UNIT1

INTROD. TO DECISION MAKING AND RISK MANAGMENT

Decision Making is an important function in management, since decision-making is related to problem, an effective decision-making helps to achieve the desired goals or objectives by solving such problems. Thus the decision-making lies all over the enterprise and covers all the areas of the enterprise.

Scientific decision-making is well-tried process of arriving at the best possible choice for a solution with a reasonable period of time.

Decision means to cut off deliberations and to come to a conclusion. Decision-making involves two or more alternatives because if there is only one alternative there is no decision to be made. R.S. Davar defined decision-making as "the election based on some criteria of one behavior alternative hum two or more possible alternatives. To decide means 'to cut off' or in practical content to come to a conclusion."

According to McFarland "A decision is an act of choice where in an executive forms a conclusion about what must i» done in a given situation. A decision represents behavior 'chosen from a number of possible alternatives."

Henry Sisk and Cliffton Williams defined "A decision is the election of a course of action from two or more alternatives; the decision making process is a sequence of steps leading lo I hat selection."

Characteristics of Decision Making:
From the above definitions the following characteristics can be listed below:

1. It is a process of making a choice from alternative course of action.

2. Decision is the end process preceded by deliberation and reasoning.

3. Decision-making is a focal point at which plans, policies, and objectives are translated into concrete actions.

4. Rationality is another characteristic of decision-making. The human brain with its ability to learn to remember and to relate many complex factors makes this rationality possible.

5. Decision-making involves commitment. The management is committed to decision for two reasons. Firstly it leads to the stability of the concern and secondly, every decision taken becomes part of the expectations of the people involved in the organization.

6. The purpose of decision-making is to select the best alternative, which can significantly contribute towards organizational aims.

Process of Decision Making:

A manager should follow the series of systematically related steps while making decision. These steps are shown in the figure.

The decision-making process.

a. Investigate The Situation:

A detailed investigation is made on three aspects: define problem identification of objectives and diagnosis.

The first step in the decision process is determining the precise problem to be solved. At this stage, time and effort should be expanded only in gathering data and information that is relevant to an identification of the real problem. Defining the problem in terms of the organizational objectives that are being blocked helps to avoid confusing symptoms and problems.

Once the problem has been defined, the next step is to decide what would constitute and effective solution. As part of this process, managers should begin to determine which parts of the problem they must solve and which they should solve. Most problems consist of several elements and a manager is unlikely to find one solution that will work for all of them.

When managers have found a satisfactory solution, they must determine the actions that will achieve it. But first, they must obtain a solid understanding of all the sources of the problem so they can formulate hypotheses about the causes.

b. Develop Alternatives:

The search for alternatives forces the manager to see things from many viewpoints, to study cases from their proper perspectives and to unearth the troubled spots of the problem. To be more meaningful, only viable and realistic alternatives should be included in the listing.

Brainstorming may be effective at this stage. This is a group approach to developing creating potential solutions to management problems several persons with a similar interest sit down at one place and give concentrated thought to what might be done. The objective is to generate as many ideas as possible.

Criticism must be prohibited. The leader must keep the discussion moving by asking questions and making statements, which refocus attention on the problem at hand without proper guidance, discussion can degenerate into an aimless bull session.

c. Evaluate Alternatives and Select the Best One:

The third step in decision making is that of analyzing and evaluating each alternative in terms of its possible consequences and since managers can never be sure of the actual outcome of each alternative, uncertainty always exists, consequently, this step is a real challenge requiring managers to call on present knowledge, past experience, foresight and scientific acumen.

For the proper analysis of alternatives, Peter Drucker has suggested the following four criteria:

(i) The risk,

(ii) Economy for effort,

(iii) Timing, and

(iv) Limitations of resources.

i. Risk:

Every solution naturally carries a risk element. The risk of each course of action must be weighed against the possible gains from its selection.

ii. Economy of efforts:

That line of action will be selected which gives the greatest results with the least effort, and obtaining the needed change with the last necessary disturbance of the organization.

iii. Timing:

If the situation has great urgency, the preferable course of action is one that dramatizes the decision and serves notice on the organization that something important is happening. If, one the other hand, long, consistent effort is needed, a slow start that gathers momentum may be preferable.

iv. Limitations of resources:

” which is the essence of decision making. The key to decision making is to solve the problem posed by alternatives, if possible by seeking out and solving for the limiting, or strategic, or critical, factor. The most important resources, whose limitations have to be considered, are the human beings who will carry out the decision.

d. Implement and Monitor the Decision:

Once the best available alternative has been selected, managers are ready to make plans to cope with the requirements and problems that may be encountered in putting it into effect.

Implementing a decision involves more than giving appropriate orders. Resources must be acquired and allocated as necessary. Mangers set up budgets and schedules for the actions they have decided upon. This allows them to measure progress in specific terms, next, they assign responsibility for the specific tasks involved.

They also setup a procedure for progress reports and prepare to make connections if new problem should arise. Budget, schedules and progress report are all essential to performing the management functions of control.

Potential risks and uncertainties that have been identified during the earlier evaluation of alternatives stage must also be kept in mind. There is a natural human tendency to forget possible risks and uncertainties once a decision is made. Managers can counteract this failing by consciously taking extra time to re-examine their decision at this point and to develop detailed plans for dealing with these risks and uncertainties.

After managers have taken whatever steps are possible to deal with potential adverse consequences, actual implementation can begin. Ultimately, a decision (or a solution) is no better than the actions taken to make it a reality.

A frequent error of managers is to assume that once they make a decision, action on it will automatically follow. If the decision is a good one but subordinates are unwilling or unable to carry it out, then that decision will not be effective.

Action taken to implement a decision must be monitored. Are things working according to plan? What is happening in the internal and external environments as a result of the decision? Are subordinates performing according to expectations? What is the competition doing in response? Decision-making is a continual process for managers—a continual challenge.

Factors Influencing Decision Making:

1. Time Pressures:

An important influence on the quality of decisions is how much time the decision maker has in which to make the decisions. Unfortunately, managers must make most of their decisions in time frames established by others. Lack of time can force a manager to decide without gathering important facts or exploring possible solutions thoroughly.

2. Manager’s Values:

Manager’s values have a significant influence on the quality of decisions. Values are the likes, dislikes, should, ought, judgments and prejudices that determine how we shall act. The value orientations of management underlie much of their behaviour. The decisions managers make in identifying their mission, objectives and strategies, and how managers interpret society's expectations also reflect their values.

Some specific influences which have value on the decision-making process are:

(a) Value judgments are necessary in the development of objectives and the assignment of priorities.

(b) In developing alternatives, it is necessary to make value judgments about the various possibilities and

(c) In selecting an alternative, value judgments will be reflected in the alternative chosen.

3. Organizational Policy:

Decisions are limited by the policies that higher managers develop to guide the actions of the organization. Decisions that clearly violated policies will be rejected automatically. Some managers argue, of course to change the policy to fit the decision if the decision seems sound.

This is good thinking, except that policies cannot be changed overnight. It is usually an easier and more practical course to alter the proposed decision.

4. Other Factors:

The decision-making process is not only influenced by the above-stated factors but a host of others too.

The list of such factors depends upon one's flight of imaginations; however, we are listing the following ones for our consideration:

(i) The effect of other departments.

(ii) Higher-management attitude.

(iii) Personnel required.

(iv) Budget money.

(v) Subordinate reactions.

Rationality in Decision Making:
The concept of rationality is very important in decision-making. Rationality implies the capacity for objective and intelligent action. A decision is said to be rational if appropriate means are chosen to achieve desired ends. According to Steiner, "a rational business decision is one which effectively and efficiently assures the achievement of aims for which the means are selected."

Rationality in decision-making implies that the decision maker tries to maximise the values in a situation by choosing the most suitable course of action for achieving the goal. Rationality refers to the selection of preferred behavior alternatives in terms of values whereby the consequences of behavior can be evaluated.

The end- means or value system approach to rationality is faced with certain problem. Firstly, the end to be attained is often incompletely or incorrectly stated. Secondly, in actual practice means cannot be separated completely from ends. Thirdly, the means ends terminology obscures the role of the time- element in decision-making.

Simon has identified six-description models of rationality of choice behavior. A decision is personally rational if it is oriented to the individual's goals. It is organizationally rational if it is oriented to the organization's goals. It is consciously rational to the degree that the adjustment of means to ends is a conscious process.

It is deliberately brought about. It is objectively rational if in-fact it is the correct behavior for maximizing given values in a given situation. It is subjectively rational if it maximizes attainment relative to the actual knowledge of the subject.

The classical economic approach to decision making stresses that management decisions should be rational. This approach is based upon two fundamental assumptions. Firstly, the managers seek to maximize expected utility or profits above all else.

Secondly, human beings are completely rational i.e., they are aware of all possible decision alternatives, have complete knowledge of all consequences associated with each alternative, and process all the information required to be evaluated various alternatives.

Simon has criticized the economic model of decision--making behavior as developed by classical economists. It is not always possible to choose a best course of action for achieving the optimum solution to a problem. Environmental constraints and human limitations do not permit fully rational or optimum decisions. In practice, people are not completely rational and do not always seek optimal solutions.

Therefore, economic man model is. hypothetical. Managers want 'satisfying" or "good enough" or "reasonably good" solutions rather than optimum solutions. Simon has given an administrative man model of decision-making behavior, which is more realistic. This model does not assume perfect knowledge on the part of decision makers.

As they seek satisfying rather than maximizing, choice is possible without determining all possible alternatives. Complete rationality is not always possible and therefore, what is called for is "bounded rationality". Instead of ideal or perfect or optimum decisions, satisfactory decisions are taken in practice.

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This is also known as the "principle of limiting factor" which is the essence of decision making. The key to decision making is to solve the problem posed by alternatives, if possible by seeking out and solving for the limiting, or strategic, or critical, factor. The most important resources, whose limitations have to be considered, are the human beings who will carry out the decision.

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RATIONAL DECISION MAKING
Verify and define your problem.
To prove that you actually have a problem, you need evidence for it. Most marketers think data is the silver bullet that can diagnose any issue in our strategy, but you actually need to extract insights from your data to prove anything. If you don't, you're just looking at a bunch of numbers packed into a spreadsheet.

To pinpoint your specific problem, collect as much data from your area of need and analyze it to find any alarming patterns or trends.

Example:

"After analyzing our blog traffic report, we now know why our traffic has plateaued for the past year -- our organic traffic increases slightly month over month but our email and social traffic decrease."

2. Research and brainstorm possible solutions for your problem.
Expanding your pool of potential solutions boosts your chances of solving your problem. To find as many potential solutions as possible, you should gather plenty of information about your problem from your own knowledge and the internet. You can also brainstorm with others to uncover more possible solutions.

Example:

Potential Solution 1: “We could focus on growing organic, email, and social traffic all at the same time."

Potential Solution 2: “We could focus on growing email and social traffic at the same time -- organic traffic already increases month over month while traffic from email and social decrease.”

Potential Solution 3: "We could solely focus on growing social traffic -- growing social traffic is easier than growing email and organic traffic at the same time. We also have 2 million followers on Facebook, so we could push our posts to a ton of readers."

Potential Solution 4: "We could solely focus on growing email traffic -- growing email traffic is easier than growing social and organic traffic at the same time. We also have 250,000 blog subscribers, so we could push our posts to a ton of readers."

Potential Solution 5: "We could solely focus on growing organic traffic -- growing organic traffic is easier than growing social and email traffic at the same time. We also just implemented a pillar-cluster model to boost our domain’s authority, so we could attract a ton of readers from Google."

3. Set standards of success and failure for your potential solutions.
Setting a threshold to measure your solutions' success and failure lets you determine which ones can actually solve your problem. Your standard of success shouldn’t be too high, though. You’d never be able to find a solution. But if your standards are realistic, quantifiable, and focused, you’ll be able to find one.

