

RISK

Pre-Work

PROGRAMME

MANAGEMENT



USAID
FROM THE AMERICAN PEOPLE

PREFACE

The goal of the Risk Management Training Programme of the Office of Foreign Disaster Assistance of the United States Agency for International Development (OFDA/AID) is to promote national self-sufficiency in risk management. An analysis of past programmes revealed that those programmes were not having much effect. This prompted the OFDA Regional Office for Latin America and the Caribbean (LAC) to modify its strategy.

Obtaining lasting positive changes can be best accomplished through the training of those with risk and disaster management experience to be instructors of disaster management training courses.

In 1988, the first Training for Instructors' courses (TFI) and "Train the Trainer" workshops, were presented. Currently, national TFI courses are being conducted in all of the countries of Latin American. This multiplier effect is strengthening local structures by providing personnel capable of identifying training needs, designing courses oriented to performance objectives and transmitting knowledge and abilities by applying an interactive teaching methodology, based on the training objectives. This same approach has been introduced in the Caribbean.

During the development of the first stage of the programme, OFDA/LAC called in an Advisory Group. The charter of this group was promoting international cooperation in disaster management training, reducing duplication of activities and expenses, and developing and implementing a Disaster Management curriculum.

The Advisory Group, consisting of graduates from the TFI courses, Red Cross experts, PAHO/WHO and the University of Wisconsin

Disaster Management Centre, met in Panama in July 1990. They were asked to make recommendations on disaster training requirements in Latin America, curriculum contents and priorities for the development of Courses.

Chief need identified was systematic management training. The Group agreed to include subjects mainly related to general management. They also prioritised the courses recommended for the curriculum.

The assistance of the Advisory Group allowed OFDA/LAC to develop a Disaster Programme Management course to meet the identified need. A steering group from the Caribbean met in January of 1993 to define the course for the Caribbean. The first test course was held in December of 1993. Several courses have been held in the Caribbean since. It was adapted for the South Pacific and 1 course has been held there. Two DPM courses were conducted in Botswana in 1997.

The original Disaster Programme Management course has now been adapted in 2005 to meet the needs for the emerging new concept of Risk Management, and its name is now Risk Programme Management course (RPM).

Risk management is a strategy rather than a discipline, and it is the result of multisectoral, inter-disciplinary actions by individuals and institutions. These actions must be managed in an effective and efficient manner. Activities such as the development and implementation of plans, programmes and projects related to:

Risk Analysis
Risk Reduction
- Prevention & Mitigation

Disaster Management
- Preparedness, Alert & Response
Recovery
- Rehabilitation and Reconstruction

Therefore, it is important to note that risk management must be understood in a very broad manner. In addition to including aspects related to response and relief in emergency situations, it includes education, research, technology, and planning of all types. Risk analysis and Risk reduction activities to avoid or reduce the impact of disasters are equally important.

Due to its multi-disciplinary characteristics, risk management is carried out by people who perform specialised activities depending on their knowledge and skill, and the role of the entities to which they belong. Risk management in most of these institutions may not be their only responsibility. However, in cooperation with others, they can achieve the goal of reducing both the risk and the consequences of an adverse event.

These individuals, in addition to having a clear understanding of their responsibilities, must develop certain types of expertise, which will allow them to carry out their activities in an effective and efficient manner.

This course presents a broad approach to the subjects pertaining to the management process. Management is seen as a technology or set of practices/principles applicable to the improvement of the organisation. Management is not considered to be exclusive to one sector of society, business or government.

The sequence of Units (Planning, Organising, Leading and Controlling) does not represent strict adherence to the Traditional School

initiated by Taylor and Fayol. The breadth of the concepts becomes evident in the treatment of subjects considered by the Sociological School: motivation, leadership, group dynamics and the area dedicated to decision making.

The Reference Material, especially written for this course, provides the support required by the Units, and includes a glossary to clarify concepts and facilitate comprehension. A list of publications for reference is also included.

Before you attend the RPM course, we would like you to read the following material and answer the questions that are included. This pre-work is designed to focus your attention on the areas covered in the course and to prepare you for the many discussions that are a part of the course.

