

Decision Making

OSPM 14; 14-10-2020;09:00AM

	Mostly True	Mostly False
1. I like to decide quickly and move on to the next thing.	_____	_____
2. I would use my authority to make a decision if I'm certain I am right.	_____	_____
3. I appreciate decisiveness.	_____	_____
4. There is usually one correct solution to a problem.	_____	_____
5. I identify everyone who needs to be involved in the decision.	_____	_____
6. I explicitly seek conflicting perspectives.	_____	_____
7. I use discussion strategies to reach a solution.	_____	_____
8. I look for different meanings when faced with a great deal of data.	_____	_____
9. I take time to reason things through and use systematic logic.	_____	_____

SCORING AND INTERPRETATION: All nine items in the list reflect appropriate decision-making behavior, but items 1–4 are more typical of new managers. Items 5–8 are typical of successful senior-manager decision making. Item 9 is considered part of good decision making at all levels. If you checked Mostly True for three or four of items 1–4 and 9, consider yourself typical of a new manager. If you checked Mostly True for three or four of items 5–8 and 9, you are using behavior consistent with top managers. If you checked a similar number of both sets of items, your behavior is probably flexible and balanced.

A decision is a choice made from available alternatives.

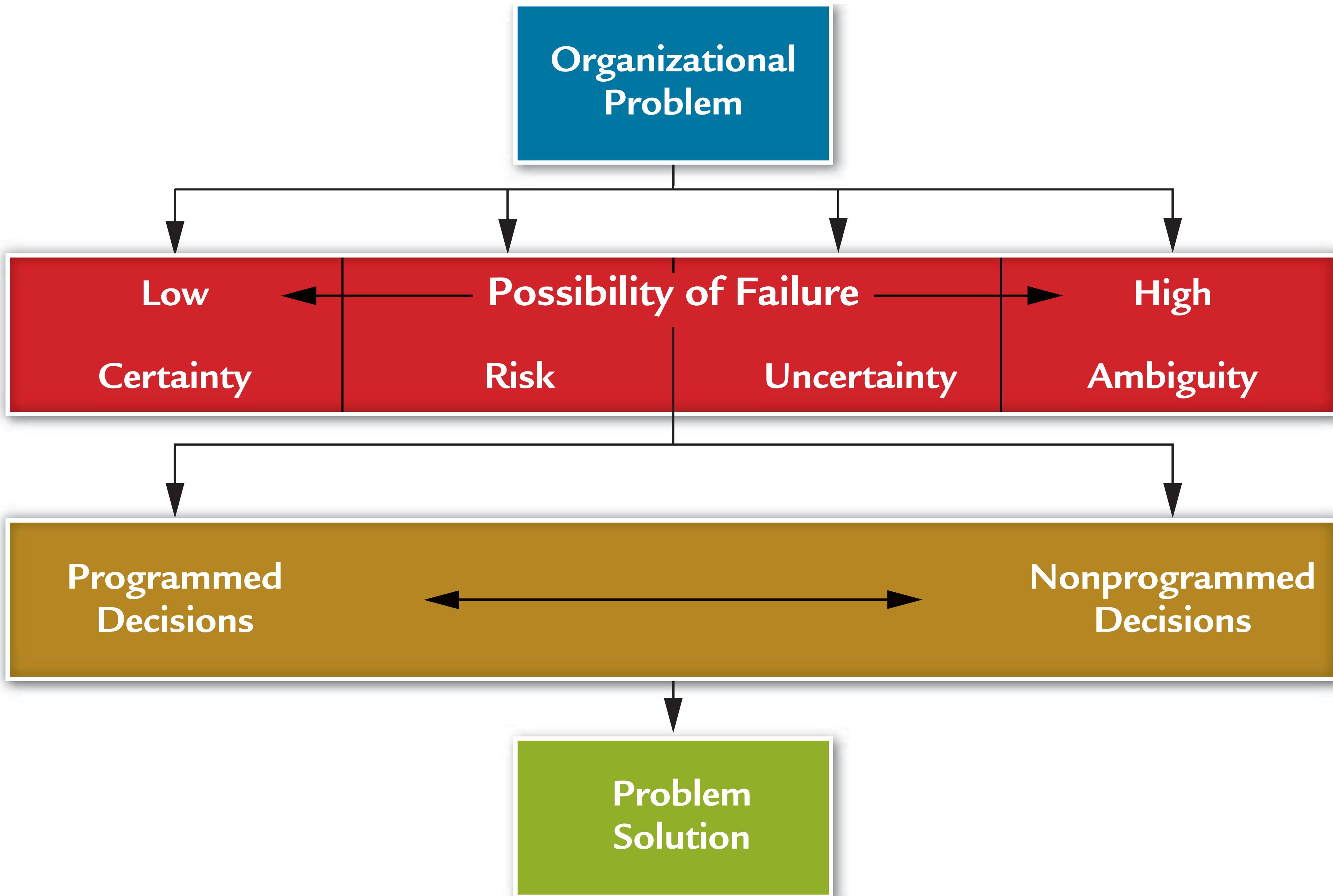
Decision making is the process of identifying problems and opportunities and then resolving them.

