

Module 4

Decision-Making in Organisations

Introduction

Decision-making characterises all forms of organised life whether you look at formal or informal social organisations. At any given point of time, to solve a problem or to select between alternatives of action available to us, we are required to take decisions and select the most appropriate course of action in a given set of circumstances. This section discusses the importance of decision-making, and the decision environments and variables affecting decision processes. As part of your everyday work, you may be engaged in making and implementing various kinds of decisions and may want to apply some of the concepts discussed here.

Upon completion of this module you will be able to:



Outcomes

- *define* decision-making and the variables that characterise decision-making.
- *distinguish* between decision-making environments and types of decision-making.
- *describe* three decision-making models.
- *distinguish* between group and individual decision-making, citing pros and cons of each.
- *describe* various techniques for improving decision-making.

Terminology



Terminology

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bounded Rationality: | Theory of bounded rationality argues that people do make decisions with restricted information, and therefore the decisions tend to be less than ideal. |
| Brainstorming: | A number of group members typically sit around a table, and many ideas are generated by the members. There are four primary rules to brainstorming: no criticism; freewheeling is welcomed; quantity is good; and people should build on each others' ideas (piggy-backing). |
| Decision-making: | Decision-making is the process of developing a commitment to some course of action. There are three things that characterise decision-making: it |

necessitates making a choice among two or more alternatives; it is a process that typically involves more than just what was decided; and thirdly, the commitment of resources - economic, human, time.

- Delphi Technique:** The Delphi Technique uses questionnaires that are answered by members of the group. A coordinator then summarises the solutions and sends the summary back to the group members, together with another questionnaire. This process is continued until a clear course of action is determined.
- Nominal Group Technique:** Nominal Group Technique is often used when there is conflict in the group, or when it has become almost impossible to make a decision because of diverse opinions. Each person in the group responds in writing to a question, and then the answers are recorded. After the answers are recorded, again participants are asked to rank the ideas, so that the most preferred action can be narrowed down.
- Rational Decision-making:** Rational Decision-making argues that the decision maker will make optimal choices by adhering to a number of steps that help to ensure rationality. This model is designed with a view to facilitating value-maximising choices.
- Bounded Rationality:** Theory of bounded rationality argues that people do make decisions with restricted information, and therefore the decisions tend to be less than ideal.
- Brainstorming:** A number of group members typically sit around a table, and many ideas are generated by the members. There are four primary rules to brainstorming: no criticism; freewheeling is welcomed; quantity is good; and people should build on each others' ideas (piggy-backing).

Before the discussions on decision-making begins, take some time to understand your own decision-making style. The short case scenarios below will facilitate this determination.

Case assessment

Read the following cases, and indicate the style that most closely describes the action you would take.



Case study 4.1



Case study

The Finance Case

You are the head of a staff unit reporting to the vice president of finance. The vice president has asked you to provide a report on the firm's current portfolio to include recommendations for changes in the selection criteria currently employed. Doubts have been raised about the efficiency of the existing system in the current market conditions, and there is considerable dissatisfaction with prevailing rates of return.

You plan to write the report, but at the moment you are quite perplexed about the approach to take. Your own specialty is the bond market, and it is clear to you that detailed knowledge of the equity market, which you lack, would greatly enhance the value of the report. Fortunately, four members of your staff are specialists in different segments of the equity market. Together they possess a vast amount of knowledge about the intricacies of investment. However, they seldom agree on the best way to achieve anything when it comes to investment philosophy and strategy.

You have six weeks before the report is due. You have already begun to familiarise yourself with the firm's current portfolio and have been provided by management with a specific set of constraints that any portfolio must satisfy. Your immediate problem is to come up with some alternatives to the firm's present practices and select the most promising for detailed analysis in your report.

Case Study Questions

1. How would you deal with this situation?

With a tick, indicate the style that most clearly describes the action you would take.

| | | |
|--------------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> | AI | You solve the problem or make a decision yourself; using whatever facts you have at hand. |
| <input type="checkbox"/> | AII | You obtain any necessary information from those who report to you and then reach a decision alone. You may or may not tell them about the nature of the situation you face. You seek only relevant facts from them, not their advice or counsel. |
| <input type="checkbox"/> | CI | You consult one-on-one with those who report to you, describing the problem and asking for each person's advice and recommendations. The final decision, however, is yours alone. |
| <input type="checkbox"/> | CII | You consult with those who report to you in a meeting, describing the problem and requesting their collective advice and recommendations. The final decision, however, is yours |

| | | |
|---|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | alone and may or may not reflect your subordinates' influence. |
| — | GII | You share the problem with your subordinates as a group. Your goal is to help the group concur on a decision. Your ideas are not given any greater weight than those of others. |

- Why would you use this style?

