Six

Making Decisions

Making decisions is a critical task for most organizational members. It requires us to know when decisions are needed, develop alternative responses, select the most appropriate response, and ultimately implement our chosen course of action. As this chapter's navigator indicates, conventional and sustainable OB both offer a range of ideas to consider for each of these four steps.



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CHAPTER NAVIGATOR

■ Conventional OB
■ Sustainable OB

	Conventional OB	Sustainable OB
IDENTIFY THE NEED FOR A DECISION	Identify problems or opportunities, especially those that may help to improve the bottom line	Identify problems or opportunities together with other stakeholders, to improve various forms of well-being
DEVELOP ALTERNATIVE RESPONSES	Develop alternatives with an eye to ensuring that financial benefits outweigh costs	Develop alternatives that enhance overall well-being
CHOOSE THE APPROPRIATE ALTERNATIVE	Seek conformity; Emphasize explicit knowledge and avoid uncertainty	Celebrate diversity; Balance tacit knowledge and explicit knowledge
IMPLEMENT THE CHOICE	Use selective participation; Favor staying the course	Use ongoing participation; Favor experimentation

OPENING CASE

recalling a classic example of decision making[1]



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Product recalls have been in the news with increasing frequency. Faulty products can be the result of flawed decision making in the design or production stages. Either way, poor decisions can cost a firm greatly in terms of repair expenses and loss of reputation, as Mattel and Toyota and other firms have experienced. In addition to poor decisions that create the faulty product in the first place, there is the decision as to whether to admit the mistake and recall the product.

A classic and instructive example of a recall decision-making process gone awry is what doomed the Ford Pinto.

Imagine it is the early 1970s, and Ford Motor Company is working hard to develop its $2,000 Pinto, which the company hopes will compete effectively against the popular low-priced Volkswagen Beetle. To lower production costs, Ford engineers decide to locate the Pinto's gas tank behind the rear axle, just in front of the rear bumper, where it is vulnerable to being ruptured in an accident.

Now imagine that it is a few years later and you are Ford's Field Recall Coordinator. You have just received data showing that its design makes the Pinto prone to explosions when the car is rear-ended. You immediately recognize that a decision needs to be made, and so you gather data and develop two options. The first option is to recall all 12.5 million Pintos on the road and install an $11 baffle plate between the fuel tank and the axle housing. The estimated cost of this option is $137.5 million. The second option is to not recall the vehicles but instead prepare to pay the damages that arise from lawsuits. Using data provided by the U.S. National Highway Safety Transportation Administration, you estimate that the total cost of this option will be $49.5 million ($200,000 for each of 180 anticipated burn deaths, $67,000 for each of 180 anticipated burn injuries, and $700 for each of 2,100 anticipated burned vehicles).

The numbers send a clear message, so senior managers at Ford choose the second, lower-cost, option, thereby saving the company $88 million. However, the public is outraged when it finds out about the cost-benefit analysis that was used to make this decision. In February 1978, a California jury awards a Pinto accident victim $125 million in punitive damages (subsequently lowered to $3.5 million by the judge). Later that year Ford finally upgrades the Pinto's fuel system, but in 1980 it stopped making the car.

Many people are still shocked by this true story, but in a similar context, most would likely be tempted to make a similar choice.

The psychic rewards of working and succeeding in a major corporation proved unexpectedly seductive.

To understand why, consider the experiences of Dennis Gioia, Ford's Recall Coordinator when the problems with the Pinto were first noticed. As an MBA student, Gioia had often been critical of business. When his classmates were surprised by his accepting a job at Ford, he explained that he hoped to influence social change from within the company to prod it into socially responsible action.

Soon, however, Gioia became resocialized in the process of competing for attention with other MBAs who had recently joined the company: "The psychic rewards of working and succeeding in a major corporation proved unexpectedly seductive," he recalls. As Recall Coordinator the basic routines he inherited—the "scripts" decision makers learn and follow—became second nature to him, along with the organizational culture and unspoken norms.

Gioia was no longer the Recall Coordinator in 1978, but if he had voted earlier to recommend a recall, when the Pinto problems first surfaced, perhaps future damage could have been avoided. He recalls his failure to do so: "To do the job 'well' there was little room for emotion. Allowing it to surface was potentially paralyzing and prevented rational analysis about which cases to recommend for recall."

The routines, or programmed decisions, that he acquired in his position seemed practical and rational. They provided Gioia with ways of behaving and making decisions, and he lacked well-developed scripts to enact his countercultural values.

> *In retrospect, I know that in the context of the times my actions were legal (they were all well within the framework of the law); they were probably also ethical according to most prevailing definitions (they were in accord with accepted professional standards and codes of conduct); the major concern for me was whether they were moral (in the sense of adhering to some higher standards of inner conscience about the "right" actions to take).*

In short, organizational scripts and routines can have a powerful effect on how we make decisions. Decisions that are rational according to one perspective may seem immoral from another perspective, and vice versa. Although in hindsight the Pinto story is disturbing, at the time some people may have considered a recall to be unethical because of the $88 million cost it would have imposed on shareholders.

In both our personal and professional lives, all of us make many decisions every day. A **decision** is a choice among a number of available alternatives, such as when decision makers at Ford chose to pay damages from anticipated lawsuits rather than to recall the flawed Pinto. Figure 6.1 provides an overview of the four-step decision-making process, which we'll examine in this chapter from both conventional and sustainable perspectives.

Decision is a choice that is made among a number of available alternatives.

The test of time has shown that the relatively simple four-phase model depicted in Figure 6.1 is useful for teaching and practicing the fundamentals of decision making. Even so, as you might guess, actual decision-making processes in organizations and in your personal life are often not as linear as depicted here. In the messiness of real life, there is a lot more back-and-forth within the model, with steps being skipped and returned to. Of course, these realities only serve to make the model more valuable, because it serves as an elegant overarching framework that captures a lot of this messiness and allows decision makers to think about the decision-making process as a whole as they navigate their way between the various steps of the model.

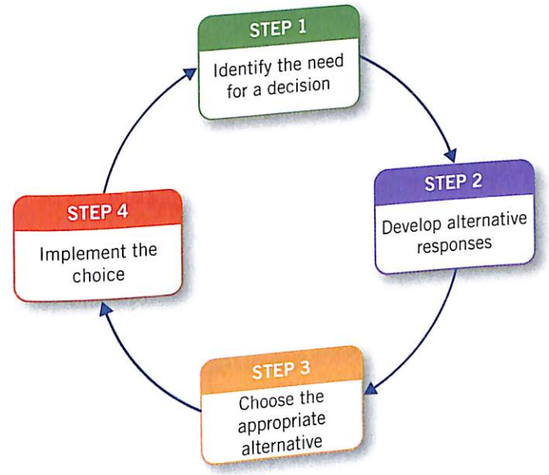


FIGURE 6.1 The Four-Step Decision-Making Model

Step 1: Identify the Need for a Decision

IDENTIFY NEEDS

We may face many problems and opportunities at any given time, some that require a decision now and some that we can delay or even ignore. Examples of problems in which a decision should be made include situations where a person's or an organization's reputation is at stake, or when organizational members receive negative feedback from disgruntled customers. Recognizing that there is a problem or opportunity is Step 1 of the decision process.

TEACHING NOTE

Have students think back to a personal decision that they made recently. What were the scripts they relied on in that case to help make the decision?

