

**CHAPTER 11 - DECISION MAKING****OBJECTIVES**

The primary objective of this chapter is to help the students understand alternative models of decision making that will not only improve their own individual decision making, but also to improve their ability to lead a decision-making in group and organizational settings. In achieving these objectives, students are taught the basics of a widely used decision-making model, and shown the key distinction and implications of normative (prescriptive) and descriptive approaches to decision making.

The descriptive approach is presented to point out the many errors and pitfalls that occur at various points in the basic model and numerous examples are provided. The normative model contains a number of suggested and ideal actions that can be taken to prevent errors and improve decisions.

Group decision-making emphases carry forward from the earlier chapters on groups, where it was emphasized that groups are being used more often at work. The importance of groups in decision-making also raises questions about participative approaches to management, which connects this chapter to leadership styles and issues presented in a later chapter.

**KEY POINTS**

The theme of this chapter is that decision making can and should be improved, and a number of suggestions are given for doing so. Students need to understand the errors that occur in the decision-making process because of both individual limitations as considered by the administrative model and the complexity of the decision-making context as demonstrated by the garbage can model.

The points considered in the examination of individual decision-making are carried into the discussion of decision-making within group and the organizational settings. Decision-making processes in the organizational context introduce many complexities surrounding questions of communication, understanding, and acceptance of decisions.

Group decision-making skills are particularly critical to learn because of the increasing use of groups in organizations, pointed out in an earlier chapter. The first step is to have some way to decide whether to take a problem to a group. This decision is directly related to leadership style, and to the issues associated with power sharing in organizations, topics which are covered in our chapter on leadership later in the text.

In deciding whether and how to use groups in decision-making, it is important to know that groups per se have some inherent advantages and disadvantages that help and hinder effective decisions. Some group forces are either advantages or disadvantages, depending on how the

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leader handles them. Also, in every group there is the possibility that the symptoms of groupthink might arise, which have been identified as occurring even in very high and powerful organization groups. In this edition we also consider other group decision-making phenomenon such as risky shift and polarization. With the understanding of these issues involved when using groups to make decisions, students should better understand the management and leadership issues involved in improving group decision making. It is important to relate these issues back to topics considered in the two chapters on groups and teams presented earlier in the text.

**TOPICAL OUTLINE**

Characteristics of the Decision Process

Decisions within Decisions

Small Decisions Accumulate

Decisions are Partial or Temporary Solutions

Models of Decision Making

The Rational or Normative Model of Decision Making

Figure 11.1: Rational model of decision making

The Administrative Model of Decision Making

The Garbage Can Model of Decision Making

Improving Individual Decision Making

Improving Problem Selection and Definition

Improving Generating and Evaluating Solutions

Improving Decision Implementation

Summary of Improving Individual Decision Making: A Call for Systems Thinking

Improving Group Decision Making

Benefits and Disadvantages of Groups

Deciding when to Use a Group

Groupthink

Figure 11.2: A model of Groupthink

Risky Shift and Polarization

Summary

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### **KEY CONCEPTS**

Administrative decision-making model

Bounded rationality

Brainstorming

Conformity

Escalation of commitment

Garbage can model

Groupthink

Polarization

Post-decisional dissonance

Rational or normative models of decision making

Risky shift

Satisficing

Uniformity

**EXERCISES****A. Creativity Exercise**

Early in the study of creativity, one of the measures of creativity was called the Uses Test. Participants were given an object such as a brick or a lampshade and asked to generate, working alone or in groups, all the conceivable uses to which an object might be put. Participants should be encouraged to free associate or brainstorm to generate as many uses as they can for the object. Participants should be urged to keep going beyond their last idea. This exercise, once all ideas are made visible to the total audience, usually reveals how such thinking pays off. This occurs as people are exposed to some of the very clever possibilities that others and they themselves are capable of generating. Further discussion can follow on the opportunities and problems of using brainstorming in an organization, or other techniques such as putting anonymously generated ideas onto 3x5 cards so as to separate the idea from the person who offered it. The main theme of this exercise of course, is idea generation without evaluation.

**B. Mental Blocks Exercise**

J.L. Adams has an exercise which demonstrates how mental blocks damage decision-making. Among these are cultural and environmental blocks in which feelings, taboos, mistrust, distractions, etc., work against the decision maker.

