
Optimizing Decision Making and Avoiding Pitfalls

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Each day we make hundreds of decisions. What should I eat for breakfast? Which way should I drive to work? Should I hire another employee? Whether simple or complex, private or public, decisions are an essential part of all areas of our lives. When you understand the inherent psychological, social and emotional components of a smart decision, you can examine errors that you might have made in past decisions and avoid potential future mistakes.

Making a good decision or avoiding a bad one is not a chance act; it is a skill that can be learned, developed and even perfected. This chapter suggests that bad decisions are usually made because of a poor decision making process. It is our contention that the decision making process can be enhanced by controlling personal biases, gathering pertinent information and using intuition appropriately.

In this chapter we will explore how individuals, groups and organizations make effective decisions. Further, we will offer you tips and techniques to enhance the effectiveness of your own decision making efforts.

What are some famous decision making blunders?

You are probably reading this chapter because you either just made a bad decision or you want to avoid making a bad decision. You are not alone. Professionals all around the world have made mistakes in their decision making. For example, let's consider the 1996 Mount Everest Tragedy. As Dr Michael Roberto (2009) notes, this tragedy occurred when two expedition teams got caught in a storm, high on the mountain, on May 10–11, 1996. Both expedition team leaders, as well as three team members, died during the storm. Despite knowing all the risks and preparing thoroughly for the trip, the two leaders obviously made grave errors. These errors were caused namely by the cognitive biases of overconfidence, the sunk-cost effect, and the recency effect (all of which will be explained in detail later in the chapter).

Another example of a horrible error in judgment occurred in 1986, when NASA decided to launch the Challenger space shuttle despite engineers' concerns about possible O-ring erosion due to cold temperatures on the morning of the launch. How could such intelligent people ignore such prudent advice? Finally, why did Coca-Cola's CEO, Roberto Goizueta, decide to introduce New Coke to the world in 1985, when their current formula was an obvious hit with the public?

One more blunder occurred in 1961, when President Kennedy decided to invade Cuba in the Bay of Pigs fiasco. With hopes of overthrowing Cuban communist dictator Fidel Castro, Kennedy asked the Joint Chiefs of Staff to look at the plan proposed by the CIA. They concluded that it could work, but only with certain caveats. The CIA argued that the time was right to invade. The process went wrong because there was no candid dialogue, and debate did not take place in the meetings between the CIA, the President and his staff. The group spent most of its time tweaking the proposal rather than analyzing other options. Groupthink (also discussed later in this chapter) was the major downfall. In other words, the group felt it could do no wrong. The result of the invasion included a significant loss of life, a tarnished United States reputation and it may have led to the Soviets putting missiles in Cuba the following year. The above-mentioned scenarios demonstrate that bad decisions are made even by experienced, intelligent professionals and are not limited to the everyday layperson.

What are some common decision making myths?

According to Professor Michael Roberto, there are five distinct myths about how decisions are made in organizations. By identifying these myths, we can improve our decision-making capabilities.

Myth #1: The chief executive decides.

Reality: Strategic decision making entails simultaneous activity by people at multiple levels of the organization (refer to chapter five for more on strategy). We can't always blame or credit the head executive for all the decisions.

Myth #2: Decisions are made in the conference room.

Reality: Much of the real work occurs off-line, in small groups or in one-on-one conversations. Usually, formal meetings are used to simply approve decisions that have already been made.

Myth #3: Decisions are largely intellectual exercises.

Reality: High-stakes decisions are complex emotional, social and political processes.

Myth #4: Managers analyze and then decide.

Reality: Strategic decisions occur in a non-linear fashion, with solutions often arising before managers define problems or look at other alternatives.

Myth #5: Managers decide and then act.

Reality: Strategic decisions often evolve over time and proceed through a repetitive process of choice and action.

There are several ways to make a decision. Although some issues may seem complex and confusing, the process below is one that will help make the decision-making process a little bit easier.

What should we do about risk in decision making?

With all decisions comes some level of risk. Risk exists when the outcome of a chosen course of action is not certain. Keep in mind that *some risk is okay*. A decision wouldn't

be a decision without it. In life (and in business) there are low risk takers and high risk takers. There are benefits and drawbacks to both styles of decision making.

