

CHAPTER

9

Decision Making, Creativity, and Ethics

A coffee roasting company in BC's interior may seem remote from the workers on coffee plantations in South America. But its co-owners wanted their business to make a difference. Can committing to selling only fair trade coffee be a successful strategy?

LEARNING OUTCOMES

- 1 Is there a right way to make decisions?
- 2 How do people actually make decisions?
- 3 What factors affect group decision making?
- 4 How can we get more creative decisions?
- 5 What is ethics, and how can it be used for better decision making?
- 6 What is corporate social responsibility?

Elana Rosenfeld and Leo Johnson are the founders and owners of Invermere, BC-based Kicking Horse Coffee Company, the top organic fair trade coffee company in Canada.¹ The decision to create a fair trade coffee company reflects the values the two have toward their employees and the farmer co-ops in Mexico, Nicaragua, Peru, and other countries from which they buy their coffee. When the two travel to the coffee plantations for weeks at a time, they rely on their employees to keep everything running smoothly back in BC.



“Knowing we can leave the shop in good hands allows us to develop a personal relationship with local suppliers,” Rosenfeld says. “In turn, we can report back to our employees and customers on how fair trade coffee makes a real difference to the lives of those who were often exploited. That message encourages further support for the company’s mission and products.”

Rosenfeld and Johnson started roasting coffee in their garage in 1996, with their small children in tow. Two years later they were one of the first companies to join Trans-Fair Canada (now known as Fairtrade Canada), an organization that encourages Canadian organizations to make choices that would improve the working conditions of farmers and workers in the developing world. By 2003 Kicking Horse Coffee made the decision to purchase and roast only 100 percent certified organic coffee beans.

In this chapter, we describe how decisions in organizations are made, as well as how creativity is linked to decision making. We also look at the ethical and socially responsible aspects of decision making as part of our discussion. Decision making affects people at all levels of the organization, and it is engaged in by both individuals and groups. Therefore, we also consider the special characteristics of group decision making.

OB IS FOR EVERYONE

- Do people really consider every alternative when making a decision?
- Is it okay to use intuition when making decisions?
- Why is it that we sometimes make bad decisions?
- Why are some people more creative than others?
- Why do some people make more ethical decisions than others?

THE BIG IDEA

Decision making can be improved through systematic thinking and an awareness of common biases.

SELF-ASSESSMENT LIBRARY

LEARNING ABOUT YOURSELF

- Decision-Making Style
- Creativity

- 1 Is there a right way to make decisions?

How Should Decisions Be Made?

A **decision** is the choice made from two or more alternatives. Decision making occurs as a reaction to a problem or an opportunity. A **problem** is a discrepancy between some current state of affairs and some desired state, requiring consideration of alternative courses of action.² An **opportunity** occurs when something unplanned happens, giving rise to thoughts about new ways of proceeding.

Whenever any of us make a decision, we have a process that we go through to help us arrive at that decision. Some of us take a very rational approach, with specific steps by which we analyze parts of the decision, others rely on intuition, and some just decide to put two or more alternatives into a hat and pull one out.

Knowing how to make decisions is an important part of everyday life. Below we consider various decision-making models that apply to both individual and group choices. (Later in the chapter, we discuss special aspects of group decision making.) We start with the *rational model*, which describes decision making in the ideal world, a situation that rarely exists. We then look at alternatives to the rational model and how decisions actually get made.

The Rational Decision-Making Process

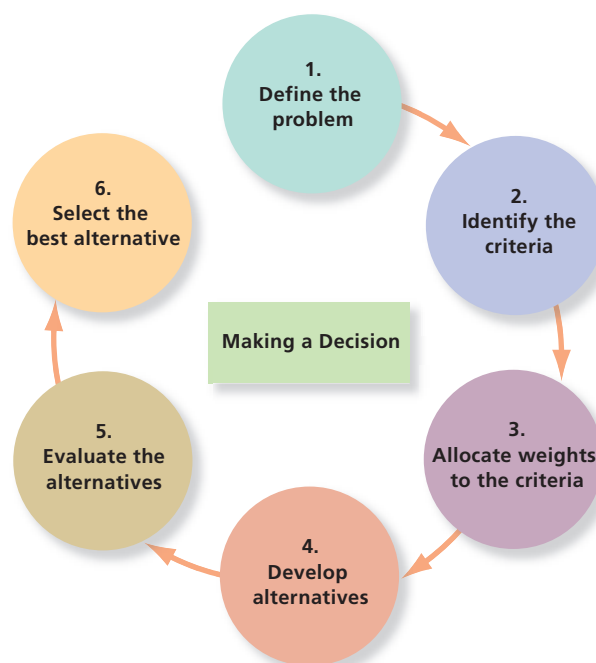
The **rational** decision maker makes consistent, high-quality choices within specified constraints.³ These choices are made following a six-step **rational decision-making model**.⁴

The Rational Model

The six steps in the rational decision-making model are presented in Exhibit 9-1.

First, the decision maker must *define the problem*. If you calculate your monthly expenses and find you are spending \$50 more than your monthly earnings, you have defined a problem. Many poor decisions can be traced to the decision maker overlooking a problem or defining the wrong problem.

EXHIBIT 9-1 Steps in the Rational Decision-Making Model



decision The choice made from two or more alternatives.

problem A discrepancy between some current state of affairs and some desired state.

opportunity An occasion that gives rise to thoughts about new ways of proceeding.

rational Refers to choices that are consistent and value-maximizing within specified constraints.

rational decision-making model A six-step decision-making model that describes how individuals should behave in order to maximize some outcome.

The decision maker then needs to *identify the criteria* that are relevant to making the decision. This step brings the decision maker's interests, values, and similar personal preferences into the process, because not all individuals will consider the same factors relevant for any particular decision.

To understand the types of criteria that might be used to make a decision, consider the many sponsorship requests the Toronto-based Canadian Imperial Bank of Commerce (CIBC) receives each year. When it makes a decision about whether to support a request, the bank takes into account a number of criteria. Specifically, to be eligible for funding, a request must

- Be aligned to youth, education or health
- Be for a Canadian organization, using funds in Canada
- Be for a registered charity with a Canada Revenue Agency Charitable Registration Number or a non-profit organization
- Have a record of achievement or potential for success in line with [CIBC's] overall goals
- Address a community need and provide direct impact to the community served
- Include planned outcomes, supported by a measurement and evaluation process
- Have audited financial statements for the organization, sound financial practices and a sustainable funding model⁵

If the sponsorship request does not meet these criteria, it is not funded. Because the criteria identified are rarely all equal in importance, the third step requires the decision maker to *allocate weights to the criteria*.

The fourth step requires the decision maker to *develop alternatives* that could succeed in resolving the problem.

The decision maker then critically *evaluates the alternatives*, using the previously established criteria and weights.

Finally, the decision maker *selects the best alternative* by evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.



During his 10-year tenure as CEO of Symantec, John Thompson made a decision in reaction to the problem of an explosion of Internet viruses. Thompson, now chairman of the board of directors, said, "About every 15 to 18 months, there's a new form of attack that makes old technologies less effective." So he decided to acquire 13 companies that specialize in products such as personal firewalls, intrusion detection, and early warning systems that protect everything from corporate intranets to consumer email inboxes.

Assumptions of the Model

The rational decision-making model we just described contains a number of assumptions.⁶ Let's briefly outline those assumptions.

- *Problem clarity.* The problem is clear and unambiguous and complete information is available.
- *Known options.* It is assumed that the decision maker can identify all relevant criteria, all workable alternatives, and their consequences.
- *Clear preferences.* The criteria and alternatives can be ranked and weighted to reflect their importance.
- *Constant preferences.* The specific decision criteria are constant and the weights assigned to them are stable over time.
- *No time or cost constraints.* The decision maker can obtain full information about criteria and alternatives because there are no time or cost constraints.
- *Maximum payoff.* The decision maker will choose the alternative that yields the highest perceived value.

2 How do people actually make decisions?

How Do Individuals Actually Make Decisions?

In 1996, when Elana Rosenfeld and Leo Johnson were just getting their Kicking Horse Coffee Company started, they had one goal: “get everyone to drink good coffee.”⁷ Obviously, people differ as to what they perceive good coffee to be. Some like Tim Hortons the best. Others enjoy Starbucks. Fans of one company complain about the coffee of the other. Rosenfeld felt she knew what really good coffee was, and it started with fair trade beans. When she first began educating her customers about her product, they thought she meant “free trade.” To change customer perceptions, Rosenfeld said they “did a good job of marketing and explaining it on our packaging.” They also knew that some people thought good coffee meant Italian coffee, which Kicking Horse does not sell. So they created fun names for the coffee, such as *454 Horse Power* and *Hoodoo Jo* to appeal to a broader number of consumers. What sorts of perceptual biases might affect the decisions people make?

Do decision makers actually follow the rational model? Do they carefully assess problems, identify all relevant criteria, use their creativity to identify all workable alternatives, and painstakingly evaluate every alternative to find an optimizing choice? When decision makers are faced with a simple problem and few alternative courses of action, and when the cost of searching out and evaluating alternatives is low, the rational model provides a fairly accurate description of the decision process.⁸ However, such situations are the exception. Most decisions in the real world do not follow the rational model. People are usually content to find an acceptable or reasonable solution to their problem rather than an optimal one. Choices tend to be confined to the problem symptom and to the current alternative. As one expert in decision making has concluded: “Most significant decisions are made by judgment, rather than by a defined prescriptive model.”⁹ What is more, people are remarkably unaware of making sub-optimal decisions.¹⁰

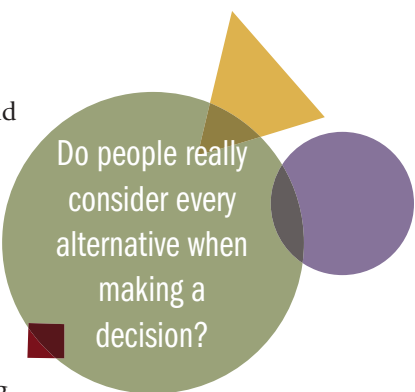
In the following sections, we identify areas where the reality of decision making conflicts with the rational model.¹¹ None of these ways of making decisions should be considered *irrational*; they simply depart from the rational model and occur when information is unavailable or too costly to collect.

Bounded Rationality in Considering Alternatives

When you considered which college or university to attend, did you look at every possible alternative? Did you carefully identify all the criteria that were important to your decision? Did you evaluate each alternative against the criteria in order to find the school that is best for you? The answer to these questions is probably “no.” But don’t feel bad, because few people select their educational institution this way.

It’s difficult for individuals to identify and consider every possible alternative available to them. Realistically speaking, people are limited by their ability to interpret, process, and act on information. This is called **bounded rationality**.¹²

How does bounded rationality work for the typical individual? Once we have identified a problem, we begin to search for criteria and alternatives. But the list of criteria is likely to be far from exhaustive. We identify a limited list of the most obvious choices, which usually represent familiar criteria and tried-and-true solutions. Next, we begin reviewing them, but our review will not be comprehensive. Instead, we focus on alternatives that differ only in a relatively small degree from the choice currently in effect. Following familiar and well-worn paths, we review alternatives only until we identify one that is “good enough”—that meets an acceptable level of performance. That ends our search. So the solution represents a **satisficing** choice—the first *acceptable* one we encounter—rather than an optimal one. In practice, this might mean



Do people really consider every alternative when making a decision?

bounded rationality Limitations on a person’s ability to interpret, process, and act on information.

satisfice To provide a solution that is both satisfactory and sufficient.

