

Chapter 8

Decision Making

INTRODUCTION

Life is full of decisions. Each day, people are faced with different problems requiring answers and solutions. At early stages in life, decisions about which school to attend and what career to pursue must be answered. At later stages in life, when employment is sought, individuals must decide what organization is the best vehicle for career advancement.

Among the primary factors that distinguish managers from other employees are the level and types of decisions that they must make. Managers must be concerned with how a decision might affect their employees and the organization. An operating employee, in contrast, is primarily concerned with how a decision affects him or her individually.

The quality of the decisions that managers make is the yardstick of their effectiveness. In fact, a manager's skill in making decisions is often a key factor in the kind of evaluation and rewards (promotion, money, assignments, etc.) that he or she receives. Moreover, a manager's decision-making ability will ultimately contribute to the success or failure of the organization.

The focus of this chapter is on decision making. This chapter describes and analyzes decision making in terms that reflect the ways in which managers and others make decisions based on their understanding of individual, group, and organizational goals and objectives. After first defining decision making, the chapter discusses types and levels of decision making in organizations, the decision-making process, a comparison of individual and group decision making, and pitfalls that managers should avoid in making decisions.

WHAT IS DECISION MAKING?

All human activities involve decision making. Everyone has problems at home, at work, and in social groups for which decisions must be made. Thus, decision making is a normal human requirement that begins in childhood and continues throughout life.

In work settings, when asked to define their major responsibilities, many managers respond that “solving problems” and “making decisions” are the most important components of what they do on a daily basis and throughout their ongoing management tasks. *Decision making* is the process of defining problems and choosing a course of action from among alternatives. The term decision making often is associated with the term *problem solving*, since many management decisions focus on solving problems that have occurred or are anticipated. However, the term problem solving should not be construed as being limited only to making decisions about problem areas. Problem solving also includes making decisions about realistic opportunities that are present or available if planned for appropriately.

Many of the problems that confront managers in their daily activities are recurring and familiar; for these problems, most managers have developed routine answers. But when managers are confronted with new and unfamiliar problems, many find it difficult to decide on a course of action.

Managers at all levels are constantly required to find solutions to problems that are caused by changing situations and unusual circumstances. Regardless of their managerial level, they should use a similar, logical, and systematic process of decision making. Although decisions that are made at the senior management level usually are of a wider scope and magnitude than decisions made at the lower management levels, the decision-making process should be fundamentally the same throughout the entire management hierarchy.

Decision making is an important skill for all of today’s managers and employees. It is a skill that can be developed—just as the skills involved in playing golf are developed—by learning the steps, practicing, and exerting effort. By doing this, today’s employees can learn how to make more thoughtful decisions and improve the quality of their decisions.

At the same time, managers should ensure that their employees learn to make their own decisions more effectively. A manager cannot make all the decisions necessary to run a department. Many daily decisions in a department are made by the employees who do the work. For example, what materials to use, and how a job is to be done, when it is to be done, and how to achieve coordination with other departments are decisions that employees often have to make without their supervisor. As evidenced in our discussion of teams in Chapter 7, organizations are giving employees a more active role in decision making. Therefore, training employees in the process of making decisions should be a high priority for all managers.

TYPES OF DECISIONS AND LEVELS OF MANAGEMENT

Clearly, all managers must make decisions. Even when the decision-making process is highly participative in nature, with full employee involvement, it is the manager who ultimately is responsible for the outcomes. Regardless of whether the manager makes the decision unilaterally or in consultation with employees, decisions may be classified into two categories: programmed or nonprogrammed, though most decisions fall somewhere between these two extremes.

Programmed decisions produce solutions to repetitive, well-structured, and routine problems. When making a programmed decision, there is a specific procedure, or program, that can be applied to the problem at hand. Many daily problems that confront managers are not difficult to solve because a more or less set answer is available. Usually the organization has already developed procedures and rules that deal with these problems. Managers can delegate these kinds of decisions to employees and be confident that the decisions will be made in an acceptable and timely manner.

Nonprogrammed decisions are made to address new, unusual, or unstructured problems that are unlikely to reoccur. Nonprogrammed decisions tend to be more important, demanding, and strategic than programmed decisions. There are no set answers or guidelines for making these decisions. Managers are called on to use intelligence, good judgment, intuition, and creativity in attempting to solve these problems. They should apply a decision-making process that is consistent and logical, but also adaptable.

THE DECISION-MAKING PROCESS

In making nonprogrammed managerial decisions, managers can follow the steps of the decision-making process. First, they must define the problem. Second, they must analyze the problem using available information. Third, they need to establish decision criteria—factors that will be used to evaluate alternatives. Fourth, after thorough analysis, they should develop alternative solutions. After these steps have been taken, the manager should carefully evaluate the alternatives and select the solution that appears to be the “best” or most feasible under the circumstances. The concluding step in this process is follow-up and appraisal of the consequences of the decision.

Step 1: Define the Problem

Before seeking answers, the manager should identify what the real problem is. Nothing is as useless as the right answer to the wrong question. Defining the problem is not an easy task. What appears to be the problem

might be merely a symptom that shows on the surface. It usually is necessary to delve deeper to locate the real problem and define it.

Consider the following scenario: The manager of a computer maintenance department believes that a problem of conflicting personalities exists within the department. Two employees are continually bickering and cannot get along together. Because of this lack of cooperation a number of jobs are not being done in a timely manner. The manager needs to develop a clear, accurate problem statement. The problem statement should be brief, specific, and easily understood by others. A good problem statement should address the following questions:

- What is the problem?
- How do you know there is a problem?
- Where has the problem occurred?
- When has it occurred?
- Who is involved in or affected by the problem?