Case study 4.2



Case study

The Pharmaceutical Company

You are executive vice president for a small pharmaceutical manufacturer. You have the opportunity to bid on a contract for the Defence Department pertaining to biological warfare. The contract is outside the mainstream of your business; however, it could make economic sense because you do have unused capacity in one of your plants, and the manufacturing processes are not dissimilar.

You have written a document to accompany the bid and now have the problem of determining the dollar value of the quotation that you think will win the job for your company. If the bid is too high, you will undoubtedly lose to one of your competitors; if it is too low you would stand to lose money on the programme.

There are many factors to be considered in making this decision: the cost of the new raw materials and the additional administrative burden of relationships with a new client, not to speak of factors that are likely to influence the bids of your competitors, such as how much they need this particular contract. You have been busy assembling the necessary data to make this decision, but there remain several “unknowns”, one of which involves the manager of the plant in which the products will be manufactured. Of all your subordinates, only she is in the position to estimate the costs of adapting the present equipment to its new purpose, and her cooperation and support will be necessary in ensuring that the specifics on the contract will be met. However, in an initial discussion with her when you first learned of the possibility of the contract, she seemed adamantly opposed to the idea. Although she has been an effective and dedicated plant manager over the past several years, her previous experience has not particularly equipped her to evaluate the overall merits of projects such as this one. From the nature of her arguments, you inferred that her opposition was ideological rather than economic. You recall in this context that she is involved in the local nuclear freeze movement.

Case Study Questions

- How would you go about determining the amount of the bid?



With a tick, indicate the style that most clearly describes the action you would take.

| | | |
|-----|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ___ | AI | You solve the problem or make a decision yourself; using whatever facts you have at hand. |
| ___ | AII | You obtain any necessary information from those who report to you and then reach a decision alone. You may or may not tell them about the nature of the situation you face. You seek only relevant facts from them, not their advice or counsel. |
| ___ | CI | You consult one-on-one with those who report to you, describing the problem and asking for each person's advice and recommendations. The final decision, however, is yours alone. |
| ___ | CII | You consult with those who report to you in a meeting, describing the problem and requesting their collective advice and recommendations. The final decision, however, is yours alone and may or may not reflect your subordinates' influence. |
| ___ | GII | You share the problem with your subordinates as a group. Your goal is to help the group concur on a decision. Your ideas are not given any greater weight than those of others. |

2. Why would you use this style?

Case study 4.3



Case study

The Oil Pipeline

You are general supervisor in charge of a large gang laying an oil pipeline. It is now necessary to estimate your expected rate of progress to schedule material deliveries to the next field site.

You know the nature of the terrain you will be travelling and have in your records the historical data needed to compute the mean and variance in the rate of speed over that type of terrain. Given these two variables, it is a simple matter to calculate the earliest and latest times at which materials and support facilities will be needed at the next site. It is important that your estimate be reasonably accurate. Underestimates result in idle supervisors and workers, and overestimates result in tying up materials for a period of time before they are to be used.

Progress has been good, and your five supervisors and other members of the gang stand to receive substantial bonuses if the project is completed ahead of schedule.

Case Study Questions

1. How would you go about scheduling material deliveries?

With a tick, indicate the style that most clearly describes the action you would take.

| | | |
|-----|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ___ | AI | You solve the problem or make a decision yourself; using whatever facts you have at hand. |
| ___ | AII | You obtain any necessary information from those who report to you and then reach a decision alone. You may or may not tell them about the nature of the situation you face. You seek only relevant facts from them, not their advice or counsel. |
| ___ | CI | You consult one-on-one with those who report to you, describing the problem and asking for each person's advice and recommendations. The final decision, however, is yours alone. |
| ___ | CII | You consult with those who report to you in a meeting, describing the problem and requesting their collective advice and recommendations. The final decision, however, is yours alone and may or may not reflect your subordinates' influence. |
| ___ | GII | You share the problem with your subordinates as a group. Your goal is to help the group concur on a decision. Your ideas are not given any greater weight than those of others. |

2. Why would you use this style?

Source: Osland, Kolb & Rubin (2001, pp. 328-330)

These cases illustrate the challenges and difficulties in making decisions in the workplace. Much depends on your ability to make appropriate decisions, and poor decision-making can result in negative outcomes that range from inconsequential to devastating. Nevertheless, your success within your organisation (and potentially the success of others) is very much dependent on your ability to demonstrate sound decision-making that results in meeting or exceeding planned objectives.

Victor Vroom, Phillip Yetton and Arthur Jago developed a framework for decision makers, which suggests that we must choose a decision-making method that best fits the problem being solved. The individual,



consultative and group decision options were provided to you in the short cases above.

