ORGANIZATIONAL Managing People and Organizations

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PART 3
Social and Group
Processes in
Organizations



CHAPTER 8

Decision Making and Problem Solving

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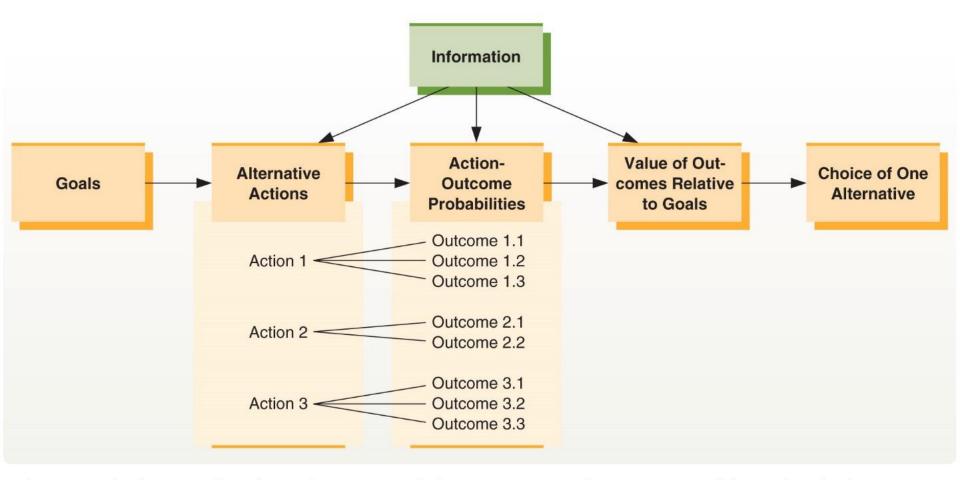
Chapter Learning Objectives After studying this chapter you should be able to:

- Describe the nature of decision making and distinguish it from problem solving.
- 2. Discuss the rational approach to decision making.
- 3. Identify and discuss the primary behavioral aspects of decision making.
- 4. Discuss group decision making in organizations.
- 5. Discuss the nature of creativity and relate it to decision making and problem solving.

The Nature of Decision Making

- Decision Making
 - -The process of choosing one alternative from among several
- Problem Solving
 - A special form of decision making that requires developing and evaluating alternatives to find the answer to a question

Elements of Decision Making



A decision maker has a goal, evaluates the outcomes of alternative courses of action in terms of the goal, and selects one alternative to be implemented

Decisions Based on Frequency

Programmed Decision

Recurs often enough for a decision rule to be developed

Decision Rule

 Tells decision makers which alternative to choose once they have predetermined information about the decision situation

Nonprogrammed Decision

Recurs infrequently, and there is no previously established decision rule

Table 8.1

Characteristics of Programmed and Nonprogrammed Decisions

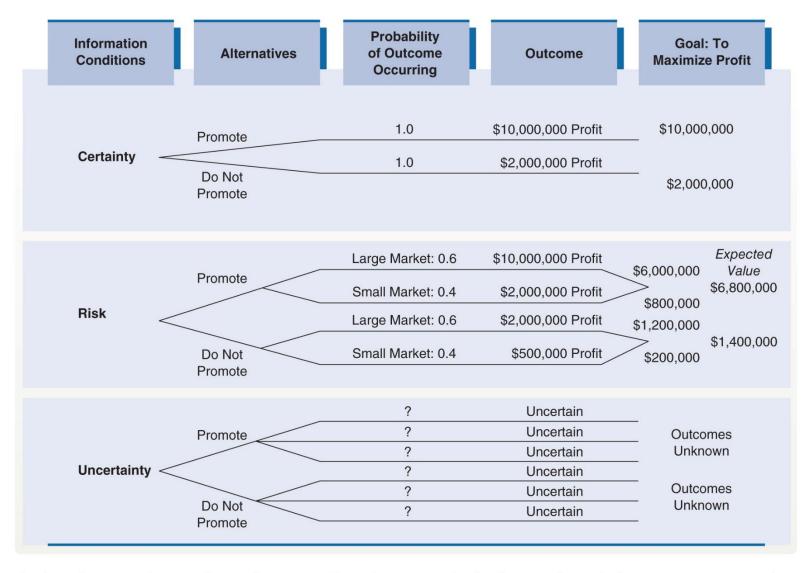
CHARACTERISTICS	PROGRAMMED DECISIONS	NONPROGRAMMED DECISIONS
Type of Decision	Well structured	Poorly structured
Frequency	Repetitive and routine	New and unusual
Goals	Clear and specific	Vague
Information	Readily available	Not available, unclear channels
Consequences	Minor	Major
Organizational Level	Lower levels	Upper levels
Time for Solution	Short	Relatively long
Basis for Solution	Decision rules, set procedures	Judgment and creativity

