

## Chapter 6 - Making Decisions and Solving Problems

### Kreitner/Eliason Foundations of Management

#### Decision Making: Identifying and choosing alternative courses of action

##### I. Challenges for Decision Makers

Managers today have less time to make decisions. They face many problems that reduce their ability to make good decisions

##### A. Dealing with Complex Streams of Decisions

Decision makers are continually forced to make decisions using bits of information they have been able to gather

###### 1. Multiple Criteria

Typically, a decision must satisfy a number of conflicting criteria that represent the interests of different groups

###### 2. Intangibles

Although these factors may be difficult to measure, they often determine decision variables. Examples include: Customer goodwill, employee morale, and aesthetic appeal

###### 3. Risk and Uncertainty

Every decision alternative comes with the possibility of failure, bad decisions are costly, while good decisions may provide new opportunities

###### 4. Long-term Implications

Major decisions commonly have an affect on future decision making needs

###### 5. Interdisciplinary Input

Decision making complexity can grow when people with different technical specialties are involved in a decision. This can also increase the amount of time decisions take to make

###### 6. Pooled Decision Making

Decisions are often considered and debated by many people within an organization before they are finalized

###### 7. Value Judgments

Since decisions are made by people of varying backgrounds and experiences, disagreements will always occur over right or wrong and ethical and unethical

###### 8. Unintended Consequences

Law of unintended consequences – states that the results of purposeful action are often difficult to predict. These consequences can be positive or negative. Also, hurried decision makers typically give little or no consideration to the broader consequences of their decisions

##### B. Beware of Perceptual and Behavioral Decision Traps

###### 1. Framing Error

The tendency to evaluate positively presented information favorably and negatively presented information unfavorably, which can influence one's behavior; it can influence both interpretations and intended behavior

###### 2. Escalation and Commitment

The tendency for people to get locked into losing courses of action to avoid the embarrassment of quitting or admitting error, people will continue with something because they have spent so much time and effort on it already.

Escalation can best be kept in check by: reality checks, comparing actual progress with effectiveness and efficiency standards.

### 3. Overconfidence

It can expose managers to unreasonable risk and tends to have a positive relationship between task difficulty and overconfidence. The first step to avoiding overconfidence is management awareness.

## II. Making Decisions

### A. Making Programmed Decisions

1. Programmed Decisions – those that are repetitive and routine
2. Decision Rule – a statement that identifies the situation in which a decision is required and specifies how the decision will be made
3. Behind these rules is the idea that recurring problems need to be solved only once, then this past solution can be reused.

### B. Making NonProgrammed Decisions

Nonprogrammed Decisions—decisions made in complex and nonroutine situations, and often under new and largely unfamiliar circumstances

### C. A General Decision-Making Model

#### 1. Step One: Scan the situation

Signals when a decision is required and also the degree of uncertainty prevalent and provides necessary information for pending decisions

#### 2. Step Two: Decide what type of decision needs to be made

Routine or New decision??

#### 3. Step Three: Follow up

See if any post-decision action is needed

### D. Knowledge Management: A Tool for Improving Quality of Decisions

Knowledge management (KM) – developing a system to improve the creation and sharing of knowledge critical for decision making

#### 1. Two Types of Knowledge

- a) Tacit Knowledge – personal, intuitive, and undocumented information about how to skillfully perform tasks, solve problems, and make decisions
- b) Explicit Knowledge – documented and readily sharable information because it is in verbal, textual, visual, or numeric form

#### 2. Improving the Flow of Knowledge

Many information technologies are available today that allow companies to disseminate information throughout the company

## III. Group-Aided Decision Making: A Contingency Perspective

### A. Group Involvement in Decisions

No matter how a decision is being tackled, it can almost always be tackled by a group. They can be assigned to: analyze the problem, identify components of the decision situation, estimate components of the decision situation, design alternatives, choose an alternative

#### 1. Advantages to groups:

Two heads are better than one, different perspectives, greater comprehension, increased acceptance

