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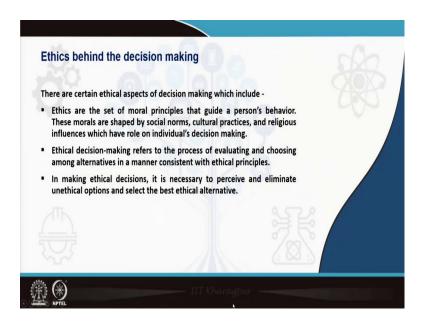
Module – 03 Lecture – 14 Barriers of Effective Decision Making

Welcome to lecture 4 on module 3, in the previous lecture we discussed about styles of decision making and cognitive biases. Today we are going to discuss about Barriers of Effective Decision Making.

And we will start with you know ethics in decision making; since you know it you know individuals are engaged in decision making, we will also learn about you know ethical factors in making decisions and how the barriers are constraining the decision making process and then how to overcome the barriers in decision making.

Let us get into the lecture, ok.

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Let us start with you know ethics behind decision making; there are certain ethical aspects of decision making which include the you know. What is ethics? Before we are talking about ethics behind the decision making, we need to understand what is ethics.

And you know every one of us would have used the term ethics; so you know are we being very ethical in or the way we look at the problem, the way we make our decisions.

So, let us understand ethics in a very simple way. Ethics are set of moral principles that guide a person's behavior, ok. So, it is generally a moral principles that you know guides a person's behavior; you know it is not only about the decision making, it will guides a every behavior of an individual's, now.

What are those you know, how these morals have been developed? So, these morals are shaped by social norms; you know the which society we live in and the cultural practices of the region or the country as a whole, then the religious influences which I have role on individual decision making.

So, generally these moral principles are you know shaped by the social norms, the clan or the type of society you live in and the cultural practices and the religious factors also will influence the moral principles; because that will drive and guide the individual's behavior now.

So, ethical decision making refers to a process of evaluating and choosing among alternatives in a manner consistent with ethical principle. Now we had learned about ethics and then we are also learning about ethical decision making. What is it ethical decision making? Ethical decision making is nothing, but you know the decision which you are arriving at is consistent with your ethical principles; it is not violating some of the ethical standards already set.

So, as long as your decision making is consistent or aligning with the ethical principles; then it is the ethical decision making. You are actually, when due course of making the decision; you are also evaluating and choosing some of the best alternative that will not violate the moral standards or ethical standards, ok.

Let us talk about some of the ethical decisions, you know let us say you are working in an accounting firm. Imagine you are working in an accounting firm, you need to you know disclose your company's annual income; because based on your annual income or a profit, you need to pay certain taxes to the government, right. So, now, how much of income you need to report?.

Are we going to you know report everything in what is been accounted or are you going to report something else or keeping you know some you know information all the sale, underplay some of the numbers and then you know fudged some data; so that you know you as a company you can pay less tax, that is where the ethical decision comes into picture.

When you are actually you know fudge some data or not do not disclose certain section of the sales; then you only under code the number to know for the tax saving, then you are actually engaging in a unethical decision making, as an individual you are going against the moral principles, you need to be honest and fair and you need to maintain your integrity in especially in disclosing the income of a company.

So, now, if you are making this is something violating the certain norms, ethical standards; then there is an unethical decision making. So, ethical decision making is always refers to a process of evaluating and choosing a best alternative, which do not violet the general moral standards or the ethical principles now.

In making ethical decision, it is necessary to perceive and eliminate unethical options and select the best ethical alternative. As it is given an example now, the analogy I have given you; when you are making a decisions, you need to ensure that you know you are trying to eliminate the unethical actions. For example, let us say you know you wanted to setup a plant and you are actually you know taking some lands and you know if it is for the development purpose it is allowed, now.

