chapter

3 Managerial Decision Making

The business executive is by profession a decision maker. Uncertainty is his opponent. Overcoming it is his mission.

— John McDonald

LEARNING OBJECTIVES

After studying Chapter 3, you will be able to:

LO 1 Describe the kinds of decisions you will face as a manager. p. 86

LO 2 Summarize the steps in making "rational" decisions. p. 89

LO 3 Recognize the pitfalls you should avoid when making decisions. p. 95

LO 4 Evaluate the pros and cons of using a group to make decisions. p. 98

LO 5 Identify procedures to use in leading a decision-making group. p. 100

LO 6 Explain how to encourage creative decisions. p. 102

LO 7 Discuss the processes by which decisions are made in organizations. p. 104

LO 8 Describe how to make decisions in a crisis. p. 105

CHAPTER OUTLINE

Management Close-Up

HOW DID ANNE MULCAHY'S DECISIONS PULL XEROX BACK FROM THE BRINK?

Anne Mulcahy is not your typical English major. After college graduation she joined Xerox Corporation's sales force and rose through the ranks. Twenty-five years later, she became chairman and CEO of the world's leading document management and services enterprise. But her promotion brought a host of problems. King of the hill in the 1970s and 1980s, Xerox had faltered badly with its computer division during the 1990s as competitors undercut it on price. By 2000, once-mighty Xerox Corporation was in the red and sinking fast.

Stepping into the corner office in August 2001, Mulcahy found a company in total disarray. Her predecessor, former IBMer Richard Thoman, had lasted only 13 months in the job. Xerox was nearly $18 billion in debt. It had exhausted a $7 billion line of credit, and its credit ratings were tanking. While Xerox had stayed the course with an outdated business plan, nimbler and more innovative competitors like Ricoh and Canon were snatching away market share. To add to the company's woes, shortly after Mulcahy became CEO, the Securities and Exchange Commission announced that it would investigate Xerox on suspected billing and accounting irregularities.

At that point, Mulcahy could have simply caved to angry shareholders, killed the famed Xerox culture, shut down research and development, filed for bankruptcy, or turned out the lights—all advice she received from many people. But Mulcahy was a Xerox believer. Besides her time in the sales force, she had headed the human resource department and the company's $6 billion desktop printing division. Anne Mulcahy had just begun to fight.[1]

When Mulcahy took the reins at Xerox, the company was in a mess, seemingly with no way out except bankruptcy. As you read this chapter, consider the decisions managers face—and how Mulcahy approached the decision-making process.

The best managers make decisions constantly. Some are big and difficult, like those Anne Mulcahy faced when she became head of a global empire on the brink of bankruptcy. But managers also make countless smaller decisions that affect day-to-day operations and procedures. Karen Lancaster, chief information officer at Western Marine Insurance, makes many decisions about her firm's computer systems. For example, she had to decide on a plan to back up and store the company's data to protect the company. If Western Marine's computers ever lost power or failed, the company needed to store data off-site. So Lancaster compared offers from three vendors and chose Courtesy Computers, which uses an Internet connection to back up the company's data automatically at the end of each day.

Backing up data is hardly glamorous, but a crisis can bring home the importance of these decisions, as Lancaster well knows. One day the phone company was digging outside Western Marine's building in Stockton, California, and cut a line, causing the company's Internet firewall to go down, which in turn allowed a hacker access to the company's server, clogging it with spam so that it crashed. Another time a power surge caused a loss of data in the computers. In both situations, the online backup solved the problem. Lancaster says, "When you're creating your disaster plan, you need to think about every scenario."[2]

Decisions. If you can't make them, you won't be an effective manager. This chapter discusses what kinds of decisions managers face, how they are made, and how they *should* be made.

Characteristics of Managerial Decisions

LO 1

You'll be making decisions constantly. It may seem obvious, but it's worth stating: If you know how to make good decisions, you'll deliver good results.

Managers face problems and opportunities constantly. Some situations that require a decision are relatively simple; others seem overwhelming. Some demand immediate action, while others take months or even years to unfold.

