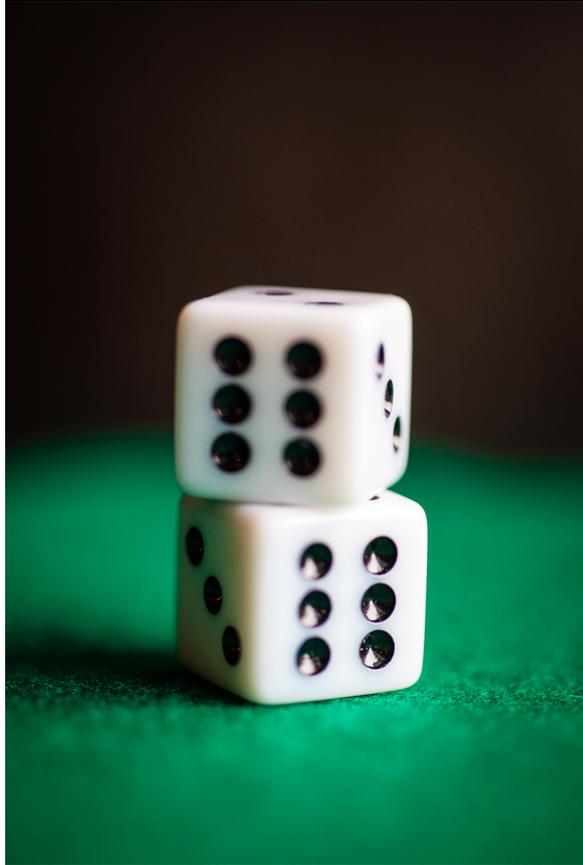
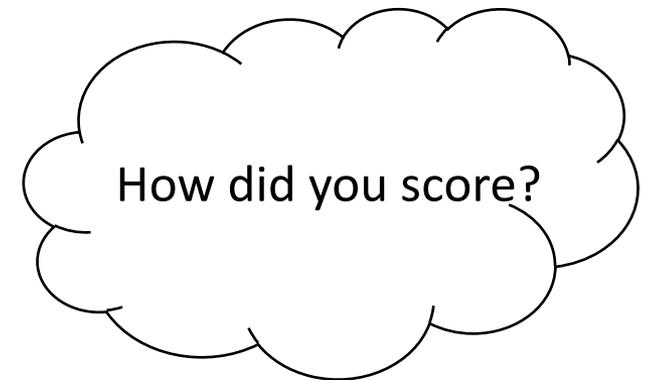


# *Decision Making*



# Decision Making Skills

- Establishing a positive decision-making environment.
- Generating potential solutions.
- Evaluating the solutions.
- Deciding.
- Checking the decision.
- Communicating and implementing.



# Problem-Solving

Identify the Problem

Gather Information

Develop Criteria

Generate Possible Solutions

Analyze Possible Solutions

Compare Possible Solutions

Make and Implement the Decision

# Decision Making

Who, What, When, Where and Why

Facts, Assumptions, and Interests



LINKED



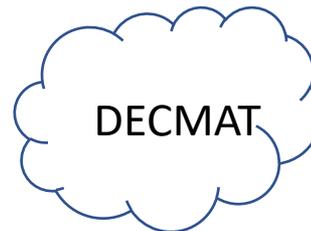
Screening and Evaluation

Suitable, Feasible, Acceptable,  
Distinguishable, and Complete

Benchmark (Does solution  
achieve the desired state?)

Determine the Best Solution

Decide and Act



# Elements of Decision Making

1. Deciding to Decide or Not
2. Emotions Are Not Usually Helpful
3. Avoid Procrastination Set Deadlines
4. Take Time proportionate to the impact of the decision

How do you know which decision to prioritize?