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Rogue Pictures/Photofest

In the movie *Limitless*, Bradley Cooper plays struggling writer Eddie Morra. After he takes a drug offered by his former brother-in-law, Eddie's mental functioning dramatically increases, and he is able to rapidly formulate his thoughts, analyze data, and connect seemingly insignificant pieces of information to make decisions and predictions. The movie depicts the brain as a powerful and underutilized key to exceptional decision making.

Our decision making is influenced by physical and chemical characteristics of our brains. Contrary to the assumption that humankind is predisposed to be competitive, research suggests that our biological make-up has a built-in tendency to reciprocate altruism and that competitiveness requires cognitive effort to override this ingrained cooperative nature. The naturally occurring chemicals in our brains are also associated with the sorts of issues we perceive to be opportunities or threats, the kinds of alternatives we develop, the criteria we use to make choices, and how we implement decisions. For example, the neuropeptide oxytocin increases behavioral expressions of trust, generosity, and altruism; and serotonin increases empathy and mutual cooperation.

Can people change the way their brains work? Not to the extremes presented in *Limitless*, but drugs do alter brain functioning. For example, drugs are prescribed to help people with attention deficit hyperactivity disorder (ADHD) focus their attention. Sometimes such drugs are used illegally by people, particularly students, who do not have the disorder. Like the dangers of misusing brain-altering drugs presented in the movie, the use of such drugs can be addictive and contribute to other mental health issues such as depression. Additional research suggests that while some of these drugs can promote focus, they dull creativity.

Another way to change our thinking is simply to pay attention to and learn from others who model the behaviors we wish to exhibit. Research also shows that carbohydrate-rich meals increase serotonin levels, and that the flow of oxytocin is stimulated by physical touch (hugging, getting a massage, even petting a dog). Other research shows that physical activity can improve the functioning of the brain.

Questions for Reflection

1. What sorts of things do you do to keep your brain in top decision-making shape?
2. What can organizations do to help with this?
3. Do you think that loving relationships, large helpings of fettuccine alfredo, and good role models would make the world a more altruistic place? Perhaps it's worth a try.

Scripts are learned frameworks that provide direction for people by helping them to interpret and respond to what is happening around them.

Just as a movie script helps actors know what to do and say in specific scenes, the scripts we use in decision making help us identify which situations require decisions, and often (as in the case of the Ford Pinto) what those decisions should be. Think of these **scripts** as learned guidelines or procedures that help people interpret and respond to what is happening around them.[2] Organizational decision makers learn to pay attention to scripts associated with key financial reports, productivity reports, and consumer trends. Schools teach scripts (e.g., certain theories or concepts about OB) that students can apply in their personal and professional lives. Of course, as described in the My OB box, people's innate abilities influence how well they process "scripts" and the four steps of the decision-making process more generally.

An important part of identifying the need for a decision is defining the *underlying* issues and relevant stakeholders. Consider how you might react if your doctor made a decision about your back pain based on a speedy exam and a few questions. Would you have much confidence in the diagnosis? If the doctor gave you a thorough exam and took the time to ask you several detailed questions about your symptoms and their possible causes, you probably would be more confident based on this in-depth investigation. The same applies to organizational decisions.

If an employee arrives late for work, the supervisor should find out whether the person has a sick child, is fearful of a conflict with a co-worker, or is simply irresponsible. Likewise, if, due to a recent surge in sales, an organization's members are faced with a decision about whether to invest in increased production, they should find out whether the sales increase is due to an improved product, a new advertising campaign, or a general economic upturn. The more time and resources decision makers devote to thoroughly understanding and defining the problem or opportunity, the greater the likelihood they will make a good decision.[3]

A complicating factor in identifying the need to make a decision is that people often interpret the same event in different ways, depending on the scripts they use. Politicians are very familiar with this challenge. For example, during an economic recession, should the government lower taxes to stimulate the economy, keep taxes at the current level to minimize the deficit, or increase spending to create new jobs?

Sustainable decision making considers long-term problems and opportunities, and in the context of a broad group of stakeholders. The merit of a long-range perspective may seem obvious, but a focus on immediate goals can sway people to forego short-term sacrifices that might enhance long-lasting viability. For example, a plant manager can arrange her production schedule and people to put forth a maximum number of products, but failing to account for preventive maintenance needed on the machinery will hurt long-term organizational performance.[4]

As a manager at A&T before the company had explicit standards for measuring equal opportunity, Robert Greenleaf noticed that recruitment and promotion decision-making scripts had resulted in women being underrepresented in the workforce, and in African-American employees being promoted at a slower rate. Greenleaf saw the need for decisions that had not been recognized from a conventional point of view, likely because they did not have an obvious impact on organizational productivity.[5] Instead he identified an opportunity to make decisions relying on criteria that were outside the operating norms and scripts of his organization.[6]

A sustainable decision-making process can also be triggered by other stakeholders. Sustainable decision makers adopt a "listening" posture, trying to be sensitive to the needs of other stakeholders and putting those needs, such as for environmentally friendlier practices or social justice, on the decision-making agenda.[7] For example, in light of exploitive working conditions in low-income countries, a growing number of organizations have voluntarily chosen to adopt an international standard of social accountability—SA8000—and have agreed: to pay wages that cover basic needs (not just the legislated minimums), not to employ children younger than 15 years of age, and not to use forced labor. Some large retailers have committed themselves to choosing suppliers that follow the same standards, even if they are not the lowest-price option. For instance, decision makers at the large European retailer C&A chose to stop dealing with 19 suppliers who had not been following the company's code of conduct.[8]

Step 2: Develop Alternative Responses

IDENTIFY NEED | **DEVELOP ALTERNATIVES** | CHOOSE ALTERNATIVE | IMPLEMENT DECISION

When the need for a decision has been identified, decision makers can develop or follow three basic kinds of alternative responses:

1. Do nothing.
2. Follow a programmed response.
3. Develop a nonprogrammed response.

TEACHING NOTE
Ask students to compare and contrast the types of decisions that were programmed versus types that were nonprogrammed.

The first alternative—to do nothing— requires no effort to develop, which is a welcome feature when decision makers do not have much time or many resources to invest. Doing nothing is actually an appropriate response for all those situations in which doing something else is not worth the effort. For example, it is often not worth the effort to respond to most unsolicited mail or emails. Doing nothing is also appropriate when the overall cost of doing something exceeds the benefits.

Programmed decisions involve choosing a standard alternative in response to recurring organizational problems or opportunities.

The second alternative is to follow a routine response, such as simply adhering to standard operating procedures. This response is consistent with **programmed decisions**—or routine decisions—in which we choose standard alternatives in response to recurring

organizational problems or opportunities. For example, an organization may have routines for responding to employees who arrive late for work, or dealing with irate customers who do not receive their orders on time. Over time, decision rules and policies are typically developed to handle situations that recur frequently. For example, when an employee arrives late for work, the manager can ask for an explanation and may have several programmed alternative responses from which to choose:

1. Excuse the employee if he or she provides an acceptable explanation.
2. Reduce the employee's pay.
3. Provide the employee with a professional development course on time management.
4. Fire the employee if the person has a long history of tardiness and has been warned that dismissal is the next step.

These programmed decisions are shortcuts that help decision makers avoid going through all four steps in the decision-making process. Dennis Gioia (in the opening case) inherited such programmed decision "scripts" when he worked as the Recall Coordinator at Ford. Research suggests that it takes less than a month for newcomers to adopt the attitudes and decision-making scripts of the organization into which they are hired.[9] In other words, within a month of joining an organization, you are likely to adopt its decision-making scripts, whether they are conventional or sustainable. Of course, scripts should be reviewed occasionally to ensure they have not become obsolete or dysfunctional.[10] For example, human resource policies developed for a previous generation of workers are not likely to apply well to employees who have flexible work schedules or who work at home.

