

Project Leadership

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PMG 511

Decision-making: An Essential Leadership Skill

Lecture 09



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Chapter

09

Objectives



This lecture aims to identify the process of decision making as is one of the most leadership skills that shall be acquired. Through this lecture the decision-making styles, models and types will be explained.



Chapter

09

Learning Outcomes

1. What is decision-making ?
2. decision-making and leadership
3. Importance of Decision-Making
4. Types of decision-making
5. decision-making style
6. Stages of decision-making process/ models
7. decision-making from leaders perspective
8. Decision-making skills.
9. Summary and Conclusions.

Leadership isn't making
all the decisions. It is
making sure the right
decisions are made.

Andy Stanley

PICTUREQUOTES.COM

What is Decision-making?

“Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem”.

George R Terry

What is Decision-making?

- It is a process of reflecting on the consequences of a certain choice (Senik at al., 2012).
- **Decision-making** is vital to all management activities.
- Throughout the business cycle, decisions are usually made to attain the objectives of the business.
- **Decisions** must be made. Every aspect of management functions, such as planning, organizing, and control is determined by decisions, the result of which is the performance in the organization.

Decision-making Process

Decision-making process: the process by which managers/leaders respond to opportunities and threats by analyzing options, and making decisions about goals and courses of action.

Decisions in response to opportunities: managers/leaders respond to ways to improve organizational performance.

Decisions in response to threats: occurs when managers/leaders are impacted by adverse events to the organization.

Making Effective Decisions

Factors:

- ☐ Perception.
- ☐ Priority.
- ☐ Acceptability.
- ☐ Risk.
- ☐ Resources.
- ☐ Style.
- ☐ Judgement
- ☐ Goals.
- ☐ Values.
- ☐ Demands.



Great Leaders are Great Decision-makers

- **Decision-making** is the key **skill** in the workplace and very **important** for **leaders**.
- Great leaders understand how to balance emotion with reason and make decisions that positively impact themselves, their employees, their customers and stakeholders, and their organizations.
- The **decision-making process** is a **crucial leadership function** that is increasingly becoming complicated due to technological and politico-socio-economic factors.

Great Leaders are Great Decision-makers

- A **leader's** decisions can be characterized by routine, but they can also be acute or strategic.
- Being able to effectively make **individual and group decisions** is the primary action that defines **who a leader is**, **what a leader does**, and **what a leader can accomplish for his or her organization**.

Importance of Decision-making

- Leaders perform all their skills through decision-making.
- Making right decision in right times values much to the project.
- Helps the management to procure necessary data and information.
- Helps to initiate and complete the action of all the activities of the management in the right time.
- Helps in the formation of strategies and implement them.

Essentials for Effective Decision-making

- ☐ Accuracy.
- ☐ Environment for decision.
- ☐ Timely decision .
- ☐ Communication of decision.
- ☐ Participative decision-making.
- ☐ Implementation of decision.



Difficulties in Decision-making

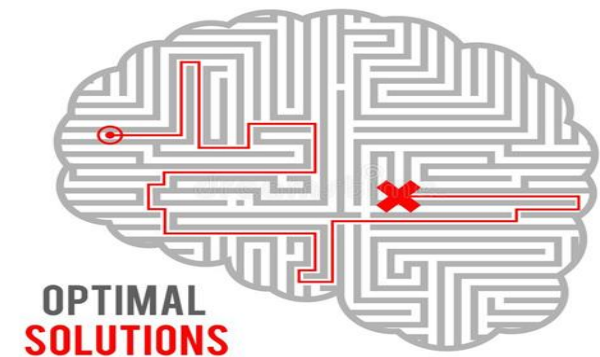
- ☐ Incomplete Information.
- ☐ Un-supporting environment.
- ☐ Non-acceptance by subordinates.
- ☐ Ineffective Communication.
- ☐ Incorrect timing.



Types of Decision-making

1. Basic Decision or Strategic Decisions

- All basic decision is strategic decisions involving large range commitments and large investments.
- Slight or small mistakes in these decisions would seriously injure the entire organizations.



