Decision making exercise

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Class Exercise

Work with your group to recommend a decision making approach for each of the four sample cases below. Please also list the names of the members of the group that contributed to the assignment.

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Different Methods for Making a Decision (Vroom’s Adaptation of Tannenbaum and Schmidt’s Taxonomy)

Decide

You make the decision alone and either announce or “sell” it to the group. You may use your expertise in collecting information that you deem relevant to the problem from the group or others.

Consult Individually

You present the problem to the group members individually, get their suggestions, and then make the decision.

Consult Group

You present the problem to the group members in a meeting, get their suggestions, and them make the decision.

Facilitate

You present the problem to the group in a meeting. You act as facilitator, defining the problem to be solved and the boundaries within which the decision must be made. Your objective is to get concurrence on a decision. Above all, you take care to ensure that your ideas are not given any greater weight than those of others simply because of your position.

Delegate

You permit the group to make the decision within prescribed limits. The group undertakes the identification and diagnosis of the problem, developing alternative procedures for solving it, and deciding on one or more alternative solutions. While you play no direct role in the group’s deliberations unless explicitly asked, your role is an important one behind the scenes, providing needed resources and encouragement.

Sample Cases

Setting: Banking:

Your Position: President and Chief Executive Officer

The bank examiners have just left, insisting that many of your commercial real estate loans be written off, thereby depleting already low capital. Along with many other banks in your region, your bank is in danger of being closed by the regulators. As the financial problems surfaced, many of the top executives left to pursue other interests, but fortunately, you were able to replace them with three highly competent younger managers. While they had no prior acquaintance with one another, each is a product of a fine training program with one of the money center banks in which they rotated through positions in each of the banking functions.

Your extensive experience in the industry leads you to the inevitable conclusion that the only hope is a two- pronged approach involving reduction of all but the most critical expenses and the sale of assets to other banks. The task must be accomplished quickly since further deterioration of the quality of the loan portfolio could result in a negative capital position forcing regulators to close the bank.

The strategy is clear to you, but you have many details that will need to be worked out. You believe that you know what information will be needed in order to get the bank on a course for future prosperity. You are fortunate in having three young executives to help you out. While they have little or no experience working together you know that each is dedicated to the survival of the bank. Like you, they know what needs to be done and how to do it.

Decision-Making Approach: **Decide**

The approach would be decide because of several factors. The president currently has extensive experience in the banking industry and was probably exposed to various problems and solutions. Because of this, he may have a deep understanding of the current situation and know how to resolve the situation. Second is due to the urgency of the situation where he would need to take immediate action to stabilize the bank’s current situation. The president can work with the new young managers to figure out what is deemed relevant but also use his own expertise to resolve the situation.

Setting: Repertory Theater

Your Position: Executive Director

You are the executive director of a repertory theater affiliated with a major university. You are responsible for both financial and artistic direction of the theater. While you recognize that both of these responsibilities are important, you have focused your efforts where your own talents lie – on insuring the highest level of artistic quality to the theatre’s productions. Reporting to you is a group of four department heads responsible for production, marketing, development, and administrations, along with an assistant dean who is responsible for the actors who are also students in the university.

Last week you received a comprehensive report from an independent consulting firm commissioned to examine the financial health of the theater. You were shocked by the major conclusion of the report. *“The expenses of operating the theater have been growing much more rapidly than income, and by year’s end the theater will be operating in the red. Unless expenses can be reduced, the surplus will be consumed, and within five years the theatre might have to be closed.”*

You have distributed your report to your staff and are surprised at the variety of reactions that it has produced. Some dispute the report’s conclusions criticizing its assumptions or methods. Others are more shaken, but even they seem divided about what steps ought to be taken and when. None of them or, in fact, anyone connected with the theater would want it to close. It has a long and important tradition both in the university and in its surrounding community.

Decision Making Approach: **Facilitate**

As an Executive Director, based on the problem statement and the situation described the best way to approach this would be to “Facilitate” a decision-making meeting with all the team members.

The fact that everyone knows what the problem is since the report was distributed to all the team members and there was no consensus between them as to how we should approach this problem, it would be good to have a sit-down session and listen to everyone’s opinions on this. All the team members are highly committed to the theatre and its well doing and each of the heads of departments are experts in their own field/department, which should help in coming to an amicable solution. Each person could provide their opinions and come up with alternative solutions if they do not agree with the report’s solution.

Setting: Auto Parts Manufacturer Your Position: Country Manager

Your firm has just acquired a small manufacturer of spare auto parts in Southeast Asia. The recent collapse in the economies in this region made values very attractive. Your senior management decided to acquire a foothold in this region. It was less interested in the particular acquired firm, which produces parts for the local market, than it was in using it as a base from which to produce parts at reduced cost for the worldwide market.

When you arrived at your new assignment two weeks ago, you were somewhat surprised by less than enthusiastic reception that you received from the current management. You attribute the obvious strain in working relations not only to linguistic and cultural differences, but also to a deep-seated resentment to their new foreign owners. Your top management teams seems to get along very well with one another, but the atmosphere changes when you step into the room.

