



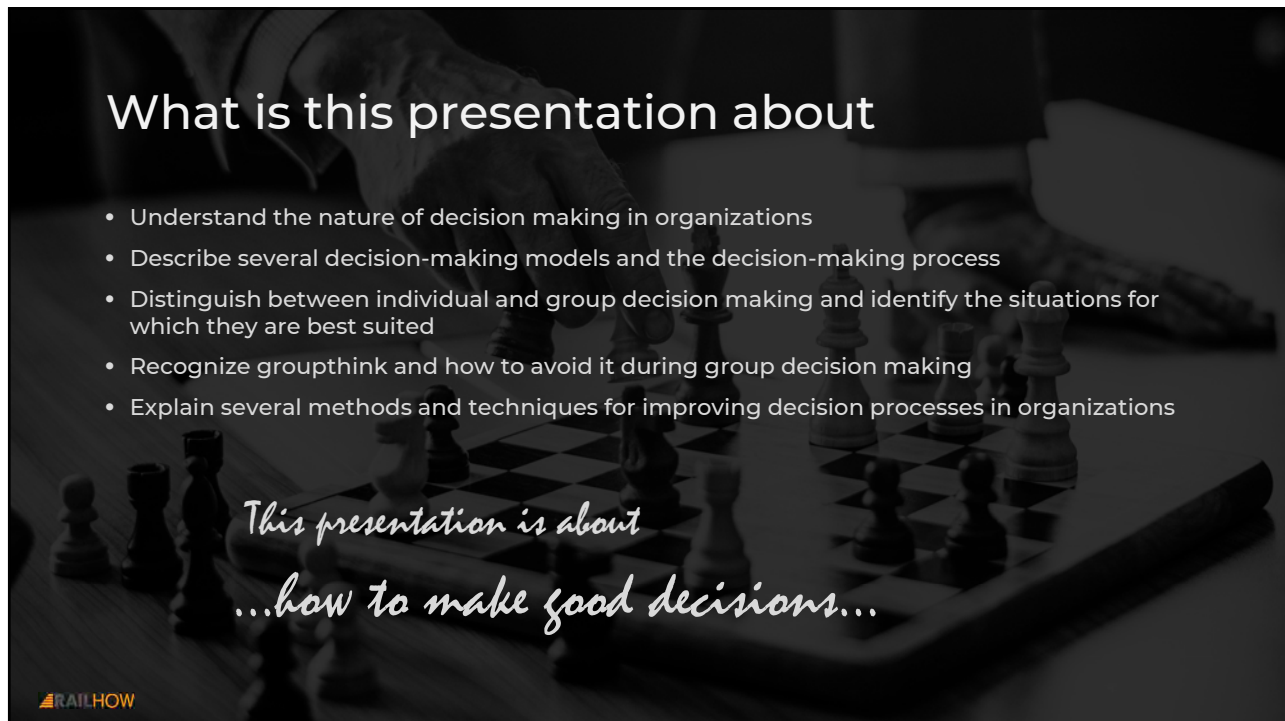
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Strategic Decision Making

...how to make good decisions...

Kostas Tzanakakis

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What is this presentation about

- Understand the nature of decision making in organizations
- Describe several decision-making models and the decision-making process
- Distinguish between individual and group decision making and identify the situations for which they are best suited
- Recognize groupthink and how to avoid it during group decision making
- Explain several methods and techniques for improving decision processes in organizations

*This presentation is about
...how to make good decisions...*

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What is a decision making?

- Decision-making is:
 - The **selection of an option** over others
 - Under conditions that are **uncertain**
 - Which exposes you to a **risk**
In order to **reach a specified goal, objective or outcome.**
- There **must be a choice** and it must be taken proactively, **otherwise it is merely an occurrence.**




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What is strategic decision making?

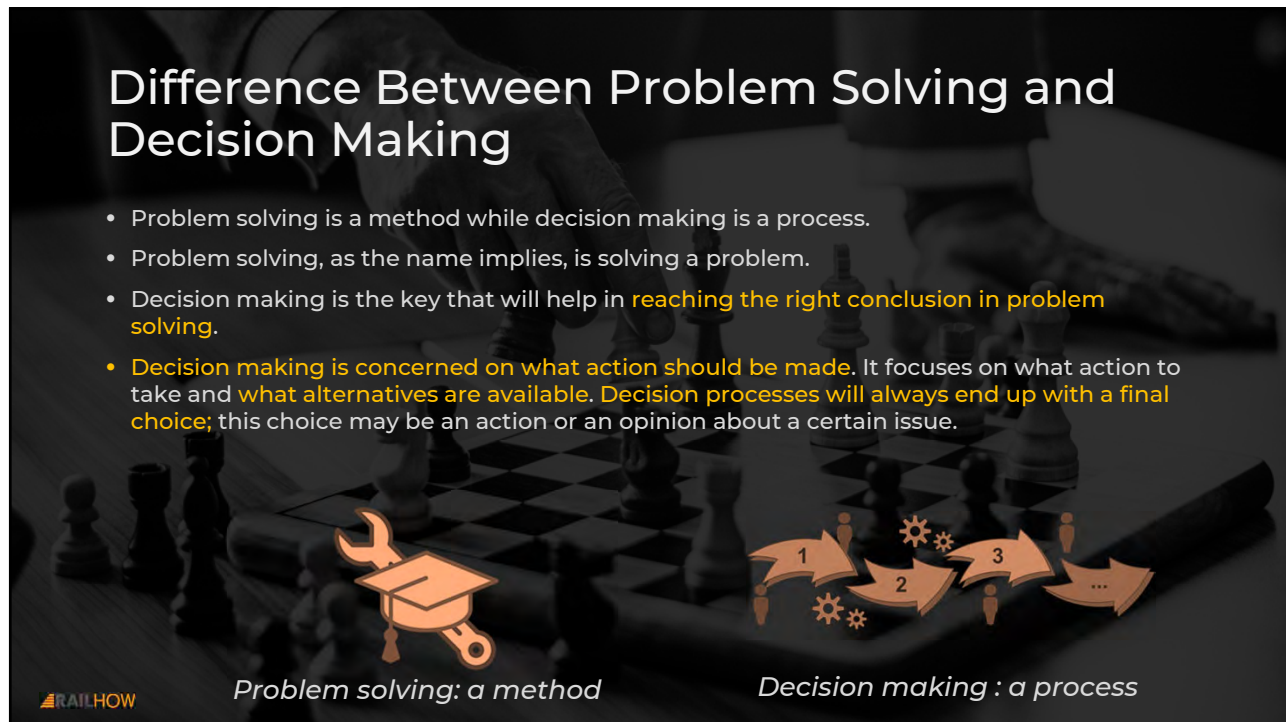
- What Is Strategic Decision Making?
 - Strategic decision-making is the process of **targeting on long-term goals and a longer-term vision.**
 - Strategic decision making **aligns short-term objectives with long-term goals, and a mission** that defines your Organization 's big picture purpose.
 - Shorter term goals are expressed in quantifiable **milestones** that give you the capacity to **measure your success** and **your adherence to your vision.**



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Difference Between Problem Solving and Decision Making