Example:

“If one of our solutions increases our total traffic by 10%, we should consider it a practical way to overcome our traffic plateau.”

4. Flesh out the potential results of each solution.
Next, you should determine each of your solutions’ consequences. To do so, create a strength and weaknesses table for each alternative and compare them to each other. You should also prioritize your solutions in a list from best chance to solve the problem to worst chance.

Example:

Potential Result 1: ‘Growing organic, email, and social traffic at the same time could pay a lot of dividends, but our team doesn’t have enough time or resources to optimize all three channels.”

Potential Result 2: “Growing email and social traffic at the same time would marginally increase overall traffic -- both channels only account for 20% of our total traffic."

Potential Result 3: “Growing social traffic by posting a blog post everyday on Facebook is challenging because the platform doesn’t elevate links in the news feed and the channel only accounts for 5% of our blog traffic. Focusing solely on social would produce minimal results.”

Potential Result 4: “Growing email traffic by sending two emails per day to our blog subscribers is challenging because we already send one email to subscribers everyday and the channel only accounts for 15% of our blog traffic. Focusing on email would produce minimal results.”

Potential Result 5: “Growing organic traffic by targeting high search volume keywords for all of our new posts is the easiest way to grow our blog’s overall traffic. We have a high domain authority, Google refers 80% of our total traffic, and we just implemented a pillar-cluster model. Focusing on organic would produce the most results.”

5. Choose the best solution and test it.
Based on the evaluation of your potential solutions, choose the best one and test it. You can start monitoring your preliminary results during this stage too.

Example:

“Focusing on organic traffic seems to be the most effective and realistic play for us. Let’s test an organic-only strategy where we only create new content that has current or potential search volume and fits into our pillar cluster model.”

6. Track and analyze the results of your test.
Track and analyze your results to see if your solution actually solved your problem.

Example:

"After a month of testing, our blog traffic has increased by 14% and our organic traffic has increased by 21%."

7. If the test solves your problem, implement the solution. If not, test a new one.
If your potential solution passed your test and solved your problem, then it's the most rational decision you can make. You should implement it to completely solve your current problem or any other related problems in the future. If the solution didn't solve your problem, then test another potential solution that you came up with.

Example:

"The results from solely focusing on organic surpassed our threshold of success. From now on, we're pivoting to an organic-only strategy, where we'll only create new blog content that has current or future search volume and fits into our pillar cluster model."

MYERS-BRIGGS DECISION MAKING
he Z model is based on personality styles, from the Myers Briggs Type Indicator (MBTI) perspective. The MBTI offers insights into how people perceive the world and make decisions, and defines four principle psychological functions: sensing, intuition, thinking and feeling.

This decision-making model connects sensing to intuition, and then thinking to feeling, in four steps:

You begin with sensing and gathering facts.
You then move to intuition, where you brainstorm ideas based on these facts.
Once you have a number of options, you engage decision-making, using the thinking function. This allows you to examine the alternatives in an objective way, to determine which might be the best choice.
Before the final decision is made, you tap into the feeling function, and consider the impact on people of each of the possible options.
In this model, each of the four functions is related to different types of questions.

In sensing, you ask practical questions:

How did we get here? How did this situation develop?

What are the facts, and can they be verified?
What is the current situation?
What has already been done, and by whom?
What is already working?
In the intuition function, questions are more creative:

How can the facts be interpreted?
What insights can be gained from this situation?
If there were no restrictions, what would our options be?
What other avenues can we explore?
What does this problem remind us of?
Once facts are gathered and options determined, you move to the thinking function, with its logical and objective approach:

What are the pros and cons of each option?
What are the possible consequences of each option?
What objective criteria need to be met?
What are the costs and benefits associated with each option?
Which option provides the most sensible strategy?
Finally, the feeling function involves people, and involves the following questions:

How does the result affect people?
How do I feel about each option?
How will others react to each option?
What values are behind each option?
Who will implement the decision?
Understanding Decision-Making Can Lead to Better Decisions

The Z model enables decision-makers to use practical tools to make better decisions. By learning to gather the right facts, consider options and weigh the impact of a decision on people, you can significantly improve the quality of your decisions. This process is easier than making decisions on your own, with little buy-in or consideration of long-term impact.
The Myers–Briggs Type Indicator is a set of psychometric questionnaire designed to weigh psychological preferences in how people perceive the world and make decisions. The Myers Briggs model of personality developed by Katherine Briggs and Isabel Briggs Myers, is established on four preferences namely –

Types of social interaction
Preference for gathering data
Preference for decision making
Style of decision making
With respect to the prescribed Myers Briggs type of indicator, preferences include eight leadership styles −

E or I (Extraversion or Introversion)
S or N (Sensing or iNtuition)
T or F (Thinking or Feeling)
J or P (Judgment or Perception)
The Four Dimensions of Type
We combine the bias to give our Myers Briggs personality type. Say for example, our preferences is for E and S and T and J, so it leads to personality type of ESTJ. In the same way, there are sixteen Myers Briggs personality types that can be generated by combining these four letters together.

When we put these four letters together, we get our personality type code, and there are sixteen combinations. For example, INTJ implies that we prefer Introversion, Intuition, Thinking and Judging (remember, this implies preferences only - an INTJ also uses Extraversion, Sensing, Feeling and Perception).

Types of Social Interaction
The way a person communicates with people around and links with others socially is called social interaction. Who are we, how do we communicate with people? In order to answer these question we classify individuals and their preferences to direct their energy into two types Extraversion & Extrovert, Introversion & Introvert.

Extraversion or Extrovert
If people prefer to direct their energy to cope with others, things, situations, or "the outer world", then their preference is for Extraversion.

An extrovert is an outgoing, socially confident person. This is denoted by the letter "E".

Introversion or Introvert
If people prefer to direct their energy to deal with ideas, information, explanations, beliefs, or "the inner world", then their preference is for Introversion.

An introvert is a shy and reticent person. This is denoted by the letter "I".

For example − Archana is a nerdy girl and takes time to mingle up with others and is considered as an introvert while Alka is a very outgoing person and gels easily with everyone, so she is considered as an extrovert.

Preference for Gathering Data
Everything we see, we hear we process them in our brains. Now how do we prefer to process information? On what basis? To answer this question, we need to understand how to we choose to transform our information.

We can collect information in two different ways, using two different information gathering functions − Sensing and Intuition.

Sensing
If we choose to deal with facts, what we know, to have clarity or to describe what we see, then our preference is for Sensing.

This is denoted by the letter "S".

Intuition
If we choose to deal with ideas, look into the unknown, to generate new possibilities or to engage what isn't obvious, then our preference is for Intuition.

This is denoted by the letter "N" (the letter I has already been used for Introversion).

For example − If I say that I believe something good is going to happen then it is just an intuition as I am basing my statement without any evidence rather on just a feeling. However, when I say that according to today’s weather forecast it is going to rain, then this is sensing as I have an evidence to support my statement.

Preference for Decision Making
There are two main types of functions through which we prefer to make our decisions.

Thinking

If we choose to decide on the basis of objective logic, using an analytic and detached path, then our preference is for Thinking. This is denoted by the letter "T".

Feeling

If we prefer to decide using values or our personal beliefs, on the basis of what we believe is important or what we or others care about, then our preference is for Feeling. This is denoted by the letter "F".

For example − If I get Rs. 500 lying on the road and I think as I got it, it's mine then it is my thinking. However, if I think it's not right to keep others money and decide to donate it then it is considered as a feeling.

Style of Decision Making

Style of decision making is nothing but the way we prefer to organize our life. It is done by either Perceiving or by Judging.

Perceiving

If we prefer to go with the flow, to maintain flexibility and respond to things as they arise in the first place, then our preference is for Perception. This is denoted by the letter "P".

Judging

If we prefer our life to be planned, stable and organized then our preference is for Judging (here it is not to be confused with being 'Judgmental', which is quite different). This is denoted by the letter "J".

For example − Mona gets a job and decides since she has got a job she need not worry about anything else. This attitude is perceiving. On the other hand, Tina aims for bank PO exam and plans her life where all her actions will help her achieve her dream job. This attitude is judging.

Myers-Briggs Personality Test

After getting a brief about the personality types, let us take a look at the 16 types of personality.

Myers-Briggs Personality Test

ISTJ (Introversion-Sensing-Thinking-Judging)

Individuals with this type of personality are quiet, serious, earn success by honesty and are dependable. They are logical, matter-of-fact, realistic, and responsible. They decide practically what should be done and work towards it steadily, regardless of distractions. They like to keep everything synchronized and organized - their work, their home, their life. They prioritize traditions and loyalty.

ISFJ (Introversion-Sensing-Feeling-Judging)
Individuals with this type of personality are quiet, friendly, responsible, and car

RETROSPECTIVE DECISION MAKING

In this model, the decision maker is both irrational and biased in this decision maker makes a decision on without evaluating the alternatives. This approach is applicable in non-programmed decisions. The decision maker makes a decision what he thinks is best suited. In this approach, the manager first chooses an alternative solution to the problem and highlights its strength, and compare with other alternatives and then identifies its drawbacks. The implicit favorite decision-making model provides the decision maker a means to evaluate other solutions against a perceived best decision. Once all other solutions are found to be less favorable than the implicit favorite, the implicit favorite solution is selected. This is done with a view to proving that the alternative selected by him is the best solution to the given problem. However, another alternative which seems to be similar to the implicit favorite is short listed and is taken as second confirmation candidate. This approach can be observed in the purchase of various favorite items in which a customer gives arguments in favor of his choice on the basis of norms such as price, quality, appearance, easily availability, after-sales service etc. to reject other items of same utility.
The implicit favorite model developed by Spielberg (1967) emerged well he observed the job choice process of graduating business 'students and noted that, in cases, the students identified implicit favorites very early in the recruiting and choice process. He made an observation regarding the job choice processes of graduating business students and noted that, in many cases, the students identified implicit favorites (i.e. the alternative they wanted) very early in the recruiting and choice process. However, students continued their search for additional alternatives and quickly selected the best alternative.

However, they continued their for additional alternatives and quickly selected the best alternative candidate, known as the confirmation candidate. Next, the students to develop decision rules and demonstrated unequivocally that the implicit favorite superior to the alternative confirmation candidate. This stimuli perceptual distortion of information about the two alternatives and through weighing systems designed to highlight the positive features of the implicit favorite. Finally, after a decision rule was derived that clearly favored the implicit favorite, the decision was announced. Ironically, Spielberg noted that the implicit favorite was typically superior lo the conformation candidate on only one or two dimensions. Even so, the decision makers generally characteristic their decision rules as being multi-dimensional in nature.

The total process is designed to justify, through the guise of scientific rigor, a decision that has already been made intuitively. By this means, the individual becomes convinced that he or she is acting rationally and taking a logical, reasoned decision on an important topic.

OODA LOOP MODEL

The OODA loop (Observe, Orient, Decide, Act) is a four-step approach to decision-making that focuses on filtering available information, putting it in context and quickly making the most appropriate decision while also understanding that changes can be made as more data becomes available. The strategy is applicable at an individual level as well as an organizational level. It is particularly useful in scenarios where competition is involved and where the ability to react to changing circumstances faster than an opponent leads to an advantage.

Many modern environments can be described as volatile, uncertain, complex and ambiguous, or VUCA. Surviving and winning in this type of situation rests upon making better decisions. However, improving the quality of decision-making is something most organizations fail to do. For example, if a company continues to make choices that do not see a positive return, they are failing to learn from their experiences. The OODA loop acknowledges this habit and provides an approach help make improvements.

Now applied to a variety of fields, the OODA loop was developed in the mid-20th century by the military strategist, US Air Force Colonel John Boyd. It was initially used to train solders to make time-sensitive decisions rapidly when there may not be time to gather all the information. The goal of the strategy was to execute the OODA loop process more quickly than an opponent in order to infiltrate and disrupt the enemy's decision cycle.

