Chapter Six:

Decision Making and Creativity

Learning Objectives

1. Describe the elements of rational choice decision making.

2. Explain why people don't apply rational choice decision making when identifying problems/opportunities, evaluating/choosing alternatives, and evaluating decision outcomes.

3. Discuss the roles of emotions and intuition in decision making.

4. Describe employee characteristics, workplace conditions, and specific activities that support creativity.

5. Describe the benefits of employee involvement and identify four contingencies that affect the optimal level of employee involvement.

Rational Choice Decision Making

Rational choice decisions:

- Use logic, all information to choose highest value choice.

- Historically considered ideal state of decision making.

Two key elements of rational choice:

1. Calculating the best alternative.

2. Systematic decision-making process.

ESB Professional/Shutterstock

Rational Choice Best Alternative Calculation

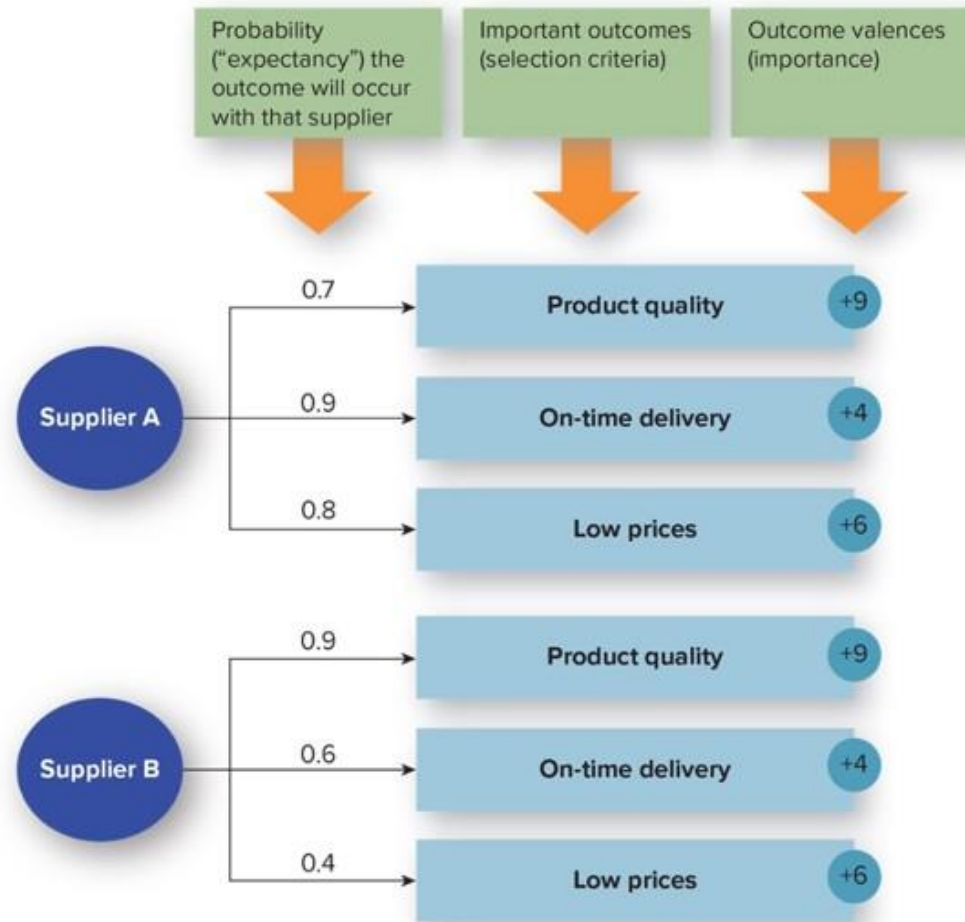Exhibit 6.1 Rational Choice Decision-Making Example

Access the text alternative for slide images.

Rational Choice Decision-making Process

Exhibit 6.2 Rational Choice Decision Process

Access the text alternative for slide images.

Problem Identification Challenges

Problems and opportunities are constructed from ambiguous and conflicting information.

