

the art of decision making





A note from the Author

I heard and overheard some youngsters, who were passing out of college, discuss their job options. I felt that the way they were arriving at their decisions was not a very scientific way of doing things, to say the least!

So I have put together this learning module on the 'Art of Decision Making', that provides an overview of the *Decision Making Process*.

Books I have referred to for this module include, 'Smart Choices' by Hammond, Keeney and Raiffa (a book I highly recommend) and 'Harvard Business Review article compilation on Decision Making'.

I think it will take around 30-40 minutes to peruse through this learning module. I hope you will find the module useful and I welcome your comments and suggestions at atul.pant@gmail.com



You are soon going to complete your college studies in Economics and you have four job offers based on your campus recruitment interviews.



1 Offer from a Bank
- Management Trainee



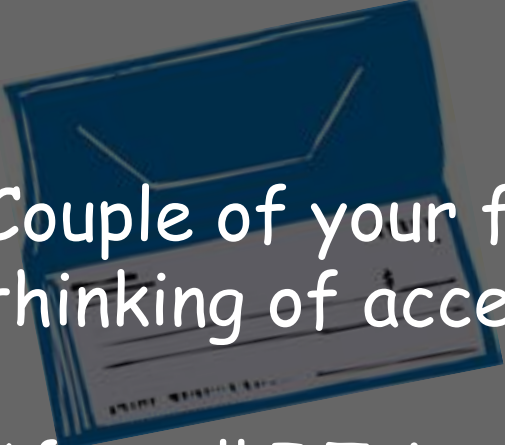
2 Offer from an IT
company - Management
Trainee



3 Offer from a T.V.
Channel - Research
Analyst



4 Offer from a Credit
Rating Agency -
Research Analyst



Couple of your friends with similar offers are thinking of accepting the IT company's offer.

After all I.T. is the future!

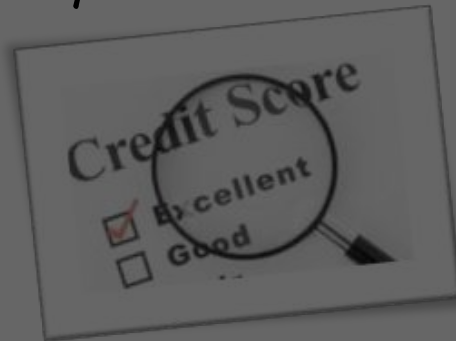
1 Offer from a Bank
- Management Trainee



2 Offer from an IT
company - Management
Trainee

3

Offer from a T.V.
Channel - Research
Analyst



4

Offer from a Credit
Rating Agency -
Research Analyst



1 Job offer from a Bank,
Management Trainee

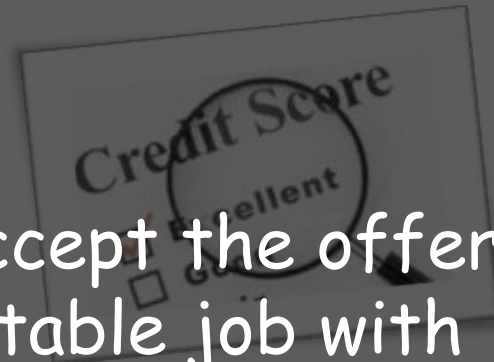


3 Job offer from a Television
Channel, Research Analyst



Your family suggests you should accept the offer made by the bank because it is a stable job with good prospects.

2 Job offer from an IT
company, Management
Trainee



4 Job offer from a
Credit Rating Agency,
Research Analyst



The thought, "This is 'me' reporting live from Davos" excites you most and you are veering towards accepting the offer made by the TV channel.

although you hardly know anything about broadcasting industry!





**How do you
decide?**

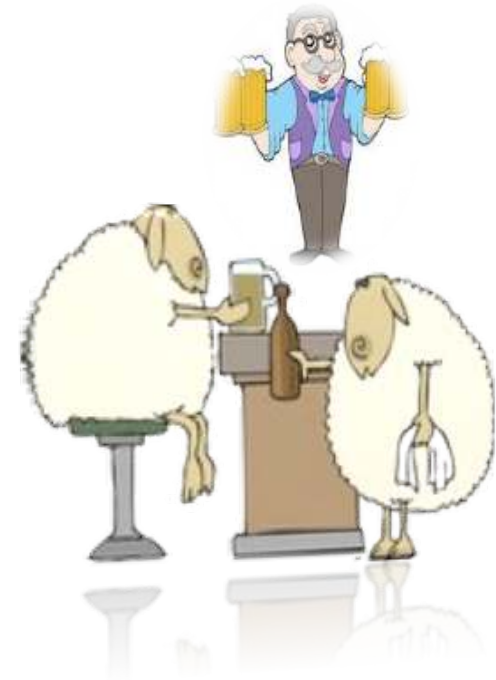
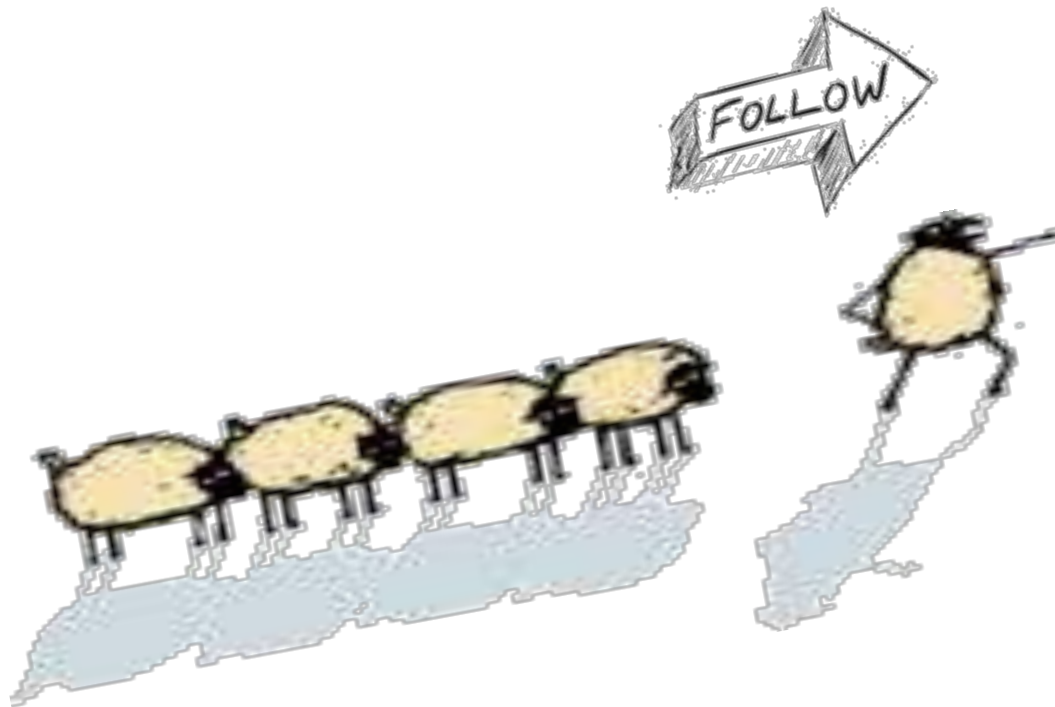
**Go with your
intuition...**



