Chapter 12: Decision Making, Creativity, and Ethics

HOW SHOULD DECISIONS BE MADE?

decisions = choices made from 2 or more alternatives

- decisions making: reaction to problem (discrepancy btwn some *current* state of affairs & some *desired* state) OR opportunity (when sth unplanned happens, giving rise to thoughts abt new ways of proceeding)

The Rational Decision-Making Process

rational = refers to choices that are consistent & value-maximizing within specified constraints

rational decision-making = 6-step decision-making model that describes how ppl should behave in order to max. some outcome

The Rational Decision-Making Model (6 steps)

1	**Define the Problem**	problem exists when discrepancy occurs btwn current & desired state
2	**Identify the Criteria**	- determine what's relevant/important in making decision/solving problem - brings in decision maker's interests, values, similar personal preferences
3	**Allocate Weights to the Criteria**	criteria identified are rarely all equal in importance, so need to give them correct priority in decision
4	**Develop Alternatives**	…which could succeed in resolving problem - no attempt made to assess these alternatives yet—only list them
5	**Evaluate the Alternatives**	strengths & weaknesses of each alternative
6	**Select the Best Alternative**	- done by evaluating each alternative against the weighted criteria - select the one w/ highest score

Assumptions of the Model

- *Problem clarity*
  problem is clear & unambiguous; decision maker has complete info reagarding decision situation
- *Known options*
  decision maker can identify all relevant criteria, can list all workable alternatives, is aware of all possible consequences of each alternative
- *Clear preferences*
  criteria and alternatives can be ranked & weighted to reflect their importance
- *Constant preferences*
  specific decision criteria are constant; weights assigned to them are stable over time
- *No time/cost constraints*
  decision maker can obtain full info about criteria & alternatives b/c there's no time/cost constraints
- *Maximum payoff*
  decision maker will choose alternative that yields highest perceived value

HOW DO INDIVIDUALS ACTUALLY MAKE DECISIONS?

- in real life, not all decisions made according to Rational Model

Problem Identification

- one person's problem may be another person's acceptable status quo
- visible problems → more likely to be selected (than important ones)

  Why? *it's easier to recognize visible problems

  *makes decision makers appear competent & on top of problems b/c they're visible to others

  *self-interest makes decision maker select problems important to himself, rather than to org

  (tendency to attack high-profile problems b/c leads to higher rated performance)

Bounded Rationality in Considering Alternatives

bounded rationality = limitations on a person's ability to interpret, process, and act on info

- thus ppl are not able to discover/consider every alternative
- instead, identify a limited list of more obvious choices
- rather than carefully reviewing & evaluating, ppl settle on alternative that's "good enough" → and ends the search

satisfice = to provide a solution that's both satisfactory & sufficient ("good enough")

- decision makes choose final solutions that satisfice, rather than optimize

  e.g. manager interviews job candidates only until someone "good enough" is found

Intuition

- growing recognition that relying on intuition can improve decision making
- can be wrong (good intuition results from recognition of pattern in situation & drawing upon previous learned info to arrive quickly @ decision)

intuitive decision making = subconscious process created out of a person's many experiences

- does not necessarily operate w/o rational analysis
- best used when time + "facts" limited; policies, rules, guidelines do not give clear advice; uncertainty exists; quantitative analysis of little use; no precedent; variables less scientifically predictable; several plausible solutions

When making decisions, make sure you:

- define problem as best as you can
- are clear on factors that will be used to make decision
- collect enough alternatives that you can clearly differentiate among them

