

# HOW DO LEADERS MAKE DECISIONS?



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DEVELOPMENT VOLUME 28 PART A**

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DEVELOPMENT VOLUME 28 PART A

# **HOW DO LEADERS MAKE DECISIONS? EVIDENCE FROM THE EAST AND WEST, PART A**

EDITED BY

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# FOREWORD

The articles in this book discuss the leadership style of some major political leaders in recent times. In the next volume, some other leaders will be included. There are a number of publications on leadership characteristics of US presidents and other political leaders. This is the first book that systematically uses an analytical method (namely, Applied Decision Analysis) to better understand the leadership patterns of some political leaders. In business management, leadership is an important subject and a vast literature exists in the area of leadership of business executives. These studies also discuss the style not only for the business as a whole, but also in relation to multi-level structure within it.

In politics, leadership is very important not only for intrastate disputes, but also for interstate conflicts. In many situations, this dual nature of conflict is related. Also, a leader has to work within the framework of a team or a political party. The theory of leadership in politics is quite complex. A very important subject in leadership theory is Transformational Leadership which deals with changes instituted by the leader in the vision, mission, and goals of the organization. This idea of transformational leadership is ingrained in the mission for social and religious leaders such as Gandhi, Martin Luther King Jr, Nelson Mandela, etc.

A political leader's attitude depends on cultural complex. This dependence is due to cultural ecology and environment. This may also depend on social organization and cultural biology of the leader. The leader will be influenced by psychological, sociological, and cognitive factors. A political leader's attitude is a part of group behaviour. The decision-making of the political leader depends on Image, Script, and Schema. These factors also affect the strategy of the leader in negotiation process. This may be acquired as a result of a learning process. The nature of a decision also depends on the stress and crisis situation. Although this book covers some of the most important leaders of our time, the list is not complete. Volume B analyzes other leaders.

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# INTRODUCTION: HOW DO LEADERS MAKE DECISIONS? AN APPLIED DECISION ANALYSIS ACCOUNT

Alex Mintz and Eldad Tal-Shir

## ABSTRACT

*Understanding how leaders make foreign policy and national security decisions is of paramount importance for the policy community and academia. It is our assertion that decisions in these domains can be explained best by tracing the cognitive process leaders go through in formulating and arriving at their decisions, using the Applied Decision Analysis (ADA) method (Mintz, 2005; Mintz & DeRouen, 2010).*

*Consequently, this chapter summarizes the Applied Decision Analysis method which is utilized throughout the chapters comprising this volume. We then discuss the findings presented in this volume, while demonstrating the merit of both ADA and the poliheuristic theory of decision (Mintz, 2004), in the robust analyses of decisions made by Donald Trump, Vladimir Putin, Recep Tayyip Erdoğan, Benjamin Netanyahu, Winston Churchill, Mao Zedong, Barack Obama, Saddam Hussein, Khaled Mashal, Muammar Gaddafi, Pieter Botha, and Frederik de Klerk. We conclude by providing a brief summary of the case studies which are included in this volume.*

**Keywords:** Applied decision analysis (ADA); rational choice theory; poliheuristic theory; decision-making; behavioral international relations; foreign policy decision-making

This volume is the first of the two volumes analyzing policy, strategy and decision-making of twelve prominent political leaders from the East and West

through the lens of Applied Decision Analysis (ADA). The chapters comprising both volumes seek to uncover how political leaders make decisions: their decision calculus and the motives and factors affecting their crafting of foreign as well as national security policies. Contributors to the first volume analyze and uncover the decision code of Donald Trump, Barack Obama, Benjamin Netanyahu, Winston Churchill, Pieter Botha, Frederik de Klerk, and Muammar Gaddafi, while concluding with a quantitative analysis of Israeli leaders' decision-making throughout the decades.

The analyses, which use a unique method (Applied Decision Analysis) to uncover how leaders make decisions, are based on traditional and contemporary theories of foreign policy decision-making, including, but not limited to the rational actor model, the cybernetic theory of decision, poliheuristic theory, as well as various decision rules including elimination-by-aspects and the lexicographic decision rule. *It is our assertion that foreign and national security policies can be explained best by tracing the cognitive process leaders go through in formulating and arriving at their decisions, using the Applied Decision Analysis method.* This is further underscored by the findings of the research conducted in these volumes, which substantiate a compelling argument that decision-making in the global arena is characterized by the use of heuristics – political considerations and constraints in decision-making – more than by rational, expected utility-based calculations.