Actually, managers often ignore problems.[3] M. For several reasons, they avoid taking action.[4] First, managers can't be sure how much time, energy, or trouble lies ahead once they start working on a problem. Second, getting involved is risky; tackling a problem but failing to solve it successfully can hurt a manager's track record. Third, because problems can be so perplexing, it is easier to procrastinate or to get busy with less demanding activities. For these reasons, managers may lack the insight, courage, or will to decide.

It is important to understand why decision making can be so challenging. Figure 3.1 illustrates several characteristics of managerial decisions that contribute to their difficulty and pressure. Most managerial decisions lack structure and entail risk, uncertainty, and conflict.

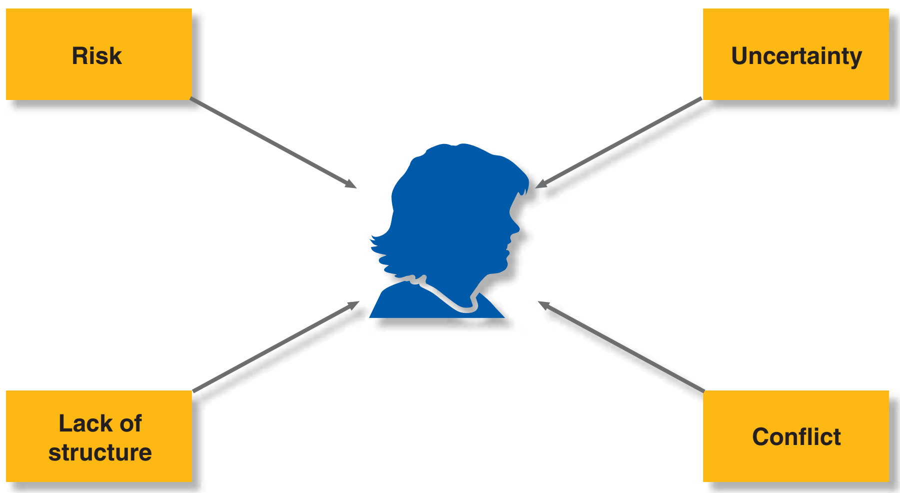


FIGURE 3.1
Characteristics of Managerial Decisions

Lack of Structure

> A moderate ego demonstrates wisdom.
> Lao-tzu

Lack of structure is the usual state of affairs in managerial decision making.[5] Although some decisions are routine and clear-cut, for most there is no automatic procedure to follow. Problems are novel and unstructured, leaving the decision maker uncertain about how to proceed.

An important distinction illustrating this point is between programmed and non-programmed decisions. **Programmed decisions** have been encountered and made before. They have objectively correct answers and can be solved by using simple rules, policies, or numerical computations. If you face a programmed decision, a clear procedure or structure exists for arriving at the right decision. For example, if you are a small-business owner and must decide the amounts for your employees' paychecks, you can use a formula—and if the amounts are wrong, your employees will prove it to you. Table 3.1 gives some other examples.

programmed decisions
Decisions encountered and made before, having objectively correct answers, and solvable by using simple rules, policies, or numerical computations.

If most important decisions were programmed, managerial life would be much easier. But managers typically face **nonprogrammed decisions:** new, novel, complex decisions having no certain outcomes. They have a variety of possible solutions, all of which have merits and drawbacks. The decision maker must create or impose a method for making the decision; there is no predetermined structure on which to rely. As Table 3.1 suggests, important, difficult decisions tend to be nonprogrammed, and they demand creative approaches.

nonprogrammed decisions
New, novel, complex decisions having no proven answers.

Uncertainty and Risk

If you have all the information you need, and can predict precisely the consequences of your actions, you are operating under a condition of **certainty.**[6] Managers are expressing their preference for certainty when they are not satisfied hearing about what *might have* happened or *may* happen, and insist on hearing what *did* or *will* happen.[7] But perfect certainty is rare. For important, nonprogrammed managerial decisions, uncertainty is the rule.

certainty
The state that exists when decision makers have accurate and comprehensive information.

Uncertainty means the manager has insufficient information to know the consequences of different actions. Decision makers may have strong opinions—they may feel sure of themselves—but they are still operating under conditions of uncertainty if

uncertainty
The state that exists when decision makers have insufficient information.