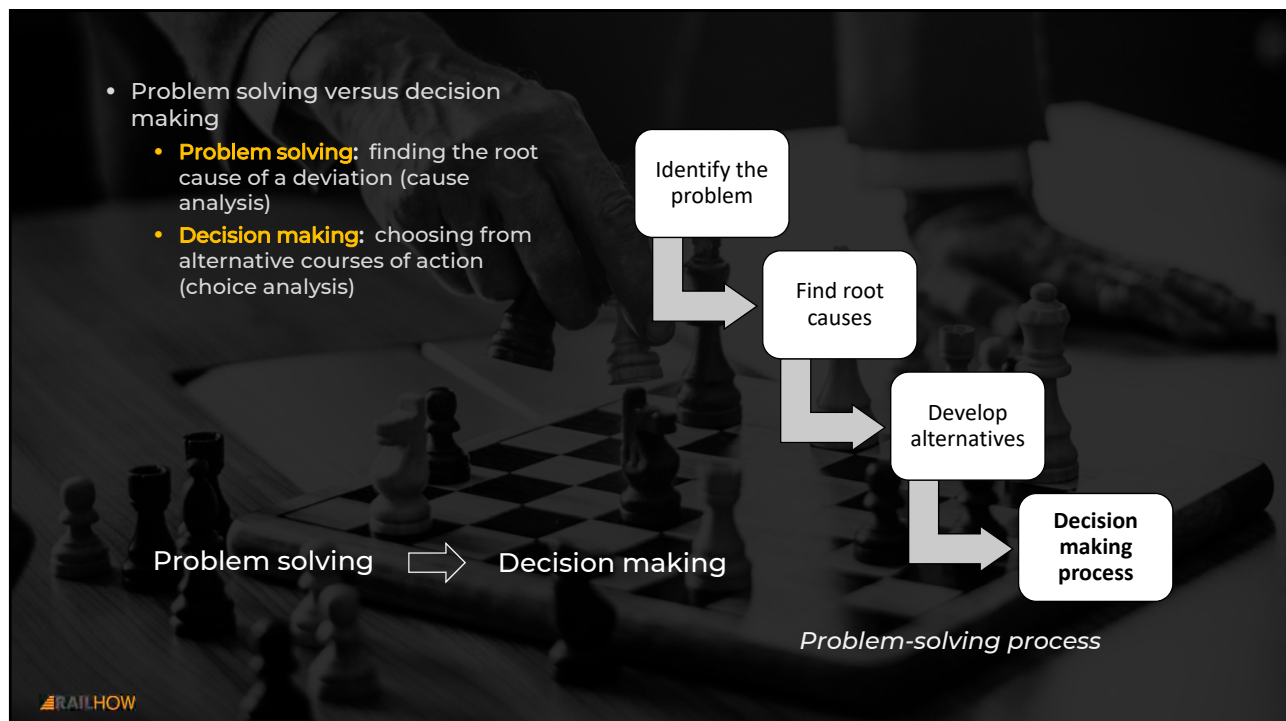
- Problem solving is a method while decision making is a process.
- Problem solving, as the name implies, is solving a problem.
- Decision making is the key that will help in **reaching the right conclusion in problem solving**.
- **Decision making is concerned on what action should be made.** It focuses on what action to take and **what alternatives are available.** **Decision processes will always end up with a final choice;** this choice may be an action or an opinion about a certain issue.



RAILHOW *Problem solving: a method* *Decision making : a process*

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- Problem solving versus decision making
 - **Problem solving:** finding the root cause of a deviation (cause analysis)
 - **Decision making:** choosing from alternative courses of action (choice analysis)



RAILHOW *Problem solving* → *Decision making* *Problem-solving process*

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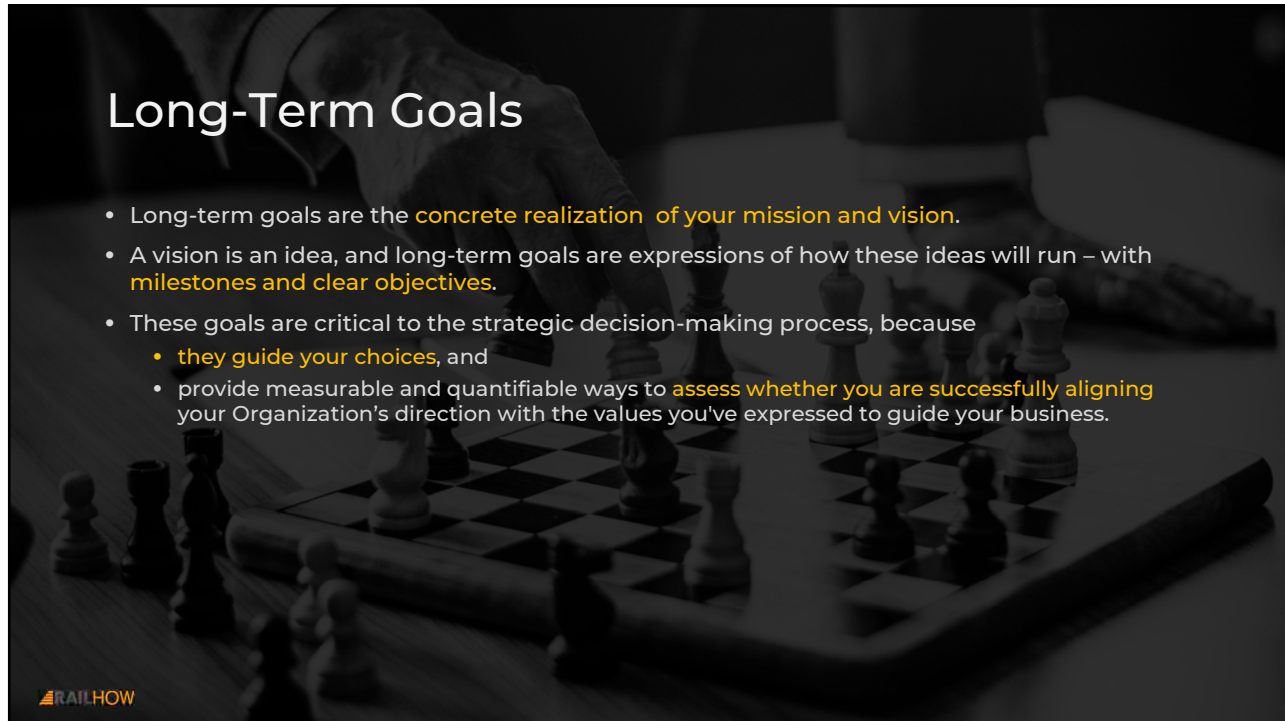
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Mission and Vision

- Strategic decision-making should start with a **clear idea of your Organization's mission and vision** – the reasons you exist as a business.
- Having this written statement will also enable you to **communicate your long-term vision** to your employees and to other stakeholders, to get them on board with the strategic decisions you make.


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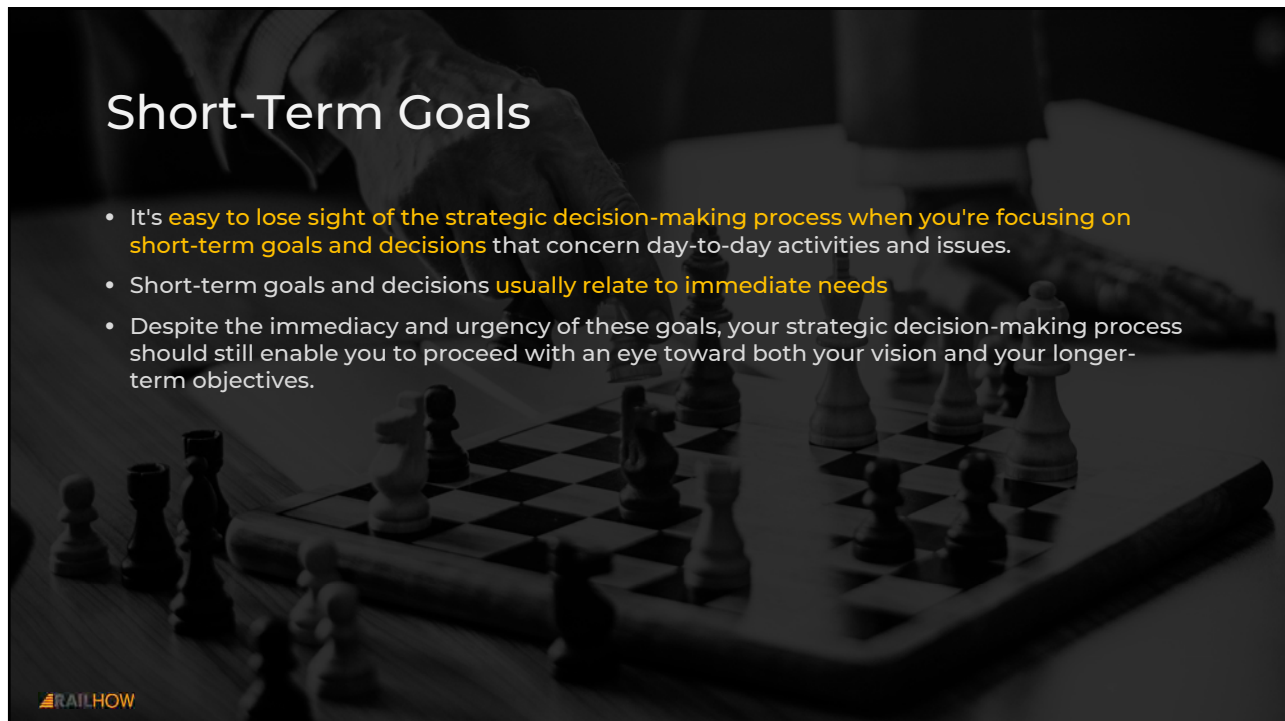


Long-Term Goals

- Long-term goals are the **concrete realization of your mission and vision.**
- A vision is an idea, and long-term goals are expressions of how these ideas will run – with **milestones and clear objectives.**
- These goals are critical to the strategic decision-making process, because
 - **they guide your choices,** and
 - provide measurable and quantifiable ways to **assess whether you are successfully aligning** your Organization's direction with the values you've expressed to guide your business.