Five problem identification challenges:

- Mental models.

- Decisive leadership.

- Stakeholder framing.

- Perceptual defense.

- Solution-focused problems.

Identifying Problems Effectively

1. Be aware of problem identification biases.

2. Resist temptation of looking decisive.

3. Develop a norm of "divine discontent" (aversion to complacency).

4. Discuss the situation with others.

Choosing Alternatives: Rational Choice Assumptions vs. OB Evidence

Rational Choice Assumptions	OB Evidence
Goals are clear, compatible, and agreed upon.	Goals are ambiguous, in conflict, and lack full support.
Decision makers can calculate all alternatives and their outcomes.	Decision makers have limited information-processing abilities.
Decision makers evaluate all alternatives simultaneously.	Decision makers evaluate alternatives sequentially.
Decision makers use absolute standards to evaluate alternatives.	Decision makers evaluate alternatives against an implicit favorite.
Decision makers use factual information to choose alternatives.	Decision makers process perceptually distorted information.
Decision makers choose the highest payoff alternative (maximization).	Decision makers choose the "good enough" alternative (satisficing).

Exhibit 6.3 Rational Choice Assumptions versus Organizational Behavior Findings about Choosing Alternatives

Sequential Evaluation and Implicit Favorite Biases

Rational choices evaluate alternatives concurrently using unbiased valences and probabilities.

Reality calls for us to use implicit favorite to compare each alternative sequentially.

Why sequential evaluation with an implicit favorite?

1. Alternatives not all available at same time.
2. Natural human preference for comparing two choices.
3. People are cognitive misers (minimize mental effort).
4. Human need for cognitive consistency and coherence.

Biased Decision Heuristics

Rational choices calculate alternative with highest expected satisfaction.

The reality is that we have built-in decision heuristic biases.

1. Anchoring and adjustment:

- Adjusting expectations/standards around an initial anchor point (e.g. opening bid).
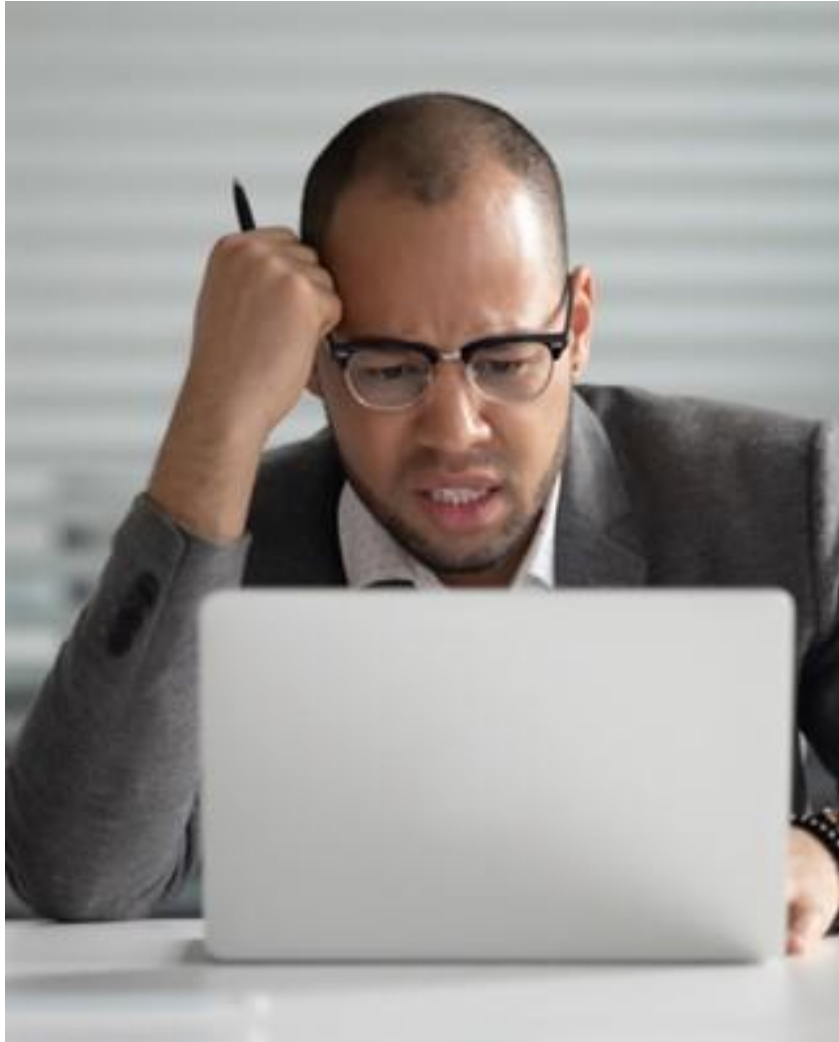
2. Availability heuristic:

