

Improving the Quality of Decision-Making

by Sophia



WHAT'S COVERED

In this lesson, you will learn about decision-making techniques, including the six steps in the decision-making process. You will also learn about the four steps involved in ethical decision-making.

Specifically, this lesson will cover:

1. Decision-Making Techniques
2. The Importance of Experience
3. Techniques for Making Better Programmed Decisions
4. Techniques for Making Better Nonprogrammed Decisions
 - 4a. Recognizing That a Decision Needs to Be Made
 - 4b. Generating Multiple Alternatives
 - 4c. Analyzing Alternatives
 - 4d. Selecting an Alternative
 - 4e. Implementing the Selected Alternative
 - 4f. Evaluating the Effectiveness of Your Decision

1. Decision-Making Techniques

Managers can use a variety of techniques to improve their **decision-making** by making better-quality decisions or making decisions more quickly. The table below summarizes some of these tactics that may improve individual decision-making.

Type of Decision	Technique	Benefit
Programmed decisions	Heuristics (mental shortcuts)	Saves time
	Satisficing (choosing first acceptable solution)	Saves time
Nonprogrammed decisions	Systematically go through the six steps of the decision-making process.	Improves quality

	Talk to other people.	Improves quality: generates more options, reduces bias
	Be creative.	Improves quality: generates more options
	Conduct research; engage in evidence-based decision-making.	Improves quality
	Engage in critical thinking.	Improves quality
	Think about the long-term implications.	Improves quality
	Consider the ethical implications.	Improves quality



TERM TO KNOW

Decision-Making

The action or process of thinking through possible options and selecting one.

2. The Importance of Experience

An often overlooked factor in effective decision-making is experience. Managers with more experience have generally learned more and developed greater expertise that they can draw on when making decisions. Experience helps managers develop methods and heuristics to quickly deal with programmed decisions and helps them know what additional information to seek out before making a nonprogrammed decision.

3. Techniques for Making Better Programmed Decisions

In addition, experience enables managers to recognize when to minimize the time spent making decisions on issues that are not particularly important but must still be addressed. As discussed previously, heuristics are mental shortcuts that managers take when making programmed (routine, low-involvement) decisions. Another technique that managers use with these types of decisions is satisficing. When **satisficing**, a decision maker selects the first acceptable solution without engaging in additional effort to identify the best solution. We all engage in satisficing every day.



TERM TO KNOW

Satisficing

When a decision maker selects the first acceptable solution without engaging in additional effort to identify the best solution.

4. Techniques for Making Better Nonprogrammed Decisions

For situations in which the quality of the decision is more critical than the time spent on the decision, decision makers can use several tactics. As stated previously, nonprogrammed decisions should be addressed using a systematic process. When decisions involve stakeholders, including employees, vendors, suppliers, or shareholders, it is important to approach each challenge in a systematic, rather than chaotic or improvised, way. A predictable process can help lead managers to a more effective and equitable solution. A rushed or last-minute snap decision or reactive response could produce the opposite, and cause harm. We therefore discuss these tactics within the context of the decision-making steps to promote the best possible outcome. To review, the Six-Step Nonprogrammed Approach includes the following:



STEP BY STEP

1. Recognize that a decision needs to be made.
2. Generate multiple alternatives.
3. Analyze the alternatives.
4. Select an alternative.
5. Implement the selected alternative.
6. Evaluate its effectiveness.

4a. Recognizing That a Decision Needs to Be Made

Ineffective managers will sometimes ignore problems because they aren't sure how to address them. However, this tends to lead to more and bigger problems over time. Effective managers will be attentive to problems and opportunities and will not shy away from making decisions that could make their team, department, or organization more effective and more successful.

4b. Generating Multiple Alternatives

Often a manager only spends enough time on this step to generate two alternatives and then quickly moves to the next step in order to make a quick decision. A better solution may have been available, but it wasn't even considered. It's important to remember that for nonprogrammed decisions, you don't want to rush the process. Generating many possible options will increase the likelihood of reaching a good decision. Some tactics to help with generating more options include talking to other people (to get their ideas) and thinking creatively about the problem.

- *Talk to other people.* Managers can often improve the quality of their decision-making by involving others in the process, especially when generating alternatives. Other people tend to view problems from different perspectives because they have had different life experiences. This can help generate alternatives that you might not otherwise have considered. Talking through big decisions with a mentor can also be beneficial,

especially for new managers who are still learning and developing their expertise; someone with more experience will often be able to suggest more options.