Decision makers must guard against the temptation to limit themselves to programmed decision making when the situation actually calls for developing nonprogrammed alternatives. For example, for many years Motorola was the market leader in the analog cell phone market. Because managers were so successful and proud of their technology, they greatly underestimated the potential of digital technology, which ultimately allowed other companies to take away a healthy chunk of Motorola's market share.[11]

Nonprogrammed decisions involve developing and choosing among new alternatives in situations where programmed alternatives are not available or not appropriate.

The third option is for decision makers to develop nonprogrammed alternatives. **Nonprogrammed decisions** call for discovering and choosing new alternatives when programmed alternatives have not yet been developed or are not appropriate. The quality of the nonprogrammed alternatives depends on the amount of time and resources that decision makers invest in developing them. The best alternatives are often based on input from a variety of sources, including other organizational members, customers, and suppliers. The process of generating alternatives can benefit from consulting with experts, brainstorming, or using a variety of group-oriented creativity techniques, as we will see in subsequent chapters.

Sustainable decision makers have the same three basic options for developing alternatives that conventional decision makers have, but with two qualitative differences. First, because their emphasis is more likely to go beyond maximizing owners' short-term financial well-being, sustainable decision makers often develop a comparatively broader range of alternatives.[12] For example, despite warnings about limited oil supplies and global warming, in the 1980s and 1990s it may have been in the best short-term financial interest for car manufacturers to promote the sale of larger vehicles (e.g., SUVs) rather than invest heavily in alternative fuels and fuel-efficiency. But improved long-term viability—and the lion's share of the environmentalist market segment—went to automobile manufacturers like Toyota, which decided to develop technology perceived to be ecologically friendly, such as can be found in hybrid cars like the Toyota Prius.[13]

Second, a sustainable approach to decision making is likely to involve a greater variety of stakeholders in developing alternatives. This often improves the chance for innovation.[14] For example, rather than give them explicit product specifications, Japanese car manufacturers such as Toyota, Honda, and Nissan have drawn on their *suppliers'* expertise and asked them to help identify appropriate specifications for automobile components. Sustainable managers take into consideration even stakeholders who seem quite distant from the organization, such as the communities in which the company operates in other countries.[15]

Step 3: Choose the Appropriate Alternative

IDENTIFY NEEDS | DEVELOP ALTERNATIVES | **CHOOSE ALTERNATIVE** | IMPLEMENT DECISION

TEACHING NOTE
Have students discuss an example in the news where the organization seemed to have made the decision using the assumptions from one of the decision-making models.

The third step—choosing the best alternative—lies at the heart of the decision-making process. The way this choice is made often depends on two key factors:

- Goal consensus
- Available knowledge

As shown in Figure 6.2, combining these two dimensions creates a simple conceptual framework that helps to describe five basic methods that decision makers use to make choices. We'll first discuss the two dimensions and then the five methods.

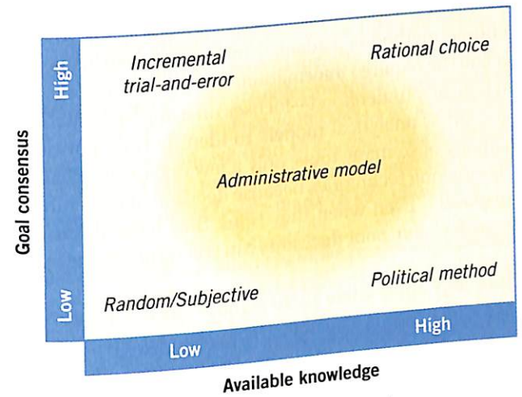


FIGURE 6.2 Five Basic Methods for Choosing an Option

Goal Consensus

The level of agreement among members about which goals the organization should pursue is **goal consensus**. When goal consensus is high, the criteria for making the decision—whether long-term or short-term, related to quality or quantity, focused on people or performance—are clear and agreed upon. Low goal consensus means there is considerable debate about what the organization's goals should be, and therefore the criteria for a decision are not as clear. For example, organizations like the Boy Scouts face a problem related to goal consensus when some members argue for a continuation of the Scouts' traditional emphasis on camping and woods lore, while others argue that the Scouts should move away from this traditional emphasis because most boys attending Scouts programs now live in the inner city. Even within organizations where there is widespread agreement, for example, that maximizing shareholder financial well-being is the ultimate goal, there may be considerable disagreement about which subgoals will help achieve its ultimate goal.

Goal consensus is the level of agreement among members about which goals the organization should pursue.

Available Knowledge

Even if there is widespread consensus on *which* goals to pursue and criteria to use in decision making, there may be a lack of information about *how* to achieve the goals. Imagine that decision makers of an on-line video game company agree to pursue the goal of maximizing the number of players of their game. Even with this consensus, significant debate may arise about how this goal can be achieved. Should the company offer their game for free, advertise it in virtual media or TV gaming shows, develop the latest graphics that only the newest hardware can handle, or invest in developing multiple game-playing experiences? In many cases, decision makers have historical data to help them make such a decision, but if the external environment is rapidly changing, such data may not be very useful.

Uncertainty is evident when decision makers do not know what outcomes to expect with choosing a particular alternative.

The amount of available knowledge helps decision makers reduce their uncertainty and risk.[16] **Uncertainty** is evident when decision makers do not know what outcomes to expect with choosing a particular alternative. For example, based on past experience, decision makers in a hotel may be quite certain that about 90 percent of customers whose room is not ready when they arrive will be satisfied if they are given a voucher for a complimentary breakfast. However, they may not know whether or how much the percentage would increase if the voucher were for a free night at the hotel.

Rational choice as a method of decision making is evident when goal consensus is high and there is adequate time to collect all the required information.

As indicated in Figure 6.2, the decision-making method that is most likely or appropriate in a situation is determined in part by the circumstances facing the decision makers. The classic **rational choice** method is evident when goal consensus is high and there is adequate time to collect all the required information. This analytical approach—which is fitting when the problem is clearly understood—focuses on using tools such as decision trees, break-even analysis, and other analytical models to identify the right decision. However, despite the ready availability of so many tools, only a few organizational decisions use full-fledged rational decision-making techniques because decision makers rarely have complete information at their disposal.[17] Even when they think they have all the information they require to make a rational decision, poor decisions can still result, as the opening case about the Pinto illustrates.

Political method of decision making is evident when there is much debate about which goal to pursue, even though a lot of knowledge is available.

The **political method** may apply when there is much debate about which goal to pursue, even though a lot of knowledge is available. Debate can be intense, even when there is consensus that the overarching goal is to maximize the financial interests of shareholders. For example, marketing managers might argue for maximizing sales revenue, manufacturing managers might argue for minimizing production costs, and research and development (R&D) managers might argue for developing the most technologically advanced product on the market. Often these competing goals are mutually exclusive, or the organization lacks the resources to pursue them all at the same time. This can lead to a politicized decision-making process, in which decision makers trade favors, bargain, compromise, and form coalitions—techniques discussed in chapter 8.

Incremental trial-and-error method of decision making is evident when decision makers have high agreement on goals but a low level of technical knowledge.

The **incremental trial-and-error method** is found in situations with high agreement on goals but a low level of technical knowledge. For example, decision makers may agree on the need to increase unit sales of their key product through advertising, but they may not know whether to use television, radio, computer, or print media for this purpose because they have little knowledge about the relative effectiveness of each. Through trial and error, they may be able to fine-tune existing strategies, make small changes, or pilot-test a decision with a small group of employees or customers.

