How to Make Better Decisions

Introduction

BusinessDictionary.com defines decision-making as “the thought process of selecting a logical choice from the available options. When trying to make a good decision, a person must weigh the positives and negatives of each option, and consider all the alternatives. For effective decision-making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.”

While this definition may seem to be simple and straightforward, the actual process is somewhat more complicated. In this reading, we will explore different types of decisions and how we can make better choices.

Type of Decisions

In his essay “Introduction to Decision Making, Part 1,” Dr. Robert Harris, an author and educator, points out that while there are several types of decision-making models, most of the decisions themselves fall into one of the four following categories:

1. Yes/no decisions – These are generally the first decisions that must be made in order for choices to be evaluated. For example, if a company is considering expansion, then it must first decide if the expansion will include establishing new locations before evaluating the various location options. The advantages and disadvantages are fully weighed. Once it is decided that a move will be beneficial, various locations can be explored.

2. Alternative choices – Once various options have been explored, this type of decision involves choosing one of the alternatives. Using the example above regarding the company considering expansion, choices, this might include expanding the size of current locations, establishing new locations, or purchasing another business to incorporate into the company’s product mix. Individuals involved in arriving at these options might include members of a decision-making team, acting on the request of management, or by top management themselves. Depending on the structure of the organization, or the importance of the decision, this is an example of the kind of decision that management might face in order to meet the goals of the organization’s strategic planning process. Choices are made based on how well each option meets the needs of the organization.

3. Contingencies – This type of decision occurs in an if/then situation. If we use the example of the company choosing new locations as
mentioned above, the if/then scenario might address financial considerations. The company may have decided on a new location, but may only choose that option if the cost of the building remains within a certain range. Or, the company might determine that a move will only be practical if the company is able to hire the right employees by the time the new location is ready to open.

4. **Contingencies plus alternatives** – This type of decision involves two elements. Contingencies refer to if/then situations, while the addition of alternatives refers to the available choices that the if/then situation creates. Using the same example as above, the company may determine that if the cost of the move to a particular location is too high, then instead of moving, the company may choose another location. This if/then situation creates the need for alternative locations. Additionally, if the cost of the move to a particular location is too high, alternatives other than choosing different locations may be explored, such as purchasing a different business as a source of expansion. In considering contingencies plus alternatives, the company needs to consider human resources for the move. The company might say that if it is not able to find the appropriate staff within a certain time frame, then it might consider using a smaller staff and launching the new location on a less grand scale, assuming that the new location option is chosen. If purchasing another company becomes the optimal choice, human resources might need to consider the alternatives of keeping the staff on hand vs. hiring new employees.

*Decision-Making Steps*

There are many ways to make a decision. Sometimes decisions are based on our intuition, gut feelings, and past experiences in similar situations. This method of deciding based on personal experience can lead to poor choices that may be based on a sense of urgency, or biases in our thinking.

Other times, decisions are only made after extensive research and exploration of options. This can also be a poor way of making a decision since the time spent in evaluating options may delay the actual decision as well as create a situation of information overload.

Here is a series of 10 steps that can help you approach the decision-making process in a practical and manageable way.

1. **Determine decision type.** Using the types listed above, determine which decision needs to be made. Keep in mind that sometimes a decision may initially fall into more than one category.
2. **Itemize options.** This should simply be a list of all of the available choices. This list should be unbiased and should be the result of ideas from all of the workers involved in the project or decision-making process.

3. **Gather information.** Gather information about each option, making sure that the information is relevant and applicable. Seeking too much information can be detrimental to the decision-making process, because having too much data may make it difficult to pinpoint the important elements.

4. **Avoid biases.** Past decisions can influence the way we think about a situation. As a result, we may make current choices for the wrong reasons. Be sure to shape new decisions without bias so that potentially prejudicial information does not lead to the wrong choice. If we approach a decision with a bias toward a certain outcome, we may interpret any available information in a way that conforms to a pre-determined decision. One way to ensure that bias is not an influencing factor is to interpret any available information in an objective way, or to seek advice from a third party in order to get an objective opinion.

5. **Prioritize.** How important is this decision related to other choices that need to be made? Identifying where this decision fits in with the whole can help determine the amount of time and effort spent on any single decision.

6. **Be timely.** Some decisions need to be made quickly, while others have a later deadline. If possible, create time parameters within which a decision should be made. This will help to move the process along and to ensure that the appropriate amount of time is allotted for each decision.

7. **Evaluate data accuracy.** Make sure the information you have is accurate. Do not assume that information provided by others is correct. Verify your data; using the wrong information is just as bad as making a decision based on instinct.

8. **Evaluate options.** Each option should be explored for its benefits and drawbacks. However, as stated above, try not to cloud the options with too much information. Determine which elements are the most relevant for the particular decision and explore those to the fullest.

9. **Make the decision.** Once all of your options have been evaluated, the optimal choice will stand out. All parties affected by the decision should be notified, and steps should be taken to implement the decision.
10. *See the decision through*. When a decision is made, all activities associated with implementation should begin. This will enable all parties involved in the decision-making process to take ownership of their part in the plan. This is an important step in the process as it will set the precedent for future decision-making activities. If a decision is not carried out, members of the decision-making team will be reticent when it comes to future decisions. By seeing a decision through to its conclusion, all participants will feel a sense of accomplishment and will eagerly participate in future decision-making processes.

**Summary:**

- Decision-making is defined as “the thought process of selecting a logical choice from the available options.”
- There are four types of decisions: yes/no decisions, alternative choices, contingencies, and contingencies plus alternatives.
- Using one’s intuition or gut feeling can lead to poor decisions due to perceived time constraints or biases.
- Decisions made by spending too much time on gathering data may lead to information overload.
- The 10 steps for making good decisions are: determine the decision type, itemize your options, gather information, avoid biases, prioritize, be timely, evaluate data accuracy, evaluate your options, make the decision, and see the decision through.

**References:**
