

How do various characteristics of a problem ascertain the type of decision-making strategy to be adopted? What other conditions, as well as types of decision making biases and errors may effect the decision-making process? (CSS-2024)

### Decision making progress

According to Stephen Robbins, managers at all level of the organization are involved in decision making progress. These decisions involve planned and structure solution to a problem or challenge. Lower and Middle managers are involved in routine decision-making process whereas top managers are involved in complex decisions. These are two types of characteristics of a problem that require certain decisions.

### Problems and type of decision



### a) Unstructured problems, and non-programmed ~~problem~~ decisions

Unstructured problems are the problems that are not common in nature and routine work and require manager to design a unique solution. For such problems having unstructured characteristics, managers use non-programmed decisions, a decision that emphasize a specific and unique solution. For example, shifting manufacturing facility to another country. The prerequisite to solve the unstructured problems is a solution that is not commonly used in daily working.

### b) Structured problems require programmed decisions

Structure problems are routine driven and can arise more commonly than unstructured problems. For example, the spillover of coffee



by the worker on the dress of a customer. These types of problems are not complex and require simple solution and decision. A programmed decision, a decision by manager which is commonly used by other managers and is evident by observing the problem. For example, offering the customer to get dry clean the dress. Such types of problems are programmed and have three types:

- Procedure, set of tasks require to complete a certain activity.
- Rule, a list of documents that specifies the solution. e.g.- rule for late comers and absenteeism.
- Policy, a set of documents that requires interpretation of a decision maker and are not like hard and fast rule. e.g.- company require Human Resource managers to pay competitive salary to employees.



## Decision making biases and errors

When making decisions, managers use "Rule of thumb" known as heuristics, and not their own personal opinion, to solve the problem. Rule of thumb is helpful for complex problems that are ambiguous and uncertain. But rule of thumb often leads to decision making biases and errors. Various types of biases and errors are:

### a) Overly confidence

When decision makers are confident that they know enough knowledge to solve the conundrum but in reality, they do not.

### b) Instant gratification

When decision makers tend to make the decision that give immediate return and do not consider long term repercussions. e.g.:- extra spending on vacations and not saving money for future use.



c) Selective bias:-

When decision makers interpret and organize the solution on the basis of favor. For example, a manager favoring a selective employee

d) Availability bias

When decisions are made upon the event that has recently passed. For example, news of airplane crash compel someone to travel by road which is more dangerous statistically

e) Randomness bias

The decision maker is supposed to link the event randomly with other events. For example, a gambler might go for certain bet which is not paid yet in the past.

f) Sunk-cost bias:-

When decision makers are involved highly in



the decision and ignoring the part solutions. For example investor putting more money in a risky project to save it from failing as significant amount of money has already been invested.

g) Self-servicing bias:

When a manager or decision maker considers success because of their skills and blame others on a failure. For example, students argue their good grades are because of their intelligence while bad grades because of unfair checking by the teacher.