

BELIEVE IT... ACHIEVE IT!
DECISION MAKING: SEEING, FRAMING, DOING

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Agenda

- Part 1
 - Seeing and Framing
 - Why seeing clearly is difficult yet necessary
 - How framing impacts the choices we make

- Part 2
 - Doing
 - How to make robust decisions
 - How to prepare

We Make Decisions Every Day

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Why do good people make bad decisions?



Decision Conditions

- The context of decisions is subject to influence
- Decisions are not always made with the same amount of available information
- We often face situations of information overload
- We also face time pressure
- The BEST decision often depends on what happens afterwards
- Managers have differing predispositions
 - Optimism
 - Pessimism
 - Risk Aversion

OPPORTUNITYISNOWHERE

Framing 1

Which outcome do you prefer:

A) A sure payment of \$500

or

B) A 50% chance of winning \$1000



Framing 2

Which outcome do you prefer:

A) A sure loss of \$500

or

B) A 50% chance of losing \$1000



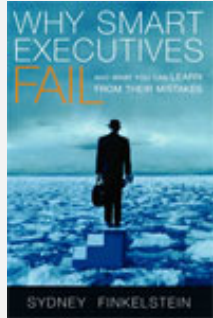
Prospect Theory

- Reference point that distinguishes gains from losses
- Risk-seeking behavior in the domain of losses, risk aversion in the domain of gains
- Loss aversion: response to losses is more extreme than response to equivalent gains

Some Common Decision Traps

- Framing
- Availability
- Anchoring
- Sunk costs
- Lack of information
- Recall
- Herd Instinct
- Confirmation trap

A Critical Blunder



Inaccurate perceptions of reality

SEEING

Everyone Has a Different Starting Point

- Our ability to interpret with accuracy is limited
 - We are selective in what we see and hear



We See Things As We Are



The Blue-Eyed/Brown-Eyed Experiment

- Jane Elliott, 3rd grade schoolteacher in Riceville, Iowa
- 1968 - she divides up the class on the basis of a simple characteristic - the color of your eyes



We See What We Want To Believe



How We See Impacts

- Who gets heard
- Who we like
- Who gets opportunities
- Who receives information



DOING



Bad Decisions Can Have Bad Consequences

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A Crisis is a Brutal Audit

- New situations, new challenges
- Crisis, pressure (time, stress about outcomes)



Firefighting Metaphor

- Need for alertness is high
- Fires can explode

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When Does Intuition and Analysis Work Best?



Intuitive approach

- Situation is dynamic, systematic (not chaotic) and not overly complex
- Experienced decision-makers
- Experiential understanding is tried and tested (evidence – mind the confirmation bias)
- In typical situations and known environments - “within your comfort zone”

Analytic approaches

- Few options to be compared
- Options are distinct enough (no “zone of indifference”, satisficing)
- Data of sufficient quality are obtainable
- For inexperienced decision-makers
- In new environments where experience doesn't apply
- When voice and consensus are key



Key Ideas

- Clarity allows for robust decisions
 - But, we don't see well
- Decisions are often subject to influence
 - Need to understand framing and other heuristics
- Decision contexts are often noisy, complex, and chaotic
 - Doing means acknowledging the need for preparation and collective knowledge

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The Structure of Decision Situations

- Critical parameters
 - Participation - e.g. open or closed, equal weight?
 - Agenda - e.g. discrete choice or open-ended problem-solving?
 - Decision rules - e.g. unanimity or majority or executive?
 - Decision factors - e.g. admitted and excluded evidence/reasoning?
 - History - e.g. one-off group or repeated interactions?
- Effective leaders
 - Manage these parameters proactively
 - Know the parameters and when they can not be changed
 - Tailor their influence strategies to the decision situation



Some Solutions

- Use limits, frameworks or problem solving tools
 - Break down problems into various parts
- Gain multiple perspectives
 - Get input from multiple perspectives
 - View problem from other's perspectives
- Be a devil's advocate
 - Encourage the challenging of assumptions
 - Consider unpopular assumptions
 - Look for disconfirming evidence
 - Scenarios of failed actions
- Re-evaluate the industry, competitors, project and projections over time



Thank You!

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