

chapter 7

Individual & Group Decision Making

How Managers Make Things Happen

MAJOR QUESTIONS YOU SHOULD BE ABLE TO ANSWER



7.1 The Nature of Decision Making

Major Question: How do I decide to decide?



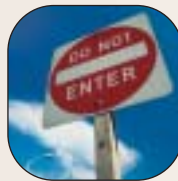
7.4 Group Decision Making: How to Work with Others

Major Question: How do I work with others to make things happen?



7.2 Two Kinds of Decision Making: Rational & Nonrational

Major Question: How do people know when they're being logical or illogical?



7.5 How to Overcome Barriers to Decision Making

Major Question: Trying to be rational isn't always easy. What are the barriers?



7.3 Making Ethical Decisions

Major Question: What guidelines can I follow to be sure that decisions I make are not just lawful but ethical?

the manager's toolbox

How Exceptional Managers Make Decisions

"Failure is a great teacher."

That is one of the life lessons of David Dorman, who at age 45 is the CEO of a \$10 billion joint venture between AT&T and British Telecommunications.¹ During his meteoric career, Dorman has had to make many decisions—the subject of this chapter—for which failure is always a possible outcome. But he has learned that that possibility can't stop one from making decisions. And one can probably always learn from the result.

- **When should you make a decision and when should you delay?** Often you want to stay open-minded before making a decision. But sometimes that can just be a cover for procrastination. (After all, *not* making a decision is in itself a kind of decision.) How do you know when you're keeping an open mind or are procrastinating? Ralph L. Keeney, coauthor of *Smart Choices: A Practical Guide to Making Better Decisions*, offers some questions to consider:²

Understanding: Do you have a reasonable grasp of the problem?

Comfort level about outcome: Would you be satisfied if you chose one of the existing alternatives?

Future possible alternatives: Would it be unlikely that you could come up with a better alternative if you had more time?

Seizing the opportunity: Could the best alternatives disappear if you wait?

If you can answer "yes" to those questions, you almost certainly should decide now, not wait.

- **Making tough choices:** To reach the top, as Dorman has, a manager needs to be able to make tough choices. "On a daily and weekly basis we can be faced with making hundreds of decisions," says management consultant Odette Pollar. "Most of them are small, but the larger ones where more is at stake can be truly painful." Here are some ways she suggests making decision making easier, some of which resemble Keeney's:³

Decide in a timely fashion: "Rarely does waiting significantly improve the quality of the decision," says Pollar. In fact, delay can result in greater unpleasantness in loss of money, time, and peace of mind.

Don't agonize over minor decisions: Postponing decisions about small problems can mean that they simply turn into large ones later.

Separate outcome from process: Does a bad outcome mean you made a bad decision? Not necessarily. The main thing is to go through a well-reasoned process of choosing among alternatives, which increases the chances of success. But even then you can't be sure there will always be a positive outcome.

Learn when to stop gathering facts: "Gather enough information to make a sound decision," suggests Pollar, "but not all the possible information." Taking extra time may mean you'll miss a window of opportunity.

When overwhelmed, narrow your choices: Sometimes there are many good alternatives, and you need to simplify decision making by eliminating some options.

forecast

What's Ahead in This Chapter

We describe decision making and types of decisions, and we describe the range of decision-making conditions. Next we distinguish between rational and nonrational decision making, and we describe five nonrational models. We then consider four steps in practical decision making. We follow with a discussion of group decision making, including participative management and group problem-solving techniques. We conclude by considering how individuals respond to decision situations and four common decision-making biases.

7.1 The Nature of Decision Making

major question

How do I decide to decide?



The Big Picture

Decision making, the process of identifying and choosing alternative courses of action, may be programmed or nonprogrammed. The range of decision-making conditions ranges from certainty to risky to uncertainty to confusion.

Ben Swett—former Vassar English major, University of Chicago MBA, TV comedy writer, and Quaker Oats executive—started windowbox.com in 1997 after failing in the seemingly simple task of growing a plant on his balcony in Los Angeles. His mission: to run an online organization that satisfied the needs of urban gardeners, as well as to contribute to the social good.

Selling plants to patio and balcony gardeners, it turns out, is an extremely seasonal business. About half of Swett's annual sales occur at three times: Valentine's Day, Mother's Day, and the two weeks before Christmas. What kinds of decisions do Swett and his managers have to make to scale up and down for such a volatile business?⁴

Decision Making Defined

A **decision** is a choice made from among available alternatives. For example, should your college offer (if it currently does not) computer-based distance learning to better serve students who work odd hours or are homebound and can't easily get to lectures on campus? That question is a decision that the college administrators must make.

Decision making is the process of identifying and choosing alternative courses of action. For example, the college could offer distance learning by televising the lectures of a single professor into several classrooms or to community centers off campus. Or it could offer distance learning interactively over the Internet. It could offer distance learning only for certain subjects (business and education, say) or for selected courses in all majors. It could offer distance learning only during the summer or only during the evenings. It could charge extra for such courses. It could offer them for credit to high school students or to students attending other colleges. Identifying and sorting out these alternatives is the process of decision making.

Success. Basketball coach Larry Brown, surrounded by some of his Detroit Pistons players, is the only coach to win both an NBA championship (the Pistons in 2004) and an NCAA championship (University of Kansas in 1988). As a manager, a coach must make many decisions about what is the right way to succeed. For Brown, the "right way" is defense, hustle, and teamwork. If you were a coach, what would you do differently?



Types of Decisions: Programmed versus Nonprogrammed

In most day-to-day matters, you automatically know what kind of decision needs to be made and when, who will decide it, who will need to be consulted about it, who should be informed about it. That is, the decisions are *programmed*. However, when you have to stop and think about these matters, then the decisions are *nonprogrammed*.⁵

Let's distinguish further between programmed and nonprogrammed decisions.

Programmed Decisions

Programmed decisions are repetitive and routine. Because they are fairly structured and occur fairly frequently, such decisions tend to follow established rules and so are virtually automatic. This does not mean, however, that the issues are necessarily simple. Even a complicated issue, if its components can be analyzed, may be decided by a programmed decision.

Example: The three-times-a-year peak load times for windowbox.com are predictable. During these periods, plant shipments jump from 2,000 to 32,000, nursery workers go from 8 to 60, and back-office workers triple to 18. Owner Ben Swett taps pools of friends and family, many of whom are used to doing temp work. Even so, says Swett, "I freak out four weeks before the holiday and ask everyone questions like, 'What if the power goes off?'" As a result, a generator is on standby. Thus, says one account, Swett "devises a backup for every problem he can imagine and then is free to focus on those he didn't anticipate."⁶

Nonprogrammed Decisions

Nonprogrammed decisions are those that occur under nonroutine, unfamiliar circumstances. Because they occur in response to unusual, unpredictable opportunities and threats, nonprogrammed decisions are relatively unstructured. Often, too, they tend to involve complex, important situations. The farther you move up the organizational hierarchy, the more important your ability to make nonprogrammed decisions becomes.

Example: Although Ben Swett badgers customers to give their best forecasts, surprises happen anyway. Thus, shortly after moving into an older building with space for plants on the roof, Swett realized that the small elevator would not be able to move all the plants in time for the Mother's Day crunch. Accordingly, he got a nearby tailor to fashion a chute out of canvas, which was used to slide boxed plants down four stories to waiting Federal Express trucks. The lesson, says a *Wall Street Journal* story: "plan for knowable contingencies, be ready to wing the rest."⁷



Distance learning. The student is logged on to the distance-learning website at Camden County (New Jersey) College. Today students frequently have the option to take many courses that previously were not available to them. Do you think that the addition of distance-learning courses to a college's course offerings gives you more freedom of choice—or simply more headaches? What must it be like for college administrators?

The Nature of Decision Making

General Decision-Making Styles: Directive, Analytical, Conceptual, Behavioral

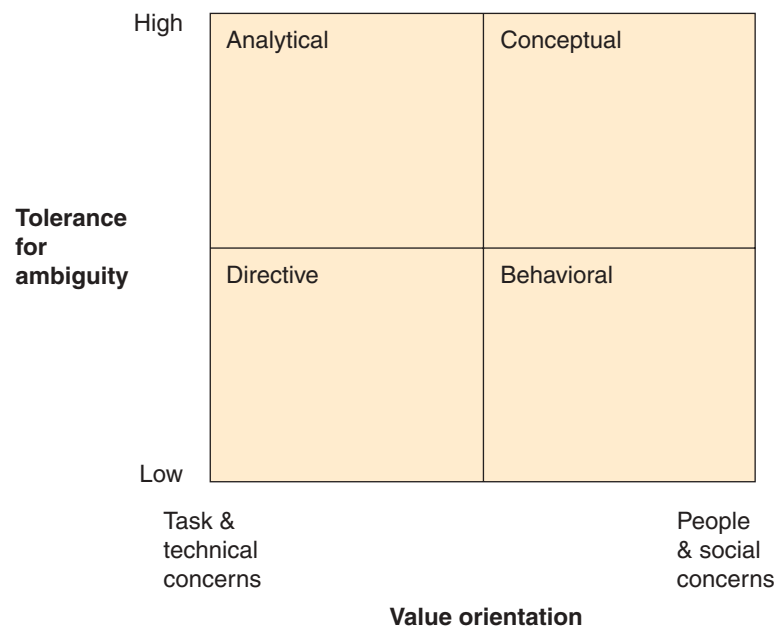
A **decision-making style** reflects the combination of how an individual perceives and responds to information. A team of researchers developed a model of decision-making styles based on the idea that styles vary along two different dimensions: value orientation and tolerance for ambiguity.⁸

Value orientation reflects the extent to which a person focuses on either task and technical concerns or people and social concerns when making decisions. Some people, for instance, are very task focused at work and do not pay much attention to people issues, whereas others are just the opposite.

The second dimension pertains to a person's *tolerance for ambiguity*. This individual difference indicates the extent to which a person has a high need for structure or control in his or her life. Some people desire a lot of structure in their lives (a low tolerance for ambiguity) and find ambiguous situations stressful and psychologically uncomfortable. In contrast, others do not have a high need for structure and can thrive in uncertain situations (a high tolerance for ambiguity). Ambiguous situations can energize people with a high tolerance for ambiguity.

When the dimensions of value orientation and tolerance for ambiguity are combined, they form four styles of decision making: *directive*, *analytical*, *conceptual*, and *behavioral*. (See Figure 7.1.)

FIGURE 7.1
Decision-making styles



1 Directive

People with a directive style have a low tolerance for ambiguity and are oriented toward task and technical concerns in making decisions. They are efficient, logical, practical, and systematic in their approach to solving problems.

People with this style are action oriented and decisive and like to focus on facts. In their pursuit of speed and results, however, these individuals tend to be autocratic, to exercise power and control, and to focus on the short run.

2 Analytical

This style has a much higher tolerance for ambiguity and is characterized by the tendency to overanalyze a situation. People with this style like to consider more information and alternatives than managers following the directive style.

Analytic individuals are careful decision makers who take longer to make decisions but who also respond well to new or uncertain situations.

3 Conceptual

People with a conceptual style have a high tolerance for ambiguity and tend to focus on the people or social aspects of a work situation. They take a broad perspective to problem solving and like to consider many options and future possibilities.

Conceptual types adopt a long-term perspective and rely on intuition and discussions with others to acquire information. They also are willing to take risks and are good at finding creative solutions to problems. However, a conceptual style can foster an indecisive approach to decision making.

4 Behavioral

This style is the most people oriented of the four styles. People with this style work well with others and enjoy social interactions in which opinions are openly exchanged. Behavioral types are supportive, receptive to suggestions, show warmth, and prefer verbal to written information.

