

: *What is the context of decision making?*

by Daniel J. Power

Editor, DSSResources.COM

Context matters. The situation in which a decision must be made influences the decision that is made. For example, a computer supported decision situation is vastly different than a non-supported situation. The decision context helps determine what information is needed to support decision making. Understanding the context of managerial decision-making is important in building decision support applications. The decision-making context defines both the potential for and the limits to decision support. We need to consider the whole decision cycle and process and all of the varied decision activities of managers and their staff.

The importance of managerial decision-making and the types of decisions made vary at different levels in the managerial hierarchy. At the lowest level, supervisors assign tasks, monitor and control operations, and make a variety of short-term decisions. At the managerial control level decisions are more complex and more information is used to make decisions. At the strategic or senior management level, managerial decisions focus on issues of corporate performance, macro allocations of resources, major personnel choices, and strategic directions on products and markets.

All of the managers in an organization are drawing conclusions from information and making choices from identified alternatives. Some managerial decisions need computerized support more than others. Some decision activities are also easier to support than are others.

Context is an amalgam of components that include the decision need, financial, regulatory and political aspects of the decision situation, and the human environment, including the social, historic and cultural aspects of the situation. Asking the right questions to define context at the beginning of the decision-making process is essential to correctly defining the problem and avoiding surprises. Defining the decision making context is an overlooked task in many decision situations.

Alexis and Wilson (1967) discuss 5 elements of a decision situation: goals, relevant alternatives, process of ranking alternatives, decision environment, and decision-makers. DSS analysts should first examine the goals to be achieved in the situation and who sets the goals and when and how are they revised. In some situations analysts can examine relevant alternatives and how they are identified. An alternative is relevant if it is feasible, can be implemented and solves an existing problem. Decision situations usually have a process of ranking alternatives from most to least desirable. This process may be subjective or objective. Analysts should determine how alternatives are currently ordered. DSS analysts should especially examine the decision environment and the decision-makers in evaluating the advisability of computerizing a decision process. Both the decision environment and the decision-makers are important in understanding the decision-making context.

: *What is the context of decision making?*

Various aspects of the decision-maker's environment can affect the final decision. Robert Duncan (1974) characterized the decision environment as consisting of two categories - internal and external. The factors in the internal environment that influence decisions include: 1) people - their goals, experiences, capabilities, and commitment; 2) functional units – the technological characteristics, independence, interdependence, and conflict among units; and 3) organization factors - like goals and objectives, processes and procedures, and the nature of the product or service. The factors in the external environment that impact decisions include: customers, suppliers, competitors, socio-political issues, and technological issues. Some DSS help managers assess the above factors, but what is more important is to consider them when building a DSS.

According to Rohrbaugh and Shanteau, "Research on framing effects has provided evidence of how normatively irrelevant variables can affect decision making. A frame includes the context provided by the stimulus. Typically, the researcher defines the context included in the decision situation." Context also includes the individual differences of various decision makers who might be in the decision situation.

People are influenced by how information is presented to them; we are also susceptible to social pressure; and we have a desire to avoid cognitive dissonance. This means that once a person has committed to a decision, then there is less concern about objectivity. People bias new information to support the already made decision. Sadly, some managers routinely make decisions first and then look for information to support or "bolster" their decision. The experience of decision makers in the decision situation is also an important component of context. Some research indicates experienced decision makers for a specific decision situation are better decision makers (cf., Rohrbaugh and Shanteau, 1999).

Context is what is happening while one or more decision makers contemplate what choice should be made in a specific decision situation. The decision making context may be turbulent or placid, well-defined or poorly defined. Stakeholders help create context. People who have a "stake" or interest in a decision influence the situation directly or indirectly. Decision makers are impacted by context and hence must define and understand the decision context.

References

Alexis, M. and C. Z. Wilson. Organizational Decision Making. Englewood Cliffs, N.J.: Prentice-Hall, 1967.

: *What is the context of decision making?*

Duncan, R. "Modifications in Decision Structure in Adapting to the Environment: Some Implications for Organizational Learning," *Decision Sciences*, Vol. 5, No. 4, 1974, pp. 705–725.

Rohrbaugh, C. and J. Shanteau, "Context, Process, and Experience: Research on Applied Judgment and Decision Making," *Handbook of Applied Cognition*. F. Durso (Ed.). (1999). NY: John Wiley. (pp. 115-139) at URL http://www.k-state.edu/psych/cws/pdf/durso_chapter99.PDF

Author: Daniel Power

Last update: 2014-01-05 06:27