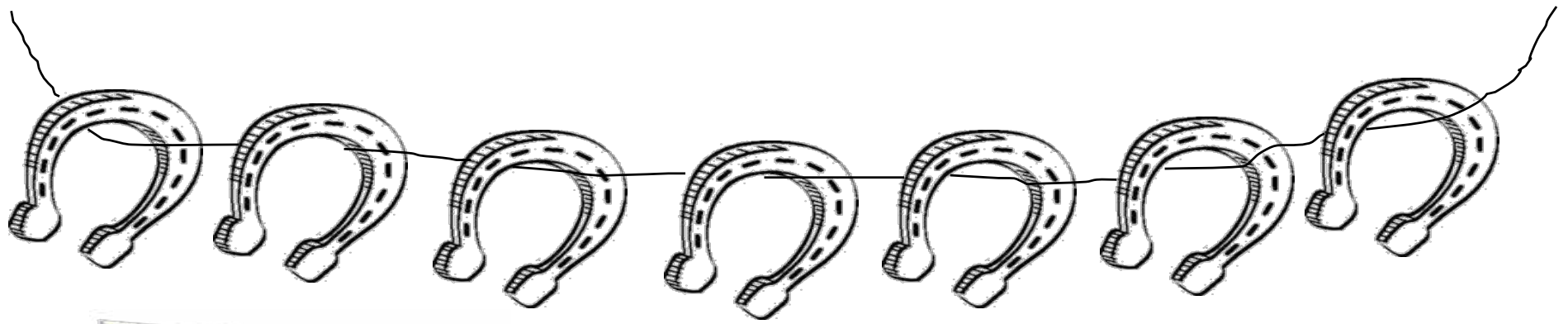


**Trust your parents'
judgement?**

Do as your friends are doing...



...at least you
will be together
and that ensures
good times!



Or just toss a coin!

**People have
put in a lot
of thought
on how good
decisions are
made...**





**They have
laid down a
series of
steps you
can follow to
improve your
decisions.**

This series of steps is called the

Decision Making Process

it has 5 steps...



