

Decision-Making in Organizations

Outline of the Presentation

- Coin toss problem demonstrates that making decisions regarding tossing a coin differs from most professional decisions. Here, the best process is unknown and the outcome depends on a chance.
- The factors contributing to the good outcomes (good decisions) include good decision-making process, controllable factors, and uncontrollable factors (such as a chance).
- Decision-making process consists of four phases: framing (structuring, overview of the problem); gathering intelligence; coming to conclusions; learning from the experience.
- Framing comprises simplifying the problem and sense making of a situation. The exchange between buyer-seller frames is the typical example. There are the transactional and relationship frames.
- The characteristics of the transactional frame are profit and delivery schedule; the point is to close the sale.
- The characteristics of the relationship frame include trust, fairness, and long-term orientation.
- The techniques for generating multiple frames comprise the creativity methods (brainstorming, analogy), engagement of people with different perspectives, and borrowing frames from competitors.
- The four characteristics of effective decision makers are the lack of self-delusion, the ability to make intuitive decisions with accuracy basing on available data, the ability to simplify complex situations, and the tolerance for ambiguity and decisiveness in indeterminate settings.
- Gathering intelligence may encounter two barriers, which are the distorted information and the confirmation bias.
- There are certain techniques of avoiding the confirmation bias and escaping distortion bias.

- Arriving at conclusions comprises different approaches. When arranged in a pyramid, intuition would be located at the bottom, and the analysis of all data available would be on its top.
- Learning from the experience bases on enduring understanding of the causes of outcomes.
- Some learning is always better than no learning. Therefore, it should be encouraged on the organizational level.

Personal Recommendations

The first recommendation I would give to someone who seeks to make good decisions as a manager is to rely on facts, not intuition. As far as I am concerned, many people believe in so-called 'gut feelings' when reaching decisions in business. Nevertheless, the best solution is to perceive reality objectively and avoid making future predictions or lucky guesses. My second recommendation would be not to feel ashamed to ask for help. Being new to a certain profession, a person might need a piece of advice from the people who know more since they have been involved in the business for a longer time. My third recommendation would be to read a lot. Even though many textbooks prepare students for their future job, this knowledge might not be enough. Therefore, when managers face business reality, they might need to learn more. My fourth recommendation would be to stay calm, which is important for making sound decisions. Finally, I would recommend learning to recognize one's failures that are to be treated as an important experience.

There are several recommendations regarding the decision-making processes. Firstly, the beginners in manager's profession should learn to distinguish the process and the outcome. With this respect, the sense of doing everything correctly is not necessarily important. Sometimes, the manager should be ready to change the direction if needed. Secondly, the manager should be self-critical, which can be achieved by avoiding the confirmation and distortion bias. Thirdly, the manager should allow people to make mistakes. It is essential to realize that everyone deserves a

second chance, and only those who cannot learn from their mistakes deserve criticism. Fourthly, the manager should be open to different frames and thus be flexible. Approaching the problem from different perspectives is vital. In the situation when the manager accidentally overlooks something, others can point to the gap. Finally, managers should develop their analytical skills since despite the common beliefs, mere intuition is never enough.