OODA loop related terminology

Before the OODA loop can be fully understood, a few related concepts need to be introduced:

Maneuver warfare- This is a strategy used in the military that emphasizes disrupting the enemy's decision-making skills in order to defeat them. Maneuver warfare revolves around the ideas of surprise and deception. The concept of the OODA loop was derived from the strategy of maneuver warfare.

Mental models- These are representations or explanations of human behavior that exist on a personal, internal level. A person can generate a mental model in order to understand their thought processes, decisions and consequences. Mental models are a part of the orientation step of the OODA loop.

Situational awareness- This is the comprehension of all environmental stimuli. It involves perceiving all components of a situation, understanding what they mean and using them to make future judgements. Achieving situational awareness is crucial for most decision-making processes, including the OODA loop.

Reaction time- This refers to the time that elapses between a stimulus and the response given to that stimulus. A primary goal in the OODA loop is to minimize an individual or organization's reaction time.

How the OODA Loop works: The Four Steps

Similar to other problem-solving methods, the OODA loop is an interactive, iterative process that entails repeating the cycle, observing and measuring results, reviewing and revising the --initial decision and advancing to the next step. While the process is not always simple or linear, the four separate steps involved are:

Observe: The first step is to identify the problem or threat and gain an overall understanding of the internal and external environment. In the corporate world, this can be equated to data gathering, where all of the information regarding the current organizational state, any competitors and the market is collected. The key point about the observe step is recognizing that the world is complex. All data is a snapshot in time and must be treated as such. Therefore, entities must gather whatever information is available as quickly as possible in order to be prepared to make decisions based on it.

Orient: The orientation phase involves reflecting on what has been found during observations and considering what should be done next. It requires a significant level of situational awareness and understanding in order to make a conscious decision. Since some decisions are unconscious, or instinctual, this step involves considering what and why decisions are made prior to choosing a course of action. When applied on an individual level, the orientation step can be done by creating mental models or mental rehearsal drills to place information into narratives that shape judgement. In organizational applications, situational models can be created with machine learning (ML) tools to identify potential outcomes while removing any bias.

Decide: The decision phase makes suggestions towards an action or response plan, taking into consideration all of the potential outcomes. This can be accomplished through meetings or discussions that are focused around creating a roadmap for the entire organization.

Act: Action pertains to carrying out the decision and related changes that need to be made in response to the decision. This step may also include any testing that is required before officially carrying out an action, such as compatibility or A/B testing.

These phases have been broken out for the purposes of explanation, but in some real world scenarios they might happen in a fraction of a second.

How the OODA Loop works

The four steps of the OODA Loop work together in a cycle.

Success of the OODA Loop

One key to the success of the OODA loop is to make it as short as possible, minimizing reaction times in high-stakes situations. In the OODA loop's simplest form, there is only one stimulus and one response, but that is not always the case. Hick's Law can be applied to the reaction time of an OODA loop that has more than one stimulus or response, stating that when there are multiple options available in response to a stimulus, reaction time is slowed down.

The ability to make decisions faster than an opponent is important, but it is not only about speed. Tempo is also critical as the ability to rapidly speed up and slow down can generate unpredictability. Being unpredictable makes it difficult for opponents to understand and orientate themselves to what will happen next. Cycling through an OODA loop with more tempo than an opponent gives an organization more control of the environment and a better chance of succeeding.

Factors that affect the OODA Loop

OODA loops are only as effective as the amount of time it takes to execute a response. Factors that can affect the efficiency of the process include:

The number of potential scenarios that can be pursued.
Denial that a specific event has occurred, and refusing to acknowledge it right away.
The complexity of the stimulus.
The need for approval prior to carrying out a response.
The emotional stress of the team or environment at the onset of the stimulus.
The level of trust that exists within a team to rely on each other's decisions.
The amount of intuitive skill that is possessed relating to the stimulus.
Clearly, or unclearly, defined business goals.

Stimuli that is constantly evolving or changing.

Uses of the OODA Loop

The OODA loop has been adapted to become an important concept in various fields such as business, game theory, information security, law enforcement, litigation, marketing and military strategy. Professionals find this strategy compelling because of its common-sense approach to decision-making and its emphasis on staying competitive.

In general, military planning models are often applied to uses outside of their original context due to their effectiveness in extreme situations. Strategies developed for military personnel are tested under a variety of chaotic, conflicting scenarios in order to prove their agility and versatility. Therefore, the OODA loop has been translated into a business strategy that handles any application that requires a quick response to confusing, unforeseen or evolving conditions.

With more emphasis being placed on a company's ability to collect feedback and analyze competition, this method is now a common approach applied to the enterprise. In business, OODA loops typically examine what is happening externally and how results are performing in order to become more agile. Similarly, an organization with a security operations center (SOC), computer emergency readiness team (CERT) or computer security incident response team (CSIRT) may use an OODA loop cycle to develop an organization's incident response plan.

Additionally, due to the growth of data analytics in business, the OODA loop is a popular method for handling an influx of constantly emerging information. Many companies have become inundated with data which they falsely believe creates a competitive advantage. However, real competitive advantage comes from making better decisions. Companies can achieve better situational awareness when they implement the observe and orient steps to organize data in a way that accurately depicts the business environment. Once the data is placed in context, they can make smarter organizational decisions and actions.

Examples of the OODA Loop

In its simplest form, the OODA loop is employed by all individuals every day when making a decision. Someone may observe they are hungry, orient themselves in relation to potential places to buy food, decide to pick a specific restaurant and act by eating. More complex, higher-stakes versions of the OODA loop in everyday life can be seen when creating a retirement savings plan or buying a home.

In business, the OODA loop could be applied when a competitor releases a new product to help decide how the company will react or adapt. Similarly, it can be used to observe the economic behavior to make decisions on the best time to take risks and expand or play it safe. The OODA loop is a popular business strategy for startup companies as much of their success relies on accepting uncertainty and bracing for competition.

In cybersecurity, the OODA loop can be used by IT professionals to resolve any malicious activity that is meant to compromise an organization's defenses. Since cyberattacks are typically identified after the event has occurred, responding with an efficient, organized strategy is the best way to minimize damage.

In incident response, the OODA loop can be a helpful tool for responding to an emergency. Incidents can cover a wide range of events such as natural disasters, terrorist attacks, data breaches and identity theft. They are usually categorized by either being directly, specifically related to an organization or effecting entire communities as a whole. However, in all incidents, the OODA loop can be used to assess the situation, respond appropriately and refine practices to prepare for future catastrophes.

Additionally, the marketing techniques of growth hacking and social media monitoring could be considered specialized examples of OODA loops.

Advantages of the OODA Loop

Implementing the OODA loop in an organizational context could provide the following benefits:

Enables quicker, more streamlined decision processes.
Trains individuals to have a shorter reaction time.

Generates less friction for all parties involved in making decisions.
Creates more dynamic, flexible and competitive conditions.
Brings more organizational transparency and situational awareness.
Promotes creativity and innovation.
Emphasizes preparation as the key to good decision-making.
Focuses on certainty rather than uncertainty.
Disadvantages of the OODA Loop
When not implemented correctly, or applied to the wrong scenarios, the OODA loop may be associated with the following disadvantages:

It can be difficult to understand or interpreted in various ways.
Puts organizations at a higher risk of encountering threats associated with making a decision too soon.
Can make it harder to "undo" a mistake.
Can give teams a false sense of credibility.
Can ignore the idea of reusing tactics from familiar situations, as the OODA loop should be done in its entirety every time.
Does not incorporate the inherent added response times associated with team cooperation.
Does not always consider that the opponent may also be employing the OODA loop.
History of the OODA Loop
John Boyd was the 20th century fighter pilot and military strategist who developed the idea of the OODA loop. Boyd earned the nickname "Forty-Second Boyd" during his time as a fighter pilot, referring to his ability to win a fight against the opponent in under forty seconds. He developed the energy maneuverability theory and was known for accurately observing people or organizations to gain a competitive edge.

After studying historic battles and serving in World War II, the Korean War and the Vietnam War firsthand, Boyd came to the conclusion that success was dependent on the ability to rapidly adapt and make fast decisions in an uncertain environment, regardless of which side was at a technical advantage. This idea is what eventually evolved into the OODA loop which he applied to the combat operations processes, often at the operational level, during military campaigns. Boyd was inspired by the scientific method and added the fourth step, of orientation, to fit his purposes.

Since the military is highly classified and often passes down strategies orally, much of Boyd's original idea was left unpublished. This has lead professionals and students to research the concept more broadly and apply it to different fields, such as business or sports.

Criticism of the OODA Loop

While the OODA loop is a popular decision-making model, there are criticisms of its effectiveness. The main downfall is that the OODA loop might be too obvious, thus potentially wasting time. The process itself is sometimes instinctual, and therefore, does not need to be explicitly spelled out. Additionally, the underlying goal of making decisions faster than the opponent to increase the odds of winning should be a universal goal regardless of which decision-making method is employed.

However, the OODA loop can be helpful for organizations that need to reflect on the results that their decisions have led them to. It is primarily about taking something that is intuitive and making it explicit so that it can be improved.

Alternatives to the OODA Loop

There are no explicit alternatives to the OODA loop that focus on the deep understanding of how and why people make their decisions. But a few ideas that can be combined with, the OODA loop include:

Military decision making process (MDMP)- This is another military decision-making method that involves seven steps. The basic steps are:
Receive mission.
Analyze mission.
Develop a course of action.
Analyze the course of action.
Compare the course of action to alternatives.
Approve the course of action.
Order production, dissemination and transition.
Plan, do, check, act (PDCA) cycle- This is a model geared towards continuous improvement that is also broken into four parts. The process starts by identifying a problem and gathering relevant data to the cause of the problem. Then, this information is used to develop and implement a solution. The results are then confirmed, or checked, before documented and used to make recommendations for further PDCA cycles. This is also known as the Shewart cycle.
Strengths, weaknesses, opportunities and threats (SWOT) analysis- This is a framework used in business to identify and analyze any internal or external factors that could affect the success of a project. A SWOT analysis includes defining the following components:

Strengths- What internal attributes and resources an organization has that would support a positive outcome. This includes what advantages an organization has compared to competitors.
Weaknesses- What internal attributes and resources an organization has that would not support a positive outcome. This includes areas for improvement.
Opportunities- What external factors an organization can capitalize on to support a positive outcome. This includes social or market trends.
Threats- What external factors could jeopardize an organization's positive outcome. This includes what disadvantages an organization has compared to competitors.
Getting things done (GTD) method- This is a time management model that helps organizations break larger projects into smaller, actionable tasks. The GTD method is a five step process that is also sometimes referred to by the steps: collect, process, organize, plan and do. All material should be gathered, analyzed and categorized before being transforming into an action plan that is then carried out.
LATDDER OF INFERENCE DECISION MAKING MODEL
We act and make decisions based on the conclusions we make. But we tend to jump to these conclusions and skip important parts of the reasoning process.

Ladder of inference, developed by a former Harvard professor Chris Argyris, is a tool that helps you fill the gaps in your thinking and make decisions based on reality. It's also helpful to challenge the thinking of others and reach better conclusions together.

The ladder
There are 7 steps on the ladder that represent our mental processes. Here's what it looks like from the bottom up:

Available data
This is the reality we are able to observe.
Selected data
We select what we pay attention to based on our prior experiences and existing beliefs. We don't have the mental capacity to take in every piece of data available, so we have to make this selection.
Interpretations
We give facts meaning. We paraphrase what we see or hear to make sense of it.
Assumptions
Based on our interpretation, we make our own personal assumptions.
Conclusions
We draw conclusions from our assumptions.

Beliefs

Our beliefs are then developed from the conclusions we make.