While low risk takers may collect and evaluate more information, trying to obtain and consider too much information may also paralyze them. High risk takers, on the other hand, do not waste time agonizing over small details. But on the flip side, they may make their decisions based on too little information. As a decision maker, you should evaluate your current risk-taking profile. It is virtually impossible to know all of the information there is to know. At some point, there needs to be a level of information that is good enough. This point will differ by individual based on risk tolerance. Are you a person who jumps into things head first? Or are you someone who gets caught up in the details and ends up always making the safest decision?

Believe it or not, there is a happy-medium. Some risk is a good thing, and that is where you should strive to be. Look at the average performance level of others. Where do you stand in comparison to them? Is everyone around you taking more decision-making risks than you? Or are you the one always making the high-risk/high-reward decisions? As a decision-maker, your optimum level should probably be right in the middle, making educated, researched decisions that do in fact have some associated risk.

Why do we make bad decisions?

According to Dr Michael Roberto, decisions are complex emotional, social and political processes that often evolve over time. Sometimes we think too deeply, ignore our intuition, or make biased judgments that can lead to errors in the decision making process.

COGNITIVE BIASES

A cognitive bias is a distortion in the way we perceive reality a trap that affects us all as we try to make decisions. In other words, we do not examine all options and often take shortcuts when we make choices. What makes cognitive biases unique is that they are predictable and consistent, fooling you over and over again. There are several biases to which decision makers fall victim. Below is a description of some of the more common biases and how to avoid them.

- *Ease of Recall/Recency Effect*: The ease of recall/recency effect occurs when decision-makers rely too much on information that is easy to recall from recent memory.
 - Example: When doing a yearly evaluation of an employee, a manager usually recalls the last few months prior to the evaluation much more easily than the employee's performance ten months prior. This can work for or against the person being reviewed.
 - How to Avoid the Ease of Recall/Recency Effect Bias: First, being aware of the problem in and of itself can help. Second, keep good notes. Whatever the situation may be, reviewing previous notes or records is a great way to analyze all information, not just the most recent. This will help you get the big picture and make the best decision possible.
- *Confirmation Bias*: According to the University of Southern California's Levan Institute (2010), people tend to look for information that will confirm their pre-existing views,

to interpret information in ways that support their own view and to selectively remember the information that supports their view.

- Example: Your organization is looking to put out a new product line. You've paid to have some market research done and the results are finally in. Some of the data indicates just what you had hoped, that your new product line is highly desired by the public. However, portions of the results suggest that some small changes may be necessary to appease the public. Despite the mixed findings, your company decides to launch the product as-is solely because they received some indication that their initial thoughts were correct.
- How to Avoid the Confirmation Bias: Write down all possible reasons why your decision (or original thought) might not be the best option. Think of as many alternatives as possible, even bringing in outside analysts to help objectively look at the situation. If you have data available, remind yourself to include all relevant information when making the decision.
- *Sunk-Cost Bias*: The more we invest in something (financially, emotionally or otherwise), the harder it is to give up that investment. This leads to making poor decisions based on invested capital. Psychologists believe this is because we are unwilling, consciously or unconsciously, to admit to a mistake.
 - Example: You are serving on a hiring committee and looking to bring in a high-ranking employee to your organization. You fight very hard for one candidate, and even convince the rest of the committee to give him the signing bonus that he requested. As time goes on, the new employee struggles and is even costing the company money. Since you are his direct superior, you are responsible for reprimanding, disciplining or firing him. Because you put so much effort (and money) in the hiring of this employee, you keep him on board just so you don't look like you made a bad recommendation to hire him and spent all that money up front for nothing.
 - How to Avoid the Sunk-Cost Bias: Stop spending resources (time and money) on a bad move and cut your losses immediately. Quickly admit your mistakes—in fact, be proud of them and of the fact that you were able to cut off a problem before it became that much worse. Try to detach yourself emotionally from your past decisions. Finally, always be mindful of long-term objectives.
- *Anchoring Bias*: Per Robbins and Coulter (2008), the anchoring bias involves putting too much emphasis on the first piece of information encountered and failing to adjust for subsequent information.
 - Example: A person buying a used car may focus excessively on the odometer reading and model year of the car, and may subsequently use those criteria as a basis for evaluating the value of the car, rather than considering how well the engine or the transmission has been maintained.
 - How to Avoid the Anchoring Bias: Make a physical list of your thoughts or statistics regarding the decision. Do not rank the list and make sure all aspects of the decision are considered. This will allow you to assess all information equally. In fact, if you have time, take a day or so away from the decision and come back to the list you made. Your initial anchor may disappear when you step away from the issue for a bit.