- Estimating probabilities by how easy event is recalled, even ease of recall is also due to other factors.

3. Representativeness heuristic:

- Estimating the probability of something by its similarity to known others rather than by more precise statistics.
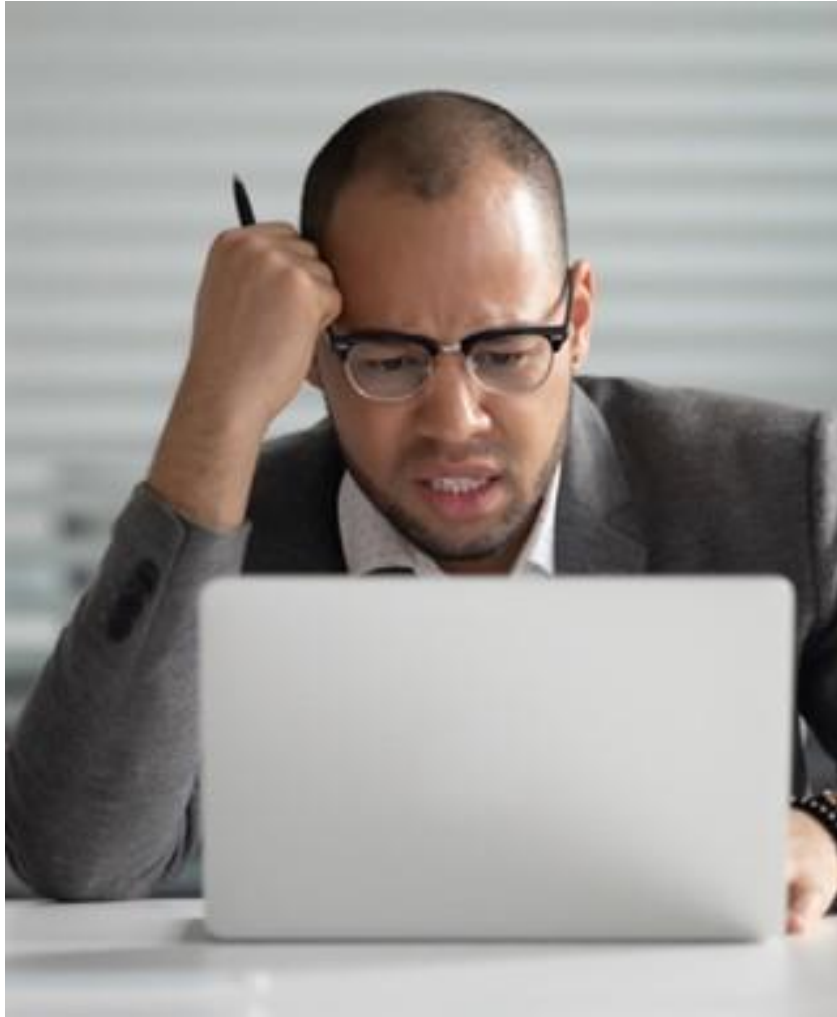
Problems with Maximization

Rational choice emphasizes maximization, choosing the highest value alternative.