Judgment Shortcuts

heuristics = judgment shortcuts in decision making

Framing	= *error in judgment that arises from selective use of perspective (the way in which a set of ideas, facts, info is presented) that alters the way we view a situation in formulating a decision* e.g. identical problem addressed in two ways → create opposite conclusions
Statistical Regression to the Mean	= *statistical observation that an above-average performance is often followed by a lesser performance, while a below-average performance is more likely followed by a better performance; result is average performance over time (failure to recognize that performances tend toward the average, rather than extremes* - may be particular interest for those trying to decide whether rewards or punishments work better with employees, colleagues, children, friends - regression to the mean: b/c each person has average performance level
Availability Heuristic	= *tendency for ppl to base their judgments on info that's readily available to them, rather than complete data* - we tend to overestimate unlikely events (e.g. airplane crash) b/c events that evoke emotions, particularly vivid, or have occurred recently are more available in memory
Representative Heuristic	= *tendency to assess the likelihood of an occurrence by trying to match it w/ a pre-existing category* e.g. 3 graduates from the same university hired but performed poorly; manager might predict that a current job applicant from the same university would also do poorly
Ignoring the Base Rate	= *error in judgment – ignoring statistical likelihood that an event might happen* e.g. ppl believe they'll succeed in founding a business even when failure rate is 90%
Escalation of Commitment	= *increased commitment to a pervious decision despite –ve info* - ppl escalate commitment to a failing course of action when they view themselves as responsible for the failure, or b/c they have invested a lot in the alternative - "throw good money after bad" → to avoid having to admit they made a mistake

IMPROVING DECISION MAKING THROUGH KNOWLEDGE MANAGEMENT

knowledge management (KM) = process of organizing & distributing an org's collective wisdom so the right info gets to the right ppl @ the right time

- provides org w/ competitive edge & improved org. performance (it makes employees smarter)
- becoming more important today b/c:
  - org's that can quickly & efficiently tap into employee' collective exp. & wisdom are more likely to "outsmart" competition
  - Baby Boomers leaving workforce, taking knowledge with them
  - well-designed KM system reduces redundancy and inc. efficiency
    e.g. employees undertaking new project need not start from scratch; can access what previously learned & avoid repeating previous mistakes

How do org's record knowledge & expertise?

1) develop computer databases of info that employees can readily access
   (identify what knowledge matters to the org)
2) create culture that promotes, values, rewards sharing knowledge
3) develop mechanisms that allow employees who have built up valuable expertise & insights to share them w/ others
   (more knowledge not necessarily better; info overload needs to be avoided by designing system to capture only relevant info & then organizing it so it can be quickly accessed)

GROUP DECISION MAKING

Group vs. Individual

CRITERIA OF EFFECTIVENESS	GROUPS	INDIVIDUALS
Accuracy	√	
Speed		√
Creativity	√	
Degree of Acceptance	√	
Efficiency		√

Strengths of Group Decision Making

- more complete info & knowledge *(more input and heterogeneity into decision process)*
- increased diversity of views *(opportunity to consider more approaches & alternatives)*
- higher quality decisions *(group almost always outperform even the best individual)*
- increased acceptance of solution *(group members who participated in making a decision are likely to enthusiastically support it & encourage others to accept it)*
- decision outcomes more accurate & creative

Weaknesses of Group Decision Making

- time-consuming *(take more time to reach solution; not always efficient)*
- conformity pressures *(group members desire to be accepted & considered an asset; may result in squashing overt disagreement)*
- discussion can be dominated by one or a few members *(if domination is composed of low-/medium-ability members, group effectiveness will suffer)*
- ambiguous responsibility

Groupthink & Group Shift

Groupthink

groupthink = *phenomenon in which group pressures for conformity prevent the group from critically appraising (assessing) unusual, minority, unpopular views*

Symptoms of groupthink:

- Illusion of Invulnerability
  group members become overconfident among themselves, allowing them to take extraordinary risks
- Assumption of Morality
  members believe highly in moral rightness of group's objectives & do not feel the need to debate the ethics of their actions
- Rationalized Resistance
  members rationalize any resistance to assumptions made (no matter how strongly evidence may contradict their assumptions, members behave so as to reinforce those assumptions continually)
- Peer Pressure
  members apply direct pressures on those who express doubts abt any of group's shared views, or who question validity of arguments supporting the alternative favoured by the majority
- Minimized Doubts
  members who have doubts / hold differing POVs seek to avoid deviating from what appears to be group consensus by keeping silent, or even minimizing to themselves importance of their doubts
- Illusion of Unanimity
  if someone doesn't speak, it's assumed that he is in full accord (abstention is viewed as a "yes" vote)

How to Minimize Groupthink?