Although they like to hold meetings, people with this style have a tendency to avoid conflict and to be concerned about others. This can lead behavioral types to adopt a wishy-washy approach to decision making and to have a hard time saying no.

Which Style Do You Have?

Research shows that very few people have only one dominant decision-making style. Rather, most managers have characteristics that fall into two or three styles. Studies also show that decision-making styles vary across occupations, job level, and countries.⁹ There is not a best decision-making style that applies to all situations.

You can use knowledge of decision-making styles in three ways:

- Knowledge of styles helps you to understand yourself. Awareness of your style assists you in identifying your strengths and weaknesses as a decision maker and facilitates the potential for self-improvement.
- You can increase your ability to influence others by being aware of styles. For example, if you are dealing with an analytical person, you should provide as much information as possible to support your ideas.
- Knowledge of styles gives you an awareness of how people can take the same information and yet arrive at different decisions by using a variety of decision-making strategies. Different decision-making styles represent one likely source of interpersonal conflict at work. ◆



Who is this, er, man? Herb Kelleher, former CEO of highly successful Southwest Airlines, was much beloved by his employees for his humor, informal management style, and extraordinary people orientation. What kind of decision-making styles do you think his successors would try to follow?

7.2 Two Kinds of Decision Making: Rational & Nonrational

major question

How do people know when they're being logical or illogical?



The Big Picture

Decision making may be rational, but often it is nonrational. Four steps in making a rational decision are (1) identify the problem or opportunity, (2) think up alternative solutions, (3) evaluate alternatives and select a solution, and (4) implement and evaluate the solution chosen. Two examples of nonrational models are satisficing and incremental.

Iridium LLC's network of 66 low-orbit satellites was supposed to revolutionize telecommunications by allowing people to make phone calls at any time from anywhere in the world. But nine months after its splashy 1998 launch, the Motorola-led consortium had filed for bankruptcy protection.

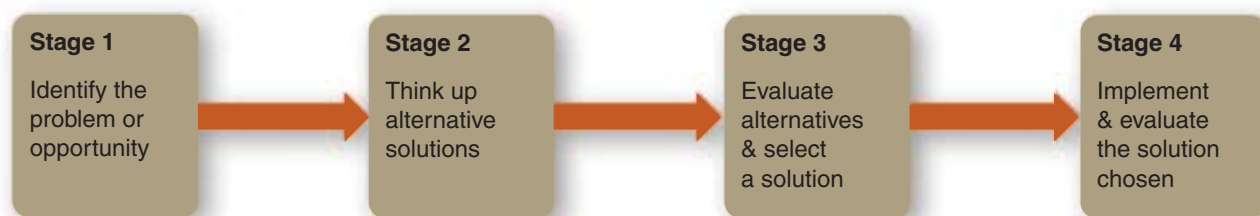
What happened? Critics say that Iridium and Motorola became so focused on making the technology work they failed to pay attention to marketing problems. In an era of pocket-size cellphones, the clunky Iridium "space phone" weighed one pound, was the size of a brick, and featured an array of ungainly accessories and adapters. Moreover, because of technology limitations, phone users had to position themselves so nothing blocked the line of sight between the phone's antenna and the satellites overhead. This meant the handset couldn't be used inside buildings, moving cars, or many other locations where the high-powered managers Iridium was targeting tended to make calls. Finally, the phones retailed for \$3,000 apiece, and calls ran \$2–\$8 a minute—at a time when competitors were even giving phones away to induce consumers to subscribe to their low-cost calling plans.¹⁰

Were Iridium's decisions rational? Let us look at the two approaches managers may take to making decisions: They may follow a *rational model* or various kinds of *nonrational models*.

Rational Decision Making: Managers Should Make Logical & Optimum Decisions

The *rational model of decision making*, also called the *classical model*, explains how managers *should* make decisions; it assumes managers will make logical decisions that will be the optimum in furthering the organization's best interests. Typically there are four stages associated with rational decision making. (See Figure 7.2.)

FIGURE 7.2
The four steps in practical decision making



Stage 1: Identify the Problem or Opportunity— Determining the Actual versus the Desirable

As a manager, you'll probably find no shortage of **problems, or difficulties that inhibit the achievement of goals.** Customer complaints. Supplier breakdowns. Staff turnover. Sales shortfalls. Competitor innovations.

However, you'll also often find **opportunities**—situations that present possibilities for exceeding existing goals. It's the farsighted manager, however, who can look past the steady stream of daily problems and seize the moment to actually do *better* than the goals he or she is expected to achieve. When a competitor's top salesperson unexpectedly quits, that creates an opportunity for your company to hire that person away to promote your product more vigorously in that sales territory.

Problems may also be opportunities in disguise. When your top salesperson quits, that may give you the opportunity to reexamine your company culture or system of motivations so that the job can be made more attractive for the next person.

Whether you're confronted with a problem or an opportunity, you're dealing with the difference between the present *actual situation* versus the future *desirable situation*. The decision you're called on to make is how to make *improvements*—how to change conditions from the present to the desirable. This is a matter of **diagnosis**—analyzing the underlying causes.

Example



Making a Correct Diagnosis: NASCAR Pit Crew Chief Wins Races

Former NASCAR race car driver Ray Evernham, now boss of a pit crew for famed racer Jeff Gordon, heads a crew of seven who change tires and add fuel during pit stops. Using two-way radio communication with the driver, Evernham makes all the decisions as the race proceeds, such as when to make pit stops, how many tires to change, and how much gas to pump. Thus, if a driver says the car is oversteering or understeering, Evernham must determine what kind of repairs must be made at pit stops, such as adjusting weight bolts on tires. By witnessing how other drivers make their pit stops, Evernham plans his, always trying to save a little time. One day in 1994, for example, Evernham's correct diagnosis shaved crucial seconds off Jeff Gordon's pit stop time, enabling him to overtake Rusty Wallace and win a major race. He watched as Wallace's crew spent 17 seconds changing all four tires. Thus, when Gordon pulled in, Evernham ordered his crew to change just two tires, which took only nine seconds. The eight seconds' difference allowed Gordon to win the race by 2½ seconds.¹¹



Stage 2: Think Up Alternative Solutions— Both the Obvious & the Creative

Employees burning with bright ideas are an employer's greatest competitive resource. "Creativity precedes innovation, which is its physical expression," says *Fortune* magazine writer Alan Farnham. "It's the source of all intellectual property."¹²

After you've identified the problem or opportunity and diagnosed its causes, you need to come up with alternative solutions. For a programmed decision, the alternatives will probably be easy and obvious. For nonprogrammed decisions, the more creative and innovative the alternatives, the better.

Stage 3: Evaluate Alternatives & Select a Solution— Ethics, Feasibility, & Effectiveness

In this stage, you need to evaluate each alternative not only according to cost and quality but also according to ethics, feasibility, and effectiveness.

Two Kinds of Decision Making: Rational & Nonrational

Is It Ethical?

No doubt at times a proposed alternative will seem to be right on nearly all counts. However, if it isn't ethical, you shouldn't give it a second look.

Is It Feasible?

A proposed solution may not be feasible for a variety of reasons: The top decision makers or customers won't accept it. Time is short. Costs are high. Technology isn't available. Company policies don't allow it. The action can't be reversed if there's trouble.

Is It Ultimately Effective?

Satisficing is opting for a course of action because it is "good enough" rather than because it is optimal. For example, managers themselves may continue to operate a business that has been struck by its workers. This may "satisfice" for a while, but the most effective solution is to have the strikers back at work.

Stage 4: Implement & Evaluate the Solution Chosen

With programmed decisions, implementation is usually straightforward (though not necessarily easy—firing employees who steal may be an obvious decision but it can still be emotionally draining). With nonprogrammed decisions, implementation can be quite difficult; when one company acquires another, for instance, it may take months to consolidate the departments, accounting systems, inventories, and so on.

Successful Implementation

For implementation to be successful, you need to do two things:

- **Plan carefully:** Especially if reversing an action will be difficult, you need to make careful plans for implementation. Nonprogrammed decisions may require written plans.
- **Be sensitive to those affected:** You need to consider how the people affected may feel about the change—inconvenienced, insecure, even fearful, all of which can trigger resistance. This is why it helps to give employees and customers latitude during a changeover in business practices or working arrangements.

Example



Faulty Implementation: General Motors Has to Rehire Former Workers at Higher Cost

Aggressive cost cutting is a time-honored strategy for improving a manager's bottom line. But reducing expenses through repeated rounds of layoffs and even offering buyout and early retirement packages to workers can be mishandled, leading to negative results.

During the 2001–2003 recession, companies ranging from Procter & Gamble to Lucent Technologies offered voluntary buyout packages to try to shrink their workforces. Instead of using layoffs, companies may see voluntary buyouts as a more compassionate form of cost cutting, allowing employees to walk out on their own. However, the tactic isn't always implemented effectively.

"The thing that doesn't work is just asking for volunteers," says Ron Nicol, a principal at the Boston Consulting Group. "You get the wrong volunteers. Some of your best people will feel they can get a job anywhere. Or you have people who are close to retirement and are a real asset to the company."¹³

In 1994, for example, a General Motors Corp. voluntary early-retirement plan left it shorthanded in plants in Texas and Louisiana. As a result, it was forced to offer GM retirees in California as much as \$21,000 in incentives to return to work.

Evaluation

One “law” in economics is the Law of Unintended Consequences—things happen that weren’t foreseen. For this reason, you need to follow up and evaluate the results of the decision.

What should you do if the action is not working? Some possibilities:

- **Give it more time:** You need to make sure employees, customers, and so on have had enough time to get used to the new action.
- **Change it slightly:** Maybe the action was correct, but it just needs “tweaking”—a small change of some sort.
- **Try another alternative:** If Plan A doesn’t seem to be working, maybe you want to scrap it for another alternative.
- **Start over:** If no alternative seems workable, you need to go back to the drawing board—to Stage 1 of the decision-making process.

What’s Wrong with the Rational Model?

The rational model is *prescriptive*, describing how managers ought to make decisions. It doesn’t describe how managers *actually* make decisions. Indeed, the rational model makes some highly desirable assumptions—that managers have complete information, are able to make an unemotional analysis, and are able to make the best decision for the organization. (See Table 7.1.)

- **Complete information, no uncertainty:** You should obtain complete, error-free information about all alternative courses of action and the consequences that would follow from each choice.
- **Logical, unemotional analysis:** Having no prejudices or emotional blind spots, you are able to logically evaluate the alternatives, ranking them from best to worst according to your personal preferences.
- **Best decision for the organization:** Confident of the best future course of action, you coolly choose the alternative that you believe will most benefit the organization.

TABLE 7.1

Assumptions of the rational model

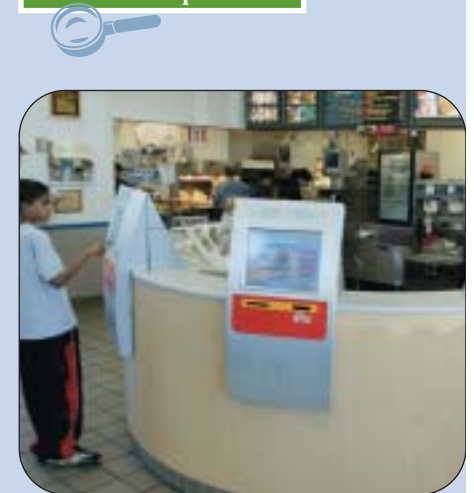
Evaluation: McDonald’s Drops Super Size Menu Option

The McDonald’s Super Size french fry and soft drink option generated a lot of attention—and damage to the McDonald’s image—so much so that the company decided to phase it out at the end of 2004.

