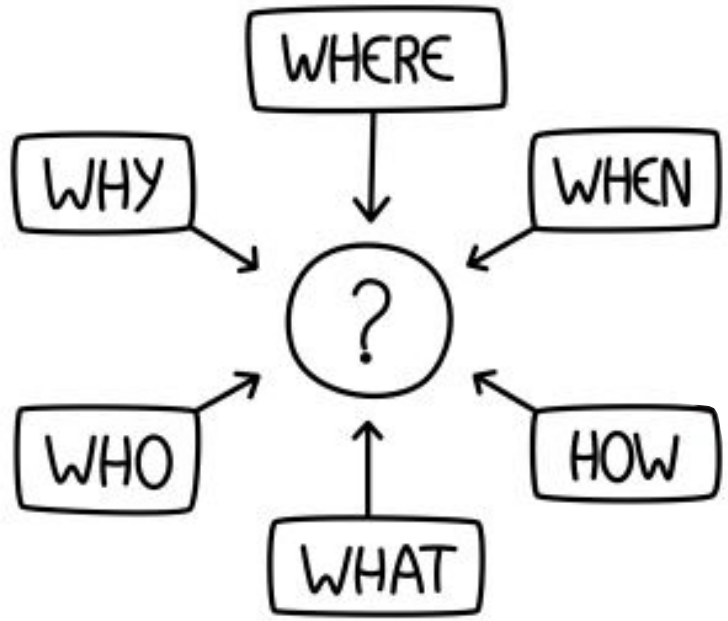
What is challenging about decision-making and problem-solving?

Reason #1

Difficult to pinpoint the real problem


WHERE
WHY
WHEN
?
WHO
HOW
WHAT

Reason #2

Difficult to overcome intuition and cognitive biases

Heuristics

- Anchoring and Adjustment Heuristic
- Availability Heuristic
- Representative Heuristic

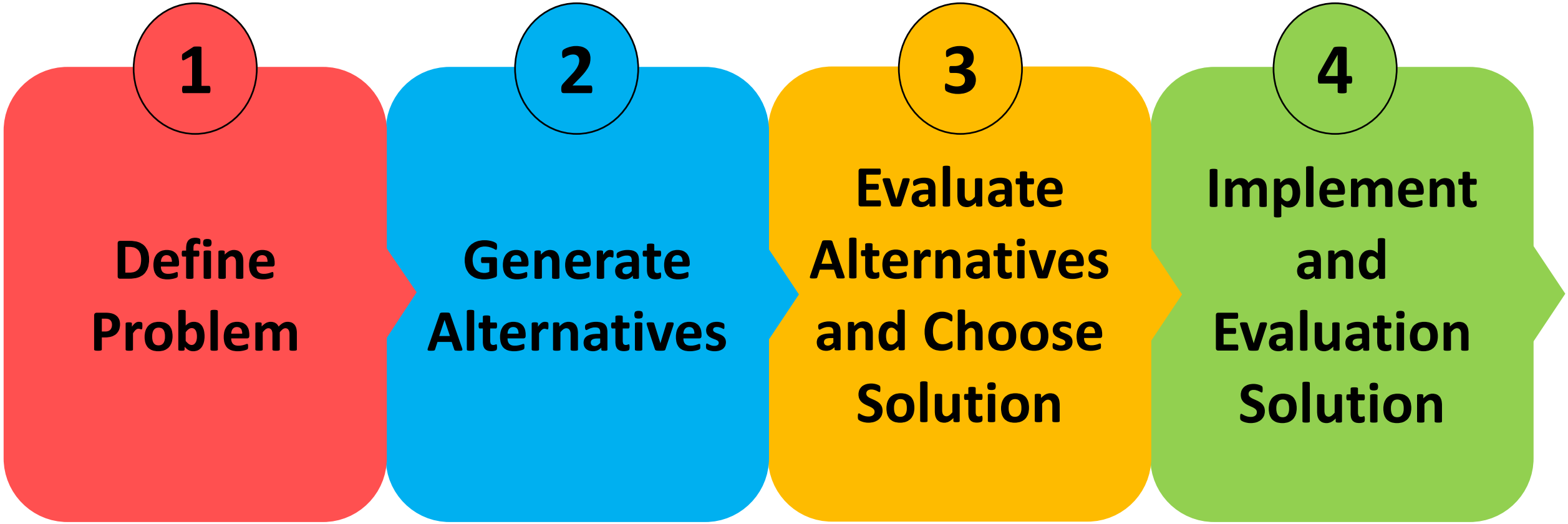
Decision-Making Biases

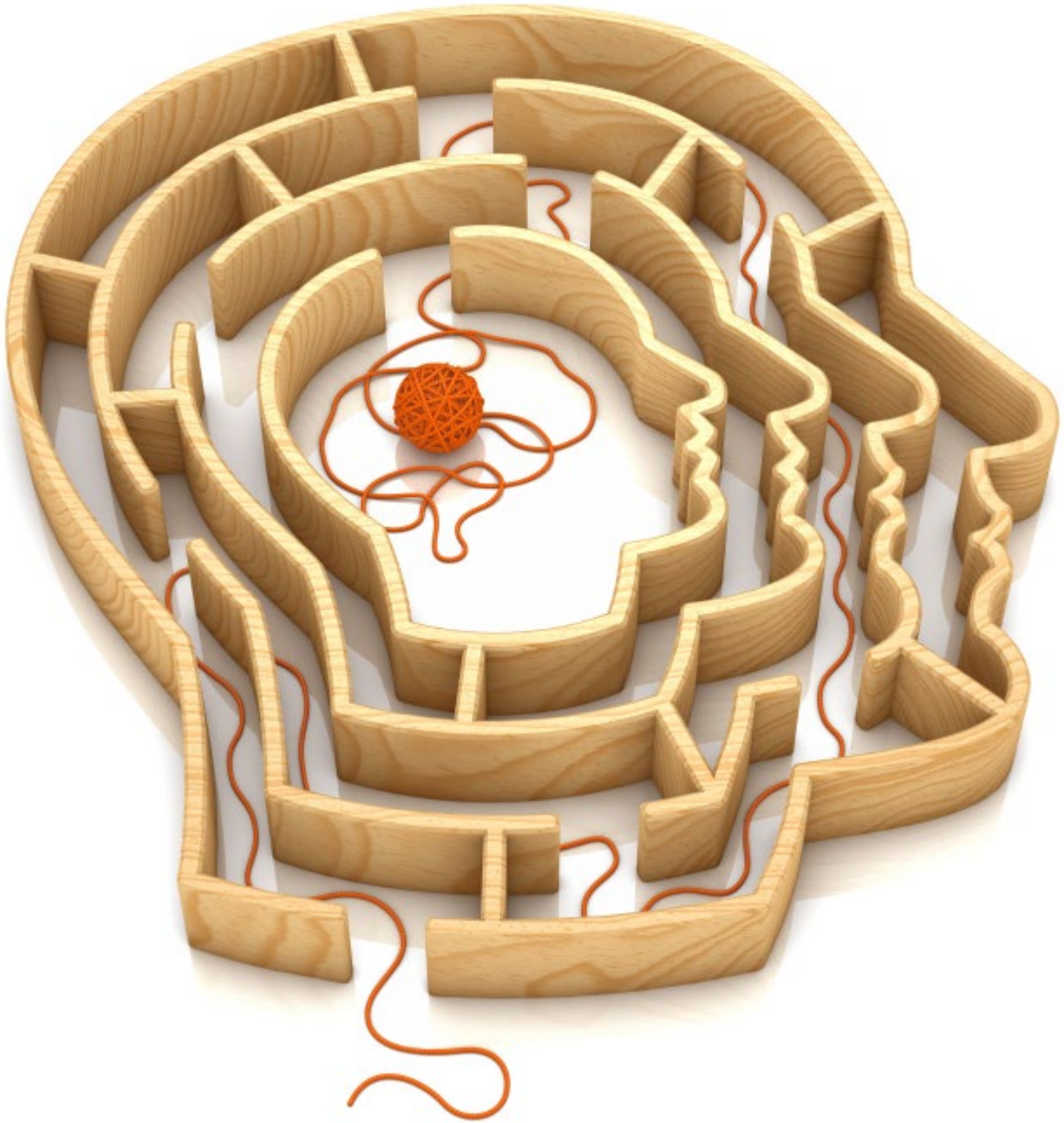
- Confirmation Bias
- Escalation of Commitment
- Overconfidence Bias

Social Biases

- Fundamental Attribution Error
- Self-Serving Bias

very strong income performance well ahead of prior year
delivered solid results in a challenging market
Total Sales by Region
Total Sales by Category
Sales by Category
Final Sales
£ million
Income
PBT
H1 08 v H1 09
79%
100%
CAGR (03 – 08)
13%
7%
Top-line income
Credit market losses in income
Own credit
Impairment charges and other credit provisions
Total Income
Net income
H1 08
H2 08
H1 09
4,784
(2,225)
(4,065)
811
3,411
(1,226)
2,185
5,074
(3,507)
(853)
(1,197)
623
10,489
6,089
(1,874)
4,215


1
Define Problem
2
Generate Alternatives
3
Evaluate Alternatives and Choose Solution
4
Implement and Evaluation Solution

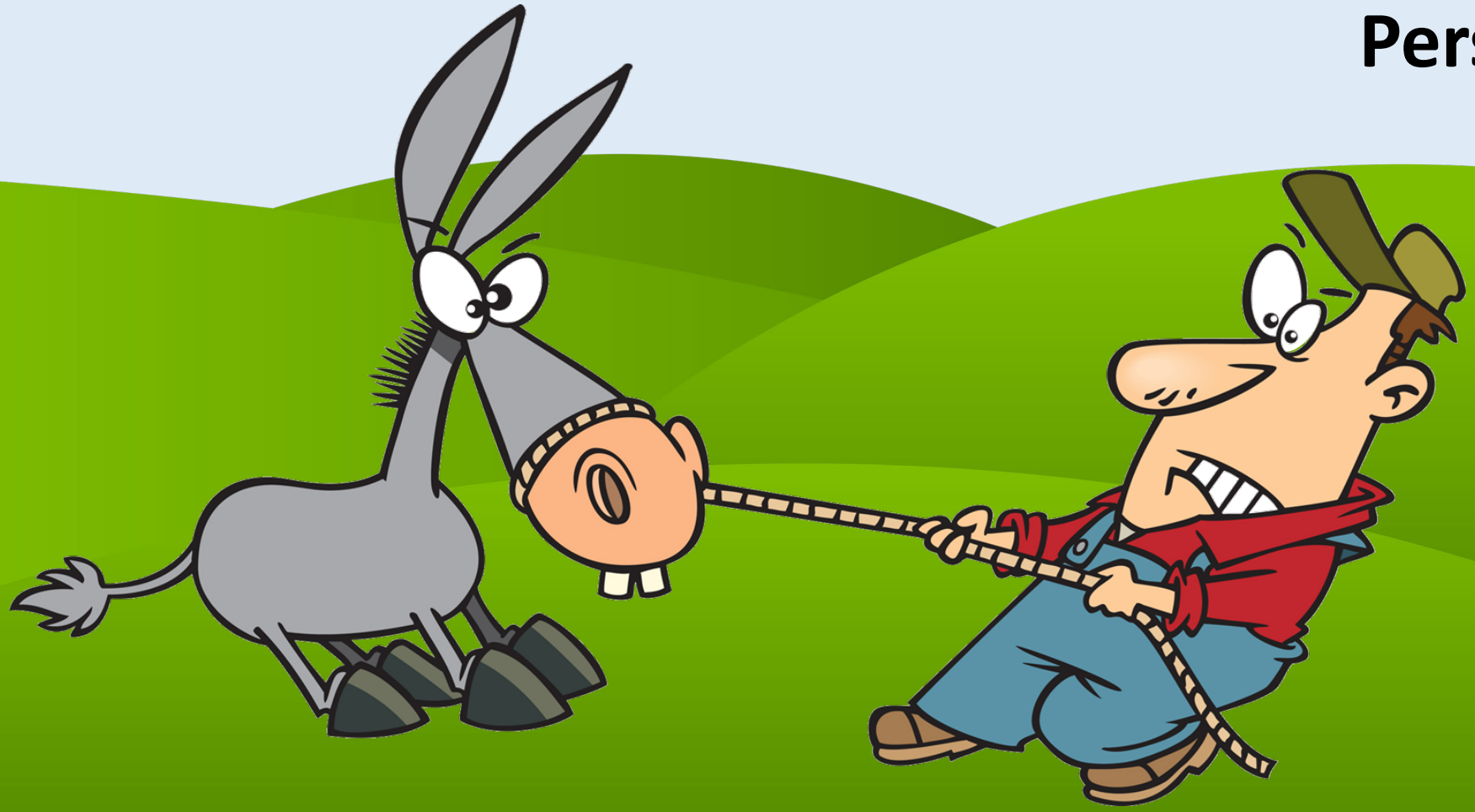


What heuristics can interfere with our decisions?

