Chapter 9: Individual and Group Decision Making

- Models of Decision Making
- Dynamics of Decision Making
- Group Decision Making

Models of Decision Making

- **Rational Model**: logical four-step approach to decision making
  - Identifying the problem
  - Generating alternative solutions
  - Selecting solution
  - Implementing and evaluating the solution
Assumptions of Rational Decision Making

- Problem is clear and ambiguous
- Single and well-defined goal can be identified
- Alternatives (and consequences are all known)
- Preferences and needs are clear, recognized, and unchanging
- Time and resources are abundant and accessible
- Decision will be implemented willingly and supported by all

Simon’s Normative Model of Decision Making

- Based on premise that decision making is not rational
- Decision makers are guided by bounded rationality
  - Bounded rationality constraints that restrict decision making
- Decision making is characterized by
  - Limited information processing
  - Use of judgmental heuristic
  - Satisficing
Judgmental Heuristics

- **Judgmental Heuristics** rules of thumb or shortcuts that people use to reduce information-processing demands.

Types of Judgmental Heuristics

- **Availability Heuristic** a decision maker’s tendency to base decisions on information that is readily available in memory.

- **Representativeness Heuristic** the tendency to assess the likelihood of an event occurring based on one’s impressions about similar occurrences.
## Advantages and Disadvantages of Group-Aided Decision Making

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<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<tr>
<td>Greater pool of knowledge</td>
<td>Social pressure</td>
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<td>Different perspectives</td>
<td>Domination by a vocal few</td>
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<td>Greater comprehension</td>
<td>Logrolling</td>
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<td>Increased acceptance</td>
<td>Goal displacement</td>
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<td>Training ground</td>
<td>“Groupthink”</td>
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## Requirements for Effective Group Decision Making

1. Developing a clear understanding of the decision situation
2. Developing a clear understanding of the requirements for an affective choice
3. Thoroughly and accurately assessing the positive qualities of alternative solutions
4. Thoroughly and accurately assessing the negative qualities of alternative solutions
When Groups Should be Included in Decision Making

1) If additional information would increase the quality of the decision
2) If acceptance is important
3) If people can be developed through their participation

Participative Management

- **Participative Management** the process whereby employees play a direct role in:
  - Setting goals
  - Making decisions
  - Solving problems
  - Making changes in the organization
Research and Practical Suggestions for Managers

- Participative Management can significantly increase
  - Employee job involvement
  - Organizational commitment
  - Creativity
  - Perceptions of procedural justice
  - Personal control

Group Problem Solving Techniques

- Brainstorming process to generate a quantity of ideas
- Nominal Group Technique process to generate ideas and evaluate solutions
- Delphi Technique process to generate ideas from physically dispersed experts
- Computer-Aided Decision Making
Brainstorming Rules

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

Creativity

- Creativity process of developing something new or unique
Stages of the Creativity Process

Preparation → Concentration → Incubation → Illumination → Verification

A Model of Organizational Creativity and Innovation

- Individual Characteristics
  - Individual creative behavior/performance
- Group Characteristics
  - Group creative behavior/performance
- Organizational Characteristics
  - Organizational creativity and innovation
Suggestions for Improving Employee Creativity

- Develop an environment that supports creative behavior
- 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

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
Knowledge Management

- Knowledge Management: implementing systems and practices that increase the sharing of knowledge and information throughout the organization.

Forms of Knowledge

- Tacit: information gained through experience that is difficult to express and formalize.
- Explicit Knowledge: information that can be easily put into words and shared with others.
Decision Making Styles

<table>
<thead>
<tr>
<th>High Tolerance for Ambiguity</th>
<th>Low Tolerance for Ambiguity</th>
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<tbody>
<tr>
<td>Analytical</td>
<td>Conceptual</td>
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<td>Directive</td>
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<td>Tasks and Technical Concerns</td>
<td>People and Social Concerns</td>
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<td>Value Orientation</td>
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Reducing Escalation of Commitment

- Set minimum targets for performance, and have decision makers compare their performance with these targets
- Have different individuals make the initial and subsequent decisions about a project
- Encourage decision makers to become less ego-involved with a project
- Provide more frequent feedback about project completion and costs
- Reduce the risk or penalties of failure
- Make decision makers aware of costs of persistence