

## Decision-Making

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## Problem-solving & decision-making

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- Problem-solving = determining solutions to a discrepancy between a desired state and a current reality
  - The way things are  $\Rightarrow$  The way things should be
- Decision-making = choosing between two or more alternative decisions.

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## **Management is about decision-making & problem-solving**

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### Decisions fall along a continuum

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- Programmed decisions
  - Routine decisions that managers make regularly
  - Often governed by policies, procedures, or rules.
- Non-programmed decisions
  - Non-routine decisions, frequently in unique situations
  - Often require unique solutions
  - Involve higher degrees of uncertainty, making them more challenging

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## Models of decision-making: The OODA Loop

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- Four decision-making stages that may be repeated until problem is controlled or solved
  1. Observe: What is happening? What are current conditions?
  2. Orient yourself to the situation by analyzing results of observation
  3. Determine a course of action
  4. Act
- First developed for strategic or organization-level decision-making, equally applicable to situational decision-making
- The main danger of using the OODA loop approach is that it can lead to OODA-loopery (getting caught up in repeated cycles by redefining the problem without actually taking any action to solve it)

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## Models of decision-making: The “Rational Decision-Making” Model

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- Identify & define the problem: What must be decided?
- Define goals & objectives
  - Consider both process & outcomes
  - Identify criteria for a successful solution
- Generate possible solutions
- Evaluate possible solutions using previously defined goals & objectives
- Select & implement best available solution
- Monitor implementation
- Evaluate solution
- Evaluate decision-making process

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## Assumptions in standard decision-making model

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- Complete information
- Known consequences
- Clear decision criteria
- Consistent decision criteria
- No time & cost constraints
- Maximum payoff

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## Models of decision-making: Bardach & Patashnik, “The Eightfold Path”

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1. Define the problem
2. Assemble evidence demonstrating existence, scope & consequences of the problem
3. Construct alternative solutions
4. Select criteria by which to evaluate outcomes
5. Project all possible outcomes that stakeholders might care about
6. Confront the trade-offs among outcomes
7. Stop, focus, narrow, deepen, decide: Which alternative solution delivers the best set of outcomes?
8. Tell your story to the decision-makers

(Bardach, E., & Patashnik, E. M. (2016). *A practical guide for policy analysis*. Thousand Oaks, CA: CQ Press.)

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## Actual Decision-Making

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- The use of decision heuristics
  - Heuristics: Using rules or methods to simplify complex tasks
  - Rules or methods may be informal or formal, subjective or objective
- Bounded rationality: Conditions assumed by decision-making models may not exist, putting limits on how “rational” decisions can be
- “Satisficing”: Accepting an available or partial solution as satisfactory rather than pursuing an ideal solution
- Intuitive decision-making
- Visibility bias
- Incrementalism: Step-by-step decisions, not all in
- Escalation of commitment

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## Enhancing Creativity in Decision-Making

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- Expertise
- Thinking skills (e.g., tolerance for risk, ability to think laterally)
- Intrinsic motivation

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## Organizational Constraints on Decision-Making

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- Extrinsic rewards
- Individual rewards
- Time constraints
- Routine operating procedures
- Performance evaluation
- Organizational history

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## Individual Decision-Making Styles

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<b>Tolerance of Ambiguity</b>	High	Analytic	Conceptual
	Low	Directive	Behavioral
		Linear	Holistic
		<b>Individual Thought Processes</b>	

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