Three human limitations:

1. People engage in satisficing: first "good enough" alternative.

2. People oversimplify the decision process.

3. People avoid making any decision when too many choices are presented.

Emotions and Making Choices

1. Emotions form preferences before conscious evaluation.

2. Moods and emotions affect the decision process.

3. Emotions serve as information in decisions.

Intuitive Decision Making

Ability to know when a problem or opportunity exists and to select the best course of action without conscious reasoning.

Intuition is an emotional experience:

- Gut feelings are emotional signals.
- Not all emotional signals are intuition.

Intuition includes rapid nonconscious analysis:

- Uses action scripts.

Making Choices More Effectively

1. Be more contemplative than decisive.

2. Use intuition only combined with logical analysis.

3. Revisit decisions later when emotions/moods have changed.

4. Use scenario planning.

Jonathan Evans/Photographer's Choice RF/Getty Images

Decision Evaluation Problems

Confirmation bias (postdecisional justification) – distorting information to favor the preference.

Escalation of commitment: repeating or further investing in an apparently bad decision.

Causes of escalation:

- Self-justification effect.
- Self-enhancement effect.
- Prospect theory effect.
- Sunk costs effect.

Improving Decision Evaluation

1. Change the decision maker.

2. Create a stop-loss.

3. Seek factual and social feedback.

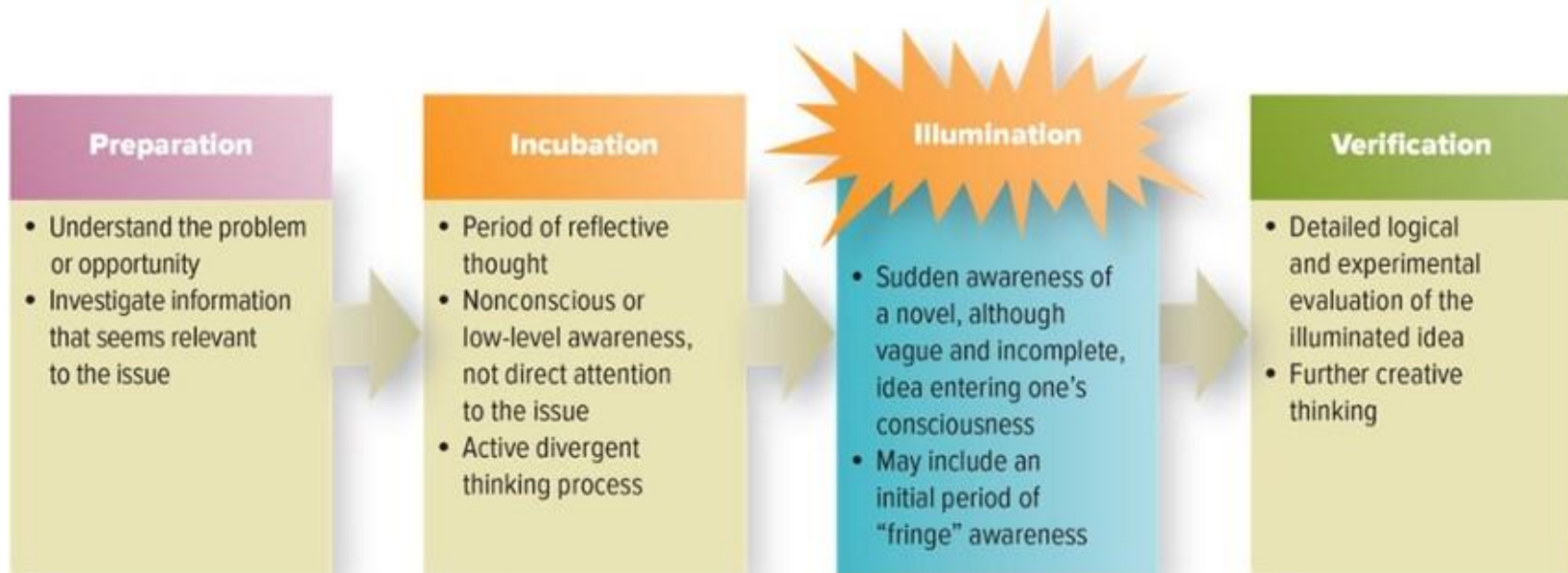4. Change the decision-maker's mindset.