TABLE 3.1
Comparison of Types of Decisions

	Programmed Decisions	Nonprogrammed Decisions
Problem	Frequent, repetitive, routine. Much certainty regarding cause-and-effect relationships.	Novel, unstructured. Much uncertainty regarding cause-and-effect relationships.
Procedure	Dependence on policies, rules, and definite procedures.	Necessity for creativity, intuition, tolerance for ambiguity, creative problem solving.
Examples		
Business firm	Periodic reorders of inventory.	Diversification into new products and markets.
University	Necessary grade-point average for good academic standing.	Construction of new classroom facilities.
Health care	Procedure for admitting patients.	Purchase of experimental equipment.
Government	Merit system for promotion of state employees.	Reorganization of state government agencies.

SOURCE: J. Gibson, J. Ivancevich, and J. Donnelly Jr., *Organizations: Behavior, Structure, Processes,* 10th ed.

they lack pertinent information and cannot estimate accurately the likelihood of different results of their actions.

risk

The state that exists when the probability of success is less than 100 percent and losses may occur.

When you can estimate the likelihood of various consequences but still do not know with certainty what will happen, you are facing **risk.** Risk exists when the probability of an action being successful is less than 100 percent and losses may occur. If the decision is the wrong one, you may lose money, time, reputation, or other important assets.

Risk, like uncertainty, is a fact of life in managerial decision making. But this is not the same as *taking* a risk. Although it sometimes seems as though risk takers are admired and that entrepreneurs and investors thrive on taking risks, the reality is that good decision makers prefer to *manage* risk. They accept the fact that decisions have consequences entailing risk, but they do everything they can to anticipate the risk, minimize it, and control it.

Consider the choices involved in preparing a restaurant menu. The Center for Science in the Public Interest recently criticized restaurant chains for selling entrées, appetizers, and desserts containing 1,400 calories or more (a typical American might eat 2,000 calories in an entire day). Making no changes could give those restaurants a reputation for contributing to obesity, but if a restaurant offers more healthful alternatives, will diners bite? The riskiest approach would be to change the entire menu. Instead, restaurateurs including T.G.I. Friday's are more likely to lower uncertainty by retaining popular choices and adding some new selections. Some entrées are smaller versions of items already being offered, and others are new but similar to popular dishes.[8]

conflict

Opposing pressures from different sources, occurring on the level of psychological conflict or of conflict between individuals or groups.

A T-shirt company called Threadless reduces uncertainty and manages risk by basing its whole marketing model on collaboration with customers. Professional and amateur graphic designers submit their ideas for T-shirt designs at the Threadless Web site, where customers vote on the designs they like. From hundreds of submissions, the company selects four to six of the top vote getters each week and pays their designers $1,000. But it makes and sells them only after a minimum number of customers have already ordered the shirt design.[9]

Conflict

Important decisions are even more difficult because of the conflict managers face. **Conflict,** which exists when a manager must consider opposing pressures from different sources, occurs at two levels.

T-shirt designers have a chance to get their designs printed through the Threadless Web site, but only after customers have given them high ratings and ordered a shirt.

First, individual decision makers experience psychological conflict when several options are attractive, or when none of the options is attractive. For instance, a manager may have to decide whom to lay off, when she doesn't want to lay off anyone. Or she may have three promising job applicants for one position—but choosing one means she has to reject the other two.

Second, conflict arises between people. A chief financial officer argues in favor of increasing long-term debt to finance an acquisition. The chief executive officer, however, prefers to minimize such debt and find the funds elsewhere. A marketing department wants more product lines to sell, and the engineers want higher-quality products. But the production people want to lower costs by having longer production runs of fewer products with no changes. Few decisions are without conflict.

The Stages of Decision Making

LO 2

Faced with these challenges, how can you make good decisions? The ideal decision-making process includes six stages. As Figure 3.2 illustrates, decision makers should (1) identify and diagnose the problem, (2) generate alternative solutions, (3) evaluate alternatives, (4) make the choice, (5) implement the decision, and (6) evaluate the decision.