Heuristics:

Mental shortcuts

Awareness
Practice
Persistence



Heuristics

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Anchoring and adjustment effect:

Occurs when an initial estimate leads you to adjust your estimate

How long is the Mississippi River? Is it more or less than 5,000 miles?

How long is the Mississippi River? Is it more or less than 2,500 miles?

Heuristics

- Anchoring and Adjustment Heuristic
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- Representative Heuristic

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Availability heuristic:

Occurs when we use information that is readily available in memory instead of searching for more information

I'LL NEVER FLY AGAIN!
THE DAILY JOURNAL
12 DIE IN AIRPLANE CRASH!!!
READ MORE INSIDE, A2

Heuristics

- Anchoring and Adjustment Heuristic
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- Representative Heuristic

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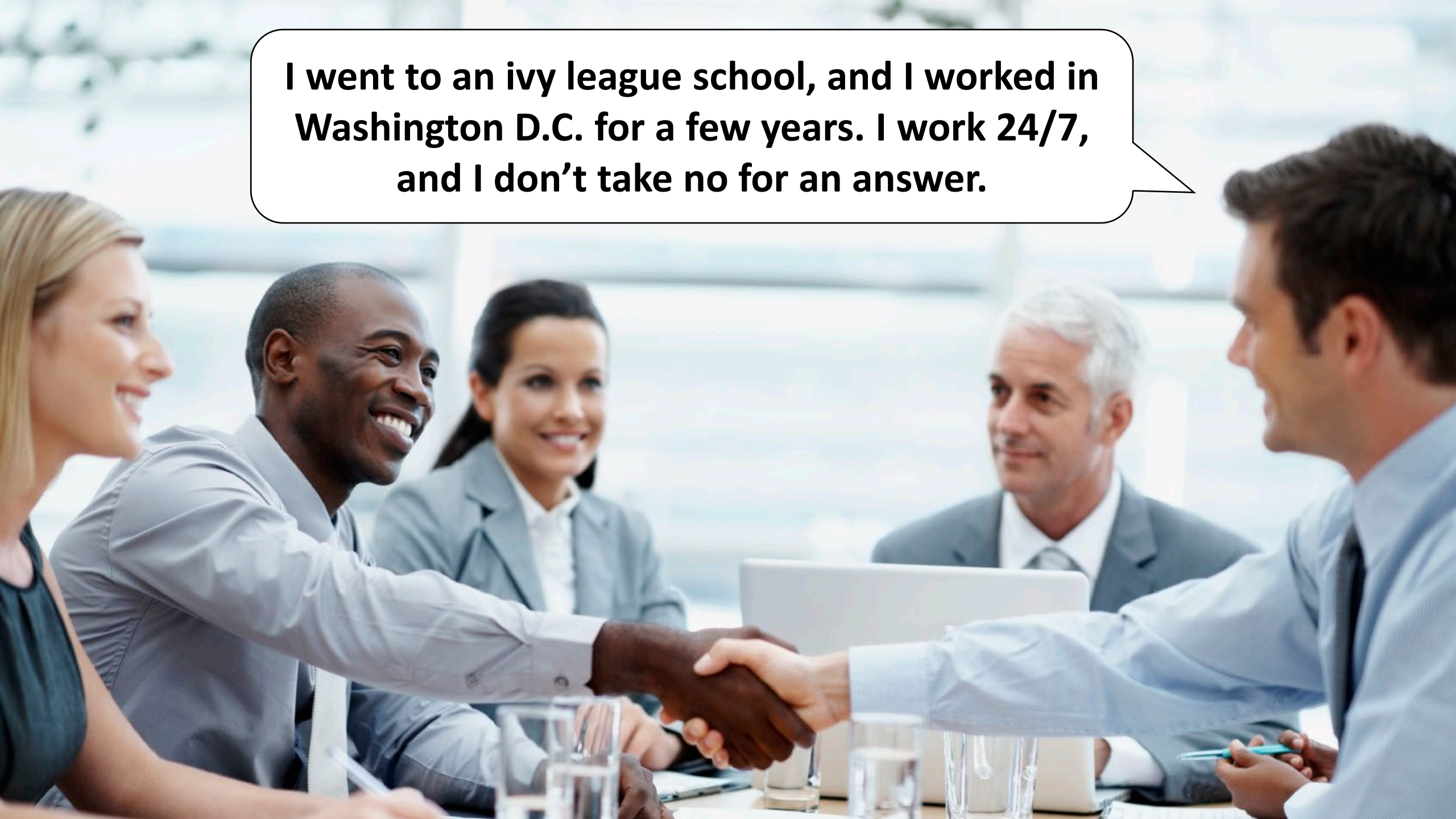
Representative heuristic:

Occurs when we use past experiences and mental representations to make decisions about new situations


I went to an ivy league school, and I worked in Washington D.C. for a few years. I work 24/7, and I don’t take no for an answer.

Manager!

What biases can interfere with our decisions?

Bias:

The tendency to make irrational or illogical judgments

Heuristics

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- Representative Heuristic

Decision-Making Biases

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Confirmation bias:

Occurs when we attend to information that supports our existing beliefs, but ignore information that conflicts with our beliefs

STUFF YOU
AGREE WITH

Heuristics

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- Representative Heuristic

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Escalation of commitment:

Occurs when we continue with the same course of action even though we don’t know that it will pay off in the future

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- Representative Heuristic

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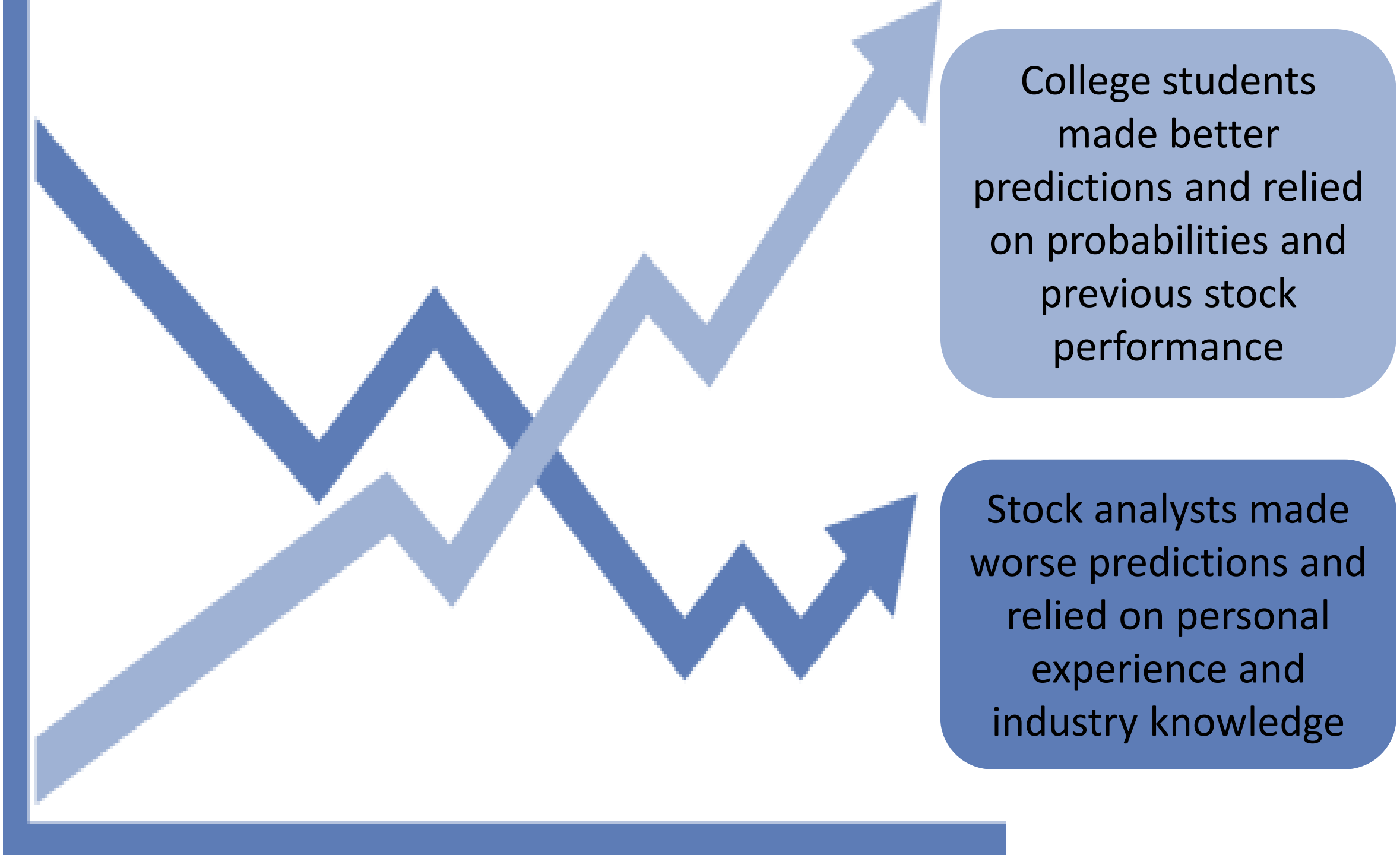
Overconfidence bias:

Occurs when we are too confident in ourselves



College students made better predictions and relied on probabilities and previous stock performance

Stock analysts made worse predictions and relied on personal experience and industry knowledge