- *Bandwagon Effect*: The bandwagon effect occurs when people do and believe things merely because many other people do and believe the same things, regardless of underlying evidence.
 - Example: Your company is thinking about buying out a smaller, rival company and all of its factories. All of your fellow executive staff members think it is a great idea because it will not only eliminate a competitor, but it will also increase product reach to markets in which you hadn't had a presence before. Privately, you have misgivings about the deal because you aren't sure your company can handle all of the overhead costs. But, because all of your co-workers and fellow managers believe it is a fantastic idea, you decide that they must be right and you must be wrong. Therefore, you go along with the deal, despite your initial trepidation.
 - How to Avoid the Bandwagon Effect: Have confidence in yourself and your initial feelings. Any decision requires thorough research and should never be made just because several people like the idea. If you are afraid to speak up about your doubts or even suggest alternatives, perhaps approach a co-worker or superior individually. This will help you avoid any potential groupthink that may arise in a group setting. Your co-workers will appreciate the thought and effort you put in, especially if you save the organization from making a grave error.
- *Framing Effect*: People's decisions are altered when the same option is presented in different contexts or formats.
 - Example: Faced with a decision between two packages of ground beef, one labeled 80% lean, the other 20% fat; which would you choose? Based on the work of Miller (2006), the meat is exactly the same, but most people would pick 80% lean because of an emotional reaction to the word "lean" versus the word "fat."
 - How to Avoid the Framing Effect: It is important to remind yourself that information is often presented in a way solely to trigger an emotional reaction. If, for example, you are reading a proposal, be aware that the person who wrote it had a vested interest in getting it accepted. They may frame all of their data to trigger a positive emotion in the reader. Do your best not to be fooled. Look at the data for what it is. Even if it means writing down statistics, facts or thoughts separate from the original format to be sure you are analyzing them independently.
- *Overconfidence Bias*: From the writing of Robbins and Coulter, overconfidence bias occurs when decision makers hold unrealistically positive views of themselves and their products or performance.
 - Example: Product A has been selling like hotcakes after a strong marketing campaign. It is time to decide how much of Product A to manufacture for the next sales period. Without looking at any hard data you decide to double the quantity, solely going on the fantastic sales from last quarter. Unfortunately, you are way off the mark and the market has cooled off. Apparently, your product was just a fad and now you are stuck with thousands of units of Product A on your warehouse shelves.
 - How to Avoid the Overconfidence Bias: Find someone who can act as your voice of reason. Present them with all the relevant facts and data and allow them to give their unbiased opinion. Also, be cognizant of your optimism. While it's great to think positively, make sure thinking positively doesn't outweigh reality.

With decision making biases, half the battle is knowing they exist. The fact that you are aware that these pitfalls are out there will help you make better decisions if you actively look for and respond appropriately to your own biases.

What is the role of intuition?

Intuition is a process dominated by your subconscious mind which somehow finds links between your current situation and various patterns of your past experiences. This subconscious activation is often experienced as a gut feeling. In many cases, your gut feeling is correct. Unfortunately, it doesn't ring true for all cases and we may not trust our intuition merely because we've been trained not to.

When we use our intuition, we do not evaluate a whole set of alternatives. Instead, we assess a situation and instinctively spot certain cues. From these cues we recognize patterns based on our past experiences. We then subconsciously match the current situation to these past patterns. Intuition becomes a major problem when you solely rely on your instincts and ignore or fail to seek additional information. Our subconscious mind isn't correct 100% of the time. Sometimes, it does not make the right match to past situations. Therefore, we draw the wrong lessons from those perceived parallel situations and end up making poor decisions. Another issue with intuition is the fact that it's very hard to communicate our intuitive choices to our fellow employees. How can you explain the choice of your subconscious mind when your conscious mind doesn't even know why or how you made it?

Some jobs require employees to not only be experts about the information in their field but also to be able to act intuitively. Nurses and doctors use intuition all the time. For example, consider the case of a patient who is both showing and describing signs of a pulled or torn calf muscle. The doctor knows that the patient gets little exercise as they've talked about this in the past. However, having seen several similar cases in the past the doctor is able to recognize and compare the situations with a greater eye for detail. As it turns out, the pulled muscle is not a pulled muscle at all, but is a blood clot. The doctor had a feeling that such an inactive person could probably not pull their muscle that badly, so he ordered further tests. In this case, the doctor's intuition saved a potentially deadly situation.