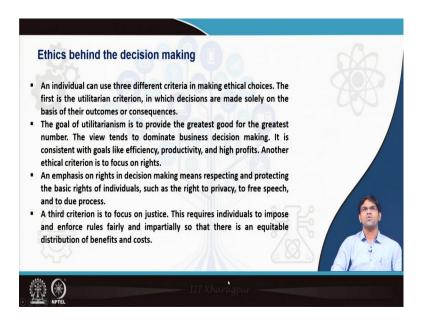
When you are taking a land and how much you are going to be you know ethically function? Are you going to impact the livelihood of the people or are you going to also provide some livelihood option to the people? So, you need to ensure that you know not exploiting the livelihood of the people, when you are taking away some lands; you are not only, you are not taking any agricultural land, rather you are going and taking a some barren land which is you know not used for any agriculture purpose, then you are actually.

When you are making that decision to acquire a land to construct a plant; then you are leaving away the agricultural land and then taking only the barren land for building your construction or the you know plant, then you know you are engaging in an ethical actions, not an unethical actions.

So, avoiding the unethical actions, not taking an agriculture land; if you are avoiding the unethical actions, and ethical action you are selecting a land which is not actually impacting any of the agricultural activities. So, you need to choose on the best alternatives to ensure that you know you are not engaging in any unethical actions, this is what the ethical decision making is.

In a very simple way, you need to avoid unethical actions; whatever the decisions you do, it has go in alignment with the moral standards or the ethical principles, fine.

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Now when you are talking about you know ethical decision. So, that generally there are some criteria's what will drive in making ethical decisions or ethical choices. We will see you know, what are those criteria. There are three criteria's in making ethical choices; first is the utilitarian criterion, in which a decisions are made solely on the basis of their outcomes or the consequences.

The goal of utilitarian principle is nothing, you know it is provide the greatest good for the greatest number; you know providing the large you know benefit to the largest section of the number. So, this view tends to dominate most of the business decisions making; you know it is consistent with you know efficiency, productivity, and high profits.

So, first principle is utilitarian; utilitarian talks about provide the greatest good to the greatest numbers. So, if you are able to provide the largest you know good to the largest section of the people; then you are able to make an ethical decision. You are providing the better services to a large section of the people, you are give providing the greatest good to the greatest numbers; then that is the first criteria to do an ethical choice or ethical decisions.

Then second is to focus on rights. So, these rights in decision making means respecting and protecting the basic rights of individuals, ok; so now, then right to privacy, freedom of speech and the due process. You know you are not actually you know avoiding all or let us say you know discriminating people, exploiting the people rights, violating their rights; then you know you are not providing the freedom of speech or the negotiations or discussions.

You know for example, you wanted to make a decisions, you need to provide enough chances to all the stakeholders to participate; you know hear their you know views, so that you know nobody is feeling that know they are not considered when you are made a decisions.

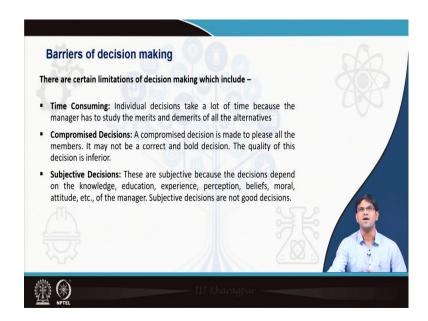
So, when the ethical decision making it is the second criteria they talks about the rights; rights of an individuals, you are not you know violating any of the basic rights of the individuals and you are also providing a right to privacy, freedom of speech and then you are of also following a due process in making a decision.

Then third criterion is to focus on justice. So, this requires individual to impose and enforce rules fairly and impartially; there is no discriminations you are providing a fair treatment, so that there is an equitable distribution of benefits and cost is provided to every party in that discussions or every stakeholders in a business, ok.

So, there is no impartiality and you are trying to you know a play a fair fairness in terms of conducting the business, in terms of making your decisions; so that there is an equitable distribution of benefits and cost to all stakeholders in a business.

So, now, generally this ethical decision making has been divided by three criteria's; one is utilitarian is nothing, but you know providing greatest goods for the greatest number, second is right, third is focusing on the justice, ok.

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Now we will come and see the barriers in decision making. So, what are those barriers in decision making, ok?. Let us see one by one. Time consuming; sometimes you know individual decisions take a lot of time, because you know manager will study the merits and demerits of all alternatives, right.

See for example, as we said the decision making always starts with the formulating a problem, then identifying what are the causes of the problem, then we have making alternatives; alternate course of actions to deal with a particular problem or an opportunity.