Expressing a problem through a problem statement can help the manager understand it. A careful review of answers to the key questions can lead to a problem statement like the one below, which reveals that the major problem is that the work is not getting done in a timely manner. When checking into this situation, the manager should focus on why the work is not getting done.

Problem statement: "The bickering between Dan and Sylvia detracts from the completion of work assignments. Last Monday and Tuesday, neither of them completed assigned work. Customers, coworkers, and other departments are all affected."

Defining a problem can often become a time-consuming task, but it is time well spent. A manager should not go any further in the decision-making process until the problem relevant to the situation has been specifically determined. Remember, a problem exists when there is a difference between the way things are and the way they should be. The effective manager will use problem solving not only to take corrective action but also as a means to make improvements in the organization.

Step 2: Analyze the Problem Using Available Information

After the problem has been defined, the next step is to analyze it. The manager begins by assembling the facts and other pertinent information. This is sometimes viewed as being the first step in decision making, but until the real problem has been defined, the manager does not know what

information is needed. Only after gaining a clear understanding of the situation can the manager decide how important certain data are and what additional information to seek. Information is a fuel that drives organizations. Information is vital to the survival of the organization, but to be useful it must be at the right place at the right time, and it must be used efficiently and effectively.

A major job of a manager is to convert information into action through the process of decision making. The manager is either helped or hindered by the availability of information. Making decisions without knowing enough about a situation is risky and sometimes even dangerous. Having too much information can also be a problem. Simple decisions do not require exhaustive information; but specific information is necessary to decide how to handle a complex problem. The quality of a decision depends greatly on understanding the circumstances surrounding an issue and selecting the appropriate strategy. The better the information, the better the resulting decision is likely to be because there is less risk and uncertainty about the facts.

Managers can stay informed by actively keeping up with everything related to their areas of responsibility and paying careful attention to all kinds of communications. Time spent reading equipment manuals and other technical materials may be helpful. Discussing potential problems with employees and getting their input on possible solutions could eventually lead to a stroke of genius when a problem arises.

Many managers often complain that they must base their everyday decisions on insufficient or irrelevant information. Managers complain that they have too much of the wrong kind of information, information is difficult to locate and/or suppressed by employees, or other managers did not have to deal with an overabundance of information; instead they gathered a bare minimum of information and hoped that their decisions would be reasonably good. By contrast, today's managers often feel buried by the deluge of information and data, much of it useless, confronting them on a regular basis. It is essential that they learn to manage this deluge of information.

How information is used depends greatly on its quality (accuracy), presentation (form), and timeliness (available when needed). Effective use of information is possible only if the right questions are asked by managers and their employees to determine information needs. The goal is to have the right information at the right time. To this end, timeliness may take precedence over accuracy. If information is not available when it is needed, then its accuracy is not important. In most cases, however, both accuracy and timeliness are critical. Additionally, information should be formally cataloged in some manner to ensure its availability. Managers cannot remember everything. Critical information should be put where it can be

found quickly and easily. Personal computers offer a handy way to maintain ready access to a vast body of information.

After gathering information, the manager needs to analyze the problem. In our manager's example presented earlier, the manager needs to find out why the work is not getting done. When he or she gathered information, it was discovered that the expectations for each employee were not clearly outlined—where their duties begin and where they end. What appeared on the surface to be a problem arising from a personality conflict was actually a problem caused by the manager. The chances are good that once the activities and responsibilities of the two employees are clarified, the friction will end. The manager needs to monitor the situation closely to ensure that the new definition of duties results in a more timely completion of work.

A manager will find that personal opinions are likely to creep into decision making. This is particularly true when employees are involved in the problem. For example, if a problem involves an employee who performs well, the manager may be inclined to show this person greater consideration than would be afforded a poor performer. The manager should, therefore, try to be as objective as possible in gathering and analyzing information.

In the process of analysis the manager should also try to think of intangible factors that play a significant role in the problem, such as reputation, morale, discipline, and personal biases. It is difficult to be specific about these factors; nevertheless, they should be considered. As a general rule, written and objective information is more reliable than opinions and hearsay.

Step 3: Establish Decision Criteria

Decision criteria are the standards or measures to use in evaluating alternatives. They typically express what the manager wants to accomplish with the decision and can also be used to evaluate whether the implementation phase of the decision is producing the expected results. To illustrate, suppose the manager's initial actions do not remedy the conflict between the two employees. A criteria needs to be established that can be used to evaluate other courses of action, as in the following six criteria. The decision:

- should result in timely completion of assignments;
- should incur no additional costs;
- must not impede quality of service to the customer;
- should not put either employee's job in jeopardy;
- should not have a negative impact on other employees;
- must alleviate the problem within one week.

Once the decision criteria are established, the manager must determine which criteria are absolutely necessary and their order of priority. Because it is likely that no solution alternative will meet all the criteria, the manager needs to know which criteria are most important so that alternatives can be judged by how many of the important criteria they meet. The manager may want to consult with upper-level managers, peers, or employees to assist in prioritizing the criteria.

Step 4: Develop Alternatives

After the manager has defined and analyzed the problem and established the decision criteria, the next step is to develop various alternative solutions. By formulating and considering many alternatives, the manager is less apt to overlook the best course of action. Stating this another way, a decision will only be as good as the best alternative. Almost all problem situations have a number of alternatives, which may not always be obvious. Managers must work to develop alternatives rather than fall into an “either/or” kind of thinking. They must stretch their minds to develop alternatives even in the most discouraging situations, although none of the alternatives may be attractive.