Types of Decision-making

2. Administrative Decisions

Programmed Decisions:

- Routine, almost automatic process.
- Leaders have made decision many times before.
- There are rules or guidelines to follow.
- Example: Deciding to reorder office supplies.

Non-programmed Decisions:

- Unusual situations that have not been often addressed.
- No rules to follow since the decision is new.
- These decisions are made based on information, and a leader's intuition, and judgment.
- Example: Should the firm invest in a new technology?

Types of Decision-making

3. Major and Minor Decisions.

4. Policy and operative Decisions.

5. Organizational and Personal Decisions.

*The highest level of **Organizational decisions** is referred to as strategic decisions. These decisions affect an organization's general direction, long-term objectives, philosophy and values. Uncertainty is generally high. The middle level is referred to as tactical decisions. These support the strategic decisions, and tend to be of moderate importance and to have moderate impact. The lowest level is known as operational decisions.*

6. Individual and Group Decisions.

7. Long-term and short-term Decisions.

8. Departmental Decisions.

Types of Decision-making

9. Non-economic decisions: relate to values, moral behavior, etc.

10. Crisis and research Decisions: Crisis decisions are those which are made to meet unanticipated situations. Mostly made immediately under pressure of the circumstances.

Research Decisions are made after thorough analysis without any pressure.

11. Initiative and forced Decisions

12. Problem and opportunity Decisions:

Problem decisions= resolving Problem situations which have arisen as anticipated or not...,

opportunity decisions= pertain to taking advantage of an opportunity...sometimes involves risk

- **Decisions in response to opportunities:** managers/leaders respond to ways to improve organizational performance.
- **Decisions in response to threats:** occurs when managers/leaders are impacted by adverse events to the organization.

Decision-making Styles

- Decision style has been referred to as:

