LEARNING OUTCOMES

1. Identify the steps in decision-making process
2. Describe various models of decision making
3. Discuss the individual influences that affect decision making
4. Explain how groups make decisions
5. Describe the role culture plays in decision making
6. Explain how organizations can improve the quality of decisions through participation
LO - 10.1

Identify the Steps in Decision-Making Process
Decision-Making Process

1. Recognize the problem and the need for a decision
2. Identify the objective of the decision
3. Gather and evaluate data and diagnose the situation
4. List and evaluate alternatives, select the best course of action, and implement the decision
5. Gather feedback and follow up
LO - 10.2

Describe Various Models of Decision Making
Models of Decision Making

Rational Model
- Outcome will be completely rational
- Decision makers are consistent when choosing the best alternative
- Decision makers are aware of all alternatives
- Decision makers can calculate the probability of success for each alternative

Bounded Rationality
- Managers select the first alternative that is satisfactory
- Managers recognize that their conception of the world is simple
- Managers are comfortable making decisions without determining all the alternatives
- Managers make decisions by rules of thumb or heuristics
- Managers satisfice
Figure 10.2 The Z Problem-Solving Model

- **Sensing**
  - What alternatives do the facts suggest?
  - Let your imagination run wild.
  - Brainstorm.
  - Consider various solutions.

- **Intuition**
  - What are the facts?
  - Be specific and realistic.
  - List all relevant details.
  - Be clear.

- **Thinking**
  - Can it be analyzed objectively?
  - Consider the consequences of each alternative.
  - If you were not involved, what would you suggest?
  - What is the cause and effect of each action?

- **Feeling**
  - What impact will it have on those involved?
  - Is it something you can live with?
  - How do you feel about the action?
  - What hunches do you have about others’ reactions?

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Beyond the Book: Garbage Can Model

- Garbage Can Model
- A theory that contends that decisions in organizations are random and unsystematic
LO - 10.3

Discuss the Individual Influences that Affect Decision Making
Factors Influencing Decision Making

- **Comfort with risk**
  - **Risk aversion**: Choosing options with fewer risks and less uncertainty
  - Depends on individual tendencies and organizational factors

- **Cognitive style**
  - Individual’s preference for gathering information and evaluating alternatives

- **Personality, attitudes, and values**
  - Influence decision making

- **Intuition**
  - Enables development of new perspectives

- **Creativity**
  - Results in novel and useful ideas, products, or both
  - Influenced by individual and organizational factors
Beyond the Book: Mapping Changes in the Industry

• GPS devices and freely-available online maps are forcing the mapping industry to change how it does business.

• Map companies are incorporating digital services into their business model, capitalizing on the benefits of paper maps, expanding into related fields like astronomy and planetary mapping, or simply scaling back their businesses.

• Faced with a challenge, map industry professionals are charting a variety of courses--which decisions will succeed?
Beyond the Book: Be Creative!

• Can you think of new solutions to these common organizational problems?

• Employees’ productivity declines sharply the day after the Super Bowl.

• Your organization has been in deficit for three consecutive quarters. Where do you make cuts in the budget?

• You learn that the company can no longer afford to provide lunch to employees. How would you maintain morale?
LO - 10.4

Explain how Groups Make Decisions
### Group Decision Making

#### Synergy
- *Positive force that stimulates new solutions to problems through mutual influence and encouragement within the group*

#### Social decision schemes
- *Rules that determine final group decisions*

#### Advantages
- *More knowledge and information through the pooling of group member resources*
- *Increased acceptance of and commitment to the decision*
- *Greater understanding of the decision*

#### Disadvantages
- *Pressure within the group to conform and fit in*
- *Domination of the group by one forceful member*
- *Amount of time required to make a decision*
Group Decision Techniques

**Brainstorming**
- Generating multiple ideas on a given subject while suspending evaluation until all the ideas have been suggested

**Nominal group technique (NGT)**
- Structured approach to group decision making that focuses on generating alternatives and choosing one

**Devil’s advocacy**
- A group or individual is given the role of critic during decision making, helps prevent groupthink