Decisions Based on Information Conditions

- Information Required for Decision Making
 - Information ranges across endpoint conditions
 - –Condition of Certainty
 - Outcomes of each alternative are known
 - –Condition of Risk
 - Certainty of an outcome is unknown but there is enough information to estimate probabilities of various outcomes
 - -Condition of Uncertainty
 - There is insufficient information to estimate the probability of possible outcomes

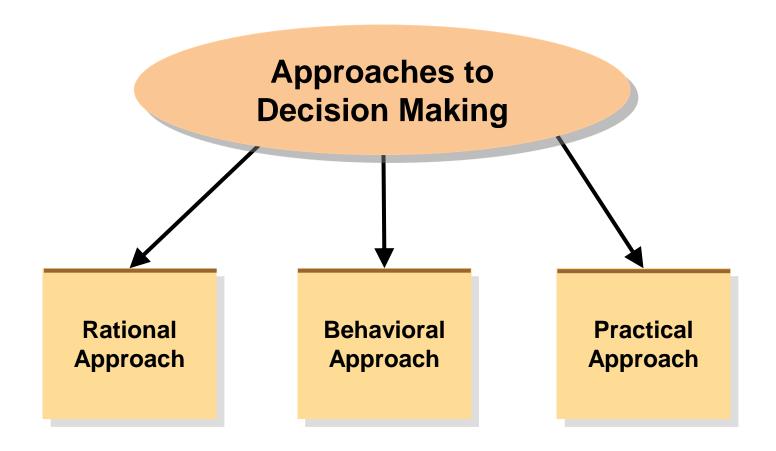
Figure 8.2

Alternative Outcomes Under Different Decision-Making Conditions



The three decision-making conditions of certainty, risk, and uncertainty for the decision about whether to promote a new video game to the market.

The Decision-Making Process (cont'd)

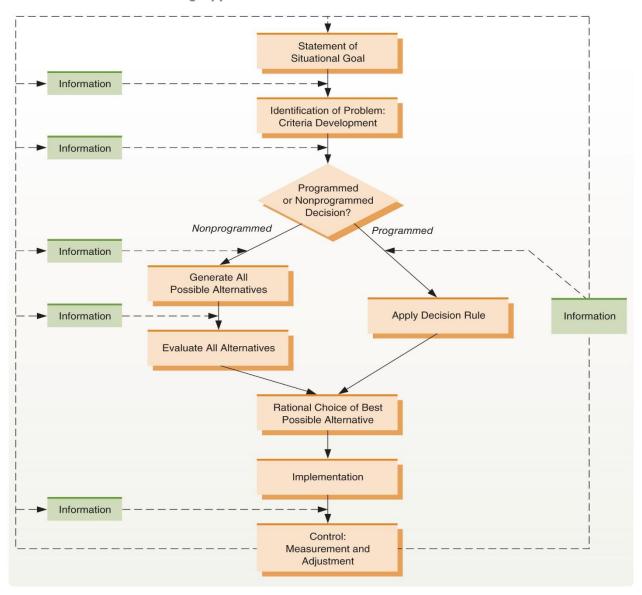


The Decision-Making Process (cont'd)

- The Rational Approach
 - A systematic, step-by-step process for making decisions
 - State the situational goal
 - Identify the problem
 - Determine the decision type
 - Generate alternatives
 - Evaluate alternatives
 - Choose an alternative
 - Implement the plan
 - Control: measure and adjust

Figure 8.3

The Rational Decision-Making Approach



The rational model follows a systematic, step-by-step approach from goals to implementation, measurement, and control.

