



Effective Decision-Making

Objectives:

- Process of making decisions
- Determining risk
- Factors relating to making decisions
- Group decision making
- Implementing decisions

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Decision making

- What types of decisions do you make?
 - Personal
 - Individual
 - Family
 - Professional
 - Human Resource Management
 - Financial
 - Products and services



Decision situations have varying degrees of:

- Certainty –
 - Completely aware of alternatives and consequences
 - Rarely occurs
- Risk -
 - Knowledgeable of available alternatives, likelihood of occurrence, and benefits/costs
- Uncertainty –
 - Unaware of alternatives, likelihood of occurrence, and potential outcomes
 - Many times lack historical data to infer from
 - Complexity of the decision
 - Most difficult of decisions!



How are you with Risk?

- Risk propensity:
 - A person's tendency to take or avoid risks
 - People differ in their willingness to embrace risk
- How prone or comfortable to risk are you?
 - Would you make a bet with little idea of your odds of success?
 - How much information would you need??
- It takes a person with high risk propensity to take risks under high uncertainty



Rational Decision Making

- Bounded rationality –
 - Best decisions are almost never made (except by chance)
 - All decisions are bounded by the mental capacity and emotions of the persons involved as well as the environmental factors
- Satisficing –
 - Settling for an alternative that seems to meet some minimum standard of sufficiency
 - Example: Selecting a job candidate who is “good enough” rather than “best qualified.”



Decision-making process

1. Define the problem –
 - get to the root; what needs to be achieved?
2. Analyze the problem –
 - assemble known facts, information; making assumptions; determining limitations / constraints
3. Develop alternative solutions –
 - Brainstorming to obtain reasonable # of solutions
4. Evaluate alternatives –
 - Objective evaluation of strengths/weaknesses, benefits/costs, advantages/disadvantages
5. Select the best solution –
 - Weighing all alternatives and making an informed decision



Eight Factors relating to making decisions

1. The right person needs to make the decision
 - Person must have authority, knowledge & be close to the action
2. Decisions should contribute to objectives
 - Must fit with organization's vision/direction
3. There's seldom only one acceptable choice
 - The best choice depends on what factors you consider important, what weight you give to each, and what you do about them.
4. Both feeling and thinking should be used
 - Must be sensitive and understanding of the effect of decision on people, but not afraid to make hard, negative decisions, if needed.



Eight Factors relating to making decisions

5. Effective decision making takes lots of time and effort (physical and mental)
 - Effective decisions are not based on fatigue
6. Decision making improves with practice
 - We all learn by going through the process and living with the consequences.
7. A decision may not please everyone
 - Rarely please everyone, so we need to explain the decision and win the cooperation of others
8. A decision starts a chain reaction
 - Be prepared to defend, change or drop a decision in view of the chain of events it starts.



Four Common Decision-Making Mistakes

1. Over-reliance on intuition
 - This can lead to overconfidence, carelessness and inconsistency
2. Availability bias
 - Unrecognized tendency to give preference to recent information, images that evoke emotions



Four Common Decision-Making Mistakes

1. Representative bias
 - Judging the likelihood of an occurrence based on similarity to previous events.
 - Example: a graduate of ABC college did not succeed, so others won't also.
2. Anchoring and adjustment bias
 - Using an initial value or experience as a basis of comparison throughout the decision process.
 - Example: judging if you got a good deal on a new car based on how close the selling price was to the listing price.



Group decision making

- Advantages and disadvantages of group decision making
 - Adv: more knowledge and facts & alternatives; Group buy-in, better communication
 - Disadv: More time, compromise. May not be best decision
- Where is group decision making appropriate?
- Decisional rules for group decision making: you must have guidelines that direct, focus and improve group decision-making



Group/Team Decision-making

Suggested methods:

- Brainstorming
 - Develop LOTS of alternatives
- Consensus decision-making
 - Group accepts decision based on logic and feasibility. Steer from averaging.
- Nominal group technique
 - Provides individual and group involvement for generating and ranking alternatives



Factors affecting group decisions

- Group dynamics
- Groupthink
- Squeaky wheels and social loafers
- Group polarization effect



Implementing a course of action

- Sound implementation
 - Provide detailed instructions and adequate resources
- Reasons for failure
 - Plans not understood
 - Plans have not been bought into