**Dialectical inquiry**
- Debate between two opposing sets of recommendations
Special Decision Making Groups

**Quality circle**
- Small group of employees who work voluntarily on company time, to address work-related problems

**Quality team**
- Part of an organization’s structure
- Empowered to act on its decisions

**Self-managed teams**
- Make decisions that were once reserved for managers
- Lead to higher productivity, lower turnover among employees, and flatter organization structure
LO - 10.5

Describe the Role Culture Plays in Decision Making
Hofstede’s Dimensions

Decision making is influenced by

- Uncertainty avoidance
- Power distance
- Individualist vs collectivist
- Masculine vs feminine
LO - 10.6

 Explain how Organizations can Improve the Quality of Decisions Through Participation
Participative Decision Making

- Individuals affected by decisions influence the decision making-process
- Buffers employees from the negative experiences of organizational politics
- Increases employee creativity, job satisfaction, and productivity
Foundations for Participation and Empowerment

Organizational prerequisites

- *Supportive organizational culture and a team-oriented work design*

Individual prerequisites

- *Capability to become psychologically involved in participative activities*
- *Motivation to act autonomously*
- *Capacity to see the relevance of participation for one’s own well-being*
Beyond the Book: Decisions in Japan

• “Teamwork” and “Collaboration” look much different in Japan than in the United States. In Japanese firms, workers (especially lower level) tend to remain silent during meetings, avoid sitting next to upper management, and rigorously avoid using their boss’ first name. Upper management, meanwhile, steer clear of direct feedback or delivering the “hard truth.” At all levels, harmony and restraint, rather than independence and risk-taking, are prized values.
Beyond the Book: Decision Making in the Virtual Workplace

Group Decision Support Systems

Tools for Virtual Teams

Desktop Videoconferencing Systems

Internet/Intranet Systems
Beyond the Book: Ethics Check

Is it legal?

- *Does it violate law?*
- *Does it violate company policy?*

Is it balanced?

- *Is it fair to all?*
- *Does it promote win–win relationships?*

How will it make me feel about myself
Workers face a growing problem – the computers, applications and phones they use at work are ancient compared to what they use personally. For example, some chafe at having to use email systems with limited storage when free webmail options provide gigabytes of space. Others are frustrated that their company still uses an operating system released in 2001.

How would you resolve this issue? How would you provide cutting-edge technology while maintaining costs? How would you deal with employees who are not tech savvy?
1. Does “The Bird Problem” present Kit and Ace with a programmed or nonprogrammed decision? What features of their decision problem led to your choice?

2. Review the earlier section describing the decision-making process. Which steps in that process appear in “The Bird Problem?” Note the examples of each step that you see.

3. Assess the degree of certainty, uncertainty, and risk that Kit and Ace face in this decision problem. What factors set the degree of certainty, uncertainty, and risk?
Plant Fantasies

1. Did Plant Fantasies owner Teresa Carleo use the rational decision-making process to launch Plant Fantasies? Explain.

2. List an example of a *programmed decision* at Plant Fantasies. Identify a *nonprogrammed decision* at Plant Fantasies.

3. How might managers at Plant Fantasies conduct the final feedback and follow up stages of the decision-making process when installing a new garden for a client?
KEY TERMS

- Bounded rationality
- Brainstorming
- Cognitive style
- Creativity
- Devil’s advocacy
- Dialectical inquiry
- Effective decision
- Escalation of commitment
- Group polarization
- Groupthink
- Heuristics
- Intuition
- Nominal group technique (NGT)
- Nonprogrammed decision
- Participative decision making
KEY TERMS

• Programmed decision
• Quality circle
• Quality team
• Rationality
• Risk aversion
• Satisfice
• Social decision schemas
• Synergy
• Decision-making process starts from first recognizing the problem and the need for a decision and ends with collecting feedback
• The various models of decision making include, the rational model, the bounded rationality model, and the Z model
• Individual influences affecting decision making are:
  • *Comfort with risk, cognitive style, personality, intuition, and creativity*
SUMMARY

- Groups make decisions using brainstorming, nominal group technique, devil’s advocacy, and dialectical inquiry
  - *Quality circles and quality teams, and self-managed teams*
- Decision making is influenced by Hofstede’s dimensions
- Organizations should cultivate a supportive organizational culture and a team-oriented work design to draw participation