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The Decision-Making Process (cont'd)

The Rational Approach (cont'd)

-Strengths

- Forces decision in a logical, sequential manner
- In-depth analysis enables choose on the basis of information rather than emotion or social pressure

-Weaknesses

- Rigid underlying assumptions often unrealistic
- Information limited by time or cost constraints, manager's ability to process information
- Not all alternatives easily quantified
- Outcomes unknown due to unpredictability of future

Evidence-Based Decision Making

- Evidence-Based Management (EBM)
 - -The commitment to identify and utilize the best theory and data available to make decisions by:
 - 1. Facing the hard facts and building a culture in which people are encouraged to tell the truth, even if it's unpleasant
 - 2. Being committed to "fact-based" decision making—getting the best evidence and using it to guide actions
 - 3. Treating your organization as an unfinished prototype—encouraging experimentation and learning by doing
 - 4. Looking for the risks and drawbacks in what people recommend (even the best medicine has side effects)
 - 5. Avoiding basing decisions on untested beliefs, what was done in the past, or uncritical "benchmarking" of what winners do

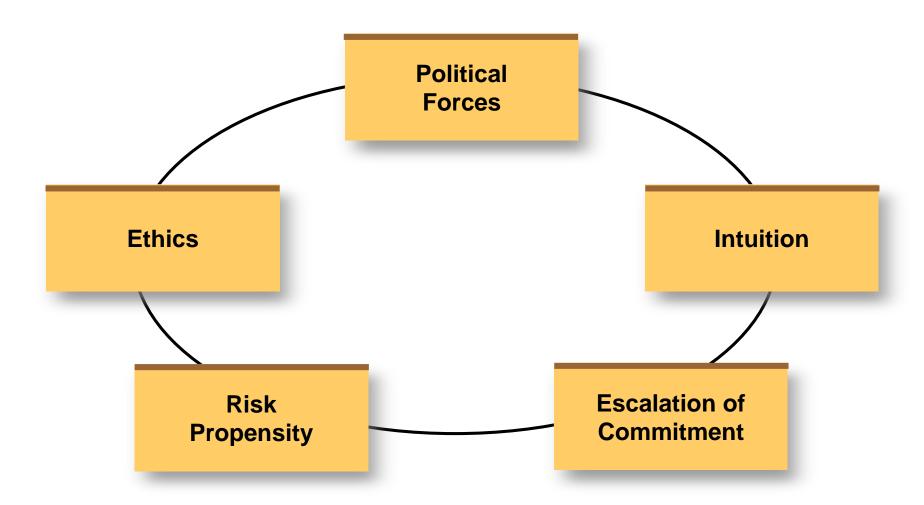
The Behavioral Approach to Decision Making

- The Administrative Model
 - Assumes decision makers operate with bounded rationality rather than with perfect rationality
 - Bounded rationality: decision making based upon a meaningful subset of relevant information
 - -Characteristics of the Administrative Model
 - Procedures and rules of thumb reduce uncertainty
 - Sub-optimizing—accepting less than best outcome
 - Satisficing—choosing first-encountered alternative that solves the problem

What is Satisficing?

- –Searching for and choosing an acceptable, or satisfactory response to problems and opportunities, rather than trying to make the best decision.
 - Managers explore a limited number of options and choose an acceptable decision rather than the optimum decision.
 - Managers assume that the limited options they examine represent all options.
 - This is the typical response of managers when dealing with incomplete information.

Other Behavioral Forces in Decision Making



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Prospect Theory and Decision Making

Prospect theory

 Argues that when people make decisions under a condition of risk they are more motivated to avoid losses than they are to seek gains