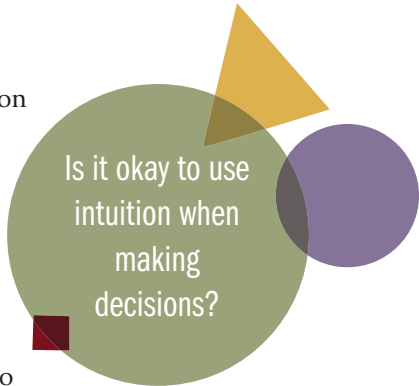
that rather than interview 10 job candidates for a position and then make a hiring decision, a manager interviews one at a time until someone that is “good enough” is found. This process of satisficing is not always a bad idea—using a simple process may frequently be more sensible than the traditional rational decision-making model.¹³

Intuition

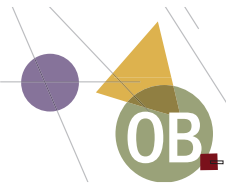
Perhaps the least rational way of making decisions is to rely on intuition. **Intuitive decision making** is a nonconscious process created from distilled experience.¹⁴ Its defining qualities are that it occurs outside conscious thought; it relies on holistic associations, or links between disparate pieces of information; it’s fast; and it’s affectively charged, meaning that it usually engages the emotions.¹⁵

Intuition is not rational, but that does not necessarily make it wrong. Nor does it always operate in opposition to rational analysis; rather, the two can complement each other.

Intuition can be a powerful force in decision making. But intuition is not superstition, or the product of some magical or paranormal sixth sense. As one recent review noted, “Intuition is a highly complex and highly developed form of reasoning that is based on years of experience and learning.”¹⁶ *OB in the Street* shows how intuition applies to grand master chess players.



Is it okay to use intuition when making decisions?



in the **STREET**

OB Intuition Comes to the Chess Board

Can intuition really help you win a chess game? Apparently so.¹⁷ Novice chess players and grand masters were shown an actual, but unfamiliar, chess game with about 25 pieces on the board. After 5 or 10 seconds, the pieces were removed, and each subject was asked to reconstruct the pieces by position. On average, the grand master could put 23 or 24 pieces in their correct squares, while the novice was able to replace only 6. Then the exercise was changed. This time, the pieces were placed randomly on the board. Again, the novice got only about 6 correct, but so did the grand master! The second exercise demonstrated that the grand master did not have a better memory than the novice. What the grand master *did* have was the ability, based on the experience of having played thousands of chess games, to recognize patterns and clusters of pieces that occur on chessboards in the course of games. Studies also show that chess professionals can play 50 or more games simultaneously, making decisions in seconds, and exhibit only a moderately lower level of skill than when playing one game under tournament conditions, where decisions take half an hour or longer. The expert’s experience allows him or her to recognize the pattern in a situation and draw on previously learned information associated with that pattern to arrive at a decision quickly. The result is that the intuitive decision maker can decide rapidly based on what appears to be very limited information. ●

As the example of the chess players shows, those who use intuition effectively often rely on their experiences to help guide and assess their intuitions. For most of the twentieth century, experts believed that decision makers’ use of intuition was irrational or ineffective. That is no longer the case.¹⁸ We now recognize that rational analysis has been overemphasized and that, in certain instances, relying on intuition can improve decision making.¹⁹ But, we cannot rely on it too much. Because it is so

intuitive decision making A nonconscious decision-making process created out of a person’s many experiences.

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unquantifiable, it's hard to know when our hunches are right or wrong. A 2010 study that examined people's ability to "use their gut" to make decisions found that not everyone's gut is reliable. For some people, the physiological feelings that one associates with intuition works, but for others it does not.²⁰ The key is not to either abandon or rely solely on intuition, but to supplement it with evidence and good judgment.

Judgment Shortcuts

Decision makers engage in bounded rationality, but they also allow systematic biases and errors to creep into their judgments.²¹ To minimize effort and avoid difficult trade-offs, people tend to rely too heavily on experience, impulses, gut feelings, and convenient rules of thumb. In many instances, these shortcuts are helpful. However, they can lead to distortions of rationality, as *OB in the Street* shows.



Why is it that we sometimes make bad decisions?



OB in the STREET Penalty Kick Decisions

Should you stand still or leap into action? This is the classic question facing a goalie in a faceoff against a midfielder for a penalty kick.²² Ofer H. Azar, a lecturer in the School of Management at Ben-Gurion University in Israel, finds that goalies often make the wrong decision.

Why? The goalie tries to anticipate where the ball will go after the kick. There is only a split second to do anything after the kick, so anticipating and acting seem like a good decision.

Azar became interested in studying goalie behaviour after realizing that the "incentives are huge" for the goalie to get it right. "Goalkeepers face penalty kicks regularly, so they are not only high-motivated decision makers, but also very experienced ones," he explains. That said, 80 percent of penalty kicks score, so goalies are in a difficult situation at that instant when the kick goes off.

Azar's study found that goalies rarely stayed in the centre of the net as the ball was fired (just 6.3 percent of the time). But staying in the centre is actually the best strategy. Goalies halted penalty kicks when staying in the centre 33.3 percent of the time. They were successful only 14.2 percent of the time when they moved left and only 12.6 percent of the time when they moved right.

Azar argues that the results show that there is a "bias for action," explaining that goalies think they will feel worse if they do *nothing* and miss, than if they do *something* and miss. This bias then clouds their judgment, encouraging them to move to one side or the other, rather than just staying in the centre, where the odds are actually more in their favour. ●

For more on the "bias for action" debate, see this chapter's *Point/Counterpoint* on page 327.

In what follows, we discuss some of the most common judgment shortcuts to alert you to mistakes that are often made when making decisions.

Overconfidence Bias

It's been said that "no problem in judgment and decision making is more prevalent and more potentially catastrophic than overconfidence."²³

When we are given factual questions and asked to judge the probability that our answers are correct, we tend to be far too optimistic. This is known as **overconfidence bias**. When people say they are 65 to 70 percent confident that they are right, they are actually correct only about 50 percent of the time.²⁴ And when they say they are 100 percent sure, they tend to be right about 70 to 85 percent of the time.²⁵

Individuals whose intellectual and interpersonal abilities are *weakest* are most likely to overestimate their performance and ability.²⁶ So as managers and employees become more knowledgeable about an issue, they become less likely to display overconfidence.²⁷ Overconfidence is most likely to surface when organizational members are considering issues or problems that are outside their area of expertise.²⁸

Anchoring Bias

The **anchoring bias** is a tendency to fixate on initial information and fail to adequately adjust for subsequent information.²⁹ It occurs because our mind appears to give a disproportionate amount of emphasis to the first information it receives.³⁰ Anchors are widely used by people in professions where persuasion skills are important—such as advertising, management, politics, real estate, and law. For instance, in a mock jury trial, the plaintiff's attorney asked one set of jurors to make an award in the range of \$15 million to \$50 million. The plaintiff's attorney asked another set of jurors for an award in the range of \$50 million to \$150 million. Consistent with the anchoring bias, the median awards were \$15 million and \$50 million, respectively.³¹

Consider the role of anchoring in negotiations. Any time a negotiation takes place, so does anchoring. As soon as someone states a number, your ability to ignore that number has been compromised. For instance, when a prospective employer asks how much you were making in your prior job, your answer typically anchors the employer's offer. You may want to keep this in mind when you negotiate your salary, but remember to set the anchor only as high as you realistically can. Finally, the more precise your anchor, the smaller the adjustment. Some research suggests people think of adjustment after an anchor is set as rounding off a number. If you suggest an initial target salary of \$55 000, your boss will consider \$50 000 to \$60 000 a reasonable range for negotiation, but if you mention \$55 650, your boss is more likely to consider \$55 000 to \$56 000 the range of likely values for negotiation.³²

Confirmation Bias

The rational decision-making process assumes that we objectively gather information. But we do not. We *selectively* gather it. The **confirmation bias** represents a specific case of selective perception. We seek out information that reaffirms our past choices, and we discount information that contradicts them.³³ We also tend to accept at face value information that confirms our preconceived views, while we are critical and skeptical of information that challenges these views. Therefore, the information we gather is typically biased toward supporting views we already hold. This confirmation bias influences where we go to collect evidence because we tend to seek out sources most likely to tell us what we want to hear. It also leads us to give too much weight to supporting information and too little to contradictory information.³⁴

Availability Bias

The **availability bias** is the tendency for people to base their judgments on information that is readily available.³⁵ Events that evoke emotions, that are particularly vivid, or that have occurred more recently tend to be more available in our memories. As a result, we tend to overestimate unlikely events such as an airplane crash, compared with more likely events such as car crashes. The availability bias can also explain why managers, when doing annual performance appraisals, tend to give more weight to recent behaviours of an employee than to those behaviours of six or nine months ago.

overconfidence bias Error in judgment that arises from being far too optimistic about one's own performance.

anchoring bias A tendency to fixate on initial information and fail to adequately adjust for subsequent information.

confirmation bias The tendency to seek out information that reaffirms past choices and to discount information that contradicts past judgments.

availability bias The tendency for people to base their judgments on information that is readily available to them rather than on complete data.

Escalation of Commitment

Some decision makers escalate commitment to a failing course of action.³⁶ **Escalation of commitment** refers to staying with a decision even when there is clear evidence that it's wrong. For example, a friend has been working for the same employer for four years. Although she admits that things are not going too well at work, she is determined to stay, rather than find another job. When asked to explain this seemingly nonrational choice of action, she responds: "I put a lot of time and effort into learning how to do this job."

Individuals escalate commitment to a failing course of action when they view themselves as responsible for the failure.³⁷ That is, they "throw good money after bad" to demonstrate that their initial decision was not wrong and to avoid having to admit they made a mistake. In fact, people who carefully gather and consider information consistent with the rational decision-making model are *more* likely to engage in escalation of commitment than those who spend less time thinking about their choices.³⁸ Perhaps they have invested so much time and energy into making their decisions that they have convinced themselves they are taking the right course of action and don't update their knowledge in the face of new information. Many organizations have suffered large losses because a manager was determined to prove his or her original decision was right by continuing to commit resources to a lost cause.

Randomness Error

Human beings have a lot of difficulty dealing with chance. Most of us like to believe we have some control over our world and our destiny. Our tendency to believe we can predict the outcome of random events is the **randomness error**.

Decision making becomes impaired when we try to create meaning out of random events, particularly when we turn imaginary patterns into superstitions.³⁹ These can be completely contrived ("I never make important decisions on Friday the 13th") or evolve from a certain pattern of behaviour that has been reinforced previously. For example, former NHL star goalie Patrick Roy—who is now the co-owner, general manager, and head coach of the Quebec Remparts of the Quebec Major Junior Hockey League—had a routine before every game he played. He skated "backwards towards the net before turning around at the last second, an act he believed made the goal shrink."⁴⁰ Superstitious behaviour can be debilitating when it affects daily judgments or biases major decisions.

Risk Aversion

Mathematically, we should find a 50–50 flip of the coin for \$100 to be worth as much as a sure promise of \$50. After all, the expected value of the gamble over a number of trials is \$50. However, most people don't consider these options equally valuable. Rather, nearly everyone but committed gamblers would rather have the sure thing than a risky prospect.⁴¹ For many people, a 50–50 flip of a coin even for \$200 might not be worth as much as a sure promise of \$50, even though the gamble is mathematically worth twice as much as the sure thing! This tendency to prefer a sure thing over a risky outcome is **risk aversion**.