What kind of attention led to this evaluation? First, there was the interest from consumers, with one in 10 requesting the extra-calorie upgrade, so that the term “super sizing” became a pop-culture term for anything oversized. Second, there was the attention from nutritionists and physicians concerned about America’s obesity problem. Third, there was attention from lawyers and advocacy groups, who had begun to target fast food as being nearly as damaging as nicotine. Fourth, there was interest from the mass media, including filmmakers (such as Morgan Spurlock, who produced the documentary *Super Size Me*), who had put out a great deal of material on the harm of overeating.

McDonald’s downplayed the decision as part of a “menu simplification” process. At the same time, a spokesman said, “It certainly is consistent with and on a parallel path with our ongoing commitment to a balanced lifestyle.”¹⁴

Example



Two Kinds of Decision Making: Rational & Nonrational

Nonrational Decision Making: Managers Find It Difficult to Make Optimum Decisions

In contrast to models that show how decisions should be made are various models of how decisions actually *are* made. **Nonrational models of decision making explain how managers do make decisions; they assume that decision making is nearly always uncertain and risky, making it difficult for managers to make optimum decisions.** The nonrational models are *descriptive* rather than prescriptive: They describe how managers *actually* make decisions rather than how they should. Two nonrational models are *satisficing* and *incremental*.

1 Bounded Rationality & the Satisficing Model: “Satisfactory Is Good Enough”

During the 1950s, economist **Herbert Simon**—who later received the Nobel Prize—began to study how managers actually make decisions. From his research he proposed that managers could not act truly logically because their rationality was bounded by so many restrictions.¹⁵ Called **bounded rationality**, the concept suggests that the ability of decision makers to be rational is limited by numerous constraints, such as complexity, time and money, and their cognitive capacity, values, skills, habits, and unconscious reflexes. (See Figure 7.3.)

FIGURE 7.3

Some hindrances to perfectly rational decision making

<ul style="list-style-type: none"> ■ Complexity: The problems that need solving are often exceedingly complex, beyond understanding. ■ Time and money constraints: There is not enough time and money to gather all relevant information. 	<ul style="list-style-type: none"> ■ Different cognitive capacity, values, skills, habits, and unconscious reflexes: Managers aren't all built the same way, of course, and all have personal limitations and biases that affect their judgment. ■ Imperfect information: Managers have imperfect, fragmentary information about the alternatives and their consequences. 	<ul style="list-style-type: none"> ■ Information overload: There is too much information for one person to process. ■ Different priorities: Some data is considered more important, so certain facts are ignored. ■ Conflicting goals: Other managers, including colleagues, have conflicting goals.
---	---	--

Because of such constraints, managers don't make an exhaustive search for the best alternative. Instead, they follow what Simon calls the **satisficing model**—that is, **managers seek alternatives until they find one that is satisfactory, not optimal.** Iridium's decision to proceed with a clunky one-pound satellite phone instead of waiting to improve the technology is an example of satisficing.

While looking for a solution that is merely “satisficing” might seem to be a weakness, it may well outweigh any advantages gained from delaying making a decision until all information is in and all alternatives weighed. However, making snap decisions can also backfire.

2 The Incremental Model: “The Least That Will Solve the Problem”

Another nonrational decision-making model is the **incremental model**, in which **managers take small, short-term steps to alleviate a problem**, rather than steps that will accomplish a long-term solution. Of course, over time a series of short-term steps may move toward a long-term solution. However, the temporary steps may also impede a beneficial long-term solution.

Making Better Decisions through Knowledge Management

No doubt you have made decisions that later you realized you would have made differently if you had had more complete information. The same happens with decision making in organizations. There, however, managers often find that they need information possessed by people working elsewhere in the system. Accordingly, there is now a growing interest in what is known as knowledge management. **Knowledge management is the development of an organizational culture—and the tools, processes, systems, and structures—that encourages continuous learning and sharing of knowledge and information among employees, for the purpose of making better decisions.**¹⁶

The Two Types of Knowledge: Explicit versus Tacit

To begin to comprehend this subject, it helps to understand that there are two types of knowledge—*explicit* and *tacit*.¹⁷

Explicit Knowledge: “Textbook Knowledge” That Can Be Easily Expressed & Shared. An expert in a certain field (tax lawyer, mortgage broker, whatever) may be said to have surface knowledge or “textbook knowledge.” This is **explicit knowledge, information that can be easily put into words, graphics, and numbers and shared with others.** An example is information about the U.S. tax code that can be looked up.

Tacit Knowledge: “Tricks of the Trade” Learned from Experience & Difficult to Express. An expert of many years’ experience also has a lot of deep knowledge or “tricks of the trade.” This is **tacit knowledge, which is individual-based, intuitive, acquired through considerable experience, and hard to express and to share.** Examples are how to swing a golf club, write a speech, or find one-of-a-kind exceptions in the tax code.

Sharing Knowledge to Help Decision Making

Both explicit and tacit knowledge affect decision making. However, it’s suggested that it is the sharing of tacit knowledge in particular that creates competitive advantage.¹⁸ Two ways to share knowledge are high-tech solutions and low-tech solutions.¹⁹

High-Tech Solutions: To Share Explicit Knowledge. As you might expect, information technology—e-mail, intranets, websites, databases—can be of considerable benefit in helping employees learn and share knowledge. This is particularly the case for explicit knowledge.

Low-Tech Solutions: To Share Tacit Knowledge. But technology alone is not enough. As Anne Mulcahy, chair and CEO of Xerox, says, “Technology requires changes in the way humans work, yet companies continue to inject technology without making the necessary changes”—that is, increase learning.²⁰ Tacit knowledge is best shared directly, as through informal networking, periodic meetings, and interaction with mentors and coaches. Particularly crucial is an organizational culture that encourages the spread of tacit knowledge. ◆



Science under glass. Columbia University’s Biosphere 2, a huge glass and metal ecological research facility located 20 miles north of Tucson, Ariz., is a three-acre test tube meant to mimic Biosphere 1—planet earth. In this kind of model, would decision makers’ rationality be less bounded?

7.3 Making Ethical Decisions

major question

What guidelines can I follow to be sure that decisions I make are not just lawful but ethical?



The Big Picture

A graph known as a decision tree can help one make ethical decisions. In addition, one should be aware of “the magnificent seven” general moral principles for managers.

“Have we saved capitalism from the capitalists?” writes Mortimer Zuckerman, editor-in-chief of *U.S. News & World Report* (and, incidentally, quite a capitalist himself, being a self-made billionaire, mainly through real estate). In the early 2000s, one business scandal followed another, from Enron to WorldCom. “The supposedly ‘independent’ auditors, directors, accountants, and stock market advisers and accountants were all tarnished,” Zuckerman goes on, “the engine of the people’s involvement, the mutual fund industry, was shown to be permeated by rip-off artists rigging the system for the benefit of insiders and the rich. To crown it all, the high temple of capitalism, the New York Stock Exchange, was polluted by cronyism and greed.”²¹

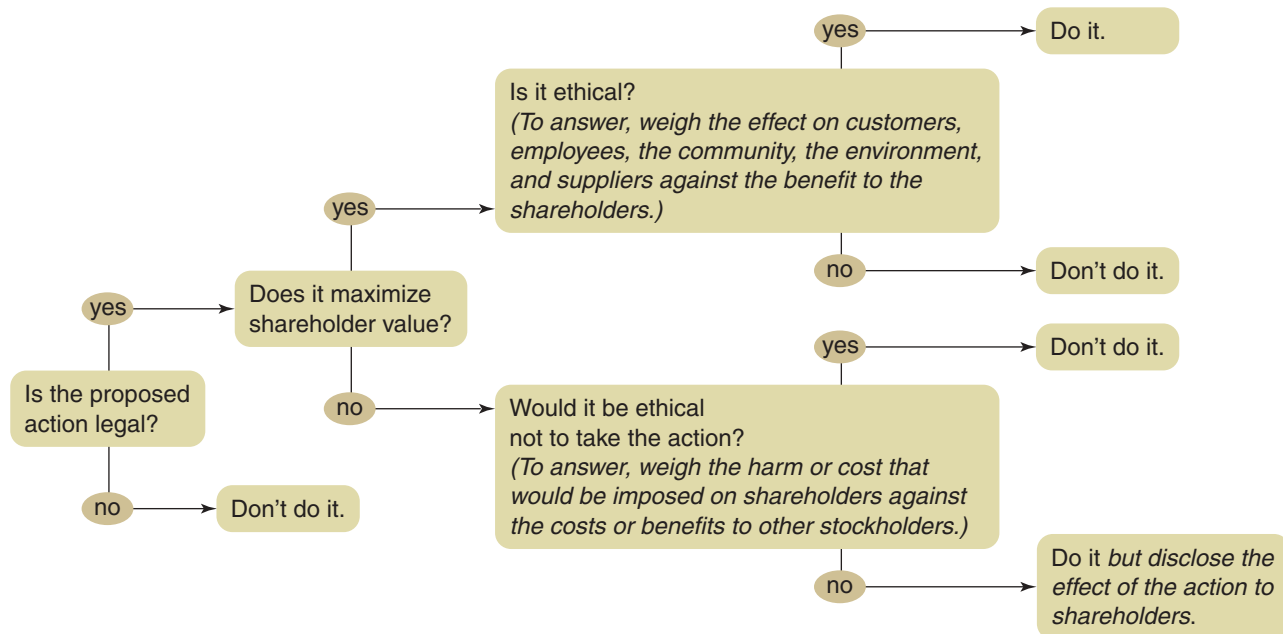
The images of handcuffed executives has forced the subject of right-minded decision making to the top of the agenda in many organizations. Indeed, many companies now have an **ethics officer, someone trained about matters of ethics in the workplace, particularly about resolving ethical dilemmas**. More and more companies are also creating values statements to guide employees as to what constitutes desirable business behavior.²² As a result of this raised consciousness, managers now must try to make sure their decisions are not just lawful but also ethical.

Road Map to Ethical Decision Making: A Decision Tree

One of the greatest pressures—if not *the* greatest pressure—on top executives is to maximize shareholder value, to deliver the greatest return on investment to the owners of their company. But is a decision that is beneficial to shareholders yet harmful to employees—such as forcing them to contribute more to their health benefits, as IBM has done—unethical? Harvard Business School professor Constance Bagley suggests that what is needed is a decision tree to help with ethical decisions.²³ A **decision tree is a graph of decisions and their possible consequences; it is used to create a plan to reach a goal**. Decision trees are used to aid in making decisions. Bagley’s ethical decision tree is shown opposite. (*See Figure 7.4.*)

When confronted with any proposed action for which a decision is required, a manager should ask the following questions:

- 1. Is the Proposed Action Legal?** This may seem an obvious question. But, Bagley observes, “recent [2002–2003] corporate shenanigans suggest that some managers need to be reminded: If the action isn’t legal, don’t do it.”
- 2. If “Yes,” Does the Proposed Action Maximize Shareholder Value?** If the action is legal, one must next ask whether it will profit the shareholders. If the answer is “yes,” should you do it? Not necessarily.
- 3. If “Yes,” Is the Proposed Action Ethical?** As Bagley, points out, though directors and top managers may believe they are bound by corporate law to

**FIGURE 7.4**

The ethical decision tree: What's the right thing to do? (Source: C. E. Bagley, "The Ethical Leader's Decision Tree," *Harvard Business Review*, February 2003, p. 19.)

always maximize shareholder value, the courts and many state legislatures have held they are not. Rather, their main obligation is to manage "for the best interests of the corporation," which includes the larger community.

Thus, says Bagley, building a profitable-but-polluting plant in a country overseas may benefit the shareholders but be bad for that country—and for the corporation's relations with that nation. Ethically, then, managers should add pollution-control equipment.