Actions

Finally, we take actions that are rooted in what we believe to be true.

These processes usually happen unconsciously and very quickly in our brain. Applying this ladder consciously allows you to take a step back and see where you're jumping to conclusions.

How to use it

Whenever you make a conclusion about something or are making decisions based on your conclusions, it's good to stop and question your reasoning.

The Ladder of Inference

First, identify on which step of the ladder you currently are. Are you about to take action and you're not sure if it's the right one? Or perhaps you're aware of some of the assumptions you're making?

Then work your way down before building your reasoning up again. To work your way down the ladder, use these guiding questions for each step:

Actions:

Why do I believe this to be the right action? What are some alternative options?

Beliefs:

What beliefs do I hold about this? What conclusions are they based on?

Conclusions:

Why did I conclude this? What are my assumptions there?

Assumptions:

Are my assumptions valid? Why am I assuming this?

Interpretations:

Am I looking at this data objectively? What other meanings could they have?

Selected data:

What did I ignore or didn't pay attention to? Are there other sources of data I didn't consider?

As you answer these, you may find that your reasoning changes along the way and that's good.

When you reach the bottom of the ladder, work your way back up again, this time more consciously and deliberately.

Example

Let's see how applying the ladder of inference looks like on a practical example.

Suppose I'm managing a team of developers. One of them hasn't been performing well recently. He's been missing deadlines and several projects were delayed because of this. I conclude he's not cut out for the job and decide to fire him.

However, I stop and ask myself: Is this the right thing to do? I can now apply the ladder of inference to unpack my thinking and perhaps make a better decision. I ask myself the guiding questions:

Why do I believe that firing this person is the right action? Because it's clear to me he's not right for the job.

What conclusions is this belief based on? That he's not a good developer.

What are my assumptions here? I assumed that his recent results are representative of his qualities (or lack thereof).

Why am I assuming this? Because missed deadlines mean he's not efficient.

What other meanings could the data I'm looking at have? Missed deadlines might also mean the deadlines are unreasonable or he's taking extra time to deliver quality code.

Are there other sources of data I didn't consider? I haven't asked him directly yet. When I do, I might find out the real reason he's been missing deadlines.

This is a simplified example but it shows the kind of jumping to conclusions I want to avoid: missed deadlines → inefficient → not a good developer → should be fired. By unpacking my thinking, I can look at the situation more objectively and I may discover different reasons for what's happening: perhaps the deadlines are too tight or he's going through some personal issues. Neither of which should be a reason to fire him.

The ladder of influence has just helped me avoid making a bad and premature decision.

TYPES OF DECISION MAKING

Tactical and Strategic Decisions

Tactical decisions are those which a manager makes over and over again adhering to certain established rules, policies and procedures. They are of repetitive nature and related to general functioning. Authority for taking tactical decisions is usually delegated to lower levels in the organization.

Strategic decisions on the other hand are relatively more difficult. They influence the future of the business and involve the entire organization. Decisions pertaining to objective of the business, capital expenditure, plant layout, production etc., are examples of strategic decisions.

2. Programmed and Non-programmed Decisions

Prof. Herbert Simon (June 15, 1916 - February 9, 2001), an American economist and psychologist, has used computer terminology in classifying business decisions. These decisions are of a routine and repetitive nature. The programmed decisions are basically of a routine type for which systematic procedures have been devised so that the problem may not be treated as a unique case each time it crops up.

The non-programmed decisions are complex and deserve a specific treatment. In the above example, if all the professors in a department stop their teaching work the problem cannot be solved by set procedural rules. It becomes a problem which requires a thorough study of the causes of such a situation and after analysing all factors a solution can be found through problem solving process.

3. Basic and Routine Decisions

Prof. Katona has classified decisions as basic and routine. Basic decision are those which require a good deal of deliberation and are of crucial importance. These decisions require the formulation of new norms through deliberate thought provoking process. Examples of basic decisions are plant location, product diversification, selecting channels of distribution etc.

Routine decisions are of repetitive nature and hence, require relatively little consideration. It may be seen that basic decisions generally relate to strategic aspects, while routine decisions are related to tactical aspects of a organization.

4. Organizational and Personal Decisions

Organizational decisions are those which an executive takes in his official capacity and which can be delegated to others. On the other hand, personal decisions are those which an executive takes in his individual capacity but not as a member of organization.

5. Off-the-Cuff and Planned Decisions

Off-the-cuff decisions involve "shooting from the hip". These decisions can be taken easily and may be directed towards the purposes of the enterprise. On the other hand, planned decisions are linked to the objectives of organization. They are based on facts and involve the scientific process in problem solving.

6. Policy and Operating Decisions

Policy decisions are those which are taken by top management and which are of a fundamental character affecting the entire business. Operating decisions are those which are taken by lower management for the purpose of executing policy decisions. Operating decisions relate mostly to the decision marker's own work and behaviour while policy decisions influence work or behaviour pattern of subordinates.

7. Policy, Administrative and Executive Decisions

Ernest Dale (born in Hamburg, Germany and died at the age of 79) has classified decisions in business organization as under.

(a) Policy decisions,

(b) Administrative decisions and

(c) Executive decisions.

Policy decisions are taken by top management or administration of an organization. They relate to major issues and policies such as the nature of the financial structure, marketing policies, outline of organization structure.

Administrative decisions are made by middle management and are less important than policy decisions. According to Ernest Dale the size of the advertising budget is a policy decision but selection of media would be an example of administrative decision.

Executive decisions are those which are made at the point where the work is carried out. Distinguishing between these three types of decisions Dale writes, "policy decisions set forth goals and general courses of action, administrative decisions determine the means to be used and executive decisions are those made on a day-to-day basis as particular cases come up".

STEPS IN DECISION MAKING PROCESS

1. Identify the decision

To make a decision, you must first identify the problem you need to solve or the question you need to answer. Clearly define your decision. If you misidentify the problem to solve, or if the problem you've chosen is too broad, you'll knock the decision train off the track before it even leaves the station.

If you need to achieve a specific goal from your decision, make it measurable and timely so you know for certain that you met the goal at the end of the process.

2. Gather relevant information

Once you have identified your decision, it's time to gather the information relevant to that choice. Do an internal assessment, seeing where your organization has succeeded and failed in areas related to your decision. Also, seek information from external sources, including studies, market research, and, in some cases, evaluation from paid consultants.

Beware: you can easily become bogged down by too much information—facts and statistics that seem applicable to your situation might only complicate the process.

3. Identify the alternatives

With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying to meet a goal—for example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

4. Weigh the evidence

Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good hard look at your own organization's wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

5. Choose among alternatives
Here is the part of the decision-making process where you, you know, make the decision. Hopefully, you've identified and clarified what decision needs to be made, gathered all relevant information, and developed and considered the potential paths to take. You are perfectly prepared to choose.

6. Take action
Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. Develop a project plan related to your decision, and then set the team loose on their tasks once the plan is in place.

7. Review your decision
After a predetermined amount of time—which you defined in step one of the decision-making process—take an honest look back at your decision. Did you solve the problem? Did you answer the question? Did you meet your goals?
WHY RATIONAL DECISION ARE FAIL?

Don't support your intrinsic values

No decision can be a good one, if in making it, you're going against what you value and respect. I've made so many errors in my career by taking work, consulting gigs, partnerships, or pursuing new opportunities that, in my heart, I didn't value or respect, but I did so because I thought I had to. When you make a decision that goes against your values, it almost never comes to a good end, because either you can't live with yourself for making it, or you end up sabotaging the direction because it's so out of alignment and you can't sustain it.

Lesson: Without exception, align your decisions with your values -- honor what you hold dear, what you know to be true, and your highest standards of integrity.

2) Are communicated poorly or without proper reflection
PROMOTED

I've made some good decisions that turned out badly because I failed to communicate them in a thoughtful, confident and clear way. An example of this is when I've had to move away from partnerships I've created, often with folks who'd become my friends. There were solid reasons why I believed we needed to part, but even so, I felt wracked by guilt or worry that my professional colleague would be hurt or angry, so I botched the way the decision was shared, communicated, and executed.

Lesson: A decision is only as good or positive as the way in which it's shared and communicated.

3) Come from a place of weakness and disempowerment

Decisions that emanate from weakness, fear, or running away from something, almost never move you forward. You can't get to the next level of success or fulfillment if you don't do the inner and outer work of overcoming your fears and addressing your "power gaps." When you decide, "I've had it!" for instance -- with a relationship, a job, a situation, or a role you're playing, it's vitally important that you attempt to shift yourself in the situation first, before running away.

Lesson: If you run away from something (which is a decision, whether you know it or not) or when you choose to act from a sense of fear, powerlessness, or victimization, you'll find that the decision you've made won't resolve the problem -- the same challenges will reappear in your next situation.

4) Haven't been properly vetted – they don't factor in well enough the potential impact and outcomes

One necessary ingredient to great decisions is that you've gathered all the necessary information from the most diverse and inclusive perspectives possible, and evaluated each alternative scenario before you choose one option. Many terrible decisions come from an incomplete decision-making process that failed to involve the necessary brainstorming phase or a thorough enough evaluation of all the potential consequences of each alternative.

Lesson: Develop sufficient boundaries so that you're not being overly reactive, emotional or analytical in your decision making. Use an integrative style that incorporates as much feedback and data possible, and allows you to brainstorm all possible solutions, and vet them in an effective, integrative way.

5) Are focused on the wrong problem

Numerous bad decisions I've made in my professional life emerged because I was looking at the "wrong" problem. These were situations in which I knew things had to change in my career, but instead of pinpointing exactly what wasn't working, and taking a long, hard look at the root cause, I focused on an ancillary issue – one that wasn't as deeply challenging to explore and deal with. Thus, the decisions I made couldn't possibly bring about the desired outcomes because they didn't address the right problem. An example of this is when I found myself in a job I absolutely hated, but instead of dealing with the misery of that and changing employers immediately, I sought promotions and more and more responsibility, thinking that focusing on "getting more" would somehow alleviate the pain of my feeling "less" (less satisfaction, worthiness, and value) every day in that role.

UNIT 2

DECSION MAKING TOOLS AND MODELS

DECISION MAKING TOOLS

EMOTIONAL INTELLGENCE (EQ)

"Your EQ is the level of your ability to understand other people, what motivates them and how to work cooperatively with them," says Howard Gardner, the influential Harvard theorist. Five major categories of emotional intelligence skills are recognized by researchers in this area.

Understanding the Five Categories of Emotional Intelligence (EQ)

1. Self-awareness. The ability to recognize an emotion as it "happens" is the key to your EQ. Developing self-awareness requires tuning in to your true feelings. If you evaluate your emotions, you can manage them. The major elements of self-awareness are:

Emotional awareness. Your ability to recognize your own emotions and their effects.

Self-confidence. Sureness about your self-worth and capabilities

. . Self-regulation. You often have little control over when you experience emotions. You can, however, have some say in how long an emotion will last by using a number of techniques to alleviate negative emotions such as anger, anxiety or depression. A few of these techniques include recasting a situation in a more positive light, taking a long walk and meditation or prayer. Self-regulation involves

Self-control. Managing disruptive impulses.

Trustworthiness. Maintaining standards of honesty and integrity.

Conscientiousness. Taking responsibility for your own performance.

Adaptability. Handling change with flexibility.

Innovation. Being open to new ideas.

3. Motivation. To motivate yourself for any achievement requires clear goals and a positive attitude. Although you may have a predisposition to either a positive or a negative attitude, you can with effort and practice learn to think more positively. If you catch negative thoughts as they occur, you can reframe them in more positive terms — which will help you achieve your goals. Motivation is made up of:

Emotional intelligence (otherwise known as emotional quotient or EQ) is the ability to understand, use, and manage your own emotions in positive ways to relieve stress, communicate effectively, empathize with others, overcome challenges and defuse conflict. Emotional intelligence helps you build stronger relationships, succeed at school and work, and achieve your career and personal goals. It can also help you to connect with your feelings, turn intention into action, and make informed decisions about what matters most to you.