- Encourage group leaders to play an impartial role. Leader should actively seek input from all members & avoid expressing his own opinions (especially in early stages of deliberation)
- Appoint 1 group member to play role of devil's advocate (to challenge the majority position & offer divergent perspectives)
- Stimulate active discussion of diverse alternatives (to encourage dissenting views / objective evaluations)

*BUT, not all groupthink symptoms harm decision-making (some +vely associated w/ team performance)

Groupshift

group shift = phenomenon in which the initial positions of individual group members become exaggerated b/c of interactions of the group

- discussion leads to significant shift in positions of members toward a more extreme position in the direction which they were already leaning before the discussion
  → conservative types become more cautious, aggressive types assume more risk

Why?

- discussion creates familiarization among members → become more bold & daring
- our society values risk → group discussion motivates members to show they're willing to take risks, like their peers
- group diffuses responsibility (if decision fails, no one member can be held wholly responsible)

Group Decision-Making Techniques

Interacting Groups	= *typical groups, where members interact w/ each other face to face* - rely on verbal & nonverbal interaction to communicate - But, often censor themselves & pressure members toward conformity of opinion
Brainstorming	= *idea-generation process that specifically encourages any & all alternatives, while withholding any criticism of those alternatives* - group of 6-12 ppl "free wheel" as many alternatives as they can, and record them - electronic brainstorming: ppl interact on computers to generate ideas - but NOT always the best way… e.g. China disliked it
Nominal Group Technique	= *group decision-making method in which individual members meet face to face to pool their judgments in a systematic but independent fashion* - nominal: restricts discussion / interpersonal comm'n during the process - advantage: does NOT restrict independent thinking Team members receive description of problem. ↓ *INDIVIDUAL ACTIVITY* Members meet as a group, but before any discussion, they independently, silently write down their ideas/possible solutions on the problem ↓ *GROUP ACTIVITY* After this silent period, each member presents one idea to the group Members take turns presenting ideas (no discussion takes place until all ideas have been presented & recorded) Group then discusses ideas for clarity & evaluates them ↓ *INDIVIDUAL ACTIVITY* Each member silently & independently ranks/votes on ideas. → Idea w/ highest total ranking is the final decision
Electronic Meetings	= *mtg where members interact on computers, allows for anonymity of comments & aggregation of votes* - nominal group technique + computer tech - up to 50 ppl sit around horse-shoed table w/ computer terminals - issues presented to participants & they type their responses into computer - individual comments & votes displayed on projection screen Advantages: Anonymity, Honesty, Speed - ppl can anonymously type any msg they want & it flashes on screen for all to see - allows ppl to be honest w/o penalty - fast b/c no chitchat, discussion don't digress, many can "talk" at once

Evaluating Group Effectiveness				
	TYPE OF GROUP			
EFFECTIVENESS CRITERIA	**INTERACTING**	**BRAINSTORMING**	**NOMINAL**	**ELECTRONIC**
# of ideas	*Low*	Moderate	**High**	**High**
Quality of ideas	*Low*	Moderate	**High**	**High**
Social Pressure	**High**	*Low*	Moderate	*Low*
$$ costs	*Low*	*Low*	*Low*	**High**
Speed	Moderate	Moderate	Moderate	**High**
Task orientation	*Low*	**High**	**High**	**High**
Potential for interpersonal conflict	**High**	*Low*	Moderate	*Low*
Feelings of accomplishment	**High** to *Low*	**High**	**High**	**High**
Commitment to solution	**High**	N/A	Moderate	Moderate
Develops group cohesiveness	**High**	**High**	Moderate	*Low*

THE INFLUENCE OF THE LEADER ON GROUP DECISION MAKING

leader-participation model = leadership theory that provides a set of rules to determine the form & amnt of participative decision-making in diff. situations

(by Victor Vroom, Philip Yetton)