- 4. If "No," Would It Be Ethical *Not* to Take the Proposed Action?** If the action would not directly benefit shareholders, might it still be ethical to go ahead with it?

Not building the overseas plant might be harmful to other stakeholders, such as employees or customers. Thus, the ethical conclusion might be to build the plant with pollution-control equipment but to disclose the effects of the decision to shareholders.

Applying the Ethical Decision Tree

When IBM decided to raise its retirees' health benefit contributions to save the company money, was that an ethical decision? Certainly it created a positive impact on shareholder value. However, at the same time it hurt employees, some of whom were not able to easily pay for health-related expenses. For instance, retiree Fran Asbeck, an IBM programmer for 32 years, had to get another job in order to pay for his health insurance. "I'm just going to have to work until I'm in the box and hear the dirt hit the lid," he says.²⁴ Retirees realize that IBM is covered legally, but they feel betrayed. "We feel that IBM has a social contract with the retirees . . . for which they are now renegeing," says a former IBM employee in Vermont.²⁵

As a basic guideline to making good ethical decisions on behalf of a corporation, Bagley suggests that directors, managers, and employees need to follow their own individual ideas about right and wrong. There is a lesson, she suggests, in the response of the pension fund manager who, when asked whether she would invest in a company doing business in a country that permits slavery, responded, "Do you

Making Ethical Decisions

mean me, personally, or as a fund manager?” When people feel entitled or compelled to compromise their own personal ethics to advance the interests of a business, “it is an invitation to mischief.”²⁶

General Moral Principles for Managers

Management consultant and writer Kent Hodgson suggests there are no absolute ethical answers for managerial decision makers. Rather, the goal for managers, he believes, should be to rely on moral principles so that their decisions are *principled*, *appropriate*, and *defensible*.²⁷ Accordingly, Hodgson has put forth what he calls “the magnificent seven” general moral principles for managers. (See Table 7.2) ◆

TABLE 7.2

The magnificent seven: General moral principles for managers [Source: K. Hodgson, *A Rock and a Hard Place: How to Make Ethical Business Decisions When the Choices Are Tough* (New York: AMACOM, 1992), pp. 69–73. ©1992 Kent Hodgson. Published by AMACOM, a division of the American Management Association. Used with permission.]

1. **Dignity of human life: The lives of people are to be respected.** Human beings, by the fact of their existence, have value and dignity. We may not act in ways that directly intend to harm or kill an innocent person. Human beings have a right to live; we have an obligation to respect that right to life. Human life is to be preserved and treated as sacred.
2. **Autonomy: All persons are intrinsically valuable and have the right to self-determination.** We should act in ways that demonstrate each person’s worth, dignity, and right to free choice. We have a right to act in ways that assert our own worth and legitimate needs. We should not use others as mere “things” or only as means to an end. Each person has an equal right to basic human liberty, compatible with a similar liberty for others.
3. **Honesty: The truth should be told to those who have a right to know it.** Honesty is also known as integrity, truth telling, and honor. One should speak and act so as to reflect the reality of the situation. Speaking and acting should mirror the way things really are. There are times when others have the right to hear the truth from us; there are times when they do not.
4. **Loyalty: Promises, contracts, and commitments should be honored.** Loyalty includes fidelity, promise keeping, keeping the public trust, good citizenship, excellence in quality of work, reliability, commitment, and honoring just laws and policies.
5. **Fairness: People should be treated justly.** One has the right to be treated fairly, impartially, and equitably. One has the obligation to treat others fairly and justly. All have the right to the necessities of life—especially those in deep need and the helpless. Justice includes equal, impartial, unbiased treatment. Fairness tolerates diversity and accepts differences in people and their ideas.
6. **Humaneness.** There are two parts: (1) **Our actions ought to accomplish good**, and (2) **we should avoid doing evil.** We should do good to others and to ourselves. We should have concern for the well-being of others; usually, we show this concern in the form of compassion, giving, kindness, serving, and caring.
7. **The common good: Actions should accomplish the “greatest good for the greatest number” of people.** One should act and speak in ways that benefit the welfare of the largest number of people, while trying to protect the rights of individuals.

Example



Deciding to Do Right When It's Difficult: Could You Do What Doug Durand Did?

Do you ever cheat?

David Callahan, founder of the Demos Public Policy Center in New York, is author of *The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead*.²⁸ The kind of cheating he's concerned with is not so much with drug use or choices of sexual behavior but, as one book reviewer puts it, with "ordinary people's willingness to deceive others and cut corners purely to make more money or win some prize."²⁹ Examples are employees who use company time for personal business, doctors who bill for services not delivered, financial advisers who accept payoffs to steer customers toward risky investments—and students who copy test answers or buy term papers.

Consider the last matter: according to one assessment of how well college students learn, 87% of undergraduates say their peers at least "sometimes" copy and paste information from the Web when doing research without citing the source.³⁰ More and more colleges are therefore signing up for plagiarism-detector websites so that professors can check student papers for originality.³¹ Educators have also seen a wave of cheating with camera phones, as when students use their phones in test situations to call up photos of key notes they took back in the dorm.³² "More students are using cellphones, personal digital assistants, and Internet-connected laptops to cheat during exams," says another article, mostly to exchange notes with fellow exam takers, receive text messages from others outside the testing room, or search the Web for clues to answers.³³ By now, however, most instructors are alert to such practices.

Do people who somehow get away with cheating in college go on to successful careers? No doubt many do—or at least they have in the past and for a certain length of time. Now, however, companies are much more concerned with hiring ethical managers, people who are not bent twigs like, say, WorldCom's chief financial officer Scott Sullivan (who pleaded guilty to fraud and conspiracy) or former Sunbeam CEO Al "Chainsaw" Dunlap (who lied on his résumé about two jobs from which he had been fired). Many organizations have psychological tests and interviewing techniques intended to discover whether job candidates might be inclined to diverge ethically and legally.³⁴

Far more valuable are managers like Doug Durand, who after 20 years as a pharmaceutical salesman for Merck & Co. in 1995 joined TAP Pharmaceutical Products Inc. in Lake Forest, Ill., at a salary of \$140,000, with the promise of a \$50,000 bonus. As a new vice president of sales, Durand was shocked to hear his sales staff in a conference call openly discussing how to bribe urologists (with a 2% "administration fee") for prescribing TAP's prostate cancer drug, Lupron. He also learned that for years TAP reps had encouraged physicians to charge government medical programs full price for Lupron they received for free or at a discount, a tactic designed to help establish Lupron as the prostate treatment of choice. Gradually, Durand learned that TAP, instead of using science to promote its products, relied on kickbacks and freebies—giving big-screen TVs, computers, and golf vacations to cooperating urologists. He also discovered that, though required by federal law, reps could not account for half their Lupron samples. Terrified he might be scapegoated for the illegalities and urged by his wife to get out, he found that other companies that had offered him jobs before TAP had filled their positions.

Eventually, Durand began to secretly document TAP's abuses, sneaking papers home to copy, and finally mailed his material to a friend with close ties to an assistant U.S. attorney specializing in medical fraud. The friend urged him to sue TAP for fraud against the government under the federal whistle-blower program. It wasn't easy for him to do so. "The idea of suing as a whistle-blower intimidated me," Durand said. "Nobody likes a whistle-blower. I thought it could end my career." In the end, however, he found himself believing it was the right thing to do and testified against former employees and colleagues. The result: The government went after TAP, fined them heavily—and Durand collected \$77 million under the federal whistle-blower statute for his efforts.³⁵

7.4 Group Decision Making: How to Work with Others

major question

How do I work with others to make things happen?



The Big Picture

Group decision making has five potential advantages and four potential disadvantages. There are a number of characteristics of groups that a manager should be aware of, as well as participative management and group problem-solving techniques.

The movies celebrate the lone heroes who, like Clint Eastwood, make their own moves, call their own shots. Most managers, however, work with groups and teams (as we discuss in Chapter 13). Although groups don't make as high-quality decisions as the best individual acting alone, research suggests that groups make better decisions than *most* individuals acting alone.³⁶ Thus, to be an effective manager, you need to learn about decision making in groups.

Advantages & Disadvantages of Group Decision Making

Because you may often have a choice as to whether to make a decision by yourself or to consult with others, you need to understand the advantages and disadvantages of group-aided decision making.

Advantages

Using a group to make a decision offers five possible advantages.³⁷ For these benefits to happen, however, the group must be made up of diverse participants, not just people who all think the same way.

- **Greater pool of knowledge:** When several people are making the decision, there is a greater pool of information from which to draw. If one person doesn't have the pertinent knowledge and experience, someone else might.
- **Different perspectives:** Because different people have different perspectives—marketing, production, legal, and so on—they see the problem from different angles.
- **Intellectual stimulation:** A group of people can brainstorm or otherwise bring greater intellectual stimulation and creativity to the decision-making process than is usually possible with one person acting alone.

Different perspectives or groupthink? A diversified team can offer differing points of view, as well as a greater pool of knowledge and intellectual stimulation. Or it can offer groupthink and satisficing. What has been your experience as to the value of decision making in the groups you've been in?



- **Better understanding of decision rationale:** If you participate in making a decision, you are more apt to understand the reasoning behind the decision, including the pros and cons leading up to the final step.
- **Deeper commitment to the decision:** If you've been part of the group that has bought into the final decision, you're more apt to be committed to seeing that the course of action is successfully implemented.



Ford 2005 GT Mustang. Highly motivated work teams depend on open communications and self-management. Ford Motor Co. provided such an atmosphere for its Team Mustang work group, which produced this revamp of the 1969 fastback model. The work team, suppliers, and consumers worked together to make the Mustang a winner in the competitive automobile market.

Disadvantages

The disadvantages of group-aided decision making spring from problems in how members interact.³⁸

- **A few people dominate or intimidate:** Sometimes a handful of people will talk the longest and the loudest, and the rest of the group will simply give in. Or one individual, such as a strong leader, will exert disproportional influence, sometimes by intimidation. This cuts down on the variety of ideas.
- **Groupthink:** *Groupthink* occurs when group members strive to agree for the sake of unanimity and thus avoid accurately assessing the decision situation. Here the positive team spirit of the group actually works against sound judgment.
- **Satisficing:** Because most people would just as soon cut short a meeting, the tendency is to seek a decision that is “good enough” rather than to push on in pursuit of other possible solutions. Satisficing can occur because groups have limited time, lack the right kind of information, or are unable to handle large amounts of information.³⁹
- **Goal displacement:** Although the primary task of the meeting may be to solve a particular problem, other considerations may rise to the fore, such as rivals trying to win an argument. *Goal displacement* occurs when the primary goal is subsumed by a secondary goal.

What Managers Need to Know about Groups & Decision Making

If you're a manager deliberating whether to call a meeting for group input, there are four characteristics of groups to be aware of:

1 They Are Less Efficient

Groups take longer to make decisions. Thus, if time is of the essence, you may want to make the decision by yourself. Faced with time pressures or the serious effect of a decision, groups use less information and fewer communication channels, which increases the probability of a bad decision.⁴⁰

2 Their Size Affects Decision Quality

The larger the group, the lower the quality of the decision.⁴¹

3 They May Be Too Confident

Groups are more confident about their judgments and choices than individuals are. This, of course, can be a liability because it can lead to groupthink.

Group Decision Making: How to Work with Others

4 Knowledge Counts

Decision-making accuracy is higher when group members know a good deal about the relevant issues. It is also higher when a group leader has the ability to weight members' opinions.⁴² Depending on whether group members know or don't know one another, the kind of knowledge also counts. For example, people who are familiar with one another tend to make better decisions when members have a lot of unique information. However, people who aren't familiar with one another tend to make better decisions when the members have common knowledge.⁴³

Some guidelines to using groups are presented below. (See Figure 7.5.) Remember that individual decisions are not *necessarily* better than group decisions. As we said at the outset, although groups don't make as high-quality decisions as the *best* individual acting alone, groups generally make better decisions than *most* individuals acting alone.

