

Problem Solving and Decision Making

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Today's Session

- What
 - Make decisions
 - Overview of how we think
 - Cognitive heuristics (shortcuts, rules of thumb)
 - Team decision making and leadership
- Why
 - Build awareness of heuristics or “rules of thumb” that make us really efficient and effective at processing information and making decisions
 - “Conscious” or mindful decision makers
 - Improve individual and team decision making



Your Decisions

- Pre-session survey
- Carter racing
 - In your groups, make a collective decision to race or not race
 - Race time
 - Additional information



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Novus Pharmaceuticals

- You are one of several VPs of a company called Novus Pharmaceuticals
 - Sr. VPs of Sales & Marketing, HR, Ops, R&D, Finance
- Purpose
 - Recommend a firm to acquire
- Process
 - Review information, make recommendation and tell me why
 - Hand in all materials to me (you can take notes on separate sheet of paper)
 - Meet with group to reach consensus decision

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Carter Racing

- Justifications for ...

Racing



Not Racing



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Rational Decision Making

- Steps in the rational decision model
 - Clearly identify problem
 - Clearly identify criteria for successful solution
 - Identify options
 - Evaluate options in light of criteria for success
 - Select outcome that maximizes criteria



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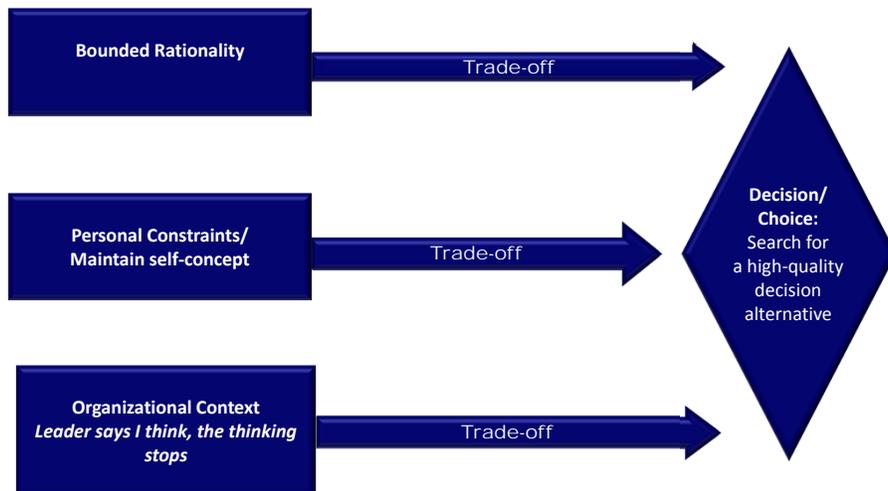
Rational Decision Making

- Problems with the model
 - Probabilities and all alternatives are not known
 - Values (preferences) may be unclear or in conflict
 - Perceived rationality may become a “rationalization”



Demo Budget				
Sheet1				
B16	=B7-(SUM(B10:B15))			
	A	B	C	D
	2009	Jan	Feb	Mar
2	INCOME			
3	Direct sales	120000	120000	120000
4	Channel sales	24000	6000	6000
5	OEM sales	43000	43000	43000
6	Royalties	35000	35000	35000
7	Total income	222000	204000	204000
8	EXPENSES			
10	Staff	90000	90000	90000
11	Building	15000	15000	15000
12	Advertising	30000	30000	30000
13	Professional	5000	5000	5000
14	Subscriptions	3000	3000	3000
15	Other	4500	4500	4500
16	GROSS PROFIT	74500	56500	56500

The Realities of Decision Making



Adapted from Irving L. Janis, *Crucial Decisions* (New York: Free Press, 1989); and A. L. George, *Presidential Decision Making in Foreign Policy: The Effective Use of Information and Advice* (Boulder, Colo.: Westview Press, 1980).