This conclusion demonstrates the importance of integrating the rational and cognitive schools of decision – that is, treating policy-makers as sub-optimal information processors and decision-makers that can only decide 'rationally' after having reduced the complexity of the decision task by rejecting alternatives on the basis of heuristics, namely, mental rules-of-thumb. The prevailing theory in this domain, which has consistently been able to best explain the decisions analyzed by the scholars that contributed to this volume and in the subsequent volume which analyzes decisions of various other leaders is the Poliheuristic theory of decision. As such, we hope this volume will serve to aid its readers with understanding the substantive mechanisms by which decisions are made on the global arena, introduce the readers to the use of Applied Decision Analysis, and further aid the unfolding paradigm shift in traditional international relations to that of behavioural international relations.

A major contribution of this volume is methodological. Authors of chapters in this volume have used the Applied Decision Analysis (ADA) method to uncover the decision rules of political leaders. The rigorous and broad application of ADA further proves to be an invaluable addition to existing methods of decision analysis. This is especially true of political decision analysis, where political choices and interactions are often inexplicable. By enabling the deconstruction and elucidation of the complex and impenetrable processes by which leaders and policy-makers arrive at their choices, ADA demonstrates its merit for both analysts and researchers as a structured approach to the understanding and simulation of cognitive mechanisms. Indeed, ADA's capacity to uncover the decision calculi of leaders may also position it well for strategic application as a tool for forecasting political decisions in both interactive, sequential and stand-alone scenarios.



In order to assist our readers with making the most of this important publication, the various decision theories upon which the articles rely will first be outlined, after which Applied Decision Analysis will be explained in depth. Lastly, a summary of each chapter and its findings will be presented.

## THE RATIONAL ACTOR MODEL

The rational actor model draws on rational choice theory to explain outcomes of foreign policy decision-making. The rationality element in this model is defined by Graham Allison (1971, p. 30) as ‘consistent, value-maximizing choice within specified constraints.’ As such, decision-makers are thought to choose the alternative that produces the most desired outcome.

From among the myriad of theories whose cornerstone is rational choice, a prominent approach that is ubiquitous in contemporary foreign policy analysis is the expected utility theory (EUT). EUT is most commonly associated with microeconomics, wherein the theory postulates that decision-makers are capable of setting goals and objectives that their extent of consummation serves as the measure for the ranking of available alternatives (Bueno de Mesquita, 1989; Sage, 1990, p. 233). This naturally goes hand in hand with the implicit assumption that decision-makers have the capacity to correctly and fully recognize such available alternatives and the ramifications to their implementation.

While the model has been used primarily in economic settings to explain micro and macro decisions, its small number of succinct premises enables analysts and scholars of foreign policy decision-making to transpose this model into many studies and researches of the field (Bueno de Mesquita et al., 2003; Powell, 1987; Schelling & Halperin, 1961 to name a few).

MacDonald (2003, p. 552) further elaborated Allison’s definition of rationality by pointing to three comprising elements. First, decision-makers act purposefully so as to achieve a goal that has been identified in advance. Second, decision-makers are capable of ranking alternatives in a transitive and invariant manner. This means that decision-makers’ preferences originate internally and as such would remain indifferent to extraneous pressure or data, and that these preferences would result in a consistent manner of ranking of alternatives wherein one alternative cannot be both better and worse than another as a function of information acquisition or a varied order of presentation (McDermott, 2004, pp. 52–57). The third element is indeed derived from Allison’s (1971) pioneering definition, and maintains that decision-makers select for implementation the alternative bearing the most positive effect vis-à-vis these aforementioned goals and priorities; this is derived from net benefit calculations (also see MacDonald, 2003).

While rational choice and EUT bode well for the choices made by decision-makers who abide by these decision rules, it is well worth to note that FPDMD differentiates between ‘good’ decisions and ‘correct’ decisions. While these models do indeed enhance decision-makers’ capacity to reach a ‘correct’ decision, namely, a decision that given all available information, preferences and goals

does indeed appear to maximize net benefit, it may at-times not necessarily lead to ‘good’ decisions, that is, decisions that in retrospect one would still make (see [Renshon & Renshon, 2008](#)).