Problems, opportunities and decisions are an integral part of all aspects of a manager's job. We feel it is important that you review this area before you begin the course. The RPM course is not just about decision making. However, problem solving and decision making are required throughout the course.

The following questions apply to you and the organisation where you work. You may want to discuss the questions with your colleagues and with representatives of your national disaster organisation.

Emergencies and disasters

What risks, adverse events, emergency and disaster situations occur where you live?

What activities are associated with these situations?

What of these activities are you involved with?

Organisation management

How do you describe the management of the organisation where you work?

How do you feel about the management approach?

Meetings

What meetings do you attend?

How successful do you feel they are?

What would you change?

Bring this pre-work package with you to the course.

Planning

What plans exist to deal with emergencies or reduce risk?

How current are they?

Organisation

Diagram the organisation in which you work?

How do communications flow?

Leading

How are decisions made where you work?

What decisions do you make?

DECISION MAKING

Decision theory, the study of decision making is not unique to management or to an evaluation of the role of the manager in organisations. Decision making is a universal requirement for all human beings. It is such a fundamental activity that it may be overlooked or taken for granted by managers. To place decision making in perspective, we should distinguish between two kinds of decisions according to the circumstances in which they are made.

Personal Decisions: This type encompasses a wide variety of decisions all people make every day. Selection of a behaviour from among a number of alternative behaviours for ourselves or for members of our family is of this type. Setting a day and time for an appointment, watching a television programme or going to bed early, are examples of personal decisions routinely made every day. Personal decisions can have an impact beyond the immediate system on whose behalf they were made. Decisions related to consumer activities can impact on the companies whose products we buy or choose not to buy.

Professional Decisions: Virtually every gainfully employed person is required to engage in decision-making activities as part of the work he or she performs. Teachers and instructors make decisions related to the nature of the learning system they present to their students. Doctors diagnose problems and prescribe treatments. Scientists formulate hypotheses and select experiments for testing them. Sports team managers and coaches, politicians, plumbers and religious ministers, in fact all of those who work, must make decisions as part of their professional duties. Managers are expected to be professional problem solving/decision makers. Making decisions is their main reason for being.

Managers divide their time among three activities which, when taken together, account

for most of what they do. These three activities are further described as the principal phases of decision making :

1. Finding occasions for making decisions.
(Problem and opportunity finding.)
2. Finding possible courses of action.
(Using a problem-solving process.)
3. Choosing among courses of action.
(Making a decision.)

Problem: A situation that occurs when an actual state of affairs differs from a desired state of affairs – and a change is desired.

Opportunity: A situation that occurs when circumstances offer an organisation the chance to exceed stated goals and objectives.

Although linked to all of the management functions, problem solving/decision making is most closely allied with the planning and controlling functions. These two groups of activities generate much of the need for decisions to be made. In specifying operational objectives, developing programmes and establishing policies and procedures, the manager is called upon to select one of possible alternatives. Hence decision making is required. The control function stimulates decision making by identifying the need for corrective action to bring actual performance into line with the standard specified in the plan.

Decision Making Defined/Described

Decision making can be defined as a process through which a choice is made from two or more alternatives. The decision can be used to resolve a problem, establish a goal or objective, take advantage of an opportunity, a personnel matter, or other personal or organisational issue. A decision may be either to take some action, or take no action. Decisions may be made by a single individual or by a group. In either case, a

variety of methodologies exist for generating alternatives and making decisions. The generation of alternatives and group consensus will be discussed later.

Deciding to Decide

The idea that managers are problem solvers/decision makers may conjure up the image of managers sitting behind their desks, calmly deciding what to do about every situation that arises. In fact, effective managers ask themselves the following questions:

1. *How difficult or important is the problem?*

To avoid getting bogged down in trivial details, effective and efficient managers reserve formal decision-making techniques for problems that truly require them.

2. *What would happen if I do nothing?*

Rank order your problems. Set priorities. Those at the bottom of the list usually take care of themselves. Managers find that an surprising number of those low priority problems will go away if simply ignored!

3. *Who should make the decision?*

A manager must determine if he or she is actually responsible for making the decision. The closer to the origin of the problem the decision is made, the better. Pass as few decisions as possible to those higher up, and pass as many as possible to those lower down.

