YALIEntrepreneurs Decision Tree

During an unexpected event, crisis, or downturn, you will have to think and act quickly. You will have to consider all of the outcomes and their effects to make sure that you are making the best possible decision for your business. A decision tree is a graph or diagram that explores all of the decision alternatives and their possible outcomes. In a crisis, using a decision tree will allow you to make educated and deliberate decisions.

A decision tree starts with your problem at the top in a box. Each option being considered is drawn by a line to the right or left of the main box. If the option is uncertain, a circle is drawn. If the result of the first option creates another decision, a small box is drawn. Continue with this process until there are as many possible outcomes and decisions that can originate from the original decision. Assign values to the possible outcomes, estimate the probability of each outcome, and use that information to determine the best course of action for your problem.
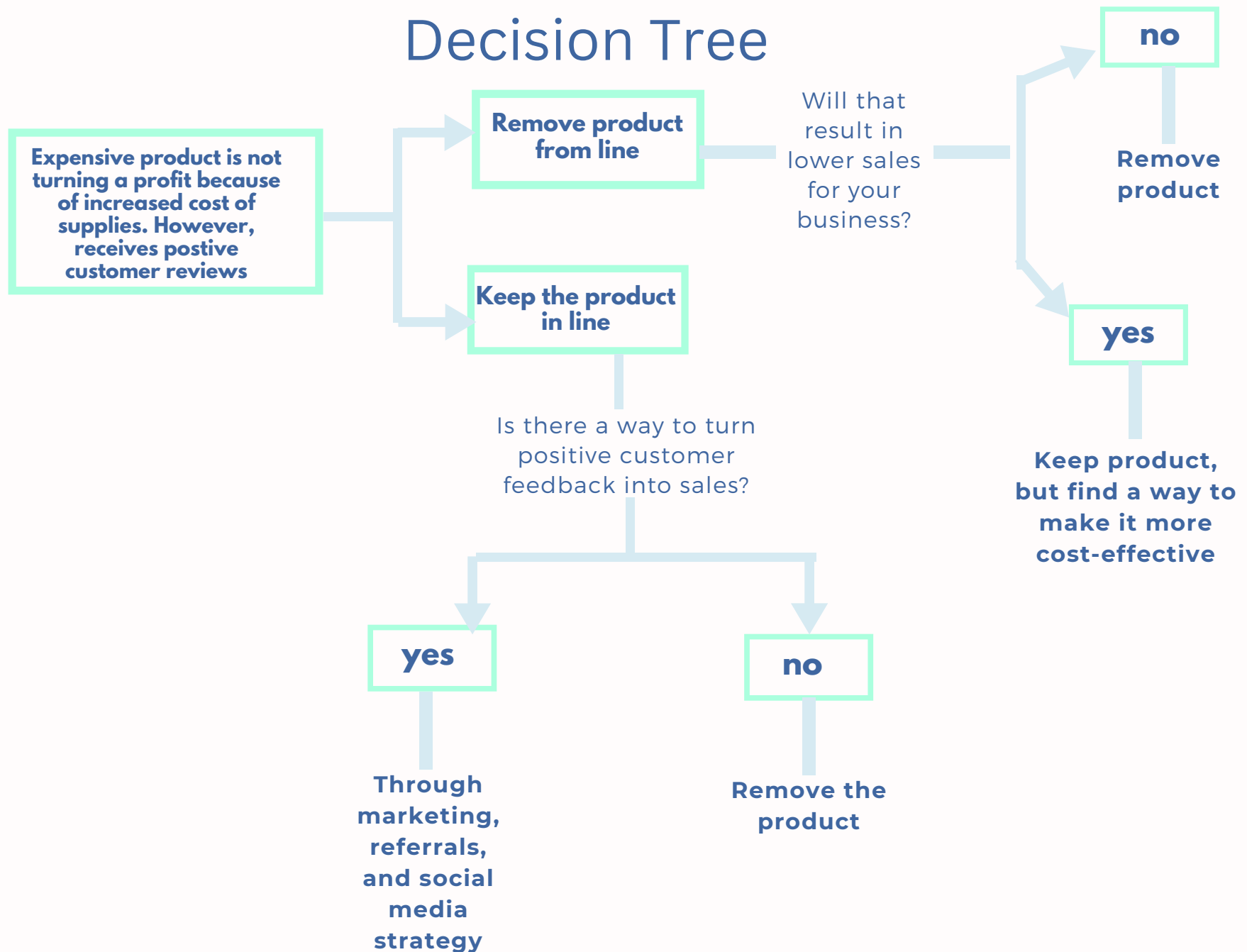
Decision trees are beneficial to businesses because they are simple to prepare, easy to understand and interpret, and require little data.

Use the example below as a guide and then create your own! Share your decision tree with us by posting your completed decision tree to our Facebook page with a comment about what the exercise taught you about yourself or your business.

Decision Tree Example

Context: Sandra owns a small business that sells handmade goods. After a major price increase in certain products from her suppliers, she realizes it has become too expensive to provide her current range of products, so she decides to streamline her offerings. Sandra believes this shift would allow her to spend less time creating the products and more time building her customer base. After conducting a strengths, weaknesses, opportunities, and threats analysis on her business, she realized that the most expensive item garners the most online praise but does not translate to online sales.

Decision Tree

Expensive product is not turning a profit because of increased cost of supplies. However, receives positive customer reviews

Remove product from line

Keep the product in line

Will that result in lower sales for your business?

no

Remove product

yes

Keep product, but find a way to make it more cost-effective

Is there a way to turn positive customer feedback into sales?

yes

no

Through marketing, referrals, and social media strategy

Remove the product

Decision Tree

no

yes

yes

no