

# Developments In Business Simulation & Experiential Exercises, Volume 23, 1996

## DECIDING HOW TO DECIDE

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### ABSTRACT

This exercise is designed to help students better understand how the choice of the appropriate decision rule determines the alternative which is selected. There is no “good” or “right” decision until there is agreement on the basis, or rule, for making the decision. The facts or data do not speak for themselves. The decision-makers can take the same input information and arrive at very different choices depending on the decision rule which they are explicitly or implicitly using. Thus, in-group decision-making situations, it is important that the group decide in advance what decision rule they will utilize in reaching their decision. They must decide how they will decide’

### LITERATURE

As McKenna (1980) noted, determining the appropriate decision rule(s) is a part of the strategic stage which attempts to answer Dewey’s question, “Which is the best alternative?” It is part of Simon’s “design phase,” and in the rational model it is a prerequisite to evaluating alternatives. Thus, there is no best alternative until all decision-makers agree on what “best” means. McKenna (1980: 7) concludes correctly that, “Choosing an alternative, according to the established criteria, is relatively simple if the criterion or criteria have been agreed upon, or if the criteria are not conflicting.” Determining the decision rules or criteria should be accomplished before discussing, and perhaps before identifying, the alternatives available. “Lacking commonly accepted, unbiased procedures, decision making becomes a shoving contest among those with differing points of view. The individuals with the most power prevail,” according to Kepner & Tregoe (1981 :83).

### THE SITUATION

The Seikcor Corporation has decided to launch a new product and it has set aside \$5 million dollars for the best internal proposal as to what that product should be, and for developing it for market. Requests for proposal (RFP’s) have been requested which can utilize the entire \$5 million for launching their proposed new product. An internal committee of four people has been assembled to review each of the five proposals which were received. The Committee

has discussed the criteria which they feel are most relevant in evaluating the proposals, and then each committee member has read each proposal and determined the relative merit of each.

Judy has suggested that they each indicate their preferred proposal and then select the one favored by the most committee members. Fred feels that this approach fails to consider other worthy proposals and suggests as an alternative that each committee member select their favorite three proposals, and that the Committee then select the proposal which is mentioned most often as being one of the top three. Linda suggested that they rank order all five proposals and assign weights to each rank (rank 1 = 5; rank 2 = 4 rank 5 =

1). They should then simply add the weighted scores and select the proposal with the highest total weighted score. Finally, Sam suggests that none of the previous approaches adequately distinguishes the strength of each person’s preference for the various proposals. He feels that each committee member be given 100 points, which they can then distribute across the five proposals so as to reflect the strength of their preference for each.

Each of the above outcomes is summarized in a separate table; however, only the table for the last proposal is shown below, though the others can be deduced from it, and it is labeled “Table 1 “. Since each of their approaches leads to a different result, someone suggested that they divide the award equally among all proposals. Someone else countered that they should simply select a proposal at random since they seem to be very equally evaluated. And finally another member proposed that the Chair of the Committee (who is Fred) make the choice since the Committee does not seem to have a clear-cut preference.

### THE DECISION

Students are asked to assume that they are members of the Review Committee, and to specify which rule for selecting the winning proposal they would favor? They are also asked to study each decision-making approach and to indicate their preferences by rank ordering the various alternatives listed on a ballot, which I give to them.

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TABLE 1  
A DISTRIBUTED SOLUTION

	COMMITTEE MEMBERS					
	JUDY	FRED	LINDA	SAM	TOTAL	RANK
PROPOSALS						
A	75	10	0	22	107	2
B	0	30	0	20	50	4
C	25	50	0	19	94	3
D	0	5	100	18	123	1
E	0	5	0	21	26	5

Finally, they are asked to explain the reasons for their particular preference, and to suggest another approach for making the decision if they feel there is a better alternative.

risk taking, higher order information may be preferred; and where the individual is more highly valued, a distributed decision rule may gain favor.

### CLASSROOM USE

When I use the exercise in class, I first have students individually select what they feel to be the most appropriate decision rule. Then I put student's in-groups to discuss the reasoning behind their individual preferences, and ask them to arrive at a group decision, as if they were themselves members of the review panel. The exercise is useful in the discussion of several topics (e.g., nominal vs. ordinal vs. interval/ratio data; group decision making issues such as "group think," "risky shift," and hierarchy). Cultural value systems also impact the decision making process according to Aldag & Stearns (1991). The exercise is particularly useful in exploring the cultural preferences for different decision rules, e.g., authoritative versus participatory processes. Students from more group-oriented cultures seem to have a preference for "selecting the proposal that is most mentioned as one of the top three proposals by members of the committee." This apparently comes closest to a consensus-based decision. Those from high power distance cultures have a greater preference for centralized decisions by the chair of the committee. Where there is an aversion to

### IMPORTANCE

Post hoc controversies over decisions can often be avoided if groups can reach agreement, a priori, on the rules and procedures they will adhere to in making the decision. Can you imagine the difficulty of selecting the 12 teams for post season play in the NFL, if there were not prior agreement on the elaborate and detailed tiebreaker rules. In contrast, the recent debate between the executive and legislative branches over a balanced budget, seems to be complicated by the lack of agreement over the proper decision rules -- whose figures, what time period, etc. Once the decision rules are agreed to, the choice of the proper alternative is often a given.

### REFERENCES

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 McKenna, C.K. (1980) *Quantitative Methods for Public Decision-Making* New York, NY: McGraw-Hill