Decision Quality

#7410
EXAM MATERIAL
DECISION QUALITY (COURSE #7410)

COURSE DESCRIPTION

Our lives, both business and personal, are marked by a stream of decisions. How well we make those decisions matters. This course outlines the framework and thinking tools that will help you get more of what you truly want and more value from every decision.

This course addresses how to:

- Frame a problem or opportunity
- Create a set of attractive alternatives
- Identify relevant uncertain information
- Clarify the values that are important in a decision
- Apply tools of analysis, and
- Develop buy-in among shareholders

No prerequisites. Course level: Basic. Course #7410 – 10 CPE hours.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

ASSIGNMENT 1: SUBJECT

PART I: THE DECISION QUALITY FRAMEWORK
- The Power of Decisions
- The Requirements for Decision Quality
- Getting to Decision Quality

Study the course materials from pages 1 to 46
Complete the review questions at the end of each chapter
Answer the exam questions 1 to 12

Objectives:

- To recognize when to judge the quality of a decision
- To recall the six requirements needed to make a high-quality decision
- To identify the steps involved in the DQ process
ASSIGNMENT 2:  SUBJECT
PART II: THE SIX REQUIREMENTS FOR DQ
The Appropriate Frame
Creative Alternatives
Relevant and Reliable Information

Study the course materials from pages 47 to 90
Complete the review questions at the end of each chapter
Answer the exam questions 13 to 22

Objectives:

• To identify the components of framing
• To identify the characteristics of a good decision
• To identify the goal of using reliable and relevant information in decision making

ASSIGNMENT 3:  SUBJECT
PART II: THE SIX REQUIREMENTS FOR DQ (continued)
Clear Values and Tradeoffs
Sound Reasoning
Commitment to Action

Study the course materials from pages 91 to 132
Complete the review questions at the end of each chapter
Answer the exam questions 23 to 31

Objectives:

• To recognize how value metrics are used to make quality decisions
• To identify the tools utilized with sound reasoning
• To recognize the importance of taking action and how to clear the way to get there
ASSIGNMENT 4: SUBJECT
PART III: HOW TO ACHIEVE DQ
Biases and Traps in Decision Making
Megabiases that Undermine DQ
Achieving Quality in Strategic Decisions
Achieving Quality in Significant Decisions

Study the course materials from pages 133 to 196
Complete the review questions at the end of each chapter
Answer the exam questions 32 to 45

Objectives:

• To identify the mental processes that create biases and shape judgment
• To identify the five megabiases that hinder DQ
• To identify the advantages of the dialog decision process
• To recognize the benefits of the DQ Appraisal Cycle

ASSIGNMENT 5: SUBJECT
PART IV: THE JOURNEY TO DQ
The Amoco Unleaded Gasoline Decision
Building Organizational Decision Quality
Embarking on the DQ Journey

Study the course materials from pages 197 to 232
Complete the review questions at the end of each chapter
Answer the exam questions 46 to 50

Objectives:

• To recognize the huge benefit-to-cost ratio in the decision analysis process at Amoco
• To identify the components of organizational decision quality
• To identify the value of decision quality

ASSIGNMENT 6:

• Complete the Answer Sheet and Course Evaluation and submit to PES
DECISION QUALITY (COURSE #7410)
EXAM OUTLINE

COURSE EXPIRATION DATE: Per AICPA and NASBA standards, this course must be completed within ONE YEAR from the date of purchase.

TEST FORMAT: The following final exam, consisting of 50 multiple choice questions, is based specifically on the material included in this course. The answer sheet must be completed and returned to PES for CPE certification. You will find the answer sheet at the back of this exam packet so that you may easily remove it and use it while taking your test.

LICENSE RENEWAL INFORMATION: The Decision Quality course (#7410) qualifies for 10 CPE hours.