1. Define the Problem



2. Define the Objectives



1. Define the Problem



2. Define the Objectives



3. Think of Alternatives



4. Work out Consequences



5. Make Trade-offs



3. Think of Alternatives



4. Work out Consequences



5. Make Trade-offs



3. Think of Alternatives



4. Work out Consequences

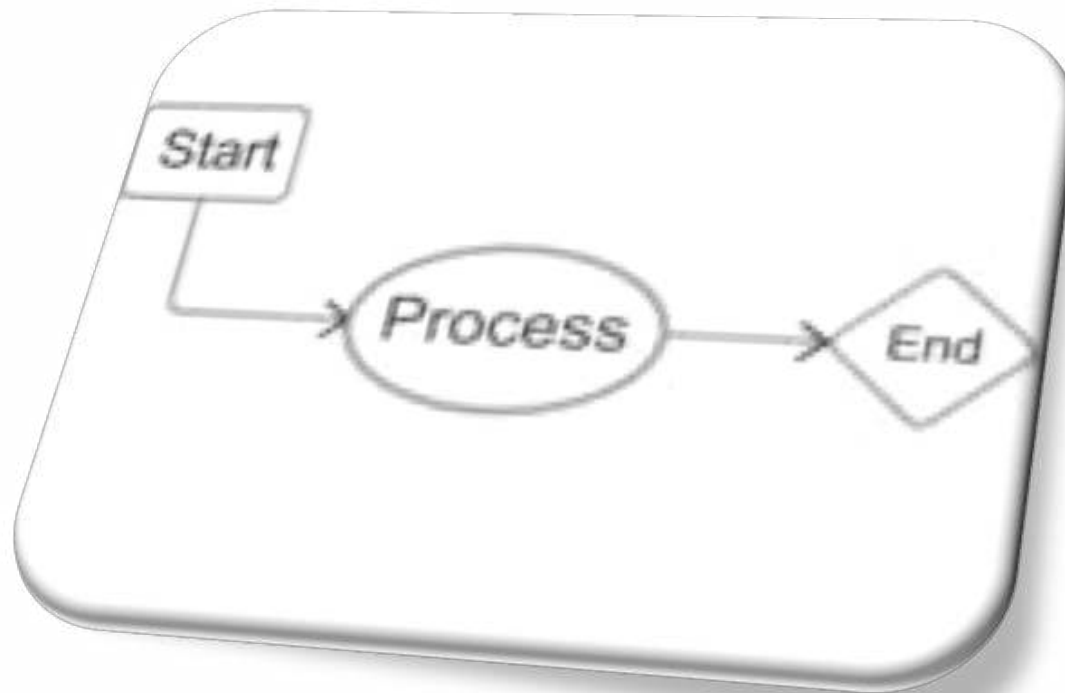


5. Make Trade-offs

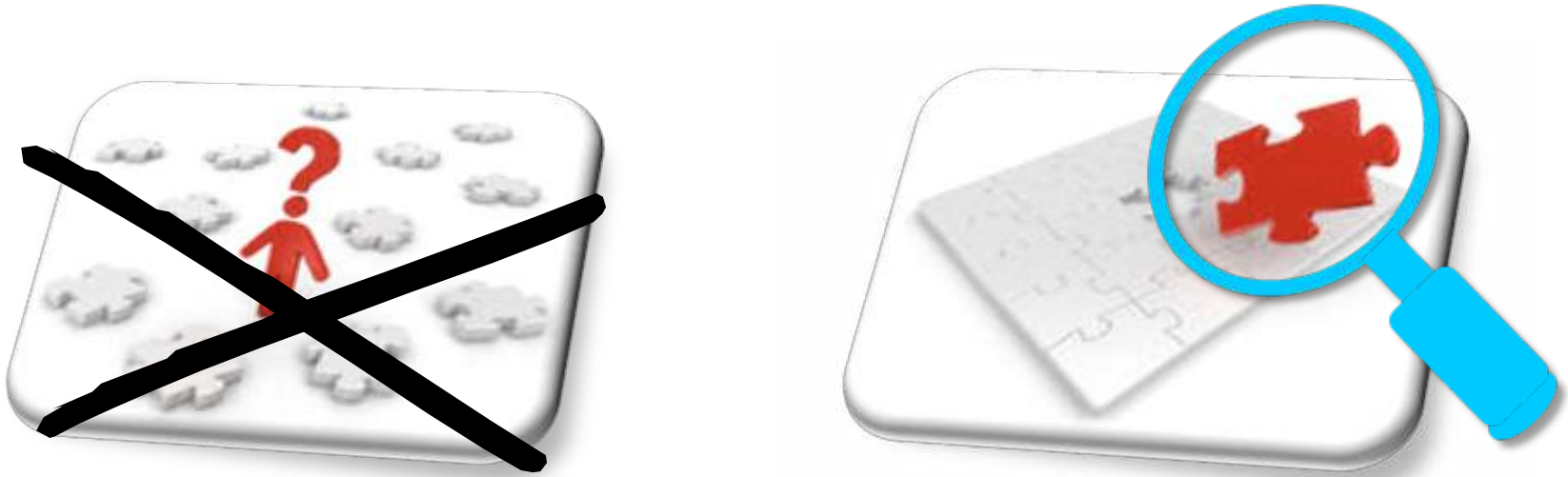


These steps can be used for any decision, though for trivial decisions you don't need to follow all the steps.

Let's go through the Decision Making Process to take a decision on what job you should accept...



STEP-1: Define the Problem



Usually the issue is not wrong definition of the problem but an incomplete definition.

Use following techniques to better define the problem...

a) See the bigger picture



What larger issues are at stake here?

The four jobs open up very different career paths... what do you aspire for?

b) Challenge the constraints



Why limit your decisions to the four available options...

...why not apply for other jobs that really, really meet your aspirations

...or perhaps go abroad to study further



c) Analyze Linked Decisions

What other decisions get affected by this decision?

Does one of jobs require relocation or frequent travel?



d) Ask a lot of 'whys'



Be creative while defining the problem

e) Ask others

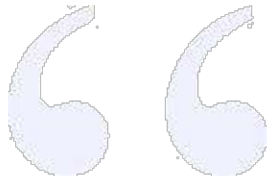


What has been their experience in similar jobs?

What do they think of career prospects?

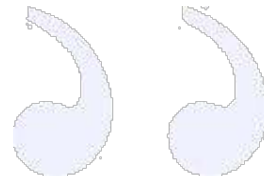
Consult your teachers

Thus, a better definition of your job selection problem could be...



What are my life aspirations and what career choice will best help me realize my aspirations?

Does one of the current job offers align better with my aspirations?



Summary of STEP-1



1. Define the Problem

- a) See the bigger Picture
- b) Challenge the constraints
- c) Analyze linked decisions
- d) Ask 'why' five times
- e) Ask others

STEP-2: Define your Objectives

What do you want the decision to accomplish?

Search your soul... do you really, really want to... teach, or become a CEO of a MNC, or freelance...



Your first job may not lead to fulfilment of your aspiration but clarity on what you seek in life will help you choose a job that best aligns with your long-term plans.

Objectives help you determine what information you need to make a good decision

They help you evaluate your options

Here are some ideas that will help you search your heart and determine your objectives...



a) Create a wish list

Don't have any apprehensions!

E.g. you are passionate about environment conservation and want to work for a green company with low carbon footprint...

Add it to your wish list.



b) Write down all your concerns



Concerns make great objectives!

E.g. you want to go abroad for further studies but don't have funds... while weighing options you can check if any jobs offer sabbatical opportunities