FIGURE 7.5

When a group can help in decision making: three practical guidelines. The following guidelines may help you as a manager decide whether to include people in a decision-making process and, if so, which people. [Source: Derived from George P. Huber, *Managerial Decision Making* (Glenview, IL: Scott Foresman, 1980), p. 149.]

- 1 When it can increase quality:** If additional information would increase the quality of the decision, managers should involve those people who can provide the needed information. Thus, if a type of decision occurs frequently, such as deciding on promotions or who qualifies for a loan, groups should be used because they tend to produce more consistent decisions than individuals do.
- 2 When it can increase acceptance:** If acceptance within the organization is important, managers need to involve those individuals whose acceptance and commitment are important.
- 3 When it can increase development:** If people can be developed through their participation, managers may want to involve those whose development is most important.

Participative Management: Involving Employees in Decision Making

"Only the most productive companies are going to win," says former General Electric CEO Jack Welch about competition in the world economy. "If you can't sell a top-quality product at the world's lowest price, you're going to be out of the game. In that environment, 6% annual improvement may not be good enough anymore; you may need 8% to 9%."⁴⁴

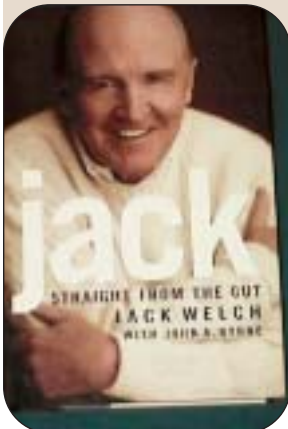
What Is PM?

One technique that has been touted for meeting this productivity challenge is **participative management (PM)**, the process of involving employees in (a) setting goals, (b) making decisions, (c) solving problems, and (d) making changes in the organization.⁴⁵ Employees themselves seem to want to participate more in management: in one nationwide survey of 2,408 workers, two-thirds expressed the desire for more influence or decision-making power in their jobs.⁴⁶ Thus, participative management is predicted to increase motivation, innovation, and performance because it helps employees fulfill three basic needs: autonomy, meaningfulness of work, and interpersonal contact.⁴⁷

Is PM Really Effective?

Does participative management really work? Certainly it can increase employee job involvement, organizational commitment, and creativity, and it can lower role con-

Welch. The GE CEO was one of the most successful executives in American business history.



flict and ambiguity.⁴⁸ Yet it has been shown that, although participation has a significant effect on job performance and job satisfaction, that effect is small—a finding that calls into question the practicality of using PM at all.⁴⁹

So what's a manager to do? In our opinion, PM is not a quick-fix solution for low productivity and motivation. Yet it can probably be effective in certain situations, assuming that managers and employees interact constructively—that is, have the kind of relationship that fosters cooperation and respect rather than competition and defensiveness.⁵⁰

Although participative management doesn't work in all situations, it can be effective if certain factors are present, such as supportive managers and employee trust. (See Table 7.3.)

- **Top management is continually involved:** Implementing PM must be monitored and managed by top management.
- **Middle and supervisory managers are supportive:** These managers tend to resist PM because it reduces their authority. Thus, it's important to gain the support and commitment of managers in these ranks.
- **Employees trust managers:** PM is likely to succeed when employees don't trust management.
- **Employees are ready:** PM is more effective when employees are properly trained, prepared, and interested in participating.
- **Employees don't work in interdependent jobs:** Interdependent employees generally don't have a broad understanding of the entire production process, so their PM contribution may actually be counterproductive.
- **PM is implemented with TQM:** A study of Fortune 1000 firms during three different years found employee involvement was more effective when it was implemented as part of a broader total quality management (TQM) program.

Sources: P. E. Tesluk, J. L. Farr, J. E. Matheieu, and R. J. Vance, "Generalization of Employee Involvement Training to the Job Setting: Individual and Situational Effects," *Personnel Psychology*, Autumn 1995, pp. 607–632; R. Rodgers, J. E. Hunter, and D. L. Rogers, "Influence of Top Management Commitment on Management Program Success," *Journal of Applied Psychology*, February 1993, pp. 151–155; and S. A. Mohrman, E. E. Lawler III, and G. E. Ledford Jr., "Organizational Effectiveness and the Impact of Employee Involvement and TQM Programs: Do Employee Involvement and TQM Programs Work?" *Journal for Quality and Participation*, January/February 1996, pp. 6–10.

TABLE 7.3

Factors that can help make participative management work

Group Problem-Solving Techniques: Reaching for Consensus

Using groups to make decisions generally requires that they reach a **consensus**, which occurs when members are able to express their opinions and reach agreement to support the final decision. More specifically, consensus is reached "when all members can say they either agree with the decision or have had their 'day in court' and were unable to convince the others of their viewpoint," says one expert in decision making. "In the final analysis, everyone agrees to support the outcome."⁵¹ This does not mean, however, that group members agree with the decision, only that they are willing to work toward its success.

Group Decision Making: How to Work with Others

Toward consensus. Working to achieve cooperation in a group can tell you a lot about yourself. How well do you handle the negotiation process? What do you do when you're disappointed in a result reached by consensus?



One management expert offers the following dos and don'ts for achieving consensus.⁵²

- **Dos:** Use active listening skills. Involve as many members as possible. Seek out the reasons behind arguments. Dig for the facts.
- **Don'ts:** Avoid log rolling and horse trading ("I'll support your pet project if you'll support mine"). Avoid making an agreement simply to keep relations amicable and not rock the boat. Finally, don't try to achieve consensus by putting questions to a vote; this will only split the group into winners and losers, perhaps creating bad feeling among the latter.

More Group Problem-Solving Techniques

Decision-making experts have developed three group-problem-solving techniques to aid in problem solving: (1) *interacting groups*, (2) *nominal groups*, and (3) *Delphi groups*. These may be assisted with (4) *computer-aided decision making*.

1 The Interacting Group: For Open Discussion

The most common decision-making group, the ***interacting group*** is a group in which members interact and deliberate with one another to reach a consensus. No doubt you've been in such a group—discussing, arguing, persuading, agreeing, disagreeing until a consensus was achieved.

2 The Nominal Group: For Generating Ideas

Members of a nominal group don't talk to one another—at least in the beginning. Rather, the purpose of a ***nominal group*** is to generate ideas and evaluate solutions, which members do by writing down as many ideas as possible. The ideas are then listed on a blackboard, then discussed, then voted on.

During the discussion period, there may be a "30-second soapbox" format, in which every participant is allowed 30 seconds to argue for or against any idea listed. After discussion, group members may vote—anonously—using a weighted voting procedure (for example, first choice = 3 points, second choice = 2 points, third choice = 1 point). The group leader tallies the points to determine the group's choice.⁵³

3 The Delphi Group: For Consensus of Experts

The Delphi group technique was originally designed for technological forecasting but now is used as a multipurpose planning tool.⁵⁴ The ***Delphi group*** uses physically dispersed experts who fill out questionnaires to anonymously generate ideas; the judgments are combined and in effect averaged to achieve a consensus of expert opinion.

The Delphi group technique is useful when face-to-face discussions are impractical. It's also practical when disagreement and conflicts are likely to impair communication, when certain individuals might try to dominate group discussions, and when there is a high risk of groupthink.⁵⁵

4 Computer-Aided Decision Making

As in nearly every other aspect of business life, computers have entered the area of decision making, where they are useful not only in collecting information more quickly but also in reducing roadblocks to group consensus.

The two types of computer-aided decision making systems are *chauffeur driven* and *group driven*, as follows:⁵⁶

- **Chauffeur-driven systems—for push-button consensus:** So-called “*chauffeur-driven*” *computer-aided decision-making systems* ask participants to answer predetermined questions on electronic keypads or dials. These have been used as polling devices, for instance, with audiences on live television shows such as *Who Wants to Be a Millionaire*, allowing responses to be computer-tabulated almost instantly.
- **Group-driven systems—for anonymous networking:** A *group-driven computer-aided decision system* involves a meeting within a room of participants who express their ideas anonymously on a computer network. Instead of talking with one another, participants type their comments, reactions, or evaluations on their individual computer keyboards. The input is projected on a large screen at the front of the room for all to see. Because participation is anonymous and no one person is able to dominate the meeting on the basis of status or personality, everyone feels free to participate, and the roadblocks to consensus are accordingly reduced.

Compared to the nominal-group technique or traditional brainstorming, group-driven systems have been shown to produce greater quality and quantity of ideas for large groups of people, although there is no advantage with groups of 4–6 people.⁵⁷ The technique also produces more ideas as group size increases from 5 to 10 members. ◆



Computer-aided decision making. This photo shows the kind of arrangement that might be set up for group-driven, anonymous networking.

7.5 How to Overcome Barriers to Decision Making

major question

Trying to be rational isn't always easy. What are the barriers?



The Big Picture

Responses to a decision situation may take the form of four ineffective reactions or three effective reactions. Managers should be aware of four common decision-making biases.

Do you make decisions based on how happy or unhappy you think you're going to feel about the outcome? Then here's some interesting news.

It seems that people expect certain life events to have a much greater emotional effect than in fact they do, according to Harvard University psychologist Daniel Gilbert, who has studied individual emotional barometers in decision making. College professors, for example, expect to be quite happy if they are given tenure and quite unhappy if they aren't. However, Gilbert found those who received tenure were happy but not as happy as they themselves had predicted, whereas those denied tenure did not become very unhappy.

The expectation about the level of euphoria or disappointment was also found to be true of big-jackpot lottery winners and of people being tested for HIV infection. That is, people are often right when they describe what outcome will make them feel good or bad, but they are often wrong when asked to predict how strongly they will feel that way and how long the feeling will last. "Even severe life events have a negative impact on people's sense of well-being and satisfaction for no more than three months," says one report, "after which their feelings at least go back to normal."⁵⁸

Perhaps knowing that you have this "immune system" of the mind, which blunts bad feelings and smooths out euphoric ones, can help make it easier for you to make difficult decisions.

How Do Individuals Respond to a Decision Situation? Ineffective & Effective Responses

What is your typical response when you're suddenly confronted with a challenge in the form of a problem or an opportunity? There are perhaps four ineffective reactions and three effective ones.⁵⁹

Four Ineffective Reactions

Four defective problem-recognition and problem-solving approaches that act as barriers when you must make an important decision in a situation of conflict are the following:

1 Relaxed Avoidance—“There's no point in doing anything; nothing bad's going to happen”: In *relaxed avoidance*, a manager decides to take no action in the belief that there will be no great negative consequences. This condition, then, is a form of complacency: You either don't see or you disregard the signs of danger (or of opportunity).

For example, you might decide to accept a job offer without checking the financial status of your new employer, even though the company is in an industry being

whipsawed by technological change. After his first employer went out of business because of poor money management, programmer Bryan Galdrikian began asking prospective employers more about their finances.⁶⁰

2 Relaxed Change—“Why not just take the easiest way out?”: In *relaxed change*, a manager realizes that complete inaction will have negative consequences but opts for the first available alternative that involves low risk. This is, of course, a form of “satisficing”; the manager avoids exploring a variety of alternatives in order to make the best decision.

For example, if you go to the college career center, sign up for one job interview, and are offered and accept a job based on that single interview, you may have no basis for comparison to know that you made the right choice.