Now when you are coming up with an alternatives; so every individuals or the managers they take their own time to see list down; what are the merits of option a, what are the demerits of option a. Similarly option b, c, d; then if you have a, b, c, d and individual will go see merits and demerits of option a, merits and demerits of option b, merits and demerits of option c and so on, right. So, this process actually taking a lot of time, it is a time consuming process.

Then after making all this merits and demerits of all possible alternates, then you will choose a best out of this alternatives; (Refer Time: 10:04) was a time-consuming process, that is one of the term you know barrier.

So, now with the changing world, with a lot of advancement in technology; you know with the rapidity and volatility in the business, you know you need to make some quick decision, you know urgent decision making is also important know; how flexible, how quickly you can you know make decisions, you know that is why you know time consumption is also become a barrier in decision making again.

Compromised decisions; so compromised decision is made to please all the members. You know for example, you have a, you are running a business and then you have multiple stakeholders in your business; in order to make everybody happy, you it is very difficult to come to an decision which will make every section of the society or the every stakeholders in a company be happy.

So, if you are trying to make everybody happy or satisfied with whatever the decision you make, you know you may not be correct or you may not make any bold decision; the quality of decision is inferior, because you know either it will not you know suffice or support the complete needs of one particular stakeholder or nor the other stakeholders.

So, it will what will happen, it is kind of a fragile one; you know it is it will not even support or be very effective in at least you cater to the specific needs of the at least one stakeholders, you know it is like you know nobody is getting benefit out of the decisions.

So, everybody is getting some piece of it; some piece means is not going to feed you right, it is not going to you know take away your hunger. So, you know at least provide a full section to one (Refer Time: 11:31) stakeholder so that you know at least at that person is happy.

So, the decision has to be very bold compromising on all stakeholders is you know where you this decision is very inferior decisions, ok. Then subjective decision, see this you know decision making is often subjective depends on the knowledge of the decision-maker, education level, experience, perceptions, believes, moral, attitude of a manager, right. So, the subjective decisions are not good decisions.

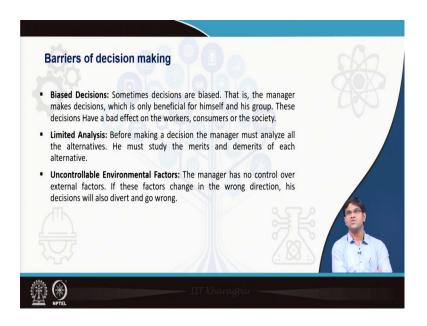
You know where we are talking about you know decision making models in the previous lecture; we talked about you know how possible, you know how good you can collect a lot or more possible information's when you are trying to understand a problem. So, that

you know you are comprehensively able to take a decision, which will address the causes of the problems; rather than only having a limited information, right.

So, the subjective knowledge if it is based on the limitation of the individuals if you are taking a decision; that decision is have will be you know again an inferior decision, it may not be you know as good as an other decision, where we are collectively following certain model and then trying to collect all possible information and making a decisions.

So, subjective decision will have certain limitations; because you know manager would have not exposed to particular set of decision making scenario earlier, so that will also cause the decision, kind of decision you make.

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Then biased decisions. So, you know the last lecture we discussed about lot of biases right; you know cognitive you know prior hypothesis bias, illusions of control. We discussed about lot of biases also, you know reasoning by analogy so many and biases. Sometimes decisions are biased; that is the manager makes decision which is only beneficial for himself or his group.

So, may be you know he will make a decision only to benefit a certain section of the company, not benefit to everybody in the company. So, then it is only a biased decision to support only sub group of the company.

So, what will happen? It will actually divide the companies into multiple subgroups and there will be you know rebellion, activity rebellious activities going on and then somebody will be unhappy about the decisions; that will actually you know bring down the motivation and morale in the company and it is going to, on the whole it is going to spoil the companies culture and then the profitability and the growth of the company also. So, you know it will have a bad effect on workers and consumers and the society or as a whole. So, the biased decision has to be corrected, fine.

