

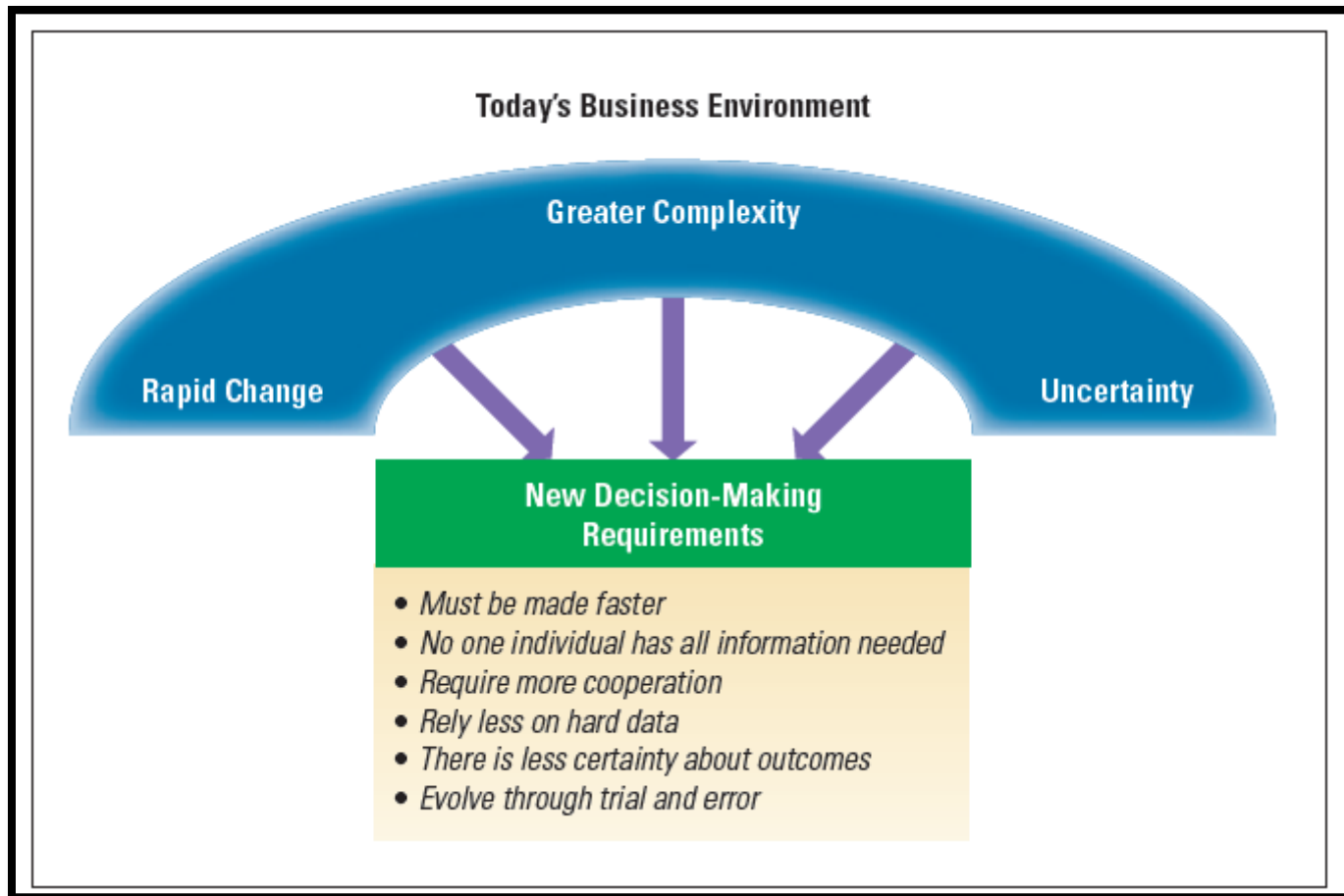
# Organizational Decision-Making



# Types of Decisions

- ▶ **Organizational decision making** – process of identifying and solving problems
  1. Problem Identification
  2. Problem Solution
- ▶ **Programmed Decisions** – repetitive and well defined
- ▶ **Nonprogrammed Decisions** – novel and poorly defined