Identifying and Diagnosing the Problem

The first stage in the decision-making process is to recognize that a problem exists and must be solved. Typically, a manager realizes some discrepancy between the current state (the way things are) and a desired state (the way things ought to be). Such discrepancies—say, in organizational or unit performance—may be detected by comparing current performance against (1) *past* performance, (2) the *current* performance of other organizations or units, or (3) *future* expected performance as determined by plans and forecasts.[10] Larry Cohen, who founded Accurate Perforating with his father, knew his company was having difficulty making a profit, because costs at the metal company were rising while the prices customers were willing to pay remained unchanged. However, when the company's bank demanded immediate payment of its $1.5 million loan, Cohen realized the problem had to be solved, or the company would have to sell off all its assets and close.[11] We will refer to this example throughout this section.

The "problem" may actually be an opportunity that needs to be exploited: a gap between what the organization is doing now and what it can do to create a more positive future. In that case, decisions involve choosing how to seize the opportunity. To recognize important opportunities as a manager, you will need to understand your company's macro- and competitive environments (described in Chapter 2), including the opportunities offered by technological developments. Cisco Systems CEO John Chambers advises managers to stay current by talking to people who challenge you and are willing to teach you. Says Chambers, "When somebody travels with me, they have to teach me a topic. When I review engineers, at the end they have to teach me two topics. I listen."[12]

Recognizing that a problem or opportunity exists is only the beginning of this stage. The decision maker must dig in deeper and attempt to *diagnose* the situation. For example, a sales manager knows that sales have dropped drastically. If he is leaving the company soon or believes the decreased sales volume is due to the economy (which he can't do anything about), he won't take action. But if he does try to solve the problem, he should not automatically reprimand his sales staff, add new people, or increase the advertising budget. He must analyze *why* sales are down and then develop a solution appropriate to his analysis. Asking why, of yourself and others, is essential to understanding the

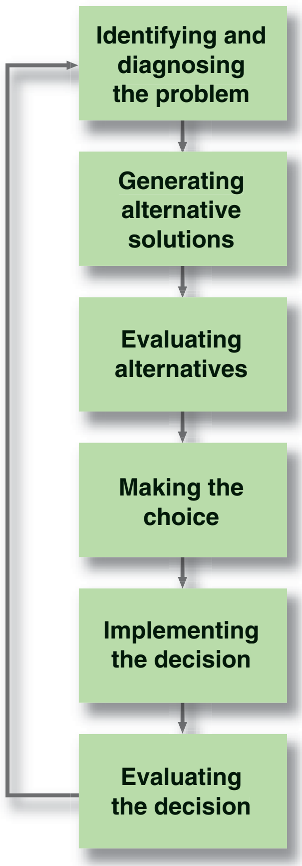


FIGURE 3.2
The Stages of Decision Making

real problem. Unfortunately, in the case of Accurate Perforating, described earlier, Larry Cohen did not ask why profits were declining; he simply assumed that the company's costs were too high.[13]

The following questions are useful to ask and answer in this stage:[14]

Is there a difference between what is actually happening and what should be happening?
How can you describe the deviation, as specifically as possible?
What is/are the cause(s) of the deviation?
What specific goals should be met?
Which of these goals are absolutely critical to the success of the decision?

Bookseller Borders faced a problem: declining sales. The book industry in general had become sluggish, as consumers filled leisure time with other activities. And consumers who did choose to buy books were often doing so online. But Borders didn't recognize that not having its own Web site was a problem, choosing instead to create an alliance with Amazon.com to sell its books online. At the time, CEO Greg Josefowicz defended the decision, saying it would "help us to focus on what we do best," which meant building more stores. But the customers didn't come. As the overall book market declined, online sales soared.

Borders's new CEO, George Jones, admits that the firm's previous strategy was wrong, saying that an online presence will be "a necessary component of our business" going forward. In addition, says Jones, Borders will invest in more superstores, reduce the number of CDs they carry, and strengthen the firm's publishing business—all in an effort to boost those flagging sales.[15]

Generating Alternative Solutions

The second stage of decision making links problem diagnosis to the development of alternative courses of action aimed at solving the problem. Managers generate at least some alternative solutions based on past experiences.[16]

ready-made solutions

Ideas that have been seen or tried before.

custom-made solutions

New, creative solutions designed specifically for the problem.