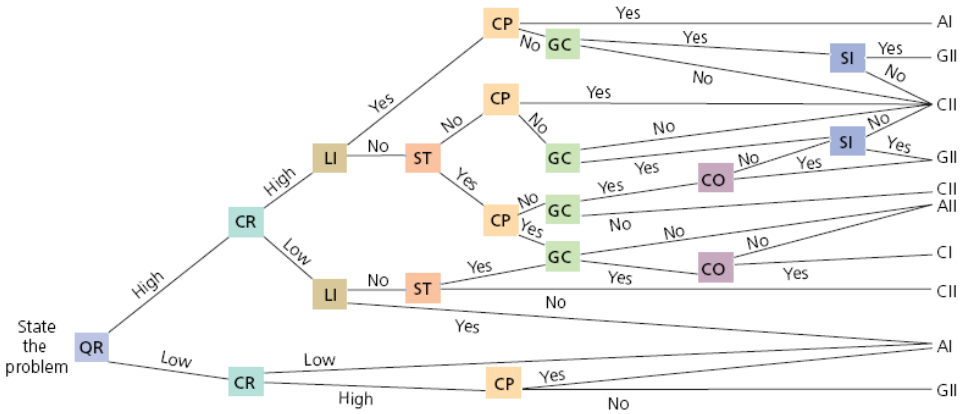
- incorporates 12 contingencies (whose relevance could be identified by making "yes" or "no" choices) + 5 leadership styles + set of problem types
- Major decision factors: Quality of decision required
  Degree of commitment needed from participants
  Time available to make decision

5 possible behaviours leaders could use:

Autocratic I (AI)	You solve the problem, or make a decision yourself using w/e facts you have.
Autocratic II (AII)	You obtain necessary info from employees & then decide on the solution yourself. You may (not) tell employees about the nature of the situation you face. You seek relevant facts from them, not their advice/counsel.
Consultative I (CI)	You share problem w/ relevant employees one-on-one, getting their ideas & suggestions. BUT final decision is yours alone.
Consultative II (CII)	You share problem w/ employees as a group & collectively obtain ideas & suggestions. Then you make the decision, which may (not) reflect employees' influence.
Group II (GII)	You share problem w/ employees as a group. Your goal: help group concur on a decision. Your ideas not given any greater weight than others'.

EXHIBIT 12-6 The Revised Leadership-Participation Model (Time-Driven Decision Tree Group Problems)

QR	Quality requirement:	How important is the technical quality of this decision?
CR	Commitment requirement:	How important is subordinate commitment to the decision?
LI	Leader's information:	Do you have sufficient information to make a high quality decision?
ST	Problem structure:	Is the problem well structured?
CP	Commitment probability:	If you were to make the decision by yourself, is it reasonably certain that your subordinate(s) would be committed to the decision?
GC	Goal congruence:	Do subordinates share the organizational goals to be attained in solving this problem?
CO	Subordinate conflict:	Is conflict among subordinates over preferred solutions likely?
SI	Subordinate information:	Do subordinates have sufficient information to make a high quality decision?



CREATIVITY IN ORGANIZATIONAL DECISION MAKING

creativity = process of creating novel products, idea, or procedures that are potentially relevant / useful to an org.

Factors That Affect Individual Creativity

Personal attributes associated w/ creative achievement:

- broad interests
- aesthetic sensitivity
- attraction to complexity
- toleration of ambiguity
- intuition
- self-confidence

- Individuals more creative when intrinsically motivated
- settings that provide opportunities, absence of constraints, rewards encourage creativity

6 Thinking Hats (by *De Bono*):

innovative, creative problem-solving develops from working thru decisions using 6 frameworks

- White hat: impartial thinking, focusing strictly on facts
- Red hat: expression of feelings, passions, intuitions, emotions
- Black hat: critical, deliberate, evaluating outlook
- Yellow hat: optimistic, upbeat, +ve outlook
- Green hat: creativity, inspiration, imagination, free flow of new concepts
- Blue hat: control, overall "managerial" perspective of process

Organizational (Work Environment) Factors That Affect Creativity

Challenge	- when ppl are matched up w/ the right assignments, their expertise & skills can be brought to task of creative thinking - individuals should be stretched, not overwhelmed
Freedom	- to be creative, person needs autonomy to determine the process - let person decide how to tackle the problem (which heightens intrinsic motivation)
Resources	- time & $$: 2 main resources that affect creativity - manager needs to allocate them carefully
Work Group Features	- heterogeneous groups likely to come up w/ more creative solutions - team members need to share excitement over the goal, be willing to support each other thru difficult times, and recognize each other's unique knowledge/perspective
Supervisory Encouragement	- to sustain passion, most ppl need to feel that what they do matters to others - managers can reward, collaborate, communicate to nurture creativity
Organizational Support	- reward creativity & make sure there's info sharing & collaboration - make sure –ve political problems do not get out of control