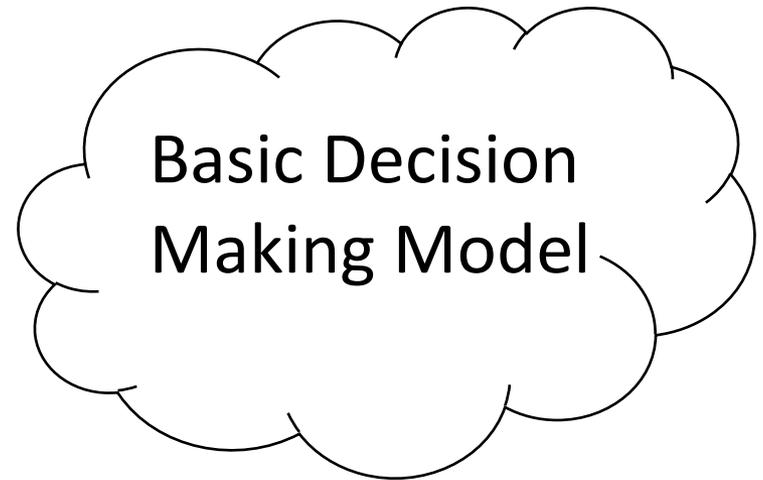
# The Eisenhower Decision Matrix: Important vs. Urgent



[https://ed.ted.com/best\\_of\\_web/2FpVJYYC](https://ed.ted.com/best_of_web/2FpVJYYC)

# Starts With Understanding “the” Problem

1. Remember you GOAL
2. Recognize the Current State
3. Envision the Future State
4. Identify what is important in the decision (Decision Criteria)
5. Create Choices (Alternative Solutions)
6. Evaluate using Decision Criteria
7. Make the Decision





# *Why are Criteria so IMPORTANT?*

Screening	<u>Feasible</u> : Fits within available resources
	<u>Acceptable</u> : Worth the cost or risk
	<u>Suitable</u> : Solves the Problem Legally and Ethically
	<u>Distinguishable</u> : Differs significantly from other solutions
	<u>Complete</u> : Solves the critical aspects of the problem
Evaluation	Title
	Definition
	Unit of Measure
	Benchmark

# *Decision Matrix*

*DECMAT*

Choices

Decision Criteria

Course of Action	Cost \$	Reliability	Seating	Style	Total

Basic Matrix for purchasing a new truck....

# Decision Matrix

## DECMAT

Choices

Decision Criteria

Course of Action	Cost \$	Reliability	Seating	Style	Total
Ford F150	2	2	1	1	6
Chevy Silverado	3	3	2	2	10
Toyota Tundra	1	1	3	3	8

- Unweighted Criteria
- Simple 1-2-3 rating
- Lower number is better

# Decision Matrix

DECMAT

Choices

Decision Criteria

Course of Action	Cost \$ (4)	Reliability (3)	Seating (2)	Style (1)	Total
Ford F150	$3 \times 4 = 12$	$3 \times 3 = 9$	$5 \times 2 = 10$	$5 \times 1 = 5$	36
Chevy Silverado	$1 \times 4 = 4$	$1 \times 3 = 3$	$3 \times 2 = 6$	$3 \times 1 = 3$	16
Toyota Tundra	$5 \times 4 = 20$	$5 \times 3 = 15$	$1 \times 2 = 2$	$1 \times 1 = 1$	38

Weighted Criteria

Higher number is better

Here is a look at the same Decision Matrix using Weighted Scores with the **scoring being 1,3,5 and the relative weights** noted next to the criteria.

Let's Look at a Few of YOUR Examples

# So What Gets In Your Way In Making “Rational Decisions”?

“Heuristics”  
/  
“Cognitive Biases”

# Heuristic

A mental shortcut that allows people to solve problems and make judgments quickly and efficiently. These rule-of-thumb strategies shorten decision-making time and allow people to function without constantly stopping to think about their next course of action. Heuristics are helpful in many situations, but they can also lead to cognitive biases.

# Why Do We Rely On Heuristics?

The world is full of information, yet our brains are only capable of processing a certain amount. If you tried to analyze every single aspect of every situation or decision, you would never get anything done.

# Types of Heuristics

- Availability
- Representativeness
- Affect

# Cognitive Bias

- Cognitive biases describe the irrational errors of human decision making and they are a crucial part of understanding behavioral economics.
- These scientific human biases affect the way we shop, invest and judge brands and people.
- The revolutionary study of cognitive biases led Daniel Kahneman to win the Nobel Prize and opened the rapidly expanding field of behavioral economics.
- By understanding cognitive biases, you will be able to read your customers' minds better and design your product or marketing strategy accordingly.

