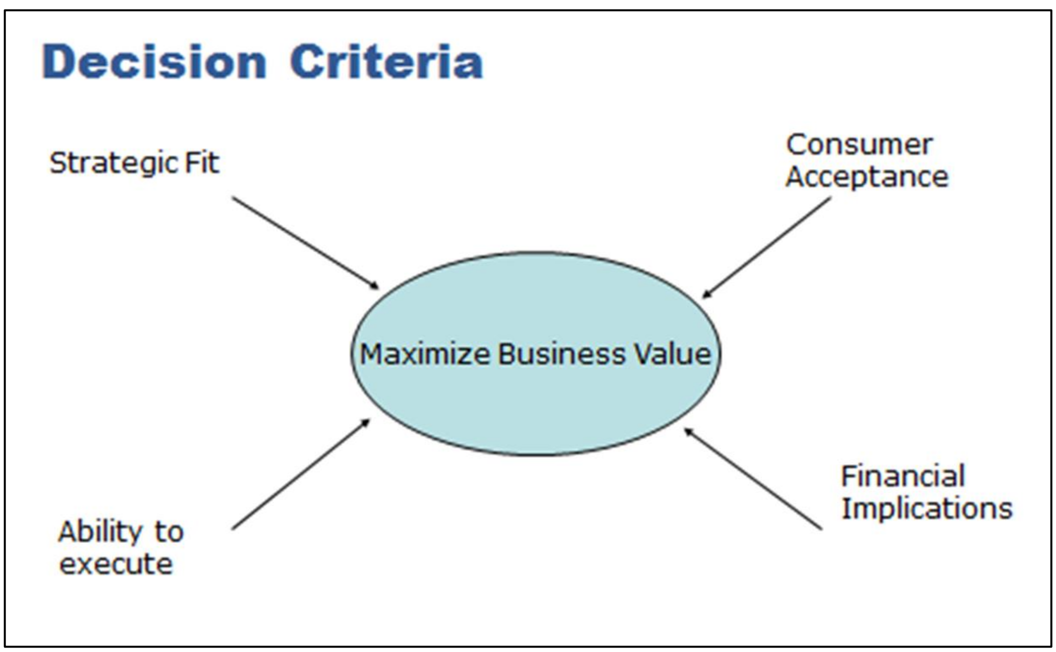
Often overlooked is the importance of establishing decision criteria. For an organization to move as quickly as today's market demands, and to have all the moving parts work in an orchestrated fashion, the decision making needs to be dispersed throughout the organization. For leaders in different departments or divisions to make decisions independently yet consistently with the direction of the company, a common decision criterion needs to be established.

Decision criteria fall into four distinct categories:

1. ***Strategic fit***: How well does this decision support our strategy? Will this decision make a significant impact on how fast or how well we achieve our strategy?
2. ***Customer acceptance***: Will this decision help us better serve our target customer? Will they embrace it? How quickly? How many of them?
3. ***Resources impact***: Do we have the resources to do it well? If not, can we get them by trading this for something else we planned to do? Do we have the money, time, experience, knowledge, skill, etc.?
4. ***Financial implications***: What is the revenue potential and net present value? Profit potential? Impact on cash flow?



Detailed Criteria

You might add additional criteria under each category. For example, under financial implications, specific criteria might be key financial metrics like minimum profit margin, net present value, cash flow or IRR. Identify the target that is desired for each where appropriate (i.e. minimum profit 8%). Some criteria may be yes/no questions.

It is these specific guidelines that you use to tailor the four criteria to your strategy and unique considerations. Communicating the criteria throughout the company not only provides consistency in how decisions get made between departments, but also consistency over time, and transparency in decision-making to those shouldering the responsibilities to develop recommendations for consideration. Decision making should not be emotionally based or a black hole. Specific criteria prevent that from happening.

Decision Criteria Chart: Example

Strategic Fit	Ability to Execute	Customer Acceptance	Financial Implications
• Fits with strategic positioning • Improves ability to deliver value proposition to target customers	• Resources are available • Leverages competencies	• Easy to understand • High adoption rate	• Minimum profit margin 8% • NPV >0 • IRR 20%

Applying Decision Criteria

One of the things you will have to decide is how you want to weight the criteria in order to score the initiatives. Typically, for most clients, we weight them all the same which is by far the easiest. We give a total of 100 points and allow a max of 25 points to be given for the criteria in any one of the four areas. You can also allocate the 100 points at the individual criteria level—giving 25 points to creating revenue for example and only 10 for having the resources available. The logic might be if it creates enough revenue we will find the resources!!!

When evaluating the scores pay attention to the difference in the scores. If there is a wide range it may mean people understood the initiative differently and it needs to be clarified. It can also be a reflection of the “lens” through which they see it; for example the CFO might care more about the financial fit than the strategic fit and sales might value the customer acceptance most of all.

Scoring doesn’t give you the answer; it gives you a great way to focus the discussion and see each other’s perspective.

Sample Decision Criteria Chart			
Strategic Fit 25 pts	Customer Acceptance 25 pts	Financial Implications 25 pts	Ability to Execute 25 pts
i. Is the initiative consistent with the Strategic Position statement?	i. Does it enhance the relationship with the customer?	i. How much revenue will it create?	i. Do we have the resources to do it or are we willing to get them?
ii. Does the initiative enhance the delivery of our Value Proposition to our Tier One customers?	ii. Does it enable us to generate new business?	ii. What will be the profit impact?	ii. Is it something we can do well?
	iii. Does it improve performance with tier one customers?	iii. What is the Return on Investment?	
	iv. Does it appeal broadly across customers?	iv. How fast will it generate a return?	

OR

Sample Decision Criteria Chart			
Strategic Fit	Customer Acceptance	Financial Implications	Ability to Execute
ii. Is the initiative consistent with the Strategic Position statement? (15 pts)	ii. Does it enhance the relationship with the customer? (5 pts)	ii. How much revenue will it create? (10 pts)	iii. Do we have the resources to do it or are we willing to get them? (10 pts)
iv. Does the initiative enhance the delivery of our Value Proposition to our Tier One customers? (15 pts)	ii. Does it enable us to generate new business? (5 pts)	ii. What will be the profit impact? (10 pts)	ii. Is it something we can do well? (10 pts)
	iii. Does it improve performance with tier one customers? (5 pts)	iii. What is the Return on Investment? (5 pts)	
	iv. Does it appeal broadly across customers? (5 pts)	iv. How fast will it generate a return? (5 pts)	