Decision-making defined

Decision-making is the process of developing a commitment to some course of action. Three things help to characterise decision-making: it necessitates making a choice among two or more alternatives; it is a process that typically involves more than just what was decided (often we gain value in understanding how the decision was arrived at); and thirdly, the ‘commitment’ mentioned above usually necessitates a commitment of resources – economic, human, time.

Another way to understand decision-making is to view it as a process of problem solving. A problem exists when there is a perceived gap between an existing and desired state. As a sales manager, you might see your quarterly sales fall short of the department quota (existing state). You would like to make a decision that ensures that your department meets the quota for the next quarter (desired state), which might require making choices about resource allocation (hiring personnel, increased marketing activity and training).

Decision-making environments

While we would prefer to make decisions in an optimal environment, that is not possible in most circumstances. In fact, there are a number of different decision environments that we are faced with in organisations. Typically, we make decisions in organisations (or personally for that matter), that fall under one of three different categories:

1. **Certainty:** This is an environment where we can depend on the outcome, because we have all of the information we need. For example, you have talked to three people in the organisation that you have considered for a job, and you must nominate one person. They are equally qualified, but only one of them is interested in the job – so it is with high certainty that you recommend this person, knowing the likely outcome.
2. **Risk:** In an environment of risk, you still have information, just not as much. Yet you have enough information to assign a probability to the outcome – in other words, you can determine the degree of likelihood of the outcome. So for example, you have recent financial statements for the last three years, up to and including last month’s, that show a gross margin on your revenues of between 30 and 32 per cent. You can predict with a high probability in your projections that it will remain as such, if all else remains constant in terms of influencing variables.
3. **Uncertain environments:** These are the most difficult. Under these circumstances, you have very little information, and prediction is virtually impossible. You are not able to rely on any data you have in a meaningful way, and therefore sometimes these decisions are made using your own intuition, your

employees' understanding and analysis of the possible outcomes. Perhaps you are trying to determine whether to launch a new product. It is a product that has no similar competitor, and it is expensive to produce. You think, based on the limited market research you have conducted, that it stands a good chance, but it's really your gut that's telling you that. One environment that the literature discusses is 'organised anarchy', which is characterised by rapidly changing conditions, either external to the organisation, internal to the organisation, or both (changing in terms of personnel, technology, legislation, for example). These days, many work environments are described this way – where it is difficult to establish any hierarchy or protocol.

Types of decisions

Given the various decision environments within which we must manage, there are three primary types of decisions that we are able to make:

- **Programmed decisions:** programmed decisions are made for very routine problems. Let's assume you supervise an assembly line at General Motors and an employee calls in sick. You have likely made the decision of how to replace his/her position many times before and therefore do not have to give it a lot of thought.
- **Non-programmed decisions:** these are the type of decisions that you have not typically made in the past. You need to demonstrate some creativity in your data-gathering in order to make the most logical, effective decision you can. Often non-programmed decisions are made at a middle or upper management level. For example, you might be running a division that is growing very quickly, and you need to implement more professionalised, standardised policies and procedures. You might decide to bring in some consultants, to hire a COO, or GM, or do yourself. Whatever the outcome, it is dependent on data collection and analysis that is not part of your routine.
- **Associative choices:** associative choices are slightly different than decisions, in that the outcome of associative choices is not ideal. Associative choices are made in 'organised anarchy' environments, where the pace of change has been rapid. The intention is not to solve the problem, because circumstances do not allow for that. Rather, associative choices are made to improve the work environment; the problems are not solved.

Decision-making models

Rational decision-making

In theory, we should always make decisions that are rational. There are a number of considerations and actions that facilitate rational decision-making, yet in reality not all of our decisions are purely rational. Before we discuss why this is, let's first examine the rational decision-making model. This model argues that the decision-maker will make optimal



choices by adhering to a number of steps that help to ensure rationality. This model is designed with a view to facilitating value-maximising choices. It entails a sequential progression through seven steps:

1. Identify the problem.
2. Establish decision criteria, and allocate weights to the criteria.
3. Search for relevant information.
4. Develop alternative solutions to the problem.
5. Evaluate alternative solutions.
6. Choose the best solution.
7. Implement and monitor chosen solution.