Suppose that a manager had been ordered to make a 20-percent reduction in employment because the organization is experiencing financial problems. After careful study, the following feasible alternatives exist:

- Lay off employees who have the least seniority, regardless of their jobs or performance, until the overall 20-percent reduction is reached.
- Lay off employees who have the lower performance ratings until the overall 20-percent reduction is reached.
- Analyze department duties and decide which jobs are essential. Keep the employees who are best qualified to perform those jobs, and lay off the least qualified until the 20-percent reduction is reached.
- Without laying off anyone, develop a schedule of reduced work hours for every employee that would be equivalent to a 20-percent overall reduction.
- Develop proactive alternatives to increase the organization’s performance so that no employee has to be laid off.

While the last alternative may be most attractive, it is not realistic, given the economic situation. Although none of the other alternatives may be an ideal solution to this unpleasant problem, at least the manager has considered several alternatives before making a decision. This “no-win” situation unfortunately portrays the realities of organizational life.

When enough time is available, a manager should get together with a group of other managers or employees to brainstorm alternative solutions

to a perplexing problem. Brainstorming is a free flow of ideas within a group, with judgment suspended, in order to come up with as many alternatives as possible. Using this technique, the manager presents the problem and the participants offer as many alternative solutions as they can develop in the time available. It is understood that any idea is acceptable at this point—even those that may at first appear to be wild or unusual. Evaluation of ideas is suspended so that participants can give free rein to their creativity. Creative approaches and brainstorming meetings are particularly adaptable to nonprogrammed decisions, especially if the problem is new, important, or strategic. One authority on creativity and brainstorming (Osborn, 1979; see also Caggiano, 1999) has suggested the following four major guidelines for effective brainstorming by both individuals and groups:

Defer all judgment of ideas. During the brainstorming period, do not allow criticism by anyone in the group. Although it is natural for people to suppress new ideas both consciously and unconsciously, this tendency must be avoided. Even if an idea seems impractical and useless at first, it should not be rejected by quick initial judgments because the rejection itself could inhibit the free flow of more ideas. Managers should understand that how people respond to creative ideas affects individual and group actions.

Seek quantity of ideas. Idea fluency is the key to creative problem solving, and fluency means quantity. The greater the number of ideas, the greater the likelihood that some of them will be viable solutions.

Encourage "free wheeling." Being creative calls for a free-flowing mental process in which all ideas, no matter how extreme, are welcome. Even the wildest idea may, on further analysis, have a germ of usefulness, and should be encouraged.

"Hitchhike" on existing ideas. Combining, adding to, and rearranging ideas often can produce new approaches that are superior to any one original idea. When creative thought processes slow or stop, review some of the ideas already produced and try to combine them, considering additions or revisions.

When a fairly large group of people are brainstorming, an unstructured session can become rather long, tedious, and unproductive because many of the ideas are simply not feasible, and conflicts may develop within the group due to individual biases. For this reason, the so-called nominal group technique (NGT) is more useful, as it allows group members to generate ideas more efficiently. Typically under NGT, individual members of the group develop and write down a list of ideas and alternatives to solve the problem at hand. Afterward, the group members share their ideas, discussing, evaluating, and refining them. The group's final choice may be made by a series of confidential votes in which the list of ideas is narrowed until a consensus is reached. More will be said about NGT later in this chapter.

Both in the development and the evaluation of alternatives, a manager

should consider only lawful options that fall within the organization's ethical guidelines. More organizations are encouraging their managers and employees to make ethical decisions because they recognize that good ethics is good business in the long term. Consequently, many organizations have developed handbooks, policies, and official statements that specify the ethical standards and practices expected. The following list of guidelines or ethical tests for decision making is not totally comprehensive, but these considerations are relevant in addressing the ethical aspects of most problem situations.

Legal-compliance test. Legal compliance should be only a starting point in most ethical decision making. Laws, regulations, and policies should be followed, not broken or ignored. The rationale and explanation that "everybody's doing it" or "everybody's getting away with it" are poor excuses if you are caught in an illegal or unethical act. If in doubt, ask for guidance from someone who understands the particular law or regulation.

Public-knowledge test. Decisions should be made as if they were going to be publicized. You should ask, "what the consequences would be if a part of a particular decision became known to the public, your family, the media, or a government agency?"

Long-term consequences test. The long-term and short-term consequences of a decision should be weighed against each other. This test helps avoid decisions that are expedient but could have negative long-term effects.

Examine-your-motives test. You should be sure that your decision benefits the organization and others. It should not be primarily selfish in nature or designed to harm other people and their interests.

Inner-voice test. This is the test of conscience and moral values that have been instilled in most of us since childhood. If something inside you says that the choice being contemplated is or may be wrong, it usually is.

It cannot be stressed enough that if a manager believes that a particular alternative is questionable or might not be acceptable within the organization's ethical policies, the manager should consult with his or her manager or with a staff specialist who is knowledgeable in the area for guidance in how to proceed. More will be said about ethics in Chapter 12.

Step 5: Evaluate the Alternatives and Select the Best Solution

The ultimate purpose of decision making is to choose the specific course of action that will provide the greatest number of wanted and the smallest number of unwanted consequences. After developing alternatives, managers can mentally test each of them by imagining that each has already been put into effect. They should try to foresee the probable desirable and undesirable consequences of each alternative. By thinking the alternatives through and appraising their consequences, the managers will be in a po-

sition to compare the desirability of the various choices. The usual way to begin is to eliminate alternatives that do not meet the supervisor's previously established decision criteria. The manager should evaluate how many of the most important criteria each remaining alternative meets. The final choice is the one that satisfies or meets the most criteria at the highest priority levels. More often than not, there is no clear choice.

Nonprogrammed decisions usually require the decision maker to choose a course of action without complete information about the situation. In making a decision, therefore, also consider the degree of risk and uncertainty involved in each alternative. No decision will be completely without risk; one alternative may simply involve less risk than the others.