Risk aversion has important implications. Ambitious people with power that can be taken away (most managers) appear to be especially risk averse, perhaps because they don't want to lose on a gamble everything they have worked so hard to achieve.⁴² CEOs at risk of being terminated are also exceptionally risk averse, even when a riskier investment strategy is in their firms' best interests.⁴³

Because people are less likely to escalate commitment where there is a great deal of uncertainty, the implications of risk aversion are not all bad.⁴⁴ When a risky investment is not paying off, most people would rather play it safe and cut their losses, but if they think the outcome is a sure thing, they will keep escalating.

escalation of commitment An increased commitment to a previous decision despite clear evidence suggesting that decision may have been incorrect.

randomness error The tendency of individuals to believe that they can predict the outcome of random events.

risk aversion The tendency to prefer a sure gain of a moderate amount over a riskier outcome, even if the riskier outcome might have a higher expected payoff.

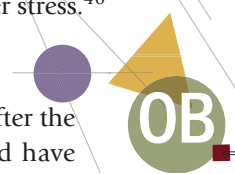
Risk preference is sometimes reversed: People prefer to take their chances when trying to prevent a negative outcome.⁴⁵ They would rather take a 50–50 gamble on losing \$100 than accept the certain loss of \$50. Thus they will risk losing a lot of money at trial rather than settle out of court. Trying to cover up wrongdoing instead of admitting a mistake, despite the risk of truly catastrophic press coverage or even jail time, is another example. Stressful situations can make these risk preferences stronger. People will more likely engage in risk-seeking behaviour for negative outcomes, and risk-averse behaviour for positive outcomes, when under stress.⁴⁶

Hindsight Bias

The **hindsight bias** is the tendency to believe falsely, after the outcome of an event is actually known, that we could have accurately predicted that outcome.⁴⁷ When we have accurate feedback on the outcome, we seem to be pretty good at concluding it was obvious. As Malcolm Gladwell, author of *Outliers*, *The Tipping Point*, and *What the Dog Saw: And Other Adventures*, writes, “What is clear in hindsight is rarely clear before the fact. It’s an obvious point, but one that nonetheless bears repeating.”⁴⁸

The hindsight bias reduces our ability to learn from the past. It lets us think that we are better predictors than we really are and can make us falsely confident. If your actual predictive accuracy is only 40 percent, but you think it’s 90 percent, you are likely to be less skeptical about your predictive skills.

OB in Action—Reducing Biases and Errors in Decision Making provides you with some ideas for improving your decision making. To learn more about your decision-making style, refer to the *Learning About Yourself Exercise* on pages 328–329.



OB

in ACTION

Reducing Biases and Errors in Decision Making

- **Focus on goals.** Clear goals make decision making easier and help you eliminate options that are inconsistent with your interests.
- **Look for information that disconfirms your beliefs.** When we deliberately consider various ways we could be wrong, we challenge our tendencies to think we are smarter than we actually are.
- **Don’t create meaning** out of random events. Ask yourself if patterns can be meaningfully explained or whether they are merely coincidence. Don’t attempt to create meaning out of coincidence.
- **Increase your options.** The more alternatives you can generate, and the more diverse those alternatives, the greater your chance of finding an outstanding one.⁴⁹

Group Decision Making

While a variety of decisions in both life and organizations are made at the individual level, the belief—as shown by the use of juries—that two heads are better than one has long been accepted as a basic component of North America’s and many other countries’ legal systems. Today, many decisions in organizations are made by groups, teams, or committees. In this section, we review group decision making and compare it with individual decision making.

- 3** What factors affect group decision making?

Groups vs. the Individual

Decision-making groups may be widely used in organizations, but are group decisions preferable to those made by an individual alone? The answer to this question depends on a number of factors we consider below.⁵⁰ See Exhibit 9-2 for a summary of our major points.

Strengths of Group Decision Making

Groups generate *more complete information and knowledge*. By combining the resources of several individuals, groups bring more input into the decision process. They offer *increased diversity of views*. This opens up the opportunity to consider more approaches and alternatives. Finally, groups lead to *increased acceptance of a solution*.⁵¹ Many decisions fail after the final choice is made because people do not accept them. Group members who participated in making a decision are likely to support the decision enthusiastically and encourage others to accept it.

hindsight bias The tendency to believe falsely, after the outcome of an event is actually known, that one could have accurately predicted that outcome.

310 Part 4 Sharing the Organizational Vision**EXHIBIT 9-2** Group vs. Individual Decision Making

Criteria of Effectiveness	Groups	Individuals
More complete information	✓	
Diversity of views	✓	
Decision quality	✓	
Accuracy	✓	
Creativity	✓	
Degree of acceptance	✓	
Speed		✓
Efficiency		✓

Weaknesses of Group Decision Making

Group decisions have their drawbacks. They are *time-consuming* because groups typically take more time to reach a solution. There are *conformity pressures*. The desire by group members to be accepted and considered an asset to the group can result in quashing any overt disagreement. Group discussion can be *dominated by one or a few members*. If they are low- and medium-ability members, the group's overall effectiveness will diminish. Finally, group decisions suffer from *ambiguous responsibility*. In an individual decision, it is clear who is accountable for the final outcome. In a group decision, the responsibility of any single member is watered down.

Effectiveness and Efficiency

Whether groups are more effective than individuals depends on how you define effectiveness. Group decisions are generally more *accurate* than the decisions of the average individual in a group, but they are less accurate than the judgments of the most accurate group member.⁵² If decision effectiveness is defined in terms of *speed*, individuals are superior. If *creativity* is important, groups tend to be more effective than individuals. If effectiveness means the degree of *acceptance* the final solution achieves, the nod again goes to the group.⁵³

But we cannot consider effectiveness without also assessing efficiency. Groups almost always stack up as a poor second to the individual decision maker. With few exceptions, group decision making consumes more work hours than if an individual were to tackle the same problem alone. The exceptions tend to be the instances in which, to achieve comparable quantities of diverse input, the single decision maker must spend a great deal of time reviewing files and talking to people.

Because groups can include members from diverse areas, the time spent searching for information can be reduced. However, as we noted, these advantages in efficiency tend to be the exception. Groups are generally less efficient than individuals. In deciding whether to use groups, then, consideration should be given to assessing whether increases in effectiveness are more than enough to offset the reductions in efficiency. This chapter's *Working with Others Exercise* on pages 330–332 gives you an opportunity to assess the effectiveness and efficiency of group decision making vs. individual decision making.

Groupthink and Groupshift

Two by-products of group decision making have the potential to affect the group's ability to appraise alternatives objectively and arrive at quality solutions: groupthink and groupshift.

Groupthink

Have you ever felt like speaking up in a meeting, classroom, or informal group, but decided against it? One reason might have been shyness. On the other hand, you might have been a victim of **groupthink**, a phenomenon in which group pressures for conformity prevent the group from critically appraising unusual, minority, or unpopular views. The individual's mental efficiency, reality testing, and moral judgment deteriorate as a result of group pressures.⁵⁴

We have all seen the symptoms of the groupthink phenomenon:⁵⁵

- *Illusion of invulnerability.* Group members become overconfident among themselves, allowing them to take extraordinary risks.
- *Assumption of morality.* Group members believe highly in the moral rightness of the group's objectives and do not feel the need to debate the ethics of their actions.
- *Rationalized resistance.* Group members rationalize any resistance to the assumptions they have made. No matter how strongly the evidence may contradict their basic assumptions, members behave so as to reinforce those assumptions continually.
- *Peer pressure.* Group members apply direct pressures on those who momentarily express doubts about any of the group's shared views or who question the validity of arguments supporting the alternative favoured by the majority.
- *Minimized doubts.* Group members who have doubts or hold differing points of view seek to avoid deviating from what appears to be group consensus by keeping silent about misgivings and even minimizing to themselves the importance of their doubts.
- *Illusion of unanimity.* If someone does not speak, it's assumed that he or she is in full agreement. In other words, abstention becomes viewed as a yes vote.

One place where groupthink has been shown to happen is among stock analysts, as *OB in the Street* shows.



Why does stock performance have little to do with predictions? Waterloo-based Research In Motion (RIM) has been a great performer for shareholders over time.⁵⁶ With so many people carrying a BlackBerry, more and more people bought RIM's stock. When Barack Obama, who often carried two BlackBerrys on the presidential campaign trail in 2008, insisted that he would continue using one if elected (something none of his predecessors had done), sales and share prices went up even further.

Recent years have seen a turn in fortune for RIM, however. With strong competition from other producers of smartphones, RIM's sales started dropping, and so did its share price.

What did stock analysts do in the face of these drops? The majority continued to recommend buying RIM stock. In May 2011, 23 analysts were saying "buy" compared with 21 saying "hold" and 9 saying "sell." Some analysts suggested the share price could double in the next year, reaching \$100 or more. At nearly the same time, RIM was getting ready to announce severe layoffs.

The analysts' opinions do not seem to reflect the reality of RIM's current struggles. So what are analysts thinking?

groupthink A phenomenon in which group pressures for conformity prevent the group from critically appraising unusual, minority, or unpopular views.

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A McKinsey & Company study compared the results of S&P 500 companies from 1985 to 2010 to analysts' forecasts. The study found that "analysts overestimated earnings by nearly 100%," underestimating earnings only twice in 25 years.

Although analysts are supposed to do independent research, which should lead to independent assessments, this research does not happen. Christine Tan, a portfolio manager at Gluskin Sheff Associates in Toronto, suggests there are few incentives for analysts to go against the consensus of the market. If you do, and "you're wrong, you get fired," Tan says. In other words, analysts fear going against what others in the group might say (peer pressure), and they minimize their doubts, which are two of the symptoms of groupthink. ●

Do all groups suffer from groupthink? No. It seems to occur most often where there is a clear group identity, where members hold a positive image of their group, which they want to protect, and where the group perceives a collective threat to this positive image.⁵⁷ So groupthink is less a way to suppress dissenters than a means for a group to protect its positive image.

What can managers do to minimize groupthink?⁵⁸

- *Monitor group size.* People grow more intimidated and hesitant as group size increases, and, although there is no magic number that will eliminate groupthink, individuals are likely to feel less personal responsibility when groups get larger than about 10.
- *Encourage group leaders to play an impartial role.* Leaders should actively seek input from all members and avoid expressing their own opinions, especially in the early stages of deliberation.
- *Appoint one group member to play the role of devil's advocate.* This member's role is to overtly challenge the majority position and offer divergent perspectives.
- *Stimulate active discussion of diverse alternatives to encourage dissenting views and more objective evaluations.* Group members might delay discussion of possible gains so they can first talk about the dangers or risks inherent in a decision. Requiring members to first focus on the negatives of an alternative makes the group less likely to stifle dissenting views and more likely to gain an objective evaluation.

While considerable anecdotal evidence indicates the negative implications of groupthink in organizational settings, not much actual empirical work has been conducted in organizations in this area.⁵⁹ In fact, researchers of groupthink have been criticized for suggesting that its effect is uniformly negative⁶⁰ and for overestimating the link between the decision-making process and its outcome.⁶¹ A study of groupthink using 30 teams from five large corporations suggests that elements of groupthink may affect decision making differently. For instance, the illusion of invulnerability, belief in inherent group morality, and the illusion of unanimity were positively associated with team performance.⁶² The most recent research suggests that we should be aware of groupthink conditions that lead to poor decisions, while realizing that not all groupthink symptoms harm decision making.

Groupshift

There are differences between group decisions and the individual decisions of group members.⁶³ Sometimes group decisions are more conservative. More often, they lean toward greater risk.⁶⁴ In either case, participants have engaged in **groupshift**, a phenomenon in which the initial positions of individual group members become exaggerated because of the interactions of the group.

What appears to happen in groups is that the discussion leads members toward a more extreme view of the position they already held. Conservative types become more

groupshift A phenomenon in which the initial positions of individual group members become exaggerated because of the interactions of the group.

cautious and more aggressive types assume more risk. The group discussion tends to exaggerate the initial position of the group.