Solutions range from ready made to custom made.[17] Decision makers who search for **ready-made solutions** use ideas they have tried before or follow the advice of others who have faced similar problems. **Custom-made solutions,** by contrast, must be designed for specific problems. This technique often combines ideas into new, creative solutions. For example, Yamaha Corporation drew on ideas from its customer community, which said that hobby guitarists were interested in an instrument they could play without a lot of practice. Designers at Yamaha created an idea for a guitar that could read electronically entered songs and display lights on the fingerboard showing users where to put their fingers. Customers provided ideas for modifications, and the back and forth eventually generated more than the minimum number of orders for the company to produce the innovative product.[18] Potentially, custom-made solutions can be devised for any challenge. Later in the chapter, we will discuss how to generate creative ideas.

Often, many more alternatives are available than managers may realize. For example, what would you do if one of your competitors reduced prices? Cutting prices in response to a competitor's price cuts is not your only option, although sometimes it is assumed to be. Alternatives include emphasizing consumer risks to low-priced products, building awareness of your products' features and overall quality, and communicating your cost advantage to your competitors so they realize that they can't win a price war. If you do decide to cut your price as a last resort, do it fast—if you do it slowly, your competitors will gain sales in the meantime, which may embolden them to employ the same tactic again in the future.[19]

The case of Accurate Perforating shows the importance of looking for every alternative. The company had become successful by purchasing metal from steel mills, punching many holes in it to make screenlike sheets, and selling this material in bulk to distributors, who sold it to metal workshops, which used it to make custom products. Cohen admits, "We stayed away from sophisticated products, and as a result we wound up in a very competitive situation where the only thing we were selling was price." Management responded by cutting costs wherever possible, avoiding investment in new machinery or processes. The result was an out-of-date factory managed by people who had grown accustomed to resisting change. Only after the bank called in its loan did Cohen begin to see alternatives. The bank offered one painful idea: liquidate the company. It also suggested a management consultant, who advised another alternative: renegotiating payment schedules with the company's suppliers. Cohen also received advice from managers of a company Accurate had purchased a year before. That company, Semrow Perforated & Expanded Metals, sold more sophisticated products directly to manufacturers, and Semrow's managers urged Cohen to invest more in finished metal products such as theirs.[20]

Evaluating Alternatives

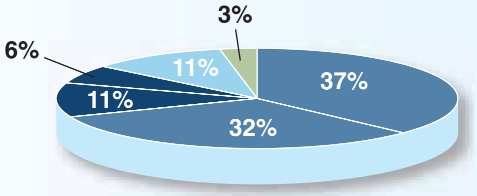
The third stage of decision making involves determining the value or adequacy of the alternatives that were generated. In other words, which solution will be the best?

Too often, alternatives are evaluated with insufficient thought or logic. At Accurate Perforating, Cohen made changes to cut costs but dismissed the idea to invest in marketing finished metal products, even though these product lines were more profitable. Accurate's general manager, Aaron Kamins, counseled that money spent on finished metal products would be a distraction from Accurate's core business. That reasoning persuaded Cohen, even though it meant focusing on unprofitable product lines.[21]

Obviously, alternatives should be evaluated more carefully. Fundamental to this process is to predict the consequences that will occur if the various options are put into effect. Managers should consider several types of consequences, including quantitative measures of success, such as lower costs, higher sales, lower employee turnover, and higher profits.

Environmental changes require companies to think through new alternatives and their consequences. When the recent downturn in the U.S. economy required cutbacks, organizations as diverse as the State of California, Gulfstream Aerospace, and Gannett evaluated the alternatives of layoffs (permanent job cuts) versus furloughs (requiring employees to take some unpaid time off until demand picks up again). While layoffs save more money per employee, because the company doesn't have to continue paying for benefits, furloughs attempt to maintain relationships with talented employees, who are more likely than laid-off workers to return when the company needs them again. Furloughs may seem kinder to employees, who can hope to return to work eventually, but workers may not be eligible for unemployment compensation during the furlough period.[22]

When managers make decisions, they often draw on other people's insights to help them evaluate alternatives. In a survey of Canadian executives, more than two-thirds said the opinion of their assistant was important in deciding which job candidate to hire—a useful point to remember the next time you are job hunting.[23]



To evaluate alternatives, refer to your original goals, defined in the first stage. Which goals does each alternative meet, and fail to meet? Which alternatives are most acceptable to you and to other important stakeholders? If several alternatives may solve the problem, which can be implemented at the lowest cost or greatest profit? If no alternative achieves all your goals, perhaps you can combine two or more of the best ones. Several additional questions help:[24]

Is our information about alternatives complete and current? If not, can we get more and better information?
Does the alternative meet our primary objectives?
What problems could we have if we implement the alternative?

