Decision Making in Organizations

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Decision making is not a well-defined field. It includes to a variety of processes that are all intermediate steps between thought and action. They are the precursors to behavior. They express our ideas into their active consequences in the world.

One of the reasons the field is so ill-defined is that we look at decision-making in so many arenas:

       career choice
       health care
       public policy
       business
       science
       politics

And the scope of our decisions ranges from choices that impact lifetimes all the way down to decisions about where to eat lunch.

Not surprisingly we find a polyglot of issues and dynamics rather than a clear, well-defined process.

Most of us, most of the time…

When faced with
tough choices, we
focus on making the
right choice, not
making the choice *in
the right way*.

We focus on securing
• More expertise
• More inclusion
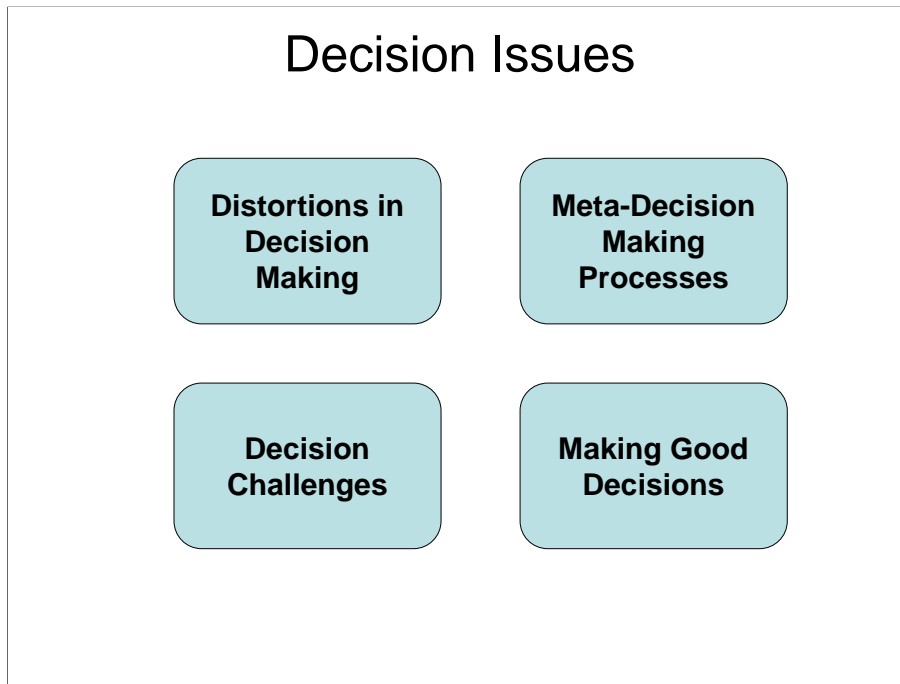• More resources
• Better data
• More time

A better process would temper the most likely distortions and build the best base for stronger implementation.

A Common View of Decision Making

See the need for a choice	Collect relevant data	Clarify criteria for the choice
Develop options	Get buy-in of stake-holders	Make final choice
Implement the decision	Adjust as necessary	

This is a fairly colloquial notion of how to go about decision making. It appears quite rational, almost intuitive.

The problem is that it doesn't work well in practice. However good it is in theory, it misses the most critical steps leading up to a high-quality decision.