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Short-Term Goals

- It's **easy to lose sight of the strategic decision-making process when you're focusing on short-term goals and decisions** that concern day-to-day activities and issues.
- Short-term goals and decisions **usually relate to immediate needs**
- Despite the immediacy and urgency of these goals, your strategic decision-making process should still enable you to proceed with an eye toward both your vision and your longer-term objectives.



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The Strategic Planning

- Strategic planning is the process of evaluating the goals of the Organization and then setting a course for success.
- **Managers** schedule activities that will lead to achieving those goals.
- **Leaders** tend to be more strategic:
 - they must **become problem solvers** able to see the big picture
 - while also **identifying specific things** that affect overall success.

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Levels of Management Decision Making

- Managers at all levels must **make decisions on behalf of an Organization**.
- **Long-term decisions** affecting the Organization as a whole belong to the highest management levels,
- Decisions affecting **day- to-day operations** fall to bottom management.
- Different management levels spend more time on certain functions than on others.

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- **Board of Management Creates the Mission**
 - An Organization's board of Management creates the mission and write a mission statement for the internal and external audiences.
 - Based on the mission, an Organization creates its vision: an ideal the business seeks to actualize.
- **Upper Management Needs a Strategic Plan**
 - Upper management must translate the broad scope of mission and vision into concrete achievements over time - a strategic plan.
 - Of all management levels, upper managers spend the most time making decisions involving plans. They also have decision power over middle management.



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- **Middle Management accomplish Strategic Goals**
 - Once upper management decides the overall direction of the Organization, it's up to middle management to choose smaller tactical objectives that, put together, accomplish strategic goals.
 - **Middle managers create tactical plans**, which have more detail than strategic plans.
- **First-Line or Operational Management**
 - First-line management or operational management is the level directly responsible for employees.
 - By choosing their own goals on a daily, weekly or monthly basis, first-line management accomplishes the objectives of middle management.
 - The scope of operational management covers departments, sections or teams.

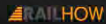


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Hard decisions

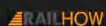
- We can define a decision as having 'hard' characteristics when:
 - The situation is **uncertain** - i.e.: there is a greater perceived risk and also when:
 - The situation is **inherently complex** with many different issues
 - *e.g.: the siting of a new airport is immensely complex, because of the factors that must be taken into consideration (flight paths, air traffic control, slots, residents, communications links, etc.)*
 - There are several objectives but one or more is blocked and **compromises or trade-offs are needed**
 - **Different perspectives can lead to different conclusions** - especially true where two or more people are involved in deciding; they may disagree about the assumptions, probable outcomes or, even, the decision
- The key issue is how to handle hard decisions to ensure they are taken as painlessly as possible.
- This requires the use of a robust, consistent approach and an appropriate level of detail - essential to ensure **that risk is minimised or, at least, understood.**



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Making errors when making decisions

- Next a few very common errors or points to be considered when making decisions:
 - **Haste** - not to be confused with speed. A decision is made before the facts are available or without taking the facts into account.
 - **Narrow perspective** - often results in addressing the wrong issue because the real issue has been pre-judged or limited within a framework of analysis that is inappropriate.
 - **Over-confidence** - either in the decision itself or, more commonly, in the understanding of the issue and facts.
 - **Rules-of-thumb** - relying on rough frameworks or shortcuts for important decisions instead of carrying out adequate analysis.
 - **Filtering** - screening out unpleasant findings or those that do not support pre-conceived notions or the decision you want to make.
 - **Juggling** - lack of analytical framework and, therefore, trying to manage many variables or pieces of information in your head.



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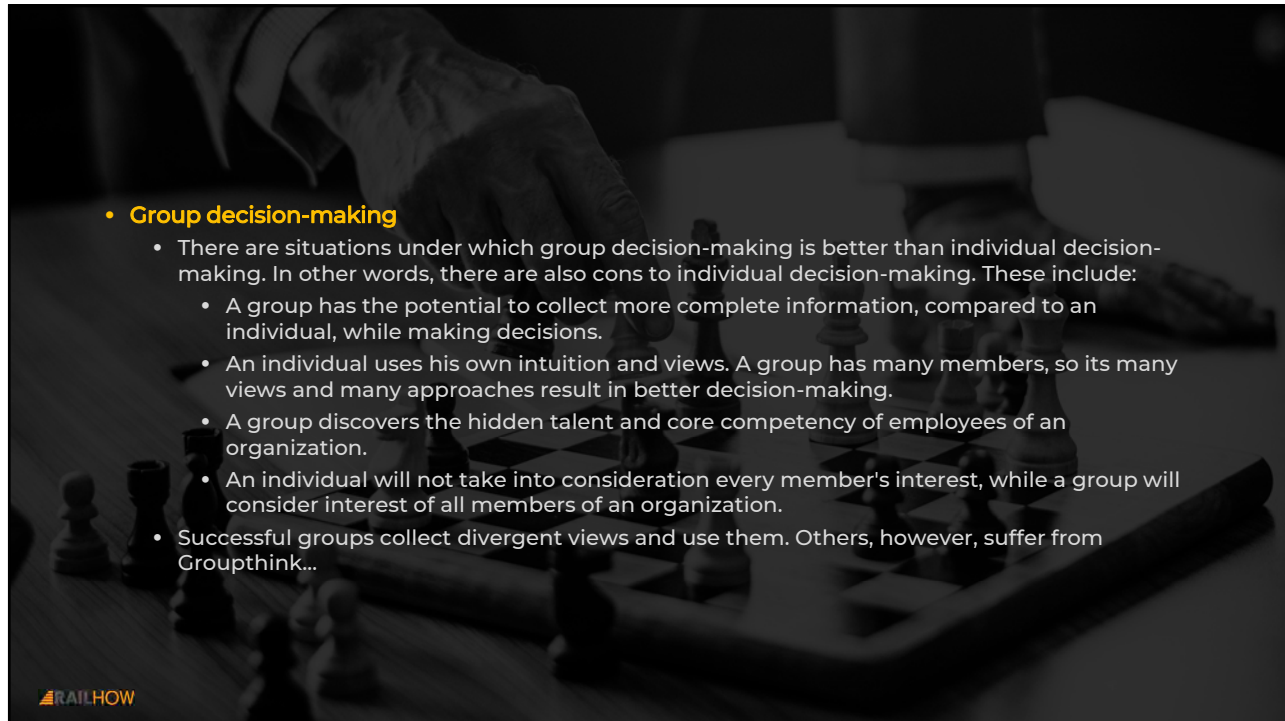
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Groups vs individuals


- When considering individual versus group decision-making, a group decision is one made by several people, while an individual decision is made by one person.
- Which is better?
- **Individual decision-making** has certain pros:
 - An individual generally makes prompt decisions (a group is dominated by various people, making decision-making very time consuming. Moreover, assembling group members consumes lots of time).
 - Individuals do not escape responsibilities. They are accountable for their acts and performance. In a group, it is not easy to hold any one person accountable for a wrong decision.
 - Individual decision-making saves time, money and energy as individuals usually make prompt and logical decisions, while group decision-making involves lot of time, money and energy.