The issue of time may make one alternative preferable, particularly if there is a difference between how much time is available and how much time is required to carry out one alternative in comparison with another. The manager should consider the facilities, records, tools, and other resources that are available. It is also critically important to judge different alternatives in terms of economy of effort and resources. In other words, managers should consider which action will give the greatest benefits and results for the least cost and effort.

In making a selection from among various alternatives, the manager should be guided by experience. Chances are that certain situations will reoccur, allowing managers to make wise decisions based on personal experience or the experience of another manager. Knowledge gained from experience is a helpful guide, the importance of which should not be underestimated; on the other hand, it is dangerous to follow experience blindly. When examining an earlier decision as a basis for choosing among alternatives, the manager should examine the situation and the conditions that prevailed at that time. It may be that conditions remain nearly identical, implying that the current decision should be similar to the previous one. More often than not, however, conditions have changed considerably and the underlying assumptions are no longer the same, indicating that the new decision probably should differ from the earlier one.

Managers admit that at times they base their decisions on intuition, defined as the ability to recognize quickly and instinctively the possibilities of a given situation. Some managers appear to have an unusual "intuitive" ability to solve problems satisfactorily by subjective means. A closer look, however, usually reveals that the so-called "intuition" is really experience or knowledge of similar situations that has been stored in the manager's memory.

Intuition may be particularly helpful in situations in which other solutions have not worked. If the risks are not too great, a manager may choose a new alternative because of an intuitive feeling that a fresh approach might bring positive results. Even if the hunch does not work out well, the manager benefits from trying something different. The manager will remember

the new approach as part of his or her experience and can draw upon it in reaching future decisions.

Although a manager cannot shift personal responsibility for making decisions, the burden of decision making often can be eased by seeking the advice of others. The ideas and suggestions of employees, other managers, staff experts, technical authorities, and the manager's manager can be of great help in weighing facts and information. Seeking advice does not mean avoiding a decision, however; ultimately the manager decides what advice to accept and remains responsible for the outcome.

Many people believe that input from others can improve decision making. The following guidelines can help managers decide whether to include groups in the decision-making process:

- If additional information would increase the quality of the decision, involve those who can provide that information.
- If acceptance of the decision is critical, involve those whose acceptance is important.
- If employee's skills can be developed through participation in decision making, involve those who need the development opportunity.
- If the situation is not life threatening and does not require immediate action, involve others because generally their varied perspectives and experiences will enhance the decision-making process.

In the scientific world, laboratory experimentation is essential and accepted. In management, however, experimentation to see what happens often is too costly in terms of people, time, and money. Nevertheless, sometimes a limited amount of testing and experimentation is advisable before making a final decision. For example, there are some instances in testing that provides employees with an opportunity to try out new ideas or approaches, perhaps of their own design. While experimentation may be valid from a motivational standpoint, it can, however, be a slow and relatively expensive method of reaching a decision.

When one alternative clearly appears to provide a greater number of desirable consequences and fewer unwanted consequences than any other alternative, the decision is fairly easy. However, the "best" alternative is not always so obvious. When two or more alternatives seem equally desirable, the choice may become a matter of personal preference. When no single alternative seems to be significantly stronger than any other, it might be possible to combine the positive aspects of the better alternative into a composite solution. Sometimes none of the alternatives is satisfactory; all of them have too many undesirable effects and none will bring about the desirable effects. In this case, the manager should begin to think of new alternative solutions or perhaps even start all over again by attempting to redefine the problem.

A situation might arise in which the undesirable consequences of all the alternatives appear to be so overwhelmingly unfavorable that the manager feels that the best available solution is to take no action at all. This solution may be deceptive, however, as the problem will continue to exist if no action is taken. Taking no action is as much a decision as is taking a specific action, even though the manager may believe that an unpleasant choice has been avoided. The manager should visualize the consequences that are likely to result from taking action. Only if the consequences of inaction are more desirable should it be selected as the best solution.

Selecting the alternative that seems to be the best is known as optimizing. However, sometimes the manager makes a satisficing decision—selecting an alternative that minimally meets the decision criteria. A famous management theorist, Herbert Simon, once compared the process to the difference between finding a needle in a haystack (satisficing) and finding the biggest, sharpest needle in the haystack (optimizing). A manager will rarely make a decision that is equally pleasing to everyone.

Step 6: Follow Up and Appraise the Consequences of the Decision

After a decision has been made and implemented, managers should evaluate the consequences. Follow-up and appraisal of the outcome of a decision are actually part of the decision-making process. Managers should ask: “Did the decision achieve the desired results? If not, what went wrong, and why?” The answers to these questions can be of great help in similar future situations.

Follow-up and appraisal of a decision can take many forms, depending on the nature of the decision, timing, costs, standards expected, personnel, and other factors. For example, a minor project-scheduling decision could easily be evaluated through a short written report or perhaps even by the manager’s observation or a discussion with employees. A major decision involving the maintenance of some complex equipment, however, will require close and time-consuming follow-up by the manager, technical or other employees, and higher-level managers. This type of decision usually requires the manager to prepare numerous detailed written reports on equipment performance under varying conditions, which are compared closely with plans or expected standards for equipment maintenance.

The important point to recognize is that the task of decision making is not complete without some form of follow-up and appraisal of the actions taken. If the manager has established decision criteria or specific objectives that the decision should accomplish, it will be easier to evaluate the effects of the decision. If the results meet the objectives, the manager can feel reasonably confident that the decision was sound.

If the follow-up indicates that something has gone wrong or that the

results have not been achieved, then the manager's decision-making process must begin all over again. This may even mean going back over each of the various steps of the decision-making process in detail. The manager's definition and analysis of the problem and the development of alternatives may have to be completely revised in view of new circumstances surrounding the problem. In other words, when follow-up and appraisal indicate that the problem has not been resolved satisfactorily, the manager will find it advisable to treat the situation as a brand-new problem and go through the decision-making process from a completely fresh perspective.