The greater shift toward risk has generated several explanations.⁶⁵ It has been argued, for instance, that the discussion makes members more comfortable with one another, and, thus, more bold and daring. Another argument is that the group diffuses responsibility. Group decisions free any single member from accountability for the group's final choice, so greater risks can be taken. It's also likely that people take on extreme positions because they want to demonstrate how different they are from those outside the group.⁶⁶ People on the fringes of political or social movements take on more and more extreme positions just to prove they are really committed to the cause.

How should you use the findings on groupshift? Recognize that group decisions exaggerate the initial position of the individual members, that the shift has been shown more often to be toward greater risk, and that which way a group will shift is a function of the members' pre-discussion inclinations. *Case Incident—“If Two Heads Are Better Than One, Are Four Even Better?”* on page 333 considers the impact of groupshift on investment decisions.

Group Decision-Making Techniques

Groups can use a variety of techniques to stimulate decision making. We outline four of them below.

Interacting Groups

The most common form of group decision making takes place in **interacting groups**. Members meet face to face and rely on both verbal and nonverbal interaction to communicate with each other. All kinds of groups use this technique frequently, from groups organized to develop a class project, to a work team, to a senior management team. But as our discussion of groupthink demonstrates, interacting groups often censor themselves and pressure individual members toward conformity of opinion. *Brainstorming*, the *nominal group technique*, and *electronic meetings* have been proposed as ways to reduce many of the problems inherent in the traditional interacting group.

Brainstorming

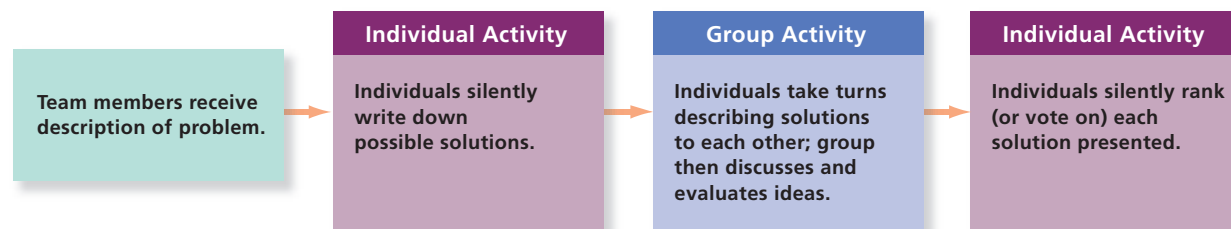
Brainstorming uses an idea-generation process that specifically encourages any and all alternatives in a criticism-free environment.

In a typical brainstorming session, 6 to 12 people sit around a table. The group leader, or even another team member, states the problem in a clear manner so that all participants understand it. Members then “freewheel” as many alternatives as they can in a given period of time. No criticism is allowed, and all the alternatives are recorded for later discussion and analysis. One idea stimulates others and judgments of even the most bizarre suggestions are withheld until later to encourage group members to “think the unusual.”

Brainstorming may indeed generate ideas—but not in a very efficient manner. Research consistently shows that individuals working alone generate more ideas than a group in a brainstorming session.⁶⁷ One reason for this is “production blocking.” When people generate ideas in a group, many people are talking at once, which blocks the thought process and eventually impedes the sharing of ideas.⁶⁸ Another reason suggested by a 2011 study is fixation—group members start to fixate early on a limited number of solutions, rather than continuing to look for others.⁶⁹ One recent study suggests that goal-setting approaches might make brainstorming more effective.⁷⁰ Brainstorming, we should also note, is merely a process for generating ideas. The following two techniques go further by offering methods of actually arriving at a preferred solution.⁷¹

interacting groups Typical groups, in which members interact with each other face to face.

brainstorming An idea-generation process that specifically encourages any and all alternatives while withholding any criticism of those alternatives.

EXHIBIT 9-3 Nominal Group Technique**Nominal Group Technique**

The **nominal group technique** restricts discussion or interpersonal communication during the decision-making process; thus the term *nominal* (which means “in name only”). Group members are all physically present, as in a traditional committee meeting, but they operate independently. Specifically, a problem is presented and then the group takes the following steps:

- Members meet as a group, but before any discussion takes place each member independently writes down his or her ideas about the problem.
- After this silent period, each member presents one idea to the group. Group members take turns presenting a single idea until all ideas have been presented and recorded. No discussion takes place until all ideas have been recorded.
- The group discusses the ideas for clarity and evaluates them.
- Each group member silently and independently ranks the ideas. The idea with the highest overall ranking determines the final decision.

The steps of the nominal group technique are illustrated in Exhibit 9-3. The chief advantage of this technique is that it permits the group to meet formally but does not restrict independent thinking as the interacting group does.

A number of studies suggest that brainstorming by nominal groups is more effective than brainstorming by interacting groups. However, recent research suggests that nominal groups generate more ideas and more original ideas, but not necessarily more quality ideas.⁷² Research generally shows that nominal groups outperform brainstorming groups.⁷³

Electronic Meetings

The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology.⁷⁴ It's called the computer-assisted group, or **electronic meeting**. Once the technology is in place, the concept is simple. As many as 50 people sit around a horseshoe-shaped table, which is empty except for a series of networked laptops. Issues are presented to the participants, and they type their responses into their computers. Individual comments (which are anonymous), as well as total votes, are displayed on a projection screen.

The major advantages of the electronic meeting are anonymity, honesty, and speed. This type of meeting also allows people to be brutally honest without penalty. It is fast because chit-chat is eliminated, discussions do not digress, and many participants can “talk” at once without stepping on one another’s toes. However, evidence indicates that electronic meetings do not achieve most of their proposed benefits. They actually lead to *decreased* group effectiveness, require *more* time to complete tasks, and result in *reduced* member satisfaction compared with face-to-face groups.⁷⁵ Nevertheless, current enthusiasm for computer-mediated communications suggests that this technology is here to stay and is likely to increase in popularity in the future.

nominal group technique A group decision-making method in which individual members meet face to face to pool their judgments in a systematic but independent fashion.

electronic meeting A meeting in which members interact on computers, allowing for anonymity of comments and aggregation of votes.

EXHIBIT 9-4 Evaluating Group Effectiveness

Effectiveness Criteria	Type of Group			
	Interacting	Brainstorming	Nominal	Electronic
<i>Number and quality of ideas</i>	Low	Moderate	High	High
<i>Social pressure</i>	High	Low	Moderate	Low
<i>Money costs</i>	Low	Low	Low	High
<i>Speed</i>	Moderate	Moderate	Moderate	Moderate
<i>Task orientation</i>	Low	High	High	High
<i>Potential for interpersonal conflict</i>	High	Low	Moderate	Low
<i>Commitment to solution</i>	High	Not applicable	Moderate	Moderate
<i>Development of group cohesiveness</i>	High	High	Moderate	Low

Source: Based on J. K. Murnighan, "Group Decision Making: What Strategies Should You Use?" *Academy of Management Review*, February 1981, p. 61.

Each of these four group decision techniques has its own strengths and weaknesses. The choice depends on what criteria you want to emphasize and the cost-benefit trade-off. As Exhibit 9-4 indicates, an interacting group is good for achieving commitment to a solution, brainstorming develops group cohesiveness, the nominal group technique is an inexpensive means for generating a large number of ideas, and electronic meetings minimize social pressures and conflicts.

Creativity in Organizational Decision Making

Although following the steps of the rational decision-making model will often improve decisions, a rational decision maker also needs **creativity**; that is, the ability to produce novel and useful ideas.⁷⁶ These are ideas that are different from what has been done before but that are appropriate to the problem or opportunity presented.

Why is creativity important to decision making? It allows the decision maker to more fully appraise and understand the problem, including seeing problems others cannot see. Such thinking is becoming more important.

Creative Potential

Most people have creative potential they can use when confronted with a decision-making problem. But to unleash that potential, they have to get out of the psychological ruts many of us fall into and learn how to think about a problem in divergent ways.

Exceptional creativity is scarce. We all know of creative geniuses in science (Albert Einstein), art (Pablo Picasso), and business (Steve Jobs). But what about the typical individual? Intelligent people and those who score high on openness to experience (see Chapter 2) are more likely to be creative.⁷⁷ Other traits of creative people include independence, self-confidence, risk-taking, a positive core self-evaluation, tolerance for ambiguity, a low need for structure, and perseverance.⁷⁸ A study of the lifetime creativity of 461 men and women found that fewer than 1 percent were exceptionally creative.⁷⁹ However, 10 percent were highly creative and about 60 percent were somewhat creative. These findings suggest that most of us have creative potential; we just need to learn to unleash it.

From Concepts to Skills on pages 334–335 provides suggestions on how you can become more effective at solving problems creatively.

- 4** How can we get more creative decisions?

creativity The ability to produce novel and useful ideas.

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Sometimes desperation can lead to creative decisions. General Motors Canada saw the challenge of producing the much-in-demand Chevrolet Equinox and GMC Terrain crossover utility vehicles as an opportunity to think creatively.⁸⁰ Rather than adding a new paint shop to GM's Ingersoll, Ontario-based Cami Automotive, which would have been expensive and time-consuming, management decided to ship the unpainted cars to an underutilized GM plant in Oshawa for painting and finishing. It was an unprecedented move, but one that allows the car to be produced much more quickly.

Three-Component Model of Creativity

What can individuals and organizations do to stimulate employee creativity? The best answer lies in the **three-component model of creativity**, which proposes that individual creativity essentially requires expertise, creative-thinking skills, and intrinsic task motivation⁸¹ (see Exhibit 9-5). Studies confirm that the higher the level of each of these three components, the higher the creativity.

Expertise is the foundation for all creative work. Film writer, producer, and director Quentin Tarantino spent his youth working in a video rental store, where he built up an encyclopedic knowledge of movies. The potential for creativity is

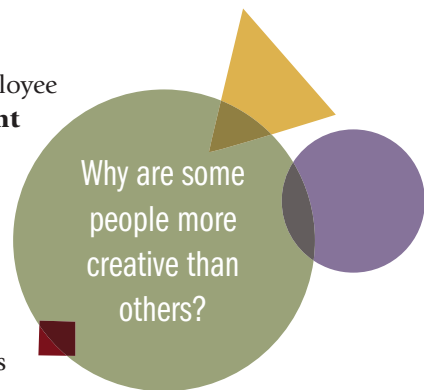
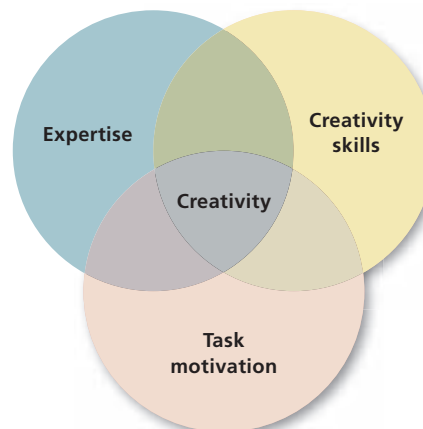


EXHIBIT 9-5 The Three Components of Creativity



three-component model of creativity The proposition that individual creativity requires expertise, creative-thinking skills, and intrinsic task motivation.

Source: Copyright © 1997, by The Regents of the University of California. Reprinted from *The California Management Review* 40, no. 1. By permission of The Regents.

enhanced when individuals have abilities, knowledge, proficiencies, and similar expertise in their field of endeavour. You would not expect someone with a minimal knowledge of programming to be very creative as a software engineer.

The second component is *creative-thinking skills*. This encompasses personality characteristics associated with creativity, the ability to use analogies, and the talent to see the familiar in a different light.