Decision Issues

Distortions in Decision Making

Meta-Decision Making Processes

Decision Challenges

Making Good Decisions

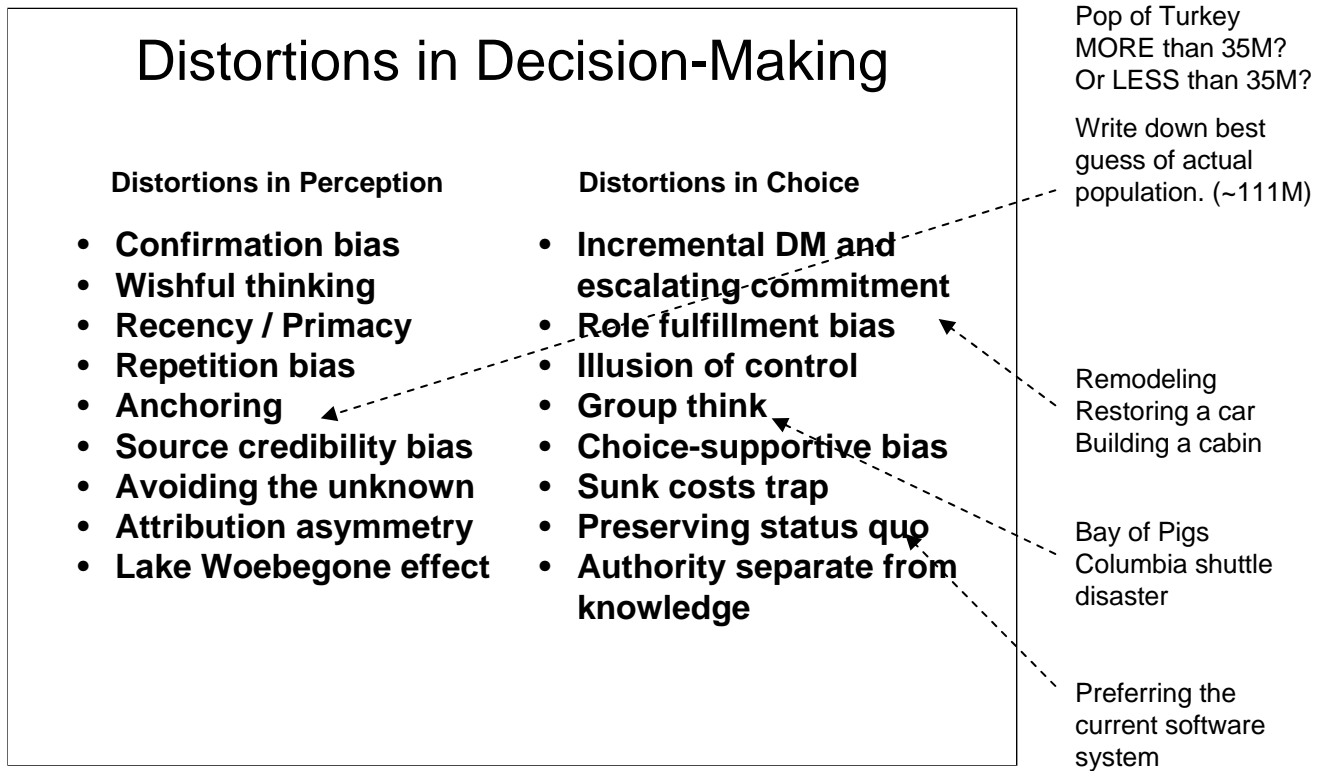The quality of managerial decision-making seems to be declining, for several reasons:

shorter time frames with generally contracting business cycles

eroding quality of data (internet is not a juried source)

rate of change invalidates data behind a decision before implementation

Distortions: We are not a rational species; we are prone to all manner of illogical thought processes. We are easily effected by social pressure, others' opinions, preconceived notions of what is honorable or acceptable. When it comes to decision-making, we need to acknowledge that the deck is stacked against us. We have the same emotional and cognitive wiring as our humanoid predecessors. We're prepared for day-to-day survival in the tribe. All of modern life is a stretch.

Meta-DM'ing: There are decisions we make about decision-making. They typically happen too fast to be noticed. They're embedded in a word, a glance, an unintentional frame. We would have to slow down and unpack our more fleeting thoughts to expose these processes.

Challenges: If we turn our attention to the situation, we can characterize the different challenges that make decision-making difficult.

Making good decisions: Our overall purpose tonight is to improve the quality of your decisions. So before we're done we want to look at how to make decisions. And how to make them better.