Organisational Decision Making

The need for decisive action exists all the way from the bottom to the top of the management hierarchy. Even though so called executive decisions at the highest levels may be crucial to an organisations survival, decisions made at all levels are important.

From an organisational point of view, decision making can be defined as *the process by which direction is determined, problems are resolved, opportunities taken advantage of, and plans accomplished*. The process may be initiated by requirements of planning or organising activities, feedback and feedforward in the leading and controlling functions, from others, or simply by the realisation that the system is not operating as intended.

Approaches to decision making

Although problem solving/decision making has always been, and will always be, a fundamental element of management, a study of the manner in which a representative group of managers make their decisions would reveal that the majority do not know or cannot answer the question: “How do you make a decision?”.

It is probable that many managers take an informal approach, solidly based on their knowledge of the systems of which they are a part. Others could take a more formal approach involving the application of a step-by-step analysis of the problem situation in accordance with a predetermined method. These two approaches can be described as the *intuitive* or heuristic and *research* or scientific approaches respectively. To be most effective the decision maker should adopt an approach that recognises and incorporates the strengths of each. This approach we will call *professional*.

Intuitive: The intuitive approach relies heavily on the accumulated experience of the decision maker. Intuition is acquired through experience and demonstration rather than through formal investigation. The decision maker who relies only on intuition bases judgments on his or her “feel” for the situation and selects alternatives

based on hunches. The intuitive approach has a few obvious weaknesses.

1. Learning from experience is usually random.
2. Although we go through experiences, there is no guarantee that we will learn from them.
3. What we learn from experience is necessarily restricted by the limits of our experience and knowledge.
4. Conditions change and experiences of the past may not be good indicators of present or future conditions.

Research: The research approach has been defined by Harry Roberts as “any relatively systematic, formal, conscious procedure for evolving and testing hypotheses about reality or, in more current terms, for making decisions”. Like the intuitive approach, the research approach is based on inductive reasoning, but frames the induction in terms of the scientific method.

Roberts suggests that the distinction between these two approaches is largely one of emphasis. He further suggests that the main differences are as follows:

1. Although research and intuition are ultimately oriented toward predictions, intuition is oriented toward narrow and immediate predictions rather than toward general hypotheses capable of suggesting many specific predictions.
2. Intuition is learned, if it can be learned, from experience and demonstration, rather than by formal study.
3. Intuition can rarely withstand logical analysis or formal empirical testing.
4. Research uses technical tools such as mathematics, logic, experimental methods and statistical inference.

Professional: The professional decision maker must adopt an approach that includes the most desirable features of both the intuitive and research approaches. Intuition is an essential element of good research, and experience with a system of change is of fundamental importance for knowing how the system accepts and reacts to the stimulus provided by decisions. The approach based on research forces the decision maker to evaluate critically what is known and to recognise what is unknown before rushing to make a decision based only on the “feel for the situation and hunch”. Professor Ralph C. Davis summarises the need for a marriage between these two approaches in this discussion of the professional executive

“A man who has nothing but background is a theorist. A man who has nothing but practical experience is a business mechanic. A professionally trained executive is one in whom there is an effective integration of these two general types of experiences, combined with adequate intelligence regarding the types of problems with which he must deal.”

Decision Making Process

Different situations require different types of decision making. Routine or minor matters can be handled by established procedures, a type of *programmed decision*. More important decisions, or unusual situations may require a *non-programmed decision*.

The development of a professional approach to problems and decision making has been the subject of numerous articles. Most textbooks on management include some step-by-step description of a systematic process for making decisions. The decision -making process describes the elements of the system that: accepts

and processes inputs and turns them into conclusions. These conclusions dictate the selection of a specific course of action which, when implemented, will provide a resolution to a management problem. The objective of the system is, of course, to solve problems. Decision makers can be viewed as the system designers. They develop decision-making systems to solve problems that often arise in the social systems for which they are responsible.

The systems proposed frequently are described as steps in the “scientific method”, “the scientific decision-making method”, or “the scientific approach to problem solving”. Most of these systems, however, are directly related to the stages in problem solving first described by John Dewey.