#### 2. Disadvantages to groups:

Social pressures, dispersed accountability, dominated by a vocal few, goal displacement, “groupthink”

## IV. Managerial Creativity

### A. What is Creativity?

Creativity is the reorganization of experiences into new configurations; this can include, mentally taking things apart, rearranging the pieces in new and potentially productive configurations, and looking beyond normal frameworks for new solutions

### B. Workplace Creativity: Myth and Modern Reality

Most modern creativity in the workplace comes from average people, not eccentric nonconformists. The challenge for managers is to create an organizational culture that is capable of bringing to the surface the hidden creative talents of every employee

### C. Learning to be More Creative

People can learn to be more creative by overcoming “mental locks” these potential “mental locks: consist of: looking for the “right” answer, always trying to be logical, strictly following the rules, insisting on being practical, avoiding ambiguity, fearing and avoiding failure, forgetting how to play, becoming too specialized, not wanting to look foolish, saying “I’m not creative”

## V. Creative Problem Solving

Problem Solving – the conscious process of closing the gap between actual and desired situations

### A. Identifying the Problem

One of the biggest problems with problem solving, managers have tendency to rush into generating and selecting alternative solutions before they actually know what the problem is

#### 1. What is a problem?

Problem – the difference between actual and desired states of affairs. The challenge in overcoming problems is discovering a workable alternative for closing the gap between actual and desired production

#### 2. Stumbling Blocks for Problem Finders

a) Defining the problem according to a possible solution

Should be careful not to rule out alternative solutions by the way one states the problem

b) Focusing on narrow, low-priority areas

Successful managers are those who can weed out relatively minor problems and reserve their attention for problems that really make a difference

c) Diagnosing problems in terms of their symptoms

(1) In the long run, symptoms tend to reappear and problems tend to get worse. In order to avoid this, managers must find the underlying problem and correct that, not the symptoms

(2) Causes—variables because of their presence in or absence from the situation, are primarily responsible for the difference between the actual and the desired conditions

#### 3. Pinpointing Causes with Fishbone Diagrams

Work well in group problem-solving situations and can help one see how various separate problem causes might interact

### B. Generating Alternative Solutions

#### 1. Brainstorming

Group technique in which all ideas are recorded, in a nonjudgmental setting,

for later critique and selection

2. **Free Association**  
Analogies and symbols are used to foster unconventional thinking
3. **Edisonian**  
This technique involves trial-and-error experimentation
4. **Attribute Listing**  
Ideal characteristics of a given object are collected and then screened for useful insights
5. **Scientific Method**  
Systematic hypothesis testing, manipulation of variables, situational controls, and careful measurement are the essence of this rigorous approach
6. **Creative Leap**  
Involves thinking up idealized solutions to a problem and then working back to a feasible solution

### C. Selecting a Solution

1. **Resolving the Problem**
  - a) When problems are resolved, a course of action that is good enough to meet the minimum constraints is selected
  - b) Satisfice—to settle for a solution that is good enough
    - (1) Managers can be in favor of this approach because they feel they don't have all the information they need to undertake the 'best' answer
    - (2) Has been criticized as a shortsighted and passive technique that emphasizes expedient survival instead of improvement and growth
2. **Solving the Problem**  
Optimize—to systematically identify the solution offering the best combination of benefits
3. **Dissolving the Problem**
  - a) Problems are dissolved when the situation in which it occurs is changed, so that it no longer exists
  - b) Idealize—to change the nature of a problem's situation

### D. Implementing and Evaluating the Solution

Ideally, solutions will make the gap between desired and actual situations disappear.

If this is not the case, managers have two options

- a) If they feel they have identified the correct problem, then they can repeat the process again using a different solution
- b) If all possible solutions are exhausted, they may revert to the entire process again by attempting to redefine the problem and engage in a new round of problem solving.

Reference:

Kreitner, Robert (2005) Foundations of Management: basics and best practices, Houghton Mifflin Company, New York.