Subjective method of decision making is evident when there is little or no agreement on goals and limited information.

The random or **subjective method** occurs when there is little or no agreement on goals and limited information. This is generally not an ideal approach in organizations that favor rational methods, but perhaps it is more likely to yield breakthrough decision making than other approaches because people may rely on intuition or inspiration to make decisions.[18] **Intuition** is tacit knowledge, experience, insight, hunches, or "gut" feelings. Intuition often plays an important role in the way experts make decisions.[19] Intuitive decision making is especially striking when it goes against the rational analysis of the information at hand. Before Ray Kroc purchased McDonald's, his accountant advised against the deal, but Kroc had a "gut feeling" that the investment would turn out to be a winner.[20] Intuitive decision makers often rely on **tacit knowledge**, which is information people possess that is difficult to articulate or codify. It is hard to put into words how to ride a bicycle, for instance, even if you know how to do it. Tacit knowledge, for example, helps art experts distinguish between authentic and counterfeit works of art.[21]

Intuition refers to making decisions based on tacit knowledge, which can be based on experience, insight, hunches, or "gut" feeling.

Tacit knowledge is information people possess that is difficult to articulate or codify.

Finally, the **administrative model method** at the center of Figure 6.2 may be the most commonly used, because decision makers usually have *some* knowledge and at least *partial* goal consensus. Herbert Simon argued that even the best management decision-making process is constrained by a lack of complete information and by our limited ability to process information.[22] Simon called this set of constraints *bounded rationality*. As a result of having incomplete information and a lack of complete goal consensus, decision makers tend to **satisfice**, collecting information and developing alternatives until they are able to identify one that performs adequately on specific criteria rather than attempting to develop an optimal solution. For example, they may choose an alternative because it fits the budgeted amount for a project.

Administrative method of decision making is evident when decision makers have *some* knowledge and at least *partial* goal consensus.

Satisficing is evident when managers accept an *adequate* response to a problem or opportunity, rather than make the effort to develop an *optimal* response.

When we lack complete information, subtle factors can influence our decisions. For example, researchers have found patterns in the way the **framing** or presentation of information affects decision making.[23] In particular, peoples' choices are influenced by whether a goal is framed in terms of (a) securing gains or (b) avoiding losses.[24] Generally, when faced with opportunities for gain, we tend to be risk adverse, whereas when faced with losses, we are more likely to take risks. In one experiment, participants in an investment simulation who were experiencing losses made riskier choices, as predicted by the framing effect.[25]

Framing refers to presenting ideas and alternatives in a way that has an influence on the choices that people make.

Given that human beings have limited cognitive processing capacities, subjective factors can also influence decisions, such as may be evident when appraising an employee's work performance, as described in Table 6.1.[26]

Sustainable OB emphasizes multiple goals, multiple forms of well-being, and multiple criteria in seeking the best decisions. Sustainable decision makers *expect* to encounter

TABLE 6.1 Subjective Effects on Employee Appraisals

Anchoring and adjustment bias	is evident when an appraiser place too much emphasis on his or her first impression of an employee (i.e., an anchor), which does not change even after being presented with conflicting information; this may result, for example, in an initial poor impression being weighed too highly in an appraisal.
Availability bias	is evident when an appraiser relies too much on memorable information—for example, a dramatic or a recent event—to make judgments, and ignores other fuller information; this may result, for example, in things like the latest sales numbers or a particular incident with a customer having too much influence in an appraisal.
Halo/Horn bias	is evident when appraisers use one piece of known information—good or bad—to generalize about an employees' performance on matters where no information is available; this may result, for example, in an employee who did well on an observed task being credited for doing well in other instances of unobserved performance.
Representativeness	is evident when appraisers make judgments about an employee in comparison to a typical (representative) employee from past experience ; this may result, for example, in an employee receiving a critical review because he or she doesn't fit well with the image of a successful employee.

a variety of goals among the various members of the organization, respect those differences, and do not feel threatened by lack of consensus. For example, Cari Hunter had been a manager at a large accounting firm before taking the position of director of finance at Protegra, a fast-growing firm that develops computer software and provides consulting. Hunter notes that the decision-making process at Protegra is much more consistent with sustainable OB than it had been in her previous job, where *she* had identified the decisions that needed to be made, *she* had developed the alternatives and assigned staff to collect the data to be used for analyzing the pros and cons, and *she* had made the decisions about what to do. It was a lot of responsibility, but she thrived on it; she enjoyed the power of decision making.

In Hunter's job at Protegra, things are very different. First, the kinds of decisions to be made are much broader in scope. Not only do decisions need to be made about how to ensure that the bills will be paid on time, but decisions must also be made about how to promote ecological, physical, and social well-being in the workplace. The extra "messiness" of diverse views could be overwhelming, except that she does not need to consider all the alternatives and make all the decisions on her own. At Protegra decisions are much more likely to be discussed among colleagues and made participatively. Does this take away from her enjoyment of having the power to make decisions? Not at all! She enjoys being part of a team that has diverse points of view. She loves being part of the give and take that comes from making decisions participatively—it gives her a chance to mentor and to learn from others.

When we are aware of and sensitive to the competing goals among an organization's stakeholders, we are more likely to make choices that work to everyone's benefit.[27] Decision makers who take into account a range of forms of well-being, rather than focus primarily on financial well-being, tend to engender more respect and more effort from followers.[28] Support for sustainable decision making is evident among business schools and managers who participate in initiatives like the MBA Oath (see My OB: Networks That Promote Sustainable OB Decision Making), and among the more than 400 business schools who participate in "The Principles of Responsible Management Education" initiative, including Cornell University, De La Salle University, University of Windsor, and Seattle Pacific University. Note the emphasis on sustainability in their "Six Key Principles for Responsible Management Education:"[29]

Principle 1 | Purpose: *We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.*

Principle 2 | Values: *We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.*

Principle 3 | Method: *We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.*

Principle 4 | Research: *We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.*

Principle 5 | Partnership: *We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.*

Principle 6 | Dialogue: *We will facilitate and support dialog and debate among educators, students, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.*

MyOB | Networks That Promote Sustainable OB Decision Making


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The values and principles that underpin a sustainable OB approach to decision making are becoming increasingly institutionalized among managers and business schools. For example, students and graduates from over 300 institutions around the world have embraced the MBA Oath, including the Harvard Business School, London School of Business, and McGill-HEC School of Management. The MBA Oath deliberately deemphasizes the blind pursuit of profits and individual self-interests.

THE MBA OATH

As a business leader I recognize my role in society. My purpose is to lead people and manage resources to create value that no single individual can create alone. My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow. Therefore, I promise that:

- *I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.*
- *I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.*
- *I will refrain from corruption, unfair competition, or business practices harmful to society.*
- *I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.*
- *I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.*
- *I will report the performance and risks of my enterprise accurately and honestly.*
- *I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.*

In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards. This oath I make freely, and upon my honor.

Some argue that this oath is a violation of managers' fiduciary responsibilities to maximize the wealth of shareholders and that "externalities"—such as the consequences of business decisions on the ecological and social environment—should be dealt with by governments rather than by businesses. Others argue that the oath's emphasis on the greater good is timely for our hyperlinked economy with increasingly interdependent businesses, where "old school thinking" about competitive relationships and (merely) maximizing profits is obsolete.

QUESTIONS FOR REFLECTION

1. Would you be willing to take this oath?
2. Do you think all managers should take such an oath? Why or why not?
3. Which of these promises do you think would be the most difficult to keep?