Programmed decisions involve situations that have occurred often enough to enable decision rules to be developed and applied in the future.



Having filled in for Steve Jobs during three medical leaves, COO Tim Cook was ready and able to take the helm of Apple when Jobs had to step down shortly before his death in 2011. The choice of Cook as the new CEO was a **nonprogrammed decision** that had been made well in advance, giving Cook some time to prepare for a seamless transition to his new role. Since then, investors, employees, and customers alike seem impressed with his abilities and generally happy with his performance.

Nonprogrammed decisions are made in response to situations that are unique, are poorly defined and largely unstructured, and have important consequences for the organization



Classical Model

- The decision maker operates to accomplish goals that are known and agreed on. Problems are precisely formulated and defined.
- The decision maker strives for conditions of certainty, gathering complete information. All alternatives and the potential results of each are calculated.
- Criteria for evaluating alternatives are known. The decision maker selects the alternative that will maximize the economic return to the organization.
- The decision maker is rational and uses logic to assign values, order preferences, evaluate alternatives, and make the decision that will maximize the attainment of organizational goals.

Administrative

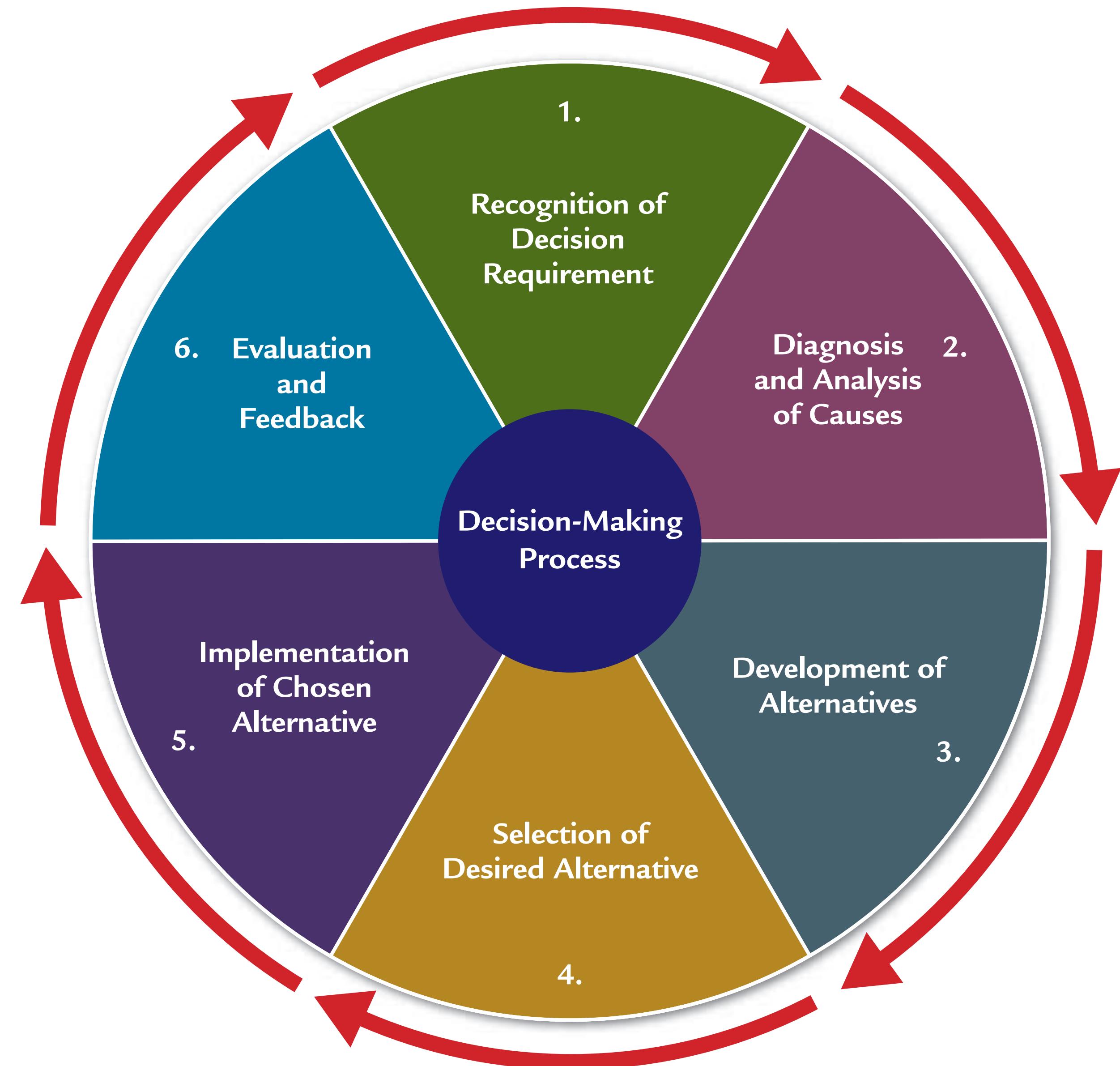
Decision goals often are vague, conflicting, and lack consensus among managers. Managers often are unaware of problems or opportunities that exist in the organization.