# Decision Making in Today's Environment



# Individual Decision Making

- ▶ **Rational approach** – ideal method for how managers should make decisions
- ▶ **Bounded rationality perspective** – how decisions are made under severe time and resource constraints

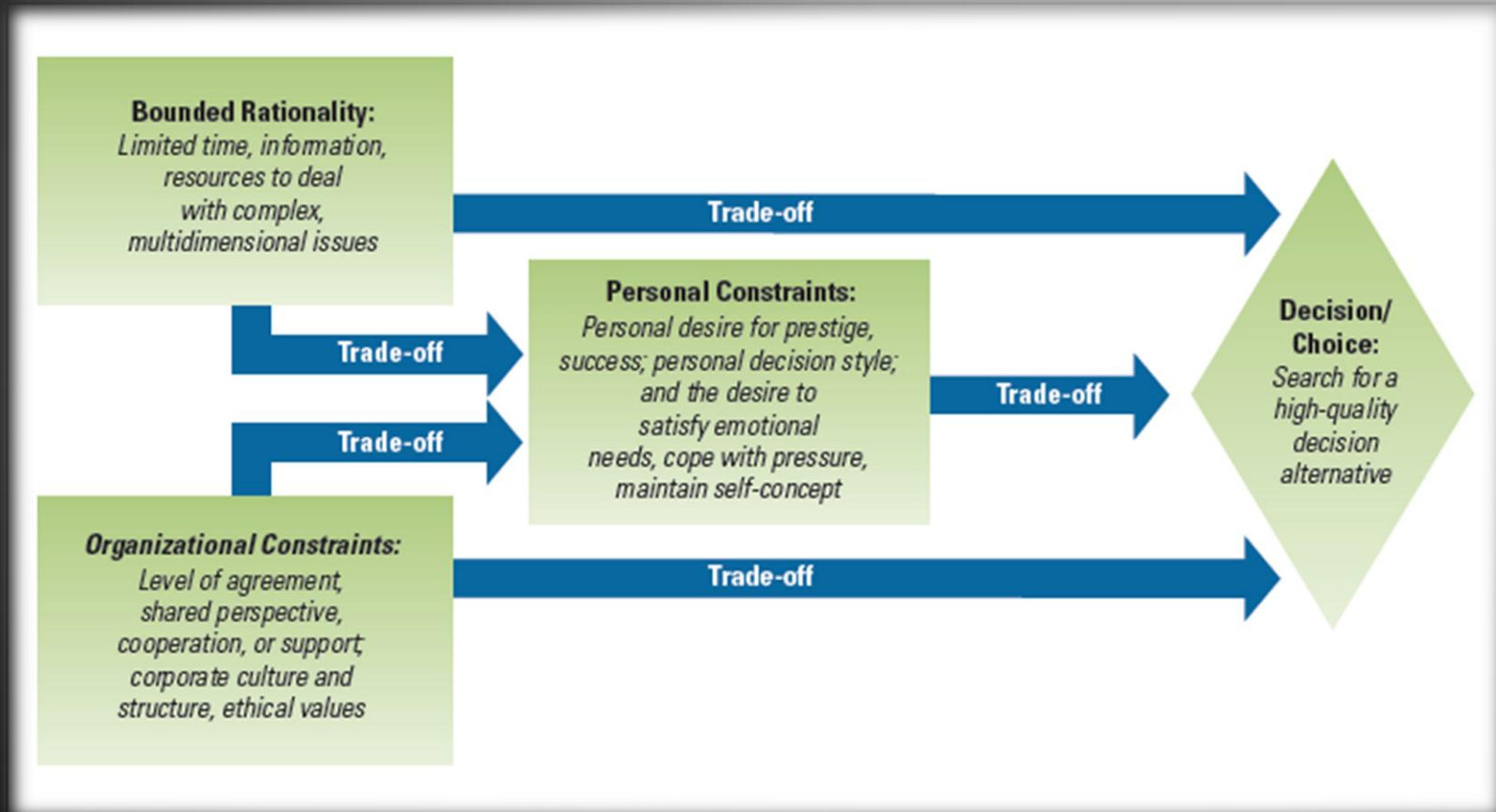
# Steps in the Rational Approach



# Bounded Rationality Perspective

- ▶ There is a limit to how rational managers can be—time and resource constraints
