

# DECISION MAKING IN BUSINESS

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# KNOW HOW TO DECIDE IN YOUR BUSINESS

## PROBLEM SOLVING & DECISION MAKING

### **Decision-making and planning can be characterized as follows**

- contributing to the achievement of goals and objectives
- is a priority among managerial activities
- applies to all activities
- enables efficient execution of activities
- is carried out at all levels of management

Decision-making is also a process in which the manager plays a key role. A manager is a person in a company who forms an intermediate link between the employees and the owner of the company. In small businesses, the manager can be the owner.

## SET OF PLANS

### **Strategic decision making**

is the default decision maker. It follows on from general and strategic goals, is characterized by a framework character and a long-term and comprehensive approach in conditions of uncertainty. It is implemented at the top levels of management and is matched by strategic comprehensive planning.

### **Tactical decision making**

is aimed at the realization of strategic goals. It involves the specification and concretization of goals and the means to achieve them for part of a strategically defined interval or problem. It corresponds to tactical planning, which is based on strategic planning.

### **Operational decision making**

it is based on a tactical decision, specific known conditions and resources. Its character is short-lived. The main importance of operational decision-making is in finalizing decisions for operational (material-energy) processes and processes directly related to them. Operative plans correspond to it, and operative production plans correspond to operational processes.

### **Comprehensive strategic planning**

Complex strategic planning, formed at the level of top management (at the level of top management), can be characterized as the process of formulating and using long-term strategic plans that integrate individual plans of development functions and their corresponding organizational articles into a comprehensive unified plan. So it does not mean the same as long-term planning. While long-term planning expresses only the long-term aspect, comprehensive strategic planning includes a comprehensive view of business development. It is a continuous process that assumes that at every moment of plan execution there is feedback that allows plans to be modified according to changing conditions. In terms of time, the period of comprehensive strategic plans varies considerably according to the nature of the industry, the production program and the size and

position of the entrepreneur. The average time is given as approx. 5 years. The specific content of the plans will also differ.

## PROCEDURE FOR THE CREATION OF COMPLEX PLANS

- realizing the opportunity
- setting goals
- determination of alternative procedures
- evaluation of alternative procedures
- selection of procedures
- formulation of derivative plans
- drawing up the budget

The main chapters of the seminar addressed the following issues:

### You can't help but decide (...and not to decide is to decide)

*Every day we are called to solve problems and make decisions. In many cases, these are problems and decisions that we make «automatically», based on our previous experiences. In other cases we have to face problems and to make tough decisions which concern a new issue, never faced before, they are particularly risky and making mistakes could cause serious damage or we simply do not know how to deal with the situation*

### Decision making and problem solving are not synonyms

*The two processes - the one that leads to make decisions and the one that leads to solve problems - are often seen as if they were the same thing. Actually, deciding is part of the solution of a problem. As we will see, the path leading to solution passes through the decision-making, but it does not end there.*

### Why is it difficult to make decisions?

*There are two main obstacles that make it difficult to make a decision:*

- a) Exogenous obstacles (outside ourselves). We live in a VUCA world, an acronym for VOLATILE, UNCERTAIN, COMPLEX and AMBIGUOUS. In the classroom we tried to answer the question: What was the VUCA case in which we found ourselves in recent years? The answer most given by students was: COVID.*
- b) Endogenous obstacles (within us). We are all at the mercy of mental traps or cognitive and optical biases that explain the fallacy of our decision making. In the classroom some classic cases of mental and optical traps were proposed, stimulating the students' reflection on these aspects.*

## How to make decisions?

*We therefore asked ourselves: if all this is true, how can we help our poor manager to solve problems and make the many decisions he is required to make every day, minimizing possible errors and harmful consequences for his company?*

*The answer is in the method, in particular in the PROBLEM SOLVING method, intended as the (mental, organizational) PROCESS THAT AIMS TO SOLVE PROBLEMS THROUGH THEIR ANALYSIS, THE IDENTIFICATION OF ALTERNATIVE SOLUTIONS, THE ADOPTION AND THE IMPLEMENTATION OF ONE OF THEM.*

## 2) The phases of Problem Solving: find the problem

*Even before thinking about how to solve it, we must be aware that we have a problem!*

## 3) The phases of Problem Solving: set the problem

*We have a problem! We do not have to find the solution immediately. We need to devote time to know it, and define it. Questions we should ask ourselves in order to correctly define the terms of the problem*

## 4) The phases of Problem Solving: problem analysis, divide the problem into sub-problems

*What are the causes of the problem? The 5 Whys method and the Ishikawa diagram or cause-and-effect diagram.*

## 5) The phases of Problem Solving: the definition of KPIs

*Once we understood the problem and its causes, we need to define indicators that measure whether and to what extent the problem will be solved.*

*The students were offered the following exercise: Suppose we need to solve a quality problem of our products (we get frequent complaints from our customers). After identifying the cause or causes, what indicator could we use to be able to say that we have solved the problem? And what if the problem was a drop in sales? Or an excessive staff turnover (people who leave the company)?*

*What indicators could we suggest to our manager, so that he can measure whether the actions implemented have led to the solution of the problem?*

## 6) The phases of Problem Solving: search for alternatives

*Once the problem has been defined, and its causes identified, and the indicators defined, we must now choose the best solution, ideally among several alternatives.*

*It is desirable not to choose alone but to confront with and present your point of view to others (collaborators, friends, consultants, experts). Discussion generates new ideas and broadens the horizon.*

*Two search-for-ideas techniques were proposed to the students, brainstorming and focus group.*

## 7) The phases of Problem Solving: the decision among several alternatives

*Among the alternative solutions generated by the discussion, it is necessary to identify the one that best meets the objectives we have set. This is the moment TO MAKE DECISIONS.*

*At the end of the course, the students understood that in deciding the manager will have to rely on information and data (avoiding excessive data collection), valuing rational thinking, and taking into account their intuitions. The talented entrepreneur and manager knows how to make decisions by*

*weighing the expected benefits and potential risks, even in difficult conditions and in times compatible with the business needs.*

*Knowing how to decide is a fundamental skill that any entrepreneur and manager should have.*

## **8) The phases of Problem Solving: the implementation of the solution**

*Be careful not to consider the process ended when you choose solution to the problem! The best solutions are often unsuccessful because they are implemented in an inadequate way.*

*The operational phase of the process (execution) is no less important than the ideation and analysis phase.*

*The manager must therefore check and intervene in time to correct any discrepancies between the plan and its "finalisation".*