Heuristics

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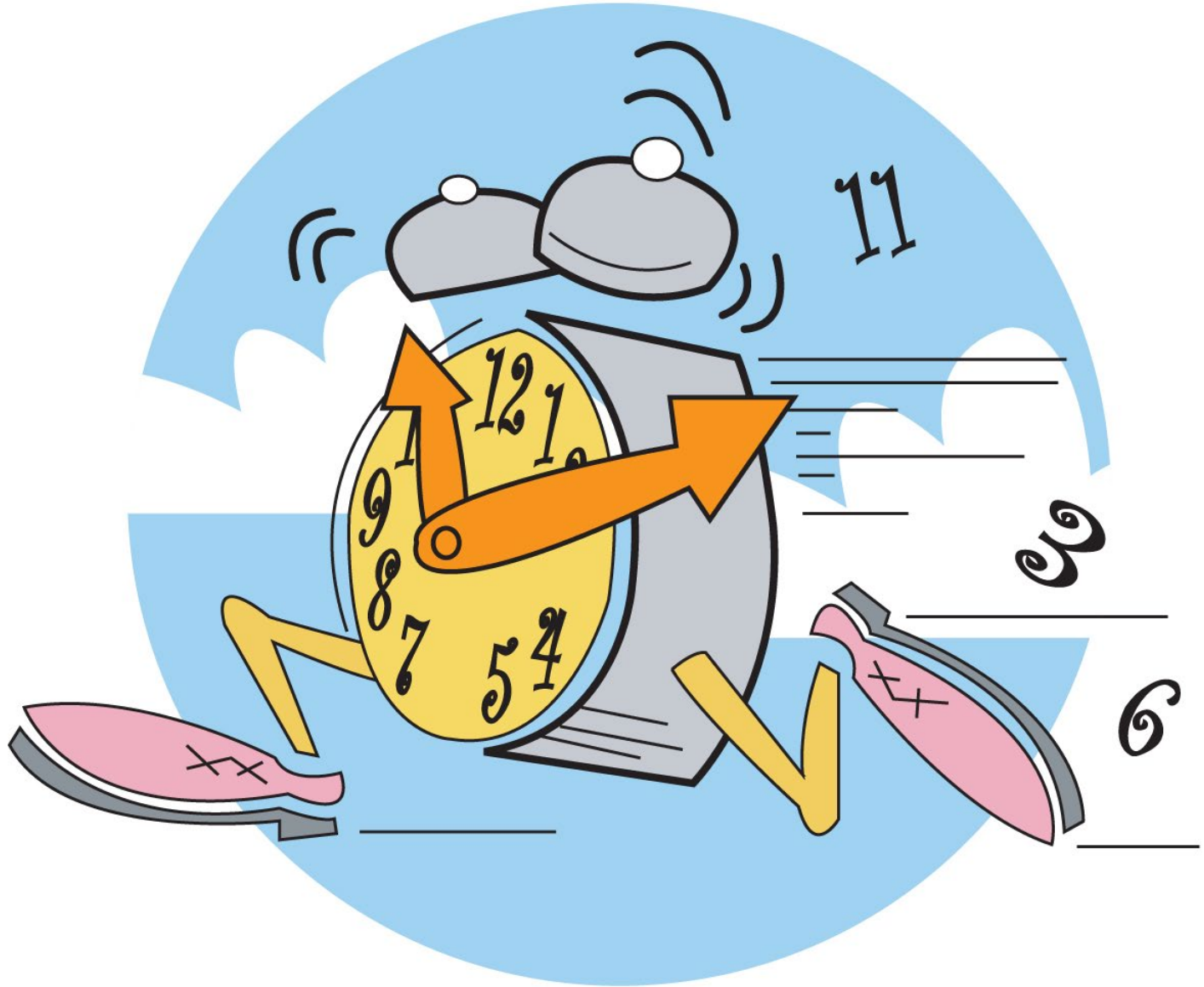
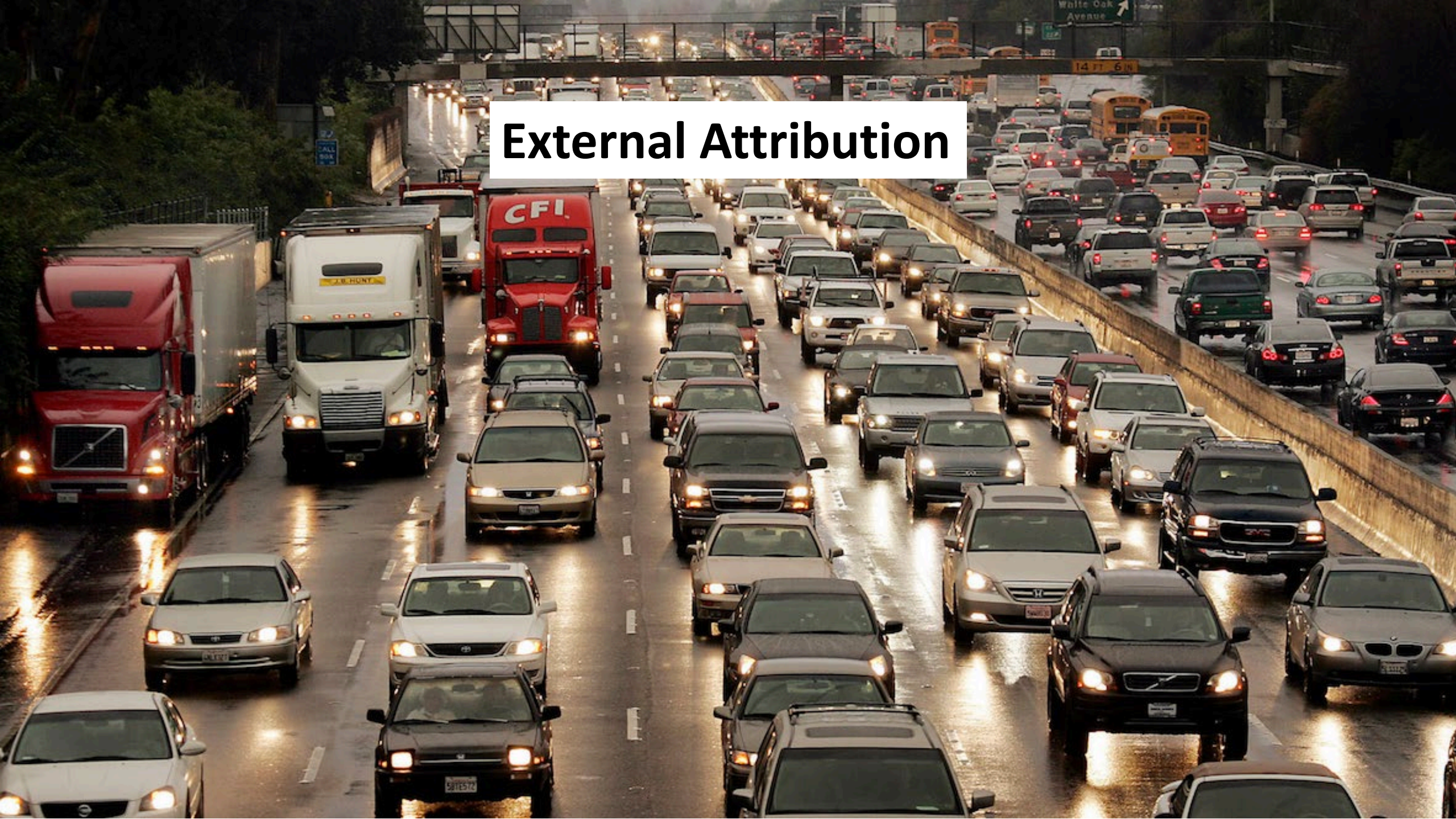
- Self-Serving Bias

Fundamental attribution error:

Occurs when we attribute others' behaviors to internal causes rather than external causes



Internal Attribution


External Attribution
CFI
J.B. HUNT

Heuristics

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Decision-Making Biases

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- Overconfidence Bias

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- Self-Serving Bias

Self-serving bias:

Occurs when we attribute our successes to internal causes and failures to external causes

Success

Personal Attributions

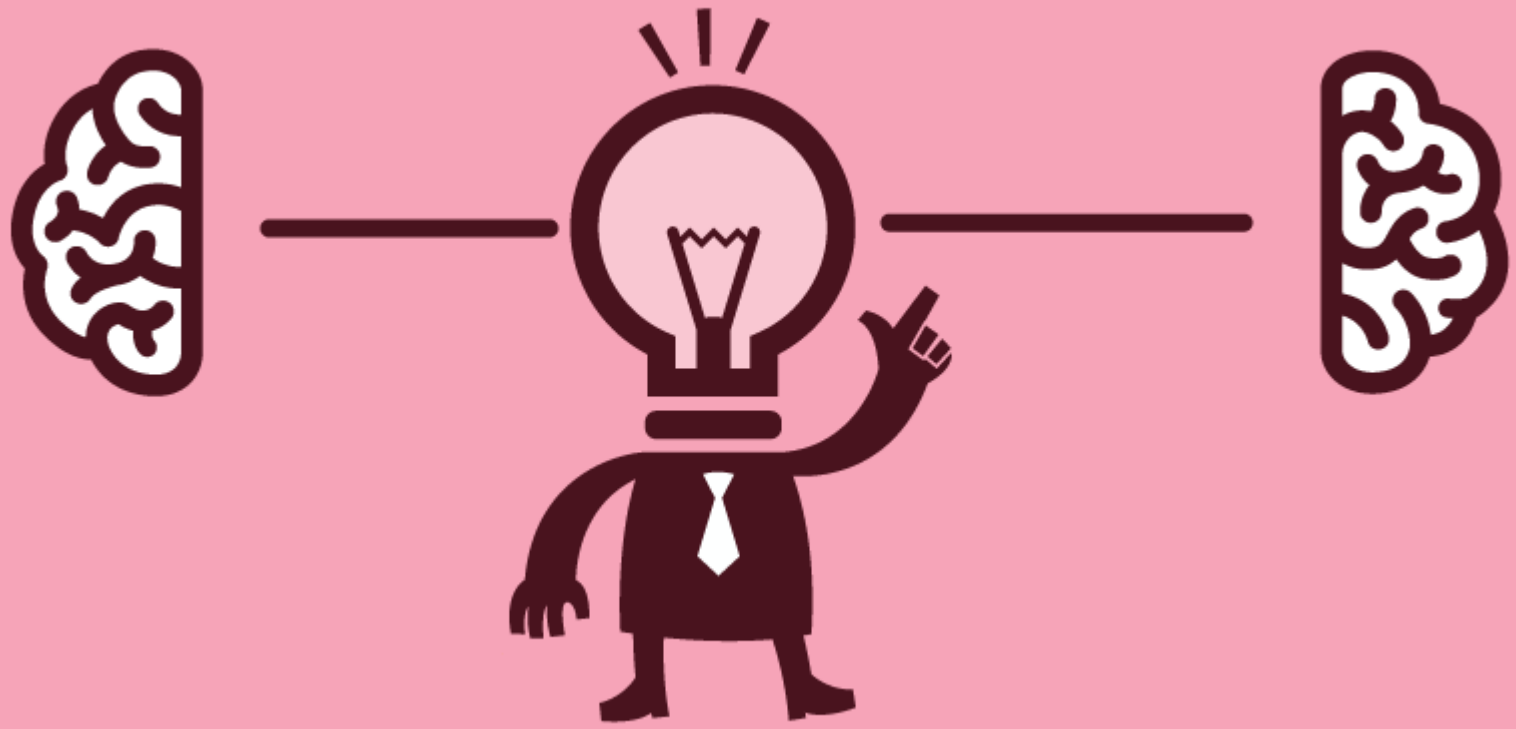
Failure

Situational Attributions

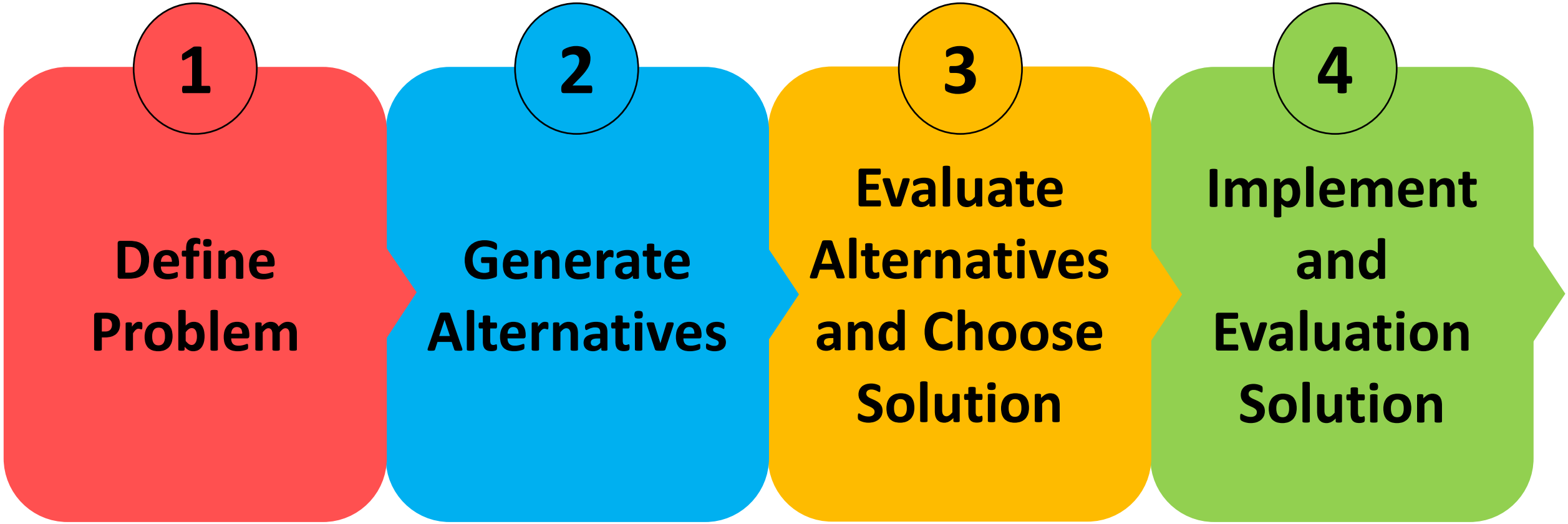
I'm so smart!

The class was too hard!

Expand the way you think about other people and events in your work environment.



