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DECISION-MAKING

AND

PROBLEM-SOLVING SKILLS

WHAT IS DECISION-MAKING?

- *Decision-making is defined as choosing between alternatives.*
- Or it is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them.
- You cannot make a decision with absolute certainty and complete knowledge of all the alternatives. Hence, *every decision involves a certain amount of risk.*

TYPES OF DECISION-MAKING

- 1. Programmed and non-programmed decision-making**
- 2. Proactive Decisions and Reactive Decisions**
- 3. Responsive and intuitive decisions**
- 4. Micro and macro decision-making**
- 5. Decision-making—‘Cautious’ vs ‘Courageous’**

1) Programmed and non-programmed decision-making

- When the environment is highly structured and when the organization has a set of established rules, programmed decisions are used.
- Because of the high structure, it is possible to set up a rule that states that an action will take place when a certain condition is met.
- Based on rules, the upper management dictates the decisions of the middle management.
- It also enables a small business owner to make quick and consistent decisions by setting a rule and applying it to all similar decisions.

2) Proactive Decisions and Reactive Decisions

- Proactive decisions are more frequent in organizations.
- Proactive decisions allow time for studying the options. You can analyze the situation and make a better decision. These types of decisions involve a phase of preparation and a phase of execution.
- On the contrary, reactive decisions do not allow any time.
- You must act under the pressure of time and circumstances, and such decisions are both the most important and most difficult.

3) Responsive and intuitive decisions

- *In a responsive decision-making process, you make decisions in response to the data that is available.*
- Intuition is receiving inputs and ideas without knowing exactly how and where you got them from.
- *Intuitive decision-making is far more than using common sense* because it involves additional sensors to perceive and be aware of the information from outside.
- Sometimes, it is referred to as gut feeling, sixth sense, inner sense, instinct, inner voice, spiritual guide and so on.

4) Micro and macro decision-making

- Micro decision-making refers to the decisions made transaction by transaction, customer by customer.
- Micro decisions are small decisions made many times by many workers during customer interface.
- Macro decisions are real decisions and focus on how the decision process can be structured.
- Macro decisions that are made later may influence prior decisions and determine the context under which a cluster of micro decisions have to be taken.

5) Decision-making—‘Cautious’ vs ‘Courageous’

- Decision-making being all pervasive, understanding your risk preference helps in making better decisions.
- Remember that the gain and associated risks for each alternative are only estimates at best and are subject to the perception of the decision-maker.
- People differ with respect to their risk tolerance. There are those who would avoid risks to the extent possible and others who are thrilled with the excitement associated with risk-taking and its benefits.
- ***In short, making cautious decisions (associated with low risks) or courageous decisions (associated with high risks) is influenced by the decision-maker's risk profile.***

Steps to Decision-Making

Decision-making is choosing between alternatives.

There are many steps to this process:

Step 1: Defining the Problem: The first step toward any decision-making process is to define the problem. There should be a clearly stated outcome or goal that the organization desires after the decision.

Step 2: Develop Alternatives: The next step after defining the main problem is to state the alternatives available for that particular situation.

Step 3: Evaluate the Alternatives: This stage, which is very important, involves analysing each alternative that the organization has come up with.

Step 4: Make the Decision: This is the last stage where you finally choose from all the possible alternatives available.

Step 5: Implement the Solution: This stage involves carrying out the decision made by the organization.

MODELS OF DECISION-MAKING

There are different types of rational models and the number of steps involved in each is different for different models. The different steps involved in a rational model are described as follows:

Rational Decision-Making Model

- A rational decision-making model presumes that there is one best outcome. Because of this, it is sometimes called an optimizing decision-making model.
- The search for perfection is frequently a factor in the delay in making a decision. This model considers all possible options and their consequences in the future.
- But the efficacy of these models depends on your abilities such as your memory, imagination criteria used and so on. These models also require a great deal of time and a great deal of information.

MODELS OF DECISION-MAKING

Some Additional Models

There are the following additional models for decision-making (Peterson, 2007):

- 1) Rational Model (already discussed):** It involves the study of cost and benefit. If the benefit is greater than the cost, then it is decided to accept the project.
- 2) Political Model:** In this case, the decision is based on the political agenda and objectives.
- 3) Process Model:** According to this, a decision is taken if there is any such precedent in the organization.

MODELS OF DECISION-MAKING

Some Additional Models

4) Garbage Can Model: In this method, the decision-maker looks into the suggested ideas and the discarded ideas thrown into the garbage can, and finds some common acceptable decisions.