Going on we will see limited analysis. See when we are doing a when we are making a decision making, it is very important that know you are going for a comprehensive knowledge of you know trying to analyze all possible ways, kind of a 360 degree view; rather than you know limiting yourself to a only certain sections of the information or limiting yourself to only one point of the information.

So, limited analysis before making any decision, manager must analyze all alternatives; you know not only you know take one or two and it is kind of you know satisfying decision as I you know discussed in the first lecture.

Likes you know because you know I, as a manager I have limitation; I will take only two alternatives and see which alternatives actually supports me or you know serves my purpose, I do not worry about what are the other alternatives are. So, then you do only limited analysis; because you want solution which actually serves your purpose on the goals, not the you know a complete organizational needs or a demands, right.

So, he must study all merits and demerits of each alternatives; but though it is time consuming, but it is very important that you know you study rather than you know having a limited analysis.

Then uncontrollable environmental factors; so in certain portions where the manager has no control over a external factors, let me give you an example. Let us say you know I wanted to you know make some decision about you know my procurement policy; let us say you know all of a sudden you know government has come up with certain legislations or an act, says you know restricting certain activities, restricting certain materials, because it is causing environmental degradation.

Or let us say you know placing some you know bar on you exporting from certain countries; then this kind of a you know policies or the government decisions where manager has no control over it. Let us say know I ordered from a particular country; but all of a sudden my government of India says that you cannot source any material from this country, owing to many other differences between countries imagine that way.

Then you know what is happening; you do not as a manager you planned to procure, because you are getting a competitive advantage after getting it at a lower price or the better quality. But now with this you know policy in place where you know you were actually started the way how to do run the business; but this who as a manager you do not have control over this external factors, ok.

These factors change in wrong direction, his decisions will also divert and go wrong; because you know let us say you know I made a decision to source from particular country, now my you know government regulation is that I cannot source. Now what will happen, I need to quickly you know buy something, so that I need to continue to do my business.

So, instead I make a wrong decisions, go make some blunder you know creating you know poor quality products; then my customers are really unhappy and then it is impacting my whole business right, the whole chain of my business is impacted, fine ok.

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Now, let us try to understand other barriers in decision making. Uncertain futures, see as we are talking about know, maybe we started from the course we are all studying about the uncertainties in the business, right. So, the decision made for the future.

So, the future, but the predictability of the future is always uncertain, uncertainty in the business is very common and change is very permanent. So, our the future is very uncertain; so how are we going to estimate the future? Therefore it is very difficult to take decision for the future.

And because most of the time we make decisions to a with an estimation of the likely outcome of the future; but you know though the uncertainties are really high, it is you know very difficult to take decision for the future, considering the limitations of the uncertainty, ok.

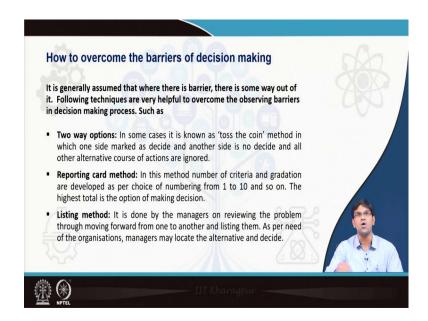
Then responsibility is diluted; that is everybody's responsibility is nobody's responsibility, ok. So, you know the responsibility is diluted; when the responsibility is diluted, you know it is very difficult. For this reason, sometimes you know decision making losses is importance; even it becomes impossible to achieve the organizational goals.

For this reasons, at the time of decision making manager should be aware about above limitations, ok. Who has to be given responsibility and who has to take the responsibility; because you know when I will say you know if everybody feels that you know some of them will take a responsibility. It is like you know feeling that you know he will do here or she will do you know, it is I can be in the group let us say, we it generally happens in a group, right.

When one goal or a target is given in a group, you know the group members are under the assumption that you know he or she will do and then other person will think you know he or she will do; we can you know just be a free rider, you know collectively somehow the group will do. So, when you know everybody's responsibilities nobody's responsibility.

So, when a responsibility is diluted, no nobody's given a defined terms of you know what has to be done by whom; then it is become you know, decision making becomes hassle and then it becomes very difficult for a company to survive, ok.