- *Be creative.* We don't always associate management with creativity, but creativity can be quite beneficial in some situations. In decision-making, creativity can be particularly helpful when generating alternatives. **Creativity** is the generation of new or original ideas; it requires the use of imagination and the ability to step back from traditional ways of doing things and seeing the world. While some people seem to be naturally creative, it is a skill that you can develop. Being creative requires letting your mind wander and combining existing knowledge from past experiences in novel ways. Creative inspiration may come when we least expect it (in the shower, for example) because we aren't intensely focused on the problem—we've allowed our minds to wander. Managers who strive to be creative will take the time to view a problem from multiple perspectives, try to combine information in new ways, search for overarching patterns, and use their imaginations to generate new solutions to existing problems. We'll review creativity in more detail in future Challenges.



TERM TO KNOW

Creativity

The generation of new or original ideas.

4c. Analyzing Alternatives

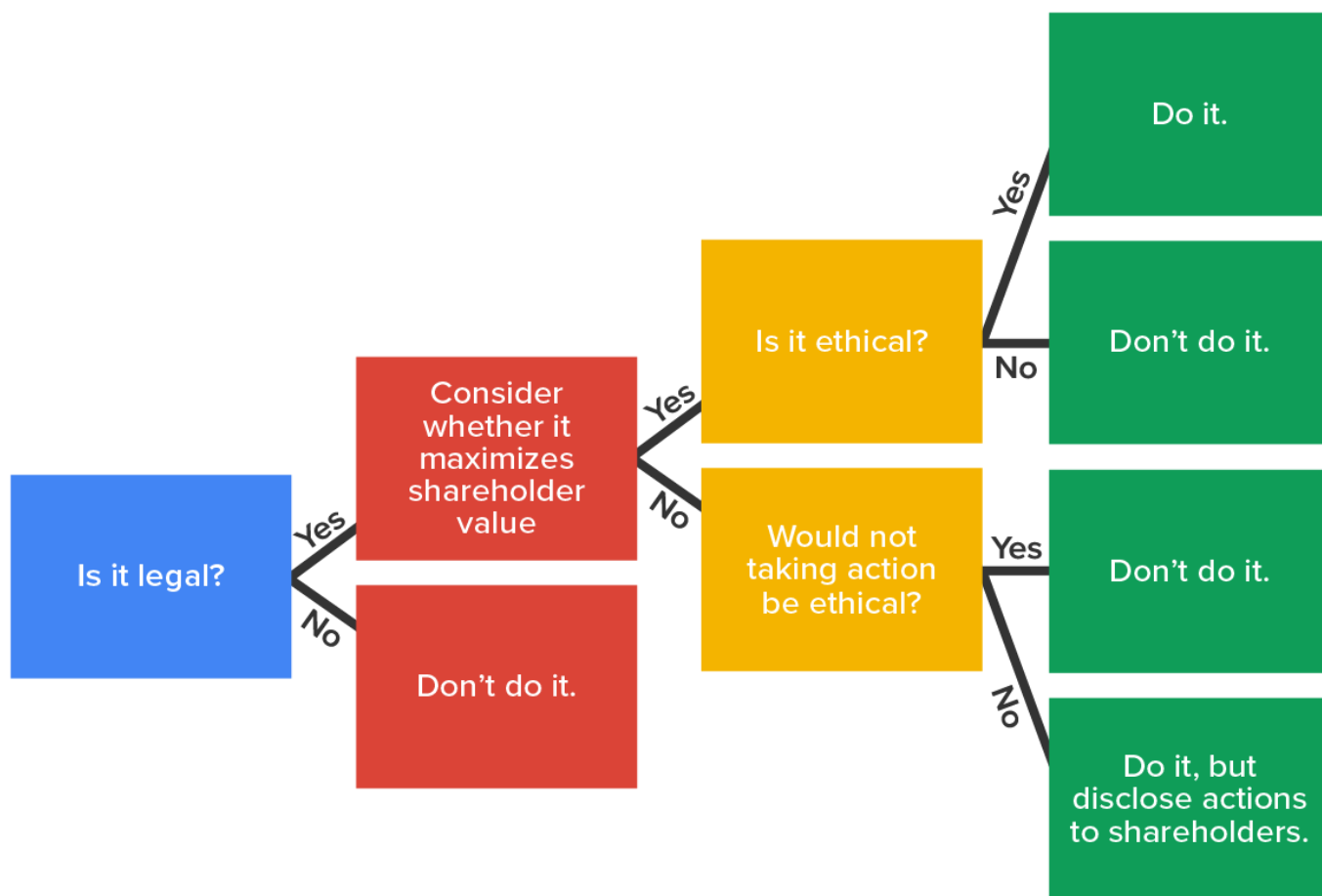
When implementing this step, it is important to take many factors into consideration. Some alternatives might be more expensive than others, for example, and that information is often essential when analyzing options. Effective managers will ensure that they have collected sufficient information to assess the quality of the various options. They will also utilize the tactics described below: engaging in evidence-based decision-making, thinking critically, talking to other people, and considering long-term and ethical implications.