PROCESSING: Your exam will be graded promptly. You must score 70% or better to pass. If you mail or fax your exam, when you pass, your certificate of completion will be mailed. If you do not pass, we will give you a courtesy call to inform you of this, and another answer sheet will be sent to you free of charge. If you complete your exam online, your certificate will be available automatically in your account if you achieve a passing grade.

GRADING OPTIONS – Please choose only ONE of the following:

GRADING OPTIONS: Please choose only ONE of the following. There is no additional charge for any of these grading options. Make sure to fill out your answer sheet completely prior to submitting it.

• ONLINE GRADING – Visit our website at http://www.mypescpe.com. Login to your account (if you are a first-time user, you must set up a new user account). Click on “My CPE” in the left-hand navigation menu pane, then choose “My CPE in Progress,” and then click on “Exam Grading.” If your exam is not already located here, click on “Add Exam Ordered by Phone, Fax, Mail, or Another Person” and follow the instructions.

• MAIL – Your exam will be graded and your certificate of completion mailed to you the same day we receive it. Your certificate will be dated according to the postmark date; therefore, you do not need to overnight your exam. Please mail your answer sheet to:

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    4208 Douglas Blvd., Ste 50
    Granite Bay, CA 95746

• FAX – Your exam will be graded and you will be contacted either via phone or fax with your results within 4 business hours of receipt. A copy of your graded exam and certificate of completion will be mailed to you the same day we receive it. Your certificate will be dated according to the fax date. If you choose to fax your exam, please do not mail it. Your fax will serve as the original. Please refer to the attached answer sheet for further instructions on fax grading. Fax number (916) 791-4099.

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7410 Final Exam • 5
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1. Which of the following groups of people sometimes make bad decisions that can prove to be very costly:
   A. individuals
   B. people at non-profits
   C. people in government agencies
   D. all of the above

2. What is meant by the term “satisfice”:
   A. to strive to be the best
   B. to settle for what is good enough
   C. to aim to please
   D. to never reach one’s goals

3. When should the quality of a decision be judged:
   A. at the time it is being made
   B. immediately after it is made
   C. once the outcome is known
   D. the quality of a decision should never be judged

4. How many requirements must be met before a high-quality decision can be reached:
   A. 2
   B. 4
   C. 6
   D. 8

5. Which of the following is not a component of the decision frame:
   A. values
   B. purpose
   C. scope
   D. perspective

6. Which of the following would be necessary to assure you are considering reliable information:
   A. the information must be trustworthy
   B. the information needs to be unbiased
   C. the information must come from authoritative sources
   D. all of the above

7. Which part of the framework illuminates the search for the best alternative to deliver the best result based on the current information:
   A. creative alternatives
   B. sound reasoning
   C. clear values and tradeoffs
   D. commitment to action

8. DQ (Decision Quality) is achieved when all requirements are at ____ on the DQ slider scale.
   A. 50%
   B. 75%
   C. 90%
   D. 100%

9. According to the author, which of the following is not part of a decision agenda:
   A. what choices need to be made
   B. what is the order of the decisions that need to be made
   C. who should be making the decisions
   D. what is the timeframe for the decisions
10. When considering the nature of a decision, what is the first dimension that needs to get addressed:
   A. magnitude
   B. organizational complexity
   C. analytical complexity
   D. decision traps

11. Which one of the following addresses the "people" issues involved in decision making:
   A. content challenge
   B. organizational complexity
   C. analytical complexity
   D. all of the above

12. When is the Dialogue Decision Process tool needed to make a quality decision:
   A. when there is high analytical complexity and low organizational complexity
   B. when there is low analytical complexity and high organizational complexity
   C. when complexity is moderate on both dimensions
   D. when complexity is high on both dimensions

13. Which of the following is not one of the components of framing:
   A. purpose
   B. scale
   C. perspective
   D. scope

14. Which component of framing can be likened to taking a photograph where you consciously decide what should be included and what should not.
   A. purpose
   B. scale
   C. perspective
   D. scope

15. Which of the following is known as the comfort zone bias:
   A. being too eager to act
   B. distorting a situation to fit our preconceptions
   C. focusing on the easiest path to agreement
   D. framing a problem too narrowly

16. What question does framing answer:
   A. What problem are we trying to solve?
   B. When should the decision be made?
   C. Who should be involved in the decision?
   D. How should the decision be made?