In some situations, managers may feel they do not have enough time to go through the decision-making process outlined here. Frequently, a manager, a coworker, or an employee approaches the manager, says "Here's the problem," and looks to the manager for an immediate answer. Most problems do not require an immediate answer, however, and managers cannot afford to make decisions without considering the steps outlined here. Many managers get themselves into trouble by making hasty decisions.

When an employee brings up a problem, the manager should usually ask questions such as those listed below:

- How extensive is the problem? Does it need an immediate response? Is it safety related?
- Who else is affected by the problem? Should they be involved in this discussion?
- Have you (the employee) thought through the problem, and do you have an idea of what the end result should be?
- What do you recommend? Why?

This approach is a form of participative management that can help to develop employees' analytical skills. With the additional information gained from the process, the manager can think through the problem, apply the decision-making steps, and make a decision.

A word of caution here: During any stage of the process, managers should identify a specific time and then follow through when they tell other people that they "will get back to them." When managers fail to make a decision or give feedback by the specified time, they incur a serious breach of trust.

OBSTACLES TO SOUND DECISION MAKING

It is always tempting to take the easy way out when making decisions. Sometimes, you may not be as thoughtful as necessary and may make decisions based on impressions or habit rather than on data, information, and a sound understanding of the situation. And you may be unaware of doing

this. The purpose of this section is to bring to your attention some of the obstacles that may compromise the quality of your decisions and subsequent actions. Knowing about these obstacles will allow you to deal with them more effectively.

Personal Biases

People have biases—preconceived notions of what is best to do in any situation that are not based on realistic assumptions about the situation. These biases can influence what people decide to do when they face different problems. Biases are often based on limited experience or on what people have learned from others as the appropriate way to respond in different situations. An obvious example of an unacceptable bias is the refusal to hire women to do certain types of jobs. While it is natural to have biases, they keep you from considering other alternatives that might yield better results. It's important, therefore, to make sure you avoid letting your prejudices undermine the quality of your decisions.

Taking the Easy Way Out

When people face decisions where there is a seemingly easy solution to the problem as opposed to one that may take more effort, they are tempted to take the easy way out. This often creates consequences that are far more costly and time-consuming than would have been the case had the more effortful solution been pursued. The reason for this is that the easy way out usually involves dealing with some *symptom* of the problem rather than its *causes*.

For example, if there is a conflict between two employees, the easy way out may be to have them work with other people. However, if the two do not deal with the causes of the conflict or resolve it, it will remain a problem. How these people work with others, as well as their motivation to do a good job, can be affected. Because everyone's work affects that of others, the unresolved problem can affect the entire group and its work quality. An alternative and better decision is to get the two people together and have each person explain his or her side. Each can begin to understand the assumptions behind the other's position. The manager can then work with the two individuals to resolve the conflict in a way that maintains their self-respect, fosters respect for each other, and prevents the problems that might have arisen from not taking this approach.

Pleasing the Boss

Employees sometimes have a tendency to make a decision they think will please the boss. If the boss is against overtime, managers are likely to re-

frain from keeping people beyond normal working hours, even if there is a need. Instead, they may try to take care of a problem during regular hours—an approach that may, if it involves a crucial process, negatively affect the work of many other people and be more costly than paying overtime.

Certainly, employees need to listen to their managers. However, they also must be able to communicate honestly about what needs to be done, even if it is contrary to the manager's normal approach to a situation. A manager should appreciate, as well, that their job is about adding value not for their boss, but for customers. When there is agreement between employee and manager on this crucial point, pleasing the boss will not be an obstacle to sound decisions.

Escalation

Another common tendency in decision making is escalation, or continuing to commit to a previous decision when a "rational" decision maker would withdraw. Escalation occurs when the decision maker focuses on the amount of time and resources already invested in a project and fails to focus on future costs and benefits.

An example of escalation is when managers decide to develop a new process for delivering a particular product. When things go awry with the process or unanticipated problems crop up, they stick with it, even though it will probably never pay off. It may be better to return to the previous process or to go back to the drawing board and come up with something else. You may think of personal examples. Do you put more money into the repair of an old car than it's worth? How long do you wait on the phone after you have been put on hold by a receptionist? By following a decision-making process, you can better face the facts and avoid the mental mistake of escalation, where the cost of a particular action will exceed the derived benefits.

Groupthink

As discussed in Chapter 7, Irving Janis has identified a fascinating phenomenon that can lead groups to commit serious errors in decision making. In describing this situation, which he called groupthink, Janis proposed that highly cohesive working groups (that is, groups whose members enjoy a high degree of interpersonal attraction) are in danger of taking a distorted view of situations that confront them. As a result, the group's decision-making processes may be slanted toward seeking consensus rather than exploring alternative courses of action. Because dissent and critical analysis are not encouraged in discussion sessions, the group may select a course of action that ignores potential dangers and pitfalls.

DECISION-MAKING STYLES

There are three basic decision-making styles: reflexive, reflective, and consistent (Lancaster, 1997). Let's take a closer look at each of these styles.

Reflexive Style

Reflexive decision makers like to make quick decisions—"to shoot from the hip"—without taking the time to get all the information that may be needed and without considering all alternatives. On the positive side, reflexive decision makers are decisive; they do not procrastinate. On the negative side, making quick decisions can lead to waste and duplication when a decision is not the best possible alternative. Reflexive decision makers may be viewed by employees as poor managers if they consistently make bad decisions. If you use a reflexive style, you may want to slow down and spend more time gathering information and analyzing alternatives. Following the steps in the decision-making process can help you develop those skills.

