What’s a Good Decision?

One common way managers distinguish good decisions from bad ones is by looking at the results of the decision. Most managers realize, however, this measure of decision quality is not very satisfactory. For one thing, while the results may not be apparent until much later, we would like to immediately characterize the decision as good or bad. Moreover, all we see are the results of the chosen alternative – there is usually no way to see the results that have occurred if a rejected alternative had been chosen and, thus, no way to see whether we have really chosen the best alternative.

One of the fundamental benefits of Decision Analysis is that it can distinguish good decisions from bad ones – and provide us great feedback with respect to our decision process. In fact, Decision Analysis techniques provide the manager a criterion for establishing whether a decision is good or bad. Consider the four elements of rational decision making . . .

Elements of a Good Decision Analysis Process

1. **Information** – “What do I know about the world and the business opportunity under consideration?” An important component of this information element is characterizing the uncertainties that the manager or firm faces.
2. **Alternatives** – “What courses of action are open to me?”
3. **Values** – “What does the decision maker want?”
4. **Logic** – “How do I put knowledge, alternatives, and values together to arrive at a decision?”

Given these elements and the systematic process for integrating them provided by Decision Analysis, we can now characterize a “good” decision as one that is logically consistent with the alternatives, information, and values brought to the decision.

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