Distortions in Decision-Making

Distortions in Perception	**Distortions in Choice**
• **Confirmation bias**	• **Incremental DM and escalating commitment**
• **Wishful thinking**	• **Role fulfillment bias**
• **Recency / Primacy**	• **Illusion of control**
• **Repetition bias**	• **Group think**
• **Anchoring**	• **Choice-supportive bias**
• **Source credibility bias**	• **Sunk costs trap**
• **Avoiding the unknown**	• **Preserving status quo**
• **Attribution asymmetry**	• **Authority separate from knowledge**
• **Lake Woebegone effect**	

Pop of Turkey MORE than 35M? Or LESS than 35M?

Write down best guess of actual population. (~111M)

Remodeling
Restoring a car
Building a cabin

Bay of Pigs
Columbia shuttle disaster

Preferring the current software system

Confirmation Bias: focus on information supporting desired outcome
Wishful thinking: seeing things in an overlay optimistic light
Recency/Primacy effect: focusing on information that is most recent, or first available.
Repetition bias: favoring information repeated the most
Anchoring: basing decision on an inappropriate reference point
Source credibility: favoring info from sources we like
Avoiding the unknown: "world hunger" story
Attribution asymmetry: attributing our success to talents, while dismissing failures as bad luck or circumstances. Doing the reverse for others.
Lake Woebegone effect: the persistent belief that 80% of us are above average

Incremental decision making
Role fulfillment: Becoming a parent or manager
Group think: more responsive to harmony and consensus than quality
Sunk costs: (zero-based) budgeting? 10% increase over last year's goal
Authority <> Knowledge
     Boss often more sensitive to broader environment.

The impressive part of the list is not its contents, but its sheer length. The pitfalls in decision-making are numerous, subtle, and swift. **[QUALITY]** They are also quite vulnerable to simply being noticed and named.

Decision Issues

Making Good Decisions

- Content
  - Ends
  - Means
  - Values
- Style
- Forums
  - Individual
  - Group of Equals
  - Boss – Subordinate
  - Collectives
  - Cross organizational

The quality of managerial decision-making seems to be declining, for several reasons:

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The key to better decisions requires that we can parse out the content, adjust for our own decision-making style (which could be a liability), and understand the forum within which we will be making the decision.

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1   Decision Content

- **Ends**
  - Desired outcomes
  - Customer group for whom we create value
- **Means**
  - Methods
  - Task assignments
  - Resource allocation
- **Values**
  - Who we are
  - How we treat each other
  - What we model to the community

Decisions are typically a mix of ends, means, and values. That is, we are usually juggling a combination of desirable outcomes, methods, and constraints of equity, honor, respect, or some other value.

It's made more difficult since ENDS and MEANS are relative. Your daughter's graduation from college was an END for you, but just a MEANS for her.

2   Decision Content: the mix

Any decision contains a mix of these 3 elements; the first step is being able to tease out the various components thoroughly. Here's some examples:

Releasing **overly optimistic estimates of the delivery date** for a new product contains the following elements:

        GOAL: Secure the greatest customer commitment to purchase
        MEANS: Misrepresent the availability of the product
        VALUES: Honesty, reputation, credibility (in this case, values at risk)

Postpone the **announcement of a likely downsizing:**

        GOALS: Make an orderly transition in staffing without compromising program delivery
        MEANS: Choosing an announcement schedule that leaves little chance for disruptive, personal agendas to contaminate the work team
        VALUES: Honesty, consideration (values at risk)

Launching a new program?

        GOAL: What are we hoping to achieve? Whose the customer?
        MEANS: Are the costs justified? Will it work?
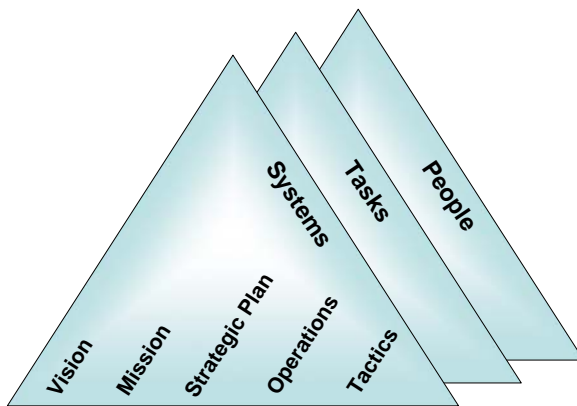   VALUES: Does it reflect who we are? Fit with our culture?