Communicating our intuition more effectively is one key to making good decisions. Organizational scholar Karl Weick (1995) has proposed a five-step process for communicating intuitive decisions and for garnering feedback so as to ensure clear understanding on the part of the group. His process is as follows:

Step 1—Describe the situation. "Here's what I think we face."

Step 2—Describe your idea. "Here's what I think we should do."

Step 3—Tell the group your reasoning. "Here's why."

Step 4—Advise of potential pitfalls. "Here's what we should keep our eye on."

Step 5—Garner feedback. "Now, talk to me."

Following these five steps will at least expose your inner thoughts and feelings to a second party, lessening the chance of a hasty decision based solely on intuition.

What is *Escalation of Commitment* and how can it be avoided?

Poor decisions are made every day and we as decision-makers have to accept that. However, once a bad decision is made, we need not compound the damage by sticking with the decision. In other words, if you've just steered your ship into an oncoming storm, it is never too late to try and change course. Unfortunately, people oftentimes feel an escalation of commitment when they happen to make one of these decision making blunders. This is similar to the sunk-cost bias mentioned earlier.

People do not want to admit to themselves or to others that they have made a mistake. They may even believe that an additional commitment of resources is justified, given how much has been spent in hopes of recouping some of the losses. According to Michael Hitt and colleagues (2006), the process of escalation of commitment goes something like this:

1. A decision maker initially makes a decision that results in some kind of loss or negative outcome.
2. Rather than change the course of action from the initial decision, the decision maker commits more time, money, and/or effort to the course of action.
3. Further losses are experienced because of this escalation of commitment to a failing course of action.

Since you now know this phenomenon exists, be sure to check yourself and your motives after any poor decision to make sure you are not just sticking to your guns because of pride.

How can we decide between individual and group decision making?

When making an individual decision you must be an expert on the subject, confident your co-workers will accept your decision and willing to take the blame if the decision turns out to be wrong. It is important to remember that the decision making process is affected by four factors:

1. The decision-making approach
2. The type of problem
3. Decision-making conditions
4. Your individual decision-making style.

As a guide, you should follow the general eight-step process outlined in chapter one in most decision-making situations. However, make sure you keep in mind that there are both internal and external factors playing a role in your decision making process.

Groups tend to follow the same decision making process that individuals do. However, there are dynamics and interpersonal processes that make group decision making very different from decisions made by an individual. For example, the group may be composed of individuals at different levels within the organization. Not only will these people have different perspectives, they may also have conflicting goals or expectations



Figure 2.1 Group Decision Making Phenomena

for the organization. Because of the varying group dynamics, there are several different techniques that a team of employees may use to arrive at a decision.

BRAINSTORMING

Brainstorming is a technique used to generate a large number of ideas while deferring the evaluation of the ideas. Evaluation of the ideas is postponed until group members can no longer think of any new ideas. In this setting, imagination is a good thing, with no idea being deemed too unique or different. Building on the ideas of others is also encouraged. When using brainstorming, the group should nominate a person to record all ideas from the session. Another individual may be assigned the duty of task master, to ensure the group stays on the topic and remains focused on the issue at hand. The major caveat of group brainstorming is to never criticize any idea, no matter how bad it may seem at the time. Criticism introduces an element of risk for group members when putting forward an idea. This suppresses creativity and cripples the free running nature of a good brainstorming session.

NOMINAL GROUP TECHNIQUE

With this technique, individuals silently write down their ideas on a piece of paper. As described by Hitt and colleagues, when everyone is finished writing down their thoughts, each member presents one idea at a time, until all ideas are presented, without discussion. Ideas (from all group members) should then be recorded on a whiteboard or large flip chart. Discussion is used to clarify any details. After all ideas are explained, a silent and independent vote is done to develop a ranking of the group's choices.

DELPHI TECHNIQUE

The Delphi Technique, developed at the Rand Corporation, consists of a highly structured anonymous survey of group members regarding their opinions or judgments on a topic. It is imperative that the group has a facilitator who is willing to gather and redistribute all of the members' opinions and ideas. The success of this process depends upon the members' expertise and communication skills. Also, each response requires sufficient time for reflection and analysis. The four major merits of the Delphi process are:

1. The elimination of interpersonal problems
2. The efficient use of experts' time
3. It generates a diversity of ideas
4. Solutions and predictions tend to be very accurate.