*cognitive
style*

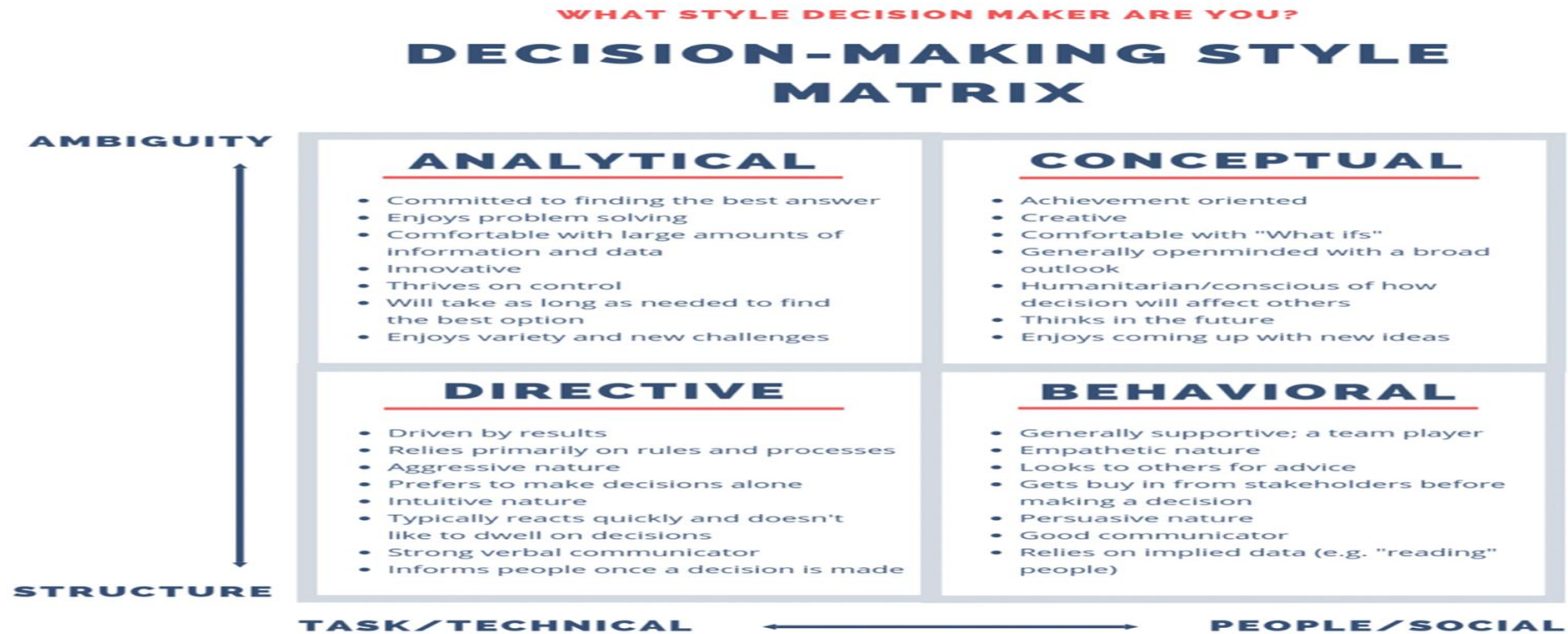
*psychological
style*

*problem
solving style*

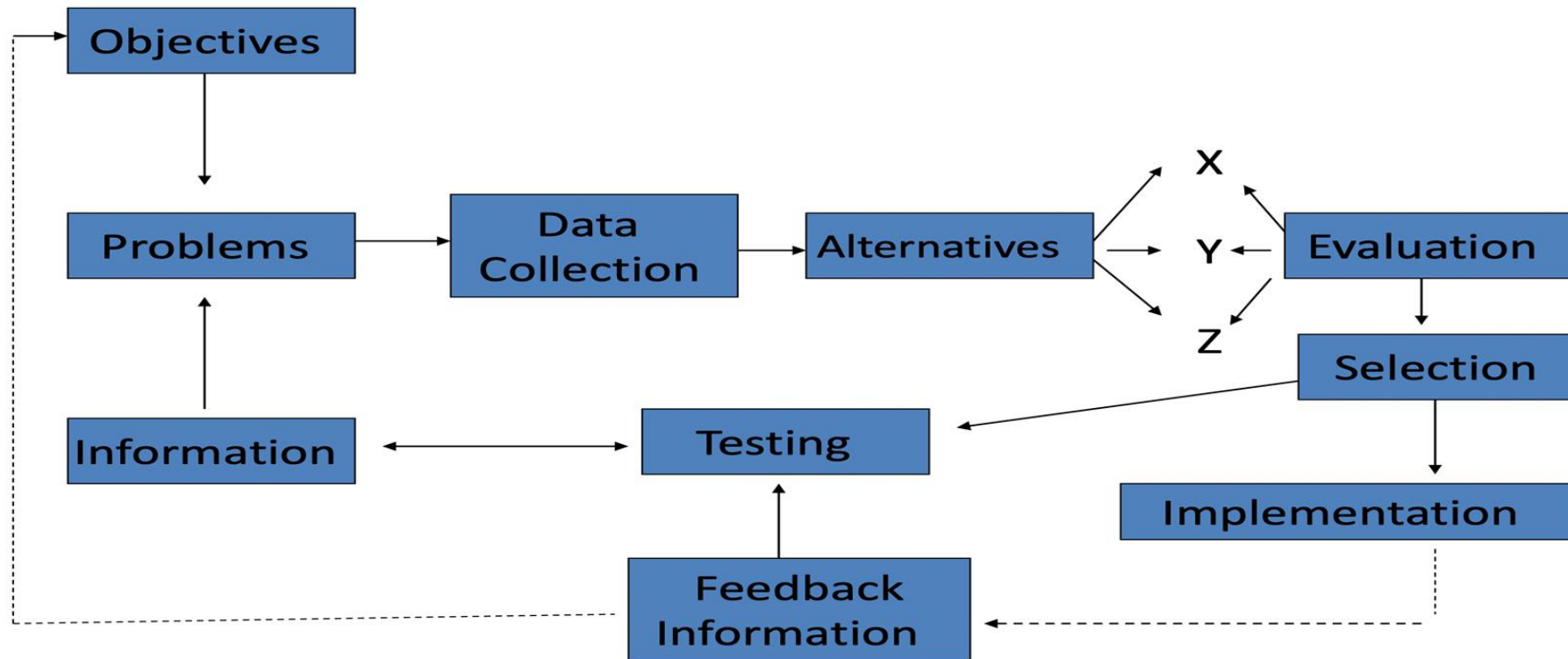
Decision-making Styles

- **Cognitive style** is the information processing habits of an individual.
- Myers and Briggs (1995) explain that **psychology type** is a theory to explain the normal differences between healthy people.
- The Center for Creative Learning (2013) defines **problem solving style** as the *“consistent individual differences in the ways people prefer to deal with new ideas, manage change, and respond effectively to complex, open-ended opportunities and challenges.”*