Emotional intelligence is commonly defined by four attributes:

Self-management – You're able to control impulsive feelings and behaviors, manage your emotions in healthy ways, take initiative, follow through on commitments, and adapt to changing circumstances.

Self-awareness – You recognize your own emotions and how they affect your thoughts and behavior. You know your strengths and weaknesses, and have self-confidence.

Social awareness – You have empathy. You can understand the emotions, needs, and concerns of other people, pick up on emotional cues, feel comfortable socially, and recognize the power dynamics in a group or organization.

Relationship management – You know how to develop and maintain good relationships,

IQ

IQ is a type of standard score that indicates how far above, or how far below, his/her peer group an individual stands in mental ability. The peer group score is an IQ of 100; this is obtained by applying the same test to huge numbers of people from all socio-economic strata of society, and taking the average.

The term 'IQ' was coined in 1912 by the psychologist William Stern in relation to the German term Intelligenzquotient. At that time, IQ was represented as a ratio of mental age to chronological age x 100. So, if an individual of 10 years of age had a mental age of 10, their IQ would be 100. However, if their mental age was greater than their chronological age (e.g., 12 rather than 10), their IQ would be 120. Similarly, if their mental age was lower than their chronological age, their IQ would be lower than 100.

When current IQ tests were developed, the average score of the norming sample was defined as IQ 100; and standard deviation (a statistical concept that describes average dispersion) up or down was defined as, for example, 16 or 24 IQ points greater or less than 100. Mensa admits individuals who score in the top 2% of the population, and they accept many different tests, as long as they have been standardised and normed, and approved by professional psychologists' associations. Two of the most well-known IQ tests are 'Stanford-Binet' and 'Cattell' (explained in more detail below). In practice, qualifying for Mensa in the top 2% means scoring 132 or more in the Stanford-Binet test, or 148 or more in the Cattell equivalent.

EQ VERSUS IQ

How are IQ and EQ measured and tested? Intelligence quotient, or IQ, is a number derived from a standardized intelligence test. On the original IQ tests, scores were calculated by dividing the individual's mental age by their chronological age and then multiplying that number by 100.

So, a child with a mental age of 15 and a chronological age of 10 would have an IQ of 150. Today, scores on most IQ tests are calculated by comparing the test taker's score to the average scores of other people in the same age group. IQ represents abilities such as:Visual and spatial processing

Knowledge of the world

Fluid reasoning

Working memory and short-term memory

Quantitative reasoning

Emotional intelligence refers to a person's ability to perceive, control, evaluate, and express emotions. Researchers such as John Mayer and Peter Salovey, as well as writers like Daniel Goleman, have helped shine a light on emotional intelligence, making it a hot topic in areas ranging from business management to education.2 EQ is centered on abilities such asIdentifying emotions

Evaluating how others feel

Controlling one's own emotions

Perceiving how others feel

Using emotions to facilitate social communication

Relating to others

Since the 1990s, emotional intelligence has gone from a semi-obscure concept found in academic journals to a popularly recognized term. Now you can buy toys that claim to help boost emotional intelligence or enroll kids in social and emotional learning (SEL) programs designed to teach emotional intelligence skills. In some schools in the United States, social and emotional learning is even a curriculum requirement.

Which Is More Important?

At one point in time, IQ was viewed as the primary determinant of success. People with high IQs were assumed to be destined for a life of accomplishment and achievement, and researchers debated whether intelligence was the product of genes or the environment (the nature versus nurture debate).

However, some critics began to realize that high intelligence was no guarantee for success in life. It was also perhaps too narrow a concept to fully encompass the wide range of human abilities and knowledge.

IQ is still recognized as an important element of success, particularly when it comes to academic achievement. People with high IQs typically to do well in school, often earn more money, and tend to be healthier in general.3

But today experts recognize that IQ is not the only determinant of life success. Instead, it is part of a complex array of influences—one that includes emotional intelligence. Many companies now mandate emotional intelligence training and use EQ tests as part of the hiring process.

Research has found that individuals with strong leadership potential also tend to be more emotionally intelligent, suggesting that a high EQ is an important quality for business leaders and managers.4

For example, one insurance company discovered that EQ could play a vital role in sales success. Sales agents who ranked lower on emotional intelligence abilities such as empathy, initiative, and self-confidence were found to sell policies with an average premium of $54,000. Agents who ranked highly on measures of EQ sold policies worth an average of $114,000.

Emotional abilities can also influence the choices that consumers make when confronted with buying decisions. Nobel-prize winning psychologist Daniel Kahneman found that people would rather deal with a person that they trust and like rather than someone they do not, even if that means paying more for an inferior product.5

Can Emotional Intelligence Be Learned?

If emotional intelligence is so important, can it be taught or strengthened? According to one meta-analysis that looked at the results of social and emotional learning programs, the answer to that question is an unequivocal yes.

The study found that approximately 50% of kids enrolled in SEL programs had better achievement scores and almost 40% showed improved grade-point-averages. These programs were also linked to lower suspension rates, increased school attendance, and reduced disciplinary problems.

Strategies for teaching emotional intelligence include character education, modeling positive behaviors, encouraging people to think about how others are feeling, and finding ways to be more empathetic toward others.

QUALTATIVE AND QUANTATIVE RISK ANALYSIS METHODS

Qualitative risk analysis

Qualitative risk analysis requires that the probability and consequences of the risk be evaluated using established qualitative-analysis methods and tools, describing them in terms such as very high, high, moderate, low, very low. These two dimensions of risk are applied to each specific risk event and the results may be plotted using a probability-impact matrix. It illustrates the simple multiplication of the scale values assigned to determine whether a risk is considered low, moderate or high.

The ranges suggested below are just an example which can be customized according to Project needs. Accordingly to Company procedures it is shown that the probability of risks impacting on People and Environment areas should be evaluated with a different scale.

Quantitative Risk Analysis

Although qualitative risk analysis is broadly used, whether enough data are available, the risk assessment can be performed through a quantitative risk analysis. Main advantages of a quantitative approach are:

Determine the probability of achieving a specific project objective

Quantify the risk exposure for the project, and determine the size of cost and schedule contingency that may be needed

Identify risks requiring most attention by quantifying their relative contribution to project risk

Identify realistic and achievable costs, schedule, or scope targets

The quantitative approach requires:

the definition of the probabilistic value of each single risk factors occurrence

the quantitative definition of the potential impact.

Quantitative assessment is particularly used to forecast potential project schedule and cost results listing the associated confidence level for each potential value of the considered value.

The result is to describe in terms of a probabilistic distribution the potential values of a given variable (impact areas). Whether more accurate data are not available a triangular distribution may be adopted, this requiring only the quantification of the minimum, most likely and maximum value that the variable may take.

Plan & Control Risks

Plan and Control is the step in which the risk control strategies are defined and implemented to reduce the initial risk level exposure.

Risk response planning is the process of developing options and determining actions to reduce threats to the project objectives, with the definition of the risk control strategies whose effectiveness will directly determine whether actual risk increases or decreases along the project lifecycle.

The deliverable issued during this step is the Risk Management Plan, it should include as a minimum: identified risks, results from qualitative and quantitative evaluation processes, risk owners and assigned responsibilities, agreed control strategies selected, level of residual risk expected after the strategies are implemented, budget and times for responses, contingency plans.

Risk monitoring and control is the process of keeping track of the identified risks, monitoring residual risks and identifying new risks, ensuring the exemple

DECISION MAKING MODEL IN STRATEGIC MANAGEMENT

Strategic Decision Making

Managers of successful businesses do more than simply find a way to make money and sell stuff. Not only do they handle the day-to-day tasks of selling, they also think of the big picture and make decisions that will get the company to where it wants to go. This is called strategic decision making, where decisions are made according to a company's goals or mission. This type of decision making guides the choices that are made, aligning them with the company objective. It requires out-of-the-box thinking as managers need to consider future scenarios that may or may not happen. It's these scenarios that will determine in which direction a company will go.

For example, the manager of a dog food company notices that dog owners want more quality and fresh foods rather than kibble that lasts 10 years on the shelf, even if those kibbles provide a similar nutritional value. The company's mission statement is to be the best company that sells the healthiest dog food. To align the company with the changing needs and wants of its customers, the manager decides to shift the company's products to focus more on freshness. Yes, this means a reduced shelf life, but it does mean a higher profit margin because dog owners are more than willing to pay more for fresh quality foods.

The biggest part of strategic decision making is the company's mission. It's the mission that guides the types of goals the managers will set for the company.

For example, if the dog food company's mission was to be the number one supplier of cheap dog food, then using fresh ingredients wouldn't be top of its priority list. Instead, finding cheaper ingredients, with a longer shelf life, would be more in line with that mission. See how the decisions can vary so drastically based on the company's mission?

Having a company mission actually helps you in your strategic decision making. Without it, you have no guidance. But with it, you know what direction you should take your thoughts and actions.

To reach this mission, managers also need to reassess their actions from time to time. Going back to the dog food company example, managers will look at sales data perhaps after a month of selling the new healthy and fresh dog food products. If sales are increasing and look promising, then this direction is a good one. But if sales are lacking, then it means that a new way of reaching the company's mission needs to be made. Perhaps, instead of focusing on fresh foods, the company can focus on higher quality ingredients that more closely imitate a dog's natural diet.

Managerial Input

As you can see, managers have a pretty big responsibility when it comes to making decisions for the company. Looking at the dog food company example, if it wasn't for the manager choosing to shift the company's focus to quality and freshness instead of shelf life, the company might have failed in meeting their mission statement.

DECISION MAKING SYSTEM

A decision support system (DSS) is a computer-based information system that supports business or organizational decision-making activities, typically resulting in ranking, sorting, or choosing from among alternatives. DSSs serve the management, operations, and planning levels of an organization (usually mid and higher management) and help people make decisions about problems that may be rapidly changing and not easily specified in advance (i.e., unstructured and semi-structured decision problems). Decision support systems can be either fully computerized, human-powered or a combination of both. Learn more in: Quality Assurance Issues for Big Data Applications in Supply Chain Management

ROLE OF TECHNOLOGY IN DECISION MAKING

Kinds of Modern Technology

Technology makes information available to decision makers, helping to improve the quality and speed of decision making. Technology also makes it easier for people to collaborate so they can execute joint business decisions. Organizations use communication technology to update employees on business decisions and ensure the right people implement those decisions.

Information

Individuals or groups who make business decisions need rapid access to information to formulate and justify their decisions. Information can include historical corporate data, customer records, market trends, financial data and competitor profiles. This information may reside in varying databases within an organization, however, making it difficult for decision makers to get a complete picture. Investing in a networked data management system enables organizations to store data in central locations that decision makers can access via a secure network.

Collection

Technology can also improve the collection of information needed for business decisions. Providing network links between a central database and local retail outlets, for example, enables organizations to collect the latest sales data and make decisions based on up-to-date information. Similarly, members of a supply chain can collect and share market and production data to make more accurate decisions about production and stock levels.

Process

Data alone cannot improve business decisions. According to Strategic Consultancy DSS Resources, data management must reflect decision-making processes. Many information technology (IT) departments believe that their responsibility is just to deliver large quantities of data to the decision maker's desktop. Raw data, however, is unlikely to reflect the decision makers' needs, creating a disconnect between IT and business.

Tools

The decision-making process consists of a number of stages including decision preparation, decision structuring, decision making, and decision management. Data requirements are different at each stage, so large volumes of raw data are unnecessary. Business intelligence software tools are available that allow users to select, analyze and manipulate data into the form they need at different stages of the process.