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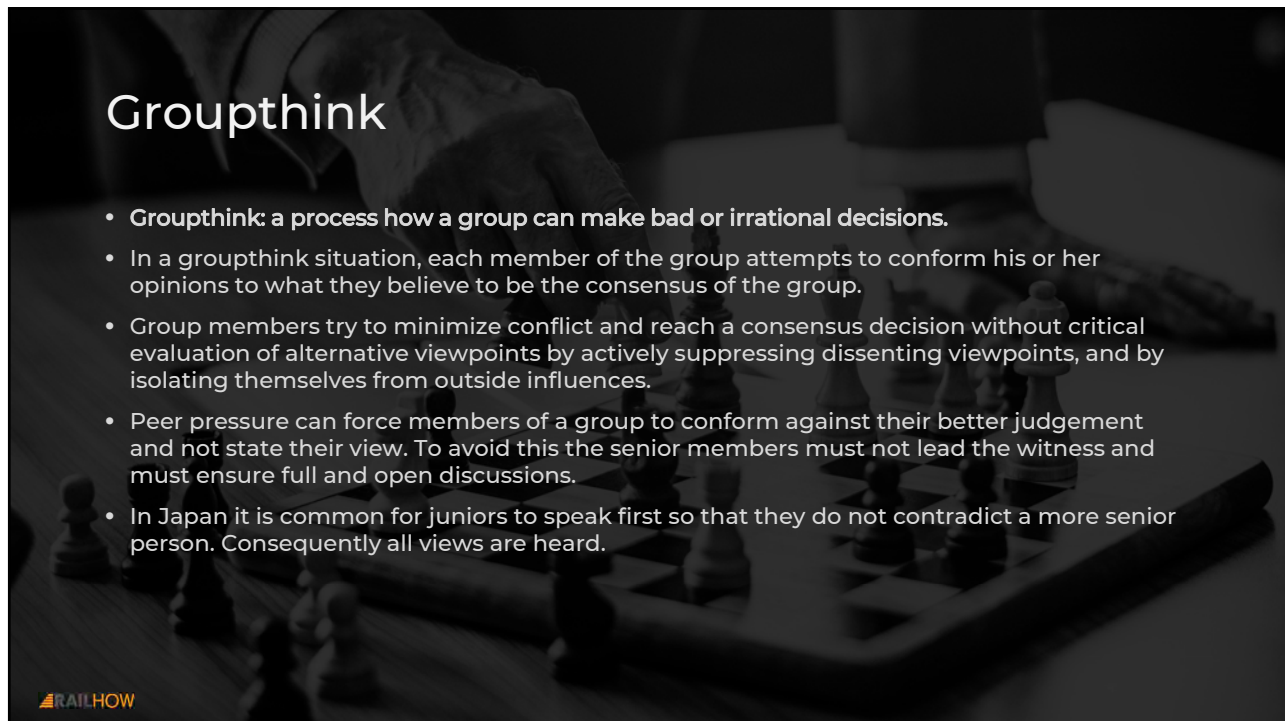
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- **Group decision-making**
 - There are situations under which group decision-making is better than individual decision-making. In other words, there are also cons to individual decision-making. These include:
 - A group has the potential to collect more complete information, compared to an individual, while making decisions.
 - An individual uses his own intuition and views. A group has many members, so its many views and many approaches result in better decision-making.
 - A group discovers the hidden talent and core competency of employees of an organization.
 - An individual will not take into consideration every member's interest, while a group will consider interest of all members of an organization.
 - Successful groups collect divergent views and use them. Others, however, suffer from Groupthink...




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Groupthink

- **Groupthink: a process how a group can make bad or irrational decisions.**
- In a groupthink situation, each member of the group attempts to conform his or her opinions to what they believe to be the consensus of the group.
- Group members try to minimize conflict and reach a consensus decision without critical evaluation of alternative viewpoints by actively suppressing dissenting viewpoints, and by isolating themselves from outside influences.
- Peer pressure can force members of a group to conform against their better judgement and not state their view. To avoid this the senior members must not lead the witness and must ensure full and open discussions.
- In Japan it is common for juniors to speak first so that they do not contradict a more senior person. Consequently all views are heard.



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RACI analysis

- RACI analysis is very useful when considering exactly who should be involved in decisions and to what extent.
- It sets out all stakeholders in the decision and then looks at whether they should be:
 - **R**esponsible for decisions
 - **A**ccountable for decisions
 - **C**onsulted about decisions
 - **I**nformed about decisions
- In so doing, it is rare for a stakeholder not to receive the correct attention and, therefore, he or she is less likely to go against the decision.
- It is also used to check that stakeholders have indeed been given the required attention. For large projects it is important for managing complex decisions and different stakeholders...

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		Stakeholders						
		Sponsor	Executives	Shareholders	Suppliers	Council	Unions	Workers
Decisions	1	A	R		C			I
	2							
	3							
	4		A	R			C/I	I
	5							
	6							

R = Responsible A = Accountable C = Consulted I = Informed

Source: "The Decision-Making Pocketbook", by Neil Russell-Jones, Published by Management Pocketbooks Ltd

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Before starting to make a decision

- Necessary to think through a few points to place the decision in context and frame the process:
 - How should this decision be made - what is the most appropriate forum or mechanism:
 - Solely?
 - In groups?
 - Who should be involved?
 - Has it been made before - if so, what were the outcomes or lessons?
 - Does it affect other decisions - if so, how?
 - Does it need to be taken at all - is it redundant?
 - What is the urgency/timing - when does it need to be made?
 - To get a different perspective, consider how someone else would handle it. For example, in a business context how would your main competitor handle the issue?
 - Where should the greater emphasis be placed in the process (data gathering, analysis, etc.)?

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Key steps to decision-making

- There are seven key steps to decision-making:
 1. **Define** correctly the real decision to be made
 2. **Understand the context** in which the decision needs to be made
 3. **Identify the options**
 4. **Evaluate** the consequences of each option
 5. **Prioritise** the options and choose one
 6. **Review** the decision taken (possible re-work)
 7. **Take action** to implement the decision
- Unless step 7 is taken then no real decision has been made and it has been only an exercise.
- You must, of course, live with the consequences of the decision. If, however, you have followed a logical process, as outlined above, then you would expect these to be within your tolerances.

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Step 1: Define the decision

- This is the first step and also the most critical.
- Some decisions turn out incorrect, because they are based on poor analysis, but most decisions 'go wrong' because the symptoms rather than the true causes are addressed.
- Thus, the first step involves **analysis of the real drivers of the situation** and identification of **the true issues that the decision must address**. The key questions here are:
 - Why am I making this decision - what is my aim or objective in making it?
 - What has led to the situation that now demands a decision and what does it really require?

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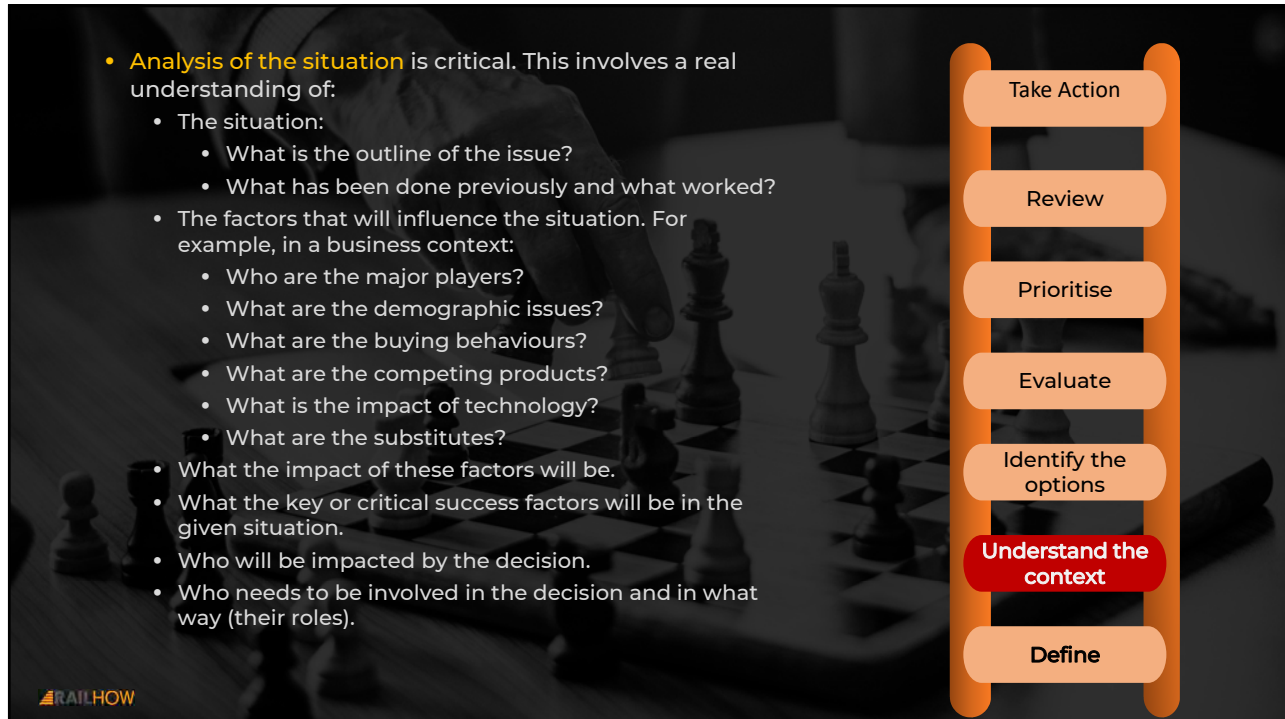
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Step 2: Understand the context

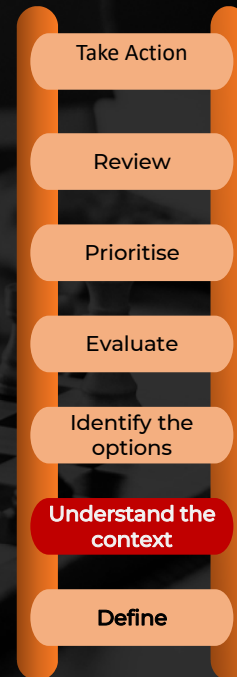
- Understanding the context is crucial to understanding the real nature of the decision to be made and the needs it addresses.
- It's impossible to take decisions in isolation from the situation; you cannot neglect the circumstances or context.
- Each situation is unique: you cannot take a decision in a given situation and then assume every subsequent decision will fall within the same parameters.