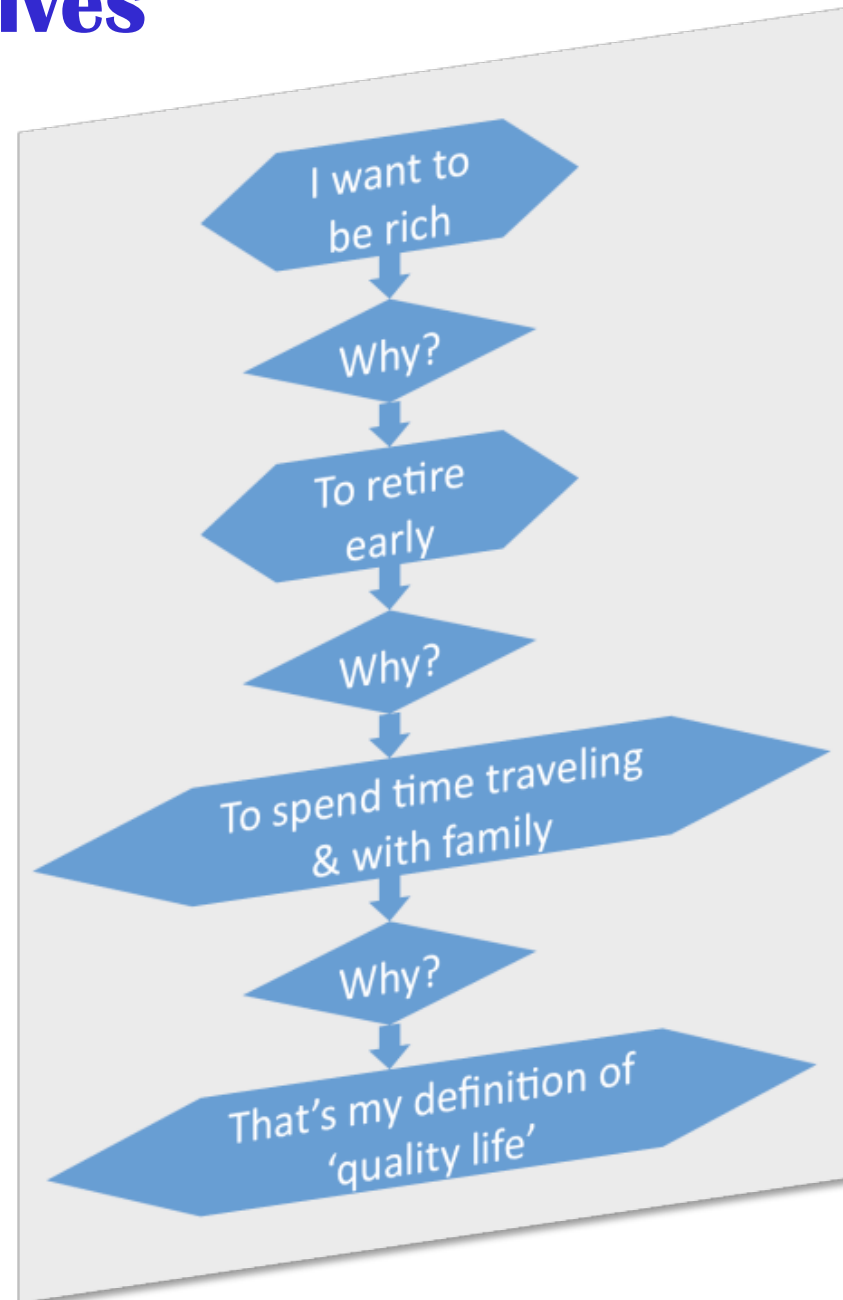
c) 'Means' & 'Ends' Objectives

Distinguish between 'means' objectives and 'end' objectives.

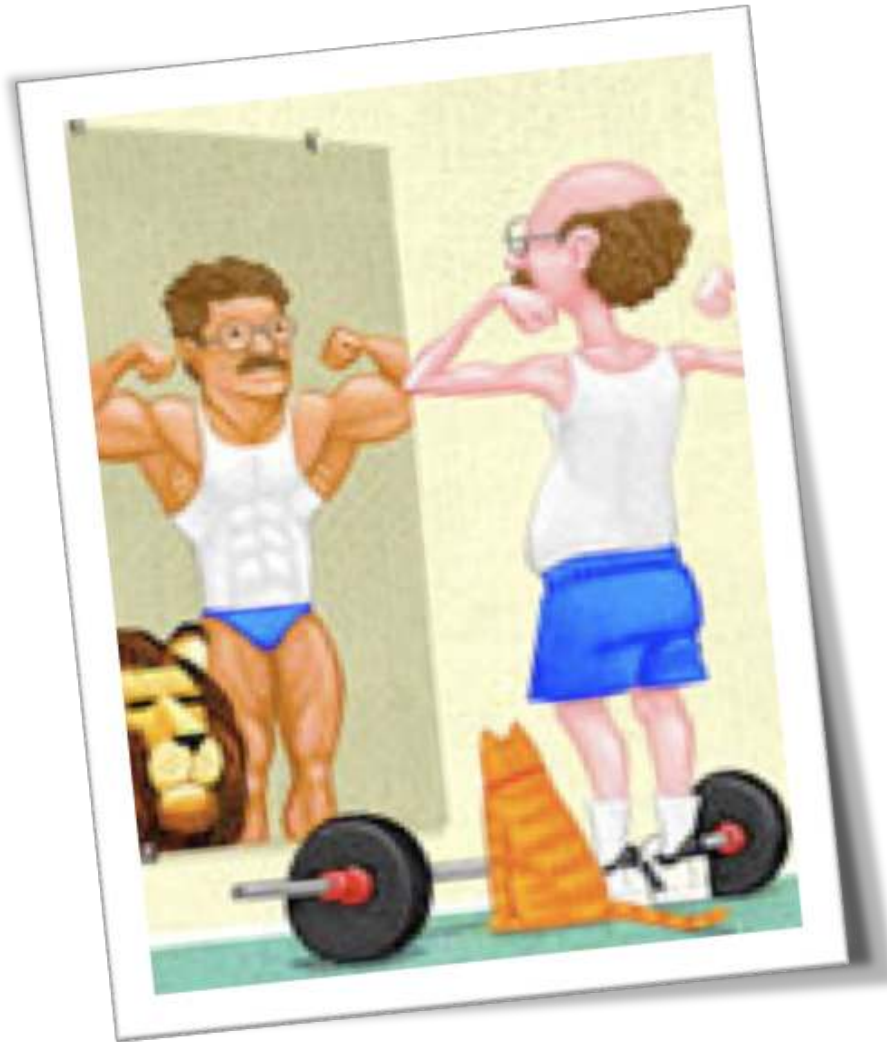
Ask 'why' five times to reach 'end' objectives.

'Means' objectives deepen your understanding of decision problem and help generate alternatives.

'End' objectives help you evaluate alternatives.



d) Visualize the end result



For each objective visualize the end outcome.

Ask yourself if you are comfortable with the outcome.

Summary of STEP-2



2. Define the Objectives

- a) Create a wish list
- b) Note all your concerns
- c) Distinguish between
'means' and 'end objectives'
- d) Visualize the end result

STEP-3: Think of Alternatives

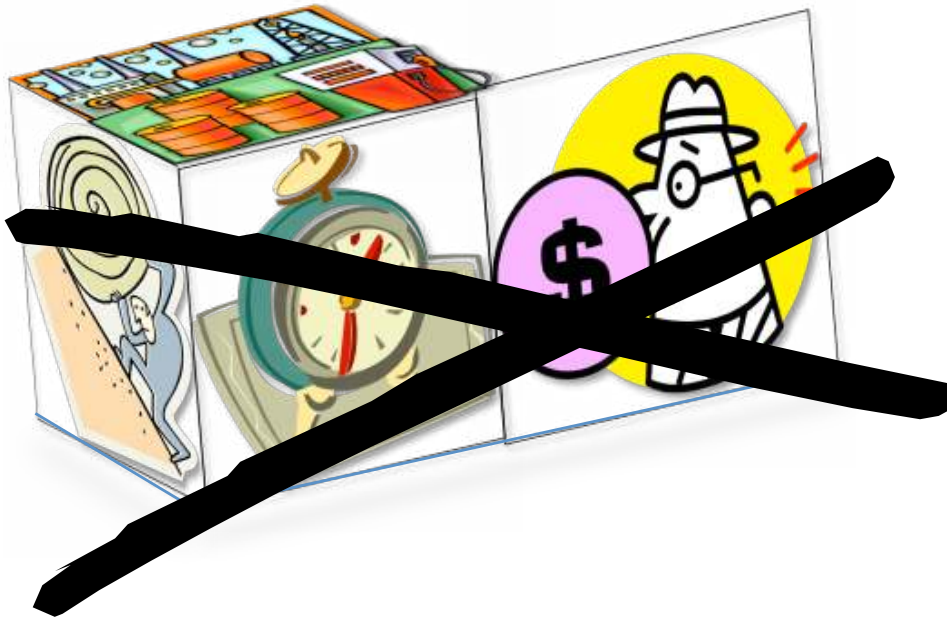


While defining the decision problem and objectives you asked 'why'.