Installing a new software program?

        GOALS: What work flow are we hoping to support?
        MEANS: Will training actually change peoples' behavior?
        VALUES: Are we giving people more control? Options? Satisfaction?

4   More on Decision Content

As useful as the Ends-Means-Values distinction may be, it still glosses over some critical differences. It is useful to add another dimension to our model of content. Sometimes we are making decisions about whole systems (departments, agencies, communities, etc.), sometimes about particular tasks (projects, work flows, etc.), and sometimes we are making decisions about (or as) individuals. Or perhaps we are coaching someone to make a decision for themselves (i.e. career coaching).

And the distinction between systems vs. tasks vs. people is rather loose. Lots of decision situations could be viewed in more than one category. The best response however, is not to tighten up the definitions, but rather to loosen up our thinking.

Each type of content requires a different approach. Each situation may require a unique strategy.

Systems
Notice that a Task decision could easily slide into a Systems decision. Are there others pursuing the same goals? Or using the same resources? Or serving the same population? Do we really have control over all the relevant variables?

Tasks
    Programs; projects
    Process flows
    Dominated by considerations of scheduling, resource requirements, coordination

People
    Hiring; firing;
    Training, coaching; mentoring; development
    Denying services or coverage

5 Decision Content			
	Systems	**Tasks**	**People**
Values	Culture	Norms	Identity
Ends	Organizational Purpose; evolutionary trajectory	Desired Outcome; Final Product	Career; Relationship Goals
Means	Policies, Structure, Processes	Protocols, Checklists	Skills, Behavior

Now we have a thorough map of the content of a decision. Now we can decide if our decision focus is too narrow .. or too broad. Do we need to include more in our deliberations? Or do we need to narrow our focus?

The goal here is not to decide which is the "right cell" for our situation. It is more to challenge our compartmentalization of the issues. Dividing up the world this way is arbitrary; the real world is horribly interconnected and messy.

Decision Making Style

- *You immerse yourself in the information, and then get really overwhelmed.*
- *You follow your gut, even when the facts point elsewhere.*
- *You decide on something, and you hang onto it whether it works or not.*
- *You avoid making a choice until it's almost forced on you by external circumstances.*
- *You tend to go along with whatever's popular, even if it's doubtful.*
- *You like to champion the unpopular cause, just to be different.*
- *You're cold; you need more heart.*
- *You make good decisions for the moment, but you miss the long-term trends*

Comments

- A predisposition that is *independent* of the situation
  - a possible liability, a blind spot
- The style successful in one setting could be disastrous in another
- Successful DMers adjust their style to fit the circumstance

Each of us has a decision-making **style**. It is probably unconscious and hence invisible to ourselves. If we asked our friends or co-workers, they could probably describe it for you:

The research on decision-making styles has a very clear finding: **your decision-making style is a liability, a blind spot.** It is a predisposition to use a particular sequence or strategy *independent of the subtleties of the situation.* You may have useful principles in your style, but there will always be a situation where it is too much, or too little.

The styles that fit for one decision challenge may be disastrous if applied to a different decision challenge. Successful managers and executives are the ones who have adjusted their decision-making style to fit the distinctive features of their situation.
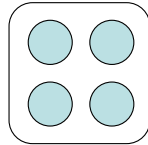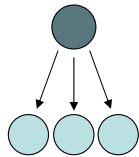
1 Decision Forums: simple

Individual:

This is the domain of individual thinking styles, cognitive biases, and the impact of historical and psychological context.

