t lose time developing consensus across teams, units, or levels of seniority; and due to fewer handoffs, they avoid long wait times, duplication of effort, and work falling through the cracks.

Creating an empowered decision-making environment, however, is a process that takes time and attention. Companies cannot bring about empowerment by decree. Instead, our research has found that senior leaders and supporting units need to collectively foster empowerment by establishing four decision rights guardrails: Purpose in Action, Democracy of Data, Minimum Viable Policy, and Resources to Run. These guardrails are enabling constraints by which teams can operate with greater meaning, competence, direction, and impact, ensuring that teams can safely accomplish their chosen objectives at an accelerated pace.

Mars provides an inspirational example of a company that fosters empowerment by establishing decision rights guardrails that focus the entire organization on delivering on its purpose faster.

Mars’ Approach to Becoming One Hundred Times Faster

Mars, Incorporated, or Mars, is a family-owned company with more than a century of history in providing products and services in pet care, food, confectionary, and personalized nutrition. Employing over 130,000 Associates in eighty countries, the company relies on a decentralized decision-making structure with an egalitarian spirit. Autonomous decision making by Associates has long been guided by the company’s Five Principles, and centers on an actionable purpose for each business segment that provides teams with meaning and direction.

In the words of Jane Wakely, Lead Chief Marketing Officer, “If you understand your purpose … if you understand the values by which you’re great, you can empower teams to act with real pace. The initiatives that we’ve done have come from a deep understanding of what we’re trying to achieve—the difference we’re trying to make in the world.”

In 2017, the company embarked on a digital transformation journey with an emphasis on accelerating the company. Its leadership team recognized that achieving this company-wide objective meant the transformation could not be driven solely by Mars’ Digital Technologies unit. Instead, every Mars Associate—from factory floor workers and veterinarians to brand managers and supply chain planners—would have to be involved in the transformation. Mars’ goal was to help every Associate become one hundred times faster.

Sandeep Dadlani, Chief Digital Officer at Mars, told us, “We were actually never doing ‘digital.’ It's purely about how fast as a company we can find and solve problems, in every little sphere of influence we have. Now speed is an interesting problem to solve for.”

Rather than implementing a top-down digital transformation program that pushed new technologies, methodologies, and training programs to Associates, Digital Technologies started by fueling Associate interest and excitement around developing three core digital capabilities that could improve team competence and impact: The first is practicing user centricity—interacting directly with customers (or the end user closest to the customer) and applying design thinking—to identify problems and unmet needs. The second is leveraging data and analytics to solve these problems. And the third is employing automation to reuse and scale solutions.

Combined, these capabilities constitute the Mars Digital Engine—a three-step process that empowers teams through guardrails that bring decision making and initiative execution closer to the customer. The Digital Engine democratizes data through greater customer understanding and data science competence, enabling teams to better sense and interpret changes in their environment. In addition, it reduces teams’ need for resources such as scarce digital talent, enabling the teams to respond to changes faster and with greater impact.

Forming and Federating Capabilities

Mars follows a company-devised “form and federate” approach to its digital capability development: it first forms capabilities within the Digital Technologies unit, and then federates them company-wide to be applied as close to the customer as possible. This federation effort began as grassroots movements led by small groups of skilled Digital Technologies Associates. By working closely with teams across the entire company, these groups inspired Associates to learn more about and practice user centricity, analytics, and automation. Only after each movement gained traction with Associates did Mars create additional structure—such as courses, events, governance, and tools—around it to guide its organization-wide application.

A seven-person User Centricity group, for instance, worked directly with teams in design thinking sprints to reframe existing customer problems and identify new ones. The group also organized coaching clinics and workshops, and so-called Where did you eff up this week?-sessions where teams could be vulnerable and learn from each other’s experiences. Participation in these sessions grew quickly, and led to the creation of fifteen local user centricity clubs across the company’s various regional markets. Within three years, Mars trained more than 20,000 Associates in design thinking through direct participation in over 1,000 sprints. Those Associates that want to further develop their abilities can become certified design thinking practitioners via courses offered through the company’s learning and development platform.

Mars’ enterprise architecture has become geared for speed as well, with modularized business, data, and infrastructure components supercharging the Digital Engine. This enables teams to rapidly configure and reconfigure components for local solutions, while the Digital Technologies unit ensures security and compliance of the components via required processes and controls. In its policies, Digital Technologies takes the overall interdependence of teams’ initiatives into account, sacrificing speed of some individual teams for speed across the entire company.

Sandeep Dadlani, Chief Digital Officer: “Each sprint goes to a central architecture group, to our cybersecurity group, and sometimes procurement. Those groups can apparently seem to slow down the process but at Mars we feel they enable speed at scale ultimately, and we recognize how critical these steps are to drive that speed at scale.”

Scaling Local Initiatives to Accelerate the Enterprise

Digital Technologies leverages the central architecture group’s view into all of Mars’ sprints to identify local initiatives that have great potential within—or even across—business segments at an early stage. The unit can then surface such initiatives to senior leaders for further development into top-down strategic transformation programs with dedicated resources. By 2020, Mars had identified fourteen of these funded programs. Each program focuses on streamlining efforts in either company-wide domains (such as strategic revenue management), or in specific business-segment areas (such as the patient hospital experience within Mars Petcare).

Most initiatives are eventually linked to one of these fourteen funded programs. Yet the company encourages teams to leverage the Digital Engine capabilities to continuously identify new ideas and customer needs to address, even if the resulting initiatives do not align with an existing transformation program. This way, Mars ensures that all Associates can continue to help the company operate and innovate faster.

Succeed at Speed

Faced with an uncertain future, companies can no longer operate via control and long-term prediction. Instead, they need to be able to sense and respond to changes in their business environment faster than ever before. Mars had only just begun to accelerate when the COVID-19 pandemic broke out, but with a company-wide focus on speed already in place, Mars’ empowered Associates were able to adapt to fast-changing customer needs and business changes quickly. Today, the company continues to look for ways to go faster. It does this by forming key digital capabilities, federating them throughout the company, and establishing shared guardrails around them so that local teams with the decision rights to solve customer problems are truly empowered to do so.

While the journey to succeed at speed takes time, the good news is that many companies have recently gained considerable momentum with empowerment. Now is the time to sustain that momentum. A company-wide focus on decision rights and the corresponding guardrails should therefore be at the top of everyone’s post-pandemic agenda.

Narrator:

Thanks for listening to this reading of MIT CISR research, and thanks to the sponsors and patrons who support our work. Get free access to more research on our website at cisr.mit.edu.

© 2021 MIT Sloan Center for Information Systems Research