Sustainable decision makers pay attention to a balance of both explicit *and* tacit knowledge, perhaps more than do conventional decision makers. **Explicit knowledge** is information that can be articulated or codified, such as that found in an organization's standard operating procedures, blueprints, mission statements, and so on. A sustainable approach goes beyond written guidelines and is more likely to also take into account concerns that are difficult to quantify, such as the meaning of environmental sustainability, neighborliness, and social justice. Some research suggests that the more decision makers rely on quantifying decisions rather than following their intuition, the less ethical their decisions tend to be.[30] An intuitive approach is consistent with research showing that we often make decisions using factors that are difficult to quantify. For example, people often rely on intuition when making choices on the basis of hard-to-measure outcomes (like "happiness") that they hope to achieve.[31] A sustainable approach encourages these considerations in decision making.[32]

Explicit knowledge is information that can be articulated or codified.

Lee Roy Beach's **image theory** describes decisions as being made not "by the numbers," but rather in comparison with ideal states or ideal images of self or outcomes.[33] Image theory assumes that people choose alternatives using a relatively simple two-step process. First the decision maker uses a *compatibility* test to determine how well a particular alternative

Image theory describes decisions as being made not "by the numbers," but rather in comparison with ideal states or ideal images of self or outcomes.

OB in Action

How Do Managers Actually Make Ethical Decisions?



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To study how recently graduated managers actually make ethical decisions in the workplace, researchers interviewed managers a year after they had graduated from the Harvard MBA program. All had taken a course on business ethics, and many now worked in organizations that had an explicit code of ethics, offered ethics training, and had top management teams who communicated the importance of ethics. Even with all this support, the young managers participating in the study stated that their most important external source for determining the ethicality of the decisions was their family: "Can I comfortably tell my parents what I did?" They also looked inside themselves, invoking what might be called the Sleep Test: "If I do this, can I fall asleep at night? When I look at myself in the mirror in the morning, will I see the kind of person I want to be?"

In addition, the researchers identified four rules of thumb that managers had learned on the job to help them make ethical decisions:

1. Performance is what really counts, so make your numbers.
2. Be loyal and demonstrate that you are a team player.
3. Don't break the law.
4. Don't *over*-invest in ethical behavior.

The research also pointed out that once a manager starts acting unethically, his or her behavior will worsen. Perhaps the most discouraging finding was that managers said fear of punishment motivated them to do the *wrong* thing! A similar finding from another study concluded that ethical decision making is often fraught with pressures from powerful people in the organization. In the minds of many managers, "What is right is what the guy above you wants you to do." Other research found that students were more likely to cheat the more performance-oriented they were, including when they were assigned goals to them to out-perform others.

QUESTIONS FOR DISCUSSION

1. Who are your personal "go to" people when considering what would be ethical to do?
2. Have you ever feared being punished for doing the right thing? If so, when and why?
3. Do you agree that seeking to out-perform others can increase the likelihood of unethical behavior?

fits his or her self-image in terms of values, goals, and plans. If the alternative is not compatible, it is rejected. If the alternative is compatible, the decision maker moves to the second step, applying a *profitability* (pro-*fit*-ability) test that shows which of the compatible alternatives best *fits* with his or her principles, values, goals, and plans.

This comparison of possible alternatives to our ideal self is consistent with the use of virtue theory to make decisions regarding ethical dilemmas. Beyond considering what is legal or allowed by company policy or even what is fair for everyone involved, virtue theory asks whether the decision reflects noble character. Ethical decisions can mean going beyond what is required by the law. For individuals, making ethical decisions according to the standard of virtue may mean considering what someone whom they respect or admire (say, their grandmother) would do in a similar situation, or perhaps considering how they would feel if their actions were shared with others, perhaps via a "tweet" or Facebook status update. In other words, it requires people considering whether they would be ashamed of their behavior or proud of it (for more on this, see OB in Action: How Do Managers Actually Make Ethical Decisions?)

Consider the example of Reell Precision Manufacturing, a firm known for its decision-making processes consistent with sustainable OB and virtue theory. Its approach is captured in the ideal image found in a phrase from its Direction Statement, which encourages members "to treat the concerns of others, for example, employees, customers and suppliers, equally with our own concerns." Like all companies, Reell has experienced its ups and downs and it has faced difficult decisions. One year it became apparent that, because of a situation with a key customer, Reell's revenues would not keep pace with its expenses. In order to put into practice their ideal self-image, rather than allowing co-workers to be laid off, everyone

at the company agreed to take a 10 percent pay cut (the three founding owners/managers took an even greater cut).[34]

Step 4: Implement the Choice

IDENTIFY NEEDS | DEVELOP ALTERNATIVES | CHOOSE ALTERNATIVE | **IMPLEMENT DECISION**

Some decisions may be relatively easy to implement, especially if they are consistent with and improve an organization's existing way of doing things. The most difficult decisions to implement are the ones that challenge an organization's basic ways of operating. Even a technically brilliant decision along these lines will fail if it is not implemented in such a way that members will embrace it. A key challenge for decision makers, therefore, is to overcome resistance to implementation.

There are several ways to overcome resistance, including removing barriers to implementation, offering various incentives for implementation (e.g., financial bonuses, opportunities for career advancement), and introducing various forms of punishment for members who do not support implementation (e.g., demotion) (see chapter 15 on organizational change). Perhaps the best way to overcome resistance is to involve other members in earlier steps of the decision-making process. From a conventional perspective, this practice can be costly and is not necessary for *most* decisions, but it may be cost-effective in *particular* situations. Researchers have developed a model to identify specific situations where participation is warranted, which represent less than 20 percent of all types of decisions.[35]

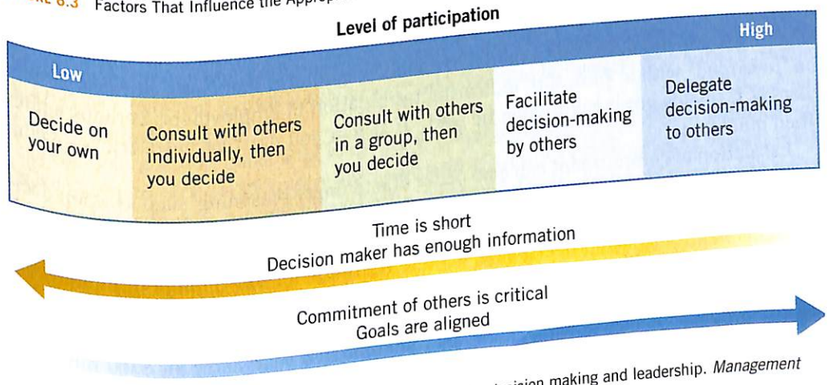
Figure 6.3 shows five levels of organizational member involvement in decision making and suggests key questions that can be asked to determine whether more or less participation is appropriate, including: How much time is available? Does the decision maker have sufficient information necessary for a successful implementation? Is commitment of other members critical? Are the goals of the decision maker and those who will implement the decision aligned? Together, answers to these questions can provide general guidance for the appropriate level of participation in decision making and implementation, but, for a more definitive recommendation, answers to additional questions are necessary.[36]

An important aspect of implementation is to monitor the outcomes of the decision. Has the problem or opportunity originally identified in step 1 been addressed. Have unanticipated

TEACHING NOTE

Have students recall a decision that was made in an organization that was the wrong decision, but was pursued by the decision makers despite the fact that it was the wrong decision.