Dewey stated that the process required the decision maker to ask and answer three simple questions:

- What is the problem?
- What are the alternatives?
- Which alternative is the best ?

Describing the process by which decisions are made with these three elements, however, is too great an abstraction of the process that must be followed if the professional decision makers are to optimize the product of their decision-making efforts. The figure on page 9 represents a more complete structure of the process.

Process Steps

Problem Finding: The first step corresponds to Simon’s statement that executives must spend a fraction of their time looking for opportunities to make decisions; that is, they look for problems that need solving. Information of problems come from four principal inputs:

- Deviation from past experience.
- Deviation from a plan.
- Reports from others.
- Organisational/technological changes.

We have said that problems arise in the planning and control functions; however, the problem itself could refer to any of the management functions: planning, organising, leading or controlling. The establishment of plans and the development of procedures to monitor their attainment create awareness that problems exist. In addition, experience, and understanding of the change systems, help the manager recognise the factors operating to define the organisational contexts within which problems arise.

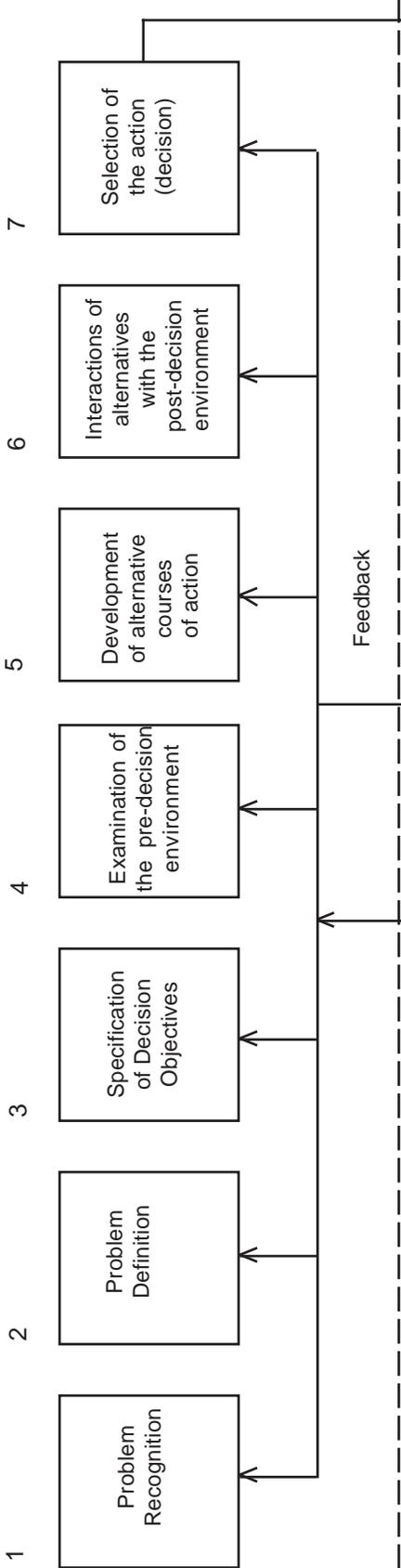
Opportunity Finding: Organisational or technological changes may create opportunities for the perceptive manager. Looking at a problem from an opposite view might turn the problem into an opportunity.

Problem definition: The second step is to define the problem in the clearest and most concise manner possible. Managers often treat symptoms. Symptoms noted in the problem recognition stage are frequently incorrectly transferred to the second stage and are cited as the problem to be solved. If this happens, any relationship between the output of the decision making process and the real problem will be purely coincidental. If the problem is solved, the decision maker cannot be given the credit for it.