An Integrated Approach to Decision Making

The Integrated (or Practical) Approach

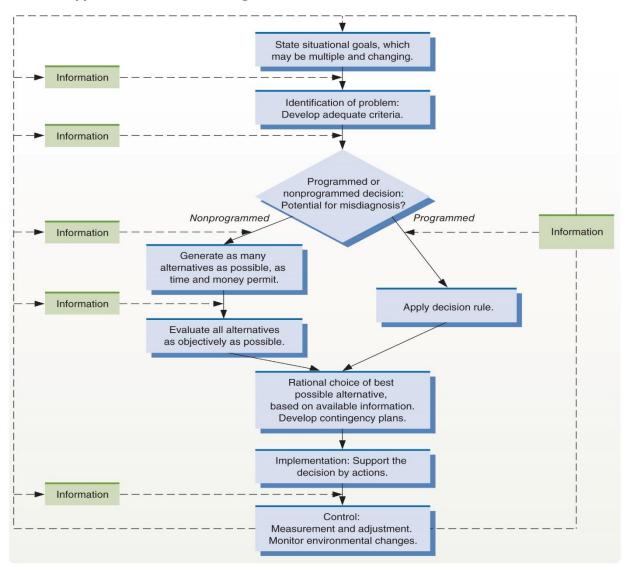
–Combines the steps of the rational approach with the conditions in the behavioral approach to create a more realistic approach for making decisions in organizations

Hybrid Approaches

- Managers use a combination of rational, behavioral, and practical approaches to make decisions
- Research has shown that speed in decision making is not indicative of the consideration of fewer alternatives by managers

Figure 8.4

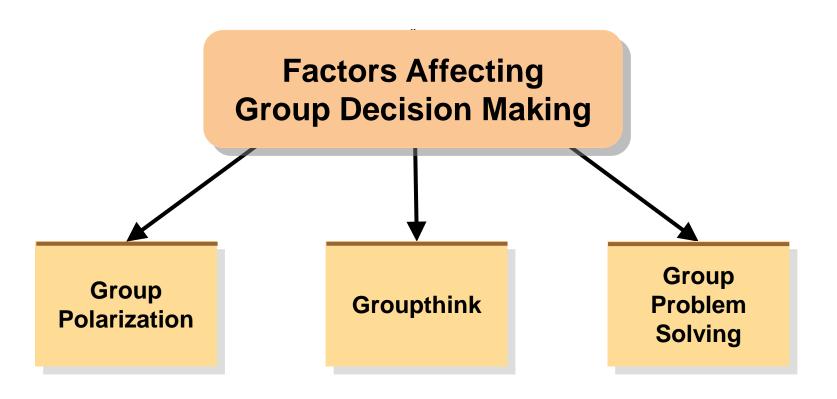
Practical Approach to Decision Making with Behavioral Guidelines



The practical model applies some of the conditions recognized by the behavioral approach to the rational approach to decision making. Although similar to the rational model, the practical approach recognizes personal limitations at each point (or step) in the process.

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Group Decision Making in Organizations



Group Polarization

-The tendency for a group's average post-discussion attitudes to be more extreme than its average prediscussion attitudes ("risky shift")

Why Polarization Occurs

- -Increasing confidence from shared opinions
- -Persuasive arguments convincing weaker supporters
- Individuals substituting group responsibility for individual responsibility for the decision

Groupthink

—A mode of thinking that occurs when members of a group are deeply involved in a cohesive in-group and the desire for unanimity offsets their motivation to appraise alternative courses of action

Effects of Groupthink

- -Consideration of and focus on fewer alternatives
- Failure to perceive non-obvious risks and drawbacks of an alternative
- Rejection of expert opinions
- Ignoring potential for setbacks or actions of competitors in not developing contingency plans