Group of Equals:

Face-to-face meeting of relative equals; no sharp differences in authority, or no authority claimed. Group dynamics become a significant factor in quality of the decision. Offers greater chances for innovation, but also contaminating social pressures.
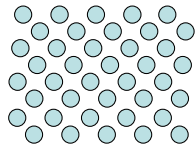
Boss → Subordinate(s):
- **Consultative**: Staff give their best thoughts, boss makes the decision
- **Majority**: Staff comes up with options and majority vote makes the choice
- **Delegated with criteria**: Boss delegates right to choose within constraints
- **Veto rights**: Boss delegates right to choose but reserves veto rights
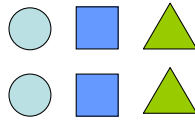- **Consensus**: All have to agree

The main premise here is that an intelligent discussion of decision-making is only possible within a particular forum. The dynamics and issues are unique to the forum.

And the techniques that support better decision-making in one venue may be inappropriate or even counter-productive if applied to another venue.

2   Decision Forums: complex

Collective: 20-70 people without face-to-face meeting
• Politically complex group process, i.e., multiple layers and functions
• Often dispersed geographically and temporally
• Awkward process design

Cross-Organizational: Decisions between organizations (such as with vendors, customers, CBO's, supply chain members, etc.)
• Often different views of who has the power
• Players have the option to back out of a decision and seek other players
• Managing boundaries becomes a significant issue

Collectives are increasingly dominant in today's business environment. Stakeholders, supply chains, and distributed decision making often mean that "the boss" is a network of dozens rather than a single person.

•Oversight committees
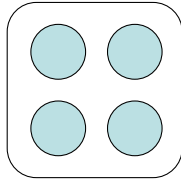•Steering committees
•Advisory boards

Often involve multiple organizations: The committee that oversees Prop 36 Work Group programs involves all of the following county agencies:
    Probation
    Mental Health
    Alcohol & Drug
    CBO / providers
    Courts
    District Attorney
    Finance

Cross-organizational:
    CBO's, State, Fed's, City, local businesses
    Networks of companies in pharmaceuticals
    Supply chains

4   More on Groups of Equals

- Clarity of membership
  - Team member or representative?
- Homogeneity of cultures
- Ambiguity of authority
- Uneven expertise or experience
- Negotiated decision style
  - Level of consensus
  - Rights of the minority
- Tolerance for ambiguity
- Tolerance for risk

Have you ever been on a team that was memorable for the quality of outcome and the closeness of the relationships? Is that your typical experience?

Are there some types of group that are especially good for decision-making? Or especially bad for decision-making?
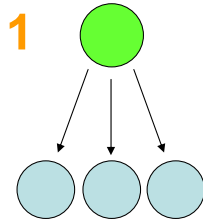
Groups create a variety of advantages and disadvantages. Some of the **advantages** are:
1. Greater pool of knowledge
2. Different perspectives
3. Greater comprehension
4. Increased acceptance for better implementation
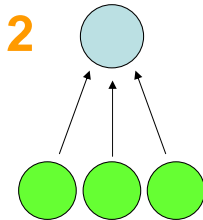5. Training ground

Some of the **disadvantages** of a group are:
1. Social pressure
2. Potential for greater conflict
3. Greater process complexity – more need to plan the steps
4. Longer time frames
5. GroupThink

5 More on Boss and Subordinate(s)

1

- Opportunity to lead through framing and process design
- Temptation to mistake authority for expertise
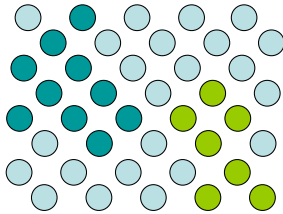- Build focus without suppressing discussion

2

- Harder to challenge meta decision processes … but critical
- Can call for clarification in process or decision rule
- Can lead or facilitate "from the floor", including renegotiating the process

Managing up is a critical skill for success in organizations:
• Learn to "lead from the floor"
• Don't surprise the boss
• Don't bring problems without an outline of a solution
• Don't provoke him/her into making a quick decision without adequate input
• Realize they live in a different realm of political networks and interpersonal relationships

6   More on Collectives

- Make the collective aware of itself
- Need some mechanism for capturing segmented debate
- Leverage technology to maximize interaction
- Address dilemmas first!
- Tools for convergence
  - Define criteria for good choices
  - Have a clear deadline
  - Post a default choice
  - Delphi techniques

- Blogs
- Wiki's
- Google Docs
- DimDim

Collectives are often not fully aware of **who is "in" and who is "out".** Can stumble on assumptions of whose a real participant, and who merely needs to be kept informed. Identify not only whose in, but what perspective they represent, or what role they will play (advisor, informant, consultant, DMer, etc.)

