Making effective decisions as a senior team: the Bank of England as a best practice example

The details of how the Monetary Policy Committee makes decisions is a rare public example of good group-based decision-making

Executive teams are tough to manage, and one of their most important activities is decision-making. Success requires processes and behaviours which are not always easy for a team of highly successful strong leaders. Good examples are rare – partly because successful decision-making is not as common as it should be, and partly because there are few chances to see behind the closed doors of such meetings.

Since the banking collapse, the role of the Bank of England has been debated by economists, historians and political pundits. Getting this right clearly matters to all of us. One thing most experts agree on is that the performance of the Monetary Policy Committee in setting interest rates has been very impressive.

The overall process

There is much to learn from how a small team of powerful, clever, strong-minded men and women make effective decisions in a transparent and accountable way. Research shows that, in contrast, only 12% of executive team meetings result in effective decisions on important issues.

The Monetary Policy Committee's process follows best practice closely. Everyone who joins the committee is taken through the process, and what is expected from them. Every month, the whole group goes through a precise and well-planned seven days, in three very clear and deliberately separated stages:

1. ***Understanding the latest data:*** the first MPC meeting of the cycle is a half day session on Friday when the Committee are presented with all the information relevant to the decision they are about to make. Presentations by senior bank staff include a wide range of up-to-date data, mainstream numbers and opinion. The committee focuses on them with an open mind and a desire to understand.
2. ***Debating what the data means and what the options are:*** after several days to absorb the inputs, they meet to discuss implications on the following Wednesday. At this stage, they do not start proposing a decision. The Committee gains the benefit of all its members' different insights and experience. Everyone is expected to speak their mind and to listen to each other. Having a clear range of realistic options focuses attention on the relative merits of the choices. They then retire for the night.
3. ***Making a clear decision, communicating it and executing it:*** the following day, meeting for the third time in a week, the Monetary Policy Committee makes the decision. The Governor begins by summarising key points of the previous day. Each member then summarise their own views. The Governor calls for a vote. These decisions are made public, with detail of who voted for what. The final activity is to discuss the headline commentary on the decision, so it can be communicated.

This is an excellent, live, example of a strong decision-making structure, with three, separate, data rich but distinctive stages which ensure effective decision-making. This works in a context of a tough group of independently minded members who are not naturally a team. In fact most executive teams are notoriously non-team like. Despite this challenge, this Bank of England process has created an atmosphere of common purpose - where a combination of collegiality and challenge lead to an effective outcome.