17. When trying to reach DQ, the list of alternatives considered should be ____________.
   A. narrow
   B. large
   C. varied
   D. both B and C above

18. Which of the following would not be characteristic of a good alternative:
   A. that it be creative
   B. that it be simple
   C. that it be compelling
   D. that it be feasible

19. Which phase of the alternative-generating task aims to get as many good alternatives on the table as possible:
   A. evaluation
   B. contraction
   C. expansion
   D. creativity
20. What is the purpose of a strategy table:
   A. to show the list of alternatives
   B. to rank the alternatives to be considered
   C. to clarify what related choices would be made if a specific alternative was chosen
   D. to eliminate the least viable alternatives from consideration

21. What is the limitation with basing a decision solely on facts:
   A. by doing so, you don’t consider the present
   B. by doing so, you don’t take the past into account
   C. the facts may be incorrect
   D. decisions are concerned with the future, and facts can’t take this into account

22. Information is considered __________ when it helps us anticipate the value outcomes that may arise from the various alternatives being considered.
   A. factual
   B. relevant
   C. reliable
   D. sound

23. Which of the following would likely be used to specify value when making a decision:
   A. value metric
   B. competing values
   C. tradeoffs
   D. value horizon

24. In the business world, the ultimate direct value typically equates to __________.
   A. profit margin
   B. customer loyalty
   C. employee satisfaction
   D. shareholder value

25. Using the value substitution steps, which of the following should be substituted for intangible values to get the process started:
   A. the expected value
   B. outcomes
   C. equivalent cash flows
   D. the risk appetite

26. Which of the following shows the factors considered to be relevant to a decision and indicates the linkages among them:
   A. relevance diagram
   B. decision model
   C. tornado diagram
   D. flying bars

27. According to the author, what is the main thing that can go wrong with sound reasoning:
   A. people don’t understand how to do it
   B. people don’t grasp the importance of it
   C. people don’t do it explicitly and fail to complete all the steps
   D. people try to delegate the task to someone who is not qualified

28. What is the purpose of the flying bar diagram:
   A. to identify the factors and interrelationships that generate the value of alternatives
   B. to calculate the value outcome for any combination of input estimates
   C. to summarize sensitivity analysis to show how each uncertain factor contributes to the uncertainty in the final value
   D. to summarize the range of value outcomes for each alternative

29. Without __________, the value potential in a decision cannot be recognized.
   A. thought
   B. action
   C. intention
   D. a team
30. In order to be effective, managers and executives need to learn to move rapidly between which of the following modes:

A. asking and replying  
B. slow and quick  
C. deciding and executing  
D. solitary and consensus

31. Which of the following happens when implementers are involved in the decision process:

A. they suggest new alternatives  
B. they help gather information  
C. they evaluate feasibility  
D. all of the above

32. Which of the following is at the center of the structure for biases:

A. protection of mindset  
B. judgment and decision making  
C. automatic associations  
D. personality and habits

33. Which dimension of the Myers-Briggs Indicator shows how we relate to the world around us:

A. extroversion vs. introversion  
B. sensing vs. intuition  
C. thinking vs. feeling  
D. judging vs. perceiving

34. Which category of the Structure for Biases looks at how the human mind struggles when forced to deal with uncertainty:

A. social influences  
B. faulty reasoning  
C. personality and habits  
D. relative thinking

35. Which term is used to describe many individual biases working together to create dysfunctional decision making:

A. hyperbias  
B. hypobias  
C. megabias  
D. structural bias

36. Which of the following addresses the concept of “we do what we know how to do rather than what the decision requires”:  