How can we define the problem?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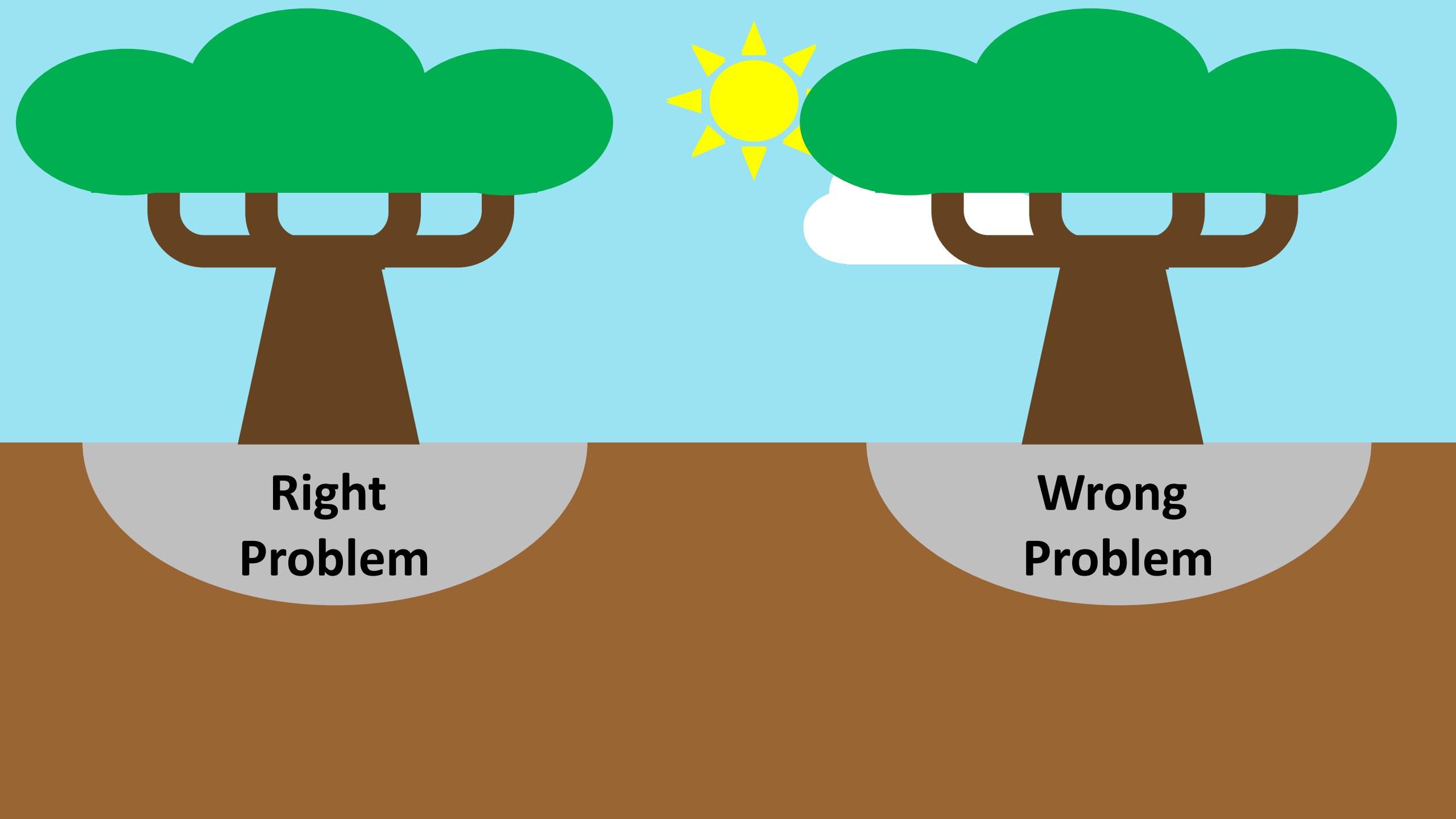
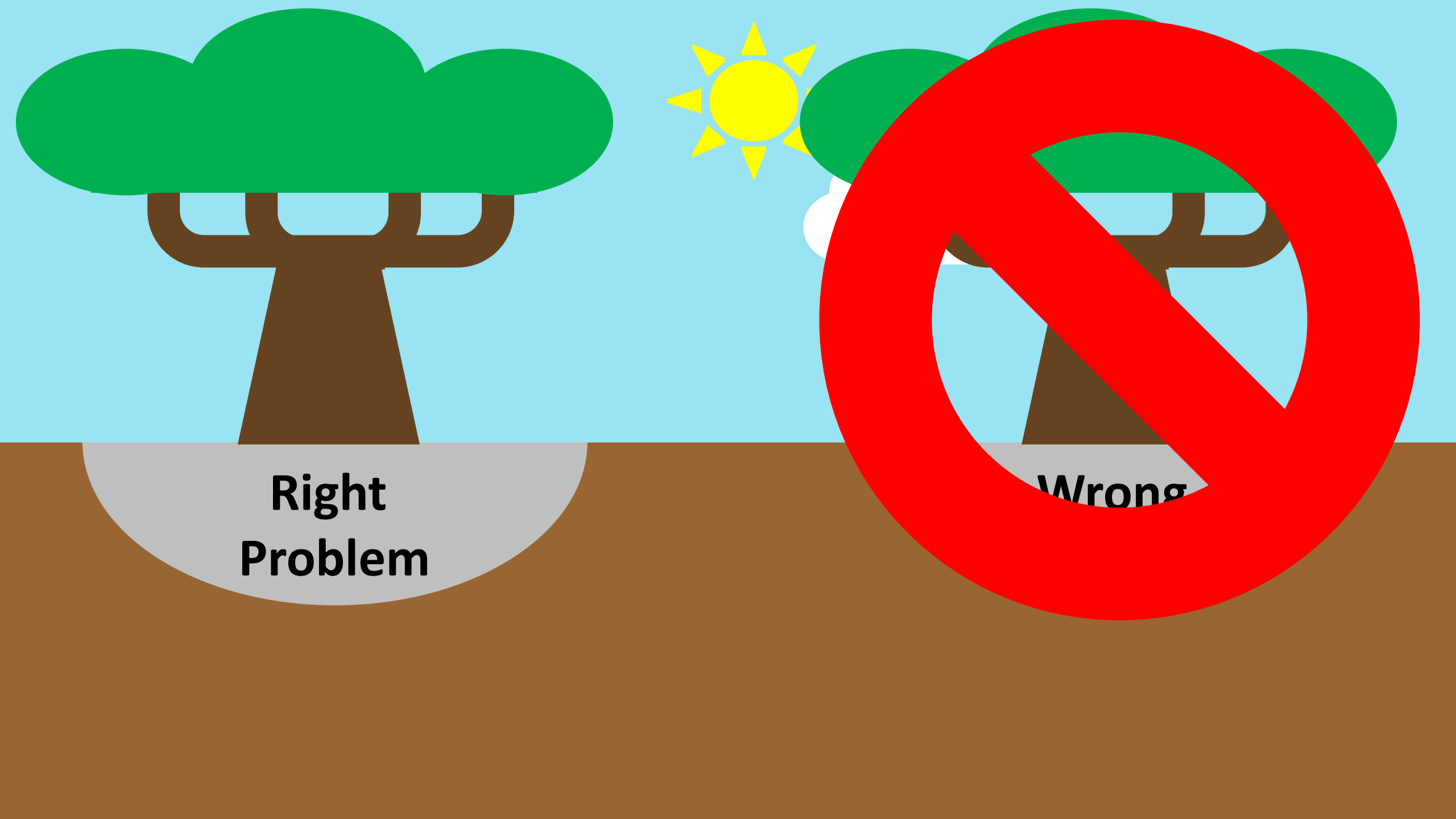
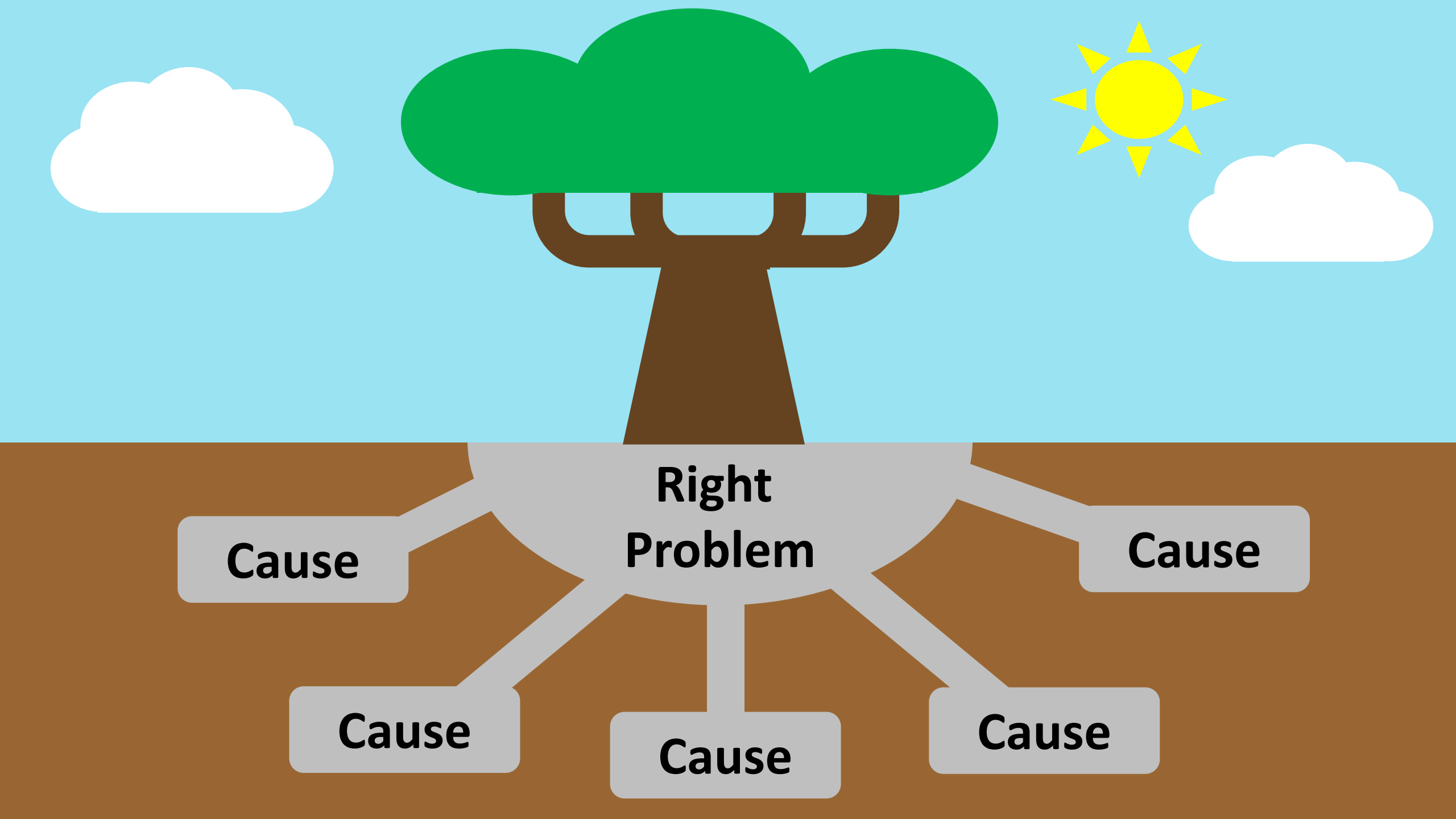
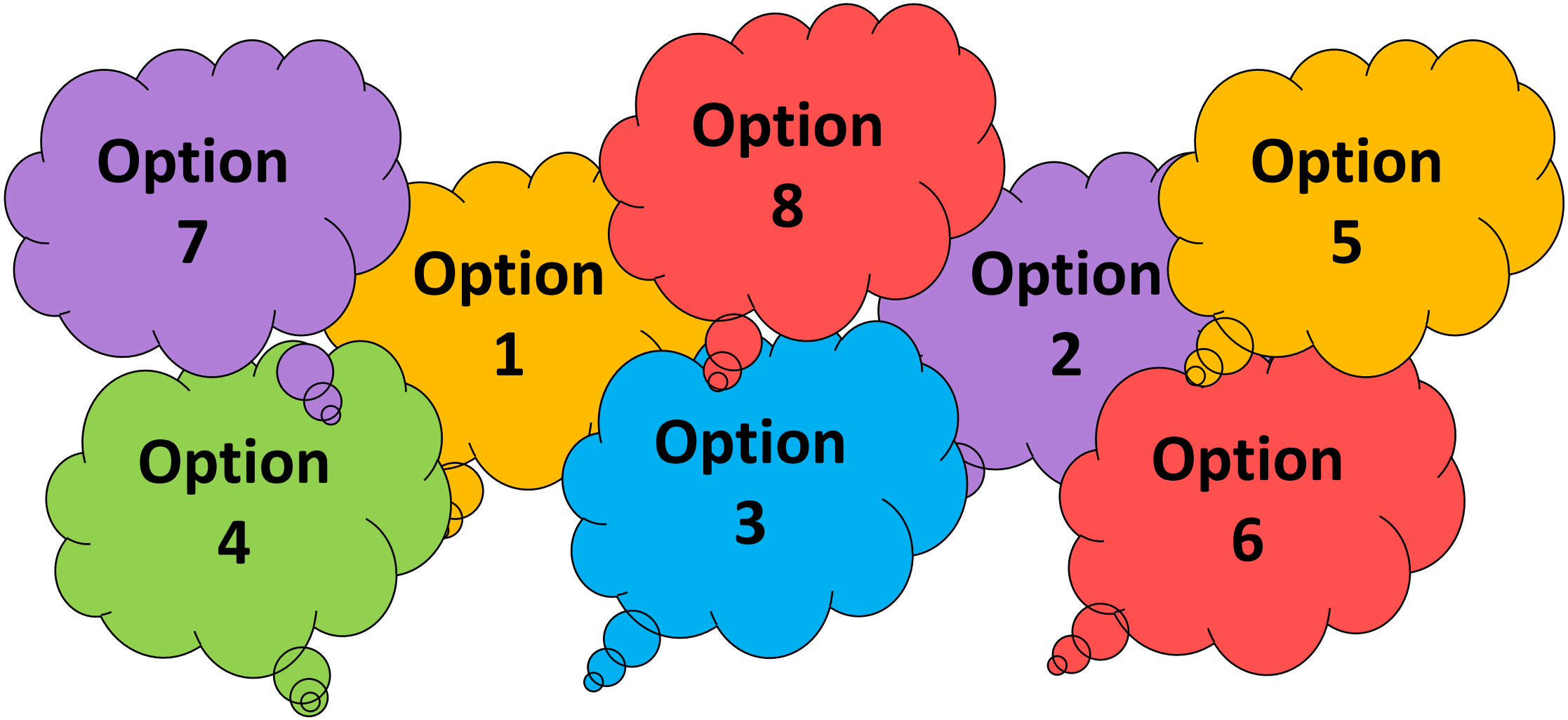
Implement and Evaluation Solution