Groupthink

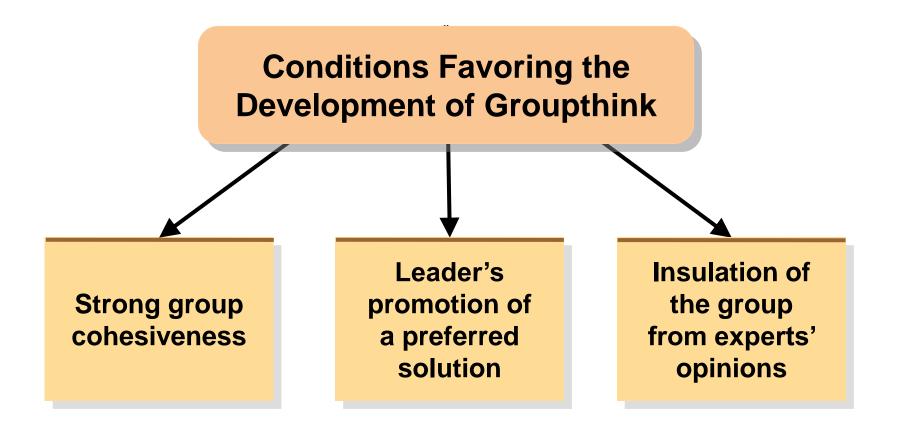
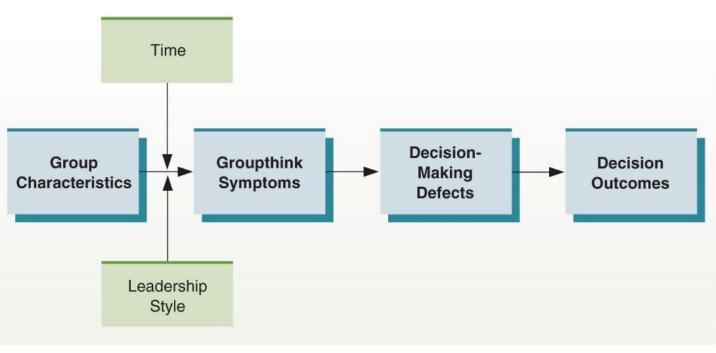


Figure 8.5





Groupthink can occur when a highly cohesive group with a directive leader is under time pressure; it can result in a defective decision-making process and low probability of successful outcomes.

Source: Moorhead, G., Ference, R., & Neck, C. P. (1991). Group Decision Fiascoes Continue: Space Shuttle *Challenger* and a Revised Groupthink Framework. *Human Relations*, 44, 539–550.

Symptoms of Groupthink

- Illusion of invulnerability
- Collective efforts to rationalize/discount warnings
- Unquestioned belief in the group's inherent morality
- Stereotyped views of "enemy" leaders
- Direct pressure on a member
- Self-censorship of deviations
- Shared illusion of unanimity
- Emergence of self-appointed "mind-guards"

Prescriptions for Preventing Groupthink

A. Leader prescriptions

- 1. Assign everyone the role of critical evaluator.
- 2. Be impartial; do not state preferences.
- 3. Assign the devil's advocate role to at least one group member.
- 4. Use outside experts to challenge the group.
- 5. Be open to dissenting points of view.

B. Organizational prescriptions

- 1. Set up several independent groups to study the same issue.
- 2. Train managers and group leaders in groupthink prevention techniques.

C. Individual prescriptions

- Be a critical thinker.
- 2. Discuss group deliberations with a trusted outsider; report back to the group.

D. Process prescriptions

- 1. Periodically break the group into subgroups to discuss the issues.
- 2. Take time to study external factors.
- 3. Hold second-chance meetings to rethink issues before making a commitment.



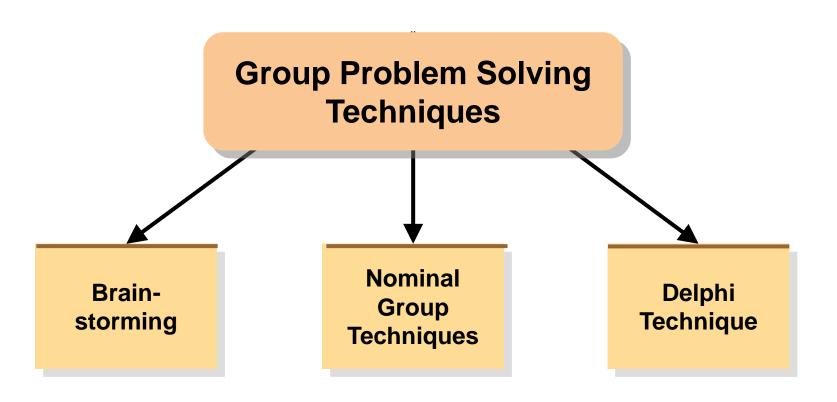
Participation

-The degree to which employees should be involved in the decision making process

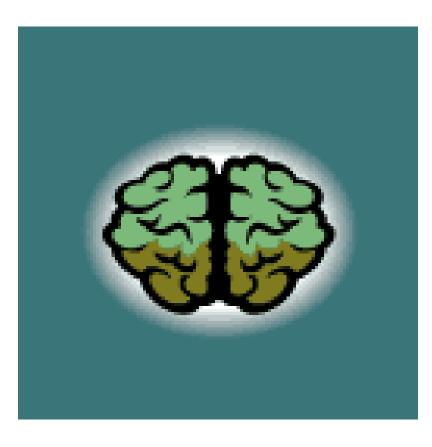
Benefits of Participation

- -Helps in judgmental problem-solving situations
- Produces more and better solutions
- Helps in solving complex problems
- -Creates a greater interest in the task