Instructions to the Class

Tell the class that each of them is in a bare room with several other people. In the center of the room a metal pipe is embedded in a concrete floor, and extends 4 inches above the floor level. The inside pipe diameter is slightly larger than a ping-pong ball one of which is resting on the floor inside this pipe. The task is to remove the ping-pong ball from the pipe without damaging the ball, the pipe, or the floor. You have the following objects to work with:

- 100 feet of clothesline
- A carpenter's hammer
- A chisel
- A box of Wheaties
- A metal file
- A wire coat hanger
- A monkey wrench
- A light bulb

A number of solutions are possible. The file can be used to make the coat hanger into tweezers to pull the ball out. The monkey wrench can be used to smash the hammer handle into wood splinters for possible lifting of the ball. The mental blocks that operate here is whether any participant thinks of urinating into the pipe to float the ball to the top. Even if someone thinks of this idea, they may be too embarrassed to suggest it openly.

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### STUDY QUESTIONS

1. Interview a manager or someone you know who recently made an important decision. Determine to what extent he or she followed the steps of an ideal or a normative model.

Here the students need to probe each stage of the decision-making process as characterized in the model shown in Figure 11.1 in the text. The key stages include (1) problem selection and definition, (2) solution generation and evaluation, (3) selection of alternatives, and (4) implementation and evaluation. Overall, an attempt should be made to see if the decision observed was made in stages or whether the decision maker skipped around the model or moved forward through it too quickly at any stage. An effective process would include sticking to each stage in the model to get thoroughness, for example in selecting and defining a problem before generating alternative solutions. A number of questions can also be asked within each stage. How was the problem selected? Was it chosen consciously over others? Was it fully and clearly defined? Were solutions generated without premature evaluation? Were criteria to evaluate solutions well developed and made explicit? And so forth throughout the model.

2. Evaluative behavior and creative behavior are critical at all stages of decision making. Show why this is true.

Simply because people have values, beliefs, attitudes, perceptions, preferences, etc., they are bound to evaluate as a routine matter. Problems will therefore be perceived and defined differently depending on who is doing so. And, of course, solutions are selectively generated based on individual differences, and they are certainly subjected to evaluation. Evaluation will also enter into ways to implement and how well it succeeds.

Creative behavior can be applied to problem definition by stating the problem in new ways or looking at it from varied perspectives. Most important, creativity techniques are especially valuable in idea generation and in ways to implement. Creativity can also be applied to the methods used to choose among alternatives or evaluate implementation.

3. Define the elements of the normative approach to decision making.

Normative (rational, systematic, economic) models involve (1) exploring many courses of action, (2) surveying all objectives and relevant values desired, (3) evaluating all positive and negative consequences in terms of costs, risks, and benefits, (4) searching for new information to evaluate alternatives, (5) accounting for new inputs even contrary ones, (6) reevaluating positive and negative consequences of all alternatives, even those originally judged as unacceptable, and (7) developing detailed implementation plans, including contingency plans.

4. What are the different ways to evaluate whether a decision or solution to a problem was effective?

There is no universal agreement on how to measure decision effectiveness, but one can certainly evaluate whether the decision solved the problem or achieved the goal. One can also assess costs and unintended side effects. It is possible to assess decisions using quality and acceptance criteria. Finally, one can examine the decision-making process, because many decisions are imperfect and the best we can do is to use good procedure in making them.

5. Working alone or with the help of a friend, identify a problem that one of you has that will require a decision. Was the right problem selected? Can you improve on how the problem is defined?

Problem selection is very critical to the set of decisions a person makes, for decisions are usually not made for problems that lie unselected or postponed. Thus problem selection is an extremely critical point in the model, and indeed in life! Many people deal with problems as they arise or as others communicate them. Good decision makers are less reactive, less the pawns of their environment. It would be better periodically to list problems and after study, decide which ones deserve attention first. Priority setting on problems can make all the difference in the world to both personal and organizational effectiveness.

Selected problems are also too often defined too narrowly, without creativity, and quickly. Good problem definition calls for listing all the elements of a problem, examining possible causes, charting the sequence of events surrounding the problem, and injecting creative definitions if possible. When this is done, solutions tend to be better because they are more likely to respond to all problem elements, and solutions are more likely to be lasting because they deal with causes rather than symptoms.

6. Briefly describe as many techniques as you can that are useful for generating alternative solutions to a problem.

Good solution generation involves at least two general requirements: avoiding satisficing or any other form of premature evaluation and using creativity techniques to generate a large number of possible alternatives. The descriptive model can be used to identify errors typically made in solution generation. Some guides for generating solutions include defining the problem well and using its defined elements as catalysts for solutions, letting one's mind run free, using other people (including naive ones) as a source of ideas, brainstorming, the nominal group technique, deBono's dictionary technique, breaking mental and social blocks, etc.

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7. What are the advantages and disadvantages that groups have compared to individuals in decision-making?

Disadvantages of groups include pressures for conformity, consensus pressures that suppress disagreement, accumulation of support for bad solutions, dominance by some members, and arguing to win, which dominates over fair and open discussion. Benefits or advantages include more knowledge and information, more approaches to the problem and its solution, members knocking each other out of ruts, and more understanding and acceptance of the decision.