# Cognitive Bias

## Confirmation Bias:

This is favoring information that conforms to your existing beliefs and discounting evidence that does not conform.

## Availability Heuristic:

This is placing greater value on information that comes to your mind quickly. You give greater credence to this information and tend to overestimate the probability and likelihood of similar things happening in the future.

## Halo Effect:

Your overall impression of a person influences how you feel and think about his or her character. This especially applies to physical attractiveness influencing how you rate their other qualities.

## Self-Serving Bias:

This is the tendency to blame external forces when bad things happen and give yourself credit when good things happen. When you win a poker hand it is due to your skill at reading the other players and knowing the odds, while when you lose it is due to getting dealt a poor hand.

# Cognitive Bias

## Attentional Bias:

This is the tendency to pay attention to some things while simultaneously ignoring others. When making a decision on which car to buy, you may pay attention to the look and feel of the exterior and interior, but ignore the safety record and gas mileage.

## Actor-Observer Bias:

This is the tendency to attribute your own actions to external causes while attributing other people's behaviors to internal causes. You attribute your high cholesterol level to genetics while you consider others to have a high level due to poor diet and lack of exercise.

## Functional Fixedness:

This is the tendency to see objects as only working in a particular way. If you don't have a hammer, you never consider that a big wrench can also be used to drive a nail into the wall. You may think you don't need thumbtacks because you have no corkboard on which to tack things, but not consider their other uses. This could extend to people's functions, such as not realizing a personal assistant has skills to be in a leadership role.

# Cognitive Bias

## Anchoring Bias:

This is the tendency to rely too heavily on the very first piece of information you learn. If you learn the average price for a car is a certain value, you will think any amount below that is a good deal, perhaps not searching for better deals. You can use this bias to set the expectations of others by putting the first information on the table for consideration.

## Misinformation Effect:

This is the tendency for post-event information to interfere with the memory of the original event. It is easy to have your memory influenced by what you hear about the event from others. Knowledge of this effect has led to a mistrust of eyewitness information.

# Cognitive Bias

## False Consensus Effect:

This is the tendency to overestimate how much other people agree with you.

## Optimism Bias:

This bias leads you to believe that you are less likely to suffer from misfortune and more likely to attain success than your peers.

## The Dunning-Kruger Effect:

This is when people believe that they are smarter and more capable than they really are when they can't recognize their own incompetence.

Cognitive Bias vs. Logical Fallacy

# Cognitive Bias

## **Anchoring**

A cognitive bias that describes the human tendency to rely too heavily on the first piece of information offered (the “anchor”) when making decisions

# Cognitive Bias

## **Confirmation Bias**

The tendency to search for or interpret information in the way that confirms one's preexisting beliefs, leading to statistical errors.

A person with a low self-esteem is highly sensitive to being ignored by other people, and they constantly monitor for signs that people might not like them.

## **Decision Fatigue**

A lower quality of decisions made after a long session of decision making.

Researchers studied parole decisions made by experienced judges and revealed that the chances of a prisoner being granted parole depended on the time of the day that judges heard the case. 65% of cases were granted parole in the morning and fell dramatically (sometimes to zero) within each decision session over the next few hours. The rate returned back to 65% after a lunch break and fell again.

# Cognitive Bias

## **Decoy Effect**

When there are only two options, people will tend to make decisions according to their personal preferences. But when they are offered another strategical decoy option, they will be more likely to choose the more expensive of the two original options.

For [example](#), when consumers were offered a small bucket of popcorn for \$3 or a large one for \$7, most of them chose to buy the small bucket, due to their personal needs at that time. But when another decoy option was added – a medium bucket for \$6.5, most consumers chose the large bucket.

## **Dunning-Kruger Effect**

A cognitive bias in which people who are ignorant or unskilled in a given domain tend to believe they are much more competent than they are.

For [example](#), a nationwide survey found that 21% of Americans believe that it's 'very likely' that they'll become millionaires within the next 10 years.