Reflective Style

Reflective decision makers like to take plenty of time to make decisions, taking into account considerable information and an analysis of several alternatives. On the positive side, the reflective type does not make quick decisions that are rushed. On the negative side, the person may procrastinate and waste valuable time and other resources. The reflective decision maker may be viewed as wishy-washy and indecisive. If you use a reflective style, you may want to speed up your decision making.

Consistent Style

Consistent decision makers tend to make decisions without rushing or wasting time. They seem to know when they have enough information and alternatives to make a sound decision. Compared to decision makers using other styles, these decision makers tend to have the most consistent record of good decisions. They usually follow the decision-making steps discussed earlier.

In reality, there is no right or universal way to make decisions. Although the reflexive, reflective, and consistent styles are distinct, most managers possess characteristics of more than one style. It is important that managers avoid relying on one style exclusively and recognize the strengths and weaknesses of each style. For example, the reflexive style is great if the person is well informed and intimate with the subject matter. Very often, missed opportunities happen when the decision-making process is prolonged. On the other hand, the reflective style works well if you have plenty of time to

act, but it is detrimental when decisions are needed right away. Today's managers must be flexible in making decisions, feel comfortable in shifting their style depending on the situation, and learn when to make quick decisions and when to take their time.

GROUP DECISION MAKING

Decisions in organizations are increasingly being made by groups rather than by individuals. There seem to be at least two primary reasons for this. First, a group is likely to develop more and better alternatives than a single person, as indicated by the adage "two heads are better than one." Second, organizations are relying less on the historical idea that departments should be separate and independent decision units. To produce the best ideas and to improve their implementation, organizations are increasingly turning to teams that cut across traditional departmental lines. This requires the use of group decision-making techniques.

Advantages of Group Decisions

Individual and group decisions each have their own set of strengths. Neither is ideal for all situations. Let's review the advantages that group decisions have over individuals.

More complete information. A group will bring a range of experience and diverse perspectives to the decision-making process that an individual, acting alone, cannot.

More alternatives. Because groups have a greater quantity and diversity of information, they can identify more alternatives than can an individual.

Acceptance of a solution. Many decisions fail because people do not accept the solution. If the people who will implement or be affected by a certain decision could participate in the decision-making process, they would be more likely to accept the decision and to encourage others to accept it.

Legitimacy. The group decision-making process is consistent with democratic ideals and therefore may be perceived as more legitimate than decision making by a single person.

Disadvantages of Group Decision Making

If groups are so good, how did the phrase "A camel is a racehorse put together by a committee" originate? The answer, of course, is that group decision making has drawbacks. The major disadvantages of group decision making are described below.

Time consuming. It takes time to assemble a group. In addition, the interaction that takes place once the group is in place is frequently ineffi-

cient. The result is that a group almost always takes more time to reach a decision than does one individual.

Minority domination. Members of a group are never perfectly equal. They may differ in terms of rank in the organization, experience, knowledge about the problem, influence with other members, verbal skills, assertiveness, and the like. This creates the opportunity for one or more members to use their advantages to dominate others and impose undue influence on the final decision.

Pressures to conform. There are social pressures in groups. The desire of group members to be accepted and considered assets to the group can quash any overt disagreement and encourage conformity among viewpoints. The withholding by group members of different views in order to appear in agreement is called *groupthink* and as suggested previously can result in bad decisions.

Ambiguous responsibility. Group members share responsibility for making decisions, but no one person is actually responsible for the final outcome. In an individual decision, it is clear who is responsible, but in a group decision, the responsibility of any single member is diluted.

When to Use Group Decision Making

In making decisions, when are groups better than individuals and vice versa? That depends on what you mean by “better.” There are four criteria frequently associated with good decisions. First, the evidence indicates that, on average, groups make more accurate decisions than individuals. This does not mean, of course, that every group outperforms every individual. Rather, group decisions have been found to be more effective than those of the average member of the group; however, they seldom are as good as those of the best group member. Next, individual decision makers are faster than groups. Group decision processes are characterized by give and take, which consumes time.

Groups tend to do better than individuals in reaching creative decisions. This requires, however, that groups must avoid groupthink. They must encourage doubts about the group’s shared views and challenges to favored arguments; they must avoid an excessive desire to give an appearance of consensus; and they must not assume that silence or abstention by members is a “yes” vote. Finally, group decisions typically result in greater acceptance. Because group decisions are made using input from more people, they are likely to result in solutions that more people will accept.

ENHANCING GROUP DECISION MAKING

Just as individuals can improve the quality of their decisions, so can groups. The basic idea underlying these techniques is identical: Structure

the group experience to experience its benefits without also experiencing its weaknesses.

The Delphi Technique: Decisions by Expert Consensus

According to Greek mythology, to see what fate the future held for them, people could seek the counsel of the Oracle of Delphi. Today, organizational decision makers sometimes consult experts to help them make the best decisions as well. Developed by the Rand Corporation, the Delphi technique represents a systematic way of collecting and organizing the opinions of several experts into a single decision (Dalkey, 1969).

The Delphi process begins by enlisting the cooperation of experts and presenting the problem to them, usually in a letter. Each expert then proposes what he or she believes is the most appropriate solution. The group leader compiles these individual responses, reproduces them, and shares them with all the other experts in a second mailing. At this point, each expert comments on the other experts' ideas and then compiles them again and looks for a consensus of opinions. If a consensus is reached, the decision is made; if not, the process of sharing reactions with others is repeated until a consensus eventually is obtained.

The obvious advantage of the Delphi technique is that it allows the collecting of expert judgments without the great costs and logistical difficulties of scheduling a face-to-face meeting. The technique is not without limitations, however. For example, the Delphi process can be very time-consuming. Mailing letters, waiting for responses, transcribing and disseminating those responses, and then repeating the process until a consensus is reached can take quite some time. In fact, the minimum time required for the Delphi technique is estimated to be more than 44 days. In one case, the process took five months to complete (Van de Ven and Delbecq, 1971). Obviously, the Delphi approach is not appropriate for crisis situations—or for whenever time is of the essence. The approach has been employed successfully, however, to make decisions such as what items to put on a conference agenda and what the potential effect of implementing new land-use policies would be (Van de Ven and Delbecq, 1971).