DIALECTICAL INQUIRY

This method is intended to overcome the tendency of a group to avoid conflict when they evaluate alternatives. To employ this technique, the leader should come prepared with at least two very different sets of recommendations and assumptions. The leader must force the group to fully discuss all options, even if members came into the session with preconceived notions. While the conflict of options and ideas will be brought to the forefront, it is more likely to result in a quality decision this way.

DEVIL'S ADVOCACY

As with dialectical inquiry, devil's advocacy overcomes the tendency of groups to avoid conflicts when trying to come to a decision. With this technique, an individual or sub group is assigned to argue against the recommended actions put forth by other members of the group. This allows for an in-depth critique of the possible decision, ensuring that it is indeed the best solution for the organization.

What are some group decision making pitfalls?

According to Hitt and colleagues, groupthink occurs when group members maintain or seek consensus at the expense of identifying and debating honest disagreements. In other words, groupthink occurs when a group makes faulty decisions based on group pressure to conform and avoid disagreement at the expense of reason. Groups tend to be more vulnerable to groupthink when their members have similar backgrounds and when the group is insulated from outside opinions. Highly cohesive groups, with strong pressure to conform tend to fall prey to groupthink.

Groupthink was coined by social psychologist Irving Janis in 1972. Janis has documented eight symptoms of groupthink:

1. *Illusion of invulnerability*—creates excessive optimism that encourages taking extreme risks.

2. *Collective rationalization*—members discount warnings and do not reconsider their assumptions.
3. *Belief in inherent morality*—members believe in the rightness of their cause and therefore ignore the ethical or moral consequences of their decisions.
4. *Stereotyped views of out-groups*—negative views of out-groups as the enemy make effective responses to conflict seem unnecessary.
5. *Direct pressure on dissenters*—members are under pressure from other members not to express arguments against any of the group's views.
6. *Self-censorship*—doubts and deviations from the perceived group consensus are not expressed.
7. *Illusion of unanimity*—the majority view and judgments are assumed to be unanimous.
8. *Self-appointed mindguards*—some members protect the group and the leader from information that is problematic or contradictory to the group's cohesiveness, views and/or decisions.

FAMOUS EXAMPLES OF GROUPTHINK INCLUDE:

- Failure to protect forces at Pearl Harbor in 1941
- Bay of Pigs fiasco in 1961
- US escalation of the Vietnam War
- Failed rescue attempt of hostages at US Embassy in Iran

What are some ways to avoid groupthink?

The following is a list of ideas designed to help avoid the pitfalls of groupthink:

- The leader should assign the role of critical evaluator to someone.
- The leader should avoid stating preferences and expectations at the outset.
- Each member of the group should routinely discuss the group's deliberations with a trusted associate and report back to the group on the associate's reactions.
- One or more experts should be invited to each meeting on a staggered basis and should be encouraged to challenge views of the members.
- The leader should make sure that a sizeable block of time is set aside to survey warning signals.
- The leader and group members should challenge others to think.
- The group may consider using dialectical inquiry or devil's advocacy (discussed in more detail earlier in this chapter) to avoid unquestioned consensus.

What are some common group decision making challenges beyond the pitfall?

Common information bias occurs when group members overemphasize information held by a majority, failing to heed the information or viewpoint held by one or more members of the group in the minority. When a team ignores alternate information too

often, members will start to hold back their thoughts and opinions over time. Eventually this could lead to groupthink.

- Example: A group of five top-level executives meets to discuss the tardiness problem of one of their middle managers. Four of the five executives bring up how many times in the past month the employee has come in late to work, all the while complaining that they pay him too much to be taken advantage of like that. Because his ideas have been ignored in the past, the fifth executive decides not to mention all of the late nights the tardy employee has been working to communicate with a business partner overseas. The employee in question ends up wrongly accused.

Have you ever been in a group where individuals feel so strongly about their varying ideas that the group fractures into subgroups or verbal altercations occur? If so, you have experienced diversity-based infighting. According to Hitt and colleagues, this phenomenon usually takes place when individuals have strong feelings about their ideas and no mechanisms exist to channel the disagreement in a productive way. Remember, diversity of ideas is a good thing. It should be used to create rich discussions and insight but if no mechanism exists to do so, diversity of ideas may have the opposite effect.

- Example: An organization is deciding whether or not to eliminate the childcare program it has for its employees. One group of workers feels that it is an unnecessary cost to the company while another group currently utilizes the program on a weekly basis and is passionate about retaining it. As tempers flare, the arguments escalate and may turn personal. Unfortunately, leadership fails to keep things focused on making a quality decision.

