

PLANNING AND DECISION MAKING

CORPORATE LEARNING COURSE

“TEAM BUILDING” BLOCK

SEMINAR 3.5

SCOPE

This lesson discusses planning and decision making as very important concepts for a manager. These principles combine to form perhaps the most important function of the principles of management. Most experts believe managers cannot be effective unless they plan. A large part of planning is decision making. Since planning was discussed in the last lesson, much of this lesson will consider decision making. Managers must not shy away from making the decisions that impact themselves, their employees, and their organization. Some decisions are simple and some require much effort to effect the organization in positive ways and achieve organizational objectives.

OBJECTIVES

- 1. Define planning in an organizational setting*
- 2. Describe the steps in the planning process*
- 3. Explain the importance of strategic planning to an organization*
- 4. Identify the two components in the process of decision making*
- 5. Describe the context factors associated with decision making*
- 6. Explain the decision support process*

DURATION

75 minutes

SPECIAL NOTES

Much of the Decision-Making information was taken from the notes of Dr. Lynda Kilbourne, professor of Organization Change, Strategy, and Management, Xavier University, Ohio. Dr. Kilbourne received her Ph.D. from the University of Texas, at Austin, 1990.

INTRODUCTION

State your topic and introduce yourself.

ATTENTION

You are probably asking, "Didn't we just cover planning in the last module?" Yes, we did, but most experts believe that planning is the most important function of a manager. Careful, deliberate planning can pave the way for success for any manager, and because of that, planning is worthy of studying in more detail.

MOTIVATION:

This lesson should be one of the most important you have in the Corporate Learning Course. As a manager, or soon to be a manager, practicing the ideas we will discuss this hour can definitely help you be more effective.

OVERVIEW:

We'll begin by discussing planning. In some ways this is a continuation of the Management module, but we will go into more detail. We will define planning and talk about important steps necessary to effective planning. This sets the stage for a discussion about decision making. Decision making is crucial to effective managing. We'll cover some suggested steps toward good decision making and look at this topic a little closer.

LESSON:

Planning determines how an organization can get to where it wants to go. Planning determines what an organization will do to accomplish its objectives. The fundamental purpose of planning is to achieve your objectives. In order to do that planners must keep in mind the organization's mission, environment, resources, and values. All of these play a part in successful planning.

An important point about planning is that it helps managers think beyond the daily activities that surround them. It helps them plan for the future and be ready for challenges.

Planning Process

There are several models that could be used for planning, but they are all very similar. This one should work fine as an example of effective planning.

The planning process contains six steps:

- 1. Stating organizational objectives – this is a necessary beginning point of successful planning and should remain a focal point throughout the planning process.*
- 2. Listing alternatives for reaching objectives – managers should list many different ways to possibly reaching the objectives.*
- 3. Developing assumptions about each alternative – managers should spend time thinking about what might happen depending on which alternative is chosen. Managers need to use their knowledge and experience to make solid assumptions.*
- 4. Choose the best alternative – evaluate the assumptions and choose the best alternative.*
- 5. Develop plans to pursue the chosen alternative – manager begins to develop plans.*
- 6. Put the plans into action – this is where the organization benefits from all the planning.*

DISCUSSION QUESTION:

Ask for examples of when students used some kind of process in planning an activity.

Types of Planning

Strategic

Tactical

Contingency

DISCUSSION QUESTION:

When we think of the different types of planning what comes to mind? Someone should say strategic planning, and this is where you want to start.

Strategic planning is a very popular concept that has been around for years. Certainly, it is safe to say that most if not all companies and organizations spend time on their strategic plans. Strategic planning is defined as long-range planning that focuses on the entire organization. Strategic planning involves managers at the highest levels. Executive directors and presidents, leaders of the organization, are involved. They must have a part in where the organization is headed and how it will get there. The leaders are asking what must be done in the long run to achieve the organizational goals and objectives. Three years or longer is usually considered long range; however, many organizations seem to think five years is the right amount of time for planning long term. The nature of strategic planning is to develop strategies for achieving your objectives. Strategies must of course be consistent with the purpose and mission of the organization.

Tactical planning is characterized as short-term planning. This type of planning is usually confined to one year or less. It is more concerned with current operations, and as such, usually involves mid level managers instead of the highest level managers. Tactical planners are thinking about tomorrow and next week or next month and planning is much more detailed than strategic. Strategic is more broad.