Creative Process Model

Exhibit 6.4. The Creative Process Model

Characteristics of Creative People

Independent Imagination
- High openness to experience
- Moderately low need for affiliation
- Strong self-direction value
- Strong stimulation value

Cognitive and Practical Intelligence
- Ability to synthesize, analyze, and apply ideas
- Ability to evaluate potential usefulness of ideas

Characteristics of Creative People

Knowledge and Experience
- Prerequisite knowledge and experience
- Not locked into a fixed knowledge mindset

Persistence
- High need for achievement
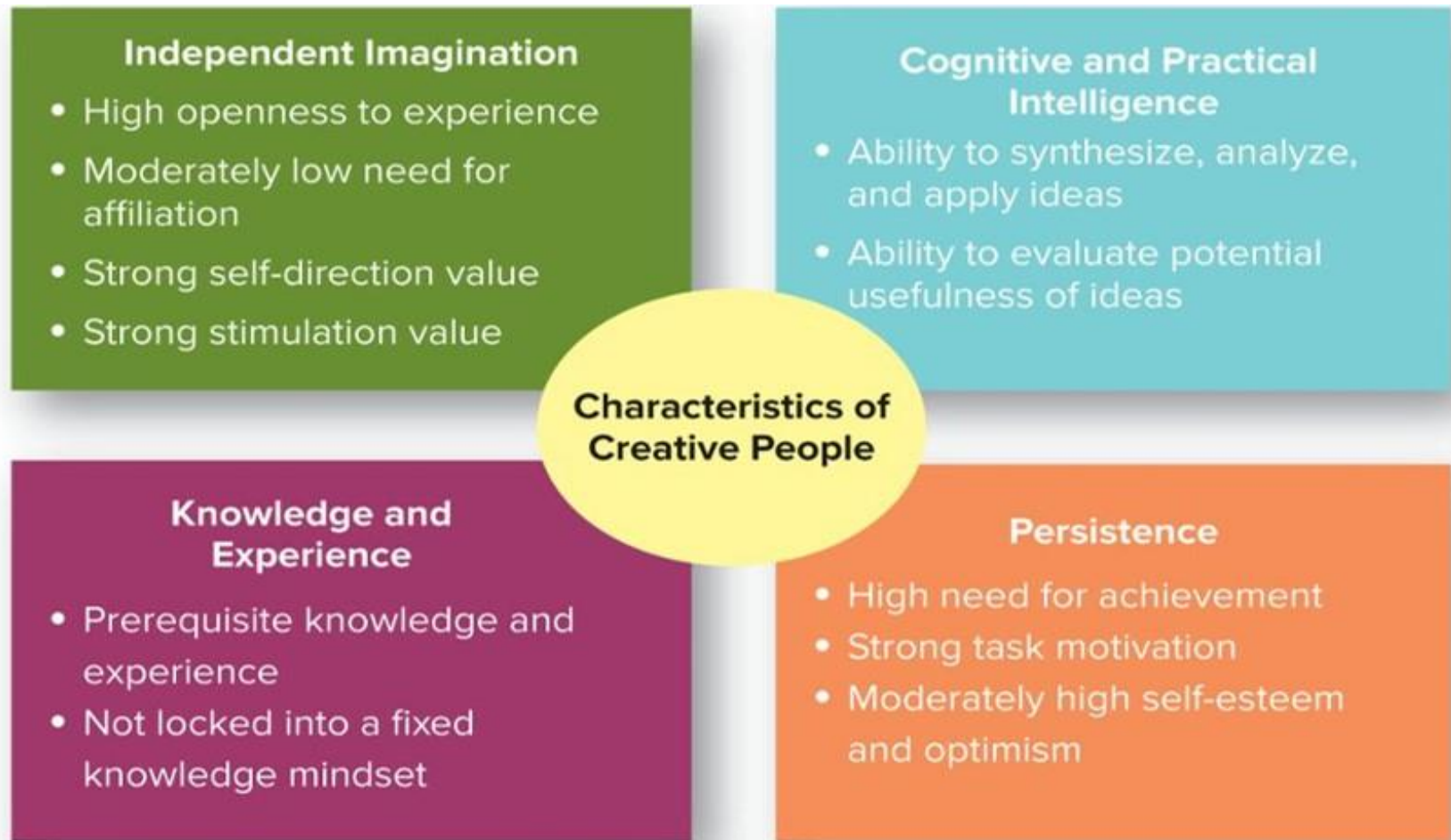- Strong task motivation
- Moderately high self-esteem and optimism