Now you have to ask 'how' - how can I meet my objectives?

Ideas to generate alternatives

a) Do away with the constraints



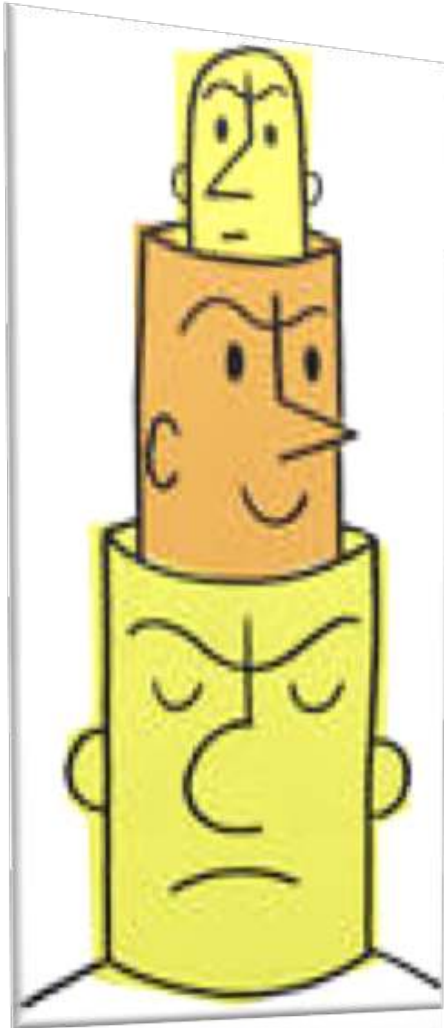
E.g. do away with the constraint of lack of funds to go abroad for further studies and see if you can get an education loan.

b) To infinity and beyond...



Set high aspirations because this forces you to think in entirely new ways.

c) May the force be with you!

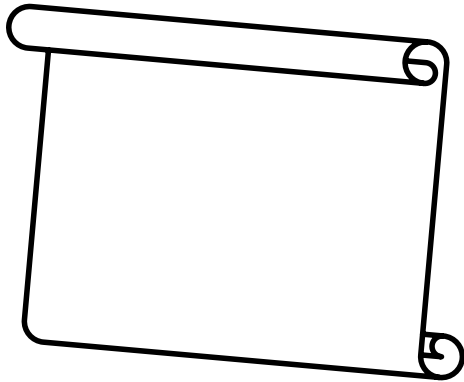


Once you have looked at the decision problem from various perspectives give your thinking a break.

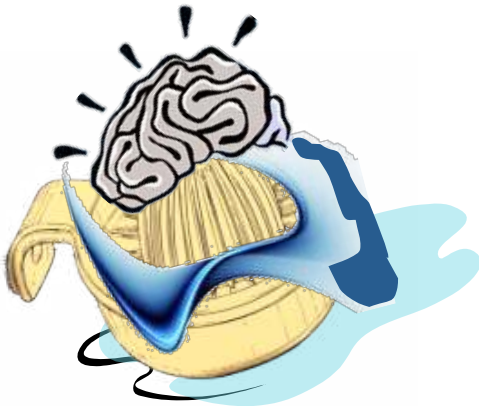
Let your sub-conscious go to work... you might get new insights



d) Consult others



e) Don't pre-judge your options



f) Let your creative juices flow

g) 'Optimize' don't 'Satisfice'



When you start looking for options you tend to stop at the first good-enough option you find. This is called 'satisficing'.

You should instead keep looking for more options and then choose the most optimal option.

g) Know when to stop

Your best option can be no better than one of your alternatives so think hard.

However, the perfect solution seldom exists and at some point you will have to stop looking for more alternatives.

This will usually be when you have pushed yourself enough, or you have a sense that one of your options will meet most of your objectives.



Summary of STEP-3



3. Think of Alternatives

- a) Do away with constraints
- b) Set high aspirations
- c) Put your sub-conscious to work
- d) Consult others
- e) Don't pre-judge options
- f) Let your creative juices flow
- g) Optimize don't Satisfice
- h) Know when to stop

4. Work out Consequences



a) Assess the alternatives
work out the consequences
for each alternative, against
each objective.

**b) Create a 'Futures
Scenario'**

c) Rate each consequence

d) Construct a 'Consequences Table'

ALTERNATIVES / OBJECTIVES	I.T. Company	Credit Rating Agency	T.V. Journalist	Bank
Salary	1. List all your 'alternatives' - one in each column			
Perks				
Location				
Saving Potential	2. List all your 'objectives' - one in each row			
Working Hours				
Weekend Off				
Annual Holidays	Some of the life aspirations have become objectives here like further studies and future entrepreneurship. Based on your think through you could also have more objectives (rows) and also more alternatives (columns).			
Career Progression				
Job Satisfaction				
Domestic Travel				
Int'l Travel				
Future Study Possibility				
Future Self- Employment Possibility				

ALTERNATIVES / OBJECTIVES	I.T. Company	Credit Rating Agency	T.V. Journalist	Bank
Salary	30,000	22,000	25,000	20,000
Perks	5,000	5,000	Nil	8,000
Location	Far City	Near-by City	Far City	Own-City
Saving Potential	7,400	5,400	1,000	10,000
Working Hours	Very Long	Regular	Shift-duty	Long
Weekend Off	Yes	No	No	Yes
Annual Holidays	10	8	15	10
Career Progression	High	Low	High	Medium
Job Satisfaction	Medium	Low	High	Medium
Domestic Travel	High	Low	High	Low
Int'l Travel	Medium	Low	Medium	Low
Future Study Possibility	Medium	High	Low	High
Future Self-Employment Possibility	High	Low	High	Medium

Each objective should be described on the same scale

ALTERNATIVES / OBJECTIVES	I.T. Company	Credit Rating Agency	T.V. Journalist	Bank
Salary	30,000	22,000	25,000	20,000
Perks	5,000	5,000	Nil	8,000
Location*	Far City	Near-by City	Far City	Own-City
Saving Potential**	7,400	5,400	1,000	10,000

*For “Location”, ‘Far City’ implies a rental of 9,600; ‘Near-by City’ implies a commute expense of 3,600; and ‘Own City’ implies no additional expense.