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Now, we have you know understood some of the barriers of decision-making now. How to overcome the barriers of decision making? So, it is generally assumed that you know when there is a barrier; there is always some way out, right. So, let us try to understand, you know how to handle this barriers. We talked about a lot of barriers in decision making, right. So, how do we handle it?.

We will see you know few you know methods suggested to handle the, you know barriers in decision making. One first option is two way options. So, what is this two way options? In some cases it is known that you know toss the coin. So, what will happen in the toss the coin? Either you will get head or tail, right. Similarly if toss the coin means you know you either you decide or you do not decide, you do not decide.

Let us say you know have altered all alternatives, you choose ok, which alternative choose; whether to choose this or not, toss the coin and say ok, we will choose this alternative or that alternative and other alternative course of actions are ignored, ok. So, as a group you will decide, you would have already studied; let us say you know all merits and demerits are discussed and then all of them are equally competent decisions.

So, what do I do? Which one I choose? You know weighing you know decision criteria, all we have done; now we are arrived as know all alternatives of eighty, eighty, eighty; you know what should I do? So, in that you know typical situation people can go

for two way options; you know toss the coin. So, to make one decisions and rest is on shelf.

And then reporting card method; in this method number of criteria's are criteria and gradation are developed as per the choice of numbering from 1 to 10 and so on. For example, you know now decision criteria; you make a decision criteria and you give some weightage to the decision criteria and then based on the weightage given to each criteria, you formulate numbers and then you prioritize, you create an order, ok. Highest total is the option of decision making.

So, let us say you know I make five criteria to make a decision. Let us say 1, 2, 3, 4, 5 ok; first factor is let us go back to the earlier decision in the previous lectures, I have discussed about buying a car is the decision making now.

Let us say now price is a one factor, then fuel efficiency is the second factor, style is third factor; let us say brand is the fourth factor, I am taking four factors. Now price I am a conservative person, let us say I do not have much money; so I am retired employee, then I need to buy a car. So, my weightage will be more on the price; the cheaper the price, higher likelihood that I will make a decision.

Now I give a lot of weightage on the option a, which is the decision criteria a the price; I give point 5 let us say. Then a fuel efficiency let us say point 2, then you know brand point 1; then another one it is the styles point 2. Let us say cumulatively I collected you know I collected five different cars.

So, based on this weight criteria, I will collect and then some made the scores of each of this and then I will rank it; you know prioritize where you know I will make this ranking order 1, 2, 3, 4, 5.

Now basically which one has the highest score? I will take that as my decision. So, that is a ranking card method; it is very simple, you give the criteria where you know decision criteria, give the weightage and cumulatively collect the score for each of these you know decisions you are making, then whichever is having highest score that will be taken as rank 1, rank 2, rank 3, rank 4, rank 5 then rank 1 will be my obvious decision. Then if in case if I am disregarding the rank 1, then I will move on to rank 2. So, that is the ranking reporting card method, ok.

Then listing method. So, it is done by managers on reviewing the problem through moving forward from one to another and listing them. So, as per the needs of the organizations, a manager may locate the alternative and decide, ok.

So, generally you know managers will review the problem through moving forward from one to another. So, let us say there are so many problems, they will list down the problems and say which problem has to be addressed. Or now which has to be addressed first and then they will also look at the alternatives to choose and these are the possible ways to overcome the barriers now.

Let us say you know we are also talked about some biases, right. So, how do we address and you know there are beyond these three methods; there is also some other method, let me discuss. See what will happen you know, there is another option approach called devil's advocacy.

Devil's advocacy is nothing, but you know a generation of a both a plan and critically analyze the plans by devil's advocate. Like say you know I say this is the benefit of the particular decision or an alternative; what will happen in that time? So, I will have a person, who will play devil's advocate role, who will question the you know decision; who will question this alternative or the solution proposed.

And then he will try to understand, critically you know analyze and question whatever the way I say; so this one of the ways that you know you can also come out of the biases. Whatever the decision I propose, whatever the solution I proposed; you know one person will purposefully playing a role of devil's advocate, who will question the solutions or decision been suggested, ok. That is one way to know come out of the biases also. We are talking about the barriers in decision making; it is also important to learn about the you know how to come out of the bias and decision making.