# Cognitive Bias

## **Hot-Cold Empathy Gap**

We have trouble imagining how we would feel in other people's shoes.

We are also not good at imagining how other people would respond to things because we assume they would respond in the same way we would.

For example, people post videos of their kids or bragging about their latest business success on Facebook assuming that their friends would appreciate it and be happy for them. Unfortunately, this often provokes negative feelings and makes their facebook friends resentful, angry or sad.

## **Endowment Effect**

Once people own something (or have a feeling of ownership) they irrationally overvalue it, regarding of its objective value.

People feel the pain of loss twice as strongly as they feel pleasure at an equal gain, and they fall in love with what they already have and prepare to pay more to retain it.

For example, [scientists](#) randomly divided participants into buyers and sellers and gave the sellers coffee mugs as gifts. Then they asked the sellers for how much they would sell the mug and asked the buyers for how much they would buy it.

Results showed that the sellers placed a significantly higher value on the mugs than the buyers did.

# Cognitive Bias

## **Fear of Missing Out (FOMO)**

An anxious feeling that can happen when you fear that other people might be having rewarding experiences that you're missing. Many people have been preoccupied with the idea that someone, somewhere, is having a better time, making more money, and leading a more exciting life.

According to [science](#), FOMO is associated with lower mood, lower life satisfaction, and an increasing need to check social media.

# Cognitive Bias

## **Hedonic Adaptation**

People quickly return to their original level of happiness, despite major positive or negative events or life changes. When good things happen, we feel positive emotions but they don't usually last. The excitement of purchasing a new car or getting a promotion at work is temporary.

One [study](#) showed that despite initial euphoria, lottery winners were no happier than non-winners eighteen months later.

## **Hindsight Bias (Knew-It-All-Along Effect)**

The tendency of people to overestimate their ability to have predicted an outcome that could not possibly have been predicted. A psychological phenomenon is which people believe that an event was more predictable than it actually was, and can result in an oversimplification in cause and effect.

For example, after the great recession of 2007, many analysts explained that all the signs of the financial bubble were there. If the signs had been that obvious, how come almost no one saw it coming in real time?

# Cognitive Bias

## **Loss Aversion**

People's tendency to prefer avoiding losses to acquiring equivalent gains. It's better not to lose \$5 than to find \$5.

The pain of losing is psychologically about twice as powerful as the pleasure of gaining.

For example, [scientists](#) randomly divided participants into buyers and sellers and gave the sellers coffee mugs as a gift. They then asked the sellers for how much they would sell the mug and asked the buyers for how much they would buy it. Results showed that the sellers placed a significantly higher value on the mugs than the buyers did. Loss aversion was the cause of that contradiction.

# Cognitive Bias

## **Optimism Bias**

A cognitive bias that causes people to believe that they are at a lesser risk of experiencing a negative event compared to others. When it comes to predicting what will happen to us tomorrow, next week, or fifty years from now, we overestimate the likelihood of positive events.

For example, [smokers](#) tend to feel they are less likely than other individuals who smoke to be afflicted with lung cancer. Similarly, [motorists](#) tend to feel they are less likely to be involved in a car accident than is the average driver.

[Research](#) has also found that people show less optimistic bias when experiencing a negative mood, and vice versa.

# Cognitive Bias

## **Partitioning**

When the rate of consumption decreased by physically partitioning resources into smaller units.

For example, cookies wrapped individually, a household budget divided into categories (e.g. rent, food, utilities, transportation etc.).

When a resource is divided into smaller units, consumers encounter additional decision points – a psychological hurdle encouraging them to stop and think.

# Cognitive Bias

## **Procrastination**

The avoidance of doing a task that needs to be accomplished.

It is the practice of doing more pleasurable things in place of less pleasurable ones or carrying out less urgent tasks instead of more urgent ones.

It is [estimated](#) that 90% of college students engage in procrastination, and 75% consider themselves procrastinators.

# Cognitive Bias

## **Projection Bias**

The tendency of people to overestimate the degree to which other people agree with them. People tend to assume that others think, feel, believe, and behave much like they do.

This bias also influences people's assumptions of their future selves. They tend to believe that they will think, feel, and act the same in the future as they do now. For this reason, we sometimes make decisions that satisfy current desires, instead of pursuing things that will serve our long-term goals.