3 Defensive Avoidance—“There’s no reason for me to explore other solution alternatives”: In *defensive avoidance*, a manager can’t find a good solution and follows by (a) procrastinating, (b) passing the buck, or (c) denying the risk of any negative consequences. This is a posture of resignation and a denial of responsibility for taking action. By procrastinating, you put off making a decision (“I’ll get to this later”). In passing the buck, you let someone else take the consequences of making the decision (“Let George do it”). In denying the risk that there will be any negative consequences, you are engaging in rationalizing (“How bad could it be?”).

According to one report, many college students graduating in 2004, following the two-year recession and dismal job prospects, are doing anything but practicing defensive avoidance. Aware of the economy’s inherent instability, many have taken steps that will help them find jobs with more security. Thus, when a Ford Motor Co. recruiter visited Ohio State University, he was amazed not to get the usual questions about salaries and vacations from graduating seniors. Armed with Wall Street analysts’ reports, the job candidates peppered him with questions about layoff prospects and foreign competition. “They had independent research and were trying to put me on the spot,” said the recruiter. “This is a level of inquiry that I didn’t use to see from a bachelor of business administration.”⁶¹

4 Panic—“This is so stressful, I’ve got to do something—anything—to get rid of the problem”: This reaction is especially apt to occur in crisis situations. In *panic*, a manager is so frantic to get rid of the problem that he or she can’t deal with the situation realistically. This is the kind of situation in which the manager has completely forgotten the idea of behaving with “grace under pressure,” of staying cool and calm. Troubled by anxiety, irritability, sleeplessness, and even physical illness, if you’re experiencing this reaction, your judgment may be so clouded that you won’t be able to accept help in dealing with the problem or to realistically evaluate the alternatives.

Panic can even be life-threatening. When in 1999 a jetliner skidded off the runway at Little Rock National Airport, passenger Clark Brewster and a flight attendant tried repeatedly to open an exit door that would not budge. “About that time I hear someone say the word ‘Fire!’” Brewster said. “The flight attendant bends down and says, ‘Please pray with me.’” Fortunately, cooler, quicker-thinking individuals were able to find another way out.⁶²



Panic. Can you think of times in your life when you made a panicky decision? What about situations in which you kept your cool instead of buckling under pressure?

How to Overcome Barriers to Decision Making

Three Effective Reactions: Deciding to Decide

In *deciding to decide*, a manager agrees that he or she must decide what to do about a problem or opportunity and take effective decision-making steps. Three ways to help you decide whether to decide are to evaluate the following:⁶³

1 Importance—“How high priority is this situation?”: You need to determine how much priority to give the decision situation. If it’s a threat, how extensive might prospective losses or damage be? If it’s an opportunity, how beneficial might the possible gains be?

2 Credibility—“How believable is the information about the situation?”: You need to evaluate how much is known about the possible threat or opportunity. Is the source of the information trustworthy? Is there credible evidence?

3 Urgency—“How quickly must I act on the information about the situation?”: Is the threat immediate? Will the window of opportunity stay open long? Can actions to address the situation be done gradually?

Example



Deciding to Decide: If You Own a Fast Thoroughbred, Should You Even Bother to Race It?

Owning a racehorse, especially one with the potential to win the famed Kentucky Derby, is like owning a million-dollar business. If your objective is to make money, how should you manage such valuable property?

After a horse named Fusaichi Pegasus won the 2000 Kentucky Derby, his owner, Fusao Sekiguchi, had to decide: To make the most money, should he continue to race the horse? Or should he auction it off to a commercial breeder, who would use him to breed with mares to produce a strain of superior thoroughbreds? Because the money involved millions, the answer to his first decision—*Should this be considered a high-priority matter?*—seems obvious.

Sekiguchi decided the facts warranted that he should sell rather than race. The main determinant here was *How believable is the information?* For this decision, research would have shown that the career leader in winning purses, \$10 million, was a horse named Cigar, which ran through age 6. Research would also show the stud fees of retired successful race horses ran, per mare, from \$5,000 (for Grindstone) to \$80,000 (for Charismatic). Finally, recent history showed that breeding had caused horses to be faster but less durable than earlier thoroughbreds, making injury more likely.

The final decision—*How quickly should this information be acted on?*—was affected by the fact that most race horses are finished by age 4, even age 2.

After three more races, Fusaichi Pegasus was sold for \$60 million to a stud farm, where he is bred to more than 100 mares a year for a record stud fee of \$135,000 a mare.⁶⁴

Four Common Decision-Making Biases: Rules of Thumb, or “Heuristics”

If someone asked you to explain the basis on which you make decisions, could you even say? Perhaps, after some thought, you might come up with some “rules of thumb.” Scholars call them *heuristics* (pronounced “hyur-ris-tiks”)—strategies that simplify the process of making decisions.

Despite the fact that people use such rules of thumb all the time, that doesn't mean they're reliable. Indeed, some are real barriers to high-quality decision making. Among those that tend to bias how decision makers process information are (1) *availability*, (2) *representativeness*, (3) *anchoring and adjustment*, and (4) *escalation of commitment*.⁶⁵

1 The Availability Bias: Using Only the Information Available

If you had a perfect on-time work attendance record for nine months but then were late for work four days during the last two months because of traffic, shouldn't your boss take into account your entire attendance history when considering you for a raise? Yet managers tend to give more weight to more recent behavior. This is because of the **availability bias**—managers use information readily available from memory to make judgments.

The bias, of course, is that readily available information may not present a complete picture of a situation. The availability bias may be stoked by the news media, which tends to favor news that is unusual or dramatic. Thus, for example, because of the efforts of interest groups or celebrities, more news coverage may be given to AIDS or to breast cancer than to heart disease, leading people to think the former are the bigger killers when in fact the latter is the biggest killer.

2 The Representativeness Bias: Faulty Generalizing from a Small Sample or a Single Event

As a form of financial planning, playing state lotteries leaves something to be desired. When, for instance, in a recent year the New York jackpot reached \$70 million, a New Yorker's chance of winning was one in 12,913,588.⁶⁶ (A person would have a greater chance of being struck by lightning.) Nevertheless, millions of people buy lottery tickets because they read or hear about a handful of fellow citizens who have been the fortunate recipients of enormous winnings. This is an example of the **representativeness bias**, the tendency to generalize from a small sample or a single event.

The bias here is that just because something happens once, that doesn't mean it is representative—that it will happen again or will happen to you. For example, just because you hired an extraordinary sales representative from a particular university, that doesn't mean that same university will provide an equally qualified candidate next time. Yet managers make this kind of hiring decision all the time.

3 The Anchoring & Adjustment Bias: Being Influenced by an Initial Figure

Managers will often give their employees a standard percentage raise in salary, basing the decision on whatever the workers made the preceding year. They may do this even though the raise may be completely out of alignment with what other companies are paying for the same skills. This is an instance of the **anchoring and adjustment bias**, the tendency to make decisions based on an initial figure.

The bias is that the initial figure may be irrelevant to market realities. This phenomenon is sometimes seen in real estate sales. A homeowner may at first list his or her house at an extremely high (but perhaps randomly chosen) selling price. The seller is then unwilling later to come down substantially to match the kind of buying offers that reflect what the marketplace thinks the house is really worth.

4 The Escalation of Commitment Bias: Feeling Overly Invested in a Decision

If you really hate to admit you're wrong, you need to be aware of the **escalation of commitment bias**, whereby decision makers increase their commitment to a project despite negative information about it. History is full of examples

How to Overcome Barriers to Decision Making

of heads of state who escalated their commitment to an original decision in the face of overwhelming evidence that it was producing detrimental consequences. A noteworthy example was President Lyndon B. Johnson's pressing on of the Vietnam War despite mounting casualties abroad and political upheavals at home.

The bias is that what was originally made as perhaps a rational decision may continue to be supported for irrational reasons—pride, ego, the spending of enormous sums of money, and being “loss averse.” Indeed, scholars have advanced what is known as the *prospect theory*, which suggests that decision makers find the notion of an actual loss more painful than giving up the possibility of a gain.⁶⁷ We saw a variant of this when we described the tendency of investors to hold on to their losers but cash in their winners. ♦



Escalation of commitment. Hewlett-Packard Co. CEO Carly Fiorina and Compaq Computer Corp. chief executive Michael Capellas do a friendly bumping of knuckles before an investors meeting. The acquisition of Compaq—a leader in the personal computer revolution in the 1980s and 1990s—by technology leader HP in May 2002 was finally achieved after months of a long and bitter corporate war that threatened to derail the biggest computer merger in history. Many analysts and stockholders were against the merger of these two global corporations—first, because of the enormity of the challenge of integrating the two companies and, second, because of the disastrous track record of past computer-company mergers (as when Compaq acquired DEC). Particularly vociferous in their opposition were descendants of the Hewlett and Packard families, who objected not only to the incredibly risky business strategy but also to the prospect of 15,000 job cuts in what had been an employee-friendly environment. A lawsuit bought by director Walter Hewlett that accused HP of drawing overly optimistic financial targets and of buying shareholder votes to approve the merger was unsuccessful, and stockholders finally approved the merger in a close vote. Since then, in 2004, HP announced a new thrust into consumer electronics, unveiling dozens of products from flat-panel TVs to new digital cameras. Perhaps you're now in a position to judge whether the resulting \$87 billion global company fulfilled Fiorina's optimistic predictions. Was there too much of an escalation of commitment bias operating here?

practical action

Being Aware of Your Possible Biases: How Can Your Judgment Be Distorted?

The four common decision-making biases described in the text may be expressed in more specific distortions of judgment. Here are five types of questions that you might ask yourself next time you're poised to make a decision:

"Am I Being Too Cocky?" The Overconfidence Bias If you're making a decision in an area in which you have considerable experience or expertise, you're less likely to be overconfident. Interestingly, however, you're more apt to be overconfident when dealing with questions on subjects you're unfamiliar with or questions with moderate to extreme difficulty.⁶⁸

In addition, many sorts of managers—especially top managers who worked their way up to the top—have a kind of overconfidence that makes them overestimate their ability to control events (the *illusion-of-control bias*).

Recommendation: When dealing with unfamiliar or difficult matters, think how your impending decision might go wrong. Afterward pay close attention to the consequences of your decision for feedback about your judgment.

"Am I Considering the Actual Evidence, or Am I Wedded to My Prior Beliefs?" The Prior-Hypothesis Bias Do you tend to have strong beliefs? When confronted with a choice, decision makers with strong prior beliefs tend to make their decision based on their beliefs—even if evidence show those beliefs are wrong. This is known as the *prior-hypothesis bias*. In addition, people tend to look for evidence to support their beliefs rather than contradict them.⁶⁹

Recommendation: Although it's always more comforting to look for evidence to support your prior beliefs, you need to be tough-minded and weigh the evidence.

"Are Events Really Connected, or Are They Just Chance?" The Ignoring-Randomness Bias Is a rise in

sales in athletic shoes because of your company's advertising campaign or because it's the start of the school year? Many managers don't understand the laws of randomness and believe chance events—even multiple chance events—are connected to one another.

Recommendation: Don't attribute trends or connections to a single, random event.

"Is There Enough Data on Which to Make a Decision?" The Unrepresentative Sample Bias If all the secretaries in your office say they prefer dairy creamer to real cream or milk in their coffee, is that enough data on which to launch an ad campaign trumpeting the superiority of dairy creamer? It might if you polled 3,000 secretaries, but not if you asked only 3 or even 30. This is too small a sample to reflect the sentiments of secretaries everywhere.

Recommendation: You need to be attuned to the importance of the size of your sample when making a decision.