When people are in groups, they make decisions about risk differently from when they are alone. In a group, they are likely to make riskier decisions, as the shared risk makes the individual risk less. In other words, if you had to make a multi-million dollar decision for your company, you'd probably feel more comfortable moving ahead if you had the input of others. In your mind, you most likely feel that if you happen to make the wrong decision, you can say "Hey, I'm not the only one responsible."

- Example: Your company forms a committee on whether or not to buy from an up-and-coming vendor. The vendor has a lot of hype surrounding it, but no proven relationships as of yet. If you take the leap and spend the money, it is possible that you could be their flagship partner. If the vendor doesn't live up to the hype however, your company could lose its money and tarnish its reputation. The committee openly discusses how great it would be to have the deal be a success and start pumping out new products. Ultimately, the committee takes a huge risk and purchases from the new vendor—something that the majority of the committee members wouldn't have done if they had to make the decision on their own.

What is the value of individual vs. group decision making?

According to Hitt and colleagues, there are several important considerations for judging the overall value of individual versus group decision making:

- Time—it is generally more time consuming to make a group decision. Therefore, if time is of the essence, an individual decision may be preferable.
- Cost—because of the time factor and logistical issues (getting everyone together), the out of pocket cost of group decision making is generally higher although conference calls and teleconferencing mitigate this concern somewhat.
- Nature of the problem—if there is one right answer to a problem, it's generally not worth investing the time and money that a group decision requires.
- Satisfaction and commitment—a by-product of group decision making is a higher level of employee satisfaction and commitment to the solution/outcome.
- Personal growth—another by-product of group decision making is the personal growth experienced through participation in the group process and through exposure to the ideas of others in the group.

Due to these considerations, individual and group decision making have both positive and negative aspects and should be used accordingly.

It is important to remember that if you do decide to make a group decision, evidence indicates that groups of five or seven individuals are the most effective. Any larger and the group becomes unwieldy. Any smaller and the group loses the benefit of diverse opinions and insights. Also, having an odd number of group members helps avoid decision deadlocks. According to Robbins and Coulter, this size group is large enough for

Advantages of Group Decision Making/ Disadvantages of Individual Decision Making	Advantages of Individual Decision Making/ Disadvantages of Group Decision Making
Groups generate more complete information and knowledge than individual decision making.	Group decisions almost always take more time to reach a solution than would an individual.
Groups lead to more diverse alternatives than individuals.	A dominant and vocal minority can heavily influence a group's decision.
Group decision-making can result in growth of group members.	Groupthink can undermine critical thinking in a group and lower the quality of the decision.
Group decisions lead to a higher level of acceptance and satisfaction than would individual decisions.	Group members share responsibility, but the responsibility of any single member is ambiguous.
Group decisions are perceived as more legitimate than ones made by an individual.	Managers may rely too much on group decisions, leading to a loss of their own decision and implementation skills.

Tool 2.1 Group vs Individual Decision Making Guide

members to shift roles and withdraw from unfavorable positions but still small enough for quieter members to participate actively in discussions.

When the time comes to make a decision, a leader must first decide if associate/co-worker involvement is necessary. The Vroom-Yetton Decision-Making Model (1973) poses, questions to determine the level of associate involvement in decision making. The questions are:

- Is there a quality requirement such that one solution is likely to be more rational than another solution, or will any number of solutions work reasonably well?
- Is there sufficient information to make a high-quality decision without the group meeting?
- Is the problem adequately structured (do I know the question to ask and where to look for the relevant information)?
- Is acceptance of the decision by associates critical to effective implementation?
- If I were to make the decision myself, is it reasonably certain that my associates would accept it?
- Do the associates share the organizational goals by solving this problem?
- Is there likely to be conflict among subordinates over alternative solutions?

The Vroom-Yetton method defines five different decision procedures. Two are autocratic (A1 and A2), two are consultative (C1 and C2) and one is group based (G2):

A1: The leader takes known information and then decides alone.

A2: The leader gets information from followers, and then decides alone.

C1: The leader shares problems with followers individually, listens to ideas and then decides alone.

C2: The leader shares problems with followers as a group, listens to ideas and then decides alone.

G2: The leader shares problems with followers as a group and then seeks and accepts consensus agreement.