Exhibit 6.5 Characteristics of Creative People

Access the text alternative for slide images.

Creative Work Environments

1. Learning orientation.
2. Enriched jobs: autonomy, task significance.
3. Communication with coworkers.
4. Sufficient resources, job security.
5. Leader and coworker support (usually).

Olena Yakobchuk/Shutterstock
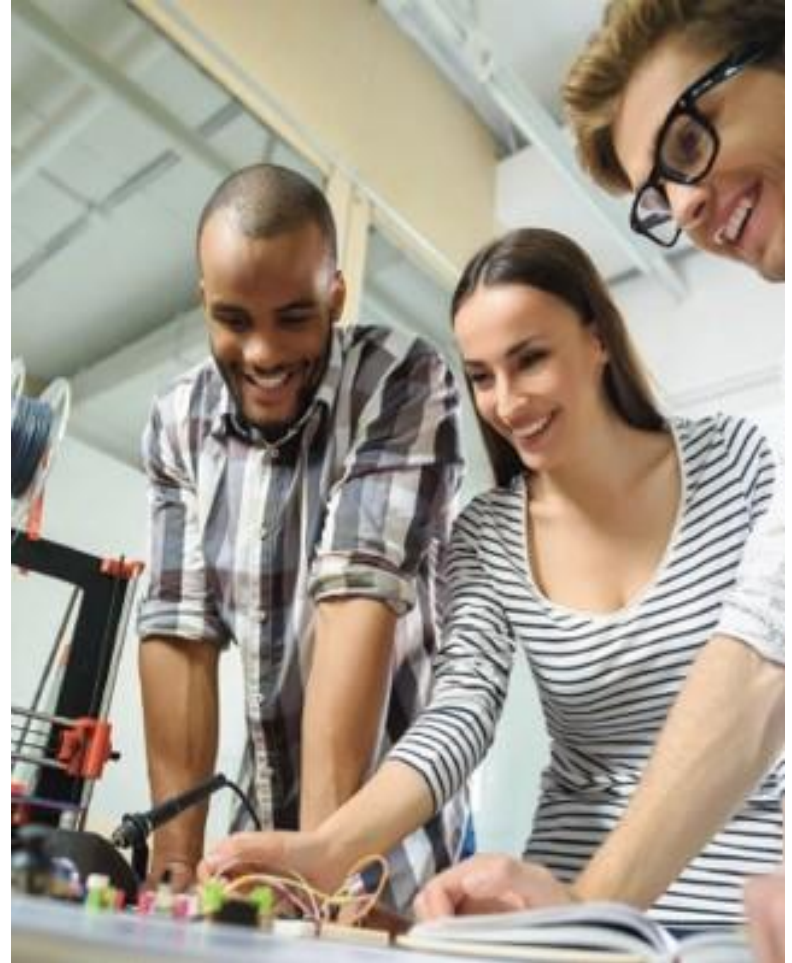
Creative Activities

Redefine the problem.