The Nominal Group Technique (NGT)

When only a few hours are available to make a decision, group discussion sessions can be held in which members interact with each other in an orderly, focused fashion. The nominal group technique (NGT) brings together a small number of individuals (usually seven to ten) who systematically offer their individual solutions to a problem and share their personal reactions to those solutions (Gustafson, Shulka, Delbecq, and Walster, 1975). The technique is referred to as nominal because the individuals in-

volved form a group in name only. The participants do not attempt to agree on any one solution but rather vote on all the solutions proposed.

The NGT begins by gathering the group members together around a table and identifying the problem at hand. Each member then writes his or her solutions. Next, each member presents his or her solutions to the group, and the leader writes those solutions on a chart. This process continues until all the ideas have been expressed. Each solution then is discussed, clarified, and evaluated by the group. Each member is given a chance to voice his or her reactions to each idea as well. After all the ideas have been evaluated, the group members privately rank-order their preferred solutions. The idea with the highest rank is taken as the group's decisions.

The NGT has several advantages and disadvantages (Ulshak, Nathanson, and Gillan, 1981). As noted, this approach can arrive at a group decision in only a few hours. It also discourages any pressure to conform to the wishes of a high-status group member, because all ideas are evaluated and all preferences expressed in private balloting. The technique does require a trained group leader, however, and using it successfully requires that only one narrowly defined problem can be considered at a time. Thus, for complex problems, many NGT sessions would be needed—and only if the problem under consideration could be broken into smaller parts.

Traditionally, nominal groups meet in face-to-face meetings, but modern technology enables such groups to meet even when the members are far away from each other. Specifically, electronic meeting systems allow individuals in different locations to participate in a group conference via telephone lines or direct satellite transmission (Harmon, Schneer, and Hoffman, 1995). Messages may be sent by characters on a computer monitor or by images viewed during a teleconference. Despite their high-tech look, automated decision conferences really are just nominal groups meeting in a manner that approximates face-to-face contact.

It is important to consider the relative effectiveness of nominal groups and Delphi groups compared with face-to-face interacting groups. In general, research has shown the superiority of these special approaches to decision making (Willis, 1979). Overall, members of nominal groups tend to be the most satisfied with their work and to make the best-quality judgments. In addition both nominal and Delphi groups are more productive than face-to-face interacting groups.

As noted, however, there is one potential benefit from face-to-face interaction that cannot be realized in nominal or Delphi groups: acceptance of the decision. Groups are likely to accept their decisions and be committed to them if the members have been actively involved in making them. Thus, the more detached and impersonal atmosphere of nominal and Delphi groups sometimes makes their members less likely to accept decisions. Thus, there is no one best type of group with which to make decisions. The most appropriate type depends on the trade-offs decision makers are

willing to accept in terms of speed, quality, and commitment (Stumpf, Zand, and Freedman, 1979).

The Stepladder Technique: Systematically Incorporating New Members

Another way of structuring group interaction is known as the stepladder technique (Rogelberg, Barnes-Farrell, and Love, 1992). This approach minimizes the tendency for group members to be unwilling to present their ideas. This is accomplished by adding new members one at a time and requiring each to present his or her ideas independently to a group that already has discussed the problem at hand. To begin, each of two people works on a problem independently. Then, they come together to present their ideas and to discuss solutions jointly. While the two-person group is working, a third person working alone also considers the problem. This individual then presents his or her ideas to the two-person group and joins in a three-person discussion of a possible solution. During this period, a fourth person works on the problem alone, then presents his or her ideas to the three-person group, and then joins in a four-person group discussion. After each new person has been added to the group, the entire group works together at finding a solution.

In following this procedure, each individual must be given enough time to work on the problem before joining the group. Then, each person must be given enough time to present thoroughly his or her ideas to the group. In turn, groups must have sufficient time to discuss the problem and to reach a preliminary decision before the next person is added. The final decision is made only after all individuals have been added to the group.

The rationale is that by forcing each person to present independent ideas—without knowing what the group had decided so far—the new person will not be influenced by the group. In turn, the group is required to consider a constant infusion of new ideas. If this is so, then groups solving problems using the stepladder technique should make better decisions than conventional groups meeting all at once to discuss the same problem. This is exactly what happens, too. Moreover, members of stepladder groups report feeling more positive about their group experiences than their counterparts in conventional groups. The stepladder technique is new, but evidence suggests it holds promise for enhancing the decision-making capacity of groups.

Training Discussion Leaders

When organizations utilize group decision making, an appointed leader often convenes the group and guides the discussion. The actions of this leader can “make or break” the decision. On the one hand, if the leader

behaves autocratically, trying to “sell” a preconceived decision, the advantages of using a group are obliterated, and decision acceptance can suffer. If the leader fails to exert any influence, however, the group might develop a low-quality solution that does not meet the needs of the organization. The use of role-playing training to develop these leadership skills has increased the quality and acceptance of group decisions. The following are examples of the skills that people learn in discussion leader training (Maier, 1973).

- State the problem in a nondefensive, objective manner. Do not suggest solutions or preferences.
- Supply essential facts and clarify any constraints on solutions (e.g., “We can’t spend more than \$5,000”).
- Draw out all group members. Prevent domination by one person, and protect members from being attacked or severely criticized.
- Wait out pauses. Do not make suggestions or ask leading questions.
- Ask stimulating questions that move the discussion forward.
- Summarize and clarify at several points to mark progress.