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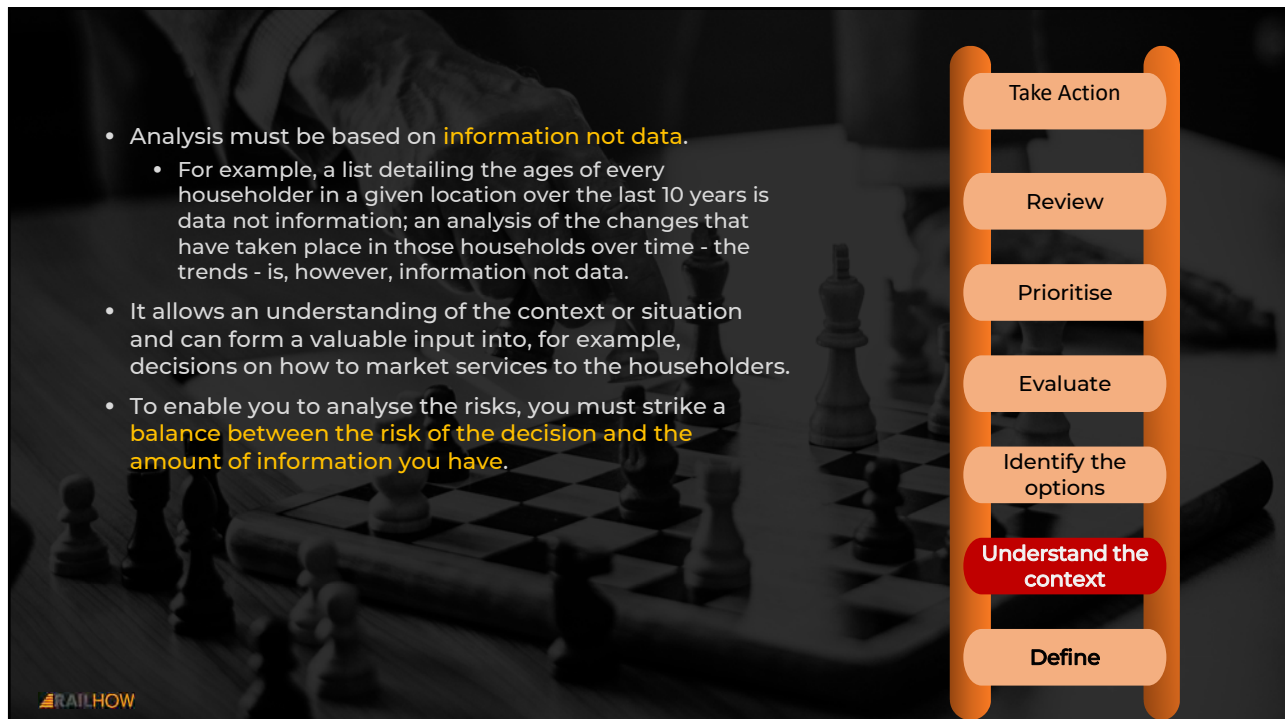
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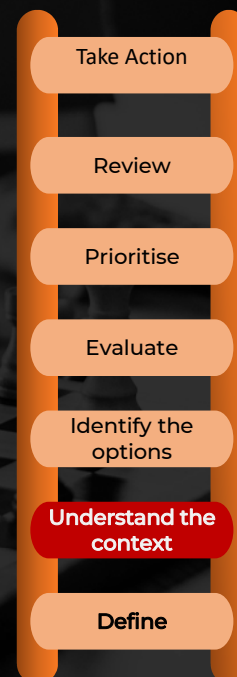
- **Analysis of the situation** is critical. This involves a real understanding of:
 - The situation:
 - What is the outline of the issue?
 - What has been done previously and what worked?
 - The factors that will influence the situation. For example, in a business context:
 - Who are the major players?
 - What are the demographic issues?
 - What are the buying behaviours?
 - What are the competing products?
 - What is the impact of technology?
 - What are the substitutes?
 - What the impact of these factors will be.
 - What the key or critical success factors will be in the given situation.
 - Who will be impacted by the decision.
 - Who needs to be involved in the decision and in what way (their roles).



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- Analysis must be based on **information not data**.
 - For example, a list detailing the ages of every householder in a given location over the last 10 years is data not information; an analysis of the changes that have taken place in those households over time - the trends - is, however, information not data.
- It allows an understanding of the context or situation and can form a valuable input into, for example, decisions on how to market services to the householders.
- To enable you to analyse the risks, you must strike a **balance between the risk of the decision and the amount of information you have**.



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Step 3: Identify the options

- A major difficulty often mentioned in decision-making is the lack of options, especially when none of the options seems to address the real needs.
- This is usually the result of inadequate analysis that has not identified the proper situation and what might be done to address the issues.
- Lack of creativity is another reason.
- Generating sufficient options, particularly in complex situations requiring creative solutions, is a great challenge.
- It is often useful to spend time considering a wide range of options - wider even than during the initial thinking phase.




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- There are several ways of doing this:
 - Brainstorming - where ideas are collected without criticism and then considered.
 - Bringing in diverse groups of people with different perspectives and experience.

Example: an organisation had a problem with its lifts; people were complaining that they were slow, noisy, etc. The team assembled included unusual members such as psychologists, who recommended that mirrors be installed, and complaints ceased.
- It is important to undertake the right level of analysis, according to the complexity of the decision.
- Over-analysis slows down decision-making and can also reduce its effectiveness.
- Too much data are hiding the perspective and can lead to errors unless handled properly.




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Step 4: Evaluate the consequences

- Decision-making is not about whether to take a risk or not.
- It is about **how to take reasonable risks and how to evaluate the impact of those risks.**
- Reasonableness is, subjective and differs between people, organisations and situations.
- The real question is: **Which option has the most acceptable set of consequences, given my current context and my desired goals?**
- This means **understanding the true consequences of the decision.**
- It also brings us in the **concept of regret**: what will be my level of regret if I do this and what will it be if I don't?
 - We are talking here about the potential negative value placed on the consequences of the action (or inaction).




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Step 4: Evaluate the consequences

- **Regret:**
 - This is the analysis of what the decision will mean:
 - What will I regret if I do this - or don't do this?
 - How much will I regret this?
 - When might it happen?
 - How might it happen?
 - With other words: can I handle the loss that might increase from taking this course of action? And, what is the probability of it occurring?



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• Caution vs courage

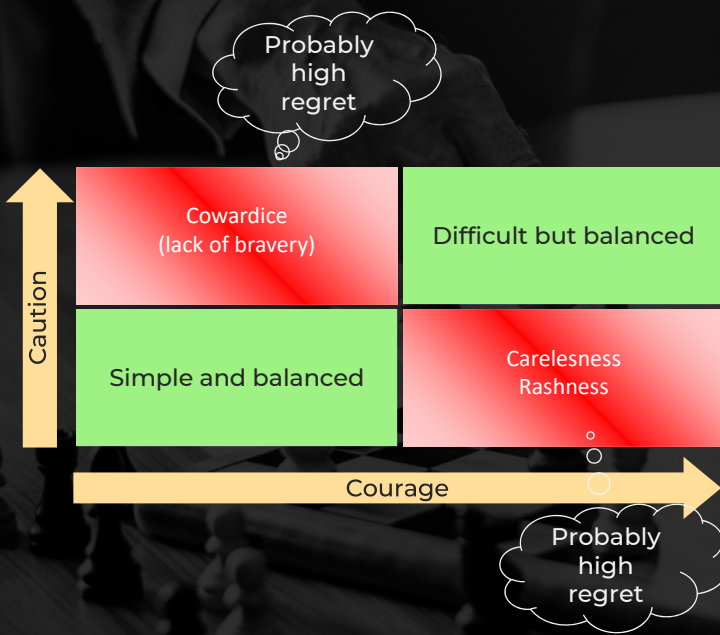
- Two opposite forces pull the decision-making:
 - **Courage** to take the decision pulls you towards taking the decision
 - **Caution** of the consequences pulls you towards shirking the decision
- Letting one force dominate will almost certainly lead to a high degree of regret.