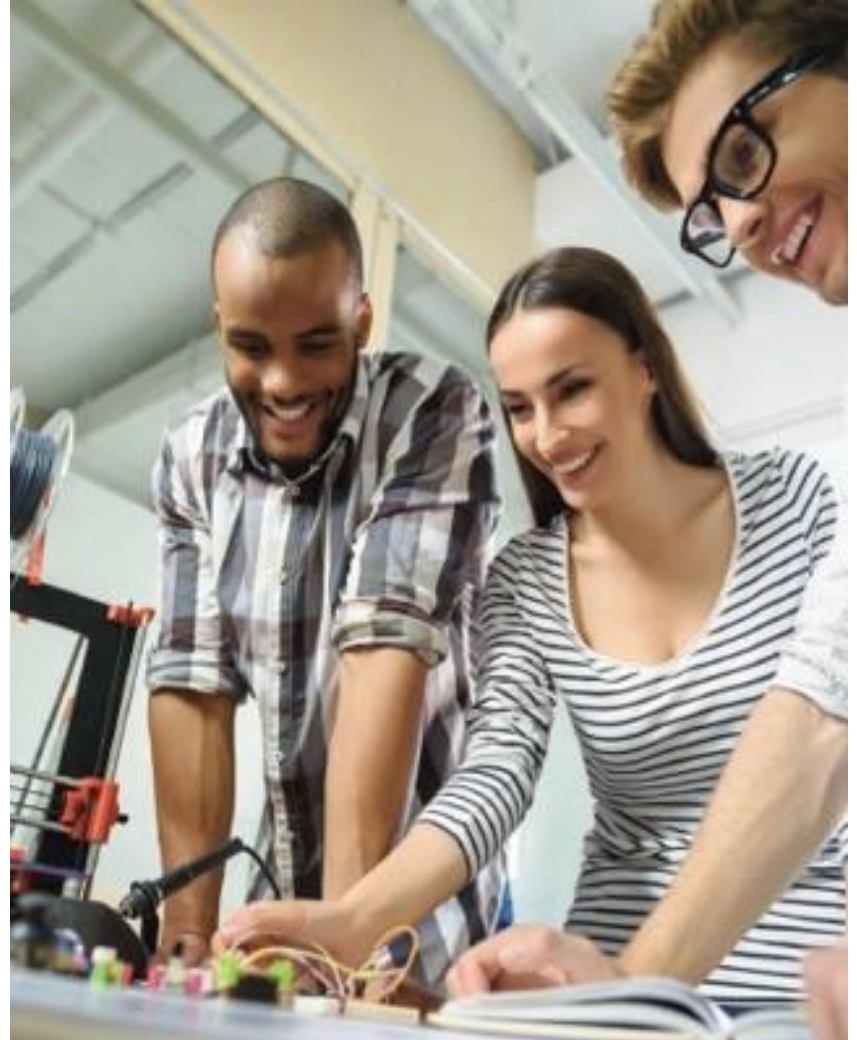- Revisit, involve others.

Associative play.

- Playful activities, creative challenges, morphological analysis.

Cross-pollination.

- Exchange ideas across the firm.

Design thinking.

- Human-centered, solution-focused creative process.

Olena Yakobchuk/Shutterstock

Design Thinking

Human-centered, solution-focused process relies on creative thinking, logical analysis, empathy, and intuition.

Four design-thinking rules:

1. Human rule involves others.

2. Ambiguity rule avoids problem identification too soon.

3. Re-design rule considers past solutions, future possibilities.

4. Tangible rule builds prototypes, embrace learning orientation.

Employee Involvement

Employees participate in and influence decisions about their jobs, work units, or organization.

Several levels of involvement.

- Low: People individually asked for specific information, but the problem is not described.

- Medium low: Problem is described, employees are asked for information.

- Medium high: Problem is described, employees collectively develop recommendations.