When we define a problem, it emerges from our ability to recognise the gap between the existing and desired state. This necessitates a degree of objectivity. The reason for a preference for objectivity is so that we can proceed through the remaining steps of this model in a way that enables us to gather as much data as possible, and to entertain as many alternative solutions as we can. For example, if we identify a shortfall in revenues, we can identify the desired state as an increase in revenues. If we were, at this point, to identify the low revenue problem instead as an under-achieving sales force, it would prompt us to proceed through the rest of the steps with a focus on improving the sales force. While this might indeed help solve the problem, it would eliminate collection of data that did not focus on the sales force. There may be other sources of the problem, and our objective is to consider and evaluate as wide a range of causes as possible. Therefore, it is in our best interest (and that of the organisation) if we try to define the problem objectively (without an implied cause or an implied solution).

Criteria must be established so that we have a yardstick of measurement against which to gauge progress and success. When we define criteria, we should also consider how these criteria might be measured. For example, if the problem is low revenues, then the criteria should include a quantifiable increase in revenues (10 per cent for example), as well as a time frame in which to accomplish this objective. That way, we can determine specifically, whether an alternative is viable or not. Weighting of criteria helps us prioritise our selection. Is it more important to achieve the sales target, or achieve an immediate increase in sales? We can establish a weighted criteria scale that will help quantify decision-making. So for example, we might have four criteria, two of which are given a weighting of 25 per cent, the third 35 per cent, and the fourth 15 per cent. This weighting facilitates and quantifies our decisions, and often eliminates the need for debate further down the steps of the model.

Searching for relevant information necessitates objective data collection. Revenues are down, so it is in our best interest to collect any data that might indicate a reason for this. We might collect data on our sales force (number, training, expertise, experience, record per sales person to date, marketing and public relations activities, product quality, consumer

tastes, patterns that indicate shifting consumer preferences, etc – you can see that the data might be very wide-spanning).

From the data collected, we can draw some conclusions about potential relevant alternatives. At this point, we need not appraise or evaluate these alternatives; we simply want to list those alternatives that are plausible, given the data collected. After we have arrived at a number of alternatives, we must rate each alternative against the established criteria. This helps to establish some priority and plausibility of each alternative.

We must then make some determination on the most viable alternative (the one that meets the most criteria, and therefore has the highest total score). If we are presenting this analysis to others (as is often the case) we must spend some time establishing justification for our choice that our intended audience will find compelling.

It is important to note that this model contains a number of assumptions:

- **The problem is clear and specific:** the model assumes that problems are clear and unambiguous. It also assumes that the decision-maker has complete information.
- **Known options:** this assumes that the decision-maker is able to identify the criteria and viable alternatives. In addition, it is assumed that the decision-maker can understand the possible consequences of each alternative.
- **Clear preference:** it is assumed that criteria and alternatives can be ranked and weighted to reflect their importance.
- **Stability:** the model assumes that decision criteria are constant and that the weights given to the criteria are stable over time.
- **Minimal time and cost constraints:** this assumption enables the decision-maker to obtain full information about the criteria and alternatives.
- **Maximum payoff:** it is assumed that the rational decision-maker will choose the alternative that yields the highest perceived value.

Bounded rationality

Herbert Simon won a Nobel Prize for his theory of bounded rationality, which argues that people do make decisions with restricted information, and therefore the decisions tend to be less than ideal. Bounded rationality is based on seven primary assumptions.

1. Decision-makers tend to ‘satisfice’: select the first alternative that is satisfactory.
2. Often decision-makers establish a problem statement or understanding of a problem without full or even adequate information.
3. Decisions are often made without a comprehensive evaluation of alternatives.



4. Decision-makers rely on **heuristics**, or judgment shortcuts, to simplify the decision-making process.
5. Due to constraints and limitations, early alternatives and solutions are readily adopted.
6. Organisational goals dictate the boundaries of decision-making.
7. Goals that are in conflict can force a compromise solution.

Judgmental heuristics

Heuristics are defined as the simplification of strategies, or using ‘rules of thumb’ to make decisions. A variety of heuristics exists:

- **Availability heuristic:** the availability heuristic exists when we use experiences to shape our current and future decisions. If we have hired someone from a specific university before and had a good experience, we may continue to do so (rightly or wrongly) on the basis of that limited experience.
- **Representativeness heuristic:** this is sort of like the halo effect – in that we base our understanding and confidence of a specific decision based on very limited information. If we read an article in a magazine that one university has a top-rated business school, we might make our selection from that university.
- **Anchoring and adjustment heuristic:** this involves identifying a ‘yardstick’ of measurement, based again, on limited information. If we have always paid MBAs a specific starting salary, we may offer this amount again. This is not always appropriate for a number of reasons; perhaps one person has many more years’ work experience than another.
- **Confirmation trap:** in this instance, we are specifically seeking the information and statistics that will confirm that we are making an appropriate decision. For example: we want to hire an MBA from a specific university, so we collect information that points to that decision as being the most logical and grounded. We might be ignoring other information that is available, simply because it does not support our decision.
- **Hindsight trap:** this refers to the ‘I should have seen that coming’ syndrome. Perhaps you hired the MBA from the specific university and she does not work out; you suggest that it was really an obvious misfit, based on the qualifications of the job description, and the academic training that person had as a student.