  - Nonprogrammed decisions
- ▶ Constraints and Tradeoffs
  - Constraints impinge the decision maker
- ▶ The Role of Intuition
  - Experience and judgment rather than logic

# Constraints and Tradeoffs During Nonprogrammed Decision Making



# Organizational Decision Making

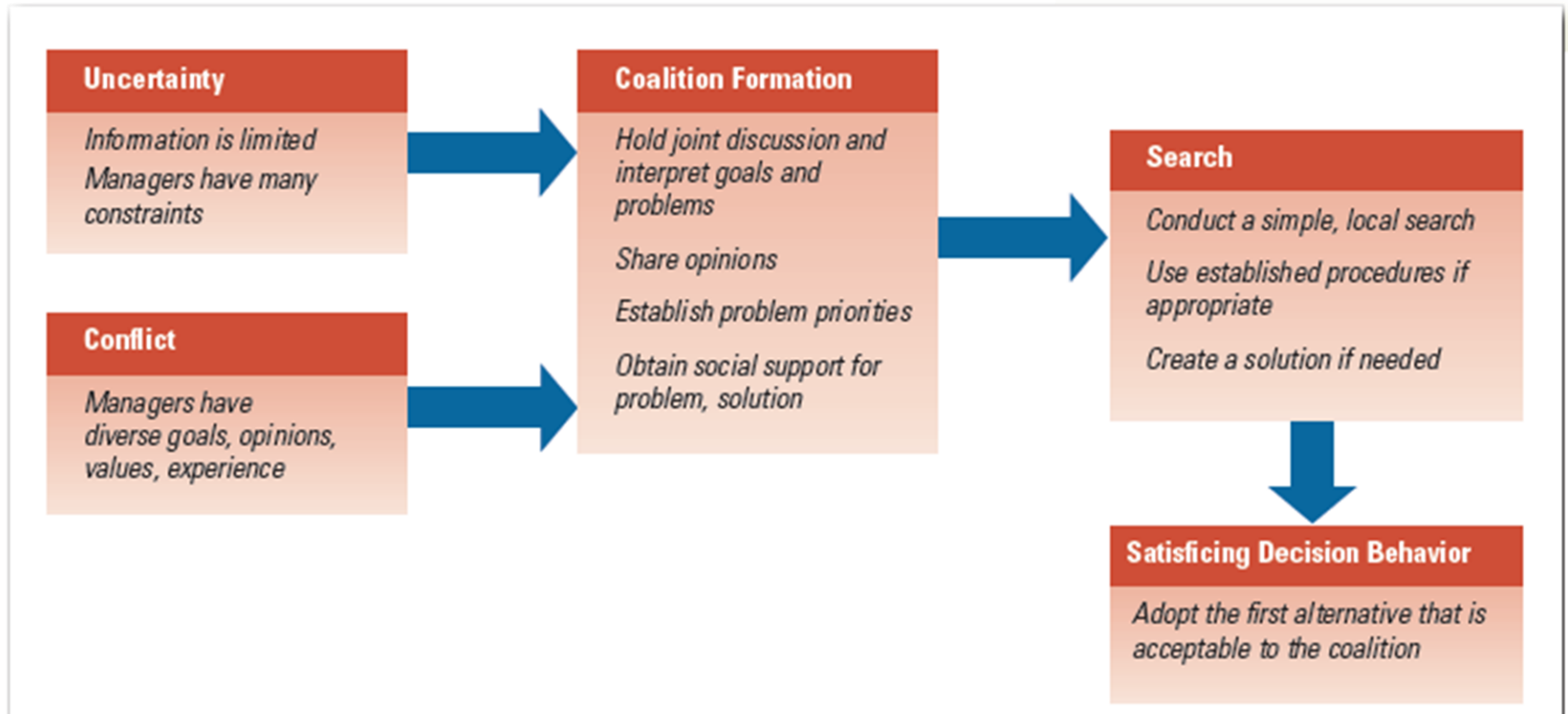
- ✓ Management Science Approach
- ✓ Carnegie Model
- ✓ Incremental Decision Model