- High: Employees identify problem, discover alternatives, choose the best alternative, and implement their choice.
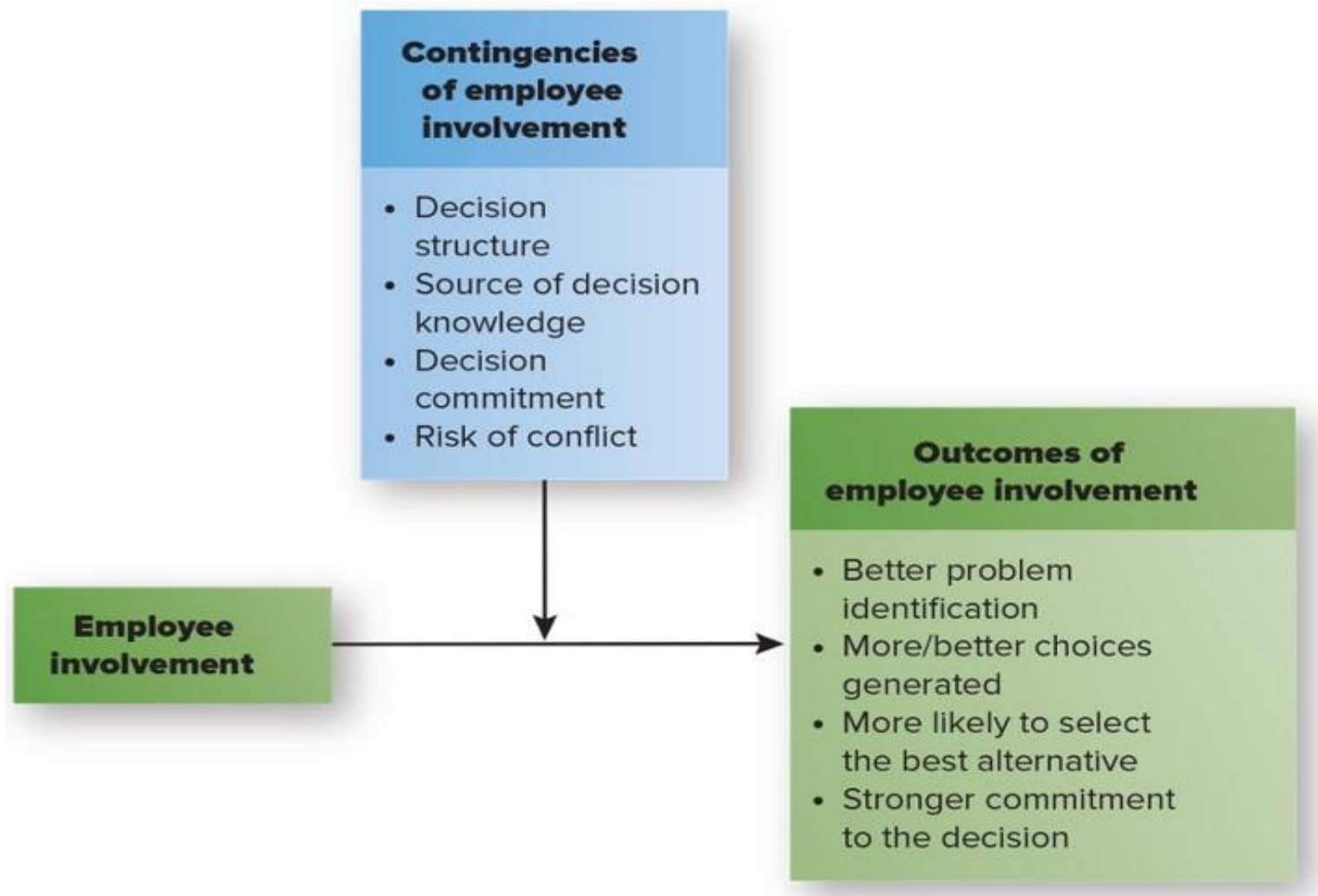
Employee Involvement Model

Contingencies of employee involvement

- Decision structure
- Source of decision knowledge
- Decision commitment
- Risk of conflict

Employee involvement

Outcomes of employee involvement

- Better problem identification
- More/better choices generated
- More likely to select the best alternative
- Stronger commitment to the decision

Exhibit 6.7 Model of Employee Involvement in Decision Making

Access the text alternative for slide images.

Contingencies of Involvement

Decision structure.

- Less involvement for programmed decisions.

Source of decision knowledge.

- More involvement when employees have useful knowledge.

Decision commitment.

- Commitment to decision increases with involvement.

Risk of conflict.

- Low involvement if employee goals and norms conflict with the organization's goals.

- Moderate or lower involvement when employees can't agree on preferred solution.

Because learning changes everything.®

www.mheducation.com