It is often impossible, given time constraints, to capture all of the complexities associated with decision-making. Rather than exhausting lists of criteria and alternatives, the decision-maker will use a list that is more limited, and often based on past experience with similar problems. To acquire and process all sources of information is inefficient, and not likely to happen for most managers. So the need to arrive at a satisfactory

solution (based on corporate objectives, dependent relationships within the organisation, politics) acts as bounds to rationality.

Garbage Can Model of decision-making

The Garbage Can Model has as its main components of the choice process four factors: problems, solutions, participants and choice situations or opportunities. These are all mixed together in the garbage can of the organisation. In other words, the decision-making process is rather chaotic, partly because that might be the decision-making culture of the organisation, but also because a linear, rational approach to problem-solving might not be a viable option. Often we can match specific solutions to specific problems, but under this model, that is not possible. It is likely that this environment faces rapid change; you might try to establish solutions to problems that are very ill-defined (the culture is weak, and the politics are pervasive, and many departments have hidden agendas) and therefore hire a consultant to come in and attempt to manage the problems and challenges objectively. In this model, decision-making is haphazard and chaotic, and in fact sometimes depends largely on luck!

How does decision-making differ between individuals and groups?

Many organisations employ groups to make decisions rather individuals. There are a number of strengths and weaknesses to group decision-making, discussed below:

Strengths of group decision-making

Often the **decision quality** is higher in groups, because the group as a whole can generate more **complete information and knowledge**. In addition, groups tend to **generate more ideas** than individuals, and they can **evaluate ideas better** than individuals.

Groups offer a greater **diversity of views** than individuals because of the heterogeneous nature of the group. There is also generally an **increased acceptance of and commitment** to the decision, partly because of the **diffusion of responsibility** across the members of the group.

Given the strengths of group decision-making, can we conclude that the groups actually do make higher-quality decisions than individuals do? The answer to that question is yes. And the research supports the notion that group performance is heightened when and where:

- the group members differ in skills and abilities
- division of labour can occur
- the group members have a memory for facts
- individual judgments can be combined by weighting them to reflect the expertise of the various members .



Weaknesses of group decision-making

While there are advantages to using groups to make decisions in organisations, there are shortcomings: Group decisions are usually more **time consuming**. Often the decisions necessitate much discussion and debate, and this tends to increase with group size. In addition, as was previously mentioned in Module 3, group conflict is difficult to avoid, and is considered part of the stages of group development. **Domination** of the group and its processes is often a problem in groups; one individual or a small coalition may create ineffective decisions, if views are imposed on the group that emerge from misinformation or extreme biases. Finally, **groupthink** is a risk of group decisions. A number of steps can be taken to minimise the risk of groupthink: leaders must try not to exert undue pressure toward a specific outcome; norms should be established that encourage dissent, and outside experts might be invited occasionally into the group to contribute their own perspective on various problems.

Group decision-making techniques

A number of decision-making techniques can be employed by groups:

- **Brainstorming:** this technique is employed by groups with a view to overcoming the pressure to conform. When groups are brainstorming, a number of group members typically sit around a table, and many ideas are generated by the members. There are four primary rules to brainstorming: no criticism; freewheeling is welcomed; quantity is good; and people should build on each others' ideas (piggy-backing). Electronic brainstorming is becoming popular for groups whose members are geographically dispersed. While brainstorming is a process for generating ideas, the nominal group technique and the Delphi technique discussed below provide a means for arriving at a preferred solution.
- **Nominal group technique:** this is often used when there is conflict in the group, or when it has become almost impossible to make a decision because of diverse opinions. It restricts discussion during the decision-making process. The nominal group technique is often used in large groups that are broken down into smaller sizes of five-seven people. Each person responds in writing to a question, and then the answers are recorded. After the answers are recorded, again participants are asked to rank the ideas, so that the most preferred action can be narrowed down.
- **Delphi technique:** sometimes group members cannot meet face to face (for geographic or confidentiality reasons). The Delphi technique uses questionnaires that are answered by members of the group. A coordinator then summarises the solutions and sends the summary back to the group members, together with another questionnaire. This process is continued until a clear course of action is determined. This technique is known to retain the advantage of using several judges while removing or reducing the effects of biases that could exist while interacting face-to-face.

How can we improve decision-making?