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- Take Action
- Review
- Prioritise
- Evaluate**
- Identify the options
- Understand the context
- Define

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Caution ↑	Cowardice (lack of bravery)	Difficult but balanced
	Simple and balanced	Carelessness Rashness
	Courage →	

Probably high regret (top-left and bottom-right)

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• Risk assessment matrix

- Risk is an important issue when evaluating the consequences of a decision. How risky is this thing and what is the probability of it occurring (in the given context)?
- This grid allows you to understand these two criteria by placing a weighting on the issues and plotting the criteria.
- Action can then be decided accordingly.

		Consequence				
		Negligible	Minor	Major	Critical	Catastrophic
Rating		1	2	3	4	5
Likelihood	Rare	1	2	3	4	5
	Unlikely	2	4	6	8	10
	Moderate	3	6	9	12	15
	Probable	4	8	12	16	20
	Almost certain	5	10	15	20	25

Take Action

Review

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Identify the options

Understand the context

Define

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• Expected Value Analysis

- 'Expected Value' (EV) is a system for analysing regret arithmetically.
- EV is the measure of the gain (or loss) from a decision, derived by multiplying the probability of an outcome by the value of that outcome.
- It works best where the outcome can be quantified and expressed numerically.
- For subjective areas (e.g.: morality or dignity) it is necessary to go further and look at possible, quantifiable consequences (lawsuits, loss of earnings, brand deterioration, consumer boycotts, etc).

Take Action

Review

Prioritise

Evaluate

Identify the options

Understand the context

Define

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Step 5: Prioritise the options

- Having completed the analysis and arrived at a series of options, you must then choose one.
- Even choosing to do nothing is acceptable as a decision, if that course of action is, comparatively speaking, the best option.
- Many people find taking a decision difficult, if not impossible, and will try to avoid or defer commitment.
- This usually arises from self-doubt or an unwillingness to be held responsible.

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- Few organisations measure an individual's ability to take decisions.
- Moreover, people are frequently put into roles in which decision-making is an integral part and they consequently prove highly unsuitable.
- A demonstration of this is 'blue sky syndrome' where someone arrives at a position of authority and, having been used to referring everything upwards for decisions, looks up and finds no one there, only blue sky.
- Such people now find themselves faced with the frightening Scylla and Charybdis of management - responsibility and accountability.
- These and other concepts are explored later on psychology of decision-making.

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• **Option assessment matrix**

- The value of attaining each objective (A to E) is listed (scoring 1 to 5).
- The probability of that attainment under each of the four options is then assessed (percentage).
- By multiplying these two figures you arrive at the probable value of each objective for each of the four options.
- The overall value per option can then be calculated. In this example option 3 has the best score, followed by 1, 2 and then 4.

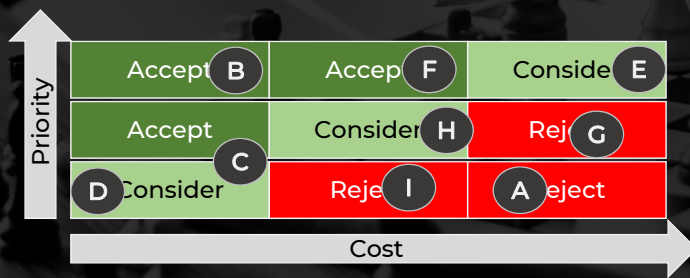
Objectives	OPTION 1			OPTION 2		OPTION 3		OPTION 4	
	Value of Objectives	Probability of Objective being met	Probable Value	Probability of Objective being met	Probable Value	Probability of Objective being met	Probable Value	Probability of Objective being met	Probable Value
A	5	50%	2.5	20%	1	60%	3	30%	1.5
B	4	30%	1.2	60%	2.4	40%	1.6	80%	3.2
C	3	60%	1.8	70%	2.1	50%	1.5	20%	0.6
D	2	80%	1.6	30%	0.6	80%	1.6	50%	1
E	1	20%	0.2	90%	0.9	70%	0.7	60%	0.6
			7.3		7		8.4		6.9



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• **Cost vs priority**

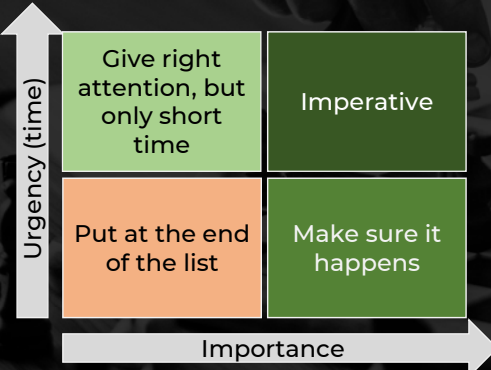
- A comparative analysis can produce useful results in those situations where there are several options, many of which can be chosen, but where there is limited capacity for action. Priority is contrasted against cost to arrive at an acceptable ranking.
- Those options in the accept boxes will be carried out first and then those in the consider boxes.
- You can then build a plan around the agreed priorities.



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• **Priority grid**

- In making decisions it is very important that there is the right balance between urgency (time) and importance (magnitude).
- Something that is very urgent but is low in importance must be dealt with but without wasting too much time.
- More important issues require greater consideration.



Urgency (time)	Give right attention, but only short time	Imperative
	Put at the end of the list	Make sure it happens
	Importance	

- Take Action
- Review
- Prioritise**
- Evaluate
- Identify the options
- Understand the context
- Define

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• **Ethical or moral decisions**

- Key to ethical or moral decisions is that they are not between right and wrong but, more likely, between **right and right** depending on your perspective.
- One person's decision is another's rejection.
- This can lead to **disputes and disagreements** since the basis for decisions is often subjective or emotional.
- As a result, there is **no right or wrong answer** because everybody will interpret the outcome according to his or her own position.
- **Different people will have different perspectives** in different situations.
- Consequently, you will satisfy some people but not others.



Urgency (time)	Give right attention, but only short time	Imperative
	Put at the end of the list	Make sure it happens
	Importance	

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- **The difficulty taking a decision...**
 - When it comes down to it you must take a decision.
 - Simply ask yourself:
 - Do I understand the context?
 - Do I know what is wrong and what decision is required?
 - Do I know what the options are and the consequences of each?
 - Is the argument decisive and incontrovertible?
 - What will I regret for each decision? (Known in some circles as CISAN - Can I Sleep At Night?)
 - If the answer to all these questions is yes - take the decision!
 - If not, consider what is stopping you from taking the decision - and sort it out.

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Take Action

Review

Prioritise


Evaluate

Identify the options

Understand the context

Define

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Step 6: Review the decision

- Having taken the decision, at some stage you must review it. The frequency and depth of this will depend on the importance of the decision.
- There are basically three types of reviews:
 - **Periodic reviews**
 - **Emergency/ad hoc reviews** - where something has changed, or new information has emerged
 - **Sequential reviews** - where other decisions are based on the outcomes of previous decisions
- It's often a good idea for important decisions to be validated by an independent source outside the decision-making body

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Take Action

Review

Prioritise

Evaluate

Identify the options

Understand the context

Define

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Step 7: Take action

- Once a decision has been taken it must be implemented - in other words, something must happen.
- A normal sequence would be (high level):
 - Make decision
 - Inform stakeholders
 - Undertake implementation planning
 - Commence implementation
 - Review
 - End implementation

Take Action

Review

Prioritise

Evaluate

Identify the options

Understand the context

Define

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- **Planning - Gantt chart**
 - A GANTT chart is a series of bar charts showing the relative timings of a set of tasks.
 - It will usually show performance time and elapsed time and might well also include resources (man days) and costs.

Take Action

Review

Prioritise

Evaluate

Identify the options

Understand the context

Define

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- **Obtaining buy-in**
 - Where stakeholders have not been involved in the decision-making process, you will need to get buy-in to the decision after it has been made.
 - Handle this extremely carefully or implementation can go very wrong.
 - Wherever possible, **those involved in implementing a decision should be involved in making the decision.** Because:
 - Their concerns will have been considered
 - Problems can be discovered 'ex-ante' rather than 'ex-post' when they become crises
 - Having been involved in the decision-making it is much harder to walk away from it later
 - Key points requiring clarification in subsequent communications can be uncovered
 - They can act as 'ambassadors of progress' to sell the deal to others
 - The buy-in process must try to **get the right message to the right people in the right way.**
 - The method adopted depends on the nature of the stakeholder.