Some factors can become disadvantages or benefits, depending on how the leader or members behave. These include disagreement, risk-taking behavior, time pressures that may rush a decision but jeopardize implementation, and the question of whether people with good or bad ideas dominate.

8. What criteria should a manager use to decide whether or not to use group participation in decision making?

Groups need not be used when mainly quality is needed and acceptance is either not critical or can be easily achieved with an imposed decision. Also, if the problem is highly verifiable and the solution calls for complex, interrelated stages, individuals excel over groups. If group member goals are hostile to the organization, participation may not be indicated. If time pressures preclude the ability to run a meeting, group decision-making may have to be avoided.

Groups should be considered for use when acceptance is critical for the success of the decision, and when group preferences need to be discovered by the manager. When the problem is complex and ill structured, and group members have relevant skills, a group can do well. Participation will also work better when group members are motivated to attain organizational goals, and when resolution of member disagreements is important. Time must also be available for the group to meet and deliberate. It is also wise to use groups when changes are being introduced, as a way to deal with resistance and help ensure acceptance of the change.

Students may also cite particular decisions where groups are not indicated (e.g., technical decisions such as selecting vendors, inventory control techniques, etc.) and where they might be strongly indicated (e.g., who works overtime, revision of an appraisal system, installing new methods of work).

9. Name some examples of management decisions where a group should probably not be used to make the decision. Then give some examples where it might be best to use a group. Explain your choices.

Examples of when to not use a group include:

- Raise or promotion decisions because groups usually don't have information on individual performance
- Hiring decisions are complex but are generally made by managers with input from the group.
- When a problem is routine and standardized procedures are established for resolving the problem.

Examples of when to use groups include:

- Helping develop criteria for raises and promotions when the subordinates know the job well and have a good understanding of how individual performance affects organizational success.
- Hiring decisions should be made by groups when the individual would be working extensively with a group or team and their acceptance of the new member is critical.
- Developing new work procedures when group members have experience in performing the task.
- Decisions about group social activities because decision quality is not usually important.

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### ETHICAL, DIVERSITY AND GLOBAL ISSUES

#### **A Question of Ethics: Ethical Behavior in Groups**

The discussion of groupthink and the behaviors that support this widely observed phenomenon that occurs within a group decision making context may provide insight into ethical behavior. Within group contexts, members who would normally act ethically individually may be part of a group that makes unethical decisions. Social scientists have studied the invulnerability and illusion of morality of individuals when acting as part of a group. These characteristics when combined with the tendency of groups to accept greater risk should be of concern to managers. One way of protecting against this possibility is openness and disclosure of group processes. Groups who feel like they are accountable to others for their decisions and for the process that arrived at those decisions are less likely to feel invulnerable. Groups should continually ask how they could defend their decision to others and should be willing to allow others to observe the decision process. If there is openness, there is less likely to be unethical behavior. If there is hope within the group that some information about their activities does not become public knowledge, there is a good chance that the group is falling into the negative pitfalls of groupthink.

#### **Diversity Issues: How Gender Changes the Decision Making Process For Promotions**

A recent study of corporate decision making dynamics suggests that despite an organization's objective to increase the diversity of senior management, aspects of the decision process can undermine those objectives. A study prepared by the Center for Creative Leadership led to some disturbing findings. One study finding was that male decision-makers made promotion decisions about male candidates based on perceived comfort level with the person. Promotion decisions about female candidates were made based on their tenure in the lower position. Managers felt more comfortable keeping women in positions longer so that they could insure they were ready for the higher position. The result of this type of decision process is that women do not move as quickly as men into positions of higher responsibility. This of course leads to frustration for women as they see male peers promoted at a faster rate and can subvert an organization's attempt to become more diverse.

These biases are subtle but critical components of individual decision making and can have important organizational consequences. The authors of this study suggest that these biases must be made visible and become a topic of discussion among decision-makers. One way to assess current organizational practices is to carefully track decision results. Fair decision practices should be reflected in relatively equal promotion rates for men and women. Other factors, such as the retention of women, can provide important clues about the perceived fairness of decision processes. When discrepancies are found, it is important to get decision-makers to discuss their

decision strategies including assumptions, stereotypes, criteria and other factors relevant to the process. Decision-makers can often be unaware of how certain assumptions can lead to biases that lead to an unfair decision. Once this discussion occurs, organizational practices should be established that provide training for managers to improve their decision processes and managers should be held accountable for insuring their decisions are consistent with organizational policies and objectives.