Collectives have a tendency to be **divergent.** Conversations of subgroups lead to new issues or reversal of opinion from other sub-groups. The membership is often ambiguous, so new players can surface unexpectedly. And anyone in the collective can suddenly decide to escalate the debate to different authorities, further confounding the debate.

Decisions often are made only because of impending deadlines, or (worse yet) simple fatigue.

There is a powerful and valuable role for someone who acts as a neutral facilitator or recorder for the network.

Defining a "best practice" for decision making is dependent on the forum.

Decision Checklist

- What decision frame provides the most traction?
- Be clear on the content
    - Values? Ends? Means?
    - A system? A task? A person?
- Which decision challenges are most pungent?
    - Uncertainty? Complexity? Conflict?
      Involvement? Severity?
- What are the criteria or constraints for a good
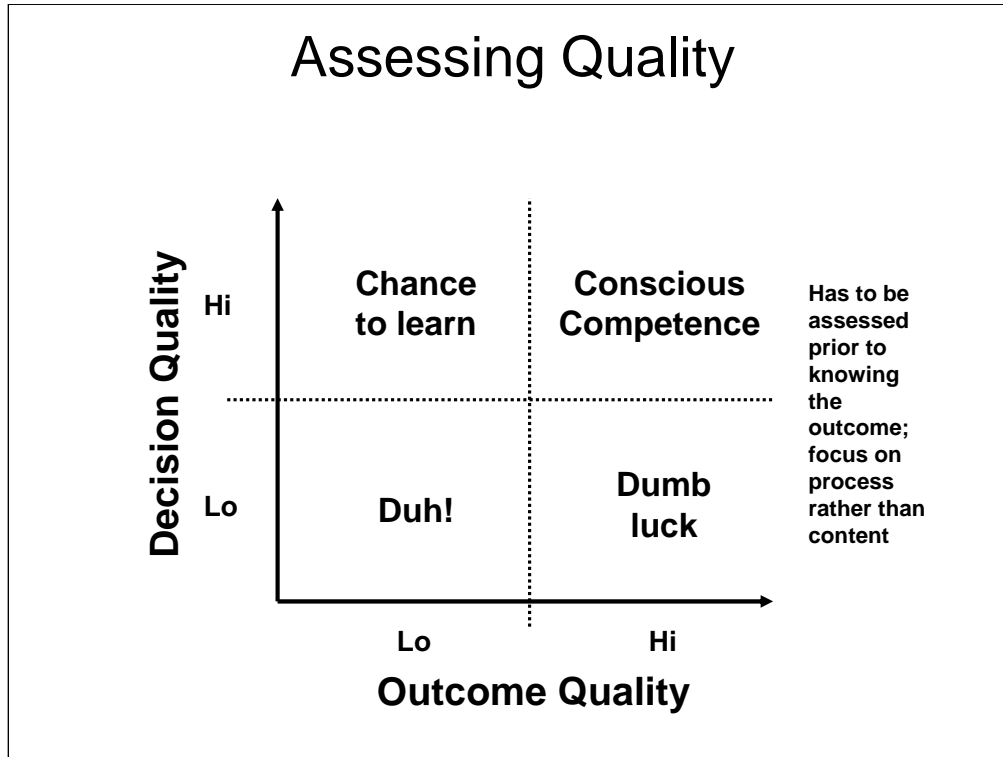 choice?

Decision Checklist

- In what forum will the decision be made?
  - Individual? Equals? Boss/Subordinate? Collective? Cross-functional?
- What process would secure the best decision?
  - Inclusion *and* Speed?
  - Analytical *and* Intuitive?
  - Divergent *and* Convergent?
- How will we assess the quality of the decision independent of the outcome?