** “Saving Potential” has been calculated by assuming expenses of 18,000 and deducting this expense plus location expense from salary plus perks amount; e.g for I.T. Company option Saving Potential = $(30,000 + 5,000) - (18,000 + 9,600) = 7,400$

e) Simplify Analysis

To simplify analysis, in the Consequences Table, rate each objective from best to worst.



Use an appropriate scale. A^+ 👍

For our job decision consequences table lets rate the best option as 1 and worst option as 4

Options that are rated same have the same score (i.e. a tie)

Our Consequences Table now looks like this...

ALTERNATIVES / OBJECTIVES	I.T. Company	Credit Rating Agency	T.V. Journalist	Bank
Salary	1	3	2	4
Perks	2	2	3	1
Location*	3	2	3	1
Saving Potential	3	2	3	1
Working Hours	4	1	3	2
Weekend Off	1	2	2	1
Annual Holidays	2	3	1	2
Career Progression	1	3	1	2
Job Satisfaction	2	3	1	2
Domestic Travel**	1	2	1	2
Int'l Travel**	1	2	1	2
Future Study Possibility	2	1	3	1
Future Self-Employment Possibility	1	3	1	2

*Assuming that you prefer 'Own-City' or 'Near-by City' to Far City (you don't want to relocate)

**You don't want hectic domestic travel but would love international travel

Assuming that you are really interested in net Saving Potential, we can do away with the Salary and Perks objective:

ALTERNATIVES / OBJECTIVES	I.T. Company	Credit Rating Agency	T.V. Journalist	Bank
~~Salary~~	~~1~~	~~3~~	~~2~~	~~4~~
~~Perks~~	~~2~~	~~2~~	~~3~~	~~1~~
Saving Potential	3	2	3	1

Summary of STEP-4



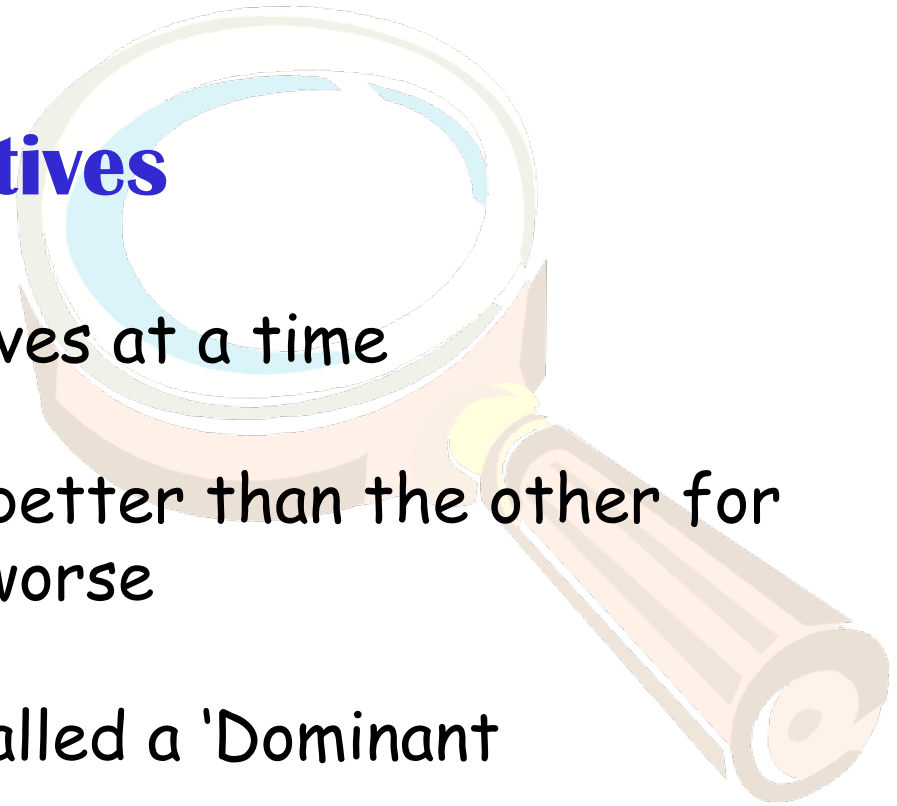
4. Work out Consequences

- a) Assess the alternatives
- b) Create a 'Futures Scenario'
- c) Rate each consequence
- d) Construct a 'Consequences Table'
- e) Simplify analysis by rating options from good to worst

5. Make Trade-offs

a) Analyze the alternatives

1. Compare two alternatives at a time
2. See if one of them is better than the other for all objectives, and no worse
3. Such an objective is called a 'Dominant Objective'
4. At times one objective could, for all practical purposes, dominate another objective



ALTERNATIVES / OBJECTIVES	Credit Rating Agency	Bank
Location	2	1
Saving Potential	2	1
Working Hours	1	2
Weekend Off	2	1
Annual Holidays	3	2
Career Progression	3	2
Job Satisfaction	3	2
Domestic Travel	2	2
Int'l Travel	2	2
Future Study Possibility	1	1
Future Self-Employment Possibility	3	2

In our table 'Bank' alternative is better than 'Credit Rating Agency' for location, saving potential, weekend off, annual holidays, career progression, job satisfaction and own business potential objectives

It has same rating for domestic travel, international travel and study possibility.

Only on working hours objective credit rating agency is better.

For all practical purposes Bank is a better option than Credit Rating Agency. So we eliminate Credit Rating Agency as a choice.