*Source: Adapted from HR Magazine (1997)*

**Global Focus:  
Escalating Commitment in Asian Managers**

One recent study focused on whether the phenomena of escalating commitment, which has received a lot of empirical support with North American managers, could be found in the behavior of Asian managers [Sharp, 1997]. The research hypothesized that Asian managers would be less likely to pursue losing courses of actions when the information about those actions was framed in a negative way. As predicted, the Asian managers chose to not escalate their commitment to the projects when faced with negative information. This suggests that some aspects of decision behavior are culturally dependent and that some American theories of behavior may not apply to other cultures. Perhaps in collectivist cultures such as those found in Asian societies, individuals are likely to be less motivated by self-interest because the society as a whole provides stronger penalties for such behavior.

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### CASE: ESCAPADE TRAVEL AGENCY

#### Case: Escapade Travel Agency

Diane Raymond was excited as she left her night class in Human Resource Management. Her professor had just lectured on new work schedules that some companies were using. He had discussed compressed work weeks where employees work all their hours on four days of the week, and flextime, where employees worked five days but could come in later or leave earlier, within certain limits. For example, sometimes all employees had to be at work between 10:00 a.m. and 3:00 p.m., but could alter their earlier and later hours. Other variations included putting in more hours on some days so that other days could be shorter. Many possibilities were discussed, including how to cover Saturdays if the organization operated on a six-day week.

Diane felt that a flextime schedule could work at Escapade Travel Agency where she was employed full-time as a travel agent. Personally, it would help her tremendously. Diane was married with two children, and was pursuing a business degree at the local college. With flextime, she could run errands, take care of the children better, and even take a few daytime classes she needed to graduate. She was sure her fellow workers would like flextime, too. They all had problems similar to hers, and even if they did not need flextime, they could probably work their current schedule while others altered their schedules.

Diane had the idea put on the agenda of the next meeting at Escapade. Meetings were usually held early morning before opening time. They were usually led by the owner and manager, Mr. Burdick. They were attended by all employees, including the two supervisors of the fifteen agents and two receptionists. Diane hoped for a favorable reaction to her proposal. When her turn came up on the agenda, she described flextime in general terms and paused for a reaction.

She didn't have to wait long. Many of the travel agents were favorably disposed. They saw it as a way to meet many personal obligations with taking time off or asking others to cover for them. They felt they could cover the hours and still complete their work without harming service to customers. Some travel agents resisted the idea, partly because they felt they might lose status by having to cover for receptionists. They also liked the "9 to 5" and felt no need for different hours. The receptionists offered few opinions and Diane could not tell how they felt.

The greatest resistance came from the supervisors. All they saw was having to spend most of their time making schedules. They just did not think it was workable, especially since they had a hard enough time as it was covering Saturdays and extra evenings during heavy travel seasons.

Throughout all of this, Mr. Burdick sat silently and listened to the discussion. No one was sure how he felt. As the clock reached opening time, Mr. Burdick said the meeting had to come to a close, and promised to continue the discussion at the next meeting.

1. What are the different elements in the flextime problem? Identify them as quality or acceptance issues.
2. What are some alternative ways that these problem elements can be solved?
3. How should Mr. Burdick approach the various decisions that have to be made?

**Case Discussion: Escapade Travel Agency**

1. What are the different elements in the flextime issue? Sort them as quality or acceptance issues.

Quality issues include covering demand by the agency's clients, hours of operation, staffing for peak demand, techniques for preparing more complex schedules, and methods to record and communicate hours worked.

Acceptance issues include needs for flexible free time, differences of opinion about traditional 9 to 5 days, status loss in covering for receptionists, change in responsibilities for supervisors (schedule preparation, hours monitoring), loss of power by supervisors (participatively derived schedule?), new demands for interpersonal cooperation, and so forth.

2. What are some of the ways these problem elements can be solved?

If Burdick at least favors further exploration of flextime, he needs to approach the supervisors as key resources for its success. Burdick has to show appreciation for and accept their resistance lest he solidify them against it before it even has a chance. Installing flextime means change, and acceptance is critical, so participation and group decision making seem quite indicated. The quality elements can be addressed as critical to the success of the agency because customer satisfaction is key. Efficiency counts too, for flextime should not reduce but may even increase productivity, especially if peak hours are better covered as a result. An analysis needs to be done of demand periods to see if these can be adequately covered or get improved coverage.

3. How should Mr. Burdick approach the various decisions that have to be made?

This problem has both quality and acceptance elements, so expertise on the quality and participation for both quality and acceptance are needed. Quality issues can be addressed in part by visiting other organizations that use flextime, and by reading and studying reports of its use. A group can be assigned the responsibility to do this. Ultimately, the acceptance issue will have to be fully addressed, and Mr. Burdick will have to follow the leadership guidelines if he is to have a good chance at successfully installing flextime.