FIGURE 6.3 Factors That Influence the Appropriate Level of Participation in Decision Making and Implementation



Source: Adapted from Vroom, V. H. (2003). Educating managers for decision making and leadership. *Management Decision, 41*(10), 968– 978.



FIGURE 6.4 Factors That Contribute to Escalation of Commitment

new problems or unexpected opportunities been created? Research suggests that about half of all decisions fail.[37] The key is to learn from these mistakes and then apply that knowledge to future decision-making processes.

Escalation of commitment occurs when a decision maker perseveres with the implementation of a poor decision despite evidence that it is not working.

Information distortion refers to the tendency to overlook or downplay feedback that makes a decision look bad and instead to focus on feedback that makes the decision look good.

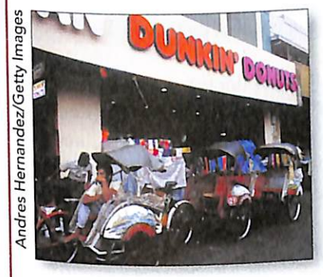
Many poor decisions persist for longer than they should because decision makers are reluctant to admit they made a mistake. **Escalation of commitment** is evident when a decision maker perseveres with the implementation of a poor decision despite evidence that it is not working. As shown in Figure 6.4, the most basic reason for escalation of commitment is due to **information distortion**, the tendency to overlook or downplay feedback that makes a decision look bad and focus instead on feedback that makes it look good. Jill Barad, former CEO of Mattel, remained committed to her $3.5 billion acquisition of the Learning Company despite its poor performance. Her persistence was explained in part by her having fostered an organizational culture that made it difficult for others in the organization to draw attention to the unfavorable information.[38] The OB in Action feature provides a more general discussion on the role of culture in the decision-making process.

Escalation of commitment can also be caused by blind persistence, which may be reinforced by sayings such as "When the going gets tough, the tough get going." Such sayings are bolstered by stories about decision makers who refused to admit failure despite early negative feedback and were subsequently treated as heroes when their original decision turned out to be right. For example, an engineer named Chuck House at Hewlett-Packard received a "Medal of Defiance" because, even though Dave Packard himself had told him to quit working on a particular project, House persisted using organizational resources to develop what eventually became a highly successful new product.[39] In this case, not listening to the boss garnered a medal of defiance; in many other cases, however, it may be "rewarded" with a "pink slip" indicating termination of employment. Perhaps comedian W. C. Fields got it right when he said, "If at first you don't succeed, try, try, again. Then quit."

Escalation of commitment can also occur due to faulty reasoning, such as when decision makers inappropriately repeat the same process they used for an earlier successful decision. When he was CEO of Quaker, William Smithburg relied on his taste buds to make his highly criticized decision to acquire Gatorade for $22 million; ultimately, the venture became a $3 billion success thanks to innovative advertising. However, when Smithburg again relied on his taste buds to acquire Snapple for $1.8 billion, the result almost brought Quaker down. Quaker sold Snapple two years later for $300 million, a huge loss.[40]

OB in Action

Culture and the Decision-Making Process



Andres Hernandez/Getty Images

Dunkin Donuts is continuing its expansion of stores into China, Japan, and India. Their international stores add or revise menu options to suit local tastes. Can you imagine eating a pork donut? They are on the menu in China.

Organizational and societal values and scripts may clash when organizations operate in new locations. These differences are likely to influence the way decision makers make decisions. In Western cultures, for instance, formal rationality and individualism are highly valued, consistent with a centralized approach to decision making in which managers: (1) identify problems, (2) generate solutions, (3) rationally evaluate and choose the best solution, and (4) implement the solution by telling others what to do.

In contrast, Japanese managers are more likely to follow the *ringi* decision-making process, in which: (1) the need for a decision can be informally presented by any member of the organization, (2) once it has been discussed informally, it is written in a memo and formally circulated, (3) further discussion takes place as the memo is circulated and approved by each member, and (4) the final decision is formally recorded and "stamped" as approved by members.

This approach is based on values such as *wa*, a virtue that places the group above individuals and fosters a cooperative ethic that values maintaining interpersonal peace and harmony. In Japan, trying to "get ahead" of others may disrupt harmony. The *ringi* process may take longer and seem less efficient than a conventional approach, but its emphasis on group consensus and collective responsibility means that once the process has been completed, implementation of the decision is virtually assured.

Just as they vary across societies, so also decision scripts vary across organizations. One way to recognize the scripts or thought patterns that an organization or culture reinforces is to be mindful of the values that influence decision making. To be "mindful" means to be aware of and attentive to values in each of the four steps of the decision-making process. Mindfulness is enhanced when you are able to contrast and compare two different approaches to the four-step decision-making process, as described in this chapter. It can also help you overcome mindlessly enacting scripts that are inconsistent with values you aspire towards.

QUESTIONS FOR DISCUSSION

1. Describe some new "scripts" you learned when you started a new job or a new school, or when you lived in a different culture.
2. When is it good to learn new scripts, and when might it be dysfunctional?
3. How mindful are you about the scripts you learn at work, school, or in society at large?

Finally, escalation of commitment can result from **administrative inertia**, the tendency of existing structures and systems to persist even though they may not be useful. If millions of dollars have been spent on a merger that is clearly not working, managers will have a difficult time deciding to "un-merge." The business press publishes more stories about business mergers and acquisitions than stories about companies selling off businesses, even though one study showed that 61 percent of the largest mergers and acquisitions over a two-year period actually destroyed shareholder wealth, and only 17 percent created positive returns.[41]

Administrative inertia describes what happens when existing organizational structures and systems persist simply because they are already in place.

What can decision makers do to reduce the likelihood that escalation of commitment will occur? One tactic is to simply view the results of previous decisions as important information, rather than as a legacy that must be continued. Decision makers need to ask themselves what they have learned during the decision-making process that will inform future decisions.[42] In addition, they must be bold enough to use what they have learned to undo poor decisions. Recognizing a past flawed decision is often easier for people who did not make the decisions. For example, newly appointed managers are 100 times more likely to sell a business unit acquired as the result of a poor decision than are managers who made the decision in the first place.[43]

The sustainable approach has some inherent advantages in overcoming resistance to implementing challenging decisions, and also in overcoming problems associated with the escalation of commitment. First, whereas the conventional approach encourages the *selective* use of participation to overcome resistance to the implementation of decisions, the sustainable approach is less likely to meet resistance because of its ongoing emphasis on participation in all four steps of the decision-making process. In the sustainable approach, participation influences the kinds of decisions considered (Step 1), the types of alternatives developed (Step 2), the alternatives chosen (Step 3), and the process by which decisions are implemented (Step 4).

Second, because sustainable decision makers tend to view decisions as experiments, they are more likely to look for feedback that will help them *improve* their decisions rather than *defend* them. In this way, a sustainable approach reduces the likelihood of escalation of commitment, information distortion, inappropriate persistence, and administrative inertia. In addition, it increases the likelihood that decision makers will learn from poor decisions.