ALTERNATIVES / OBJECTIVES	I.T. Company	Credit Rating Agency	T.V. Journalist	Bank
Location	3	2	3	1
Saving Potential	3	2	3	1
Working Hours	4	1	3	2
Weekend Off	1	2	2	1
Annual Holidays	2	3	1	2
Career Progression	1	3	1	2
Job Satisfaction	2	3	1	2
Domestic Travel**	1	2	1	2
Int'l Travel**	1	2	1	2
Future Study Possibility	2	1	3	1
Future Self-Employment Possibility	1	3	1	2

b) Make “Even Swaps”

See if you can eliminate some objectives by making them equal for all options (so that they do not have any influence on the decision), by compensating another objective.

1. E.g for Annual Holidays objective the rating is same for Bank and IT Company but better for TV journalist.
2. However, TV Journalist job does not offer weekends off, as do IT Company and Bank.
3. Thus, TV Journalist job will have 53 less Saturdays off and hence the 5 extra holidays it offers is meaningless.
4. So we can eliminate 'Annual Holidays' objective as it is not a decision influencer.

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Location	3	3	1
Saving Potential	3	3	1
Working Hours	4	3	2
Weekend Off	1	2	1
~~Annual Holidays~~	~~2~~	~~1~~	~~2~~
Career Progression	1	1	2
Job Satisfaction	2	1	2
Domestic Travel**	1	1	2
Int'l Travel**	1	1	2
Future Study Possibility	2	3	1
Future Self-Employment Possibility	1	1	2

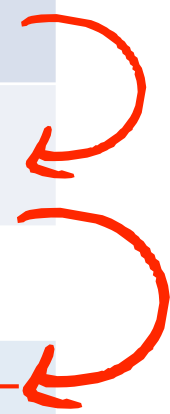
Our Consequences Table now looks like this:

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Location	Far City	Far City	Own-City
Saving Potential	7,400	1,000	10,000
Working Hours	Very Long	Shift-duty	Long
Weekend Off	Yes	No	Yes
Career Progression	High	High	Medium
Job Satisfaction	Medium	High	Medium
Domestic Travel	High	High	Low
Int'l Travel	Medium	Medium	Low
Future Study Possibility	Medium	Low	High
Future Self-Employment Possibility	High	High	Medium

We make more even swaps...

To make Bank's Career Progression rating High, so that it becomes same as IT Company and TV Journalist, we make working hours 'very long', assuming that hard work will lead to brighter chances for promotion.

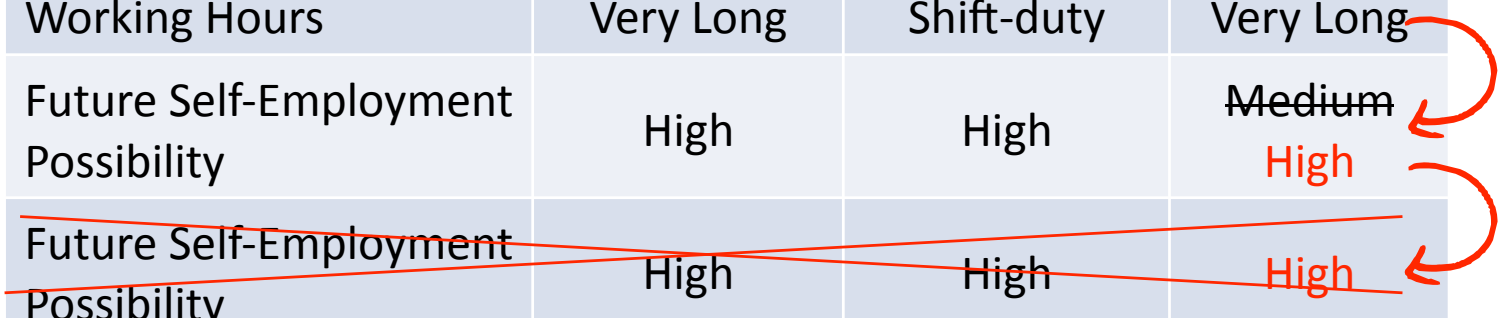
ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Working Hours	Very Long	Shift-duty	Long Very Long
Career Progression	High	High	Medium High
~~Career Progression~~	~~High~~	~~High~~	~~High~~



Better career progression in the Bank brightens the chances of self-employment in future - say consulting work possibilities open up.

Since Self-Employment possibility is now high for all alternatives, we can eliminate this objective because it is no longer a decision influencer:

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Working Hours	Very Long	Shift-duty	Very Long
Future Self-Employment Possibility	High	High	Medium High
~~Future Self-Employment Possibility~~	~~High~~	~~High~~	~~High~~

The table shows three alternatives: I.T. Company, T.V. Journalist, and Bank. The first two rows are 'Working Hours' and 'Future Self-Employment Possibility'. The third row is 'Future Self-Employment Possibility' with a red line through it. Red arrows point from the 'Future Self-Employment Possibility' row to the 'Future Self-Employment Possibility' row, indicating that the objective is no longer a decision influencer because it is now high for all alternatives.

Working Hours, being very long for IT Company and Bank and being Shift Duty for TV Journalist, for all practical purposes we can deem the three options equal.

Hence, we can eliminate Working Hours objective.

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
~~Working Hours~~	~~Very Long~~	~~Shift-duty~~	~~Very Long~~

These are the even swaps we have just made:

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Location	Far City	Far City	Own-City
Saving Potential	7,400	1,000	10,000
~~Working Hours~~	~~Very Long~~	~~Shift-duty~~	~~Very Long~~
Weekend Off	Yes	No	Yes
~~Career Progression~~	~~High~~	~~High~~	~~High~~
Job Satisfaction	Medium	High	Medium
Domestic Travel	High	High	Low
Int'l Travel	Medium	Medium	Low
Study Possibility	Medium	Low	High
~~Self-Employment Possibility~~	~~High~~	~~High~~	~~High~~

Our Consequences Table now looks like this:

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Location	Far City	Far City	Own-City
Saving Potential	7,400	1,000	10,000
Weekend Off	Yes	No	Yes
Job Satisfaction	Medium	High	Medium
Domestic Travel	High	High	Low
Int'l Travel	Medium	Medium	Low
Future Study Possibility	Medium	Low	High

1. Talking with people in the TV Journalism profession you find that glamour doesn't come easy or early!
2. So you decide to revise its Job Satisfaction to Medium.
3. It is now equal for all options and hence can be eliminated

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist	Bank
Location	Far City	Far City	Own-City
Saving Potential	7,400	1,000	10,000
Weekend Off	Yes	No	Yes
~~Job Satisfaction~~	~~Medium~~	~~High Medium~~	~~Medium~~
Domestic Travel	High	High	Low
Int'l Travel	Medium	Medium	Low
Future Study Possibility	Medium	Low	High

The IT Company alternate now dominates TV Journalist option

Thus, the TV Journalist option can be eliminated.

