

Decision Cost Analysis - Overview

By Paul Collins – Jordan Webb © 2006-2010 – DCA-v30-06e – Page 1

Today's economic situation forces businesses to find more ways to remove costs. But this must be done wisely so as not to inhibit or remove critical and necessary business functions.

One highly visible target is the time and cost invested in meetings. Meetings are often considered to be huge wastes of time and money, as they've been often characterized as places (1) where minutes are taken and hours are wasted or (2) where good ideas go to die. **The significance of meeting costs is far greater than you might suspect.** Using data from a 2001 study on meeting productivity, and applying the 80/20 rule such that only 20% of meetings might be effective, we're faced with the following statistics:

- **Annual meeting expenses of \$24M to \$80M** (80% of 30M to \$100M)
- **Result in annual business losses of \$43M to \$2.9B (billion)** (80% of 54M to \$3.7B)

Meetings are a huge target! Most of us probably already feel meetings are expensive, time-consuming, inefficient, wasteful, unnecessary, etc. We dread going to meetings and worse, dread convening and conducting our own. Yet we need meetings to get key aspects of our work done – namely group decisions.

This paper focuses on decision meetings – where key decisions are made by groups/teams – from the executive boardroom to the shop floor. As we examine how work gets done today, many critical decisions are made collectively and collaboratively. The days of top-down decision-making aren't over, but the responsibility for making key decisions has been pushed down further into flattened or networked organizational structures.

A trend in decision-making is evolving in parallel with the recognition that there is more wisdom in crowds than in individuals. More and more, organizational decision-making depends on the participation of diverse stakeholder groups and their ability to reach alignment or consensus. Such groups need better information to make and support well-informed decisions in more tightly compressed time frames. Collectively, work groups and teams have better expertise, experience, information, insight, inspiration and wisdom needed to resolve issues of change, complexity, competition, etc. As more decisions are delegated to groups, it's critical to offer methods, techniques and tools that enable decision groups to: (1) do collaborative work at any time and from any place and (2) produce needed results on time and at the right time.

Results summaries of a 2001 University of Arizona study corroborate the notion that meetings are indeed a huge expense. Findings revealed that meetings dominate workers' and managers' time, yet while meetings are considered costly, unproductive & dissatisfying, they are essential and the number of meetings and their duration continues to increase. Managers and knowledge workers reveal they spend between 25%-80% of their time in meetings, suggesting meetings are an essential part of their work life, yet their self estimates of meeting *productivity* across different functional areas ranges from 33%-47%. Annual meeting expenses and their resulting business losses were cited earlier in this paper.

We invest more time and money in meetings than we should, but we probably have no idea how much this is costing us or why. Reducing the number of people invited or reducing the number of meetings is not necessarily the answer. However, this scenario presents us with a huge opportunity, since meetings are an essential business process – incidentally, a business process that we neglected to re-engineer when Business Process Re-engineering (BPR) was the fashionable thing to do.

The concept behind **Decision Cost Analysis** is to help those who fund, sponsor, manage, depend on, or are engaged in collective decision-making to understand the various components of decision cost and how reductions or removal of costs in specific areas affect performance and the bottom line. These applications incorporate several areas of “hidden” or “intangible” costs usually not factored into the costs of group decision-making. Once there is a big picture view of these often overlooked costs, it becomes clear how cost reduction or removal in these critical areas can have a higher impact on lowering overall meeting cost.

Meeting costs are **too high to be treated as overhead or sunken costs** or loss leaders. Decision Cost Analysis provides a **strategic approach to reducing and/or removing costs** from decision meetings, as opposed to spending and/or cutting meeting costs arbitrarily. The use of Web Conferencing and Telepresence technologies will remove significant costs, but only the tangible costs of travel expenses. When intangible costs are included, **travel expenses are generally less than 35% of total decision meeting cost.**

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By Paul Collins – Jordan Webb © 2006-2010 – DCA-v30-06e – Page 2

How does this apply to your organization? Contact Paul Collins – office: (847)-846-8139 or email: info@jordan-webb.net or watch the video demo: www.decisioncostanalysis.com/dca-v28-p00.

Decision Cost Analysis provides a complete picture of meeting costs and a roadmap to opportunities for reducing intangible expenses by using external resource costs more effectively. The applications help clarify how the structure and design of decision meetings can increase the effectiveness of meeting processes and in turn, how changes in meeting processes impact favorably individual, team and organizational performance. Decision Cost Analysis applications assist individuals, teams and organizations in developing benchmarks, metrics and templates for decision-making meeting processes, as they compel and induce users to:

- Become aware of the huge costs that are incurred in decision meetings
- Understand and quantify the full range of costs associated with decision meetings
- Learn that meetings are processes with activities, tasks and steps that can be defined and managed
- Recognize how cost components of decision meetings can be controlled and optimized
- Understand how the process components of decision meetings can be defined, managed, controlled, improved and optimized and how that will affect the total cost
- Support changes in organizational behaviors and attitudes towards meetings that lead to better preparation for, structuring of, participating in and conducting of meetings

We've developed these tools to help clarify the fundamental costs of decision meetings and to help model how potential reductions in certain cost areas may affect the overall decision cost and the performance of decision-makers. The scope of these tools will grow as we learn more about our clients' and colleagues' experiences and needs and incorporate them into the applications.

Here are some key reasons to take the cost of decision meetings seriously:

Twenty-Five Reasons to Use Decision Cost Analysis

Meeting Cost Effectiveness:

- Identify and quantify a all hidden meeting costs as well as the obvious ones
- Determine if meeting cost is over or under budget (if there is a budget)
- Given the meeting cost, assess the need, benefit and value of the meeting

Decision Urgency – Importance – Impact – Risk:

- Consider whether decision must wait for a face-to-face meeting
- Resolve if decision requires a prompt response, immediately and virtually - over the web
- Decide if meeting requires a neutral facilitator to plan and conduct the meeting process?
- Clarify whether meeting requires input or perspective of a subject matter expert, methodologist or consultant
- Given the cost, assess the level of risk and impact in making no decision or the wrong decision

Decision Environment:

- Assess whether the right participants been invited
- Given the cost, Clarify if decision could/should be made by an individual
- Review whether there are unsettled issues that might affect the decision and outcome
- Determine if decision requires a face-to-face meeting
- Decide if decision can be made virtually – over the web

Decision Group Effectiveness:

- Ascertain whether decision requires a group of this size or of this organizational level
- Clarify whether decision group has appropriate mix of organizational levels
- Establish that decision group has appropriate experience and expertise

Expected Return:

- Verify whether meeting cost can be justified by the expected return
- Determine how many sales dollars must be generated to justify the meeting cost
- Compute how many units must be sold or produced to justify the meeting cost
- Evaluate what cost reductions are expected as a result of the meeting
- Gauge what productivity increases are expected as a result of the meeting?

Meeting Design Effectiveness:

- Determine whether appropriate agenda, methods, techniques, technologies have been selected
- Review whether decision group is proficient in the selected methods, techniques, technologies
- Evaluate whether decision group is prepared to conduct this meeting and make this decision
- Consider whether a meeting planner or event planner be engaged to organize the meeting

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