**Case Study 1 Part A: Qualitative Decision Making and Hidden Traps in DM**

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Sip-for-a-Spell is a beverage shop owned by Jaime that has been slowly losing sales due to unprecedented matters. Due to this decline, Jamie sent out an email to his silent partners for assistance and has thought of some solutions to counter this issue. But to ensure that Jaime gets this right, he should consider following a decision-making strategy to understand what he needs to do and what traps to avoid ensuring the company doesn’t fail.

In planning to make a decision for the beverage shop, Jaime should first identify and define the problem(s). At present, there has been a drop in sales which Jaime believes this is due to construction on major streets. Jaime believes once construction ends next week, sales should increase again. He also believes offering free internet access will help. However, Jaime should also recognize another problem the business is currently facing: failure to meet some very specific customer needs such as the choice of beverages and comfortable seating. These problems can easily be turned into business opportunities for the beverage shop.

During this first step, Jaime would be wise to avoid the common hidden trap of anchoring in his decision making. According to the article “The Hidden Traps in Decision Making,” when making a decision, “… the mind gives disproportionate weight to the first information it receives,” (Hammond, et al. 1998, p. 48). Therefore, I would advise Jaime not to jump to any conclusions without understanding the business problem in its’ entirety first.

Secondly, Jaime should gather and interpret all necessary information available before making a business decision. Jaime should seek business-improvement ideas not just from customers but also from mystery shoppers and his staff. Furthermore, Jaime may want to consider doing market research and/ or work with a consultant. Once he has gathered this information, Jaime should run what-if models. The what-if models would allow Jaime to see the potential impacts the proposed ideas would have on the business before actually implementing them. The management team would then have knowledge of which ideas/solutions are more likely to align with business goals, deliver the greatest benefit, and return on investment (ROI).

Next, Jaime should decompose and then model the problem. In this stage, Jaime should look for different solutions to the problem at hand and not be afraid to make assumptions. I would advise Jaime to structure his decision problem in small manageable pieces at first. The following decompositions should carefully consider elements of uncertainty. Different stakeholders may have different needs, thus, finding more than one possible alternative is key when making business decisions.

In this third step of modeling the problem, Jamie should do his best to avoid the hidden trap of framing. Per Hammond, “The way a problem is framed can profoundly influence the choices you make,” (Hammond, et al. 1998, p. 52). Framing can take on many forms, establish the status quo, and highlight sunk costs. Therefore, Jamie should be very careful when framing the problem and consider reframing the problem in numerous ways.

Generating several solutions/alternatives is the fourth step Jamie should make in his decision making. Jaime should brainstorm ideas and also collect ideas from others. Business needs (such as quality, time, cost, etc.) and different solutions should be considered here and analyze how each would address the business problem. The pros and cons of each solution should be identified, challenged, and consider going with other alternatives. Jaime should have a mind-mapping approach and keep asking “What else might work?”

At this stage, Jaime should do his best to avoid falling for the hidden trap of recallability. “Because we frequently base our predictions about future events on our memory of past events, we can be overly influenced by dramatic events…,” (Hammond, et al. 1998, p. 56). Dramatic events have the tendency to distort our thinking when it comes to making decisions. Jaime can avoid the recallability trap by analyzing all alternatives carefully and evaluating actual statistics.

The next step Jaime should take is to review, iterate, and make a final decision. Jaime should ask “What would have to be true for each of these options to be the best possible choice?” All the information that has been collected and how this decision will affect stakeholders should be considered. Jaime should perform a risk analysis and reality-test assumptions. Priorities such as organizational goals should be kept in mind. It is also important for Jamie to make this decision without letting his emotions interfere.

In this fifth step, Jaime would do well to avoid the hidden trap of overconfidence in his decision making. Being overconfident, “… can lead to errors in judgment and, in turn, bad decisions,” (Hammond, et al. 1998, p. 56). Jamie should consider the implications of his decision and steer clear of the over or under estimating of a key variable. In doing so, high risks may be avoided, and desirable opportunities may not go unnoticed.

Once Jamie has made his final decision and before implementing it, he should communicate his plans to his silent business partners. By now Jamie should have planned who is accountable, responsible for each action, and develop a schedule for implementing his final decision. Once his silent business partners are in the know, a schedule should be developed for implementing the decision. Both a best case and worst-case scenario should be prepared. This will tell Jamie and his partners how a successful decision would impact the business or how to avoid certain things from happening if a bad decision was made.

The last step Jamie should take in his business decision is to monitor feedback and evaluate it. By monitoring success metrics, Jamie and his business partners determine whether or not their business decision meets their criteria of success. When making this evaluation, Jaime should consider if their business solution solved their problem, if the impact of said decision has been positive or negative, which stakeholders benefited from it, and which did not.

If a business is to be successful, it is imperative that management understand the impact of all business decisions. The decision-making process is a key skill in the business world, especially for those in leadership positions. When it comes to making business decisions, it’s important to correctly identify and analyze all alternatives, gather as much data as possible, and make the best informed decision. Following a well-developed method such as the one outlined on this paper, and staying abreast of common key business challenges can help business leaders make intelligent decisions to ensure the results will be positive.

References

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