Decision-making Styles



Stages of Decision-making Process

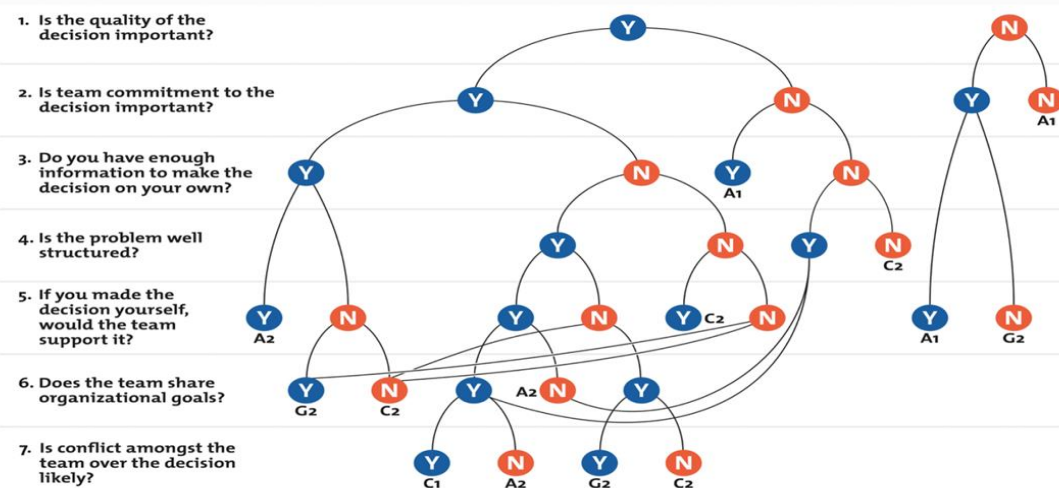


Decision-making Models

1. Normative Model

- Seven steps are identified in the analytical precise model.

Figure 1: The Vroom-Yetton Decision Model



The Vroom-Yetton Decision Tree: Adapted from Leadership and Decision Making by Victor H. Vroom and Philip W. Yetton by permission of the University of Pittsburgh Press. Copyright © 1973 University of Pittsburgh Press.

Normative Model

Shows the Vroom-Yetton model. The framework poses seven "yes/no" questions, which you need to answer to find the best decision-making process for your situation.