There are a number of things to consider when making decisions, either individually or as a group. Using creativity in decision-making is something we need to consider as part of our day-to-day decision-making approaches. This is a very critical part of decision-making, because decisions require creativity, now perhaps more than ever, due to the rapid pace of change within which we must make decisions. A creative decision is defined as one that uses unique and novel responses to problems and opportunities. The literature identifies five stages of creative thinking:

1. **Preparation:** through your day-to-day activities, you must move along a learning curve, and it is at this stage that you develop some sense of the complexities of your environment.
2. **Concentration:** at the concentration stage, specific problems are identified, and contextualised as much as possible.
3. **Incubation:** this stage is really the meat of the creative component, in that you must approach the problem from as many angles and directions as you can, in order to feel that you have exhausted all possible definitions. This is where brainstorming in a group really adds value.
4. **Illumination:** once you have a very specific idea of what the problem is, then the potential alternatives sometimes almost jump out at you. Other times, they emerge slowly, from further analysis. But in any case, it is at this stage that you really are putting the pieces of the problem/solution mix together.
5. **Verification:** this is a post-problem-solving stage, in that you are following up on your analysis and recommendations, to ensure that they were appropriate and have indeed met planned objectives.

It is up to decision-makers to foster an environment of creativity, by managing judgment heuristics. We must attempt to consider as many options as possible when making decisions, even those that are unattractive to us. Cultural and environmental blocks can also limit creativity and is something that all decision-makers must consider when forming decision-making groups. Culture shapes our choices with respect to what must be considered when formulating decisions. The North American view stresses decisiveness, speed and individual selection of alternatives. Other cultures place less emphasis on individual choice; rather, the focus is on successful implementation. Certainly it appears that many views are dictated by Western bureaucratic thinking. Cultures differ in the level of pluralism, competitiveness, formal vs. informal behaviour, hierarchical influences, etc., and decision-making individuals and groups must be mindful of these influences.



Which problems should be addressed?

One of your biggest challenges as a manager (particularly if inexperienced) will be to know which problems to handle yourself and which to delegate to others. When you are new to a position, your initial instinct is to try and handle everything yourself for a number of reasons:

1. You are trying to make a good impression on your superiors.
2. You want to convince those that report to you that you are competent to handle a high stress, complex environment.
3. You feel a need as a new manager to control everything, and to have your hand in everything.

So you might want to establish a set of simple criteria that helps you to prioritise, and carefully (but quickly) select the appropriate problems that you yourself must deal with, and problems that can be delegated.

You can ask yourself a number of questions that will help you move forward with decision-making:

- **Is the problem easy to deal with?** You attend to less significant problems with less time and attention. Sometimes it is useful to 'rate' problems and challenges in a way that enables you to determine what resources are required to make successful decisions.
- **Is the problem likely to get resolved without intervention?** Sometimes the less significant ones do work themselves out; on the other hand sometimes they become bigger problems if you ignore them. Again, if you take the time to rank your problems, you can attend to the ones that have the most impact immediately.
- **Is this my decision to make?** This is a good question to ask yourself for two reasons: it might be something that is beyond your authority, so perhaps it is best not to try and be a hero.
- **Is the problem solvable within the context of the organisation?** Perhaps this is a challenge that you cannot solve because there are some external variables beyond your control that make the problem impractical for you to address. It is very difficult to make a decision on a problem that necessitates changes that are beyond your sphere of influence.

Module summary



Summary

In this module you have learned decision-making in organisations. Decisions may be classified as programmed or non-programmed, depending on the type of problem. Decisions are programmed to the extent that they are repetitive and routine and a definite procedure has been developed for handling the problem. Non-programmed decisions are novel and unstructured and there is no established procedure of handling the problem issue when it arises. The decision-making model and process entailed following a number of steps. Sequentially, these are: (1) identify the problem, (2) establish decision criteria, (3) search for relevant information, (4) develop alternative solutions, (5) evaluate alternative solutions, (6) choose the best solution, and (7) implement and monitor the chosen solution. Decision makers rely on heuristics (rule of thumb), or judgment shortcuts to simplify the decision-making process to make decision. In this module, you learned several techniques in decision-making such as brainstorming, nominal group technique and Delphi technique that are usually employed by groups. To improve decision-making, it is up to decision makers to foster an environment of creativity by managing judgment heuristics. There are five simple steps (preparation, concentration, incubation, illumination and verification) in the creative thinking process.



Case study 4.4

Please read the case study given below and answer the questions that follow.



Case study

A new direction for the Upstage Theatre

The board of the Upstage Theatre Company had assembled to hear the artistic director's proposals for the following year's season. Mark Buck, the artistic director, had built a reputation on his staging of popular comic seasons, and most members of the board expected a similar proposal this year.