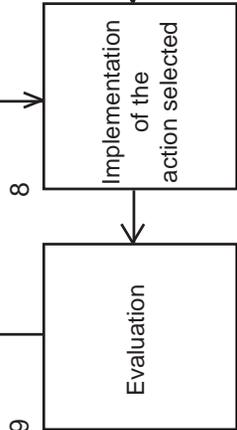
Specifying objectives. The objectives to be attained by the decision must be clearly identified and expressed in quantitative terms. All functional subsystems of an organisation must have objectives. If not, they have no reason to exist. In social transformation systems, objectives can be quantitatively expressed in terms of

Elements of the Problem Solving/Decision Making Process

PRE-DECISION ENVIRONMENT



Feedback



POST-DECISION ENVIRONMENT

From Flippo & Munsinger "Management", 4th Ed 1978

established standards, or in terms of desired levels of performance. This expression may represent some measure of outputs, inputs, outputs to inputs, or simply a rating of the degree to which the social system satisfies the process for which it was created. This step is relatively easy for business enterprises because the value of their goods and services production can be established by the market forces of supply and demand. Institutions such as schools, hospitals, churches and government agencies, often encounter difficulty establishing a means to value their performance objectively.

Examine the pre-decision environment.

The manager must investigate all factors that explain the environment within which the decision will be made. Factors which include power and authority (who is going to make the decision), timing (when the decision must be made) and who will implement the decision. Decision makers must consider the nature and extent of their knowledge of the environment within which, this evaluation dictates when, by whom and with what assistance the decision will be made.

Developing alternatives. The next phase in the decision making process is the generation of possible courses of action which can be implemented as possible solutions to the problem. Efforts should be made to develop a set of alternatives that cover the range of possibilities for solving the problem. This phase, which may be performed individually or by group action, offers the greatest opportunity for creativity in the decision-making process. Brainstorming is frequently used to develop ideas for creative solutions. The number of alternatives generated is limited by the amount of time available as well as by the importance of the decision itself. Obviously, the best decision cannot be made if it is not included as an alternative course of action.

Interactions. Each alternative act must be investigated with respect to the way in which it will interact with the elements of the possible post-decision environment. This step answers the question: "What will happen if this course of action is taken?". To properly assess these interactions, it is frequently desirable and/or necessary to involve individuals with specialised knowledge. The precise nature of the interactions may be known even though the conditions themselves are unknown. On the other hand, the interactions between actions and conditions existing in the post-decision environment may be based on probabilities.

Selecting the action. Selecting an alternative course of action from a list of possible actions, is the decision-making element in the decision-making process. The action offering the best promise of achieving the objective(s) specified for the problems, should be selected. Although the choice may be made by an individual or a group, classical school managers consider it best to have the decision itself made by the individual responsible for the subsystem even when a group has participated in other elements of the decision making process. Depending on the nature of the problem – that is, the amount of information available concerning the manner in which alternatives interact with the conditions and the extent to which objectives can be quantified – a number of means can be employed to aid the decision maker in selecting the action that best meets the decision objective.

Implementing the decision. Directly or indirectly, the decision maker must cause the action selected to be implemented as the solution to the problem. When individuals other than the decision maker are required to implement the act, the decision maker must make certain that appropriate steps have been taken. Those who

have participated in the decision-making process are often more willing and more able than non-participants to take the steps necessary to ensure that the decision is implemented properly.

Evaluation. No decision-making process is complete until the decision has been exposed to the realities of the post-decision environment. Evaluation requires an objective assessment of the extent to which the selected act functions in the post-decision environment to solve the problem that initiated the problem-solving/decision-making process. If the problem was satisfactorily resolved, the decision makers should ask why. The same question should be asked and answered if it was not. We noted earlier that it is possible to have experiences but fail to learn by experience. Evaluation is the process by which managerial intuition is developed. Without this step, the decision-making process has no value beyond providing an immediate solution to a problem. With this step, the manager develops an understanding that will improve his/her capacity for effective future problem solving/decision making.

Decision makers who diligently follow these steps are forced to draw on their experience and knowledge of the environment to understand and to define problems and to identify and isolate alternative courses of action. Tools of the research approach can be used in obtaining objective evidence regarding the environment, in predicting and describing interactions between alternatives and the post-decision environment, and in selecting the alternative that provides the best solution. Even when decisions must be made quickly without benefit of formal research or involvement of groups of individuals who can bring additional insights to bear on the problem, decision makers who follow these steps will be performing their function in a relatively unbiased,

systematic manner. In so doing, they achieve the degree of rationality in decision making essential to move their organisation toward the attainment of the goals for which it was established.