For [example](#), if people go to the supermarket when they are hungry – they tend to buy things they don't normally eat and spend more money as a result. This happens because at the time of shopping they unconsciously anticipate that their future hunger will be great as it is now.

# Cognitive Bias

## **Scarcity**

The more difficult it is to acquire an item the more value that item has.

When there is only a limited number of items available. The rarer the opportunity, the more valuable it is.

People assume that things that are difficult to obtain are usually better than those that are easily available. They link availability to quality.

On “Black Friday”, more than getting a bargain on a hot item, shoppers thrive on the competition itself, in obtaining the scarce product.

In a famous [study](#), one group of participants were given a jar with ten cookies, a second group was given two cookies, and a third group was initially given ten cookies, which were then reduced to two cookies. when asked the participants to rate their cookies, the third group rated their cookies the highest.

# Cognitive Bias

## **Social Proof**

A psychological phenomenon where people reference the behavior of others to guide their own behavior.

Studies show that over [70% of Americans](#) say they look at product reviews before making a purchase and [83% of consumers](#) say they trust recommendations over any other form of advertising.

# Cognitive Bias

People sometimes confuse cognitive biases with logical fallacies, but the two are not the same. A logical fallacy stems from an error in a logical argument, while a cognitive bias is rooted in thought processing errors often arising from problems with [memory](#), attention, attribution, and other mental mistakes.

# DISTORTED THINKING

1. **FILTERING:** I take the negative details and magnify them while filtering out all the positive aspects of a situation.
2. **POLARIZED THINKING:** Things are black and white, good or bad. I have to be perfect or I am a failure. There is no middle ground. (There is no gray)
3. **OVERGENERALIZATION:** I come to a general conclusion based on a single incident or piece of evidence. If something bad happens once, I expect it to happen over and over again.
4. **MIND READING:** Without their saying so, I know what people are feeling and why they act the way they do. In particular, I am able to divine how people are feeling toward me.
5. **CATASTROPHIZING:** I expect disaster. I notice or hear about a problem and start “what ifs”: What if tragedy strikes? What if it happens to me?
6. **PERSONALIZATION:** Thinking that everything that people do or say is some kind of reaction to me. I also compare myself to others, trying to determine who’s smarter, better looking, etc.

# DISTORTED THINKING

7. CONTROL FALLACIES: If I feel externally controlled, I see myself as helpless, a victim of fate. The fallacy of internal control has me responsible for the pain and happiness of everyone around me.
8. FALLACY OF FAIRNESS: I feel resentful because I think I know what's fair but other people won't agree with me.
9. BLAMING: I hold other people responsible for my pain or take the other tack and blame myself for every problem or reversal.
10. SHOULD: I have a list of ironclad rules about how I feel and how other people should act. People who break the rules anger me and I feel guilty if I violate the rules.
11. EMOTIONAL REASONING: I believe that what I feel must be true - automatically. If I feel stupid and boring, then I must be stupid and boring.

# DISTORTED THINKING

12. FALLACY OF CHANGE: I expect that other people will change to suit me if I just pressure or cajole them enough. I need to change people because my hopes for happiness seem to depend on them.

13. GLOBAL LABELING: I generalize one or two qualities into a negative global judgment (stereotyping).

14. BEING RIGHT: I am continually on trial to prove that my opinions and actions are correct. Being wrong is unthinkable and I will go to any length to demonstrate my rightness.

15. HEAVEN'S REWARD FALLACY: I expect all my sacrifice and self-denial to pay off, as if there were someone keeping score. I feel bitter when the reward doesn't come.



# The Linkages Between the Leader the Group Members and Decision Making

The Vroom-Yetton-Jago Decision-making Model of Leadership focuses upon who should be involved in the decision-making processes.

# Vroom Yetton Model

## Factors determining the involvement of others

- Is a high-quality decision required?
- Does the leader have enough information for a high-quality decision?
- Is the problem structured?
- Is the acceptance of subordinates effective for implementation?
- Will subordinates accept the decision if the leader makes it alone?
- Do subordinates share organizational goals?
- Will the solution likely cause conflict among subordinates?
- Does the decision have to be made quickly?
- Do I need/want to develop the capacity of others to make decisions?