Take Action

Review

Prioritise

Evaluate

Identify the options

Understand the context

Define

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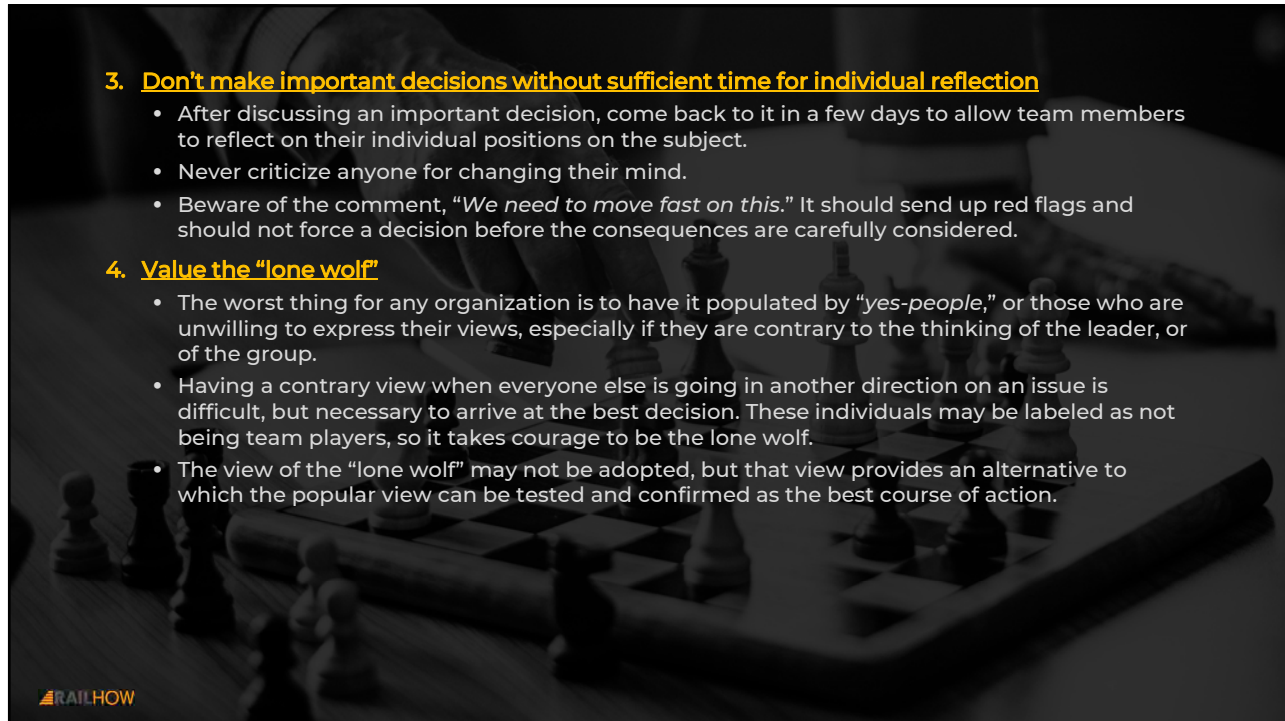
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Principles that will improve the decision-making process

1. **Establish a culture that values discussion of issues and alternatives**
 - the **quality of the decision-making process** will depend on the organizational culture established by the leader.
 - It is critical for a **leader to welcome open discussion** and ask for opinions. When this is effectively done, better alternative strategies often emerge, different than those originally considered, allowing for a superior decision to be made.
2. **Remain neutral until all opinions are expressed**
 - When a leader expresses his opinion on a course of action early in a discussion, it is more difficult for other alternatives suggested by their team to be seriously considered.
 - This is especially the case when the leader has a reputation for being intolerant and not listening to other points of view. Therefore, meaningful discussion does not occur, and the best strategy may not come on.
 - **A leader should hold back their personal opinion until the team members have discussed their ideas.** This should also be a time for leaders to listen to their direct subordinates and see how they approach the situation.

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


3. Don't make important decisions without sufficient time for individual reflection

- After discussing an important decision, come back to it in a few days to allow team members to reflect on their individual positions on the subject.
- Never criticize anyone for changing their mind.
- Beware of the comment, "*We need to move fast on this.*" It should send up red flags and should not force a decision before the consequences are carefully considered.

4. Value the "lone wolf"

- The worst thing for any organization is to have it populated by "*yes-people*," or those who are unwilling to express their views, especially if they are contrary to the thinking of the leader, or of the group.
- Having a contrary view when everyone else is going in another direction on an issue is difficult, but necessary to arrive at the best decision. These individuals may be labeled as not being team players, so it takes courage to be the lone wolf.
- The view of the "lone wolf" may not be adopted, but that view provides an alternative to which the popular view can be tested and confirmed as the best course of action.



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Techniques
for
decision
making



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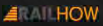
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Nominal Group Technique

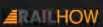
- Procedure to generate, evaluate, and choose decision alternatives
 - Members of decision group do not interact during early stages
 - Write ideas about decision problem
 - After about 20 minutes, each person presents one idea at a time from her or his list until all ideas are recorded
 - Another person records ideas on a flip-chart
 - No discussion during reading and recording phase
 - Group discusses ideas on flip-chart
 - After discussion, each member votes privately on ideas



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The Delphi Method

- Delphi members are given a questionnaire to identify potential risks.
- They in turn send their responses back to the facilitator of this process.
- The process is continued until group responses converge to a specific solution.



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Consensus Mapping

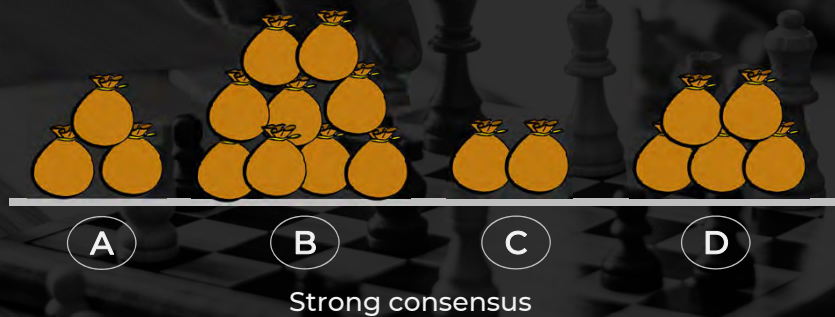
- Consensus mapping technique of group decision making tries to **pool the ideas generated by several task sub-groups to arrive at a decision.**
- The technique **begins after a task group has developed, clarified, and evaluated a list of ideas.**
- The facilitators encourage participants to search for **group and categories of ideas.**
- This search for structure includes the listing and discussion of alternative groups and categories by the entire group or subgroups, and then production of a single classification scheme by group members working as a group or in pairs or trios.

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- **Measuring consensus**

- The consensus of groups can be measured and plotted to show degree of consensus on options.
- This can tell you which options or strategies to follow, or to whom pressure needs to be applied in order to obtain a consensus.



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Decision trees

- Some decisions involve a series of steps, the second step depending on the outcome of the first, the third depending on the outcome of the second, and so on.
- Decision trees are a model for solving such a problem. Decision tree is a graphical method for **identifying alternative actions, estimating probabilities, and indicating the resulting expected pay off.**
- This graphical form visually helps the decision maker view his alternatives and outcomes.
- Instead of compressing all the information regarding a complex decision into a table, decision maker can draw a schematic representation of the problem that displays the information in more easily understandable way.

```

graph TD
    A[Am I hungry?] -- Yes --> B[Have I 25$?]
    A -- No --> C[Go to sleep]
    B -- Yes --> D[Go to restaurant]
    B -- No --> E[Buy a hamburger]
  
```

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Investment decisions - NPV

- The **Net Present Value (NPV)** of project is the most useful and one of the most commonly used criteria for determining whether a project should be accepted. The net present value formula is:

$$NPV = \sum_{t=0}^n \frac{(B_t - C_t)}{(1+r)^t}$$

- Where,
 - B_t are project benefits in period t
 - C_t are project costs in period t
 - r is the appropriate financial or economic discount rate
 - n is the number of years for which the project will operate

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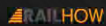
- NPV in decision making:
 - If... NPV > 0**
 - the investment would add value to the Organization
 - the project may be accepted
 - If NPV < 0**
 - the investment would subtract value from the Organization's or Government's available budget
 - the project should be rejected
 - If NPV = 0**
 - the investment would neither gain nor lose value for the Organization's or Government's available budget
 - We should be indifferent in the decision whether to accept or reject the project. This project adds no monetary value.
 - Decision should be based on other criteria, e.g. strategic positioning or other factors not explicitly included in the calculation.