Rational procedures are not always used, and, when they are, they are confined to a simplistic view of the problem that does not capture the complexity of real organizational events.

Managers' searches for alternatives are limited because of human, information, and resource constraints.

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Classical Model	Administrative Model	Political Model
Clear-cut problem and goals	Vague problem and goals	Pluralistic; conflicting goals
Condition of certainty	Condition of uncertainty	Condition of uncertainty or ambiguity
Full information about alternatives and their outcomes	Limited information about alternatives and their outcomes	Inconsistent viewpoints; ambiguous information
Rational choice by individual for maximizing outcomes	Satisficing choice for resolving problem using intuition	Bargaining and discussion among coalition members

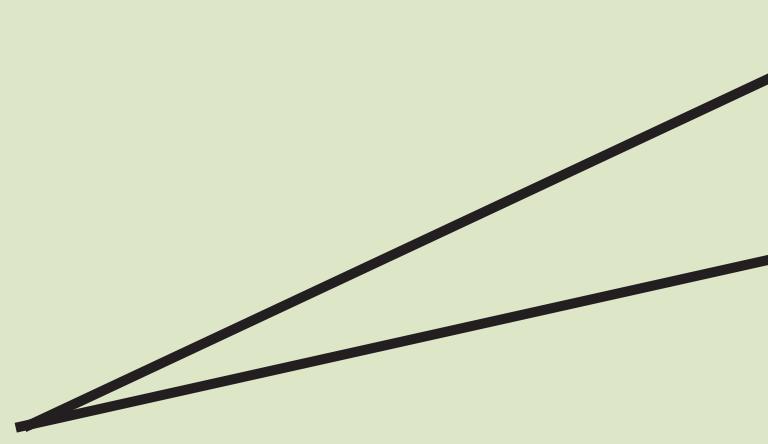


The Problem

- What is the state of disequilibrium affecting us?
- When did it occur?
- Where did it occur?
- How did it occur?
- To whom did it occur?
- What is the urgency of the problem?
- What is the interconnectedness of events?
- What result came from which activity?⁴⁴

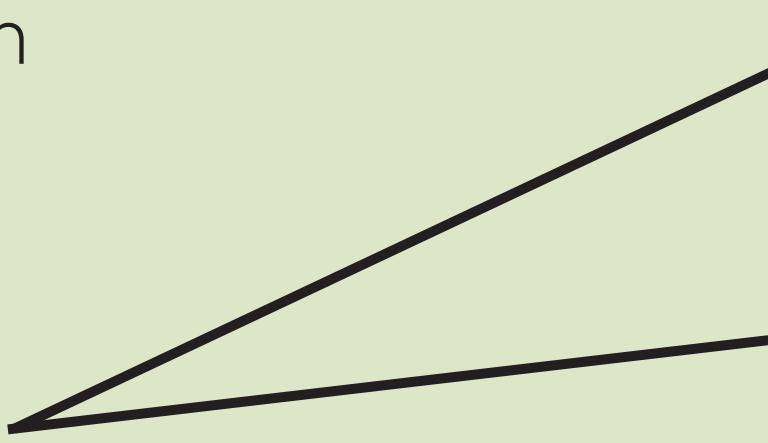
In each of the following situations, which alternative would you choose?