5 Org. Factors that Block Creativity:

- Expected evaluation *(focusing on how your work will be evaluated)*
- Surveillance *(being watched while working)*
- External motivators *(focusing on external, tangible rewards)*
- Competition *(facing win-lose situations)*
- Constrained choice *(given limits on how you can do your work)*

WHAT ABOUT ETHICS IN DECISION MAKING?

ethics = study of moral values/principles that guide our behaviour & inform us whether actions are right/wrong

4 Ethical Decision Criteria

Utilitarian	**utilitarianism =** *decision focused on outcomes / consequences that emphasizes the greatest good for the greatest #* - goals: efficiency, productivity, high profits - decision makers (esp. in for-profit org's) tend to feel safe, comfortable with it - questionable behaviours are justified when framed as being in best interests of org - BUT, ignore rights of some ppl (esp. those w/ minority representation in org)
Rights	- make decisions consistent w/ fundamental liberties & privileges as set forth in documents e.g. "Canadian Charter of Rights and Freedoms" - respect & protect basic rights of ppl (e.g. privacy, free speech, due process)

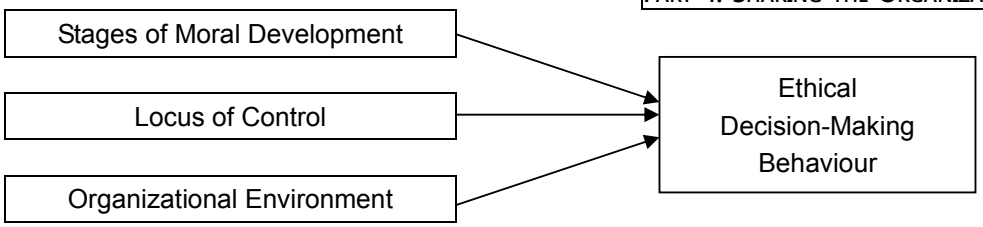
Justice	- impose & enforce rules fairly & impartially so there's an equitable distribution of benefits & costs - favoured by union members b/c ppl are paid the same wage regardless of performance diff's; seniority is primary determination in making layoff decisions - BUT encourage sense of entitlement that dec. ↓ risk-taking, innovation, productivity
Care	- express care in protecting special relationships that ppl have w/ each other - be aware of needs, desires, well-being of those to whom we are closely connected

*RESEARCH: men & women do NOT differ in use of justice vs. care in making decisions

Factors Influencing Ethical Decision-Making Behaviour

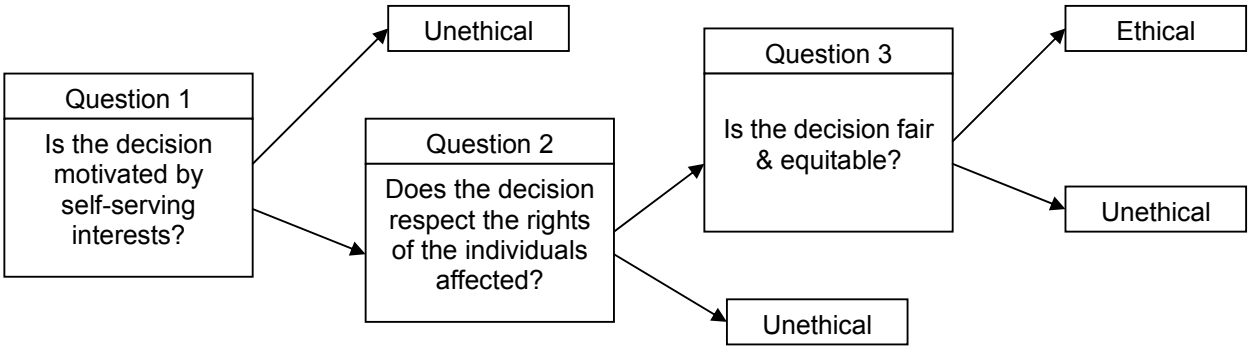
- (un)ethical actions are result of immoral individuals + work environment that promotes unethical activity

