Chapter Nine

Decision-Making Processes

Today's Business Environment

• New strategies
• Reengineering
• Restructuring
• Mergers/Acquisitions
• Downsizing
• New product/market development
• . . . Etc.
Decisions Made Within the Organization

- Complex, emotionally charged issues
- More rapid decisions
- Less certain environment
- Less clarity about means/outcomes
- Requires more cooperation

A New Decision-Making Process

- Required because
  - no one person has enough info to make all major decisions
  - No one person has enough time and credibility to convince many
- Relies less on hard data
- Guided by powerful coalition
- Permits trial and error approach
Steps in the Rational Approach to Decision-Making

1. Define Decision Problem
2. Diagnose Problem
3. Specify Decision Objectives
4. Develop Alternative Solutions
5. Evaluate Alternatives
6. Choose Best Alternative
7. Implement Chosen Alternative
8. Monitor Decision Environment

Constraints and Trade-offs During Non-programmed Decision-Making

Bounded Rationality: Limited time, information, resources to deal with complex, multidimensional issues

Personal Constraints: Desire for prestige, success; personal decision style; and the need to satisfy emotional needs, cope with pressure, maintain self-concept

Organizational Constraints: Need for agreement, shared perspective, cooperation, support, corporate culture and structure, ethical values

Decision/Choice: search for a high-quality decision alternative

Choice Processes in the Carnegie Model

- Uncertainty
  - Information is limited
  - Managers have many constraints

- Conflict
  - Managers have diverse goals, opinions, values, experience

- Coalition Formation
  - Hold joint discussion and interpret goals and problems
  - Share opinions
  - Establish problem priorities
  - Obtain social support for problem, solution

- Search
  - Conduct a simple, local search
  - Use established procedures if appropriate
  - Create a solution if needed

- Satisficing
  - Adopt the first alternative that is acceptable to the coalition

The Incremental Decision Process Model

- Every step characterized by decision interrupts
- Identification Phase
  - Recognition
  - Diagnosis
- Development Phase
  - Search
  - Screen
  - Design
- Selection Phase
  - Judgment (evaluation – choice)
  - Analysis (evaluation)
  - Bargaining (evaluation – choice)
  - Authorization
Learning Organization Decision Process When Problem Identification and Problem Solution Are Uncertain

PROBLEM IDENTIFICATION

When problem identification is Uncertain, Carnegie model applies
Political and social process is Needed
Build coalition, seek agreement, And resolve conflict about goals And problem priorities

PROBLEM SOLUTION

When problem solution is uncertain, incremental process model applies
Incremental, trial-and-error Process is needed
Solve big problems in little steps
Recycle and try again when blocked

Contingency Framework for Using Decision Models

<table>
<thead>
<tr>
<th>Certain</th>
<th>Problem Consensus</th>
<th>Uncertain</th>
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<tbody>
<tr>
<td>Certain</td>
<td>Solution Knowledge</td>
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1. Individual: Rational Approach
   Computation
   Organization: Management Science
2. Individual: Bargaining, Coalition
   Formation
   Organization: Carnegie Model
3. Individual: Judgment
   Trial-and-error
   Organization: Incremental Decision Process Model
4. Individual: Bargaining and Judgment
   Inspiration and Imitation
   Organization: Carnegie and Incremental Decision Process Models, evolving to Garbage Can
Illustration of Independent Streams of Events in the Garbage Can Model of Decision-Making

Special Decision Circumstances

- High-Velocity Environments
- Decision Mistakes and Learning
- Escalating Commitment