## BOUNDED RATIONALITY AND THE COGNITIVE SCHOOL

The rational approach to decision-making is not without its detractors and contenders. While the model is frugal and effective at explaining outcomes in foreign policy decision-making, contemporary experiments in human psychology and decision-making in practice have uncovered that humans tend to stray from the rational ‘ideal type’ ([Mintz & DeRouen, 2010](#)). Herbert [Simon \(1985\)](#) is considered as the forefather of the bounded rationality school of decision-making. Diverging from the rationality assumption outlined heretofore, Simon dichotomized between the impractical, optimally rational theory of decision-makers by which abide so called *Homo economicus* and the de facto, cognitively limited decision-makers he termed *Homo psychologicus*.

Put simply, while rational theory holds explicit and implicit assumptions of perfect information acquisition and processing capacities, as well as complete review of each available alternative, Simon’s school of thought drew on experiments in the field of psychology to claim that decision-makers cannot possibly fulfill such axioms. The term to describe these limitations has persisted as the cornerstone assumption of the cognitive school of decision-making and is named ‘bounded rationality’, that is, decision-makers are limited both by external factors, and by their own mental workings ([Simon, 1985](#), p. 294). As such, they acquire incomplete information, execute incomplete information processing, and would more often than not opt for the acceptable alternative in lieu of conducting rigorous examinations to arrive at an *optimal* alternative.

Another difference between the two schools is that while rational choice demonstrates its merit by consistently explaining decision-making outcomes, it is the cognitive school that seeks to more reliably explain the process that has led to these outcomes. It should be noted, however, that bounded rationality should not be ruled out of hand as irrational, for it is as rational as human constraints in the form of biology, psychology, and the surrounding environment allow decision-makers to be, and that the use of cognitive shortcuts – or ‘heuristics’ – is still a rational approach to decision-making given such constraints ([Steiner, 1983](#)).

Finally, the critique, that if one were to go through life deciding in a satisficing method, one’s sense of the world would become greatly skewed, was responded to by Simon in his argument that these decision-making approaches are not mutually exclusive in that decision-makers need not ascribe to one typology alone. Namely, decision-makers can apply rational choice in ‘slow-moving situations where the actor has a single, operational goal,’ but that in dynamic, fast evolving, demanding or highly complex decision-making scenarios cognitive decision-making approaches would prevail ([Simon, 1959](#), p. 279).

## ELIMINATION-BY-ASPECTS (EBA) DECISION RULE

Elimination-by-aspects (EBA) is one of the central decision-models nestled under the ‘cognitive school’ brand-name. Developed by Amos Tversky (1972a, 1972b) the theory seeks to lift the veil from the underworking of decision-making processes that belie both the invariance and transitivity axioms of rational choice. It does so by maintaining that decision-makers tend to decision tasks by comparing available alternatives in a dimension-based elimination process. According to this decision rule, *de facto* decision-making incorporates a probabilistic component that results in inconsistent decision-making by human beings. Put simply, decision-makers approach decision-making problems differently between iterations. The reason for the shift in approach lies with the weight that decision-makers grant different decision criteria, or dimensions, on each approach. As such, the probabilistic nature of decision-making materializes when decision-makers tend to a prominent dimension by a function of its assigned importance, or weight, discard alternatives that are dissatisfactory on that dimension due to an inability to meet a preset threshold, and move in a sequential manner to the remaining dimensions in a descending importance order to conduct the same process until a sole alternative remains (Payne, Bettman, & Johnson, 1988). Inconsistency thus emerges when the order of tending to dimensions is altered.

## LEXICOGRAPHIC (LEX) DECISION RULE

Lexicographic (LEX) decision-making is similar to EBA in its dimension-based approach. However, while EBA discards alternatives that do not meet a preset threshold, LEX uses a cognitive shortcut to identify the alternative that bears the greatest utility in the dimension weighted most prominently (Payne *et al.*, 1988). If one alternative can indeed be identified in this manner, it is chosen for implementation; conversely, if no one alternative surpasses its peers, the alternatives that are tied on the examined dimension are then subsequently analyzed in light of their utility vis-à-vis the dimension weighted second highest.