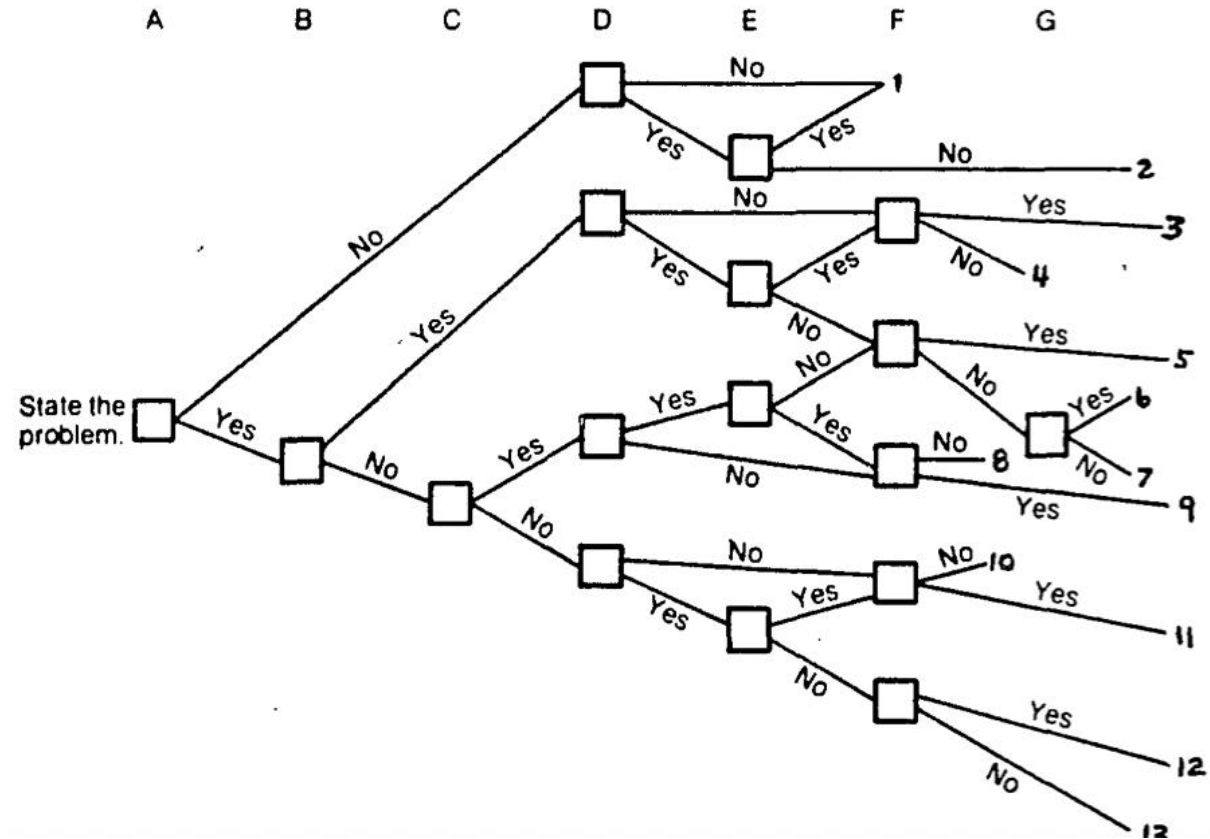
As you answer each of the questions, you work your way through a decision tree until you arrive at a code (A1, A2, C1, C2, or G2). This code identifies the best decision-making process for you and your team. (Note that, in some scenarios, you won't need to answer all of the questions.)

The following codes represent the five decision-making processes that are described by the model:

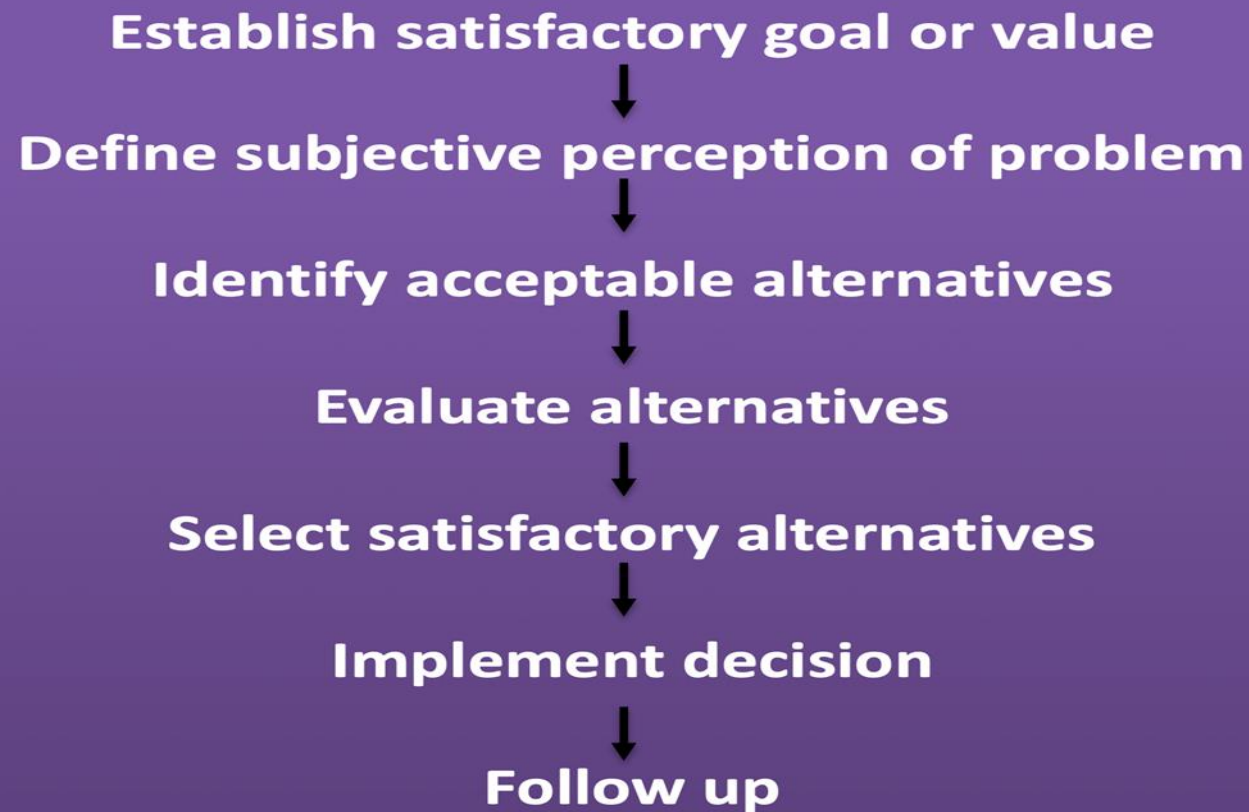
- **Autocratic (A1):** You use the information that you already have to make the decision, **without** requiring any further input from your team.
- **Autocratic (A2):** You **consult your team** to obtain specific information that you need, and then **you make the final decision**.
- **Consultative (C1):** You inform your team of the situation and ask for members' opinions individually, but you don't bring the group together for a discussion. **You make the final decision.**
- **Consultative (C2):** You get your team together for a group discussion about the issue and to seek their suggestions, but **you still make the final decision by yourself.**
- **Collaborative (G2):** You work with your team to reach a group consensus. Your role is mostly facilitative, and you help team members to reach a decision that they **all agree on.**

Decision Tree Model

- Every path through the tree corresponds to a possible sequence of actions and events, each with its own distinct consequences.
- Probabilities of both positive and negative consequences of each action and event are estimated and recorded on the appropriate branch.



Descriptive Model of Decision-making



Types of Decision-making Environments

Under certain environments:

- Exist when information is insufficient to predict the results of each alternative in advance of implementation.

Decision-making under uncertainty:

- In making decision under uncertainty, the decision maker knows with certainty what conditions will subsequently occur and affect the decision outcomes.

Decision-making under risk:

- In making decision under risk, the probabilities are used to obtain expected values of outcomes for each decision alternative.

Types of Decision-making Environments

Under uncertain environments:

- In some cases a decision maker cannot assess the probability of occurrence for the various states of nature. so little information that they cannot even assign probabilities to various alternatives and possible outcomes.
- Uncertainty forces decision makers to rely individual and group creativity to succeed in problem solving.
- When no probabilities are available, the situation is referred to as making decision under uncertainty.

Types of Decision-making Environments

Under risky environments:

-Exist when decision makers lack complete certainty regarding the outcomes of certainty regarding the outcomes of various courses of action, but they can assign probabilities of occurrence.

-**Probabilities** can be assigned through objective statistical procedures or personal intuition.

- **Expected value**

The product of a payoff and its probability of occurrence.

- **Decision tree**

A branching diagram that illustrates the alternatives.

Decision-making From Leaders' Perspective

- How to analyze decision problems and arrive at solutions?
- How to work with information and knowledge?
- How to take principled risks ?
- How to overcome obstacles ?
- How to handle personality issues, group dynamics and organizational culture in order to shape decisions ?
- How to master pressure, crises, conflicts and stress in decision-making ?
- How to master techniques and personal growth?