A. the illusion of DQ  
B. the agreement trap  
C. the advocacy myth  
D. the comfort zone megabias

37. Which of the following perceives the rejection by decision makers as an overall loss and therefore, defends their proposal at all cost:

A. the advocacy myth  
B. the agreement trap  
C. the approval myth  
D. the illusion of DQ

38. What is the first line of defense for avoiding megabiases:

A. reach agreement early  
B. look to authority figures to make the decision  
C. recognize the damage potential of a megabias  
D. stay within your comfort zone

39. As part of the dialog decision process, whose responsibility is it to agree on a frame and the alternatives proposed:

A. the project team  
B. the decision board  
C. executive management  
D. all of the above
40. Which of the following is not part of the Decision Maker’s Bill of Rights:
   A. creative alternatives that enable a selection among viable and distinct choices
   B. an understanding of potential outcomes of each alternative described in terms of the decision maker’s values
   C. an agreement standard that all decisions will follow the same guidelines
   D. a decision frame that structures the decision in the most relevant context

41. Which of the following is a phase in the dialog process:
   A. assess the situation and agree on the frame
   B. generate creative alternatives and agree on those to evaluate
   C. design and agree on the implementation plan
   D. all of the above

42. Which of the following statements is incorrect regarding the dialog decision process (DDP):
   A. a DDP approach creates true DQ, not the illusion of DQ
   B. DDP is an ideal approach for all decisions, big and small
   C. DDP clarifies the frame to assure you are working on the actual problem rather than a familiar problem
   D. with DDP there is little danger of falling into the agreement trap

43. Which of the following is not part of the DQ Appraisal Cycle:
   A. appropriate frame
   B. social influences
   C. creative alternatives
   D. sound reasoning

44. A decision is as good as the ______ link in the DQ chain.
   A. most flexible
   B. strongest
   C. weakest
   D. most durable

45. Which assessment tool demonstrates where further work is needed to strengthen the quality of any weak DQ requirements:
   A. slider scale
   B. appraisal cycle
   C. DDP
   D. decision hierarchy

46. How many times had the Amoco evaluation team rejected the switch to unleaded gasoline before Carl Spetzler was called in and decision analysis was applied:
   A. 2
   B. 4
   C. 8
   D. 10

47. What did Amoco’s tornado diagram show were the areas that needed more research in order to reduce some of the uncertainty and risk:
   A. manufacturing cost and yield
   B. plant investment and ecological research
   C. market share and government action
   D. raw material cost and price of competitive products

48. Which of the following is not a component of organizational decision quality (ODQ):
   A. decision makers
   B. content experts
   C. a decision agenda
   D. public opinion
49. In 2014, when the Society of Decision Professionals created its highest award to recognize companies who have achieved enterprise-wide, sustained organizational decision quality, who was the first recipient:

A. Chevron  
B. Amoco  
C. Xerox  
D. Google

50. Which of the following is a requirement for DQ:

A. appropriate frame  
B. creative alternatives  
C. commitment to action  
D. all of the above

Congratulations –

you’ve completed the exam!
DECISION QUALITY #7410 (10 CPE HOURS) – ANSWER SHEET (7/16)

IMPORTANT NOTE: For certification, this answer sheet must be completed and submitted to PES for grading within ONE YEAR from the date of purchase. Please use BLACK INK and PRINT for quicker processing – thank you.

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PLEASE INDICATE YOUR ANSWER BY FILLING IN THE APPROPRIATE CIRCLE

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Please complete the attached course evaluation - your opinion is extremely valuable!
DECISION QUALITY #7410 - COURSE EVALUATION

Rate on a scale of 1-10 with 1 being poor and 10 being excellent.

1. The course met the course objectives described in the promotional material. ______
2. The course was up to date, held my interest, was timely, and effective. ______
3. The course materials were understandable, valuable, and suitable for a correspondence course. ______
4. The amount of advance knowledge and stated prerequisites were appropriate. ______
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