A meta-analysis of 102 studies found that positive moods increase creativity, but it depended on what sort of positive mood was considered.⁸² Moods such as happiness that encourage interaction with the world are more conducive to creativity than passive moods such as calm. This finding means that the common advice to relax and clear your mind to develop creative ideas may be misplaced. It would be better to get in an upbeat mood and then frame your work as an opportunity to have fun and experiment. Further, negative moods don't always affect creativity in the same way. Passive negative moods such as sadness don't seem to have much effect, but avoidance-oriented negative moods such as fear and anxiety decrease creativity. Feeling threatened reduces your desire to try new activities; risk aversion increases when you are scared. Active negative moods, such as anger, however, appear to enhance creativity, especially if you are taking your task seriously.

Being around others who are creative can actually make us more inspired, especially if we are creatively "stuck."⁸³ One study found that "weak ties" to creative people—knowing them but not well—facilitates creativity because the people are there as a resource if we need them, but they are not so close as to stunt our own independent thinking.⁸⁴

Analogies allow decision makers to apply an idea from one context to another. One of the most famous examples was Alexander Graham Bell's observation that it might be possible to apply the way the ear operates to his "talking box." He noticed that the bones in the ear are operated by a delicate, thin membrane. He wondered why, then, a thicker and stronger piece of membrane should not be able to move a piece of steel. From that analogy, the telephone was conceived. Thinking in terms of analogies is a complex intellectual skill, which helps explain why cognitive ability is related to creativity. Demonstrating this effect, one study found that children who got high scores on cognitive ability tests at age 13 were significantly more likely to have made creative achievements in their professional lives 25 years later.⁸⁵

Some people have developed their creative skills because they are able to see problems in a new way. They are able to make the strange familiar and the familiar strange.⁸⁶ For instance, most of us think of hens laying eggs. But how many of us have considered that a hen is only an egg's way of making another egg?

Creative people often love their work, to the point of seeming obsession. The final component in the three-component model of creativity is intrinsic *task motivation*. This is the desire to work on something because it's interesting, involving, exciting, satisfying, or personally challenging. It is what turns creativity *potential* into *actual* creative ideas.

Environmental stimulants that foster creativity include a culture that encourages the flow of ideas; fair and constructive judgment of ideas; rewards and recognition for creative work; sufficient financial, material, and information resources; freedom to decide what work is to be done and how to do it; a supervisor who communicates effectively, shows confidence in others, and supports the work group; and work group members who support and trust each other.⁸⁷

Organizational Factors That Affect Creativity

In two decades of research analyzing the link between the work environment and creativity, six organizational factors have been found to *positively affect* your creativity at work:⁸⁸

- **Challenge.** When people are matched up with the right assignments, their expertise and skills can be brought to the task of creative thinking. Individuals should be stretched, but not overwhelmed.

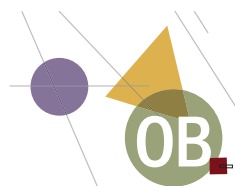
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- *Freedom.* To be creative, once a person is given a project, he or she needs the freedom to determine the process. In other words, let the person decide how to tackle the problem. This heightens intrinsic motivation.
- *Resources.* Time and money are the two main resources that affect creativity. Thus, managers need to allot these resources carefully.
- *Work-group features.* In Chapter 5, our discussion of group composition and diversity concluded that diverse groups are likely to come up with more creative solutions. In addition to ensuring a diverse group of people, team members need to share excitement about the goal, must be willing to support each other through difficult periods, and must recognize one another's unique knowledge and perspectives.
- *Supervisory encouragement.* To sustain passion, most people need to feel that what they are doing matters to others. Managers can reward, collaborate, and communicate to nurture the creativity of individuals and teams.
- *Organizational support.* Creativity-supporting organizations reward creativity, and also make sure that there is information sharing and collaboration. They make sure that negative political problems do not get out of control.

Five organizational factors have been found to *block* your creativity at work:⁸⁹

- *Expected evaluation.* Focusing on how your work is going to be evaluated.
- *Surveillance.* Being watched while you are working.
- *External motivators.* Focusing on external, tangible rewards.
- *Competition.* Facing win-lose situations with peers.
- *Constrained choice.* Being given limits on how you can do your work.

Canadian Tire built a better tent by giving people an environment that encouraged them to think creatively, as this *OB in the Workplace* shows.



OB in the **WORKPLACE** **Canadian Tire's "Innovation Room"** **Unleashes Creativity**

Can playing with crayons help produce a better tent? Managers at Toronto-based Canadian Tire want better decisions than the kind that come from sitting around a boardroom table.⁹⁰ So they built an "innovation room" that is "a cross between a kindergarten classroom and a fantasy land."

To get new ideas for camping gear, they invited friends and family with an interest in camping to meet in the innovation room. The room included LEGO sets, crayons, a canoe, and a sundeck.

Managers were trying to create a new product—a tent with lighting—but were not sure how to develop a product that would sell. They left it to friends and family to get it right. By getting people together in the innovation room, where they could play and brainstorm, the idea emerged for a solar-lit tent. The tent is now a big seller.

"It's really about unlocking and unleashing creativity and getting people to just let loose and dream a little and have fun," says Glenn Butt, a senior vice-president at Canadian Tire. "It's a process that usually ends up with some very unique and different products and concepts." ●

What About Ethics in Decision Making?

The owners of Invermere, BC-based Kicking Horse Coffee Company are committed to providing their customers with the best coffee possible.⁹¹ “Quality is our number-one difference from others,” says Elana Rosenfeld. “We take that seriously; we don’t want to disappoint people if they are paying for this coffee.” In 2007, the company faced a dilemma: how to respond to the increasing demand for more “green” coffee beans. The company had marketed itself as selling only organic beans, and those beans are harder to find, and more expensive. Nevertheless, Kicking Horse decided that despite supply challenges, they would no longer purchase any coffee beans that are not fair trade in origin. How can ethics influence business strategy?

- 5 What is ethics, and how can it be used for better decision making?

No contemporary examination of decision making would be complete without a discussion of ethics, because ethical considerations should be an important criterion in organizational decision making. **Ethics** is the study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong. Ethical principles help us “do the right thing.” In this section, we present four ways to frame decisions ethically and examine the factors that shape an individual’s ethical decision-making behaviour. We also examine organizational responses to the demand for ethical behaviour, as well as consideration of ethical decisions when doing business in other cultures. To learn more about your ethical decision-making approach, see the *Ethical Dilemma Exercise* on page 332.

Four Ethical Decision Criteria

An individual can use four different criteria in making ethical choices.⁹² The first is **utilitarianism**, in which decisions are made solely on the basis of their outcomes or consequences, ideally to provide the greatest good for the greatest number. This view dominates business decision making. It is consistent with goals such as efficiency, productivity, and high profits. By maximizing profits, for instance, a business executive can argue that he or she is securing the greatest good for the greatest number—as he or she hands out dismissal notices to 15 percent of the employees.

A second ethical criterion is to make decisions consistent with fundamental liberties and privileges as set forth in documents such as the Canadian Charter of Rights and Freedoms. An emphasis on *rights* in decision making means respecting and protecting the



Stewart Leibl, president of Perth’s, a Winnipeg dry-cleaning chain, is a founding sponsor of the Koats for Kids program. The company’s outlets are a drop-off point for no-longer-needed children’s coats, which Perth’s cleans free of charge before distributing them to children who have no winter coats. Leibl is going beyond utilitarian criteria when he says, “We all have a responsibility to contribute to the society that we live in.” He is also looking at social justice.

ethics The study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong.

utilitarianism A decision focused on outcomes or consequences that emphasizes the greatest good for the greatest number.

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basic rights of individuals, such as the rights to privacy, free speech, and due process. This criterion protects **whistle-blowers** when they report unethical or illegal practices by their organizations to the media or to government agencies, using their right to free speech.

A third criterion is to impose and enforce rules fairly and impartially to ensure *justice* or an equitable distribution of benefits and costs. Union members typically favour this criterion. It justifies paying people the same wage for a given job, regardless of performance differences, and using seniority as the primary determination in making layoff decisions. A focus on justice protects the interests of the underrepresented and less powerful, but it can encourage a sense of entitlement that reduces risk-taking, innovation, and productivity.

A fourth ethical criterion is *care*. The ethics of care can be stated as follows: “The morally correct action is the one that expresses care in protecting the special relationships that individuals have with each other.”⁹³ The care criterion suggests that individuals should be aware of the needs, desires, and well-being of those to whom they are closely connected. This perspective does remind us of the difficulty of being impartial in all decisions.

Decision makers, particularly in for-profit organizations, tend to feel safe and comfortable when they use utilitarianism, framing decisions as being in the best interests of “the organization” and stockholders. Critics of this perspective note that it can result in ignoring the rights of some individuals, particularly those with minority representation in the organization.⁹⁴ Using nonutilitarian criteria presents a solid challenge to today’s managers because doing so involves far more ambiguities.

Factors That Influence Ethical Decision-Making Behaviour

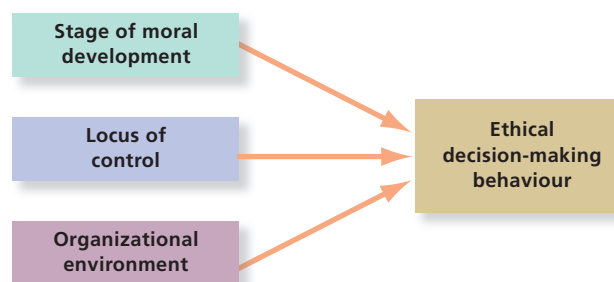
What accounts for unethical behaviour in organizations? Is it immoral individuals or work environments that promote unethical activity? The answer is *both*! The evidence indicates that ethical or unethical actions are largely a function of both the individual’s characteristics and the environment in which he or she works.⁹⁵ The model in Exhibit 9-6 illustrates factors affecting ethical decision making and emphasizes three factors: stage of moral development, locus of control, and the organizational environment.



Stages of Moral Development

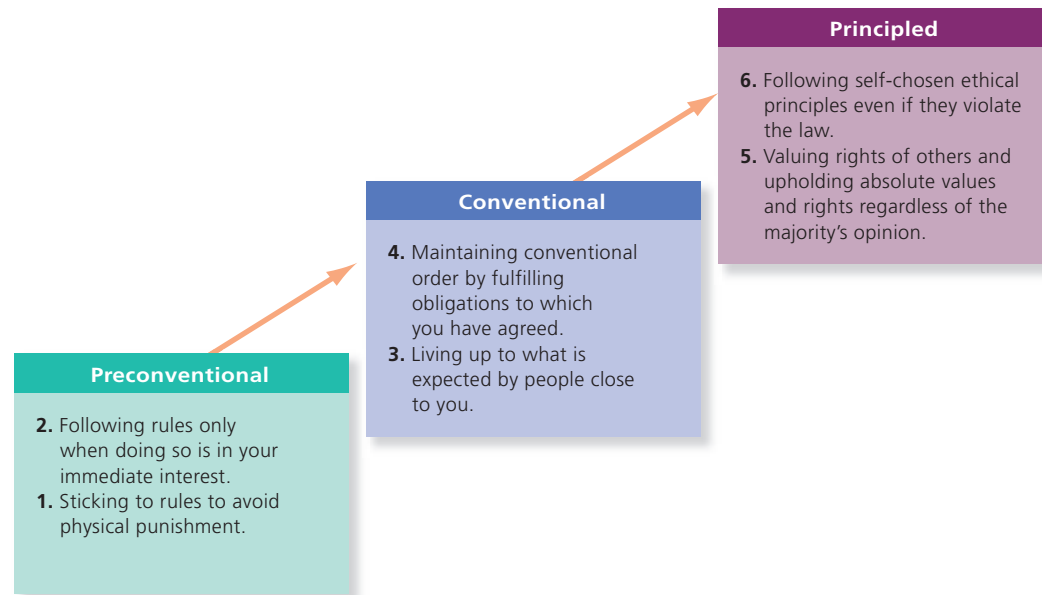
Stages of moral development assess a person’s capacity to judge what is morally right.⁹⁶ Research suggests that there are three levels of moral development.⁹⁷ The higher one’s moral development, the less dependent he or she is on outside influences and the more he or she will be predisposed to behave ethically. The first level is the preconventional level, the second is the conventional level, and the highest level is the principled level. These levels and their stages are described in Exhibit 9-7.