ALTERNATIVES / OBJECTIVES	I.T. Company	T.V. Journalist
Location	Far City	Far City
Saving Potential	7,400	1,000
Weekend Off	Yes	No
Domestic Travel	High	High
Int'l Travel	Medium	Medium
Future Study Possibility	Medium	Low

Our 'Consequences Table' now looks like this:

ALTERNATIVES / OBJECTIVES	I.T. Company	Bank
Location	Far City	Own-City
Saving Potential	7,400	10,000
Weekend Off	Yes	Yes
Domestic Travel	High	Low
Int'l Travel	Medium	Low
Future Study Possibility	Medium	High

Between the IT Company and Bank options, Bank dominates on all objectives except International Travel. Thus, for all practical purposes, BANK is a better option.

ALTERNATIVES / OBJECTIVES	I.T. Company	Bank
Location	Far City	Own-City
Saving Potential	7,400	10,000
Weekend Off	Yes	Yes
Domestic Travel	High	Low
Int'l Travel	Medium	Low
Future Study Possibility	Medium	High

You can accept the Bank offer
OR...

c) Revisit your objectives



You could revisit your objectives to ensure you have analysed the consequences completely.

For example, you could try to figure out the future Savings Potential of both jobs (say in 3 years time).

If Bank job still proves a better option then it is indeed your best bet!



Summary of STEP-5

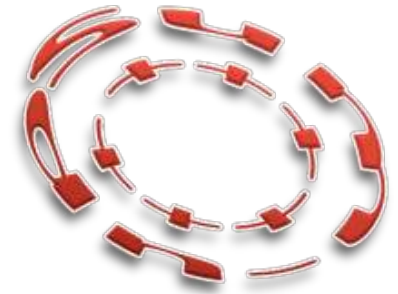


5. Make Trade-offs

- a) Analyze the alternatives
- b) Make 'Even Swaps'
- c) Revisit your objectives

DECISION MAKING PROCESS

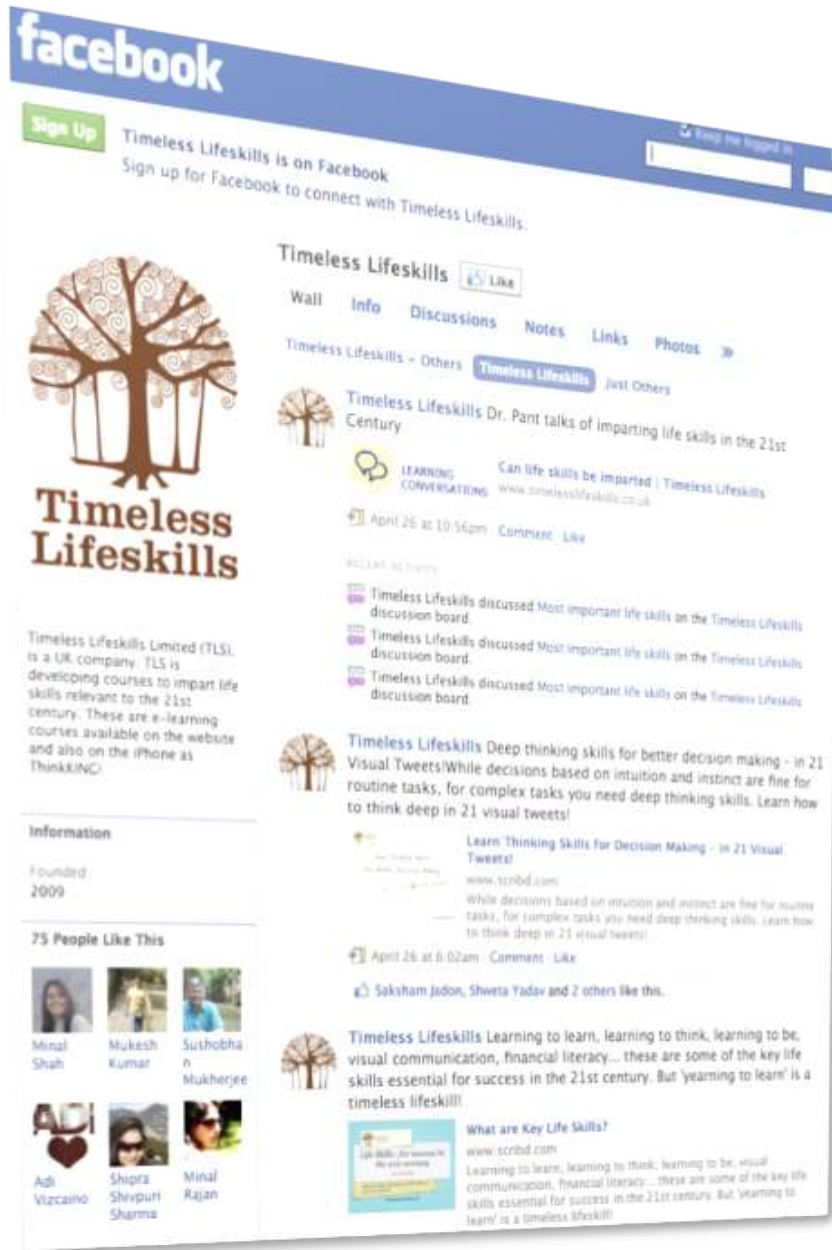
- SUMMARY



1. Define the problem, completely
2. Define the objectives, by looking at varied desired outcomes
3. Work out Alternatives, by looking the decision problem from various perspectives
4. Figure out the Consequences, and ask yourself if you are comfortable with these outcomes
5. Make intelligent trade-offs to arrive at a good decision

What next?

- Your cognitive biases, risk appetite and uncertainties further influence the decision making process.
- Intuition also has a role to play, usually only when you have lot of knowledge and experience in the domain.
- We will consider all these factors that effect decision making in another module.



You can join the learning conversations that deepen your understanding of life skills essential for success in the 21st century

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Thanks for reading!
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