# Management Science Approach

- ▶ Use of statistics to identify relevant variables
- ▶ Remove human element
- ▶ Very successful for military problems
- ▶ Good tool for decisions where variables can be identified and measured
- ▶ A drawback of management science is that quantitative data are not rich and lack tacit knowledge

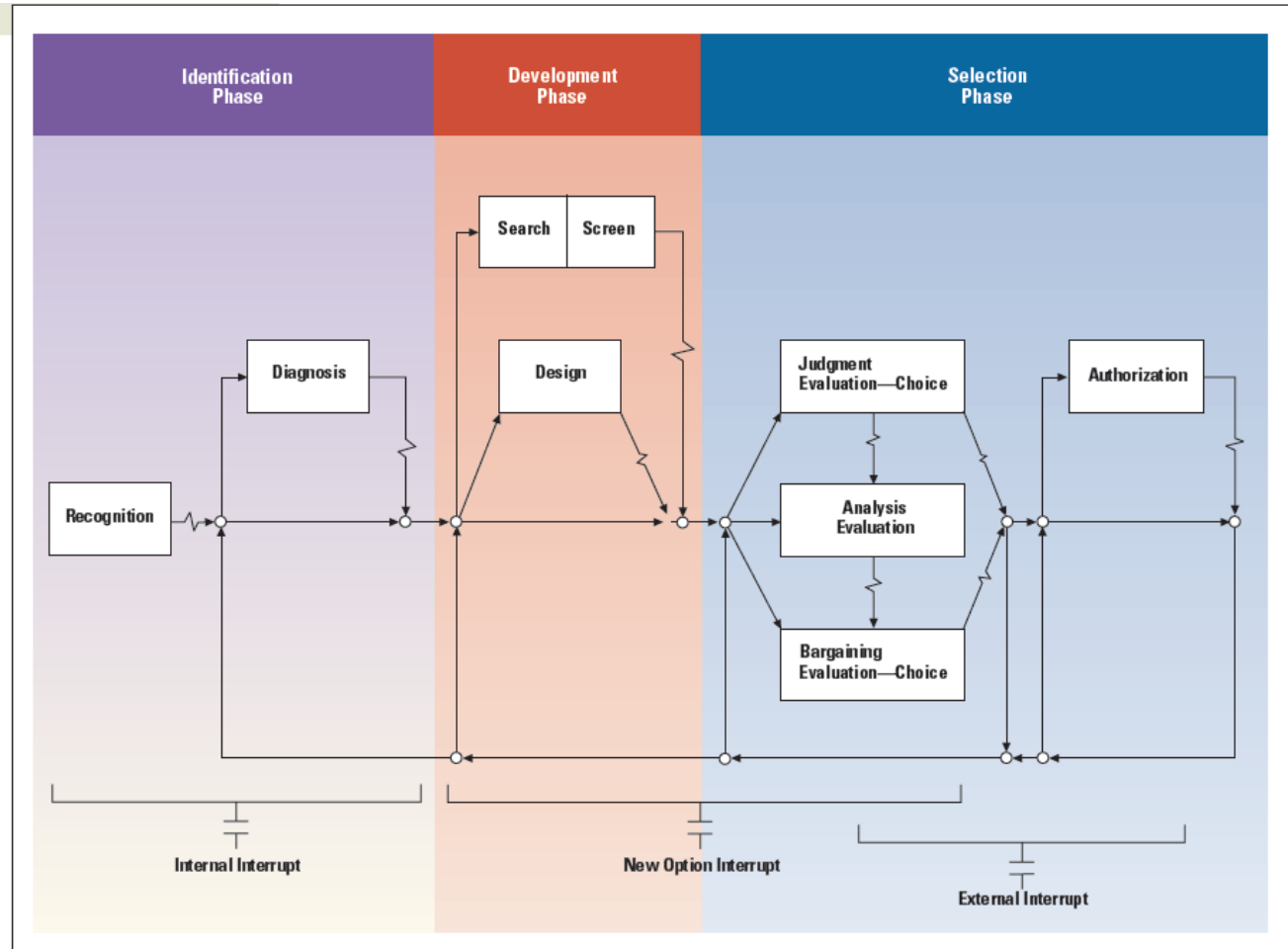
