

Centralization And Decentralization

- Centralization
 - A function of how much decision-making authority is pushed down to lower levels in an organization; the more centralized an organization, the higher the level at which decisions are made
- Decentralization
 - The pushing down of decision-making authority to the lowest levels of an organization

Common Biases and Errors

- **Overconfidence Bias**
 - Believing too much in our own decision competencies.
- **Anchoring Bias**
 - Fixating on early, first received information.
- **Confirmation Bias**
 - Using only the facts that support our decision.
- **Availability Bias**
 - Using information that is most readily at hand.
- **Representative Bias**
 - Assessing the likelihood of an occurrence by trying to match it with a pre-existing category.

Common Biases and Errors

- Escalation of Commitment
 - Increasing commitment to a previous decision in spite of negative information.
- Randomness Error
 - Trying to create meaning out of random events by falling prey to a false sense of control or superstitions.
- Hindsight Bias
 - Falsely believing to have accurately predicted the outcome of an event, after that outcome is actually known.

Intuition

- Intuitive Decision Making
 - An unconscious process created out of distilled experience.
- Conditions Favouring Intuitive Decision Making
 - A high level of uncertainty exists
 - There is little precedent to draw on
 - Variables are less scientifically predictable
 - “Facts” are limited
 - Facts don’t clearly point the way
 - Analytical data are of little use
 - Several plausible alternative solutions exist
 - Time is limited and pressing for the right decision

Organizational Constraints on Decision Makers

- Performance Evaluation
 - Evaluation criteria influence the choice of actions.
- Reward Systems
 - Decision makers make action choices that are favoured by the organization.
- Formal Regulations
 - Organizational rules and policies limit the alternative choices of decision makers.
- System-imposed Time Constraints
 - Organizations require decisions by specific deadlines.
- Historical Precedents
 - Past decisions influence current decisions.

Ways to Improve Decision Making

- Analyze the situation and adjust your decision making style to fit the situation.
- Be aware of biases and try to limit their impact.
- Combine rational analysis with intuition to increase decision-making effectiveness.
- Don't assume that your specific decision style is appropriate to every situation.
- Enhance personal creativity by looking for novel solutions or seeing problems in new ways, and using analogies.