Groups

In many organizations, decision making is a group process, particularly for a project such as new product development. Technology supports decision making in a group environment by allowing all members to access essential data via a network. Groups can also use collaboration tools such as audio or video conferencing to conduct meetings between members in different locations as a way to speed up decision making.

INTUTION : PRO AND CONS

Intuitive decision making is reaching a conclusion based on your "gut" and without the use of careful analysis. According to Self-Assessment 7.2, I scored a 26 from a range of 19-29 pts giving me moderate use of intuitive decision making. The pros of using intuition include being able to reach decisions quickly, which can become important when trying to meet target dates. Another pro of intuition is that it is a beneficial method to use when there is a lack of information or data available for analysis. Some cons of intuitive decision making include the difficulty involved in persuading others that you are right. Another con would be overreliance on intuition to make more complex decision like choosing the right location for your business.…show more content…

Whereas, an analytical decision-making style can take a long time to reach a conclusion and is oriented toward technical and task concerns. A problem with my decision-making style is that I tend to overanalyse a situation and it could cause me to be late to respond. I can use these results in George Mason by understand how my decision-making style can affect the group dynamics in projects or even my test-taking style. For example, my over analysis of groupwork and focus on task matter may make my team members feel undervalued and overlooked and make me seem indecisive. Also, during exams, I tend to use my analytical decision-making style which causes me to second guess my answers and go against my intuition. Some of the practices George Mason does to support quality HR includes having October as the National Work and Family Month and having on-site flu shot clinics available for students and staff. They also offer flexible work schedules and relocation resources. Some ideas for increasing quality of HR practices would include updating Blackboard and other sites so there are less interruptions and a better system for both students and professors to use. Another idea would be to use competitive compensation packages for professors and students so it encourages greater commitment to meeting goals.

UNIT 3

ROLE OF DECISION MAKING AND LEADERSHIP

LEADERSHIP,FOLLWERSHIP

'leadership influence on subordinates', noting that leadership is not something a leader possesses, so much as a process involving followership and, finally, that without followers there is no leadership or leaders.

In many respects this resonates with the apparent transformational leadership style of the second of the fire officers referred to earlier by Chief Alan Brunacini as being someone worthy of following. It is strongly linked to the 'leader as hero' and 'charismatic leader' perspectives, something often seen in the world of emergency management.

And yet we see many examples of poor leadership decisions by these charismatic and heroic leaders that could have been checked by their followers. A classic example of this is the Tenerife air disaster of 1977 when the aircrew failed to challenge the captain who had made the wrong decision to proceed with take-off; the resulting collision cost the lives of 583 people.

Followership skills should be supportive of the leadership. However, Grint (2010) suggests that followership can also be censorious, a checking mechanism, and protection against 'bad' leadership.

This is evident in risk management situations where, in a number of disciplines, subordinates are now mandated to challenge the leader's decisions if they think they are wrong. Crew resource management in the airline world and the 'Stop-Fire' systems in the British military are good examples.

It would appear, therefore, that leadership and followership are inextricably linked and nowhere more so than in the risk incident environment.

The link between leadership, management and enterprise performance is widely understood and accepted. Improving leadership improves management and raises the probabilities of better performance. That boards often change leaders when enterprises are slipping confirms the importance placed on leadership.

The flip side of leadership is followership. It stands to reason that if leadership is important to performance, followership must have something to do with it too. But curiously, followership gets only a small fraction of the airtime that leadership does.

Nowhere is this more the case than in MBA programs. MBA programs pride themselves on their ability to teach leadership. Leadership skills are at the head of the list of what many MBA students say they want to get out of an MBA. To them, the better the leadership skills, the better the chances of making the executive suite. They are right! So enamored are MBA programs with leadership that programs actively search out evidence of leadership ability in selecting among applicants.

MBA programs loudly trumpet their leadership development prowess. It is bizarre to even go there but has anybody ever thought of an MBA program facing the highly competitive MBA student market with the value proposition: "Get your MBA at our university; we teach followership better than anyone else; become a better sheep at our university." This article is about followership.

Followership is a straightforward concept. It is the ability to take direction well, to get in line behind a program, to be part of a team and to deliver on what is expected of you. It gets a bit of a bad rap! How well the followers follow is probably just as important to enterprise success as how well the leaders lead.

The label "excellent follower" can be a backhanded compliment. It is not a reputation you necessarily want if you are seeking higher corporate office. There is something of a stigma to followership skills. Pity because the practical reality is one does not reach progressively more responsible leadership positions without demonstrating an ability to follow and function effectively in a group. The fact is that in organizations everybody is both a leader and a follower depending on the circumstances which just adds to the paradox of the followership stigma.

Followership may take the backseat to leadership but it matters: it matters a lot! Quite simply, where followership is a failure, not much gets done and/or what does get done is not what was supposed to get done. Followership problems manifest themselves in a poor work ethic, bad morale, distraction from goals, unsatisfied customers, lost opportunities, high costs, product quality issues and weak competitiveness. At the extreme, weak leadership and weak followership are two sides of the same coin and the consequence is always the same: organizational confusion and poor performance.

Good followers have a number of qualities.

First, judgement. Followers must take direction but they have an underlying obligation to the enterprise to do so only when the direction is ethical and proper. The key is having the judgement to know the difference between a directive that your leader gives on how to proceed that you do not agree with and a directive that is truly wrong.

No one disputes that good judgement is critical to being a good leader. It is just as important in the follower. Show enough good judgement as a follower and you usually end up getting a shot at being the leader. Something of an aside but there is a line that I have always liked about judgement: "Good judgement comes from experience; experience comes from bad judgement."

Second, work ethic. Good followers are good workers. They are diligent, motivated, committed, pay attention to detail and make the effort. Leaders have a responsibility to create an environment that permits these qualities but regardless, it is the responsibility of the follower to be a good worker. There is no such thing as a bad worker who is a good follower.

Third, competence. The follower cannot follow properly unless competent at the task that is directed by the leader. It is the obligation of the leader to assure that followers are competent. Sometimes things go wrong because the follower is not competent at the task at hand. When this happens, leaders should blame themselves, not the follower. A sign of poor leadership is blaming followers for not having skills they do not have.

Fourth, honesty. The follower owes the leader an honest and forthright assessment of what the leader is trying to achieve and how. This is especially the case when the follower feels the leader's agenda is seriously flawed. Respect and politeness are important but that said, it is not acceptable for followers to sit on their hands while an inept leader drives the proverbial bus over the cliff. Good leaders are grateful for constructive feedback from their team. Bad leaders do not welcome feedback and here followers have to tread carefully. If the situation is serious enough, consideration should be given to going above the leader in question for guidance.

Fifth, courage. Followers need to be honest with those who lead them. They also need the courage to be honest. It takes real courage to confront a leader about concerns with the leader's agenda or worse, the leader himself or herself. It is not for naught that Churchill called courage "The foremost of the virtues, for upon it, all others depend". From time to time, it takes real courage to be a good follower.

Sixth, discretion. A favorite saying in World War II was "Loose lips sink ships." Sports teams are fond of the expression "What you hear here, let it stay here." Followers owe their enterprises and their leaders discretion. Talking about work matters inappropriately is at best unhelpful and more likely harmful. Discretion just means keeping your mouth shut. It should be easy but many find it next to impossible. Bluntly, you cannot be a good follower and be indiscreet. Everybody who works at an enterprise has a duty of care; indiscretion is not care, it is careless.

Seventh, loyalty. Good followers respect their obligation to be loyal to their enterprise. Loyalty to the enterprise and its goals is particularly important when there are problems, interpersonal or otherwise, with a particular leader. Followers who are not loyal are inevitably a source of difficulty. They create problems between team members; they compromise the achievement of goals; they waste everybody's time; they are a menace. Loyalty is not a synonym for lapdog. Rather, its essence is a strong allegiance and commitment to what the organization is trying to do. Followers should remember that their obligation is to the enterprise, not a given leader at a given point in time.

Eighth, ego management. Good followers have their egos under control. They are team players in the fullest sense of the concept. They have good interpersonal skills. Success for good followers relates to performance and goal achievement not personal recognition and self promotion. Sounds too good to be true and often it is. It is difficult but the best organizations tie advancement and reward to performance and goal achievement as hard as that may be to do.

Followership will always be in the shadow of leadership. But there are no leaders without followers and on-going success with weak followers will usually prove elusive. It is true that an organization is only as good as its leaders. It is also only as good as its followers. Who would not benefit from giving some thought to how they could be a better follower? Such thought may actually hasten your trip to the leadership position you actually want.LEADERSHIP AND MOTIVATIONAL THEORY

Motivation Theory

When someone gets motivated, or tries to get someone else moving, they are developing the incentives or conditions they believe will help move a person to a desired behavior. Whether it's intrinsic or extrinsic, most individuals are moved by their beliefs, values, personal interests, and even fear.

Additional Resources

Effective Leadership

Ethical LeadershipLeadership in Sports

Presentation Skills

One of the more difficult challenges for a leader is to learn how to effectively motivate those working for them. This is difficult to master because what triggers this action can be so personal.

A misconception held by inexperienced leaders is the same factors that motivate one employee, or the leader themselves, will have the same effect on others too. In fact, nothing could be further from the truth.

Intrinsic or Self-Motivation

Fundamentally, all motivation comes from within. So the most common concepts involve self, internal, or intrinsic motivation. All of these terms are used interchangeably to describe the same forces that come from within a person.

While it is certainly recognized that external factors can influence behavior too, in this area, external factors play a secondary role. For external forces to be effective in motivating someone, they must be in harmony with one of their intrinsic factors too.

In fact, several theorists such as Combs (1982), or Purkey & Stanley (1991), maintain there is only a single kind of intrinsic motivation. This is described as engaging in activities that enhance or maintain a person's self-image or concept of oneself.

leadership and motivationOther theorists such as Malone and Lepper (1987) define self motivation in broader and perhaps more useful terms. Malone and Lepper believe this is simply what people will do without external influence. Said another way, intrinsically-motivating activities are those in which people will partake in for no reward other than the enjoyment these activities bring them.

Malone and Lepper have integrated a large amount of research into a summary of seven ways the leadership of organizations can design environments that are self motivating.

Challenges

Individuals are motivated when they are working towards personally meaningful goals. Attainment of those goals must require activity that is increasingly difficult, but attainable. In other words, people like to be challenged, but they must feel their goals are achievable to stay motivated. This can be accomplished by:

Establishing goals that are personally meaningful

Making those goals possible

Providing feedback on performance

Aligning goals with the individual's self esteem

Curiosity

This concept talks about providing something in the individual's environment that arouses their curiosity. This can be accomplished by presenting the individual with something that connects their present knowledge or skills with a more desirable level - if the person were to engage in a certain activity. To motivate someone through curiosity, the environment must stimulate their interest to learn more.

Control

Most people like to feel they are in control of their destiny. They want to feel in control of what happens to them. To stay motivated, individuals must understand the cause and effect relationship between an action they will take and the result. Leaders can use this information in the following ways:

Making the cause and effect relationship clear by establishing a goal and its reward.

Allowing individuals to believe the work they do makes a difference.

Allowing individuals to choose what they want to learn, and how to go about learning it.

Fantasy

Another intrinsically motivating factor is fantasy. That is, individuals can use mental images of things and / or situations that are not actually present to motivate themselves. It's possible to foster this in others by helping individuals imagine themselves in situations believed to be motivating.

For example, if someone is highly inspired by the thought of being in control, then talk to them about a future point in time when they might be in charge of a large and important business operation.

Competition

Individuals can also be motivated by competition. That's because individuals gain a certain amount of satisfaction by comparing their performance to that of others. This type of competition can occur naturally as well as artificially. When using competition to foster motivation, keep in mind the following:

Competition is more appealing to some than others.

Losing in a competition de-motivates more than winning motivates.