# Carnegie Model



# Incremental Decision Model

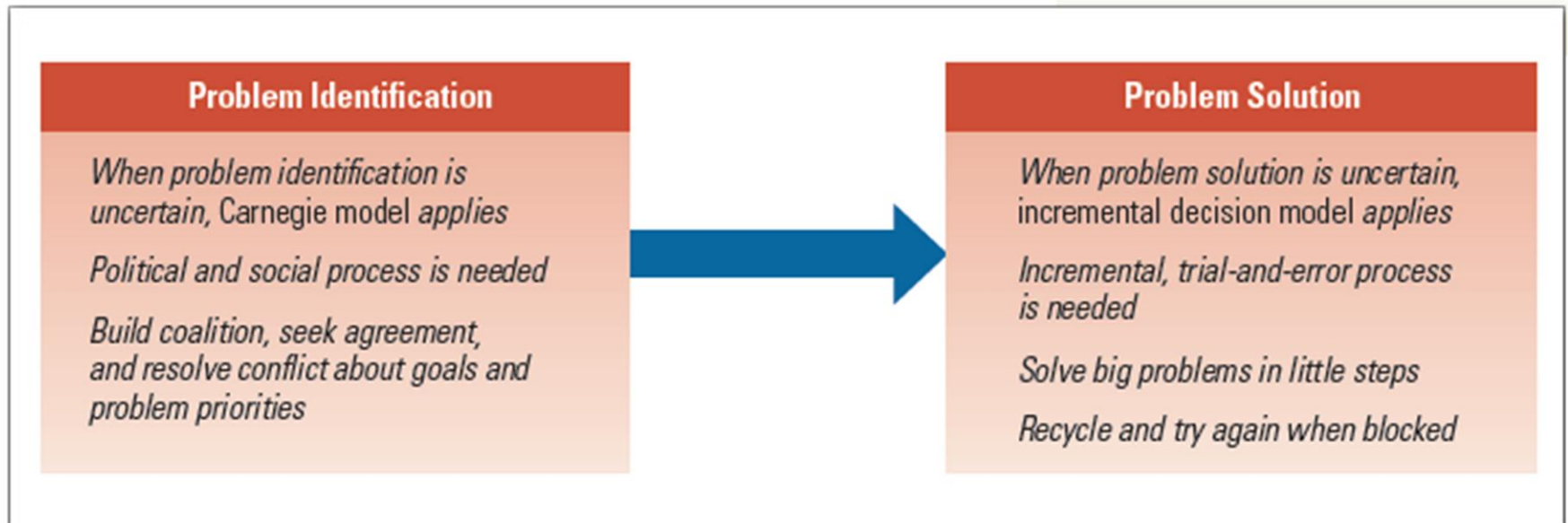
- ▶ Focus on structured sequence of activities from discovery to solution
- ▶ Large decisions are a collection of small choices
- ▶ Decision interrupts are barriers
  - Identification Phase
  - Development Phase
  - Selection Phase
  - Dynamic Factors