You're the coach of a college football team, and in the final seconds of a game with the team's archrival, you face a choice:



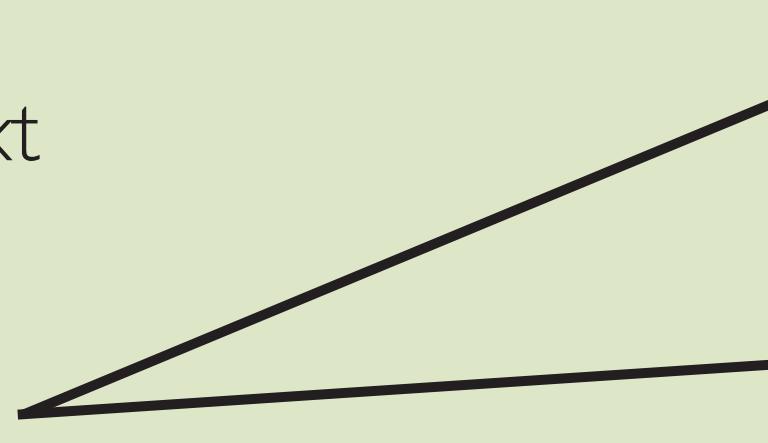
1. Choose a play that has a 95 percent chance of producing a tie score; OR
2. Go for a play that has a 30 percent chance of victory but will lead to certain defeat if it fails.

As president of a Canadian manufacturing company, you face a decision about building a new factory. You can:



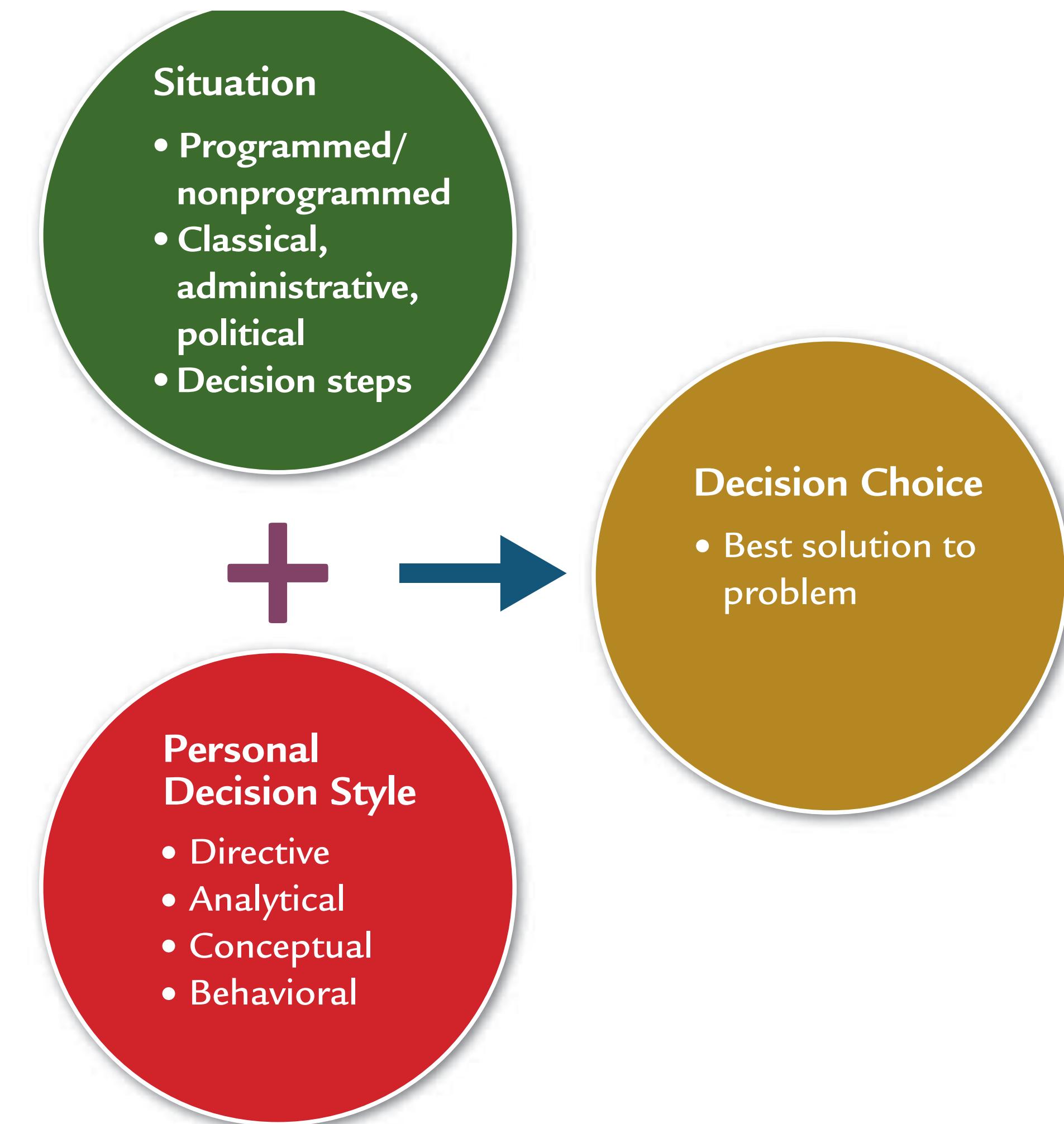
1. Build a plant in Canada that has a 90 percent chance of producing a modest return on investment; OR
2. Build a plant in a foreign country that has an unstable political history. This alternative has a 40 percent chance of failing, but the returns will be enormous if it succeeds.