Contingency planning is worth a brief mention. This is a term that is frequently used within organizations. It simply means what does an organization do when something unexpected happens or when something needs changing. No matter how effective a manager is, circumstances can change that will necessitate plans to change. This is where contingency plans can be very helpful. Contingency plans may cause a manager to go back to the original planning and look at other alternatives. Circumstances may dictate that a particular strategy didn't work and now a different plan must be used. Contingency planning is kind of the "what if" way of thinking. Contingency planning should continue to be more important with organizations as the world and businesses become more complicated.

DISCUSSION QUESTION:

Ask for examples of some successful strategic, tactical or contingency plans. Have students draw from either personal or professional experiences.

DECISION MAKING

In the past, decision making was thought of as a management function all by itself, but now almost everyone places it with planning. Regardless of how you view it, decision making is a critical part of being an effective manager. Managers make dozens of decisions everyday. Many are quite small but some are huge. Your success as a manager depends on how well you make decisions.

A decision is a choice between alternatives and decision making is the process of choosing one alternative over the others. Making good decisions should be a process. It is a process of identifying problems and resolving them, or of identifying opportunities and taking advantage of them. The process is made up of two components:

Judgment – a process of evaluating alternatives

Choice – a process of selecting a specific alternative to implement

Judgment can occur without being followed by choice. However, some level of judgment will always precede choice.

Characteristics of Human Information Processors

Selective perception - Because human beings can handle only limited amounts of stimuli simultaneously, we all “choose” what we will attend to and what we will ignore. The key to successful organizational decision making is to “select” the relevant information and ignore irrelevant information.

Framing - This refers to how a decision is oriented and organized. A typical dichotomy of “framing” is for a choice to be represented as a problem to solve versus an opportunity to take advantage of. Another is positive versus negative. Framing is important because different outcomes result depending upon how the decision is framed, even when the decision maker has the same information.

Escalation of commitment to a failing course of action - Failure to ignore sunk costs (investments that are already gone and cannot be recovered) and see that the original choice is not achieving—and will not achieve—the initial objectives. The “sunk cost” doesn’t have to be financial. It can be just personal effort and self-esteem that someone has invested in a course of action. To avoid admitting error or defeat, or humiliation, the decision maker continues to invest more and more in the original choice.

Risk propensity - The orientation of the decision maker to either seek risk or avoid it. While each of us has an individual risk propensity, all of us are typically risk seeking for gains and risk averse for losses. This means that if something has been working, we will continue to do more of the same even though the situation has changed. Coupled with selective perception, framing, and escalation of commitment, this phenomenon of choice can have dire consequences of overly conservative behavior to the point that we fail to be creative.

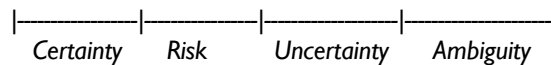
Hindsight bias - this is the inability of a decision maker to remember correctly the circumstances that existed prior to implementing a choice once action has been taken. You can recognize this behavior when someone says, “I KNEW that was going to happen!” This is a problem because we fail to learn from our decisions.

Over-confidence, complacency - Pilots know these two. Over-confidence is where we give ourselves credit for being more capable than we actually are, particularly with respect to risky situations. We take more risky actions than are objectively justifiable. Complacency is becoming more comfortable with a situation than is warranted by the level of risk that objectively exists (Kilbourne, 2006). Both of these can cause us to make poor choices.

These characteristics influence judgment and choice processing, often in very negative ways. Knowing that they exist and how they work allows us to be more vigilant with how we process information and make choices—to the point of establishing decision support systems to minimize these human information processing problems.

Context Factors for Decision Making

Degree of Certainty



Certainty: All information relevant to the decision is known or available to the decision maker, including specific goals, alternatives, and outcomes associated with each alternative action.

Risk: Decision maker has specific goals and good information relevant to alternatives, but there is some risk associated with the outcomes of each alternative—but the risk can be assessed.

Uncertainty: Decision maker has specific goals, but information about alternatives and outcomes of alternatives is incomplete.

Ambiguity: The situation is so new or unclear that goals are vague, alternatives are difficult to specify, and outcomes of alternatives are unknown.

Given what we know about individual risk propensity, this context feature can have huge consequences to judgment and choice.

Urgency – how quickly do you have to decide

Importance – how much impact will the decision have

Life-span of Problem/Opportunity – how likely is the issue to go away on its own

Creating a Decision Support Process

The steps in this Decision Support Process mimic the steps of the Classical model of decision making. The goal of establishing a Decision Support Process is to create opportunities and structures to enable yourself or others to move complex, ambiguous decisions into the realm of objective, rational processing where possible. In so doing, you require yourself to work through more information in the judgment process than you might otherwise, generating more alternatives, which should result in sounder choices.