Decision-making From Leaders' Perspective

Any successful organization/ project must have effective leaders, and effective leaders must be able to make important decisions.



Decision-making From Leaders' Perspective

1- Sense-making:

With the help of sense-making it is possible for leaders to:

- Leaders Change their perceptions so they become mutually consistent.
- Modify always their goals and expectations .

2- Culture:

- The leader of is usually in the best position to be able to influence the team's own culture.
- Leaders can express culture through their personality, their role and their way of being, and may thus provide a platform to change the culture.

Decision-making From Leaders' Perspective

3- Decision and leader's perception:

Different leaders learn from their experiences in different ways, and there are three basic factors that can influence leaders to learn from their strategic experiences:

1. **Reflection.** Leaders who are good at learning tend to have a «high reflection index». This means that they actively reflect on what move they should have made in a strategic game.
2. **Change.** how fast the surroundings change.
3. **Dedication.** There is a tendency among leaders to repeat what has previously worked well. This can lead to very good performance.

4- Leader power

- In order to exercise leadership, a leader must have access to power.
- Leaders use power as an important means to achieve goals. a leader must, in order to exercise leadership, also focus on his or her leadership style. Exercising power.

5- Ethical aspects of decision-making

- Leadership research indicates that there are a number of key ethical decision-making perspectives that govern decisions: Ex: The fairness perspective

6- Creative Problem Solving

- Successful leaders are often willing to experiment actively with innovative ways of solving their problems.
- Creative problem-solving processes are characterized by leaders exploring many possible solutions on a general level.

7- To take risks

- One way to minimize risks by leaders is to draw up a list of all possible negative consequences of a given decision and assess their likelihood.

8- Facilitating leadership decisions:

- A very important decision for a leader is determining who should be included in the decision-making process
- The leader makes a decision first and then searches for information.
- The challenge for the leader is thus to be a good listener.

9- Making future predictions

- Leaders must ensure that all relevant variables and options are included in the forecast.

10- Leadership decisions under stress :

- When leaders are able to balance their professional and personal lives, they also feel the power to control their situation. The power of one's life is also about the balance between responsibility and authority.
- If leaders feel that they have responsibilities that they cannot manage or do not have time for, the work environment must be permissive.

11- Being able to build trust

- Communication is important for a leader to be able to enjoy trust.
- Communication helps to create an environment of trust around leaders that allows them to lead more effectively, engage employees and deliver results. Leaders can use both formal and informal ways of communicating.
- Leader, one has to create transparency.

12- Presenting ideas

- When ideas are to be presented, it is important that they be structured clearly. Leaders must start with themselves.

13- Self-leadership and decision-making

-General list of recommendations that are useful for leaders who want to develop their own skills. These include:

-To develop a personal vision for what you want to accomplish in your career.

-To seek challenging tasks and work assignments.

-To improve self-monitoring.

-To seek relevant feedback.

-To learn from your mistakes.

-When a leader has analyzed his or her fundamental values, it is time to set goals and prioritize between them. Setting goals is ultimately about giving daily efforts focus and meaning. Leaders therefore need to specify both long-term and short-term goals.

14- Leadership styles

- Leadership style has a high influence in decision-making.
- Authoritative decision style calls for an Autocratic leadership approach.
- A facilitative decision-making style will usually attracts democratic or contingency approach of leadership.
- Delegative, consultative and flexible decision-making styles attract democratic, participative and transformational leadership style.

Decision-making Skills

Decision-making skills essential to leaders include:

- Problem-solving skills
- Logical reasoning
- Emotional Intelligence
- Collaboration
- Creativity

Summary and Conclusions

- Decision-making is vital to all management activities.
- Decision-making is the key skill in the workplace and very important for leaders.
- There are different types of decision.
- There are stages to follow for decision-making process.
- Leaders able to make a decision under certain Environments
- Effective leaders must be able to make important decisions.



Thank You