Task Three: Decision-making

Overview

Decision-making is the process of selecting a course of action from multiple options. Decision-makers can use tools such as 'Cost-Benefit Analysis' to identify the best option.

Some Key Terms from class:

1. **Cost-Benefit Analysis** is a process used to make consumer and business decisions. It attempts to identify any differences between the costs associated with a decision option and the benefit or savings that the option provides. In business, cost-benefit is performed to help make business decisions, such as those to upgrade machinery or build a factory.

2. **Benefit** refers to the gain that accrues to the decision-maker as a result of selecting a particular decision option. Benefits can be tangible like 'revenue', but can be intangible -- like 'happiness'. Benefits are most often received over time.

3. **Cost** refers to the total value of tangible resources (cash expenditures, labor, and machinery) or intangible resources (time) associated with a particular decision option. Costs can be either a one-time expenditure, or they may be recurring or ongoing.

4. **Break-even point** refers to the total benefits that a decision must produce in order to fully recoup its costs. This is usually a dollar value, and refers to either the revenue or the cost savings associated with the decision -- or both.

5. **Payback Period** refers to how long it takes a decision to 'pay for itself' -- accruing benefits that are equal to the costs of its investment. Payback period is measured in units of time days, weeks, months or years.

What are Decisions?

Consider this: You are faced with a situation in which you must decide among several options and determine which one has the best outcome. What kind of mobile phone do you buy? What math or science course should you take? Which colleges should you apply to?

Do you feel like you know exactly how to make the right decision? Have you ever wished you did?

Decision-making is an integral part of day-to-day life. Whether we are cave-dwellers who pick berries, students in high school, professional managers, or top-level diplomats we all make decisions on a routine basis. A decision may be an investment decision (where do I open a savings account?), a purchase decision (where do I buy lunch?), or anything that in the end calls for the selection of a final choice.

It is likely that you make decisions every day. You choose what to wear in the morning, and decide what to eat for breakfast. Of course, making these types of decisions requires little or no thought. As you get older, however, you will be responsible for an ever increasing number of decisions which will affect your life ' as well as the lives of other people.

As you face more and more complicated decisions, simple tools like the one to which you are about to be introduced will help you confidently navigate some of the more straightforward decisions you face in your day-to-day life.

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Decision-making in Your World, Today

Take notes below on the optional teacher-led, in-class exercises:

Task Three: Decision-making

Decision-making in New City

Throughout the first tasks in New City, you have been making decisions for a client, based on guidelines. The 'right' decisions in New City that you have made, thus far, are the ones that fit best with the instructions that people have given you.

For this task, however, you will be asked to make an entirely different kind of decision. Just as in the other tasks, success in this assignment is largely about having all the information. If you research and write your facts down as you find them, you will be prepared to make decisions from which you and your team can both benefit.