# The Incremental Decision Model



# Problem Identification and Problem Solution

When problem and problem solution are uncertain



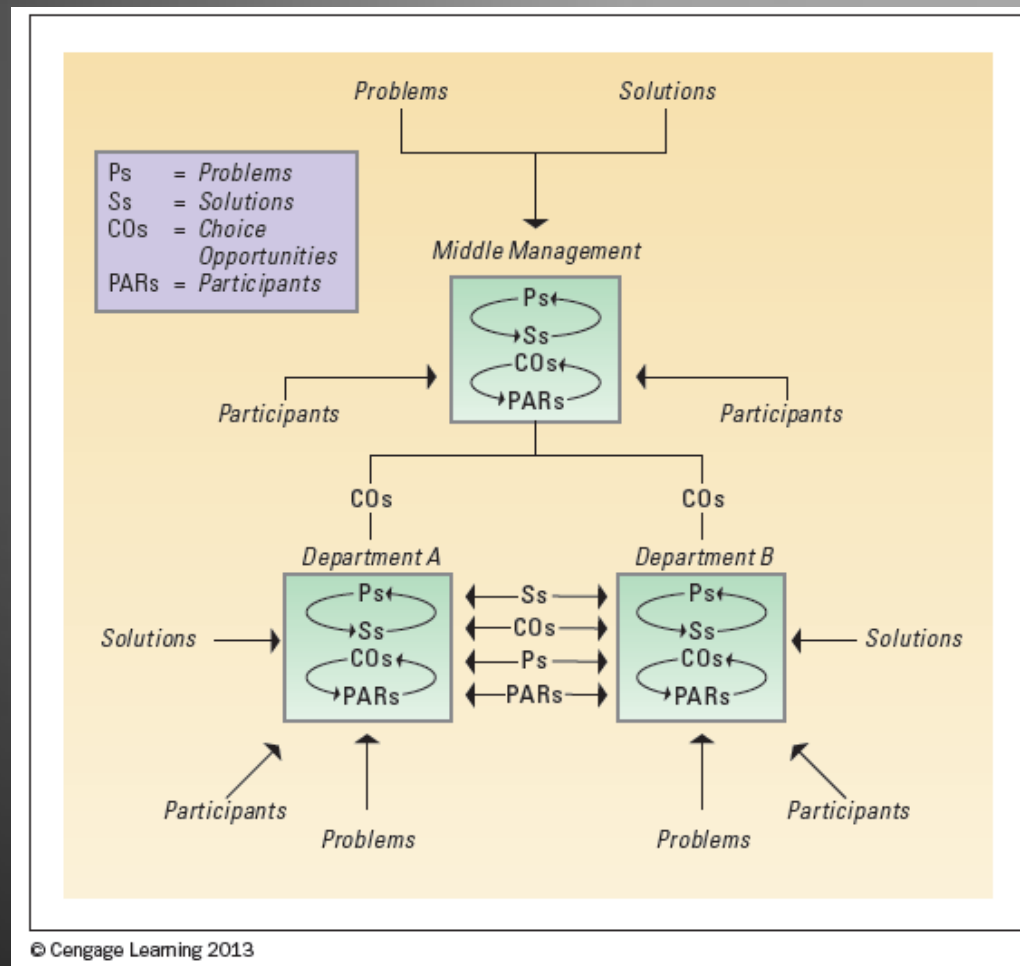
# Garbage Can Model

- ▶ Pattern or flow of **multiple decisions**
- ▶ Think of the whole organization
- ▶ Explain decision making in high uncertainty – organized anarchy:
  - Problematic preferences
  - Unclear, poorly understood technology
  - Turnover
- ▶ **Streams of events** instead of defined problems and solutions