- Group Problem Solving Difficulties
 - -Factors limiting the generation-of-alternatives phase
 - Immediate reactions to alternatives discourages further proposals of alternatives
 - Experience, status, and power of some members intimidates less confident members
 - Limitations on idea generation imposed by the group leader



Brainstorming Rules



- 1) Stress quantity over quality
- 2) Freewheeling should be encouraged; do not set limits
- 3) Suspend judgment
- 4) Ignore seniority

Nominal Group Technique (NGT)

- □Individually & silently generate ideas.
- □Each person systematically offers one idea from his/her list.
- □One person records all ideas.
- □After all ideas are elicited, discuss them as a group.
- □Anonymously vote for the top choices using a weighted voting procedure. (e.g..... 1st = 3pts, 2nd = 2 pts ...)

Delphi Technique

- □Participants identified.
- □Questionnaire developed.
- □Questionnaires sent and returned to manager.
- □Responses summarised and returned to participants.
- □Participants asked to
 - ☐. Review feedback
 - ☐. Prioritise issues
 - □. Return survey

□Cycle repeated until satisfactory solution reached.

Creativity, Problem Solving, and Decision Making

Creativity

- —The ability to generate new ideas or to conceive of new perspectives on existing ideas
- –Key issues
 - Creativity and the individual
 - The creative process
- -Steps in the Creative Process
 - Preparation
 - Incubation
 - Insight
 - Verification

The Creative Process The creative process generally follows the four steps illustrated here. Of course, there are exceptions, and the state of the

A period of education,

on-the-job experiences

Incubation

A period of less intense conscious concentration

Insight

breakthrough to achieve a new understanding

Verification

A test of the validity or truthfulness of the insight

A spontaneous

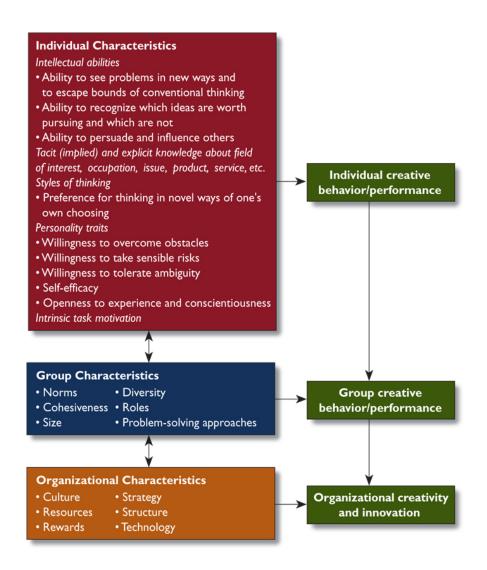
formal training, and

The creative process generally follows the four steps illustrated here. Of course, there are exceptions, and the process is occasionally different. In most cases, however, these steps capture the essence of the creative process.

Creativity, Problem Solving, and Decision Making

- Descriptors of Creative Individuals
 - -Background Experiences
 - –Personal Traits
 - –Cognitive Abilities
- Enhancing Creativity in Organizations
 - -Methods
 - Using explicit goals to make creativity a part of the organizational culture
 - Rewarding creative successes

Model of Creativity



Suggestions for Improving Employee Creativity



- Develop an environment that supports creative behaviour
- Encourage employees to be more open to new ideas and experiences
- Keep in mind that people use different strategies to foster their creativity
- Provide employees with stimulating work that creates a sense of personal growth
- Allow employees to have fun and play around

Suggestions for Improving Employee Creativity

- Encourage an open environment that is free of defensive behavior
- Treat errors and mistakes as opportunities for learning
- Let employees
 occasionally try out
 their pet ideas, provide
 a margin of error
- Avoid using a negative mind-set when an employee approaches you with a new idea
- Reward creative behavior