EXHIBIT 9-6 Factors Affecting Ethical Decision-Making Behaviour



whistle-blowers Individuals who report unethical practices by their employers to outsiders.

stages of moral development The developmental stages that explain a person’s capacity to judge what is morally right.

EXHIBIT 9-7 Stages of Moral Development

Source: Based on L. Kohlberg, "Moral Stages and Moralization: The Cognitive-Developmental Approach," in *Moral Development and Behaviour: Theory, Research, and Social Issues*, ed. T. Lickona (New York: Holt, Rinehart and Winston, 1976), pp. 34–35.

Research indicates that people proceed through the stages one step at a time, though they do not necessarily reach the highest stage.⁹⁸ Most adults are at a mid-level of moral development—they are strongly influenced by peers and will follow an organization's rules and procedures. Those individuals who have progressed to the higher stages place increased value on the rights of others, regardless of the majority's opinion, and are likely to challenge organizational practices they personally believe are wrong. Those at the higher stages are most likely to make ethical decisions using the criteria of rights, justice, and care. A 2011 study by three psychologists from the University of Toronto found that people were likely to predict they would cheat more often than they engaged in actual cheating. The researchers suggested that the emotions experienced at the time that cheating is possible can weaken one's desire to cheat.⁹⁹

Locus of Control

Research indicates that people with an external *locus of control* (that is, they believe their lives are controlled by outside forces, such as luck or chance) are less likely to take responsibility for the consequences of their behaviour and are more likely to rely on external influences to determine their behaviour. Those with an internal locus of control are more likely to rely on their own internal standards of right and wrong to guide their behaviour.

Organizational Environment

The *organizational environment* refers to an employee's perception of organizational expectations. Does the organizational culture encourage and support ethical behaviour by rewarding it or discourage unethical behaviour by punishing it? Characteristics of an organizational environment that are likely to foster high levels of ethical decision making include written codes of ethics; high levels of moral behaviour by senior management; realistic performance expectations; performance appraisals that evaluate means as well as ends; visible recognition and promotions for individuals who display high levels of moral behaviour; and visible punishment for those who act unethically. The Canadian Forces recently distributed a guide to its forces to underscore the need for ethical behaviour in warfare, as *OB in the Workplace* describes.



Can a person be an “ethical warrior”? The Canadian Forces hopes so, and produced an ethics guide to help army personnel do the right thing.¹⁰⁰ The guide reminds soldiers that “we don’t do” torture, and emphasizes moral courage alongside physical courage.

One aim of the guide is to ensure public support for the military when Canadians are engaging in warfare. Army chief Lt.Gen. Andrew Leslie notes that the military will not be supported “if Canadian society believes that we conduct ourselves in an unethical, inhumane or iniquitous manner.”

Army ethics officer Richard Walker wrote the guide to help avoid lapses in behaviour in the military. “We cannot permit any lack of clarity . . . If somebody chooses to do the wrong thing for the wrong reasons, it won’t be that they didn’t know.”

The guide is intended to address the ambiguity of warfare that is characteristic of the twenty-first century. While Canadian military forces adhere to the international rules of war, the enemies they faced in Somalia, Bosnia, Kosovo, and Afghanistan do not. This has led to “enhanced ambiguity, enhanced uncertainty and enhanced lethality,” said Walker. The concern is that facing enemies who don’t follow the international rules of war may encourage Canadian soldiers to engage in poor behaviour that will lead to psychological problems for them later. The guide reminds soldiers that those who “lose their humanity” in warfare will be emotionally scarred for life. “Respecting the dignity of all persons is essentially the moral precept that drives everything else,” said Walker. ●

In summary, people who lack a strong moral sense are much less likely to make unethical decisions if they are constrained by an organizational environment that frowns on such behaviours. Conversely, righteous individuals can be corrupted by an organizational environment that permits or encourages unethical practices. In the next section, we consider how to formulate an ethical decision.

Making Ethical Decisions

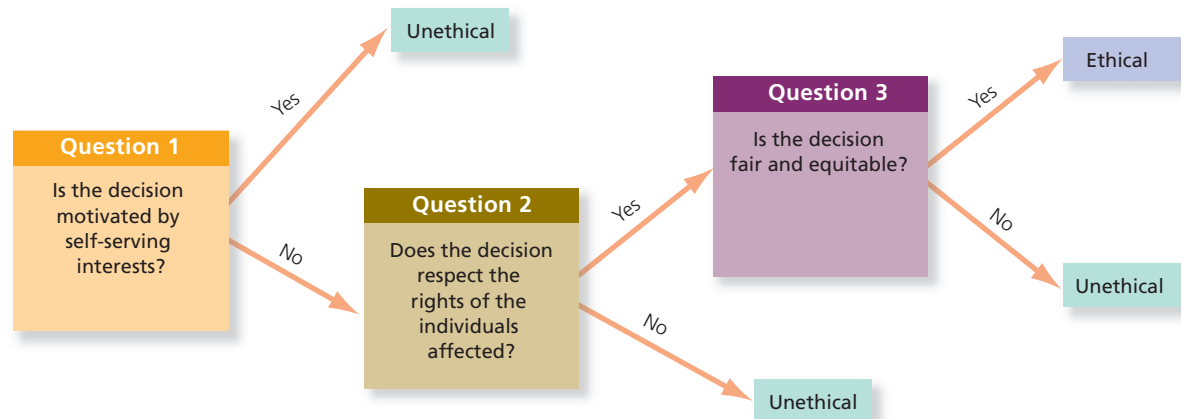
While there are no clear-cut ways to differentiate ethical from unethical decision making, there are some questions you should consider.

Exhibit 9-8 illustrates a decision tree to guide ethical decision making. This tree is built on three of the ethical decision criteria—utilitarianism, rights, and justice—presented earlier. The first question you need to answer addresses self-interest vs. organizational goals.

The second question concerns the rights of other parties. If the decision violates the rights of someone else (his or her right to privacy, for instance), then the decision is unethical.

The final question that needs to be addressed relates to whether the decision conforms to standards of equity and justice. The department head who raises the performance evaluation of a favoured employee and lowers the evaluation of a disfavoured employee—and then uses these evaluations to justify giving the former a big raise and nothing to the latter—has treated the disfavoured employee unfairly.

Unfortunately, the answers to the questions in Exhibit 9-8 are often argued in ways to make unethical decisions seem ethical. Powerful people, for example, can become very adept at explaining self-serving behaviours in terms of the organization’s best interests. Similarly, they can persuasively argue that unfair actions are really fair and just. Our point is that immoral people can justify almost any behaviour. Those who

EXHIBIT 9-8 Is a Decision Ethical?

are powerful, articulate, and persuasive are the most likely to be able to get away with unethical actions successfully. When faced with an ethical dilemma, try to answer the questions in Exhibit 9-8 truthfully.

Corporate Social Responsibility

Elana Rosenfeld and Leo Johnson, founders of Kicking Horse Coffee Company, are committed to making the best coffee possible, but they also want to do so in ways that highlight corporate social responsibility.¹⁰¹ They start with their employees, with whom they have built a relationship based on “trust, employee autonomy and a shared sense of mission.” They restrict their purchases to fair trade growers, who provide healthy working environments for employees.

Rosenfeld and Johnson travel to visit their coffee bean suppliers in South America and other places, which enables them to report first-hand to their customers and employees “how fair trade coffee makes a real difference to the lives of those who were often exploited.” Rosenfeld and Johnson also take the environment seriously. The cans their coffee is sold in are made of recycled steel, which can be recycled many times over. To what extent should companies be socially responsible?

Corporate social responsibility is an organization’s responsibility to consider the impact of its decisions on society. Thus, organizations may try to better society through such things as charitable contributions or providing better wages to employees working in offshore factories. Organizations may engage in these practices because they feel pressured by society to do so, or they may seek ways to improve society because they feel it is the right thing to do.

Canadians want businesses to give back to society, according to a 2010 poll which found that Canadians’ views of corporations are largely affected by whether businesses support charitable causes and protect the environment.¹⁰² Oakville, Ontario-based Tim Hortons, which makes customers aware of its Children’s Foundation, is well regarded by Canadians.¹⁰³

Not everyone agrees that organizations should assume social responsibility. For example, economist Milton Friedman remarked in *Capitalism and Freedom* that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.”¹⁰⁴

Joel Bakan, professor of law at the University of British Columbia, author of *The Corporation*,¹⁰⁵ and co-director of the documentary of the same name, is more critical of organizations than Friedman. Bakan suggests that today’s corporations have many

6 What is corporate social responsibility?

corporate social responsibility

An organization’s responsibility to consider the impact of its decisions on society.

324 Part 4 Sharing the Organizational Vision



Paul Nielsen (shown with his wife, Dayle) owns Calgary-based DumpRunner Waste Systems, a specialty garbage and debris removal company. He encourages an ethical approach to dealing with both clients and employees. He notes that in Calgary, business is built on handshakes and being true to your word, and people are expected to act ethically. Ethical behaviour may be easier for Nielsen than for some others. He says he is guided by his passion for being in business, rather than a "quest for money."

of the same characteristics as a psychopathic personality (self-interested, lacking empathy, manipulative, and reckless in their disregard of others). Bakan notes that even though companies have a tendency to act psychopathically, this is not why they are fixated on profits. Rather, their only legal responsibility is to maximize organizational profits for stockholders. He suggests changes in laws to encourage corporations to behave more socially responsibly.

Canadian senior executives have mixed feelings about the extent to which businesses should get involved in charitable giving, or forcing industry standards on foreign corporations. A 2011 poll found that 45 percent believe individual shareholders, not the company, should make personal decisions about giving to charity. Another 35 percent, however, felt corporations should donate to charities. One CEO explained, "Being a good corporate citizen means assisting those less fortunate—as long as it is done in the context of the entities' aims, objectives and employees' desires."¹⁰⁶ A 2011 poll conducted by COMPAS found that Canadian business leaders were not about imposing Canadian management values on Chinese employers, however. "We don't have the right to tell China how to run its economy," said one CEO. "We have the choice to buy, or not to buy."¹⁰⁷

A recent survey found that Canadian and American MBA students are very interested in the subject of corporate social responsibility. Over 80 percent of respondents "believed business professionals should take into account social and environmental impacts when making decisions." Almost two-thirds of these respondents felt that corporate social responsibility should be part of core MBA classes and 60 percent said "they would seek socially responsible employment."¹⁰⁸

LESSONS LEARNED

- Individuals often short-cut the decision making process and do not consider all options.
- Intuition leads to better results when supplemented with evidence and good judgment.
- Exceptional creativity is rare, but expertise, creative-thinking skills, and intrinsic task motivation encourage creativity.

SNAPSHOT SUMMARY

- 1 How Should Decisions Be Made?
The Rational Decision-Making Process

Summary and Implications

- 1 **Is there a right way to make decisions?** The rational decision-making model describes the six steps individuals take to make decisions: (1) Define the problem, (2) identify the criteria, (3) allocate weights to the criteria, (4) develop alternatives, (5) evaluate the alternatives, and (6) select the best alternative. This is an idealized model, and not every decision thoroughly follows these steps.