5) Majority Decision Model: Decision is based on majority votes.

6) Minority Decision Model: Decision is based on the opinions of the minority group, which may be very well-known and experienced.

7) Consensus Model: Decision is based on unanimous opinions.

Group Decision-Making Methods

Group decision-making makes use of many methods or procedures in order to make effective decisions.

- 1) Brainstorming**
- 2) Dialectical Inquiry**
- 3) Nominal Group Technique**
- 4) Delphi Technique**
- 5) Step Ladder Technique**

1) Brainstorming

Brainstorming is a commonly used method that involves group members verbally suggesting ideas or alternative courses of action. The 'brainstorming session' is usually relatively unstructured.

Steps involved in brainstorming

- The first step in the brainstorming session is describing the situation at hand in as much detail as necessary so that the group members have a complete understanding of the issue or problem. This gives the members an overall idea of the problem.
- The group leader or facilitator facilitates the generation of as many ideas as possible from all members of the group and the generated ideas are recorded and presented on a flip chart or marker board.
- The final stage is the evaluation phase where the group members begin the process of evaluating the utility of the different suggestions presented.

2) Dialectical Inquiry

Dialectical inquiry is another group decision-making technique that focuses on ensuring full consideration of alternatives.

Steps involved:

1. The first step here is dividing the group into opposing sides.
2. The two groups then debate the advantages and disadvantages of the proposed solutions or decisions.

3) Nominal Group Technique

The nominal group technique is a structured decision-making process in which group members are required to compose a comprehensive list of their ideas or proposed alternatives in writing.

Steps Involved:

1. The problem at hand is presented before the group members.
2. The group members are requested to record their decisions and their ideas privately.
3. Each group member is asked to provide one item from his or her list until all ideas or alternatives have been publicly recorded on a flip chart or marker board.
4. The next stage permits the members to make requests for clarification. No evaluation or criticism of the listed ideas is permitted in this method.
5. After all proposals are listed publicly, the group engages in a discussion of the listed alternatives, which ends in some form of ranking or rating in order of preference.

4) Delphi Technique

This technique is very useful in situations where the individual members are in different physical locations. The individuals in the Delphi 'group' are usually selected because of the specific knowledge or expertise of the problem they possess.

Steps involved:

1. The problem is given to each member of the group.
2. Each group member is then asked to independently provide ideas, inputs and/or alternative solutions to the problem in successive stages.
3. These inputs may be provided in a variety of ways, such as e-mail, fax or online in a discussion room or electronic bulletin board.
4. After each stage in the process, other group members ask questions and the alternatives are ranked or rated in some fashion.
5. After an indefinite number of rounds, the group eventually arrives at a consensus on the best course of action.

APPROACHES TO ETHICAL DECISION-MAKING

- 1) Egoism (selfishness):
- 2) Utilitarianism or consequentialism:
- 3) Deontologism or duty-based approach:
- 4) Common good approach:
- 5) Rights approach:
- 6) Fairness or justice approach:
- 7) Virtue-based approach:
- 8) Care-based approach:

PROBLEMS AND DILEMMAS IN DECISION-MAKING

There are many problems in decision-making. Some of them are described as follows:

- The first one is the routine decisions problem, where decisions are made routinely to solve immediate problems instead of sticking to rights or justice.
- The second problem is that of innovation. Individuals neglect any innovation simply because it entails efforts or decreased prestige to others. Innovation is a call for change, which implies criticism of existing performances, policies and personnel in the unit involved.
- The problem arises when traditional people are oriented to the past and regard innovative ideas or suggestions as attacks on the standards and quality established over a long time.
- Next is the problem of institutional mission. This includes role purposes and conflicts may arise between internal demands and external demands.

PROBLEMS AND DILEMMAS IN DECISION-MAKING

There are many problems in decision-making. Some of them are described as follows:

- Other problems include the anchoring trap, where you give disproportionate weightage to the first piece of information that you receive.
- The status quo trap is another pitfall of decision-making, which biases you towards maintaining the current situation—even when better alternatives exist.
- Another one is the sunk-cost trap, which inclines you to perpetuate the mistakes of the past, because “You have invested so much in this approach or decision that you cannot abandon it or alter course now.”
- Finally the confirming evidence trap, which is also known as confirmation bias, is when you seek information to support an existing predilection and discount opposing information. It can also be shown as a tendency to seek confirming evidence to justify past decisions.

"Every decision you make reflects
your evaluation of who you are."