# Consequences of the Garbage Can Model

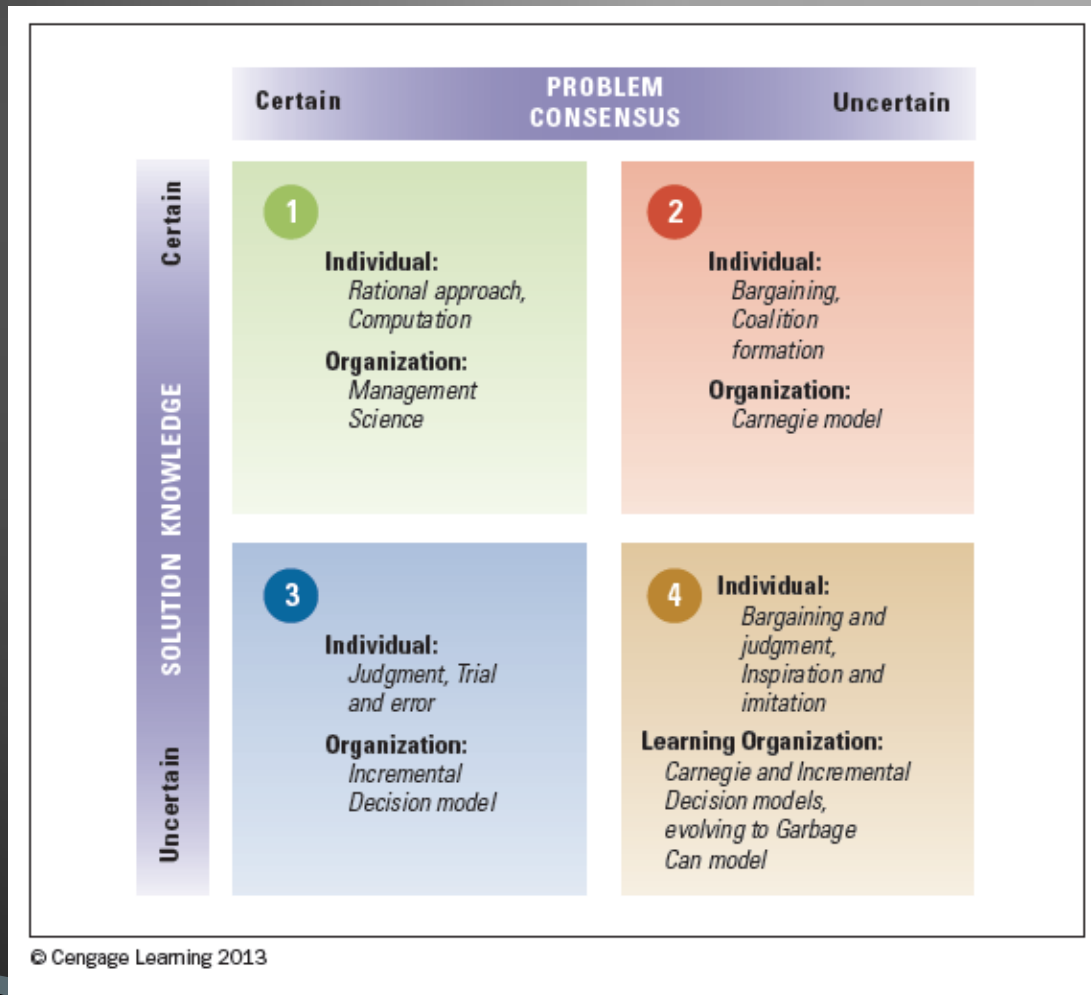
1. Solutions may be proposed even when problems do not exist
2. Choices are made without solving problems
3. Problems may persist without being solved
4. A few problems are solved

# Illustration of Independent Streams of Events in the Garbage Can Model of Decision-Making





# Contingency Framework for Using Decision Models



# Special Decision Circumstances

- ▶ Today's environment presents high-stakes, quick decisions
- ▶ Managers must deal with:
  - High-velocity environments
  - Learning from decision mistakes
  - Understanding cognitive and personal biases
    - Escalating commitment
    - Prospect theory
    - Groupthink
    - Evidence-based management
    - Encourages dissent and diversity

# Design Essentials

- ▶ Most decisions are not made in a logical manner
- ▶ Individuals make decisions, but organizational decisions are not made by a single individual
- ▶ Conflict exists when problems are not agreed on
- ▶ The garbage can model has become a description of decision-making
- ▶ Organizations operate in high-velocity environments
- ▶ Allowing biases to cloud decision making can have negative consequences