For an example of sustainable decision making, consider what happened when Robert Greenleaf noticed that African-American employees were underrepresented at the higher managerial levels at AT&T (Step 1). He met with a group of managers and invited them to participate in developing alternatives that might improve the situation (Step 2). Group members suggested recruiting more African-American employees for management training programs, and providing African-American specialists with job experiences that would better prepare them for managerial positions (Step 3). Managers were invited to implement both, one, or neither of these options. Those who did implement them did so in a spirit of experimentation and a desire to learn from and improve upon practices based on feedback they received. In time, an increasing number of managers began to adopt the new "scripts," and over a nine-year period these activities helped increase the proportion of African-American managers at AT&T almost tenfold (Step 4).[44]

Finally, the decisions that result from a sustainable approach may counter conventional wisdom and require courage to implement. In a world characterized by an increasing gap between the rich and the poor, implementing decisions that consider the interests of a broad set of stakeholders—some powerful and others not—is a road less traveled. This sentiment is captured in observations by manager who had worked his way to the top of a large national organization before spending 10 years working in various inner-city organizations trying to facilitate economic development among the urban poor:

> I think often, when we say that we want a nice life, we mean an easy life. Sure, there's a little more tension when you are accountable to a team rather than to only a manager, but I think that there is a whole mix of relationships happening there that makes life richer, even if it makes it a little more complicated.[45]

The courage to deliver counter-cultural decisions can result from having followed a thorough decision-making process that gives you confidence you have chosen the best alternative, but it also arises from a participative sustainable decision-making process that by its nature provides a supportive circle of co-workers and other stakeholders. Members of this circle have ownership of the decision, which can go a long way in overcoming the uncertainty inherent in most decisions.

CLOSING CASE

how decisions can lead to a $7 billion loss[46]



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The 144-year-old French bank Société Générale was known as a world leader in derivatives (a type of financial investment) when it lost more than $7 billion in January 2008. How can an organization with a reputation of making good investment decisions suddenly lose so much money? There may be a variety of factors at play, but the story centers on decisions made by Jérôme Kerviel, a then 31-year-old bank employee accused of circumventing bank controls and rules in his trades.

An early signal that something was amiss occurred the previous November 7, when compliance officers at Société Générale received an email from Eurex, one of Europe's biggest exchanges, stating that over a period of seven months, Kerviel had engaged in several transactions that raised red flags. Société Générale receives about 15 to 20 such queries from exchanges like Eurex each year. The compliance officer at Société Générale looked into the problems, and Kerviel's supervisor indicated that there was no anomaly. Société Générale responded with a memo to Eurex describing how the increase in volatility in the European and U.S. markets explained the need for Kerviel's after-hours trading.

Eurex sent a follow-up email towards the end of November asking for more information. Société Générale provided more details on December 10, and the issue seemed settled. Kerviel reported that by the end of December his trades had resulted in a profit of about $2 billion for the bank, and he was rewarded with a $400,000 bonus for the year.

Unfortunately, a few weeks later, when Kerviel set off the next alarm, it was too late. Kerviel had exposed Société Générale to over $70 billion in risk—more than the bank's market value. After his trades were unwound, the result was $7 billion in trading losses within a week.

How could this happen? Various explanations have been offered. First, Société Générale had a culture that rewarded risk and encouraged its employees to engage in "proprietary trading," which means using the bank's money to make bets on the market. As a result, to get bigger rewards, managers would be tempted to take larger risks, and in a complex industry, a bank's internal controls cannot always keep up with the clever actions of its members. In Kerviel's case, thanks to his earlier job experience in the bank's back office, he knew what time its reconciliation for each day's trades took place, and he was able to use this information to delete his unauthorized transactions and then reenter them.

Another explanation notes that specific challenges in maintaining self-control may be inherent in a trader's job. Research in neuroeconomics indicates that the brain images of drug addicts about to take another hit are identical to the brain images of traders who are making money and about to make another trade. Put differently, making money is similar to a chemical addiction.

For his part, Kerviel accepted a share of the responsibility for his decisions, but he refused to become the scapegoat, insisting that his managers had been aware of his unusually large trades and had received warnings about his activities several months earlier.

QUESTIONS FOR DISCUSSION

1. What step or steps in the decision-making process are problematic in this case?
2. How might framing theory help to explain what happened at Société Générale?
3. Does escalation of commitment help explain what happened? How?
4. In light of your analysis, what advice about employee decision making would you give to Société Générale?

Summary

Both conventional and sustainable OB describe decision makers following the same basic four-step decision-making process, but there are differences in how the process unfolds.

In the conventional OB approach:

- First, decision makers identify problems and opportunities for the organization with a particular emphasis on maximizing shareholder wealth.
- Second, decision makers develop alternative ways to respond to those problems or opportunities, with an eye toward ensuring that the financial benefits of an alternative outweigh its financial costs.
- Third, decision makers choose one of the alternatives, using an appropriate method based on the level of goal consensus and available knowledge.
- Fourth, decision makers implement the chosen alternative, using a participative approach if necessary to overcome resistance.

In the sustainable OB approach:

- First, decision makers and other stakeholders identify problems and opportunities for the organization that will improve a variety of forms of well-being over time.
- Second, decision makers and other stakeholders develop alternative ways to respond to those problems or opportunities, with an eye toward ensuring that overall well-being is enhanced long-term.
- Third, decision makers and other stakeholders choose one of the alternatives that have been developed, appreciating the healthy tension among various goals, and drawing on both explicit and tacit knowledge.
- Fourth, decision makers and other stakeholders implement the chosen alternative, using an experimental approach that nurtures continuous learning.

Key Terms

Administrative method (p. 123)
Administrative inertia (p. 129)
Decision (p. 117)
Escalation of commitment (p. 128)
Explicit knowledge (p. 125)
Framing (p. 123)
Goal consensus (p. 121)
Image theory (p. 125)
Incremental trial-and-error method (p. 122)
Information distortion (p. 128)
Intuition (p. 123)
Nonprogrammed decisions (p. 120)
Programmed decisions (p. 119)
Political method (p. 122)
Rational choice (p. 122)
Satisficing (p. 123)
Scripts (p. 118)
Subjective method (p. 122)
Tacit knowledge (p. 123)
Uncertainty (p. 122)

Questions for Reflection and Discussion

1. Identify and briefly describe each of the four steps in the decision-making process.
2. Which of the four steps do you think is the most challenging for decision makers? Why do you think so?
3. What advice do you have for students in your class who, like Dennis Gioia in the chapter opening case, aspire to bring corporate socially responsible decision making to an organization that does not have a reputation for making such decisions?
4. Explain how you decided which post-secondary school to attend or which major to choose. Did your decision-making process follow the four-step process described in the chapter? Which steps were most important? Why?
5. From what you know of the "major" you have chosen (*e.g.*, marketing, accounting, finance), what are the most common criteria used in decision making by practitioners in this field? Can you imagine some unintended negative consequences of using these criteria exclusively in decisions?

ob activities

SELF-ASSESSMENT EXERCISE

How Courageous Are You in Decisions?

Using a scale of 1 - Strongly Disagree (SD), 2 - Disagree (D), 3 - Neutral (N), 4 - Agree (A), and 5 - Strongly Agree (SA), indicate your level of agreement with each statement on the 5-point scale.

Typically, I . . .	SD	D	N	A	SA
1. Don't hesitate to express an unpopular opinion.	1	2	3	4	5
2. Call for action while others talk.	1	2	3	4	5
3. Do not stand up for my beliefs.	1	2	3	4	5
4. Speak up in protest when I hear someone say mean things.	1	2	3	4	5
5. Don't speak my mind freely when there might be negative results.	1	2	3	4	5

Key: This is a short version of a courage scale from the International Personality Item Pool (http://ipip.ori.org/). To calculate your total score, add the following:

____ (response to statement 1)
+____ (response to statement 2)
+____ (response to statement 3, subtracted from 6)
+____ (response to statement 4)
+____ (response to statement 5, subtracted from 6)

=____ Total score

The greater the score (out of 25 possible), the higher your self-rating on being courageous. Having higher levels of courage has been shown to be positively related to decisions and actions that are ethical and benefit others.[47]

SELF-ASSESSMENT EXERCISE

What Is Your Cognitive Style in Making Decisions?