Right
Problem
Wrong
Problem


Right
Problem
Wrong


Right Problem
Cause
Cause
Cause
Cause
Cause

1. Frame the problem accurately

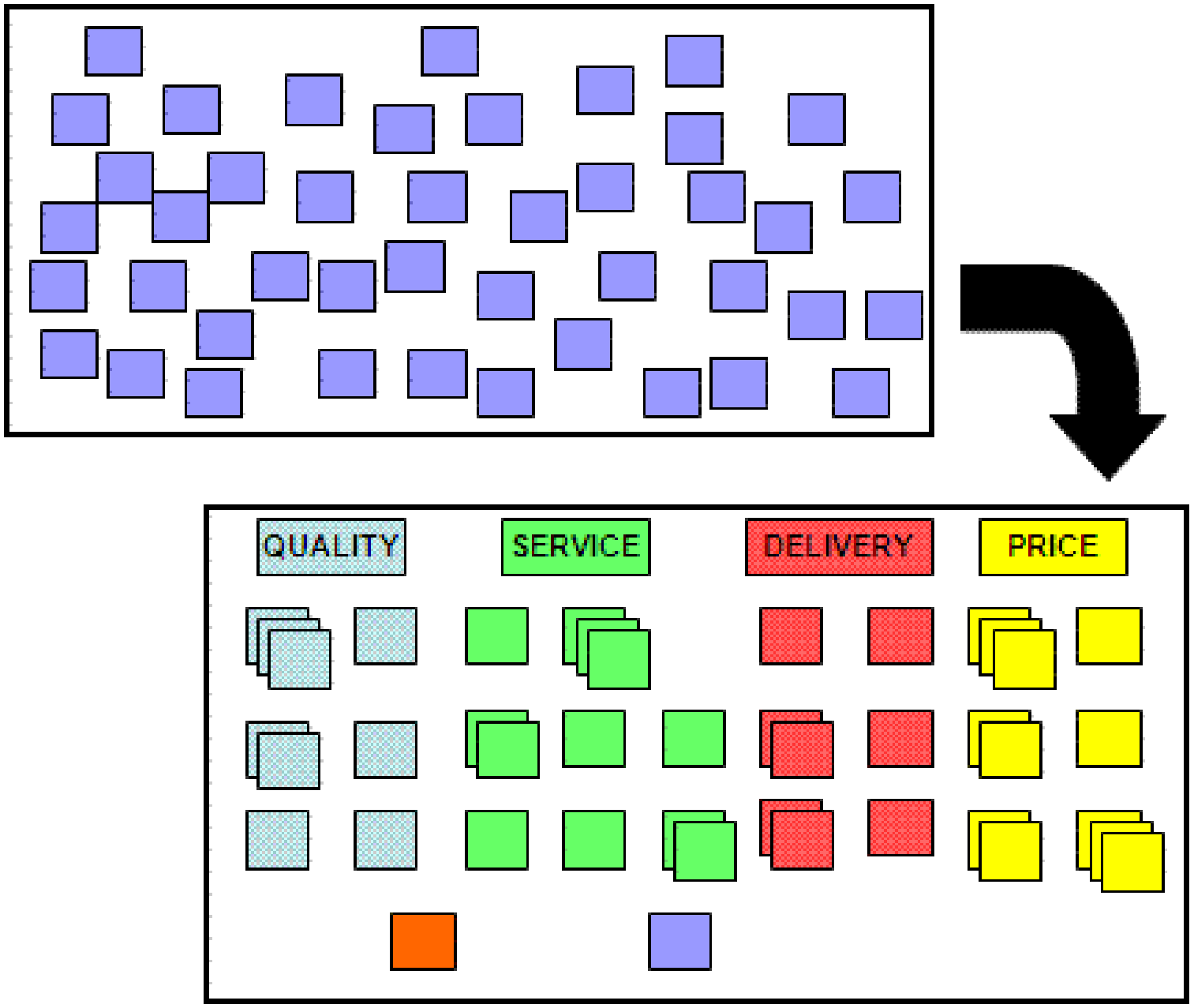


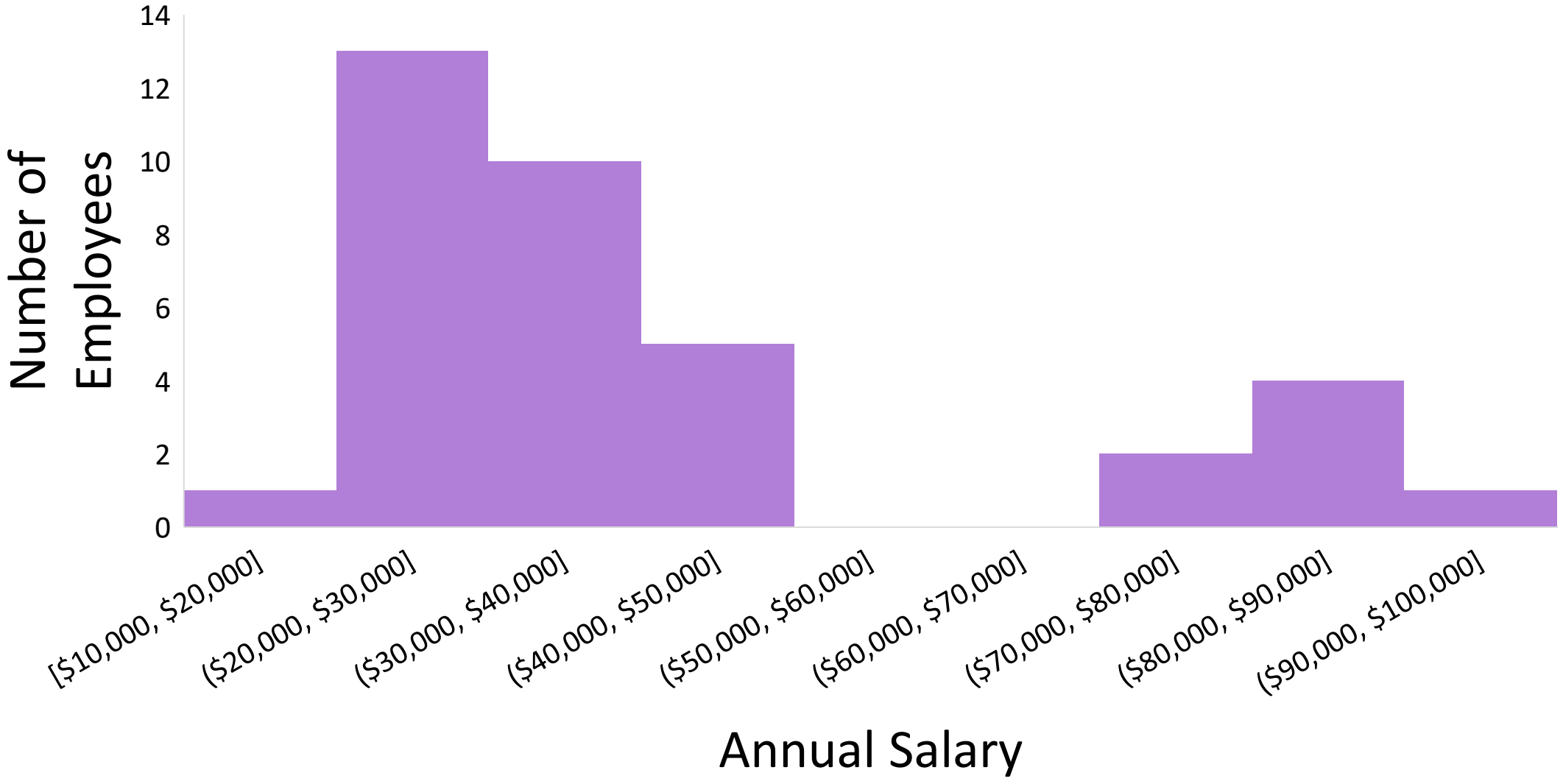
2. Identify the problem scope

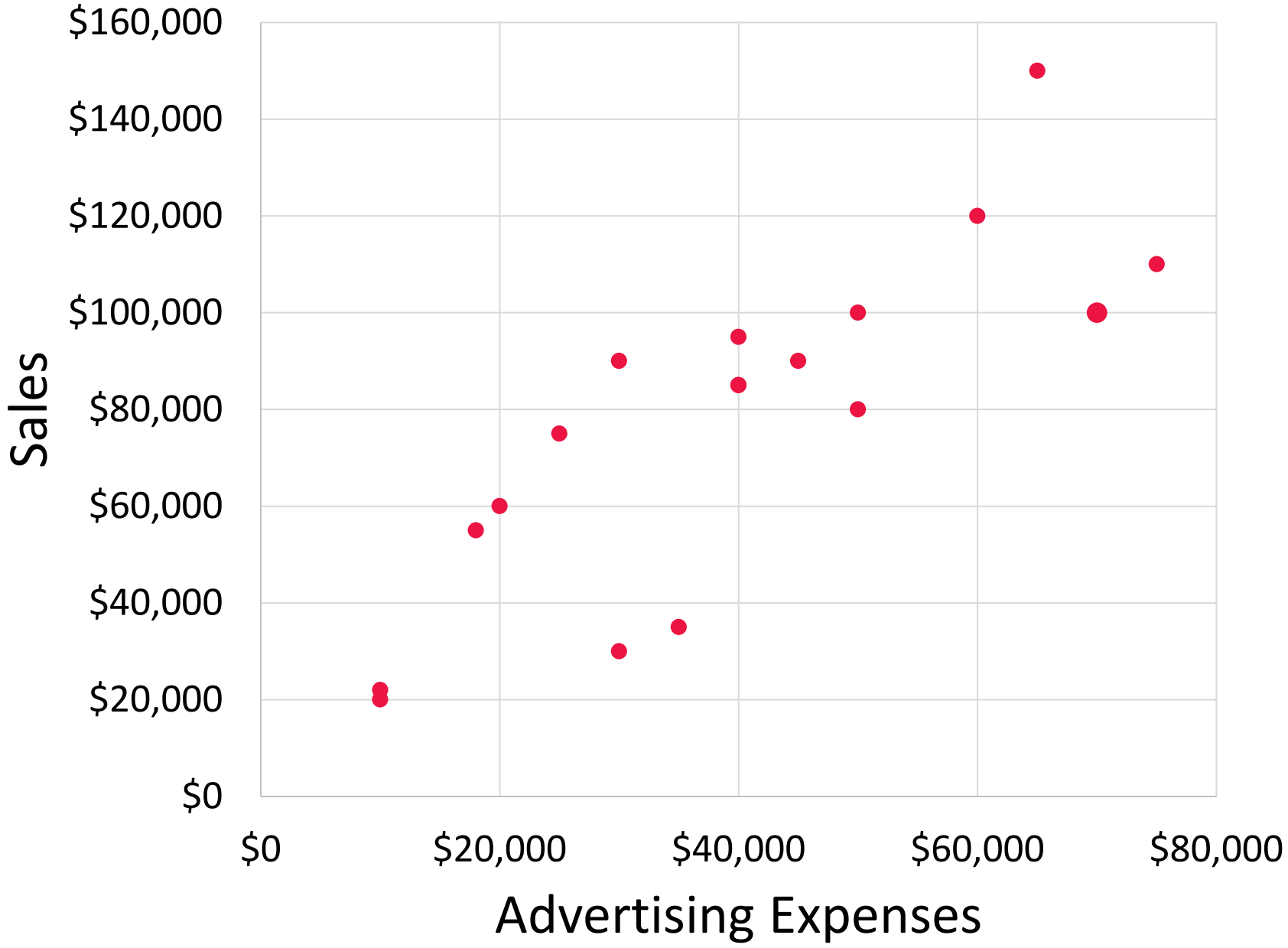
Problem scope:

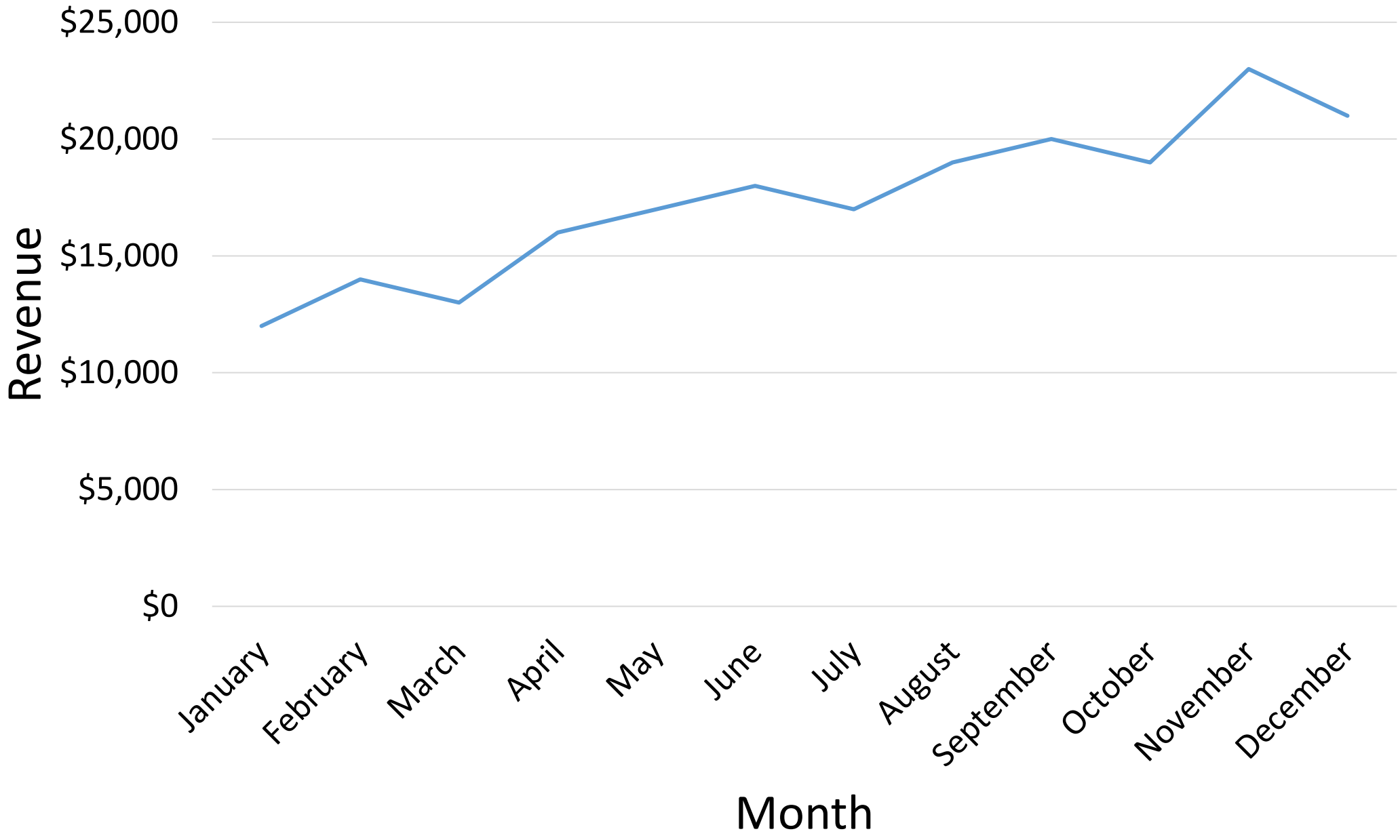
Outlines the boundaries of the problem

Use affinity diagrams to categorize ideas

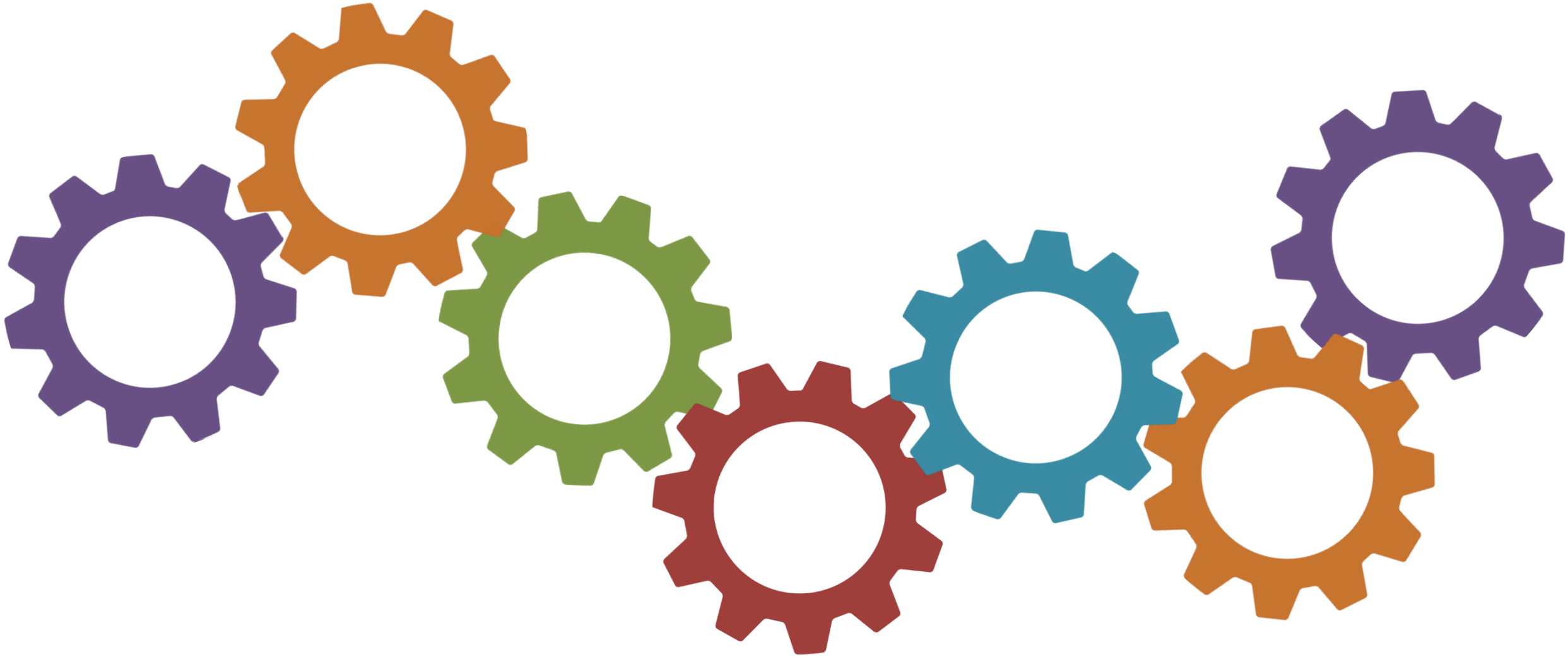



Number of Employees
14
12
10
8
6
4
2
0
[$10,000, $20,000]
($20,000, $30,000]
($30,000, $40,000]
($40,000, $50,000]
($50,000, $60,000]
($60,000, $70,000]
($70,000, $80,000]
($80,000, $90,000]
($90,000, $100,000]
Annual Salary


$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Sales
$0
$20,000
$40,000
$60,000
$80,000
Advertising Expenses

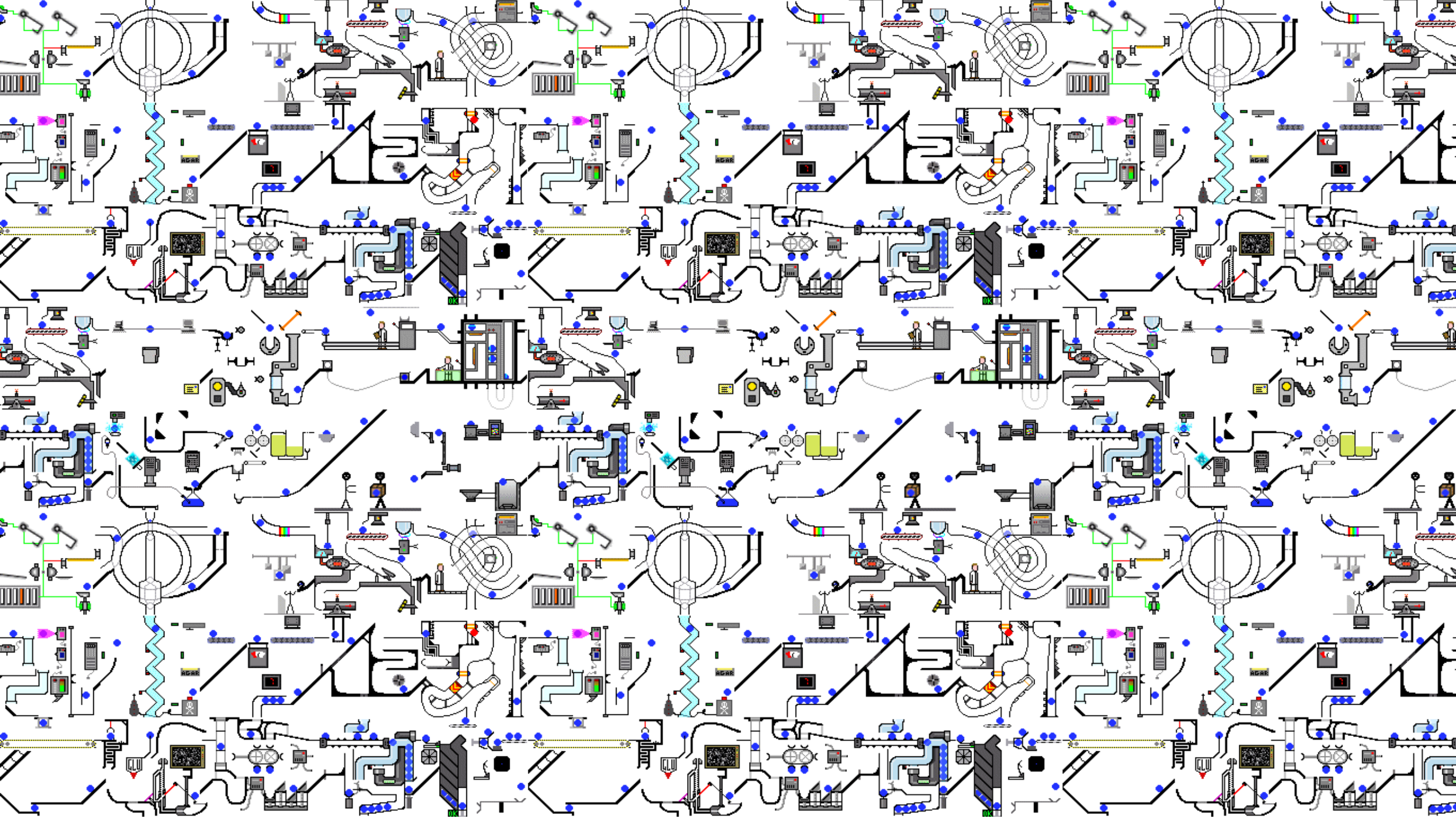

$25,000
$20,000
$15,000
$10,000
$5,000
$0
Revenue
January
February
March
April
May
June
July
August
September
October
November
December
Month

3. Use systems thinking



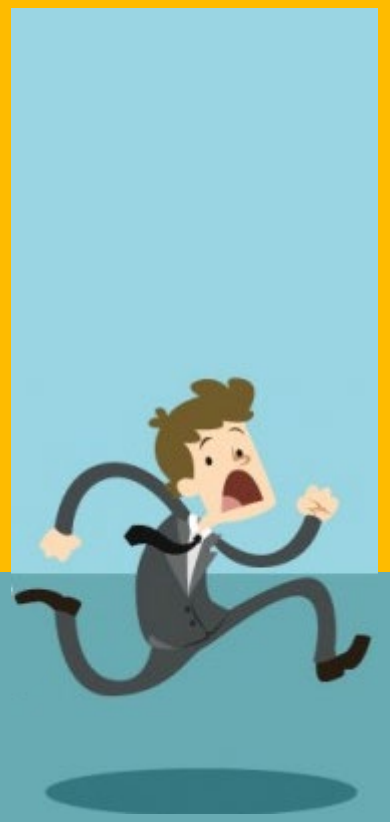
System:

A complex unit made up of interrelated parts



We assume this is the problem.