"Looking Back, Did I (or Others) Really Know Enough Then to Have Made a Better Decision?" The

20-20 Hindsight Bias Once managers know what the consequences of a decision are, they may begin to think they could have predicted it ahead of time. They can no longer recall how uncertain the circumstances were at the time they made the decision. Instead, they may remember the facts as being a lot clearer than they actually were.⁷⁰

Recommendation: Try to keep in mind—especially when you're evaluating negative outcomes of decisions made by subordinates—that hindsight does not equal foresight.



No New Coke. What kind of biases do you think Coca-Cola's managers might have been operating under when, in 1985, they decided to scrap their successful traditional cola formula in favor of New Coke, which became a marketing disaster?


Learning Portfolio

Key Terms Used in This Chapter


- anchoring and adjustment bias, 227
- availability bias, 227
- bounded rationality, 212
- consensus, 221
- deciding to decide, 226
- decision, 204
- decision making, 204
- decision-making style, 206
- decision tree, 214
- defensive avoidance, 225
- Delphi group, 222
- diagnosis, 209
- escalation of commitment bias, 227
- ethics officer, 214
- explicit knowledge, 213
- goal displacement, 219
- groupthink, 219
- heuristics, 226
- incremental model, 212
- interacting group, 222
- knowledge management, 213
- nominal group, 222
- nonprogrammed decisions, 205
- nonrational models of decision making, 212
- opportunities, 209
- panic, 225
- participative management (PM), 220
- problems, 209
- programmed decisions, 205
- rational model of decision making, 208
- relaxed avoidance, 224
- relaxed change, 225
- representativeness bias, 227
- satisficing model, 212
- tacit knowledge, 213

Summary

7.1 The Nature of Decision Making


-  A decision is a choice made from among available alternatives. Decision making is the process of identifying and choosing alternative courses of action.
- Decisions are of two types: programmed and nonprogrammed. Programmed decisions are repetitive and routine. They tend to follow established rules and so are virtually automatic. Nonprogrammed decisions are those that occur under nonroutine, unfamiliar circumstances. Because they occur in response to unusual, unpredictable opportunities and threats, nonprogrammed decisions are relatively unstructured.
- A decision-making style reflects the combination of how an individual perceives and responds to information. Decision-making styles may tend to have a value orientation, which reflects the extent to which a person focuses on either task or technical concerns versus people and social concerns when making decisions. Decision-making styles may also reflect a person's tolerance for ambiguity, the extent to which a person has a high or low need for structure or control in his or her life. When the dimensions of value orientation and tolerance for ambiguity are combined, they form four styles of decision making: directive, analytical, conceptual, and behavioral.

7.2 Two Kinds of Decision Making: Rational & Nonrational


-  Two models managers follow in making decisions are rational and nonrational.
- In the rational model, there are four steps in making a decision: Stage 1 is identifying the problem or opportunity. A problem is a difficulty that inhibits the achievement of goals. An opportunity is a situation that presents possibilities for exceeding existing goals. This is a matter of diagnosis—analyzing the underlying causes. Stage 2 is thinking up alternative solutions. For programmed decisions, alternatives will be easy and obvious. For nonprogrammed decisions, the more creative and innovative the alternatives, the better. Stage 3 is evaluating the alternatives and selecting a solution. Alternatives should be evaluated according to cost, quality, ethics, feasibility, and effectiveness. Stage 4 is implementing and evaluating the solution chosen.
- The rational model of decision making assumes managers will make logical decisions that will be the optimum in furthering the organization's best interests. The rational model is prescriptive, describing how managers ought to make decisions. It assumes that managers have complete information and there is no uncertainty, that they can do unemotional analysis, and that they are coolly capable of making the best decision for the organization.

- Nonrational models of decision making assume that decision making is nearly always uncertain and risky, making it difficult for managers to make optimum decisions. Two nonrational models are satisficing and incremental. (1) Satisficing falls under the concept of bounded rationality—that is, that the ability of decision makers to be rational is limited by enormous constraints, such as time and money. These constraints force managers to make decisions according to the satisficing model—that is, managers seek alternatives until they find one that is satisfactory, not optimal. (2) In the incremental model, managers take small, short-term steps to alleviate a problem rather than steps that will accomplish a long-term solution.

7.3 Making Ethical Decisions


-  Corporate corruption has made ethics in decision making once again important. Many companies have an ethics officer to resolve ethical dilemmas, and more companies are creating values statements to guide employees as to desirable business behavior.
- To help make ethical decisions, a decision tree—a graph of decisions and their possible consequences—may be helpful. Managers should ask whether a proposed action is legal and, if it is intended to maximize shareholder value, whether it is ethical—and whether it would be ethical *not* to take the proposed action.
- A goal for managers should be to rely on moral principles so that their decisions are principled, appropriate, and defensible, in accordance with “the magnificent seven” general moral principles for managers.

7.4 Group Decision Making: How to Work with Others

-  Groups make better decisions than most individuals acting alone, though not as good as the best individual acting alone.
- Using a group to make a decision offers five possible advantages: (1) a greater pool of knowledge; (2) different perspectives; (3) intellectual stimulation; (4) better understanding of the reasoning behind the decision; and (5) deeper commitment to the decision. It also has four disadvantages: (1) a few people may dominate or intimidate; (2) it will produce groupthink, when group members strive for agreement among themselves for the sake of unanimity and so avoid accurately assessing the decision situation; (3) satisficing; and (4) goal displacement, when the primary goal is subsumed to a secondary goal.
- Some characteristics of groups to be aware of are (1) groups are less efficient, (2) their size affects decision quality, (3) they may be too confident, and (4) knowledge counts—decision-making accuracy is higher when group members know a lot about the issues.

- Participative management (PM) is the process of involving employees in setting goals, making decisions, solving problems, and making changes in the organization. PM can increase employee job involvement, organizational commitment, and creativity and can lower role conflict and ambiguity.
- Using groups to make decisions generally requires that they reach a consensus, which occurs when members are able to express their opinions and reach agreement to support the final decision.
- Three group problem-solving techniques aid in problem solving. (1) In interacting groups, members interact and deliberate with one another to reach a consensus. (2) In nominal groups, members generate ideas and evaluate solutions by writing down as many ideas as possible; the ideas are then listed on a blackboard, then discussed, then voted on. (3) In Delphi groups, physically dispersed experts fill out questionnaires to anonymously generate ideas; the judgments are combined and in effect averaged to achieve consensus of expert opinion. These three groups may be assisted by computer-aided decision making, using either chauffeur-driven systems, which ask participants to answer predetermined questions on electronic keypads or dials, or group-driven systems, in which participants in a room express their ideas anonymously on a computer network.

7.5 How to Overcome Barriers to Decision Making

-  When confronted with a challenge in the form of a problem or an opportunity, individuals may respond in perhaps four ineffective ways and three effective ones.
- The ineffective reactions are as follows: (1) In relaxed avoidance, a manager decides to take no action in the belief that there will be no great negative consequences. (2) In relaxed change, a manager realizes that complete inaction will have negative consequences but opts for the first available alternative that involves low risk. (3) In defensive avoidance, a manager can't find a good solution and follows by procrastinating, passing the buck, or denying the risk of any negative consequences. (4) In panic, a manager is so frantic to get rid of the problem that he or she can't deal with the situation realistically.
- The effective reactions consist of deciding to decide—that is, a manager agrees that he or she must decide what to do about a problem or opportunity and take effective decision-making steps. Three ways to help a manager decide whether to decide are to evaluate (1) importance—how high priority the situation is; (2) credibility—how believable the information about the situation is; and (3) urgency—how quickly the manager must act on the information about the situation.

Learning Portfolio

- Heuristics are rules of thumb or strategies that simplify the process of making decisions. Some heuristics or barriers that tend to bias how decision makers process information are availability, representativeness, anchoring and adjustment, and escalation of commitment. (1) The availability bias means that managers use information readily available from memory to make judgments. (2) The representativeness bias is the tendency to generalize from a small

sample or a single event. (3) The anchoring and adjustment bias is the tendency to make decisions based on an initial figure or number. (4) The escalation of commitment bias describes when decision makers increase their commitment to a project despite negative information about it. An example is the prospect theory, which suggests that decision makers find the notion of an actual loss more painful than giving up the possibility of a gain.

Management in Action

IDEO Uses Its Creative Product Design Process to Help Companies Improve Customer Satisfaction

Excerpted from Bruce Nussbaum, "The Power of Design," Business Week, May 17, 2004, pp. 88, 90–94.

BusinessWeek From its inception, IDEO has been a force in the world of design. It has designed hundreds of products and won more design awards over the past decade than any other firm. . . . Now, IDEO is transferring its ability to create consumer products into designing consumer experiences in services, from shopping and banking to health care and wireless communication.

Yet by showing global corporations how to change their organizations to focus on the consumer, IDEO is becoming much more than a design company. Indeed, it is now a rival to the traditional purveyors of corporate advice: the management consulting companies such as McKinsey, Boston Consulting, and Bain. . . .

And IDEO works fast. That's because the company requires its clients to participate in virtually all the consumer research, analysis, and decisions that go into developing solutions. When the process is complete, there's no need for a buy-in: Clients already know what to do—and how to do it quickly. Unlike traditional consultants, IDEO shares its innovative process with its customers through projects, workshops, and IDEO U, its customized teaching program. In IDEO-speak this is "open-source innovation." . . .

Corporate execs probably have the most fun simply participating in the IDEO Way, the design firm's disciplined yet wild-and-woolly five-step process that emphasizes empathy with the consumer, anything-is-possible brainstorming, visualizing solutions by creating actual prototypes, using technology to find creative solutions, and doing it all with incredible speed.

Here's how it works: A company goes to IDEO with a problem. It wants a better product, service, or space—no matter. IDEO puts together an eclectic team composed of members from the client company and its own experts who go out to observe and document the consumer experience. Often, IDEO will have top executives play the roles of their own customers. Execs from food and clothing companies shop for their own stuff in different retail stores and on the Web. Health-care managers get care in different hospitals. Wireless providers use their own—and competing—services.

The next stage is brainstorming. IDEO mixes designers, engineers, and social scientists with its clients in a room where they intensely scrutinize a given problem and suggest possible solutions. It is a managed chaos: a dozen or so very smart people examining data, throwing out ideas, writing potential solutions on big Post-its that are ripped off and attached to the wall.

IDEO designers then mock up working models of the best concepts that emerge. Rapid prototyping has always been a hallmark of the company. Seeing ideas in working, tangible form is a far more powerful mode of explanation than simply reading about them off a page. IDEO uses inexpensive prototyping tools—Apple-based iMovies to portray consumer experiences and cheap cardboard to mock up examination rooms or fitting rooms.

Like a law firm, IDEO specializes in different practices. The "TEX"—or technology-enabled experiences—aims to take new high-tech products that first appeal only to early adopters and remake them for mass consumer audience. IDEO's success with the Palm V led AT&T Wireless to call for help on its mMode consumer wireless platform. The company launched mMode in 2002 to allow AT&T Wireless mobile-phone customers to access e-mail and instant messaging, play games, find local restaurants, and connect to sites for news, stocks, weather, and other information. Techies liked mMode, but average consumers were not signing up. "We asked [IDEO] to redesign the interface so someone like my mother who isn't Web savvy can use the phone to navigate how to get the weather or where to shop," says mMode's Hall.

IDEO's GAME PLAN: It immediately sent AT&T Wireless managers on an actual scavenger hunt in San Francisco to see the world from their customers' perspective. They were told to find a CD by a certain Latin singer that was available at only one small music store, find a Walgreen's that sold its own brand of ibuprofen, and get a Pottery Barn catalog. They discovered that it was simply too difficult to find these kinds of things with their mMode service and wound up using the newspaper or the

phone directory instead. IDEO and AT&T Wireless teams also went to AT&T Wireless stores and videotaped people using mMode. They saw that consumers couldn't find the sites they wanted. It took too many steps and clicks. "Even teenagers didn't get it," says Duane Bray, leader of the TEX practice at IDEO.