1. Recognize need for a choice – build in scanning and feedback systems with the intent to notice when problems or opportunities exist.
2. Diagnose causal relationships – use theory and analysis to find cause-effect relationships, enabling you to create impactful interventions or strategies.
3. Identify criteria for evaluation of alternatives and establish weights for criteria. Before you ever start looking for alternatives, decide what is important in choosing between options. How will you know a good one from a bad one? Especially in situations where you face strong opposition, this is a good place to start to build common interest and good will.
4. Identify all relevant alternatives. Build in time, whenever possible, to generate many alternatives. Especially in ambiguous situations, this can be very important in generating “what if” scenarios. This will preclude your being “blind-sided”.
5. Assess each alternative against the criteria—the judgment process. Be sure you stick to your criteria and their weights as you proceed from alternative to alternative. Here, it will be important to avoid “filling in” missing information...just because you don't have a piece of information about one alternative, doesn't warrant that alternative getting a very low or very high score.
6. Determine “score” for each alternative. This involves simple addition—don't cheat!
7. Choose alternative with “best” score. This is a simple comparison with the highest or lowest score winning. Again, don't cheat!!!

Note that these steps could be used with every decision mode except intuitive...to create information input to be used in building coalitions, creating background for voting, etc.

Decision Making Steps

There are many decision-making models. Here is another that is not nearly as insightful as the one above, but it is one that many of the students will be familiar with.

1. *Identify the problem.* The first step is to recognize there is a problem and a decision must be made. Some people just react to problems, but good managers seek to understand the problem. Defining and clarifying the problem helps. Decision making is essentially a problem-solving process. This involves understanding the situation and trying to resolve it.
2. *List alternatives.* Managers need to develop a list of possible courses of action that will solve the problem. Managers must look for standard answers and also creative answers. The technique “brainstorming” is an example of creative thinking that can take place between a manager and the subordinates. In brainstorming, everyone comes up with as many alternatives as possible. A critical point about brainstorming sessions is that no criticism should be allowed. You want to foster a nurturing environment where everyone will feel like contributing. Shooting down an idea will stop the free flow of exchange.
3. *Select the best alternative.* In some models, the next step is evaluating your alternatives, but we are combining the evaluation with the selection. Evaluating is part of selecting. As part of the evaluation, you should list the potential effects of each choice. You should also weigh the advantages and disadvantages. Discuss those effects and make the decision based on what is best for the organization.
4. *Implement the chosen alternative.* Put the alternative into action. This is critical. All of your successful analysis won’t do any good if you are afraid to act. Whether the implementation is easy or hard, you must take action.
5. *Evaluate.* Earlier we evaluated the alternatives, but now this final step means to evaluate the action. This is done with feedback. Collect the best feedback you can. If the problem is not resolved, a manager must go back through the process and look at other alternatives.

DISCUSSION QUESTION:

Ask for examples of first, good decisions, but then also ask for examples of some decisions that didn’t work well. Ask whether the students employed a system for making the decision. Use this as a review of the process. A discussion could ensue about changing the five steps from above. That is certainly permissible. Many models have six steps and many are slightly altered versions of this. Use whatever works for you and your class.

Models of Individual Decision Making

Classical – aka Rational, Economic

Assumes decision maker will always choose the best alternative, maximizing gain or minimizing loss/cost.

Assumes all relevant information about alternatives is available, that criteria for choice are known and unchanging, and that weights assigned to criteria are stable.

Note: this model is “normative” in that it is what we ought to do. Therefore, this is the basis for formal decision support processes.

Because it is the “objective” approach to making decisions, it is the approach most business managers would say they use all the time. However, the assumptions are impossible to meet in most real organizational settings—certainly for those situations where there is ambiguity and risk, so the best a manager can achieve is structure the decision process to have judgment and choice be as close to rational as possible.

Administrative – aka Behavioral

Assumes decision maker cannot choose the best alternative because of the constraints on individual’s cognitive capability, information flows, and other constraints, so they choose the best alternative that is known at the time the decision must be made.

Assumes all relevant information about alternatives is unavailable, that criteria for choice are not known and/or are unstable.

Note: this model is “descriptive” in that it describes how people make decisions in reality. Therefore, this provides the motivation for creating decision support processes, including the types of things they should contain to avoid problems.

