

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

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**Agenda**

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- 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

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Which outcome do you prefer:

A) A sure payment of \$500

or

B) A 50% chance of winning \$1000



### Framing 2

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Which outcome do you prefer:

A) A sure loss of \$500

or

B) A 50% chance of losing \$1000



## Prospect Theory

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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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For more information or to answer questions you may have regarding this presentation, please feel free to contact Queen's Executive Development Centre:

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