



## TenStep Supplemental Paper

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### Decision-Making Process

Often, organizations are forced to make decisions that will determine their very existence. There are many different types of decision-makers and decision-making styles, including:

1. The thinker; the cowboy (quick and uncompromising)
2. Machiavellian (ends justify the means)
3. The historian (how others did it)
4. The cautious

On a daily basis, a manager makes many decisions. Some of these decisions are routine and inconsequential, while others have a drastic impact on the organization. Some of these decisions impact the financial condition of the organization. In our increasingly complex world, the task of decision-makers is becoming more challenging with each passing day.

A decision-maker must respond quickly to events in this fast-paced economy. In addition, he or she must sometimes incorporate a bewildering array of choices and consequences into his/her decision. Routine decisions are often made quickly, perhaps unconsciously, without the need for a detailed process of consideration. However, for more complex and important managerial decisions, it is necessary to take some time to make the decision systematically.

An effective model needs to be created by organizations to help managers make the right decision.

The simplest decision-making model is where the decision maker has to choose between only two alternatives. This is known as Machiavellism. However, the ICE (Information Communication Entertainment) age possesses more complex situations where the alternatives are numerous and the risk is high.

#### Deterministic versus Probabilistic Models

All the decision-making models can be classified as either deterministic or probabilistic models. In deterministic models, good decisions bring about expected outcomes. However, in probabilistic decision-making models, the outcome is uncertain. Therefore making good decisions may not produce good outcomes. Unlike deterministic models, where a good decision is judged by outcome alone, in probabilistic models the decision maker is concerned with both the outcome value and the amount of risk.

When the outcome of the decision is almost certain and all the important consequences occur within a single period, it is classified as a deterministic decision. However, in many instances, these types of models are unencumbered by the two most difficult factors - uncertainty and delayed effects. Both difficulties can be overcome by probabilistic modeling, which includes the time discounting factor.



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Regardless of what model is used, the following two steps are mandatory:

1. Understanding the problem is the most essential part of decision making. It encompasses problem structure and a diagnostic process for the formulation and representation of a solution.
2. Gathering reliable information at the right time is a component of good decision-making. It helps understand the nature of the problem by asking "who," "what," "why," "when," "where," and "how." Finally, break them into three input groups - Parameters, Controllable, and Uncontrollable inputs. Uncontrollable factors are the main components of decision-making.

Any successful decision making model demands the proper attitude, as well as an understanding of technical matters. This is probably the most important element of successful application.