Cornhusker Economics   Agricultural Economics Department

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Seven Characteristics of a Good Decision

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Cornhusker Economics

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Market Report	Year Ago	4 Wks Ago	12-16-16
Livestock and Products,			
Weekly Average			
Nebraska Slaughter Steers,			
35-65% Choice, Live Weight.	116.36	NA	★
Nebraska Feeder Steers,			
Med. & Large Frame, 550-600 lb.	181.56	NA	145.49
Nebraska Feeder Steers,			
Med. & Large Frame 750-800 lb.	153.11	NA	137.76
Choice Boxed Beef,			
600-750 lb. Carcass.	203.13	NA	192.05
Western Corn Belt Base Hog Price			
Carcass, Negotiated	51.32	NA	53.21
Pork Carcass Cutout, 185 lb. Carcass			
51-52% Lean.	72.81	NA	76.42
Slaughter Lambs, wooled and shorn,			
135-165 lb. National.	146.22	NA	138.63
National Carcass Lamb Cutout			
FOB.	360.03	NA	350.69
Crops,			
Daily Spot Prices			
Wheat, No. 1, H.W.			
Imperial, bu.	3.98	NA	2.72
Corn, No. 2, Yellow			
Columbus, bu.	3.51	NA	3.06
Soybeans, No. 1, Yellow			
Columbus, bu.	8.28	NA	9.29
Grain Sorghum, No.2, Yellow			
Dorchester, cwt.	5.73	NA	4.70
Oats, No. 2, Heavy			
Minneapolis, Mn, bu.	2.87	NA	2.97
Feed			
Alfalfa, Large Square Bales,			
Good to Premium, RFV 160-185			
Northeast Nebraska, ton.	177.50	NA	★
Alfalfa, Large Rounds, Good			
Platte Valley, ton.	77.50	NA	67.50
Grass Hay, Large Rounds, Good			
Nebraska, ton.	85.00	NA	65.00
Dried Distillers Grains, 10% Moisture			
Nebraska Average.	132.00	NA	110.00
Wet Distillers Grains, 65-70% Moisture			
Nebraska Average.	51.00	NA	43.50
* No Market			

People make thousands of decisions every day. These decisions shape lives and determine futures, some of them in very significant ways. However, some argue that the ability to make good quality decisions is contrary to human nature (Spetzler, et al.). Stress, time constraints, and uncertainty can amplify this situation and lead to mistakes that are difficult to overcome.

In a recent survey by the Department of Agricultural Economics at the University of Nebraska and the Nebraska Department of Agriculture, it was revealed that 54% of Nebraska agricultural producers are currently experiencing a great amount of financial stress. In stressful times, it is important to focus on making good decisions. But, what do good decisions really look like? In what follows, I draw on the work of Hammond, et al. (1999) and Spetzler et al. (2016) to offer seven characteristics of a good decision.

1. An appropriate decision frame

To make a good decision, you need more than just a list of choices. An appropriate decision frame captures the context in which you are making the decision. This includes both the internal environment and the external environment in which you are making the decision. Above all, it also includes the objective(s) you are trying to accomplish by making the decision. With an appropriate decision frame, you can grow your list of choices as large as needed to find the best alternative to get you from where you are currently at to where you want to go after making the decision.

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2. Clear values to adhere to and objectives you are trying to accomplish

Identifying the objective(s) you are trying to accomplish is part of properly framing a decision. These objectives need to be clear and align with your values. Why is this so important? Because your objectives form your decision criteria, help determine what information to seek, help you explain your decision choice to others, and help determine how important the decision is to you and how much time and effort you should expend on making it. When you look back on a decision, you should clearly see how the choice you made helped you fulfill key objectives and adhere to your values better than the other alternatives available at the time.

3. Creative alternatives to choose from

Two fundamental principles need to be kept in mind when generating alternative choices. First, the choice you make can never be better than the best of the alternatives you have to choose from and, second, you can never choose an alternative you haven't considered. When you look back on a decision, you want to be able to say that you created an innovative list of alternatives. You thought outside the box and you iterated some original alternatives into better alternatives. It is much better to have too many bad alternatives on your list than not enough good ones. At the end of the day, it is much easier to make a good decision if you are trying to decide between several good choices.

4. Good information

We live in the information age but determining which information is important and reliable can sometimes be a challenge. You can easily become overwhelmed with information that is either not reliable or not relevant to the decision you are trying to make. A good decision uses reliable and relevant information while properly accounting for uncertainties. A laser focus on your objectives can help you achieve this task.

It is important to remember that there are no future facts. At best, good factual information only describes the present and the past. Decisions are concerned about the future and the future is full of uncertainties. Use experts wisely to help gather relevant information about what the future could look like but do so with a realistic view concerning uncertainty. When you look back on a decision, you want to be able to say that you incorporated the relevant facts known at the time and the best information about what the future could be into making your decision.

5. Clear tradeoffs and sound reasoning

One of the most difficult challenges in making decisions is grappling with tradeoffs involving multiple objectives. This is one of the reasons we often try to monetize everything and treat decisions as profit maximizing choices. However, seldom can this be done without some difficult discussions about what something is worth. In other words, grappling with tradeoffs between objectives can be difficult and requires sound reasoning. For example, if it is more important to have the capacity to harvest your crop within 10 days than it is to save $2,000 in interest then that needs to be reflected in the reasoning you use to make the decision.

Sound reasoning and evaluating tradeoffs also extends to consideration of downstream decisions. A decision made today usually impacts future decision opportunities and available choices. Decision trees can be useful in drawing out connections between the alternative choices under consideration and the impact they have on downstream decisions.

Finally, all of these tradeoffs and reasoning take place in a world that is filled with uncertainty. This needs to be reflected in your process. Appropriate scales need to be used and the tradeoffs need to reflect the accuracy of those scales. It is sound reasoning to treat two values as equal if they are close enough given the uncertainty surrounding them. As you look at your decision, you want to be able to say that your reasoning was sound in evaluating how well each alternative choice would help accomplish the objectives you have for making the decision.

6. Choice alignment with values and objectives

If you make a good decision, you should be able to look back and say that the choice you made aligned well with your values and the objectives you were trying to accomplish. Sometimes, we forget to reflect on this before making our final choice. It is important to remember to do so because often one objective becomes too easy to focus on relative to the others and begins to dominate your selection process. A quick reflection on choice alignment with values and objectives can help prevent your decision from improperly reflecting an imbalance amongst your priorities.

7. Committed implementation

Finally, a good decision must be accompanied by a commitment to implement it. When you evaluate your decision, reflect on how committed you are to fully implementing your choice. When you look back on a decision, you want to be able to say that the choice was implemented completely and a committed effort was made to make it a success.

It is important to realize that even with all seven of these characteristics in place; good decisions can still lead to bad outcomes because of uncertainty. That is why you can't judge the quality of a decision based solely on the results. Results are obviously important but habits that produce these seven characteristics describing the choices you make are even more important because they will more consistently produce good results.

References and Recommended Reading:

Hammond, John S., Ralph L. Keeney, and Howard Raiffa. *Smart Choices: A Practical Guide to Making Better Life Decisions*. New York: Broadway Books, 1999.

Spetzler, Carl, Hannah Winter, and Jennifer Myer. *Decision Quality: Value Creation from Better Business Decisions*. Hoboken, New Jersey: Wiley & Sons, 2016.

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