- 2 **How do people actually make decisions?** Most decisions in the real world do not follow the rational model. For instance, people are usually content to find an acceptable or reasonable solution to their problem rather than an optimizing one. Thus, decision makers may rely on bounded rationality, satisficing, and intuition in making decisions. They may also rely on judgment shortcuts, which can lead to overconfidence bias, anchoring bias, confirmation bias, availability bias, escalation of commitment, randomness error, risk aversion, and hindsight bias.
- 3 **What factors affect group decision making?** Groups generate more complete information and knowledge, they offer increased diversity of views, they generate higher-quality decisions, and they lead to increased acceptance of a solution. However, group decisions are time-consuming. They also lead to conformity pressures, and the group discussion can be dominated by one or a few members. Finally, group decisions suffer from ambiguous responsibility, and the responsibility of any single member is watered down. Groups can suffer from groupthink and/or groupshift. Under groupthink, the group emphasizes agreement above everything else, often shutting down individuals who express any disagreement with the group's actions. In groupshift, the group takes a more extreme position (either more conservative or more risky) than individuals would take on their own.
- 4 **How can we get more creative decisions?** While there is some evidence that individuals vary in their ability to be creative, research shows that individuals are more creative when they have expertise at the task at hand, creative-thinking skills, and are motivated by intrinsic interest. Five organizational factors have been found that can block creativity at work: (1) *expected evaluation*—focusing on how work is going to be evaluated; (2) *surveillance*—being watched while working; (3) *external motivators*—emphasizing external, tangible rewards; (4) *competition*—facing win-lose situations with peers; and (5) *constrained choice*—being given limits on how to do the work.
- 5 **What is ethics, and how can it be used for better decision making?** Ethics is the study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong. Ethical principles help us “do the right thing.” An individual can use four different criteria in making ethical choices. The first is the *utilitarian* criterion, in which decisions are made solely on the basis of their outcomes or consequences. The second is *rights*; this ethical criterion focuses on respecting and protecting the basic rights of individuals. The third is *justice*; this ethical criterion requires individuals to impose and enforce rules fairly and impartially so there is an equitable distribution of benefits and costs. The fourth is *care*; this ethical criterion suggests that we should be aware of the needs, desires, and well-being of those to whom we are closely connected. There are advantages and disadvantages to each of these criteria.
- 6 **What is corporate social responsibility?** Corporate social responsibility is defined as an organization's responsibility to consider the impact of its decisions on society. Thus, organizations may try to better society through such things as charitable contributions or providing better wages to employees working in off-shore factories. Organizations may engage in these practices because they feel pressured by society to do so, or they may seek ways to improve society because they feel it is the right thing to do.

SNAPSHOT SUMMARY

- 2 **How Do Individuals Actually Make Decisions?**
Bounded Rationality in Considering Alternatives
Intuition
Judgment Shortcuts
- 3 **Group Decision Making**
Groups vs. the Individual
Groupthink and Groupshift
Group Decision-Making Techniques
- 4 **Creativity in Organizational Decision Making**
Creative Potential
Three-Component Model of Creativity
Organizational Factors That Affect Creativity
- 5 **What About Ethics in Decision Making?**
Four Ethical Decision Criteria
Factors That Influence Ethical Decision-Making Behaviour
Making Ethical Decisions
- 6 **Corporate Social Responsibility**

OB at Work

for Review

1. What is the rational decision-making model? Under what conditions is it applicable?
2. Describe organizational factors that might constrain decision makers.
3. What role does intuition play in effective decision making?
4. What is groupthink? What is its effect on decision-making quality?
5. What is groupshift? What is its effect on decision-making quality?
6. Identify five organizational factors that block creativity at work.
7. Describe the four criteria that individuals can use in making ethical decisions.
8. Are unethical decisions more a function of the individual decision maker or the decision maker's work environment? Explain.
9. What is corporate social responsibility, and why do companies engage in it?

for Critical Thinking

1. "For the most part, individual decision making in organizations is an irrational process." Do you agree or disagree? Discuss.
2. What factors do you think differentiate good decision makers from poor ones? Relate your answer to the six-step rational decision-making model.
3. Have you ever increased your commitment to a failed course of action? If so, analyze the follow-up decision to increase your commitment and explain why you behaved as you did.
4. If group decisions consistently achieve better-quality outcomes than those achieved by individuals, how did the phrase "a camel is a horse designed by a committee" become so popular and ingrained in our culture?

for You

- In some decision situations, you might consider following the rational decision-making model. Doing so will ensure that you examine a wider variety of options before committing to a particular decision.
- Analyze the decision situation and be aware of your biases. We all bring biases to the decisions we make.
- Combine rational analysis with intuition. As you gain experience, you should feel increasingly confident in using your intuition with your rational analysis.
- Use creativity-stimulation techniques. You can improve your overall decision-making effectiveness by searching for innovative solutions to problems. This can be as basic as telling yourself to think creatively and to look specifically for unique alternatives.
- When making decisions, you should consider their ethical implications. A quick way to do this is to ask yourself: Would I be embarrassed if this action were printed on the front page of the local newspaper?

POINT



When in Doubt, Do!

Life is full of decisions and choices.¹⁰⁹ The real question is not “To be, or not to be” but rather “To do, or not to do?” For example, “Should I confront my professor about my mid-term grade?” “Should I buy a new car?” “Should I accept a new job?” “Should I choose this major?” Very often, we are unsure of our decision. In such cases, it is almost always better to choose action over inaction. In life, people more often regret inaction than action. Take the following simple example:

Say you carry an umbrella and it does not rain, or you don’t carry an umbrella and it does rain. In which situation are you worse off? Would you rather experience the mild inconvenience of the extra weight of the umbrella or get drenched? Chances are you will regret inaction more than action. Research shows that after we make a decision, we indeed regret inaction more than action. Although we often regret actions in their immediate aftermath, over time these regrets decline markedly, whereas regrets over missed opportunities increase. Suppose you finally decide to take a trip to Europe. You have an amazing time, but a few weeks after you get back, your credit card bill arrives—and it isn’t pretty. Unfortunately, you have to work overtime and miss a few dinners out with friends to pay off the bills. A few months down the road, however, you decide to reminisce by looking through your photos from the trip, and you cannot imagine not having gone. So, when in doubt, just do!

Act	State	
	Rain	Shine
Carry umbrella	Dry (except your feet!)	Inconvenience
Don’t carry umbrella	Miserable drenching	Unqualified bliss

COUNTERPOINT



Wait! Not So Fast

It’s just silly to think that, when in doubt, you should always act. People will undoubtedly make mistakes following such simple advice. For example, you are out of work, but you still decide to purchase your dream car—a BMW, fully loaded. Not the smartest idea. So why is the motto “just do it” dangerous? Because there are two types of regrets: hot regret, in which an individual kicks herself for having caused something bad, and wistful regret, in which she fantasizes about how else things might have turned out. The danger is that actions are more likely to lead to anguish or hot regret, and inaction is more likely to lead to wistful regret. So the bottom line is that we cannot apply simple rules such as “just do it” to important decisions.

LEARNING ABOUT **YOURSELF** EXERCISE

Decision-Making Style Questionnaire

Circle the response that comes closest to the way you usually feel or act. There are no right or wrong responses to any of these items.

1. I am more careful about
 - a. people's feelings
 - b. their rights
2. I usually get along better with
 - a. imaginative people
 - b. realistic people
3. It is a higher compliment to be called
 - a. a person of real feeling
 - b. a consistently reasonable person
4. In doing something with other people, it appeals more to me
 - a. to do it in the accepted way
 - b. to invent a way of my own
5. I get more annoyed at
 - a. fancy theories
 - b. people who do not like theories
6. It is higher praise to call someone
 - a. a person of vision
 - b. a person of common sense
7. I more often let
 - a. my heart rule my head
 - b. my head rule my heart
8. I think it is a worse fault
 - a. to show too much warmth
 - b. to be unsympathetic
9. If I were a teacher, I would rather teach
 - a. courses involving theory
 - b. factual courses

Which word in the following pairs appeals to you more? Circle *a* or *b*.

10. a. Compassion b. Foresight
11. a. Justice b. Mercy
12. a. Production b. Design
13. a. Gentle b. Firm
14. a. Uncritical b. Critical
15. a. Literal b. Figurative
16. a. Imaginative b. Matter-of-fact

Scoring Key:

Mark each of your responses on the following scales. Then use the point value column to arrive at your score. For example, if you answered *a* to the first question, you would check *1a* in the Feeling column. This response receives zero points when you add up the point value column. Instructions for classifying your scores are indicated following the scales.

LEARNING ABOUT **YOURSELF** EXERCISE (Continued)

Sensation	Point Value	Intuition	Point Value	Thinking	Point Value	Feeling	Point Value
2b _____	1	2a _____	2	1b _____	1	1a _____	0
4a _____	1	4b _____	1	3b _____	2	3a _____	1
5a _____	1	5b _____	1	7b _____	1	7a _____	1
6b _____	1	6a _____	0	8a _____	0	8b _____	1
9b _____	2	9a _____	2	10b _____	2	10a _____	1
12a _____	1	12b _____	0	11a _____	2	11b _____	1
15a _____	1	15b _____	1	13b _____	1	13a _____	1
16b _____	2	16a _____	0	14b _____	0	14a _____	1
Maximum Point Value	(10)		(7)		(9)		(7)

Circle *Intuition* if your Intuition score is equal to or greater than your Sensation score. Circle *Sensation* if your Sensation score is greater than your Intuition score. Circle *Feeling* if your Feeling score is greater than your Thinking score. Circle *Thinking* if your Thinking score is greater than your Feeling score.

A high score on *Intuition* indicates you see the world in holistic terms. You tend to be creative. A high score on *Sensation* indicates that you are realistic and see the world in terms of facts. A high score on *Feeling* means you make decisions based on gut feeling. A high score on *Thinking* indicates a highly logical and analytical approach to decision making.

Source: Based on a personality scale developed by D. Hellriegel, J. Slocum, and R. W. Woodman, *Organizational Behavior*, 3rd ed. (St. Paul, MN: West Publishing, 1983), pp. 127–141, and reproduced in J. M. Ivancevich and M. T. Matteson, *Organizational Behavior and Management*, 2nd ed. (Homewood, IL: BPI/Irwin, 1990), pp. 538–539.

SELF-ASSESSMENT LIBRARY LEARNING ABOUT YOURSELF

More Learning About Yourself Exercises

Additional self-assessments relevant to this chapter appear at [MyManagementLab](#).

IV.A.2 Am I a Deliberate Decision Maker?**I.A.5** How Creative Am I?

When you complete the additional assessments, consider the following:

1. Am I surprised about my score?
2. Would my friends evaluate me similarly?

BREAKOUT **GROUP** EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. Apply the rational decision-making model to deciding where your group might eat dinner this evening. How closely were you able to follow the rational model in making this decision?
2. The company that makes your favourite snack product has been accused of being weak in its social responsibility efforts. What impact will this have on your purchase of any more products from that company?
3. You have seen a classmate cheat on an exam or an assignment. Do you do something about this or ignore it?

WORKING WITH OTHERS EXERCISE

Wilderness Survival Exercise

You are a member of a hiking party. After reaching base camp on the first day, you decide to take a quick sunset hike by yourself. After a few exhilarating miles, you decide to return to camp. On your way back, you realize that you are lost. You have shouted for help to no avail. It is now dark and getting cold.