Decision Making Requirements.

Our description of the decision-making process indicates clearly that certain conditions must be present before a problem requiring a decision can exist and before one can become involved in the process itself. These conditions are universal requirements for making decisions. A problem requiring a decision can be characterised as one that contains five elements representative of these conditions: decision maker, problem context, courses of action, payoff relationship and a state of doubt.

Decision maker. The decision maker is responsible for the system or subsystem in which the problem has arisen and selects the course of action (makes the choice) that will be implemented to solve the problem. The role of the decision maker may be assumed by an individual or group of individuals, depending on the manner in which the organisation is managed, that is the management style of the manager or the organisation. If there is no decision maker, there is no decision problem. The decision maker is not always easy to identify in some situations.

Problem context. The problem's context includes the environment within which the problem exists, the decision maker's knowledge of that environment, as well as the environment that will exist after a choice is made. Also to be considered are those who have a stake in the results of a decision and can help or hinder the implementation.

Courses of action. To have a decision problem, the decision maker must have more than

one action to choose from. The alternatives (actions) can be many or few and could merely represent the option between “doing something” and “doing nothing” – taking action or maintaining the status quo.

Payoff relationship. A functional relationship between actions and outcomes expressed in terms that relate to the decision objective is essential for any decision problem. The pay-off for a given alternative reflects the interaction of that course of action with the post-decision environment. The establishment of payoff relationships implies the ability to measure the costs of various courses of action and the benefits or additional costs that will accrue from various conditions. When these relationships cannot be expressed quantitatively, the decision maker suffers severely from the limitations imposed on the selection procedure. Furthermore, absence of a payoff relationship results in imprecision of the decision process itself.

State of doubt or uncertainty: To have a problem requiring a decision, the element of choice must be present. Some question must exist as to which alternative is best. The state of doubt is the heart of a decision problem. It is a function of the decision maker's knowledge of the system in which the problem exists. Choice may be required when the precise relationships among alternatives are known and the problem is simply to define what the relationships mean in terms of an objective. Choice may, on the other hand, come about because of uncertainty about the state of the future environment or because precise relationships between acts and states are not known.

Implementation of the problem-solving/decision-making process suggested here requires information concerning the nature of the system involved, the manner in which alternatives will

interact with the conditions, and the possible conditions that define the post-decision environment. Information provides the means by which problems are recognised, defined, and eventually solved. Organisational policies and procedures may set criteria or prescribe methodologies. The better and more complete the information available to the manager, the easier will be the problem solving/decision-making activities.

Following is a series of questions related to decision making. Write in, complete, or mark with an X, as the case may be for each question. If required, you may use additional sheets.

1. What are the differences between personal and professional decisions?

2. Management can be defined as a series of activities generally classified into the functions of:

3. What are the weaknesses of the intuitive approach to decision making?

4. What is the professional approach to decision making?

5. It has been said that managers divide their time among three activities which, when taken together, account for most of what they do. These activities, which are also described as the main phases of decision making, are:
 - A.

 - B.

 - C.

6. What is the most frequent mistake made when trying to define a problem?

7. Why is brainstorming useful in the problem-solving/decision-making process?

8. Name at least two factors which can limit the number of options (alternatives).

9. What is problem context?

10. Does decision always mean “doing something”? Explain.

11. Among the requirements mentioned for problems requiring decisions is the state of doubt. What is it?

12. Establishing pay-off relationships implies the capacity to:
 - A.
 - B.

13. Of the main phases of decision making, which one directly relates to the planning and control functions?

14. In your work and your position, you must make professional decisions. Indicate the two management functions in which you find the most difficulty in deciding and explain why.

Planning

Organizing

Leading

Controlling

Why?

15. From your experience, once a an impact has occurred, how are the decisions in the response phase made? (Mark the correct response).

A. Exclusively non-programmed

B. Exclusively programmed

C. Programmed and non-programmed.

WORK ENVIRONMENT

What do you like about where you work?

What would you change?

CONTROL

How are your work activities monitored for progress?

What reports are you required to prepare?

PERSONAL

What are your personal career goals?

How do you plan to achieve them?

Bring this pre-work package with you to the course.