In each pair of statements of this simplified questionnaire, circle the number of the one that best describes your style of decision making.

1 - I primarily rely on logic when making career decisions
2 - I primarily rely on my feelings when making career decisions

1 - I primarily weigh quantitative factors when making a decision about a large purchase or investment, such as my age, budget needs, or future earnings
2 - I primarily weigh qualitative factors when making a decision about a large purchase or investment, such as my gut feelings or a sense that the decision is right for me

1 - When making important decisions, I pay close attention to when a number of people with well-justified expertise give me the same advice
2 - When making important decisions, I pay close attention when I experience a "knowing in my bones," chills, tingling or other physical sensations

1 - The most important factor in making life-altering changes is knowing that the change is based on objective, verifiable facts
2 - The most important factor in making life-altering changes is feeling it is right for me

1 - When my analysis and intuition are in conflict, I give precedence to my analytical reasoning
2 - When my analysis and intuition are in conflict, I give precedence to my intuitive insights

Key: A score of 5 or 6 suggests that your style is to make decisions in a linear, logical, or analytical fashion. A score of 9 or 10 suggests that your style is to make decisions in a nonlinear, creative, or intuitive fashion. A score of 7 or 8 suggests you do not seem to have a dominant style or that your style is flexible, using both approaches to making decisions. Analytical thinking is positively associated with grade point average of undergraduate students, but intuitive thinking is considered critical to new breakthroughs that are the lifeblood of organizations.[48] These items are a suggestive shortened version developed based on a more comprehensive research instrument. Total the circled numbers.

Source: Vance, C. M., Groves, K. S., Paik, Y., & Kindler, H. (2007). Understanding and measuring linear-nonlinear thinking style for enhanced management education and professional practice. *Academy of Management Learning and Education, 6*(2), 167–185.

ETHICS SCENARIO

A highway building contractor deplored the chaotic bidding situation and cutthroat competition in that industry. The contractor therefore reached an understanding with other major contractors to permit bidding that would provide a reasonable profit.

Why might this scenario occur in organizations?

Use the following scale to indicate whether this behavior is ethically acceptable:

NEVER ACCEPTABLE (1) (2) (3) SOMETIMES ACCEPTABLE (4) (5) (6) ALWAYS ACCEPTABLE (7)

Explain the ideas you considered in arriving at your answer.

DISCUSSION STARTER

Ethics, Profits, and People[49]

Aaron Feuerstein, previous owner and CEO of Malden Mills Industries in Lawrence, Massachusetts, has become a classic example of a sustainable manager. When most of the Malden Mills factory, which made Polartec products, burned to the ground in December 1995, the 70-year-old Feuerstein could have taken the $300 million insurance money and enjoyed retirement. Or he could have followed the lead of others in his industry and used the money to rebuild the factory in the South, where labor costs were lower than in the Northeast.

Instead, Feuerstein decided to remain loyal to his economically depressed community. He rebuilt the factory on the same site, even though the insurance covered only three-fourths of the reconstruction costs. He also voluntarily kept all 3,000 employees on the payroll during the long reconstruction process. Clearly Feuerstein, who found guidance in Jewish moral law and tradition, placed a high value on community: "I simply felt an obligation to the entire community that relies on our presence here in Lawrence; it would have been unconscionable to put 3,000 people out on the streets." His willingness to use his financial resources to nurture community in a counter-cultural way attracted a lot of media attention: "I got a lot of publicity. And I don't think it speaks well for our times. . . . At the time in America of our greatest prosperity, the god of money has taken over to an extreme."

Feuerstein's actions generated much good will. When the factory reopened, customers sought out his product. Suppliers, buyers, and employees all went the extra mile to support the company through tough times after the new factory began operations. Even so, a series of warm winters and cheaper overseas goods conspired to reduce the sales of the firm's fleece products, and its furniture upholstery customers, who turned to other suppliers after the fire, never returned. Despite its state-of-the-art mill and popular products, these unforeseen market challenges forced Malden Mills to operate under bankruptcy between 2001 and 2003.

Although the company emerged from that crisis, Feuerstein left the company's board in 2004 (he still owned about 5 percent of the company). By 2006, its annual revenue was around $160 million, including $25 million from producing high-tech clothing for the U.S. military. Ultimately, heavy debts forced the firm to declare bankruptcy again, and it sold its assets to Chrysalis Capital Partners. In 2007, the company reemerged as Polartec LLC and continued to sell its patented products.

QUESTIONS FOR DISCUSSION

1. What criteria did Aaron Feuerstein use in his decision making?
2. Was Feuerstein an effective decision maker?
3. Refer back to the discussion about moral points of views found in chapter 4, and explain whether you think Feuerstein's decisions were ethical in terms of (a) consequential utilitarianism and (b) virtue theory. Would it have been more ethical for him to decide to relocate to the South?
4. Do you think, in hindsight, he has regrets about not deciding to relocate to the South?
5. What decision making criteria would each of Malden Mills key stakeholders have preferred (employees, customers, suppliers, competitors, and neighbors)?

DISCUSSION STARTER

Factors That Influence the Quality of Decision Making[50]

Imagine that you are part of an organization's executive committee, and that you must make a choice among several alternatives developed by the marketing department to promote a new product. Indicate the effect you believe each of the following possible actions would have on the overall quality of the decision your executive committee makes?

Possible Actions	Overall Effect on Decision Making		
	Negative	Neutral	Positive
1. The marketing committee recommends the alternative that strengthens its relative power within the company.	(1)	(2)	(3)
2. When the president of a company indicates her preference, everyone provides their support for it.	(1)	(2)	(3)
3. Members of the committee describe how the preferred option is very similar to a previous highly successful event in the company's history.	(1)	(2)	(3)
4. Before making the decision, the executive committee agrees not to consider any additional information that was not included in the marketing team's analysis.	(1)	(2)	(3)
5. Decision makers consider the information in a holistic sense (e.g., they do not get lost in whether some details are based on past facts or future projections).	(1)	(2)	(3)
6. One of the options is favored because it is thought to be consistent with the successes enjoyed by an industry leader.	(1)	(2)	(3)
7. One of the options is favored because it helps to take advantage of previous investments the company has made, particularly if those investments would not likely be made today.	(1)	(2)	(3)
8. The choice is made based primarily on internal conditions, with little emphasis on external factors which you have little control over (e.g., like guessing how competitors might react).	(1)	(2)	(3)
9. Alternatives are considered that offer modest "worst-case" scenarios, rather than extreme worst-case scenarios.	(1)	(2)	(3)
10. The choice of the executive committee is influenced by knowing it is the alternative that the marketing department has fallen in love with.	(1)	(2)	(3)

QUESTION FOR DISCUSSION

1. Discuss each possible action with a small group of classmates and provide a group answer. Defend your answer by referring to a relevant research in the chapter. Suggested answers will be provided in the Instructor's Manual.

APPLICATION JOURNAL

This is a personal journal entry that can be used for class discussion or compiled as input into a self-reflection paper.

Reflect on some of the "scripts" you use when you make decisions. Think about possible differences in how you make big decisions versus everyday decisions. Who "wrote" these scripts, and when did you learn them? Now reflect on some the new scripts you are learning in your studies. Have you had a chance to put them into practice in your own life or in the workplace? Which of the OB scripts you are learning do you think will be most useful in your career?

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