Organisational decision making

Nadia Papamichail

nadia.papamichail@mbs.ac.uk

Cost IC0602 International Doctoral School
Applying Decision Analysis to Real Problems
University of Manchester

10-13 April 2011

Learning Objectives

• Discuss managerial decision making challenges
• Review organisational decision making models
• Identify examples of good and bad practice in decision making and suggest ways for improvement

Managerial decision making - Important factors

• Determination to seek out the absolute best solution 9th
• Setting clear criteria 2nd
• Willingness to take risks 8th
• Willingness to listen 3rd
• Objectivity 1st
• Personal experience 4th
• Confidence in their own ability 5th
• Willingness to revisit the main objective 6th
• Ability to stay calm under pressure 7th
• Ability to stick by their decision 10th
Organisational decision making models

- “Organizational decision making is the process by which one or more organizational units make a decision on behalf of the organization”
  
  (Huber, 1980)
- Rational model (e.g. Howard et al., 1976)
- Political model (e.g. Pettigrew, 1973)
- Garbage can model (e.g. Cohen et al., 1972)
- Process model (e.g. Barnard, 1938)

Herbert Simon

- Intelligence-design-choice model.
- Bounded rationality. A decision maker seeks to be rational but his/her rationality is bounded due to cognitive limitations.

James March

- Garbage can model (Cohen, March and Olsen, 1972)
- Organisations are viewed as ‘organised anarchies’
- Organisations are political systems which can be viewed as coalitions of individuals with conflicting objectives shaped by status, ambitions, biases and the way they perceive the future
- Research focus
  - How problems arise and organisational units are combined to formulate decisions.
  - How power is enacted
  - What the role of politics is

Decision Making

- Chester Barnard
  - James March
  - Herbert Simon
  - Henry Mintzberg
• Mintzberg et al (1972) explored 25 cases
• A decision is commitment to action
• A decision process is a set of actions and dynamic factors (e.g. interrupts, timing delays, speedups) that starts with the identification of a stimulus (e.g. opportunity, threat) and ends with commitment to action

<table>
<thead>
<tr>
<th>Process characteristics</th>
<th>Bay of Pigs</th>
<th>Cuban missile crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of participants</td>
<td>Advocates for particular agencies</td>
<td>Skeptical generalists</td>
</tr>
<tr>
<td>Role of leader</td>
<td>Present at all meetings</td>
<td>Absent from preliminary meetings</td>
</tr>
<tr>
<td>Group norms</td>
<td>Adherence to rules of protocol</td>
<td>Minimisation of status differences</td>
</tr>
<tr>
<td>Participation and involvement</td>
<td>Exclusion of low-rank officials</td>
<td>Involvement of outside experts</td>
</tr>
<tr>
<td>Use of subgroups</td>
<td>One subgroup driving the process</td>
<td>Two subgroups debating alternatives</td>
</tr>
<tr>
<td>Alternatives</td>
<td>Convergence upon one alternative</td>
<td>Consideration of two alternatives</td>
</tr>
</tbody>
</table>

(Keeney, 2004)
Examples of good practice and bad practice

Management structures
- Easy to allocate authority and implement decisions
- Ensure equal access to information
- Foster a trusting culture

DM Process
- Diversity of interests in the decision making body
- Involvement of experts
- Constructive conflict
- Deciding how to decide

Information
- Critical, timely, accurate, relevant and sufficient information available
- Lack of systematic ways for providing and gathering information

Performance and outcome
- The decision is perceived as successful
- The problems that evoked the decision were solved and any opportunities were fully taken
- Sense of satisfaction

People & skills
- Active learners
- Creative problem-solvers
- Able to use and share information
- Seek to adopt best practice examples

Technology
- Use IT to compile and disseminate information in a thorough and timely manner, gather and model evidence
- Lack of IT or Technology used but it is not secure, efficient, effective
- No DSS to facilitate DM processes

Efficiency
- Immediate response to decision stimulus, no delays in the process
- Right level of resources
- Slow DM process, protracted decision activities, high communication costs

Decision making: Prescriptive, normative and descriptive interactions

Prescriptive
- Ron Howard
- Howard Raiffa

Normative
- Individual & decision bodies
- Multi-party decision makers

Descriptive
- Daniel Kahneman & Amos Tversky
- Herbert Simon & James March

Final thoughts
- We are seeing a shift:
  - From the ‘expert’ to the ‘user’
  - From ‘individual intelligence’ to ‘collective intelligence’
- Social networking: Ideas creation/generation