Then there is a dielectric inquiry. See the generation of a plan; when you are making a plan, it is kind of you know a thesis and an antithesis. You know create a plan under counter plan ok; that reflects the plausible and by conflicting course of action. Say let us say now I go in direction x, then you also create another one is a direction y; there is a counter plan, there's a plan and then there is a counter plan.

You discuss about the conflicting things about these two things and then out of these and you will say you will be able to make a better decision, right. So, this is exactly of opposite to each other. I say this is a way you approach; let us say you know one is conservative, one is aggressive.

Let us take two this, two you know classical example of you know talking about a dielectric inquiry. So, let us say you know as a company I can take a conservative approach or I can take a aggressive approach.

So, conservative approach is you know being very you know reserved, you know very conservative I do not you know invest so much; I do not want to you know make a risk of you know getting into a new product or new service, just investing a new plant or whatever it is, being a conservative approach.

Then aggressive approaches you know, I wanted to be a very aggressive in the way I do my business; you know I wanted to you know create as many businesses as possible, increase, you know invest you know and create launch so many new products that is being an aggressive approach.

Now this actually you know if you look at it you know, it is all both you know exactly contrasting to each other, conflicting to each other; then based on that you will be make a decision.

Then another one is you know outside view; outside view is you know this is very interesting one. What is this outside view? It is nothing, but know let us say, if you are experiencing as a company or as an individual, you are experiencing a problem. Now this problem is it very unique, first you need to understand. If this is not unique, that you know this problem is already existed to some other company or some other individual, then what is the best way to do is ok?.

Now this problem is not unique; then you have seen that you know certain let us say some company as already experienced this problem, now I go and understand, you know let us say I have created three alternative to handle this particular problem. Now I go and see how that particular company handled the particular problem or the alternate; out of these alternative how the outsiders have used or how outsider approached to this problem

in addressing the particular problem? You know in terms of generating solutions to handle this particular problem.

So, you know that is an outside view. So, this will also one way to you know come out of the biases in your decision making; is know because when you are you know, when the decision was made by you and then you will associate too much with your you know opinions or decisions, you will try to take pride on the decision.

When you are taking you know away from the decision-making and you are trying to see the outside view; you will be able to make better decisions. So, these are the possible ways within which you know you can handle the barriers in decision-making and biases in decision making, ok.

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So, these are the references and today we discussed about ethical decision-making. So, ethical decision making; we said know it is nothing, but you know process of evaluating making a decision which in you know alignment with the ethical standards and moral principles of the society.

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Then you do not actually you know make any decision which are violating the ethical choices and you know you are trying to make an ethical decision making. When you are making an ethical decision, you are also trying to avoid unethical actions on any of the things you are trying to do.

And now what are the three criteria's which are actually influencing your ethical decision? One is utilitarianism which is nothing, but you know greatest good for the greatest numbers. And then you are trying to ensure that the rights of the individuals are not violated and you are given rights to privacy and you know and then right to justice; that is you know fairness provided and there is an impartibility's, no discrimination in terms of handling people. So, these criteria's will influence the ethical decision making.

And we also discussed about the barriers in decision-making; you know we talked about you know a limited analysis, you know time constraints, individual involvement in making the decisions.

So, we are all discussed about a lot of the barriers and then we also today we also discussed about the ways in which you know we will be able to overcome the barriers in decision-making. And I also discussed about some of the ways in which you can also handle when the cognitive biases in a decision making.

As one example being a devil's advocate, you know whatever the solution one proposed, you question it critically; you know, so that you know you will be able to understand the benefit and the cost of the you know decision-making.

Then as I said know taking an outside view. Go out from your organization let us say you know how the particular organization experience; who have experienced a similar problem, handle the problem ok, how does that alternative solution worked really.

In case you know some alternate solution proposed by the company which is failed and know that has a different implications on the company growth; then it is better that know you also do not take the particular decision, because you do not need to test it again and to see that you know your company also going to have the same impact or not. It is better not to refrain from this particular decision.

You know the outside view is important; go understand whether this similar decision is better or not, ok. These are the, you know possible ways to handle the barriers and the cognitive biases in a decision making.

Thank you.