What process options are going to be least comfortable giving my style? How can I compensate for my flat spots?

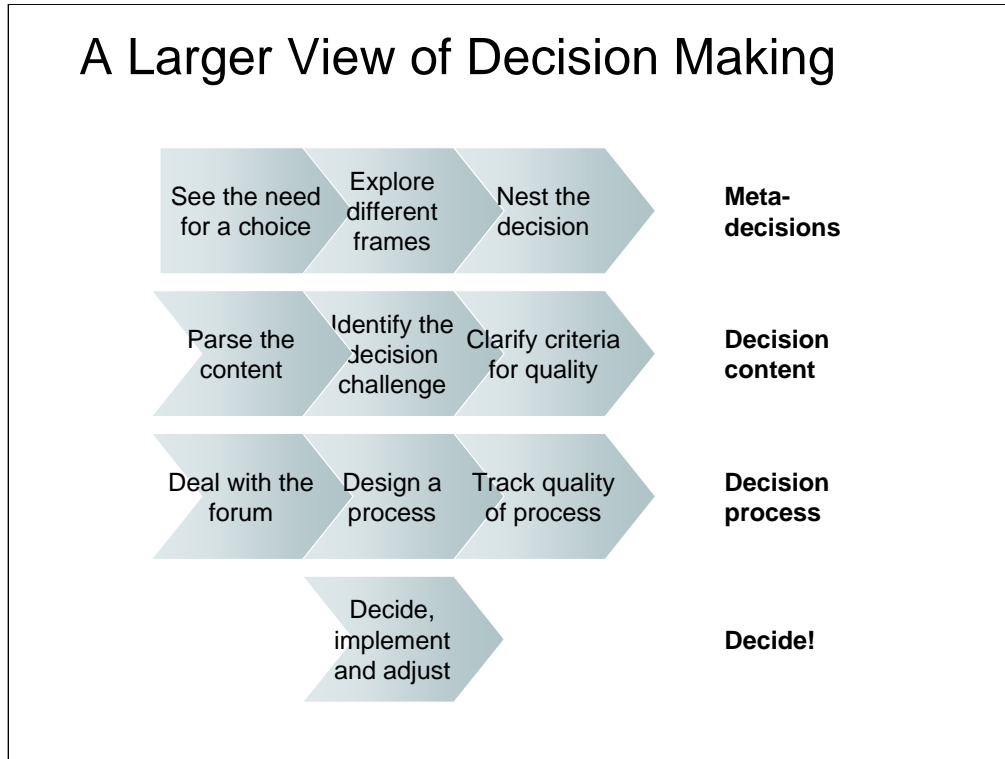**Analytical and Intuitive**

      playful /\ serious
      emotional /\ intellectual
      head /\ heart

The more playful process tools support low-quality options, since they are often the stepping stone to something else entirely unanticipated.

Assessing Quality

Most of us assess the quality of the decision-making process by the success of the outcome. But if you take that stance, you never focus on how to build the best process *ahead of time.* You can do a post-mortem on a failed decision, but it would have little impact on our ability to plan a good process ahead of time.

Decision quality should be something you can confidently defend even if the outcome was less than desired. In other words, you know you did the best possible process, even though the outcome was less than desired. Now in some organizations, results are a veritable religious totem.

A Larger View of Decision Making

See the need for a choice	Explore different frames	Nest the decision	**Meta-decisions**
Parse the content	Identify the decision challenge	Clarify criteria for quality	**Decision content**
Deal with the forum	Design a process	Track quality of process	**Decision process**
	Decide, implement and adjust		**Decide!**

I started with a colloquial – and seemingly rational – model of decision making. So let me close with a modified flow that incorporates the distinctions we've made all along.

Notice that the actual decision-making is late in the chain. If you've attended to the meta-decisions, parsed the content thoroughly, and designed a process, then the actual decision-making should be more straightforward.

Any questions or comments?

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