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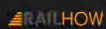
Cost-Benefit Analysis

- Cost-benefit analysis (CBA) is a worldwide used technique in decision making.
- CBA **evaluates the costs and benefits of the alternatives on monetary basis**. Recently, attempts have been made to incorporate the environmental impacts within CBA to improve the quality of environmental decision making.
- CBA has great attractions as a tool for guiding public policy:
 - it considers the gains and losses to all members of the society on whose behalf the CBA is being undertaken;
 - it values impacts in terms of a single, familiar measurement scale - money - and can therefore in principle show that implementing an alternative is worthwhile relative to doing nothing;
 - the money values used to weight the relative importance of the different impacts are based on people's preferences generally using established methods of measurement.



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Employee Involvement In decision making process



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Employee Involvement in the decision making process

- Involving employees in the decision-making process not only empowers them to contribute to the success of an organization, but also saves the Organization time and money in increased productivity and reduced outsourcing.
- It has at least four advantages:
 1. Increase of productivity
 2. Increase overall Organization morale
 3. Use of internal resources
 4. Improves workplace relationships



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Communicating a decision

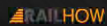


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Communicating a decision

- Communication is very important:
 - Decide what you want the people to do/know after the communication
 - Define target audiences (e.g.: executive, staff/union, customers, media, etc)
 - Determine the content of message for each audience group
 - Identify the most effective and efficient media to use per message per audience group
 - Identify barriers to effective communication (organisational and physical)
 - Agree best delivery date(s), day, time and situation
 - Identify the most effective communicators of the message
 - Check if the right message has been heard by the right people at the right time
 - Keep at least one step ahead of the target audience's thinking processes
 - Prepare for adverse outcomes



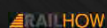
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Structuring your argument

- To convince others to support your decision or to lead them into taking the decision that you wish them to take, **structure your argument so well that it leads them step by step to the conclusion.**
- This is the same conclusion that you have reached and are **now asking them to agree to.**
- You must lead them to your conclusions **without them realising it, by setting out what is common knowledge:**
 - The situation
 - The issue - the complication or what is wrong
 - Then the decision that is required

So far **they cannot disagree**, as you are re-stating facts that should be known and understood.

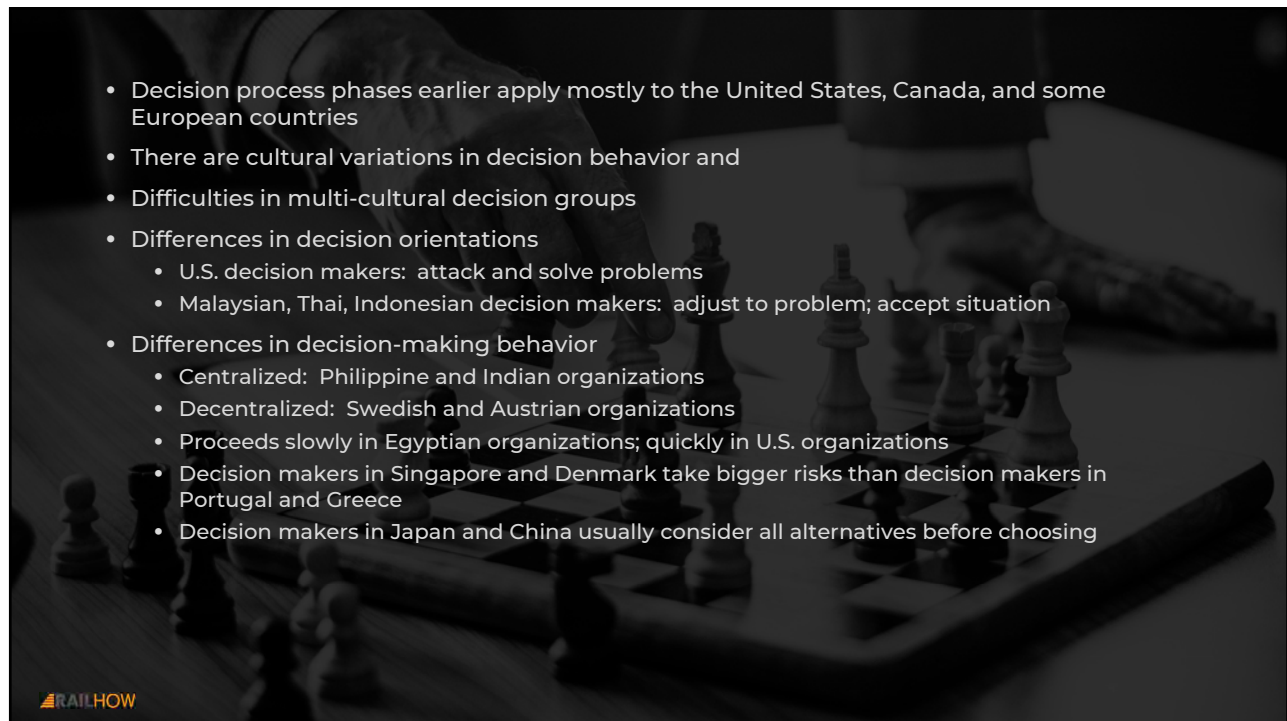
 - Then set out the conclusion that is the decision
 - Then the supporting evidence
 - Faced with such a logical approach most people will readily come to the same conclusions as you and make the decision
- The argument must, of course, be constructed logically and contain no deficiencies.



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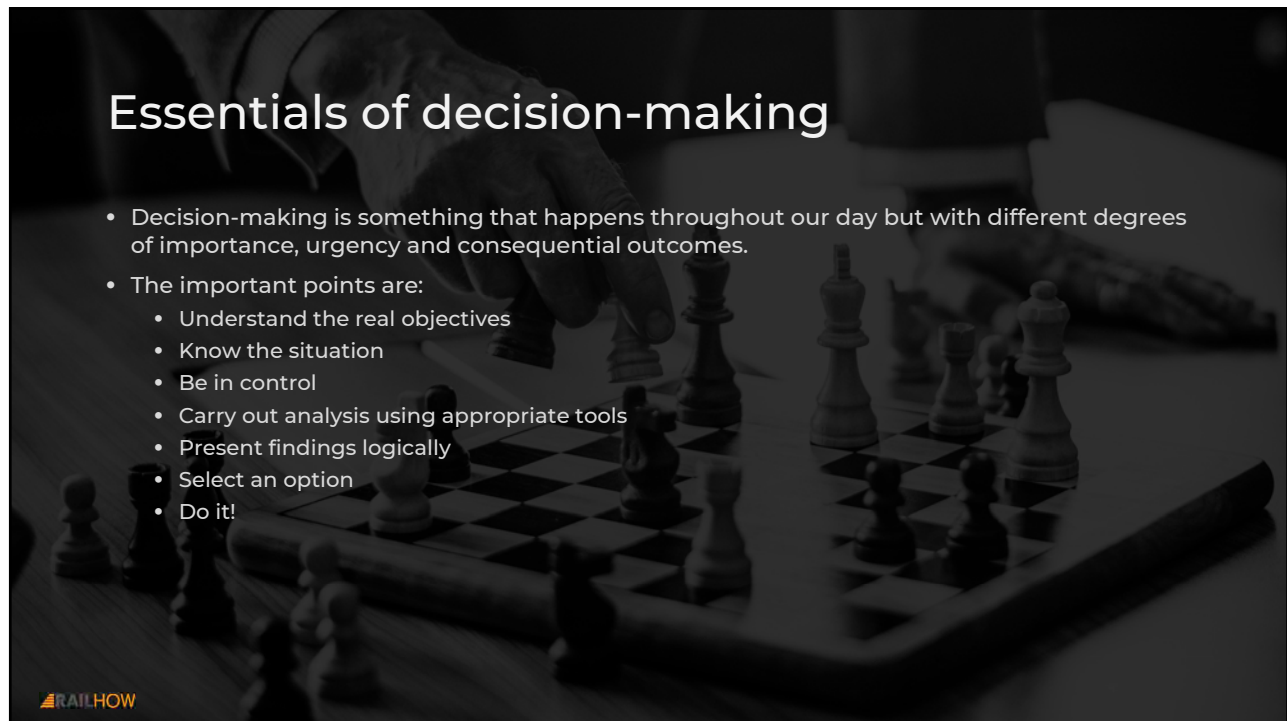
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Tips

- Once you have finished your discussions, **make the decision quickly - circumstances may change or you may lose momentum.**
- Understand the **difference between important and urgent** - the latter requires a rapid decision, but important decisions may require more extended analysis. An urgent and important decision needs the right level of analysis to enable the optimal decision to be made.
- Remember, **people generally support decisions in which they have participated.**
- Do **not postpone important but non-urgent decisions** - set your own deadlines and do not let them be forced on you.
- If a decision is **no longer appropriate, change it** - but in a measured manner.
- If you **need help, get it.**