Competitive spirits can sometimes reduce the likelihood of a coworker being helpful to competitors.

Cooperation

Cooperating with others can be very motivating. Most individuals feel quite satisfied when helping others achieve their goals. As was the case with competition, this can occur naturally or artificially. When using cooperation, keep in mind:

Cooperation is more important to some individuals than others.

Cooperation is a valuable skill that can be used in many different situations.

Interpersonal skills are important for cooperation.

Recognition

Finally, individuals are oftentimes motivated through recognition. When their accomplishments are recognized by others, they feel encouraged. It's important for a leader to make sure that recognition is distinguished from competition. With recognition it's important to avoid comparing one worker's achievements to those of others, as might occur with a competition

Extrinsic or External Motivation

As previously mentioned, extrinsic or external motivation is the term used to describe outside factors that stimulate someone's internal drive. The concept of externally motivating someone is not at odds with the fact this drive comes from within. The point here is that it is possible to provide others with situations, or an external environment, that fosters this feeling.

Employee Motivation

Some of the most effective ways for managers and leaders to motivate their staff includes recognition, providing positive performance feedback, and by challenging employees to learn new things. New managers often make the mistake of introducing de-motivating factors into the workplace such as punishment for mistakes, or frequent criticisms.

When followers feel they are being supported, and they have the ability to remain in control of their workplace, they stay motivated. Leaders can foster this feeling by allowing employees to take on added responsibility and accountability for making decisions.

It's important to keep in mind that motivation is individual, and the degree of success achieved through one single strategy will not be the most effective way to move all employees. The most effective way to determine what triggers this feeling in others is through carefully planned trial and error.

COMMON MOTIVES OF LEADERS AND FOLLWERS

Leadership and Motivation

Motivation is a goal-oriented characteristic that helps a person achieve his objectives. It pushes an individual to work hard at achieving his or her goals. An executive must have the right leadership traits to influence motivation. However, there is no specific blueprint for motivation.

As a leader, one should keep an open perspective on human nature. Knowing different needs of subordinates will certainly make the decision-making process easier.

Both an employee as well as manager must possess leadership and motivational traits. An effective leader must have a thorough knowledge of motivational factors for others. He must understand the basic needs of employees, peers and his superiors. Leadership is used as a means of motivating others.

Given below are important guidelines that outline the basic view of motivation:

Harmonize and match the subordinate needs with the organizational needs. As a leader, the executive must ensure that the business has the same morals and ethics that he seeks in his employees. He should make sure that his subordinates are encouraged and trained in a manner that meets the needs of the business.

Appreciation and rewards are key motivators that influence a person to achieve a desired goal. Rewarding good/ exceptional behavior with a small token of appreciation, certificate or letter can be a great motivator. If a certificate is awarded to a person, it should mention the particular act or the quality for which the individual is being rewarded.

Being a role model is also a key motivator that influences people in reaching their goals. A leader should set a good example to ensure his people to grow and achieve their goals effectively.

Encouraging individuals to get involved in planning and important issues resolution procedure not only motivates them, but also teaches the intricacies of these key decision-making factors. Moreover, it will help everyone to get better understanding of their role in the organization. The communication will be unambiguous and will certainly attract acknowledgement and appreciation from the leader.

Developing moral and team spirit certainly has a key impact on the well-being of an organization. The metal or emotional state of a person constitutes his or her moral fabric. A leader's actions and decisions affect the morale of his subordinates. Hence, he should always be aware of his decisions and activities. Team spirit is the soul of the organization. The leader should always make sure his subordinates enjoy performing their duties as a team and make themselves a part of the organization's plans.

A leader should step into the shoes of the subordinates and view things from subordinate's angle. He should empathize with them during difficult times. Empathizing with their personal problems makes them stronger-mentally and emotionally.

A meaningful and challenging job accomplished inculcates a sense of achievement among employees.

The executive must make their employees feel they are performing an important work that is necessary for the organization's well-being and success. This motivational aspect drives them to fulfill goals.

Remember, "To become an efficient leader, you must be self-motivated". You must know your identity, your needs and you must have a strong urge to do anything to achieve your goals. Once you are self-motivated, only then you can motivate others to achieve their goals and to harmonize their personal goals with the common goals of the organization.

VALUES AS UNDERPINING OF LEADERSHIP

. Self-reflection

The reality is that there are three to four times more things to do than you will ever get done. Most people react to growing lists of business demands by working faster or trying to multi-task. This approach is unsustainable and ultimately, unproductive. Activity for activity's sake does not grow your business, nor does it inspire people to work hard for your business' success.

A daily self-reflection practice of just 15 minutes enables leaders to separate the urgent from the important. Strong leaders are able to turn off the noise, put down the distractions, and contemplate these basic questions: What are my values? What do I stand for? What is my purpose? What really matters to me? Why?

Asking these questions of yourself isn't easy, making excuses not to, is. Strong leaders have the willingness and ability to ask themselves honestly at the end of every day: What did I say today? What I was going to do, what did I actually do? What am I proud of, what am I not? How did I lead today, how did I follow?

Developing a clear headspace and understanding of the answers to these kinds of questions helps strong leaders intentionally use their own values to navigate the micro and macro day-to-day decisions, and guide their people and organizations.

2. Balance

People with very strong opinions often have very little understanding of problems that are not their own. A values-based leader takes the time to understand and balance all sides of any story. He or she may not have all the answers, but recognizes the answer when they hear it, and makes others feel welcome to offer up potential solutions.

Leadership is not a democracy, inviting answers and solutions doesn't mean that everyone's answers will be used. Leaders who have a balanced approach don't slow down; they are able to make efficient and actionable decisions from a wider perspective.

To bring balance to all aspects of your life, you need to ask yourself: What am I trying to balance? Most people having trouble balancing their lives haven't figured out what areas they would like to bring balance to.

The major areas people strive to balance are work, family, spirituality, health, entertainment or enjoyment, and making a difference in the world. Once you determine what you want to balance, ask yourself these questions: What areas do you give your attention to most often? Where and with whom do you spend your time?

3. True Self-Confidence

True self-confidence is not just acting self-confident. It's not obnoxious, egotistical or arrogant. It is integral and embodied self-confidence. This type of self-confidence stems from two realizations: There will always be people who are better than you at some things, and that's ok.

There will always be people who are better than you at some things, and that's ok.

You are a work in progress.

The level of comfort you experience answering the following questions will help you gauge if you've developed true self-confidence at this point in your life, or if still have some work to do:

When you don't know something, do you say: 'I don't know'?

When you are wrong, do you say: 'I was wrong'?.

Most people experience discomfort when asking themselves these questions, afraid of other's judgments or perceptions of them. In reality, most people don't relate well to people who think they know everything or who never admit being wrong. People who acknowledge what they don't know, and recognize when they are wrong, appear to be actual human beings that others are happy to relate to, follow, and work hard for.

To be a strong leader you need to know your job, and how to find answers, but you don't need to know 'everything'. Know your strengths and weaknesses, and surround yourself with people who are really good at the things you are not so good at. And let's face it, everyone knows what you're not good at, even if you don't admit it.

4. Genuine Humility

When asked the question: "How did you get to where you are in your career so far?" the most common replies by people who aspire to be leaders are:

By working very, very, very, hard

Thanks to my specific skill sets..

Here's why: Leaders don't forget where they came from, they may read their own press clippings, but don't believe them. As they experience success, strong leaders are careful not to surround themselves with sycophants; every single person's opinion matters.

This type of humility is not false humility—that is terribly uncomfortable. False humility is obvious when the thin

gs you say and the things you do, do not align—and to be honest, others will know it! Genuine humility means you as the C-Suite strategic person in your business are no different from the people who clean your office every night. Looking at people in this way, helps you relate to any/every person and achieve win/win scenarios

Values-Based Leadership Starts With You

Harry summarizes why values-based leadership is so powerful near the end of his talk: "If you're not self-reflective, it is not possible to know yourself. If you don't know yourself, you can't lead yourself. If you can't lead yourself, you can't lead others."

CHARISMA,HEROS,BULLIES AND JERKS

What is Charisma and Charismatic Leadership?

Charisma is defined as the "combination of dominance, desire to influence, self - confidence, and strong moral values. Thus, charisma is connected to an individual's belief in themselves, a strong moral conviction, and their own longing to be in a position of power. The reason that charisma is so significant to the idea of leadership is that it is a combination of traits that, when present, result in the leader being able to influence others and create an impact that is long lasting in others perceptions of them as leaders.

Charismatic Leadership style primarily relies on the charm and persuasiveness of the leader. Inspirational Motivation is what such leaders are known for, their ability to inspire and motivate followers to perform at high levels and to be committed to the organization. What sets most such leaders apart is that they are exceptionally good communicators, individuals who are not just the best orators but are also able to communicate with followers on deep and emotional level.

If we were to sum up some of the qualities of a Charismatic Leader, those would be as follows

1. Communication

Charismatic leaders have extraordinary skills in communication. This helps to motivate employees through tough times and also help them stay grounded when things are good, there are exceptionally good motivators. The leaders are equally comfortable communicating one-to-one or in a group setting.

2. Maturity

Though they have a very powerful personality, a charismatic leader also has maturity and character. They don't believe in empty showmanship, most of their actions are based on the wisdom and knowledge which they have accumulated over the years of life and business experiences.

3. Humility

Charismatic Leaders place a lot of value on each employee, and have the ability to truly listen to their concerns. The charismatic leader is able to showcase to each employee the value that they bring to the organization, and show him or her how their contributions impact the overall growth and strategic plans of the organization.

4. Compassion

Some of the most successful leaders were found to be extremely compassionate. Charisma alone may not be enough, because there's a very real possibility that it can disintegrate into mere hero worship. Charismatic Leaders exhibit some complimenting qualities like compassion, integrity, honesty, and fortitude.

5. Confidence and Positive Body Language

It goes without saying that Charismatic Leaders are truly confident and warm, open with a very positive body language. They are the glass half full kind of people, and are comfortable with who they are. Charismatic leaders are secure and confident enough to be comfortable in their own skin. They make eye contact with whoever they are talking to, smile, and introduce themselves to strangers with great amount of genuineness.

6. Listening skills

Charismatic Leaders are extremely good listeners. They listen to understand rather than to respond. They are engaged in the conversation and act with empathy.

7. Self-improvement

A Charismatic Leader understands that he has certain qualities that make him different from others, he is also are aware of his limitations and hence never stops the process of self-improvement.

Is Charisma really important to a leader?

We know that running a business, especially in the current scenario, is no child's play. It becomes even tougher if the leadership does not perform to its optimum and are unable to guide employees towards success. Amongst the top traits, that people look for in those in authority is charisma. Charismatic leadership will be able to get the best out of each person, be able to motivate them to achieve more and overall be examples of all the positive traits required to run a business.

In the Business scenarios today, it is becoming increasingly difficult, attract as well as retain both highly skilled and abled employees and customers. Both these sets of people will be attracted to a company where the leadership is aware of their interactions with others, the manner in which they behave with all those associated with the company. Charismatic Leadership would ensure that the leaders in question are positive, level - headed and polite which in turn earns them devotion, reverence and a commitment of both the talent and customers.

Coming back to the importance of Charisma in Leaders, many researchers have stated that Charisma is one the most defining qualities in a leader and can even compensate for the leaders shortcomings. Roseabeth Moss Kanter of the Harvard Business Review states that leaders must possess charisma, because there is a certain level of faith and belief present in all aspects of business and leadership, therefore, this factor of trust plays a critical role in who people decide to put their belief in.

Some others have pointed out that charismatic leaders tend to lead with their charm and wit, which coupled with a strong sense of personal empowerment, can make them very compelling to others. Also those who use this leadership style tend to have a strong conviction towards their views view and because of the association with dominance, can make them appealing to audiences, thereby ensuring success in most of the projects they do and lead.