EXIT



But this is the real problem.

We assume this is the problem.

ENTER

EXIT

4. Practice inquiry skills

- Ask questions
- Collect new information
- Challenge assumptions
- Identify intended and unintended consequences

Who are stakeholders, and how do they contribute to the process?

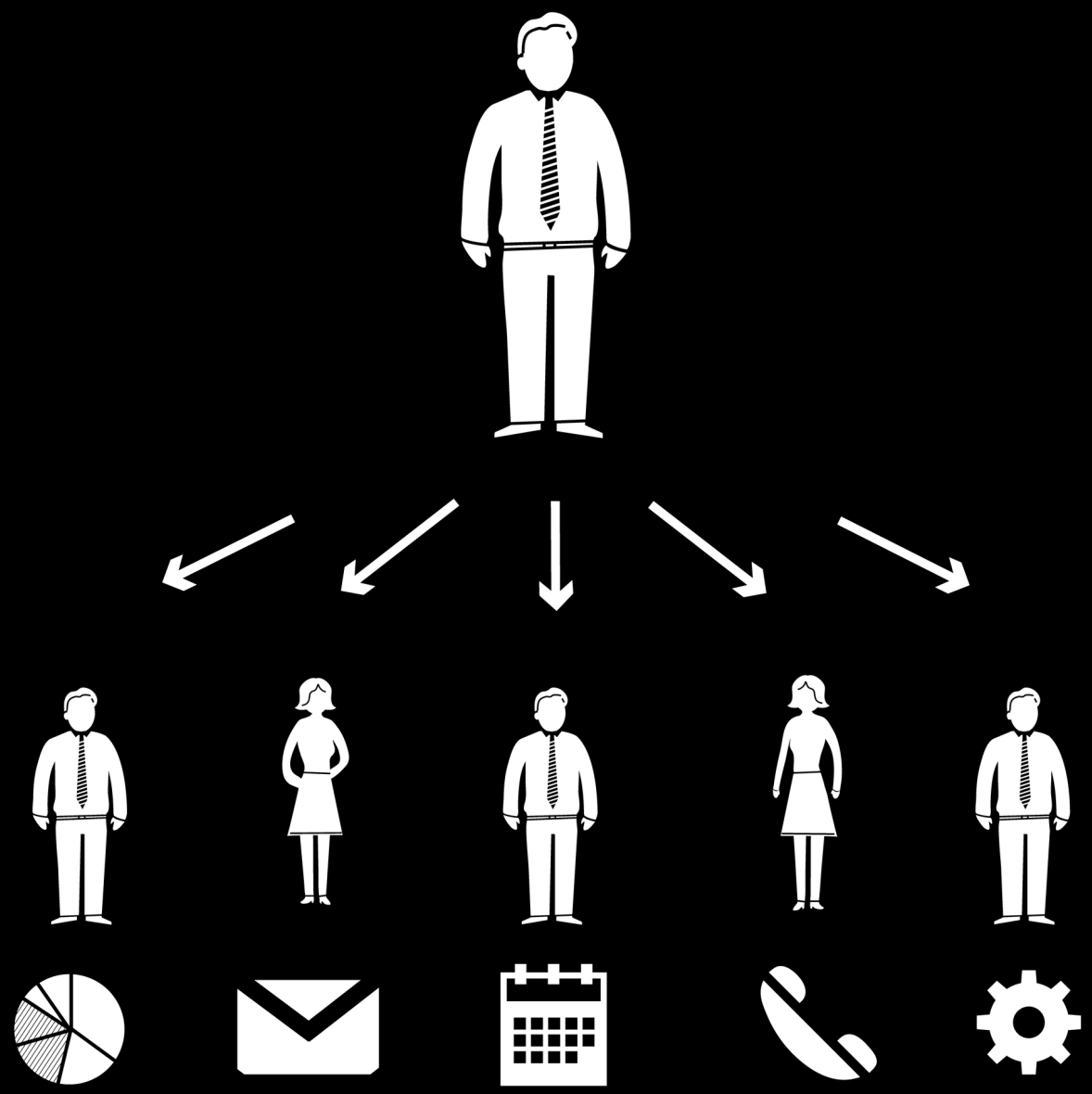
1. Conduct stakeholder analysis

Stakeholders:

Individuals who have an interest in the organization

Identify goals

Gauge support



2. Determine stakeholder participation

Delegate to Group

Facilitate Group

Consult Group

Consult Individually

Decide

#1 – Is decision quality important?

#2 – Is team commitment important?

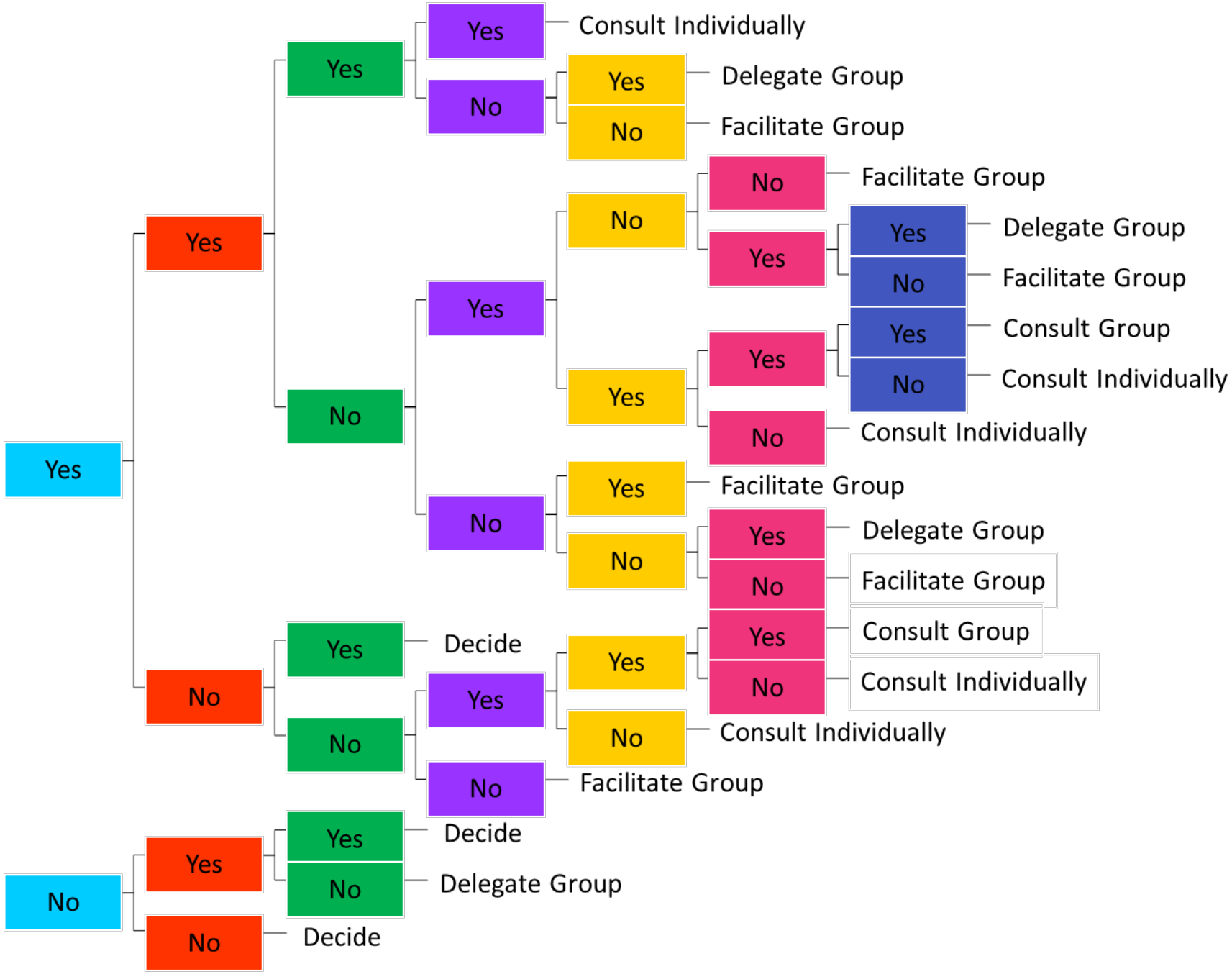
#3 – Do you have enough information to make the decision alone?

#4 – Is the problem structured?

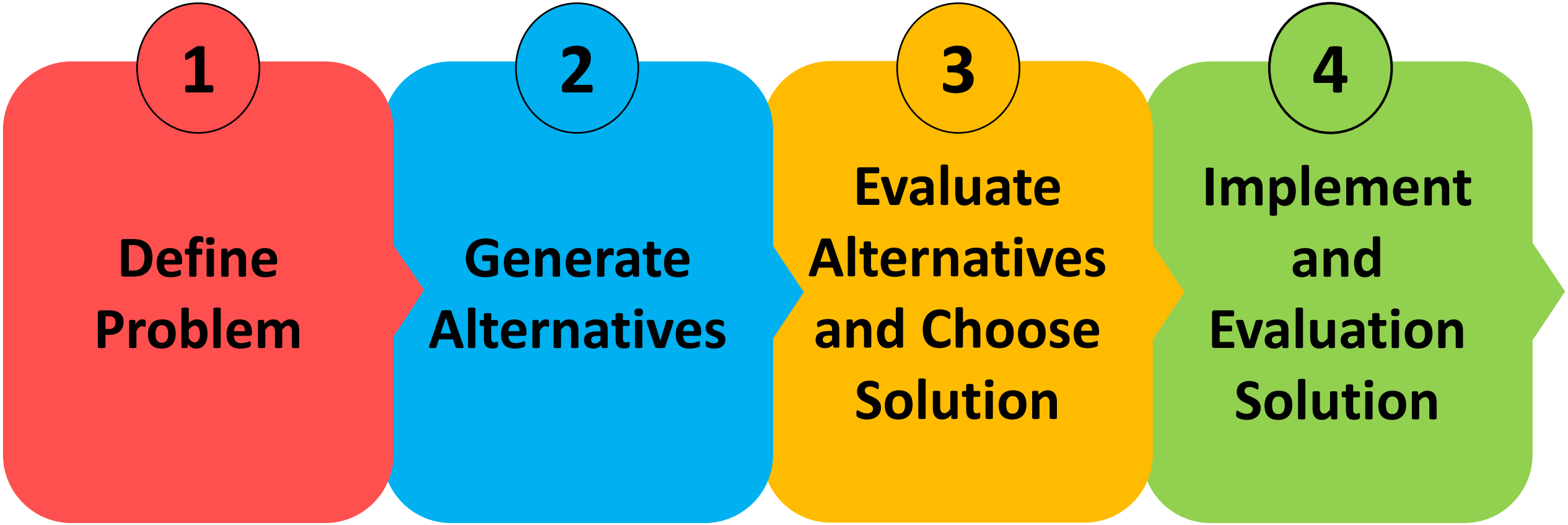
#5 – Would the team support the decision if you made it alone?

#6 – Does the team share the organization’s goals?

#7 – Is team conflict over the decision likely?


Yes
Yes
Yes
Yes
Consult Individually
No
Yes
Delegate Group
No
Facilitate Group
No
Yes
No
Facilitate Group
Yes
Yes
Delegate Group
No
Facilitate Group
Yes
Consult Group
No
Consult Individually
No
Yes
Yes
Facilitate Group
No
Yes
Delegate Group
No
Facilitate Group
Yes
Consult Group
No
Consult Individually
No
Yes
Decide
Yes
Yes
Yes
No
Consult Individually
No
No
Facilitate Group
No
Yes
Decide
No
Yes
No
Delegate Group
No
Decide

How can we generate alternative solutions to the problem?


1
Define Problem
2
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3
Evaluate Alternatives and Choose Solution
4
Implement and Evaluation Solution

1. Conduct a benchmarking study

Benchmarking:

To evaluate something by comparison

BAKERY
BANK
Salon
COFEE
PHARMACY
MARKET

Do not expect other organizations' solutions to work for your organization's problem!