INCREASING EMPLOYEE INVOLVEMENT IN DECISION MAKING

The traditional view of decision making placed the manager in the eminent position of primary decision maker. In today’s complex work environment, it is unrealistic to expect one person to know all the answers. In addition, as employees continue to grow and take advantage of educational opportunities, it is smart to draw on their knowledge, creativity and experience. When employees are involved effectively in decision making, the quality of decisions can be improved and an increased commitment to the organization can be achieved. By no means is this process meant to interfere with the authority of the manager. On the contrary, it is designed to promote teamwork, improve creativity, increase interaction, expand communication, and enhance overall organizational efficiency. By the same token, it is conceivable that the manager may earn even greater respect by including employees in the process.

A manager’s decision-making ability can be improved if more employee ideas and suggestions are collected at the outset. The following two techniques can greatly increase the level of employee involvement.

Technique 1: Delegate—Learn to Be a Guardian of Decisions Instead of the Maker of Decisions

When possible, decisions should be delegated to employees at lower levels. Employees have a right to participate in decisions directly affecting

them. The rationale is that employees possess valuable day-to-day knowledge of the job, and therefore, the organization benefits by allowing them to make certain decisions. The manager serves as a guardian—making sure that the group's decisions are in keeping with departmental goals and organizational objectives.

When employees make decisions, the organization gains because the most knowledgeable people make the decisions, and the group gains by being included in the process. Individuals grow as a result of the technique, increasing their potential and their long-term contributions to the organization.

Technique 2: Use Participative Approaches to Decision Making

Many managers have implemented participative decision-making techniques to boost productivity, improve employee relations, and increase the quality of decisions.

Participative approaches invite decision sharing. Employees are made responsible for contributing opinions and information, and they are expected to participate in the decision-making process as much as possible. Participative managers do not disguise their power to make the final decision, particularly when faced with crises. They do, however, request and expect constant feedback, a practice that provides them with the best available information, ideas, suggestions, talent, and experience.

As suggested at various points in this book, the move toward participation is increasingly popular. Some organizations prefer traditional authoritarian methods for decision making; however, many organizations find themselves in transition and may wish to consider the many benefits of a participative approach. When employees participate in making decisions that affect them, they support those decisions more enthusiastically and try harder to make them work.

PRACTICAL PITFALLS TO AVOID WHEN MAKING DECISIONS

Many managers have a tendency to encounter one or more of a number of problems when making decisions. Some managers make all decisions into big or crisis decisions.

Pitfall 1: Making All Decisions into Big or Crisis Decisions

Everyone has run into the manager who treats every decision as if it were a life-and-death issue. These managers may spend two hours deciding whether to order one or two boxes of rubber bands. Some managers seem

to delight in turning all decision situations into crisis situations. These approaches keep the employees confused; they have a hard time distinguishing between the important and less important issues, crisis and non-crisis situations. As a result of this approach, the really important problems may not receive proper attention because the manager wastes time and becomes bogged down in unimportant matters. This type of manager must learn to allocate an appropriate amount of time to each decision, based on its relative significance. Even when a true crisis does occur, such as the breakdown of a major piece of equipment or an accident, the manager must learn to remain calm and think clearly.

Pitfall 2: Failing to Consult with Others

The advantage of consulting others in the decision-making process was discussed earlier in this chapter. Yet some managers are reluctant to seek advice, fearing it will make them look incompetent. Many managers, especially new ones, are under the impression that they should know all the answers and that to ask someone else for advice would be admitting a weakness. Successful managers place good sense and their reasoning ability ahead of their egos.

Pitfall 3: Never Admitting a Mistake

No one makes the best decision every time. If a manager makes a bad decision, it is best to admit this and do what is necessary to correct the mistake. The worst possible course is to try to force a bad decision into being a good decision.

Pitfall 4: Constantly Regretting Decisions

Some managers always want to change the unchangeable. Once a decision has been made and is final, don't brood over it. Remember, very few decisions are totally bad; some are just better than others. A manager who spends all of his or her time dreaming about "what if" will not have enough time to implement decisions already made.

Pitfall 5: Failing to Utilize Precedents and Policies

Why reinvent the wheel? If a similar problem has arisen in the past, managers should draw on that experience. If a situation seems to recur constantly, it is usually useful to implement a policy covering it. For example, it is wise to have a policy covering priorities for vacation time. Managers should also keep abreast of current organizational policies, which can often help solve problems.

Pitfall 6: Failing to Gather and Examine Available Data

Some managers often ignore or fail to utilize available factual information. One common reason for this is that some degree of effort is normally required to gather and analyze data—it is easier to utilize only the data already on hand. A related problem is the need to separate the facts from gossip and rumor. The general tendency is to believe only what you want to believe and not to consider the facts.

Pitfall 7: Promising What Cannot Be Delivered

Managers sometimes make promises they know they can't keep and commitments when they don't have the necessary authority to do so. Managers may view such commitments and promises as ways of getting employees to go along with decisions. Failed commitments almost always come back to haunt the manager. The best approach is to promise no more than can be delivered.

Pitfall 8: Delaying Decisions Too Long

Many managers tend to put off making a decision “until we have more information.” A time line is often critical and even good decisions can be ineffective if delayed too long. Managers rarely ever have all the information they would like. Good managers know when they have adequate information and then make decisions promptly.

SUMMARY

Managers confront many decision situations, which can vary from the programmed type at one extreme to the nonprogrammed at the other. Decisions for routine, repetitive-type problems are usually made easier by the use of policies, procedures, standard practices, and the like. However, non-routine decisions are usually one-time, unusual, or unique problems that require sound judgment and systematic thinking. Better decisions are more likely to occur when managers follow the guidelines for making decisions, get input from others, use group decision-making strategies when appropriate, and take steps to avoid decision-making pitfalls.

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