

Chapter 3: Decision Making and Problem Solving

Key points of chapter

This is the chapter where we really get into the main topics: decision making, problem solving, and the difference between them. Once again, the steps presented are very likely to disagree in form, if not substance, with other management textbooks.

The chapter begins with three reasons why understanding the processes of decision making and problem solving is helpful to a manager. Decisions come in expected (programmed) and unexpected (non-programmed) forms, but require the same seven steps. The process of planning is simply making decisions for the future, so the steps are similar to those of the planning process.

First, a manager needs to determine if a decision is needed. Several questions are suggested to help make that determination. If one is needed, how important is it, and what limits (resources) apply to it? Then we reach the creative stage of developing possible choices, the data collection stage, the evaluation stage, and finally the decision is made and implemented.

Problem solving is a bit more complex, and is explained in ten steps. Problems exist when either standards are not being met, an inadequate number of options have emerged to make a necessary decision, or problems arise independent of the planning or control process.

The problem solving process begins with stating the facts and determining that you have identified the real problem, then listing and evaluating possible causes to determine the most likely cause. Once that has been done, possible solutions are listed and evaluated. The best solution is selected, tested, and applied. This really requires two creative and two analytical stages.

Answers to Study Questions

1. It can give the decision maker confidence, provide a process, and assist in the gathering and development of necessary information in the most efficient manner.
2. See box on page 31.
3. See box on page 35.
4. How much does it cost? How long is the commitment? Who else is involved? Can it be changed? Etc. All of these questions will lead to an understanding of the decision's or problem's importance.
5. When standards aren't being met according to plan, when unexpected opportunities or challenges emerge outside of the plans that were made, and when an inadequate number of choices has developed to make a good decision.
6. Many problems are obscured by superfluous information, and effects often masquerade as causes. Putting it into writing and testing the accuracy of the statements written down will help to clearly specify the right problem.

Answer to Exercise

(Individual work – no common answer exists.)

Other Materials

Decision Forms – You are welcome to make copies of the following three pages and use them as you approach decisions in the future.

Decision Analysis Sheet – Part A

In one sentence or less, specify the decision you need to make:

Is this decision necessary?

- What will happen if no decision is made? _____
- Are there advantages to not making the decision? _____
- What are the disadvantages? _____
- Do you have the authority and power to make and implement the decision? _____
If not, why are you involved? _____
- Could someone else make this decision better than you? _____
Who? _____ Why don't they? _____

How important is it?

- How much is the probable cost? _____
How's that compare to your total budget? _____
- How long is the commitment? _____
- Can it be changed later? _____
How expensive or messy would a later change be? _____
- How soon does the decision have to be made? _____
- Who else is involved? _____

What limits apply to this decision?

- List all major factors which will impact or be impacted by this decision:
People _____
Equipment _____
Facilities _____
Time _____
Competition _____
Management skills _____
The economy _____
Budget, now and future _____
Other? _____



© Arvon Management Services®

Robert H. Vaughn, Ph.D.

From: *Decision Making and Problem Solving in Management* 3rd Edition

Decision Analysis Sheet – Part B

Information Required

List *at least* four things you need or want to know in order to be able to make this decision:

- _____ ()
- _____ ()
- _____ ()
- _____ ()
- _____ ()
- _____ ()

In the parentheses, rank order them by importance to the quality of the decision.

Sources of Information

What primary or secondary sources of information are available to help you make this decision? (People, records, documents, websites or other data sources, articles, books, consultants, etc.)

- _____
- _____
- _____
- _____
- _____

Risk in the decision

How much risk is involved in this decision, and how did you determine that?

- _____

Plan for collecting the information

How will you collect the information you need?



Decision Analysis Sheet – Part C

What, if any, technological influences affect this decision?

Should this decision be made by a group? ____ Why or why not?

With whom do you need to discuss this decision?

What could affect the timing of this decision? (Deadlines, budgets, cyclical work flows, personalities, etc.)

What else should you do to increase the acceptability of this decision to those individuals who will be affected by it?