2. Facilitate brainstorming sessions

Brainstorming:

A group technique for generating ideas whereby individuals share their ideas without judgment

- Focus on quantity over quality
- Do not judge new ideas
- Use a facilitator to guide the discussion and record ideas

4
3
5

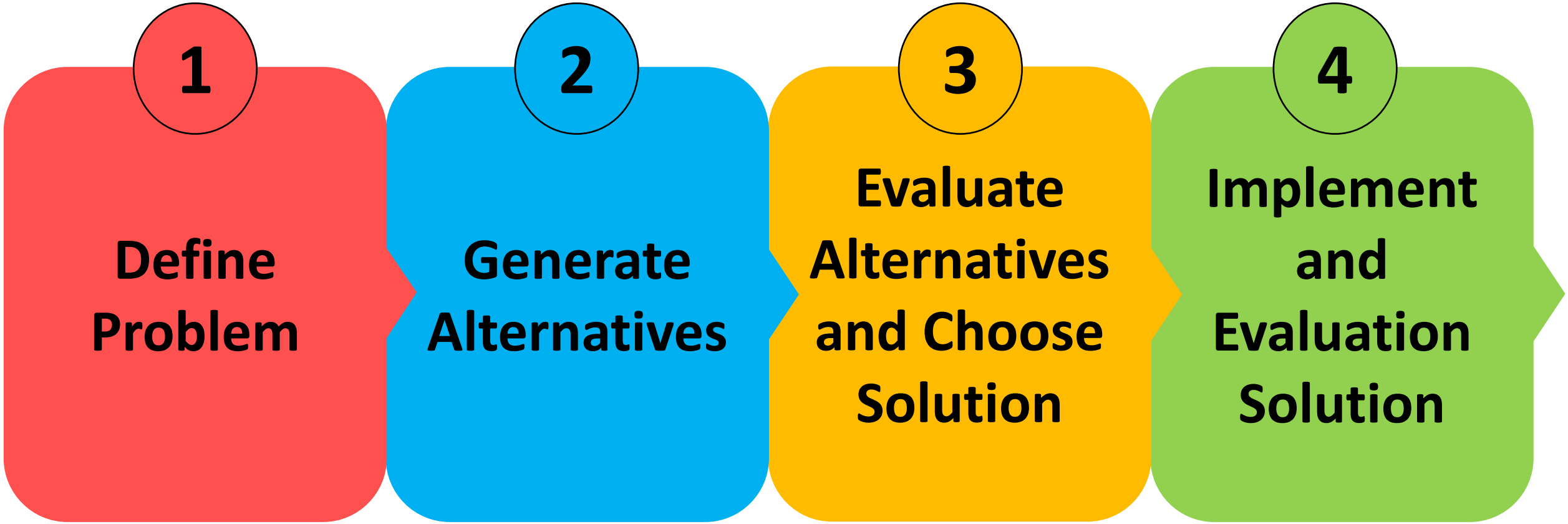
3. Facilitate brainwriting sessions

Brainwriting:

A group technique for generating ideas whereby individuals write their ideas privately

3. Facilitate brainwriting sessions

How can we evaluate alternatives and choose a solution?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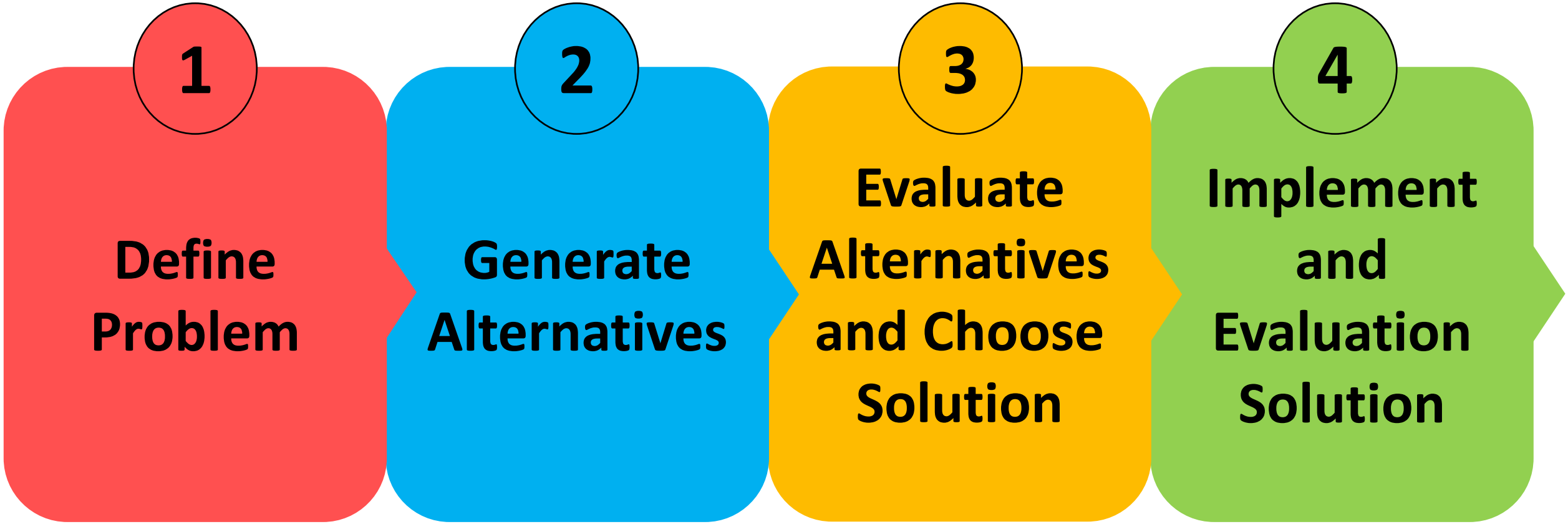
Candidate	Evaluation Criteria				Totals
	Practices and Lives OB 10	Has Free Time 6	Liked by Team 6	Attended Events 4	
Candidate A	20	18	12	4	54
Candidate B	30	12	18	12	72
Candidate C	40	6	6	8	60

- What are the benefits?
- What are the challenges?
- Who is responsible for implementation?
- How might it impact others?
- How much would it cost?

How can we implement and evaluate the best solution?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Coalitions
Motivation
Participation
Recognition
Goals
Change
Empowerment
Rewards
Feedback
Culture
Persuasion
Vision
Communication

Implementation

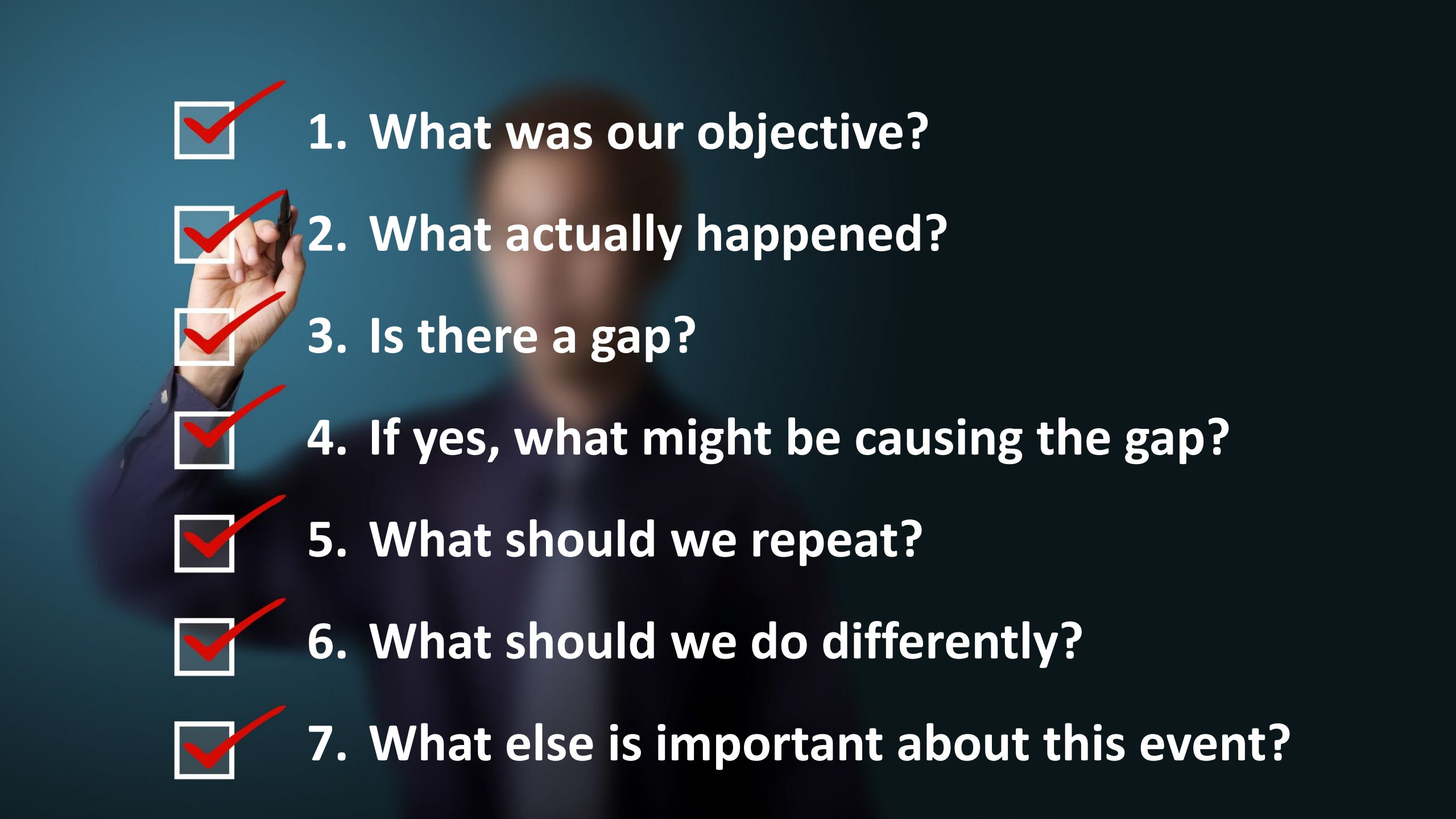
- Involve stakeholders
- Break into smaller steps
- Celebrate wins
- Stop and reevaluate when necessary

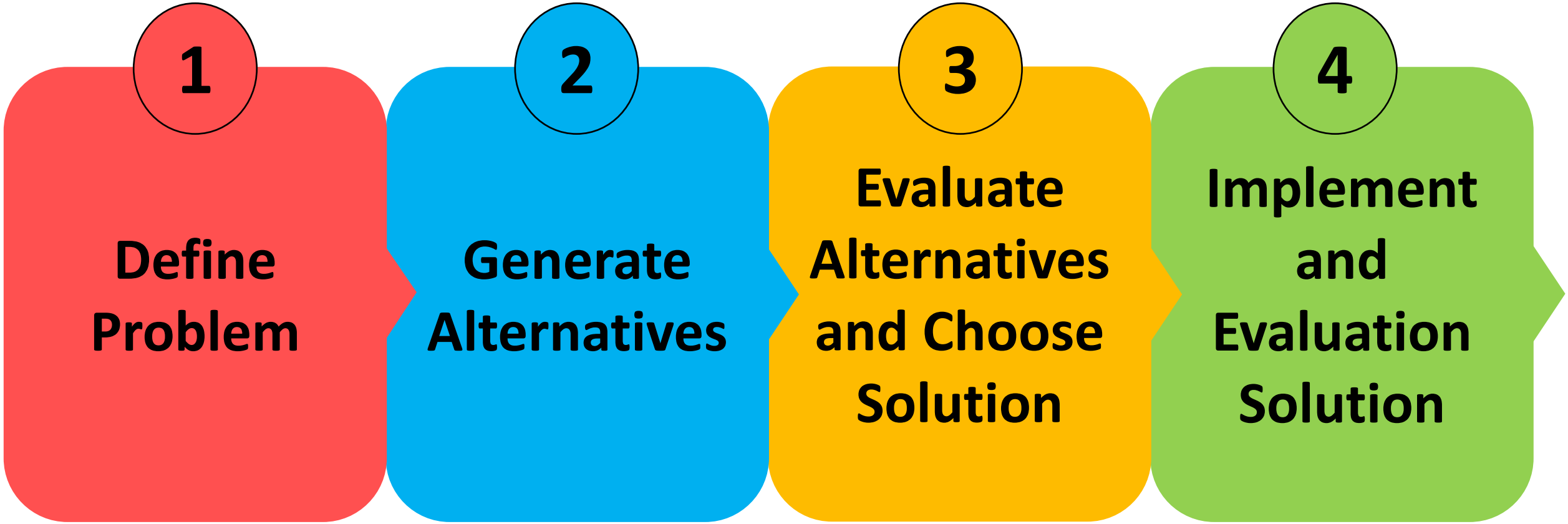
Evaluation

- Involve stakeholders
- Before, during, and after implementation
- Continuously and frequently
- Use after action reviews (AARs)

After-action review:

A technique that uses reflection and critical analysis to learn what went well and what could be improved upon


1. What was our objective?
2. What actually happened?
3. Is there a gap?
4. If yes, what might be causing the gap?
5. What should we repeat?
6. What should we do differently?
7. What else is important about this event?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