In general, a consultative or collaborative style is most appropriate when:

- You need information from others to solve a problem.
- The problem definition isn't clear.
- Team members' buy-in to the decision is important.
- You have enough time to manage a group decision.

An autocratic or individual style is most efficient when:

- You have more expertise on the subject than others.
- You are confident about acting alone.
- The team will accept your decision.
- There is little time available.
- The problem is clearly defined.

Mastering the art of successful decision making is fundamental to improving your life at home, at work or in your community. According to Robbins and Coulter, in order to make effective decisions in today's fast-paced world you should follow some general guidelines:

- *Understand cultural differences.* People in both your organization and around the world are very diverse. Different beliefs, values, attitudes and behavioral patterns are present. Keeping this in mind, you should make the best decision possible based on the people involved.
- *Don't be afraid to call it quits.* Although it is tough to swallow your pride, you can save yourself and your company lots of time and resources if you admit your initial decision was the wrong one. Because we live in a dynamic work environment, scenarios are constantly shifting, which may force you to change your mind after a decision has been made.
- *Use an effective decision-making process* that has the following characteristics:
 1. It focuses on what's important.
 2. It's logical and consistent.
 3. It acknowledges both subjective and objective thinking and blends analytical with intuitive thinking.
 4. It requires only as much information and analysis as necessary to resolve the problem.
 5. It encourages the gathering of relevant information and informed opinions.
 6. It's straightforward, reliable, easy to use and flexible.
- *Build an organization that can identify and adapt to unexpected changes in the environment.* Organizational psychologist Karl Weick says that highly reliable organizations share five habits:
 1. They are not tricked by their success.
 2. They defer to the experts on the frontline, those who have day-to-day contact with the customers.
 3. They let unexpected circumstances provide the solution.
 4. They embrace complexity.
 5. They anticipate but also recognize their limits.

As previously mentioned, creativity and successful brainstorming can lead to more diverse alternatives and ultimately a higher success rate when it comes to decision making. IDEO, one of the world's leading product design firms, is well known for their creative processes in making decisions. They have been the subject of several case studies due to their high success rate in making risky decisions. Some key items that make IDEO unique and successful in their creative processes are:

1. Everyone becomes an ethnographer. In other words, everyone in the company goes and observes how people are using their products in their natural settings. These observations are crucial in determining people's needs, habits, etc.
2. They have a work environment that is fun and encourages free-flowing ideas.
3. They do not have much formal hierarchy or many symbols of status.
4. The ground rules for brainstorming sessions are written on the walls to serve as a reminder.

5. There are plentiful materials so that people can think visually and so that basic prototypes can be built.
6. They keep old failures around to remind people that you have to take risks to be creative and that you have to accept some rate of failure.
7. Leaders openly tell employees to disagree with them and do not tell people what to design.

In order to be successful in decision-making, creativity is vital. According to Roberto (2009), there are three important steps in this creative process. First, you must use experts and expert knowledge in the appropriate matter. Next, you have to wipe away old assumptions and beliefs, and unlearn old ways of working before you can creatively generate something new. Last, you have to frame problems in ways that do not constrict the debate or range of solutions that will be considered.

Additional Resources

Numerous books can provide insight on decision making:

How We Decide by J. Lehrer gives you the decision-making tools you need, drawing on cutting-edge research as well as the real-world experiences of a wide range of decision-makers from airplane pilots and hedge fund investors to serial killers and poker players. Lehrer shows how people are taking advantage of the new science to make better television shows, win more football games and improve military intelligence. His goal is to answer two questions that are of interest to just about anyone, from CEOs to firefighters. How does the human mind make decisions? And how can we make those decisions better?

M. Roberto's book, *Know What You Don't Know: How Great Leaders Prevent Problems Before They Happen*, shifts the focus from problem solving to the problem-finding capabilities of effective leaders. Roberto examines how leaders can unearth the small problems that are likely to lead to large-scale failures in their organizations and how leaders need to shift from fighting fires to detecting smoke, so that they can detect and interrupt the chain of errors that often precedes a major failure.

And finally, *Winning Decisions: Getting it Right the First Time* by E. Russo and P. Schoemaker provides an extensive discussion of many of the cognitive biases that affect individuals and provides some simple prescriptions for overcoming these traps.