<https://www.youtube.com/watch?v=aJcx3n90DEM>

<http://www.rubberpaw.com/normative/>

# Vroom-Yetton-Jago Decision Making Model

Leadership  
Style

Description

Autocratic (A1)	Using an autocratic style of leadership, the leader will make the decision by himself or herself, using the information readily available.
Autocratic (A2)	Using a less stringent autocratic leadership style, the leader will consult the group members to gain more information, they will make the decision himself or herself. The final decision may or may not be shared with the group.
Consultative (C1)	Using a consultative leadership style the leader will consult individuals to seek their opinion. The leader will make the decision himself or herself.
Consultative (C2)	Using a consultative leadership style, the leader will consult the group to seek individual opinions and suggestions, the leader will the decision by him or herself.
Collaborative (G2)	Using a collaborative leadership style, the group will make the decision. The leader will play a supportive role to ensure that everyone agrees on the decision.



# *Ethical Decision Making*



# *Ethical Problems*

Ethical problems are choices between:

Values

Morals

Philosophies

Principles

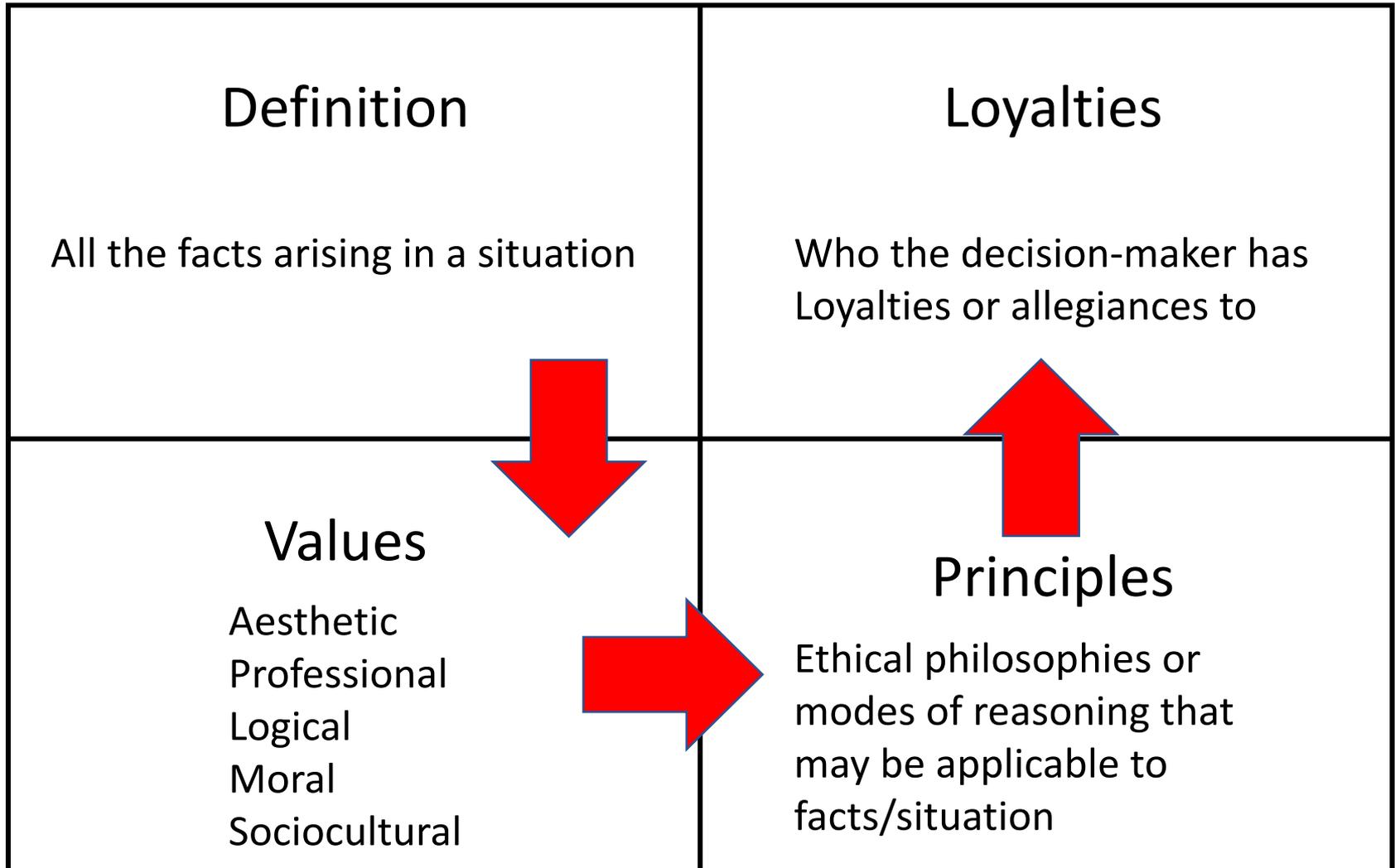
Beliefs

Ideologies

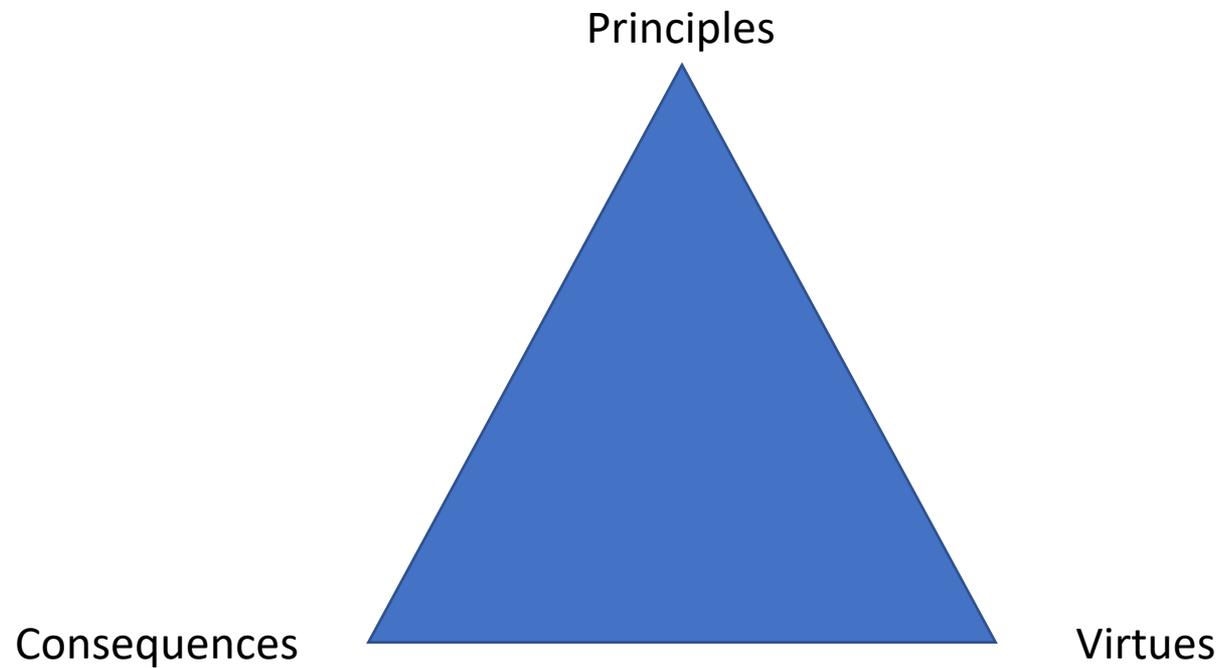
# *Ethical Decision Making*

- Define the Problem
- Know the Relevant Rules
- Develop and Evaluate Courses of Action
- Choose the Course of Actions that Best Represents Organizational Values