Your Task

Without communicating with anyone else in your group, read the following scenarios and choose the best answer. Keep track of your answers on a sheet of paper. You have 10 minutes to answer the 10 questions.

1. The first thing you decide to do is to build a fire. However, you have no matches, so you use the bow and drill method. What is the bow and drill method?
 - a. A dry, soft stick is rubbed between one's hands against a board of supple green wood.
 - b. A soft green stick is rubbed between one's hands against a hardwood board.
 - c. A straight stick of wood is quickly rubbed back and forth against a dead tree.
 - d. Two sticks (one being the bow, the other the drill) are struck to create a spark.
2. It occurs to you that you can also use the fire as a distress signal. When signalling with fire, how do you form the international distress signal?
 - a. 2 fires
 - b. 4 fires in a square
 - c. 4 fires in a cross
 - d. 3 fires in a line
3. You are very thirsty. You go to a nearby stream and collect some water in the small metal cup you have in your backpack. How long should you boil the water?
 - a. 15 minutes
 - b. A few seconds
 - c. 1 hour
 - d. It depends on the altitude.
4. You are very hungry, so you decide to eat what appear to be edible berries. When performing the universal edibility test, what should you do?
 - a. Do not eat for 2 hours before the test.
 - b. If the plant stings your lip, confirm the sting by holding it under your tongue for 15 minutes.
 - c. If nothing bad has happened 2 hours after digestion, eat half a cup of the plant and wait again.
 - d. Separate the plant into its basic components and eat each component, one at a time.
5. Next, you decide to build a shelter for the evening. In selecting a site, what do you *not* have to consider?
 - a. It must contain material to make the type of shelter you need.
 - b. It must be free of insects, reptiles, and poisonous plants.
 - c. It must be large enough and level enough for you to lie down comfortably.
 - d. It must be on a hill so you can signal rescuers and keep an eye on your surroundings.
6. In the shelter that you built, you notice a spider. You heard from a fellow hiker that black widow spiders populate the area. How do you identify a black widow spider?
 - a. Its head and abdomen are black; its thorax is red.
 - b. It is attracted to light.

WORKING WITH OTHERS EXERCISE (Continued)OB
at work

- c. It runs away from light.
 - d. It is a dark spider with a red or orange marking on the female's abdomen.
7. After getting some sleep, you notice that the night sky has cleared, so you decide to try to find your way back to base camp. You believe you should travel north and can use the North Star for navigation. How do you locate the North Star?
- a. Hold your right hand up as far as you can and look between your index and middle fingers.
 - b. Find Sirius and look 60 degrees above it and to the right.
 - c. Look for the Big Dipper and follow the line created by its cup end.
 - d. Follow the line of Orion's belt.
8. You come across a fast-moving stream. What is the best way to cross it?
- a. Find a spot downstream from a sandbar, where the water will be calmer.
 - b. Build a bridge.
 - c. Find a rocky area, as the water will be shallow and you will have hand- and footholds.
 - d. Find a level stretch where it breaks into a few channels.
9. After walking for about an hour, you feel several spiders in your clothes. You don't feel any pain, but you know some spider bites are painless. Which of these spider bites is painless?
- a. Black widow
 - b. Brown recluse
 - c. Wolf spider
 - d. Harvestman (daddy longlegs)
10. You decide to eat some insects. Which insects should you avoid?
- a. Adults that sting or bite
 - b. Caterpillars and insects that have a pungent odour
 - c. Hairy or brightly coloured ones
 - d. All of the above

Group Task

Break into groups of 5 or 6 people. Now imagine that your whole group is lost. Answer each question as a group, employing a consensus approach to reach each decision. Once the group comes to an agreement, write the decision down on the same sheet of paper that you used for your individual answers. You will have approximately 20 minutes for the group task.

Scoring Your Answers

Your instructor will provide you with the correct answers, which are based on expert judgments in these situations. Once you have received the answers, calculate (A) your individual score; (B) your group's score; (C) the average individual score in the group; and (D) the best individual score in the group. Write these down and consult with your group to ensure that these scores are accurate.

- (A) Your individual score _____
- (B) Your group's score _____
- (C) Average individual score in group _____
- (D) Best individual score in group _____

WORKING WITH OTHERS EXERCISE (Continued)**Discussion Questions**

1. How did your group (B) perform relative to yourself (A)?
2. How did your group (B) perform relative to the average individual score in the group (C)?
3. How did your group (B) perform relative to the best individual score in the group (D)?
4. Compare your results with those of other groups. Did some groups do a better job of outperforming individuals than others?
5. What do these results tell you about the effectiveness of group decision making?
6. What can groups do to make group decision making more effective?

ETHICAL DILEMMA EXERCISE**Five Ethical Decisions: What Would You Do?**

Assume that you are a middle manager in a company with about 1000 employees. How would you respond to each of the following situations?¹¹⁰

1. You are negotiating a contract with a potentially very large customer whose representative has hinted that you could almost certainly be assured of getting his business if you gave him and his wife an all-expenses-paid cruise to the Caribbean. You know the representative's employer would not approve of such a "payoff," but you have the discretion to authorize such an expenditure. What would you do?
2. You have an autographed CD by Drake and put it up for sale on eBay. So far, the highest bid is \$74.50. A friend has offered you \$100 for the CD, commenting that he could get \$150 for it on eBay in a year. You know this is highly unlikely. Should you sell your friend the CD for what he offered (\$100)? Do you have an obligation to tell your friend you have listed your CD on eBay?
3. Your company policy on reimbursement for meals while travelling on company business is that you will be repaid for your out-of-pocket costs, which are not to exceed \$80 a day. You do not need receipts for these expenses—the company will take your word. When travelling, you tend to eat at fast-food places and rarely spend more than \$20 a day. Most of your colleagues submit reimbursement requests in the range of \$55 to \$60 a day regardless of what their actual expenses are. How much would you request for your meal reimbursements?
4. You are the manager at a gaming company, and you are responsible for hiring a group to out-source the production of a highly anticipated new game. Because your company is a giant in the industry, numerous companies are trying to get the bid. One of them offers you some kickbacks if you give that firm the bid, but ultimately, it is up to your bosses to decide on the company. You don't mention the incentive, but you push upper management to give the bid to the company that offered you the kickback. Is withholding the truth as bad as lying? Why or why not?
5. You have discovered that one of your closest friends at work has stolen a large sum of money from the company. Would you do nothing? Go directly to an executive to report the incident before talking about it with the offender? Confront the individual before taking action? Make contact with the individual with the goal of persuading that person to return the money?

CASE INCIDENT

“If Two Heads Are Better Than One, Are Four Even Better?”

Maggie Becker, age 24, is a marketing manager for Kavu, a small chain of coffee shops in eastern Ohio. Recently, Maggie’s wealthy uncle passed away and left her, his only niece, \$100 000. Maggie considers her current salary adequate to meet her current living expenses, so she would like to invest the money so that when she buys a house she will have a nice nest egg on which to draw.

One of Maggie’s neighbours, Brian, is a financial advisor. Brian told Maggie that the array of investment options is virtually endless. She asked him to present her with two of the best options, and this is what he offered her:

1. A very low-risk AAA bond fund. With this option, based on the information Brian provided, Maggie estimates that after five years she stands virtually zero chance of losing money, with an expected gain of approximately \$7000.
2. A moderate-risk mutual fund. Based on the information Brian provided her, Maggie estimates that with this option she stands a 50 percent chance of making \$40 000 but also a 50 percent chance of losing \$20 000.

Maggie prides herself on being rational and objective in her thinking. However, she is unsure of what to do in this case. Brian refuses to help her, telling her that she has already limited herself by asking for only two options. While driving to her parents’ house for the weekend, Maggie finds herself vacillating between the two options. Her older brother is also visiting the folks this weekend, so Maggie decides to gather her family around the table after dinner, lay out the two options, and go with their decision. “You know the old saying—two heads are better than one,” she says to herself, “so four heads should be even better.”

Questions

1. Has Maggie made a good decision about the way she is going to make the decision?
2. Which investment would you choose? Why?
3. Which investment do you think most people would choose?
4. Based on what you have learned about groupshift, which investment do you think Maggie’s family will choose?



FROM CONCEPTS TO SKILLS

Solving Problems Creatively

You can be more effective at solving problems creatively if you use the following 10 suggestions:¹¹¹

1. *Think of yourself as creative.* Research shows that if you think you cannot be creative, you won't be. Believing in your ability to be creative is the first step to becoming more creative.
2. *Pay attention to your intuition.* Every individual has a subconscious mind that works well. Sometimes answers will come to you when you least expect them. Listen to that "inner voice." In fact, most creative people will keep notepads near their beds and write down ideas when the thoughts come to them.
3. *Move away from your comfort zone.* Every individual has a comfort zone in which certainty exists. But creativity and the known often do not mix. To be creative, you need to move away from the status quo and focus your mind on something new.
4. *Determine what you want to do.* This includes such things as taking time to understand a problem before beginning to try to resolve it, getting all the facts in mind, and trying to identify the most important facts.
5. *Think outside the box.* Use analogies whenever possible (for example, could you approach your problem like a fish out of water and look at what the fish does to cope? Or can you use the things you have to do to find your way when it's foggy to help you solve your problem?). Use different problem-solving strategies, such as verbal, visual, mathematical, or theatrical. Look at your problem from a different perspective or ask yourself what someone else, such as your grandmother, might do if faced with the same situation.
6. *Look for ways to do things better.* This may involve trying consciously to be original, not worrying about looking foolish, keeping an open mind, being alert to odd or puzzling facts, thinking of unconventional ways to use objects and the environment, discarding usual or habitual ways of doing things, and striving for objectivity by being as critical of your own ideas as you would be of someone else's.
7. *Find several right answers.* Being creative means continuing to look for other solutions even when you think you have solved the problem. A better, more creative solution just might be found.
8. *Believe in finding a workable solution.* Like believing in yourself, you also need to believe in your ideas. If you don't think you can find a solution, you probably won't.
9. *Brainstorm with others.* Creativity is not an isolated activity. Bouncing ideas off of others creates a synergistic effect.
10. *Turn creative ideas into action.* Coming up with creative ideas is only part of the process. Once the ideas are generated, they must be implemented. Keeping great ideas in your mind, or on papers that no one will read, does little to expand your creative abilities.

Practising Skills

Every time the phone rings, your stomach clenches and your palms start to sweat. And it's no wonder! As sales manager for Brinkers, a machine tool parts manufacturer, you are besieged by calls from customers who are upset about late deliveries. Your boss, Carter Herrera, acts as both production

manager and scheduler. Every time your sales representatives negotiate a sale, it's up to Carter to determine whether production can actually meet the delivery date the customer specifies. Carter invariably says, "No problem." The good thing about this is that you make a lot of initial sales. The bad news is that production hardly ever meets the shipment dates that Carter authorizes. He does not seem to be all that concerned about the aftermath of late deliveries. He says, "Our customers know they're getting outstanding quality at a great price. Just let them try to match that anywhere. It can't be done. So even if they have to wait a couple of extra days or weeks, they're still getting the best deal they can." Somehow the customers do not see it that way, and they let you know about their unhappiness. Then it's up to you to try to smooth over the relationship. You know this problem has to be taken care of, but what possible solutions are there? After all, how are you going to keep from making your manager angry or making the customers angry? Use your knowledge of creative problem solving to come up with solutions.

1. Take 20 minutes to list as many medical or health-care-related jobs as you can that begin with the letter *r* (for instance, radiologist, registered nurse). If you run out of listings before time is up, it's okay to quit early. But try to be as creative as you can.
2. List on a piece of paper some common terms that apply to both *water* and *finance*. How many were you able to come up with?

Reinforcing Skills