## INTEGRATING THE RATIONAL AND COGNITIVE MODELS: POLIHEURISTIC THEORY

Simon (1959) argued that decision-makers can transition between rational and cognitive forms of decision-making. Allison (1971, pp. 258–259) further argued that decision-making models should actually be combined so as to hold more validity in their explanation of both the process and outcome of decision-making. A model that incorporates both rational and cognitive elements is the poliheuristic theory of decision (PH).

Poliheuristic theory’s etymology eludes to its premises. It is a portmanteau of the words ‘poli’ meaning many, and ‘heuristics’ meaning the cognitive shortcuts utilized en route to making a decision (Mintz, Geva, Redd, & Carnes, 1997, p. 554). Furthermore, poliheuristic theory’s prefix also refers that the political element which the theory asserts is ‘the essence of decision’ (Mintz & Geva, 1997).

The theory suggests that decision-makers operate in two phases (Mintz, 1993; Payne, Bettman, & Johnson, 1993). They begin by utilizing a cognitive approach by which they discard alternatives that are dissatisfactory on a critical, non-compensatory dimension. As such, this phase of the decision task is characterized by a non-holistic, order-sensitive and satisficing information acquisition and processing. Subsequent to discarding, decision-makers transition to a rational approach in phase two, wherein they compare and contrast remaining alternatives according to their net benefit and choose for implementation the alternative bearing the highest expected utility (Mintz, 1993; Payne et al., 1993). Less commonly, decision-makers will resort on this phase to a lexicographic decision-rule (see Mintz, 1993, 1995, 2003, 2004; Mintz & Geva, 1997; Mintz et al., 1997; Payne et al., 1993).

Poliheuristic theory is innovative in that it bridges the gap between the rational and cognitive schools of decision-making by substantiating that decision-makers shift between decision strategies while making a decision (Mintz et al., 1997). Initially decision-makers simplify complex decisions by utilizing cognitive shortcuts, and only subsequently do they operate more analytically (Mintz, 2004, p. 8). Moreover, it has broadened existing knowledge on foreign policy decision-making by demonstrating consistently that the non-compensatory criteria by which policy-makers reject alternatives in phase one of the decision rule is the political dimension (Mintz, 2004; Goertz, 2004). This holds true, whether the policy-maker in question acts in democratic, nondemocratic or autocratic environments (James & Zhang, 2004; Kinne, 2005).

This conclusion has important ramifications to foreign policy and national security decision-making as well as to domestic policy-making in that policy-makers may reject out of hand any alternatives that may adversely affect their political capital or reelection prospects, even if these alternatives may attain the highest net benefit in a summation of their rankings on other dimensions. As such, political considerations in poliheuristic theory are non-additive in that a negative score on the political dimension, or any other non-compensatory dimension, cannot be offset by positive rankings in other dimensions regardless of their scope.

Poliheuristic theory can be applied not only to political, foreign policy or national security decision scenarios but also to domestic policy-making, economic, diplomatic and environmental decisions, among others.<sup>1</sup>

According to poliheuristic theory:<sup>2</sup>

- Foreign policy decisions are often made in a hyperbounded environment; leaders typically focus only on a narrow set of policy alternatives and decision dimensions while making decisions.
- In making decisions, leaders use a two-stage decision process.
- Although international factors are important, domestic politics is 'the essence of decision'.
- Decision-making in foreign affairs involves multiple heuristics, is non-compensatory with respect to key dimension(s) and involves framing and counter-framing efforts.
- Most foreign policy decisions are taken in an interactive (strategic) setting. Many foreign policy decisions are interactive and sequential.

## APPLIED DECISION ANALYSIS

The key method used in this book is Applied Decision Analysis (ADA) (Mintz & DeRouen, 2010; Mintz, Chatagnier, & Brule, 2006). While the literature on decision-making models, decision rules and processing characteristics is voluminous, the mechanisms by which scholars and analysts may uncover their use by individuals, groups or coalitions and even predict their utilization are few and at-times very demanding.

Furthermore, humans do not all belong to either the *Homo economicus* or *Homo psychologicus* typecasts and may even shift between them as demonstrated by poliheuristic theory's dual natured two-phase process. From this axiom stems the requisite to understand and analyze decisions on a case-per-case basis, wherein not only do decision-makers themselves change, but the decision environment and context shift as well to produce particular decision-making processes that must be unveiled each time anew.