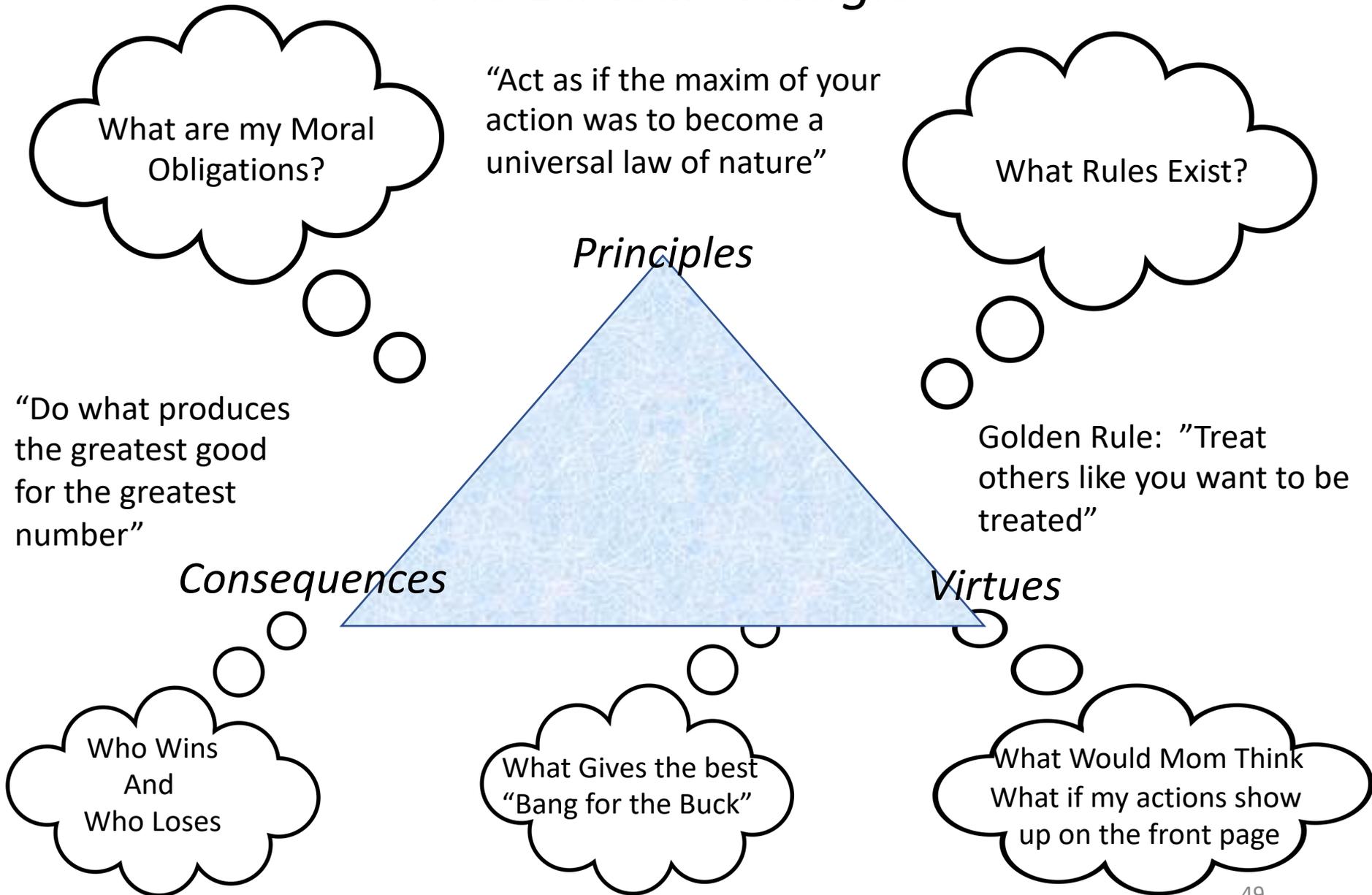
# The Potter Box



# Ethical Decision Making



# The Ethical Triangle



# *Summary*

Determine the Problem NOT the Symptom

“Why is it a problem?”

Understand the TYPE of Problem you are dealing with

“Choose the ‘Right’ Problem-Solving Method”

Think Better

“Broader, Systems, Implications, Consequences, Other POV”

Communicate Better

“Listening for Understanding and Asking Better Questions”

FOCUS ON THE GOAL

“Don’t get lost in the Solving ...”