- *Do you have the best quality data and evidence?* **Evidence-based decision-making** is an approach to decision-making that states that managers should systematically collect the best evidence available to help them make effective decisions. The evidence that is collected might include the decision maker's own expertise, but it is also likely to include external evidence, such as a consideration of other stakeholders, contextual factors relevant to the organization, potential costs and benefits, and other relevant information. With evidence-based decision-making, managers are encouraged to rely on data and information rather than their intuition. This can be particularly beneficial for new managers or for experienced managers who are starting something new. (Consider all the research that Rubio and Korey conducted while starting Away).
- *Talk to other people.* As mentioned previously, it can be worthwhile to get help from others when generating options. Another good time to talk to other people is while analyzing those options; other individuals in the organization may help you assess the quality of your choices. Seeking out the opinions and preferences of others is also a great way to maintain perspective, so getting others involved can help you to be less biased in your decision-making (provided you talk to people whose biases are different from your own).
- *Are you thinking critically about the options?* Our skill at assessing alternatives can also be improved by a focus on critical thinking. **Critical thinking** is a disciplined process of evaluating the quality of information, especially data collected from other sources and arguments made by other people, to determine whether

the source should be trusted or whether the argument is valid.

An important factor in critical thinking is the recognition that a person's analysis of the available information may be flawed by a number of logical fallacies that they may use when they are arguing their point or defending their perspective. Learning what those fallacies are and being able to recognize them when they occur can help improve decision-making quality.

- *Have you considered the long-term implications?* A focus on immediate, short-term outcomes—with little consideration for the future—can cause problems. For example, imagine that a manager must decide whether to issue dividends to investors or put that money into research and development to maintain a pipeline of innovative products. It's tempting to just focus on the short-term: providing dividends to investors tends to be good for stock prices. But failing to invest in research and development might mean that in five years the company is unable to compete effectively in the marketplace, and as a result the business closes. Paying attention to the possible long-term outcomes is a crucial part of analyzing alternatives.
- *Are there ethical implications?* It's important to think about whether the various alternatives available to you are better or worse from an ethical perspective, as well. Sometimes managers make unethical choices because they haven't considered the ethical implications of their actions. In the 1970s, Ford manufactured the Pinto, which had an unfortunate flaw: the car would easily burst into flames when rear-ended. The company did not initially recall the vehicle because they viewed the problem from a financial perspective, without considering the ethical implications (Trevino & Brown, 2004). People died as a result of the company's inaction. Unfortunately, these unethical decisions continue to occur—and cause harm—on a regular basis in our society. Effective managers strive to avoid these situations by thinking through the possible ethical implications of their decisions. The decision tree below is a great example of a way to make managerial decisions while also taking ethical issues into account.



Thinking through the steps of ethical decision-making may also be helpful as you strive to make good decisions. James Rest's ethical decision-making model (Rest, 1986) identifies four components to ethical decision-making:

1. Moral sensitivity—recognizing that the issue has a moral component;
2. Moral judgment—determining which actions are right vs. wrong;
3. Moral motivation/intention—deciding to do the right thing; and
4. Moral character/action—actually doing what is right.

Note that a failure at any point in the chain can lead to unethical actions! Taking the time to identify possible ethical implications will help you develop moral sensitivity, which is a critical first step to ensuring that you are making ethical decisions.

Once you have determined that a decision has ethical implications, you must consider whether your various alternatives are right or wrong—whether or not they will cause harm, and if so, how much and to whom. This is the moral judgment component. If you aren't sure about whether something is right or wrong, think about how you would feel if that decision ended up on the front page of a major newspaper. If you would feel guilty or ashamed, don't do it! Pay attention to those emotional cues—they are providing important information about the option that you are contemplating.

This step in the ethical decision-making model involves making a decision to do what is right, and the next step involves following through on that decision.



THINK ABOUT IT

Consider a situation in which your boss tells you to do something that you know to be wrong. When you push back, your boss makes it clear that you will lose your job if you don't do what you've been told to do. Now, consider that you have a family at home who relies on your income. Making the decision to do what you know is right could come at a substantial cost to you personally. In these situations, your best course of action is to find a way to persuade your boss that the unethical action will cause greater harm to the organization in the long term.