It's your senior year, and it is time to decide your next move. Here are the alternatives you're considering:



1. Go to medical school and become a physician, a career in which you are 80 percent likely to succeed; OR
2. Follow your dreams and be an actor, even though the opportunity for success is only around 20 percent.

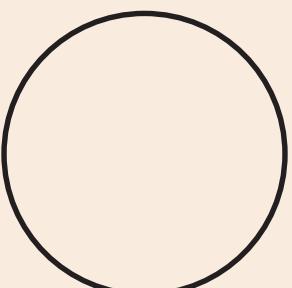
Personal Decision Framework



Do Biases Influence Your Decision Making?

All of us have biases, but most of us have a hard time seeing our own. What biases influence your decisions and solutions to problems? Answer the following questions to get an idea of the difficulties and mistakes that likely await you as a new manager.

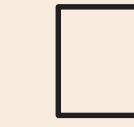
1. A piece of paper is folded in half, in half again, etc. After 100 folds, how thick will it be? Take your best guess: _____. I am 90 percent sure that the correct answer lies between _____ and _____.
2. Which figure below is most different from the others?



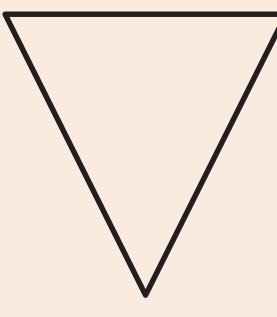
(a)



(b)



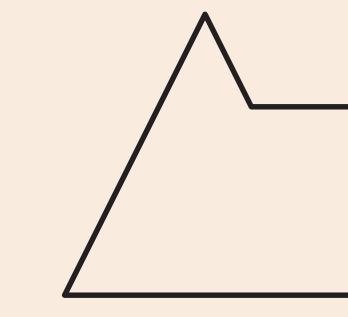
(c)



(d)



(e)



(f)

3. As owner and CEO of your company, you decided to invest \$100 million to build pilotless drones that cannot be detected by enemy radar. When the project is 90 percent complete, a competing firm begins marketing a completed drone that cannot be detected by radar. In addition, their drone is much faster, smaller, cheaper, and more sophisticated than the drone that your company is developing. The question is: Should you invest the

last 10 percent of the research funds to finish your drone? Check one of the following answers.

_____ No; there is no reason to continue spending money on the project.

_____ Yes; after investing \$90 million, we might as well finish the project.

4. Give a quick (five-second) estimate of the following product without actually calculating it:

$$8 \times 7 \times 6 \times 5 \times 4 \times 3 \times 2 \times 1 = _____.$$

5. Robert is envious, stubborn, critical, impulsive, industrious, and intelligent. In general, how emotional do you think Robert is? (Circle one number.)

Not emotional
at all 1 2 3 4 5 6 7 8 9 Extremely
emotional

6. Which would you choose between the two alternatives below?

_____ Alternative A: A 50 percent chance of gaining \$1,000

_____ Alternative B: A sure gain of \$500

Which would you choose between the two alternatives below?

_____ Alternative C: A 50 percent chance of losing \$1,000

_____ Alternative D: A sure loss of \$500

After you have specified an answer to each problem, you will find the answers and a description of the potential related bias on page 313.

Sources: Questions 1 and 3–6 are from research studies reviewed in Scott Plous, *The Psychology of Judgment and Decision Making* (Philadelphia: Temple University Press, 1993); question 2 is based on an item in the *Creativity in Action Newsletter*, as reported in Arthur B. VanGundy, *Idea Power: Techniques & Resources to Unleash the Creativity in Your Organization* (New York: AMACOM, 1992).

Do it yourself