Intuitive – aka Seat of the Pants Selection

Assumes in situations where information is unavailable and/or time constraints are high, an expert decision maker can choose wisely, but quickly, using “gut feel”—which has actually been shown to be choosing by recognizing patterns than the decision maker has encountered before.

Note: this is a useful technique for the creative process.

Political

Assumes different perspectives/preferences, exists for criteria, relevant information, alternatives, and outcomes, and that more than one person will be involved in the choice. Assumes decision makers build coalitions to support their own preferred outcome.

Note: this is a useful approach where there are multiple options to choose between, where none is clearly better than the others, and where building consensus through negotiation can improve move the group to choice. While labeling a process as being “political” is typically considered derogatory, this approach can be positive. Every organization has “political” behavior occurring. To insure the “politics” remain positive, leaders should make sure information flows to all parties.

Social

Assumes some decisions are of little consequence for the organization’s mission, but that many individuals have preferences for alternatives and outcomes.

Assumes maximizing the satisfaction of the majority of stakeholders is the key to success, so votes are often used.

Note: the social model is most often implemented in the United States by using a democratic voting process. Such a vote allows those who are concerned to influence the outcome, while those who are not can abstain.

SUMMARY

This lesson took a closer look at one of the four management principles, planning and at a very important part of planning, decision making. Review the steps of both with the class.

EXERCISE:

WINTER SURVIVAL EXERCISE

Introduction

Divide class into two or three groups of 5-7 people. Select an observer for each group.

This activity is a decision-making exercise. The observers should pay attention to the interaction between members and how decisions are made. Also, the observers should take note of how people respond when their ideas are accepted or rejected. Notice who is dominant and who isn't; who is active and who isn't; and who influences the group and who doesn't. The observers should actually take notes so they can discuss what they saw.

The Situation

You have just crash-landed in the woods of Northern Minnesota and Southern Manitoba. It is 11:30 a.m. in mid-January. The small plane in which you were traveling has been completely destroyed except for the frame. The pilot and copilot have been killed, but no one else is seriously injured.

The crash came suddenly before the pilot had time to radio for help or inform anyone of your position. Since your pilot was trying to avoid a storm you know the plane was considerably off course. The pilot announced shortly before the crash that you were eighty miles northwest of a small town that is the nearest known habitation.

You are in a wilderness area made up of thick woods broken by many lakes and rivers. The last weather report indicated that the temperature would reach minus 25 degrees in the daytime and minus 40 at night. You are dressed in winter clothing appropriate for city wear – suits, pantsuits, street shoes, and overcoats. No one's cell phones or computers work.

While escaping from the plane your group salvaged the 15 items listed below. Your task is to rank these items according to their importance to your survival. The group has agreed to stick together.

Winter Survival Decision Sheet

Rank the following items according to their importance to your survival, starting with "1" for the most important and proceeding to "15" for the least important:

___ compress kit (with 28 ft, 2in. gauze)

___ sectional air map made of plastic

___ ball of steel wool

___ 30 feet of rope

___ cigarette lighter (without fluid)

___ family-size chocolate bar (one per person)

___ loaded .45-caliber pistol

___ flashlight with batteries

___ newspaper (one per person)

___ quart of 85-proof whiskey

___ compass

___ extra shirt and pants for each person

___ two ski poles

___ knife

___ can of shortening

WINTER SURVIVAL EXERCISE

Background Information

None of this information should be shared with the participants until after the task is completed. Mid-January is the coldest time of the year in Minnesota and Manitoba. Therefore, the first problem the survivors face is preserving their body heat and protecting themselves against losing any body heat. This problem can be met by building a fire, minimizing movement and exertion, and using as much insulation as possible.

The participants have just crash-landed. Many people will overlook the tremendous shock reaction to this on the human body, plus the death of the pilot and co-pilot increases the shock. Decision making under these conditions is extremely difficult. The situation requires a strong use of reasoning, but also calls for reducing fear and panic. Along with the fear will be feelings of helplessness and hopelessness. Reasoning will bring hope for survival and a will to live. Certainly the state of shock means the movement of individuals should be at a minimum.

Before taking off the pilot had to file a flight plan, so, search and rescue efforts would begin shortly after the plane failed to reach its destination on time. The eighty miles to the nearest known town is a very long walk even under ideal conditions. Under the circumstances of being in shock, dressed in city clothes, having deep snow in the woods, and the many water barriers to cross, to attempt to walk out would mean certain death from freezing and exhaustion.