ADA is distinct in its parsimonious yet effectual nature, it is an 'analytical procedure aimed at recreating or "reverse engineering" decisions of leaders, groups, and coalitions using a decision matrix' (Mintz & DeRouen, 2010; Mintz et al., 2006). Namely, ADA permits analysts and scholars to assume the mantle of the decision-makers analyzed and unveil the cognitive mechanisms by which they arrive at decisions. The process has been put to rigorous testing and use in analyses of a myriad of political leaders and a variety of choice settings, as the remainder of this book will illustrate well.

ADA facilitates post-decision analysis by structuring the complex process of reverse engineering decisions. Once a decision has been made, ADA provides an analytical framework by which analysts and researchers may trace the cognitive steps that the decision-maker has taken en route to his or her decision. It does so by utilizing a 'decision matrix' which serves as a visual aid, and wherein rows depict decision criteria (or dimensions) and columns depict available alternatives.

Those enable researchers to explain how decision-makers winded up at their choice. This is done by uncovering the searching, processing and decision characteristics of those analyzed. Moreover, it facilitates counterfactual analyses that explicate how different choices could have been made by either modifying the decision-rule utilized, or the actual decision context (e.g., changing decision criteria or implications).

The ADA procedure consists of the following tasks:<sup>3</sup>

- (1) Identify the set of alternatives available to the leader – for example, use force, apply sanctions, or do nothing.
- (2) Identify the set of dimensions or decision criteria that may explain the decision – for example, a military dimension, an economic dimension, a political dimension and a diplomatic dimension.
- (3) Assign weights (importance level) to dimensions (optional) – for example, rate the military dimension of the decision to use force as very important, the economic and political dimensions as important, and the diplomatic dimensions as somewhat important.

- (4) Identify implications – for example, the economic implications of the use of force alternative in the case of occupying Iraq were high, in the hundreds of billions of dollars.
- (5) Rate implications of each dimension on each alternative.
- (6) Identify decision rule(s) used by leaders – for example, determine whether the leader utilized a poliheuristic decision rule, a maximizing rule or a satisfying model.

These tasks are undertaken in two-steps, wherein tasks 1 through 5 focus on correctly uncovering and constructing the decision matrix used by the decision-maker, while task 6 facilitates the identification of the decision rule utilized en route to the choice made through a post-decision analysis.

The first phase, namely, decision matrix identification, involves several tasks. Analysts must unveil the alternatives or courses of action that the decision-maker could have considered at the time, the decision criteria or dimensions that the decision-maker tended to when making his or her choice, and the implications for each alternative on each dimension or how each alternative fares on a given dimension; these ratings are most commonly given qualitatively, ranging from  $-10$  to  $+10$ . Moreover, researchers can tend to disproportionate importance levels of dimensions by assigning them weights – either qualitative or quantitative – which facilitate tracing actual decision calculi by incorporating subtle considerations.

This collection and identification process can utilize historic archives, experts' opinions, scholarly analyses, quotes and interviews, biographies and autobiographies, and media coverage to produce a matrix with high validity as to its accurate simulation of the decision context faced by the decision-maker analyzed.<sup>4</sup>

To expedite this stage, a specialized software, 'The Decision Board' (<http://www.decisionboard.org>) has been developed (Mintz et al., 1997). Although the use of this platform for Applied Decision Analysis is optional, the process confers numerous advantages by transposing these tasks to a web-based platform wherein analysts can store their work and conduct it methodically as the software provides users with input fields and selections to build the matrix according to the tasks listed above.

The second and final phase involves the determination of the *decision-rule* utilized by the decision-maker. This can be done by simulating the use of decision rules (e.g., LEX, EUT, PH, EBA, etc.) and comparing their expected result with the actual choice made through a post-decision analysis. Another vector of approach would be to find promising decision rules or to rule out specific rules according to the characteristics of the decision-maker analyzed, for example, a decision-maker who has been found to assign non-compensatory stature to a key dimension would not utilize an additive (compensatory) decision rule. A final method of analysis would be the comparison of the chosen alternative's overall expected utility to those of its peers; if the chosen alternative did not bear the highest net benefit, the analyst may rule out rational choice theory – which, as aforesaid, asserts that decision-makers can and will choose the