After dozens of brainstorming sessions and many prototypes, IDEO and AT&T Wireless came up with a new mMode wireless service platform. The opening page starts with "My mMode" which is organized like a Web browser's favorites list and can be managed on a Web site. A consumer can make up an individualized selection of sites, such as ESPN or Sony Pictures Entertainment, and ring tones. Nothing is more than two clicks away.

An mMode Guide on the page allows people to list five places—a restaurant, coffee shop, bank, bar, and retail store—that GPS location finders can identify in various cities around the U.S. Another feature spotlights the five nearest movie theatres that still have seats available within the next hour. Yet another, My Locker, lets users store a large number of photos and ring tones with AT&T Wireless.

The whole design process took only 17 weeks, "We are thrilled with the results," says Hall. "We talked to frog design, Razorfish, and other design firms, and they thought this was a Web project that needed flashy graphics. IDEO knew it was about making the cell phone experience better."

For Discussion:

1. Was the decision by AT&T Wireless to redesign its wireless platform a programmed or nonprogrammed decision? Explain.
2. To what extent does IDEO use a rational decision-making process?
3. Which of the advantages and disadvantages of group decision making were exhibited in this case? Provide examples.
4. Which of the group problem-solving techniques discussed in this chapter are being used in IDEO's decision-making process?
5. If you owned your own company, would you hire IDEO to help improve customer satisfaction? Explain.

Self-Assessment

What Is Your Decision-Making Style?*

Objectives

1. To assess your decision-making style.
2. To consider the implications of your decision-making style.

Introduction

This chapter discussed a model of decision-making styles. Decision-making styles are thought to vary according to a person's tolerance for ambiguity and value orientation. In turn, the combination of these two dimensions results in four different decision-making styles (see Figure 7.1). This exercise gives you the opportunity to assess your decision-making style.

Instructions

Following are nine items that pertain to decision making. Read each statement and select the option that best represents your feelings about the issue. Remember, there are no right or wrong answers.

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. I enjoy jobs that <ol style="list-style-type: none"> a. are technical and well defined. b. have considerable variety. c. allow independent action. d. involve people. 2. In my job, I look for <ol style="list-style-type: none"> a. practical results. b. the best solutions. c. new approaches or ideas. d. good working environment. | <ol style="list-style-type: none"> 3. When faced with solving a problem, I <ol style="list-style-type: none"> a. rely on proven approaches. b. apply careful analysis. c. look for creative approaches. d. rely on my feelings. 4. When using information, I prefer <ol style="list-style-type: none"> a. specific facts. b. accurate and complete data. c. broad coverage of many options. d. limited data that are easily understood. |
|---|---|



Learning Portfolio

5. I am especially good at
 - a. remembering dates and facts.
 - b. solving difficult problems.
 - c. seeing many possibilities.
 - d. interacting with others.
6. When time is important, I
 - a. decide and act quickly.
 - b. follow plans and priorities.
 - c. refuse to be pressured.
 - d. seek guidance and support.
7. I work well with those who are
 - a. energetic and ambitious.
 - b. self-confident.
8. Others consider me
 - a. aggressive.
 - b. disciplined.
 - c. imaginative.
 - d. supportive.
9. My decisions typically are
 - a. realistic and direct.
 - b. systematic or abstract.
 - c. broad and flexible.
 - d. sensitive to the needs of others.

Scoring & Interpretation

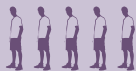
Score the exercise by giving yourself one point for every time you selected an A, one point for every B, and so on. Add up your scores for each letter. Your highest score represents your dominant decision-making style. If your highest score was A, you have a directive style; B = analytical; C = conceptual; and D = behavioral. See the related material in this chapter for a thorough description of these four styles.

Questions

1. What are your highest and lowest rated styles?
2. Do the results accurately reflect your self-perceptions? Explain.
3. What are the advantages and disadvantages of your style? Discuss.
4. Which of the other decision-making styles is least consistent with your style? How might you work more effectively with someone who has this style? Discuss.

*Adapted from A. J. Rowe, J. D. Boulgades, and M. R. McGrath, *Managerial Decision Making* (Chicago: SRA, 1984).

Group Exercise



Objectives

1. To look at the stages in practical decision making.
2. To gain practice in ethical decision making.

Introduction

In this chapter you learned there are four stages in making practical decisions. The third stage involves evaluating alternatives and selecting a solution. Part of this evaluation entails deciding whether or not the solution is ethical. The purpose of this exercise is to examine the stages in practical decision making and consider the issue of ethical decision making.

Instructions

Break into groups of five or six people and read the following case. As a group discuss the decision made by the company and answer the questions for discussion at the

Ethical Decision Making

end of the case. Before answering questions 5–6, brainstorm alternative decisions the managers at TELECOMPROS could have made. Finally, the entire class can reconvene and discuss the alternative solutions that were generated.

The Case

For large cellular service providers, maintaining their own customer service call center can be very expensive. Many have found they can save money by outsourcing their customer service calls to outside companies.

TELECOMPROS is one such company. It specializes in cellphone customer service, saving large cellular companies money by eliminating overhead costs associated with building a call center, installing additional telephone lines, and so on. Once TELECOMPROS is hired by large cellular service providers, TELECOMPROS employees

are trained on the cellular service providers' systems, policies, and procedures. TELECOMPROS derives its income from charging a per-hour fee for each employee.

Six months ago, TELECOMPROS acquired a contract with Cell2U, a large cellular service provider serving the western United States. At the beginning of the contract, Cell2U was very pleased. As a call center, TELECOMPROS has a computer system in place that monitors the number of calls the center receives and how quickly the calls are answered. When Cell2U received its first report, the system showed that TELECOMPROS was a very productive call center and handled the call volume very well. A month later, however, Cell2U launched a nationwide marketing campaign. Suddenly, the call volume increased and TELECOMPROS customer service reps were unable to keep up. The phone-monitoring system showed that some customers were on hold for 45 minutes or longer, and at any given time throughout the day there were as many as 50 customers on hold. It was clear to Cell2U that the original number of customer service reps they had contracted for was not enough. They renegotiated with upper management at TELECOMPROS and hired additional customer service reps. TELECOMPROS managers were pleased because they were now receiving more money from Cell2U for the extra employees, and Cell2U was happy because the call center volume was no longer overwhelming and its customers were happy with the attentive customer service.

Three months later, though, TELECOMPROS customer service supervisors noticed a decrease in the number of customer service calls. It seemed that the reps had done such a good job that Cell2U customers had fewer problems. There were too many people and not enough

calls; with little to do, some reps were playing computer games or surfing the Internet while waiting for calls to come in.

Knowing that if Cell2U analyzed its customer service needs it would want to decrease the number of reps to save money, TELECOMPROS upper management made a decision. Rather than decrease its staff and lose the hourly pay from Cell2U, upper management told customer service supervisors to call the customer service line. Supervisors called in and spent enough time on the phone with reps to ensure that the computer registered the call and the time it took to "resolve" the call. They would then hang up and call the call center again. Thus, TELECOMPROS did not have to decrease its customer service reps, and Cell2U continued to pay for the allotted reps until the end of the contract.

Questions for Discussion

1. Was the decision made by TELECOMPROS an ethical one? Why or why not?
2. What stages in the Practical Decision-Making Process did TELECOMPROS managers skip? Describe and explain.
3. Which of the Nonrational Models of Decision Making did managers at TELECOMPROS follow? Explain.
4. Which of the hindrances to rational decision making listed in Figure 7.3 explain the decision made by TELECOMPROS managers? Explain.
5. What is your recommended solution? Explain why you selected this alternative.
6. How would you implement your preferred solution? Describe in detail.

Ethical Dilemma

Working at a Restaurant: Employees "Eat as They Work"

You work at a large restaurant, which also happens to have a separate employee cafeteria. The restaurant's policy on employee meals is as follows: Employees can eat for free in the employee cafeteria. Alternatively, they can eat meals from the restaurant, but they must pay for them; moreover, they must wait until the end of their shifts before eating. They are not allowed to eat their meals in the kitchen or the customer areas of the restaurant.

You discover that several employees simply "eat as they work." They take food from cooking pots while working. Or they get the cooks to prepare meals without charge. You also discover that several employees are taking butter and other expensive foods from the walk-in fridges, marking them as being past their expiration dates, then eating them in the restaurant or taking them home to eat later. The executive chef is aware of this practice and in fact does the same thing herself.

Solving the Dilemma

As a restaurant employee (not a manager), what would you do?

1. Tell the restaurant manager what is going on, mentioning that the executive chef is also participating in this behavior.
2. Remind your coworkers of the restaurant's policy on employee meals; then, if their behavior doesn't change, report it to the manager.
3. Do as others do—that is, "eat as you work"—with the view that this can be considered ethical behavior so long as the executive chef tolerates it.
4. Invent other options. Discuss.

Learning Portfolio

Video Case

Living Room Café

As the video case opens, partners Jonas Goldberg and Rande Gedaliah exchange greetings. In addition to being business partners, Rande and Jonas are long-time friends. Rande is under increasing stress and doesn't feel that Jonas is "holding up his end" of running the business. Jonas agrees. His spouse is extra busy at work, and he is taking on greater child-care responsibilities. But after all, they always agreed that their families would come first. However, Rande's family life is also affected.

Jonas has missed several meetings. He had "things to do" and felt confident that Rande could handle anything that arose. He twice missed payroll deadlines, delaying salary payments to employees. According to Jonas this is not a significant issue. Jonas feels he can accomplish his normal workload, it just might not be on the tight schedule that Rande is expecting. "It will all get done anyway." However, Rande feels the work is getting done because she is picking up the slack, causing her to be "totally stressed out." Rande senses a lack of concern for both their friendship and the business. She suggests a solution: find a partner to buy Jonas's share of the business. However, at this important juncture Jonas abruptly ends the meeting.

Privately Rande expresses frustration at the tone of the meeting, acknowledging that Jonas is likely frustrated as well. Jonas's goals have changed, and he is no longer taking an active interest in the business. She sees no hope of salvaging the partnership and would rather retain their friendship. Saving both no longer seems possible.

When Rande and Jonas reconvene, Jonas puts forth a proposal. He will "bow out gracefully" and sell his share of the business. For Jonas as well, maintaining their friendship is important. So far, the two partners are in agreement. However, a major point of contention arises. Jonas wants complete control over the choice of buyer,

with the intention to sell to the highest bidder. Rande strongly opposes this idea, because the buyer would be her day-to-day partner. She should have total control over that decision and legally has the right of first refusal. Rande has reviewed their contract and consulted with their attorneys, but Jonas is unaware of the legal ramifications. Jonas doesn't want to leave Rande with an undesirable partner but still feels he has the right to sell to whomever he pleases. The discussion becomes heated, and again Jonas must abruptly leave to attend to family business. However, at least the friends have agreed that their partnership can no longer continue.

Privately Rande reflects on Jonas's proposal. With certainty, she states, "we will not be partners." Rande also perceives that the situation has been influenced by their gender differences and that she has been forced into the mother-like role of disciplinarian. Perhaps a female partner would be a better choice, because they would likely have more similar communication and management styles.

Discussion Questions

1. Are Rande and Jonas experiencing functional or dysfunctional conflict? Support your response with evidence from the case.
2. Critique Rande and Jonas's decision-making process thus far. What might they do to improve this process?
3. Jonas is clearly attempting to maintain a comfortable balance between work and family life. Suggest how he might more successfully maintain this balance.
4. Did gender differences play a role in this situation? Support your answer with evidence from the case.

