

## 5.12: Styles of Decision Making

### Learning Outcomes

- Identify common styles of decision making.

### Optimizing vs. Satisficing

The “fog of war” refers to the uncertainty common on a battlefield. Business is not quite that bad, but there often isn’t good information for a full analysis. With limitations on information, thoughtful analysis may be impossible. So what’s a decision maker to do? There are two ends of a spectrum from which to approach this: satisficing and optimizing. **Satisficing**—a combination of the words “satisfy” and “suffice”—means settling for a less-than-perfect solution when working with limited information. **Optimizing** involves collecting as much data as possible and trying to find the optimal choice. Generally, decision makers don’t pick one or the other—you can think of satisficing to optimizing as a spectrum, and each decision starts with an assessment of how critical it is. A branch of management called management science offers methods for solving complex problems.

### Intuitive vs. Rational

According to Daniel Kahneman, who you’ll read more about in the next section, each of us has two separate minds that compete for influence. One way to describe this is a conscious and a subconscious perspective. The subconscious mind is automatic and **intuitive**, rapidly consolidating data and producing a decision almost immediately. The subconscious mind works best with repeated experiences. The conscious, **rational** mind requires more effort, using logic and reason to make a choice. For example, the subconscious mind throws a ball and hits the target, while the conscious mind slowly describes the physics and forces required to complete the action.

### Combinatorial vs. Positional

Aron Katsenelinboigen proposed this description based on how the game of chess is played. A **combinatorial** player has a final outcome in mind, making a series of moves that try to link the initial position with the final outcome in a firm, narrow, and more certain way. The name comes from the rapid increase in the number of moves he must consider for each step he looks ahead. The **positional** decision-making approach is “looser,” setting up strong positions on the board and preparing to react to the opponent. A player using this strategy increases flexibility, creating options as opposed to forcing a single sequence.



Like chess players, businesses can use combinatorial or positional strategies to make decisions.

In business, a market share strategy is positional. A dominant market share gives a firm negotiating power even with lesser product. A complex situation with many players and many solutions might require a more combinatorial strategy. Apple faced a complex environment when it entered the music streaming business. It created an ecosystem that served artists, labels, and customers without dominating the music business.

## ? PRactice Question

<https://assessments.lumenlearning.co...essments/12189>

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