Buck entered the boardroom, and after a few general remarks, began to speak about his plans for the season. As he spoke, the board members began to look at each other with astonishment. Buck was proposing a radical departure with a Shakespearean tragedy and working up to a piece by Arthur Miller. At the end of this totally unexpected proposal he looked around at his audience. 'Any questions' he asked rather blandly, while privately enjoying the obvious bewilderment on the part of the board. He loved surprising people!

Jean Carlisle, the chair of the board, was the only one not surprised by the proposal, as Buck had approached her several weeks ago and dropped some hints about his idea. Buck, she had a shrewd suspicion, was out primarily to promote his own career. Known as a 'comedy man' first and foremost, he was in danger of being typecast within the industry. Only by rounding out his production experience could he hope to progress.

Carlisle, however, could see a lot of possibilities in the proposal for a 'serious' season, even though she knew it would be dismissed as foolhardy by a number of the established board members. Her involvement with the Upstage Theatre was based on a sincere commitment to the cultural development of the community. Lately, she had been coming under some fire from her family and friends for not urging that more 'culturally significant' work be performed by the theatre. When she had first heard of Buck's proposal, she had decided to support it and had accordingly begun to consider how best to get the board to support it as well.

Now she turned to Robert Ramsay, a board member who had been brought in for his connections with the business community. "Well, Robert, it's an interesting proposal we have in front of us," she said. "What do you think?"

Ramsay, she happened to know, had been considerably embarrassed in front of the board recently, as a result of his inability to raise money for the theatre. She also knew that much of the resistance to the corporate support of the theatre had come from the fact that its plays were not considered serious enough. Thus, Ramsay, she reasoned, would support the departure proposed by Buck.

This was indeed the case. “I think it’s a marvellous idea. And I’m sure it’s the kind of season the financial community would support,” said Ramsay.

Several others on the board protested strongly against the proposed season. The most vociferous of these was Olaf Vickers, a local playwright of some repute. Vickers had had several of his comedy works performed by the Upstage Theatre Company over the years. The argument presented by Buck, Carlisle and Ramsay managed to quiet these objections, however, at least to the point where the board voted to examine the marketing and financial implications of the proposal and meet again in two weeks’ time.

When the board met again, a month later, the battle lines were more clearly drawn. Olaf Vickers spoke first. “I move that we dismiss the proposal for a ‘tragedy’ season,” he said. “The theatre has always had a reputation for comic works, and this reputation should not be thrown away lightly. I feel that our artistic director should go back and rethink his proposals.”

Jean Carlisle, however, was ready with an answer. “I know how you feel”, she said. “But I think we have to consider some other factors too. For a year now our theatre has been losing money, and how long the various arts councils will go on funding us is an open question. As I told you last year, some of the government people are very concerned that we develop more in the way of box office support and outside funding. Now, as I see it, this proposal may give us a chance to do just that. I’ve asked Mark Buck to do an unofficial survey among the town’s theatre community, and I think you’ll find the results interesting.”

The artistic director now stood up. “We’ve been able to put together a random sample of theatregoers from the subscription lists of other theatres in town,” he said. “I had a couple of people in the administrative office phone these people and do a straw poll survey of their preferences. The results indicate that a majority would patronise a new tragedy season. So I think we can expect some box office support for this proposal.”

He sat down and amid murmurs from the board members Carlisle then asked Ramsay to address the meeting. “I’ve canvassed the business community,” he said. “A number of corporations have indicated their interest in supporting a ‘serious season’ here. I think it’s safe to say that we could count on fairly generous corporate support should we decide to go ahead.”

A heated debate followed these announcements. While many of the previously uncommitted board members now leaned toward acceptance of the proposed season, a significant minority, led by Olaf Vickers, opposed it. As the by-laws required a two-thirds majority to approve a policy change, the meeting adjourned without any decision being taken. It was decided to meet again the following week to resolve the crisis, if possible.



During that week, Jean Carlisle paid a visit to Olaf Vickers. After some polite discussion of theatre matters, she came to the point. “You know, Olaf,” she said sadly, “it’s rather a pity you don’t support the proposal for a ‘serious’ season.”

“Why’s that?” inquired the playwright suspiciously.

“Well”, explained Carlisle, “it’s just that I was talking to Buck the other day, and he wanted to commission you to write a work to wrap up the season. He says he’s sure a serious piece by you would be just the thing to cap the year.”

“I’m glad that at least he remembers part of the theatre’s original mandate,” growled Vickers. “After all, the Upstage is supposed to be committed to the development of new local authors.”

“And it’s a commitment he takes very seriously,” replied Carlisle. “And, so do I, I can assure you. That’s why if we were to go ahead with the season he suggests, I would move that your new play be commissioned immediately. I hope we can come to some agreement when we next meet,” she added, as she rose to go.