Once the survivors have found ways to keep warm, their most pressing problem is to provide signaling methods to attract the attention of search planes and search parties. Thus, all the items must be assessed according to their value in providing signals.

Winter Survival Exercise Scoring Key

The correct scoring was provided from survival training U.S. Army experts.

1. Cigarette lighter without fluid. The gravest danger facing the group is exposure to the cold. The greatest need is for a source of warmth and second is for signaling. Building a fire should be the first order of business. Without matches they need a spark. Even without fluid the cigarette lighter can be used to produce sparks to start a fire. A fire will produce warmth and signal search parties.
2. Ball of steel wool. Something has to be used to catch the sparks made by the lighter. Steel wool is the best substance to catch and support a flame, even if it is a little bit wet.
3. Extra shirt and pants for each survivor. Clothes are probably the most versatile items in a situation like this. Besides warmth, they can also provide shelter, signaling, bedding, bandages, string when unraveled, and tinder for fires.
4. Family-size Hershey bar; one per person. To gather wood for the fire and to set up signals, energy is needed. The Hershey bars would supply energy for some time.

5. *Can of shortening.* This item has several uses. The lid can be mirror-like, and shining it with steel wool will make it even more reflective. Reflecting the lid off the sun may be the best signal for search planes. Shortening can be rubbed on the body to protect skin from the cold. Small amounts could be eaten if desperate. Melted shortening when soaked in cloth could make a candle. The can is useful for melting snow for water and as a cup.
6. *Flashlight.* During the night the flashlight is the best signaling device. The value of the flashlight lies in the fact that if the fire burns low or goes out, the flashlight can be immediately turned on the movement of a plane.
7. *Piece of rope.* The rope is another versatile piece of equipment. It could be used for pulling dead limbs from trees. The rope could be cut and used for making shelters. It can be burned. When frayed it can be used to tinder a fire.
8. *Newspaper; one per person.* Could be used for starting a fire. It could be used as insulation when rolled up and placed under clothing. It could be rolled up and used as a cone for yelling.
9. *.45-caliber pistol.* It can be a sound signaling device. The butt of the pistol could be a hammer. Powder from the shells could be used for building the fire. At night, the blast from a gun can be seen as well as heard. It could be used for hunting, but it would take a skilled marksman to kill an animal.
10. *Knife.* It is versatile but not that important in this setting. It could be used for cutting rope and for cutting pieces of wood for the fire.
11. *Compress kit with gauze.* You can wrap gauze around exposed areas of the body for insulation. The gauze could be a candlewick. It could be tinder for the fire. It is ranked low because of the small supply.
12. *Ski poles.* They aren't very important, but they can be a flag pole for signaling. They can help someone walking through snow looking for wood. You could use them for testing the thickness of ice and for a pole for a shelter.
13. *Quart of 85-proof whiskey.* Only use is for helping fuel the fire. You could soak some clothing with whiskey for a torch. Whiskey takes on the temperature it is exposed to, and therefore, a drink at minus thirty degrees would freeze a person's esophagus and stomach. You could use the bottle for storing water.
14. *Sectional air map made of plastic.* A dangerous item because it would encourage people to walk to town-thereby condemning them to almost certain death.
15. *Compass.* Also a dangerous item that would encourage people to walk to the nearest town. Only use would be the glass might be a reflector.

Winter Survival Decision Sheet

Rank the following items according to their importance to your survival, starting with "1" for the most important and proceeding to "15" for the least important. Here is a way to evaluate the group effectiveness: take each item's ranking and compare it to the ranking the group gave it; subtract the difference and repeat this for each item; then add the total amount; this will give the group a number that can be compared to the other groups. The lowest number is the best.

- | | |
|---|--|
| <u>11</u> compress kit (with 28 ft, 2in. gauze) | <u>14</u> sectional air map made of plastic |
| <u>2</u> ball of steel wool | <u>7</u> 30 feet of rope |
| <u>1</u> cigarette lighter (without fluid) | <u>4</u> family-size chocolate bar
(one per person) |
| <u>9</u> loaded .45-caliber pistol | <u>6</u> flashlight with batteries |
| <u>8</u> newspaper (one per person) | <u>13</u> quart of 85-proof whiskey |
| <u>15</u> compass | <u>3</u> extra shirt and pants for each person |
| <u>12</u> two ski poles | <u>5</u> can of shortening |
| <u>10</u> knife | |