Nonetheless, you will need their help in navigating your way through this unfamiliar environment. Your immediate need is to develop a plan for land acquisition on which to construct new manufacturing and warehouse facilities. You and your administrative assistant, who accompanied you from your previous assignment should be able to carry out the plan, but its development would be hazardous without local knowledge.

Decision making approach: **Consult group.**

As a country manager, the decision for land acquisition for future development has long term impacts to the organization. After careful consideration, the “Consult Group” approach would be the most appropriate. Selecting the appropriate land is critical for long term success of the organization. The land will hold a new manufacturing and warehouse facilities that will support the organization’s goal to produce parts at a reduced cost. The investment is important as it will help the organization reduce its overall costs and increase its competitive advantage globally. The action impacts your organization global footprint and supply chain.

Moreover, the decision will be costly as land purchases are not immaterial costs to a firm. Therefore, the decision quality must be high as there too many consequences. A quick decision cannot be taken individually.

Buy-in from the team is crucial for the success of this purchase, since you lack expertise and local knowledge. Real estate investments require a lot of knowledge on the local market to make a quality decision. Factors to be considered in this decision would be the attractiveness of the location. For example, you should consider how far the land will be from raw material suppliers, distribution centers, export hubs, etc. If the land is far from these points, it increases the future logistic costs for moving material and products to and from suppliers and customers decreasing the goal of reducing the organizations manufacturing costs.

Furthermore, there are linguistic and cultural differences that may impact the navigation of the real estate process. Cooperation from the local team in navigating the purchase is critical.

Unfortunately, the reception of the new management is perceived as negative with resent and disapproval. It is assumed that the takeover of the local firm and the linguistic/cultural differences attribute to the tension between your new role and the local team. Therefore, it would be ill received if you take the decision without any input from the team. It is not recommended to take the decision individually. On the positive, the local team signal strong ties and collaborative disposition. Taking a Group Consult approach would leverage the expertise of the group filling your knowledge gaps, meanwhile attempt to initiate some buy-in into the decision. Furthermore, due to the tension, it signals that team are not as committed to the new organization’s goals and little stake; they are more committed to local team and previous organization's structure which could become a risk during facilitation. You do have support from your assistant and not as concerned with your execution once a decision is taken. Therefore, you must make the development plans and take the decision once you receive the insights through consultation of the group.

Setting: Manufacturer of Internal Combustion Engines

Your Position: Project Manager

Your firm has received a contract from one of the world’s largest automobile manufacturers to produce an engine to power their “flagship” sports car. The engine is of Japanese design and is very complex not only by American but by world standards. As project manager, you have been involved in this venture from the outset, and you and your team of engineers have taken pride at the rave reviews the engine has received in the automotive press. Your firm had previously been known as a producer of outboard engines for marine use, and its images is now greatly enhanced as the manufacturer of the power plant of one of the world’s fastest sports cars.

Your excitement at being a part of this project was dashed by a report of serous engine problems in cars delivered to customers. Seventeen owners of cars produced in the first month have experienced engine seizures – a circumstance which has caused the manufacturer to suspend sales, to put a halt to current production, and to notify owners of this year’s production not to drive their cars! Needless to say, this situation is a disaster and unless solved immediately could expose your firm to extended litigation as well as terminate what had been a mutually beneficial relationship. As the person most informed about the engine, you have spent the last two weeks on the road inspecting several of the seized engines, the plant in which they are installed, and reviewing the practices in your own company’s plan in which the engine is manufactured. As a result of this research, you have become convinced that the problem is due to operation of the engine at very high RPM’s before it has warmed up to develop sufficient oil pressure. The solution would be to install an electronic control-limiting engine RPS’s until the engine has reached normal operating temperature.

Decision-Making Approach: **Decide**

In this case, we have a very urgent and pressing matter at hand. The best approach would be the Decide (Individual) decision making approach. With multiple cars halting and experiencing engine failures, the litigation as mentioned before would have a huge potential impact on the company. As the project manager, we are responsible for making the decision alone using our experience and knowledge of this project, gather relevant information, and “sell” it to the group. By individual analysis and assessment, as a PM we can gain more insights of the engineers and other stakeholders, regardless of the approach as a solution we see which is to install an electronic control-limiting engine RPS.

One of the best ways to do this is to schedule a meeting with all the relevant group members, including engineers, production managers, quality assurance personnel, and all other stakeholders. To start off, the first thing that would need to be done is to present the problem of engine seizures caused by high RPM operation due to the engine not heating up properly. The whole point of this would be to announce the decision and sell the expected benefits from taking this measure.

It’s important to follow up with the group to make sure that all the necessary steps are taken to implement the solution and make sure that no issues arise while it is being implemented and that clear instructions and next steps are provided. By using the "Decide” approach, we can address issues directly and follow the solution closely to make sure that it is being done correctly and efficiently.

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