

SMART CHOICES



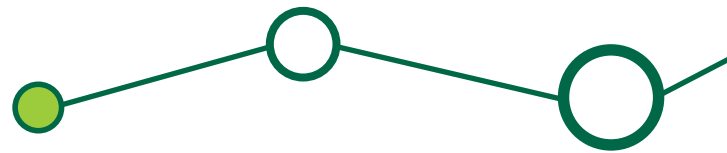
FOCUS

Important decisions require selection among alternatives that will greatly influence future decision which are referred to as linked decisions.

A smart choice now means to not ignore what future decisions might be made.

LECTURE NOTES

Chapter 9 LINKED DECISIONS



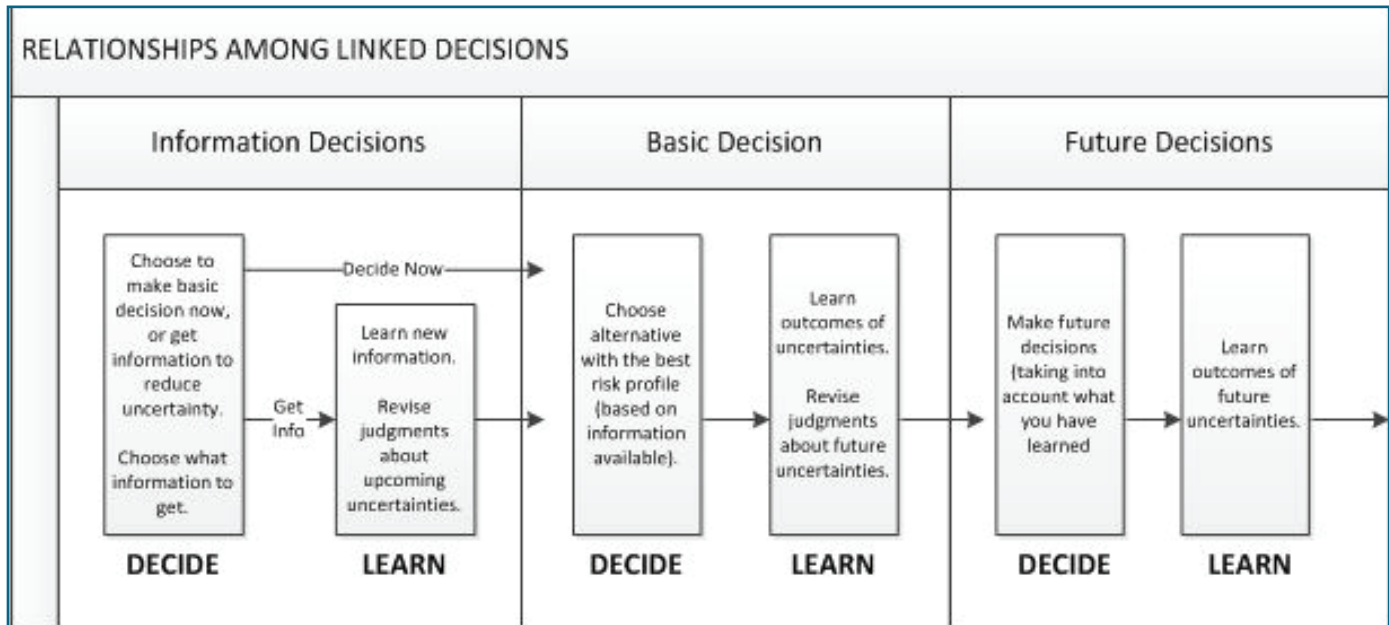
Linked decisions: when situations that involve a necessary connection between the current decision and one or more later ones.

These decisions could be years or even minutes apart. In all cases they add an additional layer of complexity to decision making.

The elements of a linked decision include:

- A basic decision that must be addressed now
- Desirability of each alternative in the basic decision is influenced by uncertainties
- Relative desirability is also influenced by a future decision that would be made after the uncertainty of the basic decision is resolved
- An opportunity exists to obtain information before making the basic decision
- Typical pattern is to decide then learn, decide then learn, and so on

This idea might be best described in the following illustration.



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Notice that we start with an information decision where the assessment is made if additional information or not is needed to assist with the basic decision. Then a basic decision is made or a decision which results in opportunities to learn from that decision. Once that future decision arrives, a decision is made taking into account what is already learned, then it becomes your basic decision and you learn from its outcomes. This is a cycle of deciding and learning.

SMART DECISIONS

Making smart linked decisions requires planning ahead and understanding the relationships among the decisions. Decisions can be linked in two forms:

1

Information decisions that are pursued before making the basic decision helps make a smarter basic decision.



2

Future decisions that are made after the consequences of a basic decision becomes known and linked because the alternatives that will be available in the future depend on the choice make now.

Six Steps to Analyze Linked Decisions

- 1 Understand the basic decision problem. Here begin with the first three core elements of ProACT and then create a list of 2-3 of the most influential uncertainties.
- 2 Identify ways to reduce these critical uncertainties by deciding what information is important and how to gather it or even if indeed it is worthwhile to do so (sometimes the effort to acquire additional information is not cost effective).
- 3 Identify future decisions linked to the basic decision.
- 4 Understand relationships in linked decisions.
 - Get the timing right by asking what happens when? Create a timeline like the one shown earlier.
 - Sketch the essence of the decision problem – use a decision tree like one shown on page 178 of your book.
 - In the diagram; on the left are your information choices, in the middle are basic decision choices and on the right are future decisions and uncertainties associated with them.
 - Describe the consequences at the end points.
- 5 Decide what to do in the basic decision.
 - What additional information do you want or need to collect? This is the learning part.
- 6 Treat later decisions as new decision problems – having chosen an alternative for your basic decision problem and learning something from that decision what should you do now? Rethink the situation.



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FLEXIBLE PLANS

In cases where the uncertainty is so great or the environment so changeable, it is difficult to plan for future decisions. Develop flexible plans.

Some examples of flexible plans are:

- **All-weather plans** - plans that will work well in most situations but may not be optimal.
- **Short-cycle plans** - make the best possible plan now then reassess the choice frequently.
- **Option wideners** - act in a way that expands your set of future alternatives.
- **“Be prepared” plans** - “Success is what happens when preparation meets opportunity” this saying is at the heart of business continuity and disaster recovery which we will address in detail later in this course.