TERMS TO KNOW

Evidence-Based Decision-Making

An approach to decision-making that states that managers should systematically collect the best evidence available to help them make effective decisions.

Critical Thinking

A disciplined process of evaluating the quality of information to determine whether the source should be trusted or whether the argument is valid.

4d. Selecting an Alternative

Once alternative options have been generated and analyzed, the decision maker must select one of the options. Sometimes this is easy—one option is clearly superior to the others. Often, however, this is a challenge because there is not a clear “winner” in terms of the best alternative. As mentioned earlier in the Challenge, there may be multiple good options, and which one will be best is unclear even after gathering all available evidence. There may not be a single option that doesn't upset some stakeholder group, so you will make someone unhappy no matter what you choose. A weak decision maker may become paralyzed in this situation, unable to select among the various alternatives for lack of a clearly “best” option. They may decide to keep gathering additional information in hopes of making their decision easier. As a manager, it's important to think about whether the benefit of gathering additional information will outweigh the cost of waiting. If there are time pressures, waiting may not be possible.

- *Recognize that perfection is unattainable.* Effective managers recognize that they will not always make optimal (best possible) decisions because they don't have complete information and/or don't have the time or resources to gather and process all the possible information. They accept that their decision-making will not be perfect and strive to make good decisions overall. Recognizing that perfection is impossible will also help managers to adjust and change if they realize later on that the selected alternative was not the best option.
- *Talk to other people.* This is another point in the process at which talking to others can be helpful. Selecting one of the alternatives will ultimately be your responsibility, but when faced with a difficult decision, talking through your choice with someone else may help you clarify that you are indeed making the best possible decision from among the available options. Sharing information verbally also causes our brains to process that information differently, which can provide new insights and bring greater clarity to our decision-making.

4e. Implementing the Selected Alternative

After selecting an alternative, you must implement it. This may seem too obvious to even mention, but implementation can sometimes be a challenge, particularly if the decision is going to create conflict or

dissatisfaction among some stakeholders. Sometimes we know what we need to do but still try to avoid actually doing it because we know others in the organization will be upset—even if it's the best solution. Follow-through is a necessity, however, to be effective as a manager. If you are not willing to implement a decision, it's a good idea to engage in some self-reflection to understand why.



THINK ABOUT IT

If you know that the decision is going to create conflict, try to think about how you'll address that conflict in a productive way. It's also possible that we feel that there is no good alternative, or we are feeling pressured to make a decision that we know deep down is not right from an ethical perspective.

These can be among the most difficult of decisions. You should always strive to make decisions that you feel good about—which means doing the right thing, even in the face of pressures to do wrong.

4f. Evaluating the Effectiveness of Your Decision

Managers sometimes skip the last step in the decision-making process because evaluating the effectiveness of a decision takes time, and managers, who are generally busy, may have already moved on to other projects. Yet evaluating effectiveness is important. When we fail to evaluate our own performance and the outcomes of our decisions, we cannot learn from the experience in a way that enables us to improve the quality of our future decisions.



BIG IDEA

Attending fully to each step in the decision-making process improves the quality of decision-making and, as we've seen, managers can engage in a number of tactics to help them make good decisions.



BRAINSTORM

1. If you were faced with an ethical dilemma, from whom would you seek advice?
2. Describe some decisions that might be good for an organization's profitability in the short-term, but bad for the organization in the long-term.
3. What factors would you take into consideration if you were thinking about leaving your job rather than do something unethical?



REFLECT

1. Explain what satisficing is and when it may be a good strategy.
2. What are the six steps in the decision-making process?
3. What are the four steps involved in ethical decision-making?



SUMMARY

In this lesson, you learned about **decision-making techniques** that can be used by managers to help them make better-quality decisions or make decisions more quickly. You learned that the **importance of experience** is often overlooked in effective decision-making; however, it enables managers to

recognize when to minimize the time spent making decisions on less important issues. Other **techniques for making better programmed decisions** include using heuristics and satisficing. You also learned that for high-involvement decisions, decision makers can tap into **techniques for making better nonprogrammed decisions**, using the six steps in the decision-making process: **recognizing that a decision needs to be made; generating multiple alternatives; analyzing alternatives; selecting an alternative; implementing the selected alternative; and evaluating the effectiveness of your decision.** Lastly, you learned that it is important to consider various alternatives from an ethical perspective, exploring the four components to ethical decision-making: moral sensitivity, moral judgment, moral motivation/intention, and moral character/action.

Best of luck in your learning!

Source: Access for free at <https://openstax.org/books/principles-management/pages/1-introduction>

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TERMS TO KNOW

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The generation of new or original ideas.

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