“Maybe,” Vickers replied thoughtfully.

At the next meeting, Vickers announced that after some thought, he had changed his mind, and would now support the new season. Several weeks later, it was announced that as local playwright, he had been asked to write a serious work to be performed as season finale.

Case Study Questions

1. What do you perceive to be the primary problem in this case?
2. Do you believe that the board has made decisions according to the rational decision-making model? Why?
3. Do you think that using a group such as this one was the most effective way to make the decision?
4. What might you have done differently, in order to facilitate more effective decision-making in this case?

Assessment



Assessment

1. Prepare a short paper (approximately three pages) that describes the culture within which you live (based your country/region/city). In addition, reflect on, and describe the culture within your organisation. Describe how both these cultures shape your decision-making within your work environment.
2. Describe the Rational Decision-making process, and explain the circumstances under which you believe this to be an applicable approach.
3. What are heuristics and what role do they play in decision-making?
4. Provide examples of the circumstances under which each of the three group decision-making techniques would apply.
5. Why might an understanding of decision environments help you make more effective decisions? Might it affect the approach you take? Why?



References



References

- Chen, M. (1995). *Asian management systems*. New York: Routledge.
- Cohen, M. D., March, J. G. & Olsen, J. P. (1972). The garbage can model of organizational choice. *Administrative Science Quarterly*, 17, pp. 1-25.
- Davis, J. H. (1969). *Group Performance*. Reading, MA: Addison-Wesley.
- Delbecq, A. L, Van deVen, A. H. & Gustafson, D. H, (1975). *Group techniques for program planning: A guide to Nominal and Delphi processes*. Glenview, IL: Scott, Foresman.
- Forester, J. (1984, January-February). Bounded rationality and the politics of muddling through. *Public Administrative Review*, pp. 23-31.
- Fox, W. W. (1989, Spring). Anonymity and other keys to successful problem-solving meetings. *National Productivity Review*. pp. 145-156.
- Glassman, E. (1989, January). Creative Problem Solving. *Supervisory Management*, pp. 21-26.
- Hart, P. (1998). Preventing groupthink revisited: Evaluating and reforming groups in government. *Organizational Behavior and Human Decision Processes*, 73, pp. 306-326.
- Hill, G. W. (1982, May). Group versus individual performance: Are N+1 heads better than one? *Psychological Bulletin*, pp. 517-539.
- Kabanoff, B. & Rossiter, J. R. (1994). Recent developments in applied creativity. *International Review of Industrial and Organizational Psychology*, 9, pp. 283-324.
- Langley, A. (1989, December). In search of rationality: The purposes behind the use of formal analysis in organizations. *Administrative Science Quarterly*, pp. 598-631.
- MacCrimmon, K. R., & Taylor, R. N. (1976). Decision-making and problem solving. In M. D. Dunnette (Ed.), *Handbook of industrial and organizational psychology*. Chicago: Rand McNally.
- March, A. (1994). *Primer on decision-making*, New York: Free Press, pp. 2-7.
- March, J. & Simon, H. A. (1958). *Organizations*. New York: John Wiley

- and Sons, Inc., pp. 137-142.
- Mintzberg, H. (1979). *The structuring of organizations*. Englewood Cliffs, NJ: Prentice-Hall.
- Osland, J., Kolb, D. & Rubin, I. (2001). *Organizational behavior: An experiential approach*. (7th ed.). Upper Saddle River, NJ: Prentice Hall, pp. 328-330.
- Robbins, S. P. & Langton, N. (2001). *Organizational behaviour*. Upper Saddle River, N.J.: Prentice Hall.
- Schermerhorn, J., Hunt, J. & Osborn, R. (2000). *Organizational behaviour*. (7th ed.). New York: John Wiley & Sons, Inc., pp. 362-368.
- Schwartz, A. E. & Levin, J. (1990, June). Better group decision-making. *Supervisory Management*, p.4.
- Shaw, M. E. (1981). *Group dynamics* (3rd. ed.) New York: McGraw-Hill, p. 78.
- Simon, H. A. (1976). *Administrative behaviour*. (3rd ed.) New York: Free Press
- Simon, H. A. (1986, October). Rationality in psychology and economics. *The Journal of Business*, pp. 209-224.
- Vroom, V. H. & Jago, A. (1998). *The new leadership*. Englewood Cliffs, NJ: Prentice-Hall.
- Vroom, V. H. & Yetton, P. (1973). *Leadership and decision-making*. Pittsburgh: University of Pittsburgh Press
- Wallas, G. (1926). *The art of thought*. New York: Harcourt