Stages of Moral Development	**stages of moral development** = development stages that explain a person's capacity to judge what's morally right - higher a person's moral development → less dependent he is on outside influences → more he'll be predisposed to behave ethically *THE 3 LEVELS:* **Preconventional**: **2.** Following rules only when doing so is in immediate interest; **1.** Sticking to rules to avoid physical punishment **Conventional**: **4.** Maintaining conventional order by fulfilling obligations to which you've agreed; **3.** Living up to what is expected by ppl close to you **Principled**: **6.** Following self-chosen ethical principles even if they violate the law; **5.** Valuing rights of others, upholding absolute values & rights regardless of the majority's opinion - ppl proceed thru stages one step @ a time, but do not always reach highest stage - most adults are @ mid-level (strongly influenced by peers & follow org's rules) - those @ higher stages → most likely make ethical decisions
Locus of Control	- External: → less likely to take responsibility for consequences of their behaviour more likely to rely on external influences to determine their behaviour - Internal: → rely on internal standards of right/wrong to guide their behaviour
Organizational Environment	= *employee's perception of org. expectations* - characteristics that foster high ethical decision making: -written codes of ethics -performance appraisals that evaluate means & ends -realistic performance expectations -high moral behaviour by senior management -visible recognition & promotions for ppl who display high moral behaviour -visible punishment for ppl who act unethically - righteous ppl can be corrupted by unethical org. environment



Making Ethical Decisions

- decision tree to guide ethical decisions (built on Utilitarianism, Rights, Justice)



Question 1: self-interest vs. org. goals (utilitarianism)

Question 2: concerns rights of others

Question 3: whether decision conforms to standards of equity & justice

- however, still, many ppl can justify unethical behaviours to org's best interests

Organizational Response to Demands for Ethical Behaviour

- companies that take ethics seriously tend to be more successful
- Canada does not legally require ethical culture in companies
- in US, when company's sued for illegal practices, financial damages may be ↓ if it has ethics program
- employees need to know how to follow corporate ethics policy
- not many companies evaluate their ethics-related performance, but some starting to hire "ethics auditor"
- create mechanisms that encourage employees to speak up when they see wrongdoing

  → ethical behaviour ↑

What About National Culture?

- no global ethical standards (what's considered unethical in one country may not be viewed similarly in another country)

  e.g. Japan: business ppl exchange gifts (tradition), but N.Americans & Europeans think of it as bribery

  e.g. US company operating in China: manager caught employee stealing

  turns him over to local authorities → he got executed for theft (shocking)
- companies operating branches in foreign countries face tough decisions abt how to conduct business under diff. ethical standards
- criteria for defining right/wrong clearer in West than Asia & Middle East

CORPORATE SOCIAL RESPONSBILITY

corporate social responsibility = org's responsibility to consider impact of its decisions on society

- org's try to better society
  e.g. charitable contributions; providing better wages to employees working in offshore factories
- org's engage in these practices b/c feel pressured to do so, OR they feel it's the right thing to do

- not everyone agrees to assuming social responsibility
- current laws that support corporate behaviour that some might find troubling (Friedman)
- more laws need to be put in place if corporations are to behave more socially responsibly (Bakan)

- study: MBA students change their views abt social responsibility during course of their program
  (at graduation, majority suggests a company's responsibility is to max. shareholder value)

- some Canadian companies do practice social responsibility
  e.g. Vancity has "Ethical Policy" (the bank refuses to do business w/ companies that violate fundamental rights of children, or are involved in weapons)

<u>Reducing Biases in Decision Making</u>

- Focus on goals
- Look for info that disconfirms your beliefs
- Don't create meaning out of random events
- Inc. your options

<u>Corporate Response to Ethics Demands</u>

Explosion in demand for more ethical behavoiur

- Ethics specialists
- Ethics officers
- Codes of ethics
- Ethics authors

<u>Developing a Meaningful Code of Ethics</u>

- Clearly state basic principles and expectations
- Realistically focus on potential ethical dilemmas that employees face
- Distribute the code to all employees
- Enforce violations of the code