To sum up we could re - emphasize on Seth Godain's words. "Being a leader gives you charisma. If you look and study the leaders who have succeeded, that's where charisma comes from, from the leading."

UNIT 4

ORGANSATIONAL VALUES IN DECISION MAKING AND RISK MANAGEMENT

PERSONAL DECISION AND ORGANSATIONAL DECISION.

Every organization has a set of values, whether or not they are written down. The values guide the perspective of the organization as well as its actions. Writing down a set of commonly-held values can help an organization define its culture and beliefs. When members of the organization subscribe to a common set of values, the organization appears united when it deals with various issues.

Values in Organizations

Even if an organization has not explicitly spelled out the values it uses to guide its actions, it has values. They may be unstated, but they play an important role in determining how the organization confronts problems and issues. Values may come from the common purpose for which the organization works, the organization's leadership or from other sources.

Using Values as a Guide

Value statements list the principles and ethics to which an organization adheres. They form an ethical foundation for the organization. Beyond that, value statements help answer the question employees ask when faced with a difficult or perplexing situation: What do I do now?

For example, consider the values and guidance contained in the mission statement from well-known merchandiser, L.L. Bean: Sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more. The statement establishes a clear priority for how to deal with customers when they are shopping for or reporting a problem with a company product.

These principles and ethics then guide the behavior of organization members. They assist organizations in determining what is right and wrong. Members then act in certain ways, using the values as a guide.

Values and Community

Value statements also serve as a reference point for community members outside the organization. They enable them to understand the beliefs and principles of the organization. They provide basic information about how the organization operates and about its perspectives on ethical problems.

You can get a sense of how Whole Foods sees it relationship

VISION STATEMENT

A vision statement is sometimes thought of as a picture of your company in the future, but it's much more than that. When creating a vision statement, you're articulating your hopes and dreams for your business. Your vision statement is your inspiration, and it will serve as the framework for all your strategic planning.

A vision statement may apply to an entire company or to a single division of that company. Whether for all or part of an organization, the vision statement answers the question, "Where do we want to go?" Once you have one, your vision statement will have a huge influence on your decision-making process and the way you allocate resources.

As an example, Microsoft co-founder Bill Gates revealed in 2015 that the company's original vision statement was "a computer on every desk in every home."1 The vision statement didn't address how they would do that, or how long it would take to do it—it just outlined what they wanted to do.

What a Vision Statement Isn't

Don't confuse a vision statement with a business plan for your future success. You can think of a vision statement as a rough road map, but a vision statement won't include specific milestones, revenue goals, or strategies for achieving those goals.

Your vision statement is your first step toward developing those goals and plotting your milestones. The vision statement is not tied to the details, and you shouldn't consider specifics while crafting it. A vision statement should capture your passion for what you're trying to do, not your odds of actually achieving it.How a Vision Statement Works

While a vision statement doesn't tell you how you're going to get there, it does set the direction for your business planning. That makes creating one especially important for small businesses—poor planning is one of the main reasons small businesses fail. Conversely, being able to craft and articulate a vision is one of the hallmarks of a strong business leader.

Vision statements should be ambitious. When crafting yours, don't fall into the trap of only thinking a year or two ahead.

A company's vision statement also provides a point of focus for the marketing team. Marketing campaigns and messages can be checked against the vision to ensure that the marketing is in line with the direction provided by the vision statement.

RISK COMMUNICATION

Risk communication plays a key role in helping organizations apply the concepts of risk management in their daily operations. It is critical to the success of any organization, especially when it comes to public relations and customer retention. Effective communication must be a two-way channel. This means there must be an audience and a communicator. The communicator must tell the audience about the risks related to a specific hazard. The audience must also provide feedback so that both parties can come up with appropriate mitigation measures.

The main purpose of communicating risks is to inform people about the potential hazards related to a particular condition or activity. These hazards may be directly linked to a person, community or property. It involves a two-way exchange of information between the parties likely to be affected. The communicator should engage all of them and respond to questions and concerns. Communicators apply practical and scientific principles to interact with both parties effectively, especially during controversial situations.

Components of Risk Communication

There are three components of communicating risks. The first one involves precaution advocacy. In precaution advocacy, the potential effects of the hazard are high. The necessary strategy therefore involves creating an outrage so that the hazard can get the attention it deserves. The second element involves outrage management. Here, the potential effects of the hazard are low but the outrage is high. The corrective measure involves attracting the attention of the media so that there may be the right levels of emotions to warrant an immediate response. The third element involves crisis communication. Here, both the potential effects of the hazard and outrage are high. This element is applied to highly volatile incidents that are difficult to manage.

How to Communicate Risks Effectively

The first step is to put a particular risk in context. This should include examining the motives of communicating the risk and measuring the potential effects. The next step should involve comparing the risk with others previously recorded. Comparing will enable you to determine the point beyond which the effects of the hazard in question will cause serious or irreversible damages. The last step is to discuss broadly the potential effects of the hazard with the affected parties and suggest mitigation measures.

The best way of communicating risks is to inform all the participants and ensure fairness. You should also make sure that the participants are able to help solve the communication difficulties that may arise. You should also match your communication efforts with the type of risk in question.

Importance of Communicating Risks

Communicating risks enables managers and the team members to determine the probability of a risk materializing and its possible impacts. It allows analysts to understand the difference between risks and hazards found in a particular area. It also prepares the community to deal with any short or long-term effects of the hazards and the risk management techniques put in place. Communicating risks can also help organizations avoid litigation or fallout with the public.

Effective communication of opinion and information on risks associated with certain hazards is important for any organization. Communicating risks effectively will help the organization avoid problems ranging from litigation to damage of property and losses. The items discussed above will give you more insight on risk communication, including its importance and how to do it effectively.

RISK SHARING

Risk & Risk Sharing Definition

Did you know that, dozens of times every day, you share risk? Risk is the probability of an event occurring in a given time period. It's important to remember from the outset that, in this context, risk refers only to an occurrence and not necessarily an adverse event. With that in mind, risk sharing doesn't mean pushing the threat of bad outcomes off on someone else. Rather, it means reducing the likelihood and impact of uncertainty.

Here are a few examples of how you regularly share risk:

Auto, home, or life insurance, shares risk with other people who do the same.

Taxes share risk with others so that all can enjoy police, fire, and military protection.

Retirement funds and Social Security share risk by spreading out investments.

Whether you're a project manager or a small business leader, properly managing risk can be the difference between success and failure.

With only a few exceptions, business leaders and project managers should share risk whenever possible. Most of the time, sharing risk is a win-win scenario where stability is increased for all parties. We'll look at some real-world examples in a minute, but first we should look at some broad strategies.

One strategy for sharing risk is to diversify. To an investor, diversify means to put a little money in a lot of places so that the demise of one investment doesn't wipe out the investor. That strategy has a direct corollary in business risk. In this strategy, a business or project leader allocates resources so that a problem or disruption has minimal impact on other aspects of the business.

A second common strategy for risk sharing is outsourcing. Outsourcing means taking the business unit or function, removing it from the organization itself, and subsequently contracting another entity to do the work. In many cases, when you outsource services, you are also outsourcing risk. This is especially true when the outsourced function is already far outside the businesses core competency and primary mission.

Examples of Risk Sharing

During a project, risk can be shared with other project participants and resources. Organizations share project risks when everyone understands deliverables and expectations clearly. In business, risk can often be shared by working closely with other business partners in a mutually beneficial partnership. Here are a few real-world examples of risk-sharing through diversity and outsourcing.

When an airline faces unforeseen cancellations that exceed their capacity, they use their contractual arrangements with other diverse competitors. The airline with cancelled customers pays an agreed-upon rate so that a single flight cancellation doesn't strand all passengers at the airport. This mitigates both the risk of losing a customer and the risk of uncertainty associated with another airline's ticket pricing.

Many governments and nonprofits diversify their revenue streams to reduce the risk of sharp declines in revenue. In the government arena, the risk of plummeting tax revenue is mitigated by collecting taxes through income, property, and sales tax. Although it will still cause the government entity to suffer, the plummeting revenue will not be nearly as detrimental as having only a single revenue stream. Likewise, nonprofits that rely on donations reduce risk by maintaining a diversity of donors and donor categories.

A few industries rely on a very unique way of sharing risk through diversification. Many agricultural businesses and energy companies share risk by purchasing through a cooperative. In cooperatives, many small entities pool their resources to purchase bulk goods like coal or livestock feed. By doing this, they pay much lower prices since they can buy in bulk. This shares the risk of being forced to pay higher prices than much larger competitors.

STRATEGIC AND INTEGRAL PLANNING OF PROJECT

How to write a strategic plan

Now that you have an idea of what it should accomplish, you're ready to start writing your strategic plan. We'll go through the four elements your strategic plan should include and how to approach them.

1. Communication

Failure to communicate is one of the top reasons why projects get off track. At the same time, weekly or daily status meetings can become a frustrating, time-consuming waste of effort that your team won't find valuable.

The communications section lays out how communication should work during the project and answers these questions:

Who are the stakeholders and what role do they play in the project?

Which team members will need to communicate with each other and how will they do it?

How will we communicate deadlines and dependencies?

How will we communicate status updates and next steps?

How will we inform stakeholders who are not involved in the execution of the project?

No matter how you choose to communicate, be sure it's heavy on collaboration and is as centralized as possible. As you listen to your team members and their preferences, you'll be able to customize a strategy that meets their needs and schedules and is easy to use.

2. Resource identification

Most of your resources will fall into three categories: money, people, and assets. Your strategic plan will identify what resources you need for your project and how you will get them.

For instance, budgets are finite and it's important to know who is going to pay for the project.

Organizations and departments have their own larger strategies with budgets attached to goals and metrics. So, sometimes determining budget will be easy. If it's difficult to find a way to pay for a project, it's worth considering whether or not the project fits into broader strategic goals.

When it comes to building a team, there is also a finite number of hours and resources a team can offer. Individual people have different work expectations and bandwidth, and so you'll need to strategize within the confines of realistic expectations.

You'll want to leverage the institutional knowledge of your more senior workers while also building the expertise of new employees and respecting everyone's time and individual capacity.

3. Tracking progress and conflict mediation

While a strategic plan doesn't lay down the exact details of which tasks you'll create and complete, it will include how you will track your project from start to finish.

Tracking for your project can be as simple as an Excel spreadsheet or as complex as a fully featured work management platform. Many of the same strategies for finding the best project management software for you apply here as well:

Put the needs of the project first

Find the simplest solution that meets the needs of the project

Look at your available resources before hunting for something new

To avoid double-dipping of team efforts, your tracking strategy must be centralized. This way when—not if—problems in the project arise, all involved parties can come to a solution quicker. Otherwise, if you have different teams using different tools to collaborate, important information can be lost or misplaced.

4. Reporting

In order to know how to report the progress and results of any project, you need to understand what the goals or KPIs are. There are hundreds of different project metrics you can present, but the most crucial KPIs reflect what your project requester or sponsor expects.

We've discussed previously the importance of delivering a project with confidence. Taking your project over the finish line requires defining—from the beginning—what and where that finish line is and how you will cross it.

For instance, how will you know when a project is completed? Who has final approval on a project and how does that process work? How will you store project files and other information to refer back to later? Knowing these kinds of answers at the start prepares you for consistent, useful reportin

A strategic plan is your set of tools and resources mapped to your project. You won't need all of your tools every time, but knowing which ones are right for each job is a crucial part of smooth project management.

Your strategic plan will provide transparency and direction to your stakeholders and ensure your projects are completed and delivered, rather than languishing while waiting for approval.

You'll communicate in a way that makes sense and is customized for team members. And, you'll track your tasks using tools that are simple and tailored for your projects. Most importantly, defining your project strategy means you can be sure your project is hitting the key business goals you want every time.