An organization that can provide decision making resources is The Society for Judgment and Decision Making. It is an interdisciplinary academic organization dedicated to the study of normative, descriptive, and prescriptive theories of judgments and decisions. Its members include psychologists, economists, organizational researchers, decision analysts, and other decision researchers. The Society's primary event is its Annual Meeting at which Society members present their research. It also publishes the journal *Judgment and Decision Making*.

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At its core, leadership is about working through others to achieve objectives. Organizational leaders have many tough challenges, especially leading organizations through complex changes in turbulent times. Business consultant David Maister (1997) explains: “leaders do not build business, but leaders build organizations that build business.” Today’s leaders must focus on influence rather than power or control.

These turbulent times demand constant innovation and leadership. Leadership nowadays can come from any direction within an organization. Organizations are increasingly flexible and unstructured. This is especially true for the organization without boundaries (discussed in more detail in chapter six of this book) which is made up of rapidly changing subgroups that come together only for a limited purpose. Leadership is no longer a solitary or a one-time act limited to the top players.

Managers at all levels are expected to take the role of leadership to motivate, arouse enthusiasm, and develop an environment of respect that encourages participation. Managers of departments or divisions are expected to lead for success in their area of responsibility. As expressed by Dossena (2004) leadership from the bottom up empowers employees and managers alike to support the success of the organization.

This chapter explores the topic of leadership by first defining it, then by examining the relationship between leadership and the organization’s mission and vision. Next, we look at the relationship between critical thinking and decision making. Topics include feedback, leading change and leading knowledge workers. Finally, we look at assessing leadership and leadership development.

What is leadership?

Noted management theorist Warren Bennis (2009) believes that “... leadership revolves around vision, ideas, direction, and has more to do with inspiring people as to direction and goals than with day-to-day implementation ...” According to Bennis, a leader has to help form a vision which provides a bridge to the future. A leader communicates that vision, gives it meaning, and builds trust. A leader must also understand their own skills and abilities. Most importantly Bennis believes that leaders are made and not born.

Like Bennis, Peter Drucker believed that leaders have to think through the mission of their organization, communicate it and then set goals and priorities with total clarity. Drucker believed that everyone needs to learn and to exhibit leadership. Today, leaders need to uncover new knowledge and know how to share it with others. More than ever before, knowledge truly is power. While hierarchies will continue to exist, the best organizations will be those that empower their members to be leaders. Authority,

according to Drucker, comes from what one says, not who one is. The best leaders will be the ones who are best at developing, listening and empowering.

According to Brian Dive (2008), regardless of the circumstances, leaders are accountable for:

1. Deciding who comes into the team, negotiating and managing a budget for that team and being held to account for its expenditures.
2. Deciding who will work where, in which jobs and when.
3. Securing employee commitment to attain the relevant goals and providing them with the means they need to deliver their goals.
4. Giving constructive feedback and deciding upon individuals' performance and appraisal ratings, agreeing on their training and development needs, and ensuring that these are acted upon.
5. Ensuring that the members of the team meet all their obligations and, if necessary, changing the goals, obligations or team members, as appropriate.
6. Providing solutions when confronted with problems. Accountability entails finding a new solution.
7. Making change happen.
8. Achieving results from peers and colleagues over whom the manager does not have direct control.
9. Achieving results with and through external agencies, such as consumers, customers, suppliers and shareholders.
10. Setting timelines and establishing goals, which then need to be achieved in terms of quality, quantity and service.

As you can see from the above, leadership requires a good deal of analysis and decision making. See chapters one and two for more on decision making. Organizational leaders make decisions every day, which is what they get paid to do. They get evaluated on the quality of those decisions, and their decisions impact others either intentionally or unintentionally. Professor Paul Nutt (2002) of Ohio State University has studied many organizational decisions and why they didn't work out as planned. He notes that two out of every three decisions use failure prone practices. Poor decisions are made because of a rush to judgment resulting in premature commitments and wrong-headed investments. This often happens to carry out and support an idea someone is wedded to, trying to show it will work.

The first step in being an effective decision maker is to figure out the goals for the decision-making process. Professor Nutt said one needs a clear direction for the decision process. This means being able to address: Where is the decision going? What is it meant

TIP: DECISION MAKING TRAPS:

1. Failure to uncover concerns and reconcile competing claims
2. Overlooking people's interests and commitments
3. Leaving expectations vague
4. Limiting the search for remedies
5. Misusing evaluations
6. Ignoring ethical questions
7. Failing to reflect on results to learn what works and what does not.

Adapted from Paul Nutt's book, *Why Decisions Fail* (2002)