Of course, results cannot be forecast with perfect accuracy. But sometimes decision makers can build in safeguards against an uncertain future by considering the potential consequences of several different scenarios. Then they generate **contingency plans**—alternative courses of action that can be implemented depending on how the future unfolds.

contingency plans

Alternative courses of action that can be implemented based on how the future unfolds.

For example, scenario planners making decisions about the future might consider four alternative views of the future state of the U.S. economy:[25] (1) an economic boom with 5 to 6 percent annual growth and the United States much stronger than its global competitors; (2) a moderately strong economy with 2 to 3 percent growth; (3) a pessimistic outlook with no growth, rising unemployment, and recession; or (4) a worse scenario with global depression, massive unemployment, and widespread social unrest.

A scenario may use numbers that sound reasonable, but you should look at the data in different ways to check your assumptions. As Dean Kamen's company developed the Segway scooter, Kamen decided that each year Segway could capture 0.1 percent of the world's population. That percentage might sound conservative, but consider that 0.1 percent of 6 billion people is 6 million Segways a year! Kamen decided to build a factory that could produce 40,000 units a month; five years later, sales had reached fewer than 25,000.[26]

Some scenarios will seem more likely than others, and some may seem highly improbable. Ultimately, one of the scenarios will prove to be more accurate than the others. The process of considering multiple scenarios raises important "what if?" questions for decision makers and highlights the need for preparedness and contingency plans. As you read this, what economic scenario is unfolding? What are the important current events and trends? What scenarios could evolve six or eight years from now? How will *you* prepare?

maximizing

A decision realizing the best possible outcome.

Making the Choice

Once you have considered the possible consequences of your options, it is time to make your decision. Some managers are more comfortable with the analysis stage. Especially with all the advanced technology that is available, quantitatively inclined people can easily tweak the assumptions behind every scenario in countless ways. But the temptation can lead to "paralysis by analysis"—that is, indecisiveness caused by too much analysis rather than the assertive decision making that is essential if an organization is ever to seize new opportunities or thwart challenges. In contrast, as described in the "Management Close-Up: Taking Action" feature, Xerox's Anne Mulcahy behaved decisively.

As you make your decision, important concepts include maximizing, satisficing, and optimizing.[27]

Maximizing is achieving the best possible outcome. The maximizing decision realizes the greatest positive

British entrepreneur Richard Branson shows a model of his proposed Spaceship Two, a vehicle he hopes will be developed by his company in the next few years, which would take private passengers on commercial space fights. To what degree do you think Branson's decision to move ahead with this idea was based on the maximizing strategy?

Management Close-Up

TAKING ACTION

As Xerox CEO, Anne Mulcahy stumbled into an environment of uncertainty, but once she learned the full extent of her company's problems, she moved quickly. Mulcahy knew she couldn't fix Xerox by herself; she needed support from the whole team. To gain their cooperation, she would need to inform each person about the new reality for Xerox. So, Mulcahy visited each of Xerox's top 100 executives and, mincing no words about the grim situation, asked whether they were "in." To her credit, all but two stood with her. Today, most of those managers remain at Xerox.

Mulcahy spoke directly and honestly with shareholders, too. While some CEOs avoid giving unpleasant news to shareholders and try to pacify them at all times, that is not Mulcahy's style. What mattered most, she reasoned, were relationships with Xerox's employees and customers. Speaking to the shareholders, she characterized Xerox's old business model as "unsustainable" and warned that unless Xerox cut expenses and increased the profit margin, it would never return to profitability. By the next day, the stock price had tumbled 26 percent.

Yet Mulcahy stuck to her guns. She discontinued paying a dividend to shareholders, then began the difficult task of slashing expenses and eliminating unnecessary jobs. At the same time, she told the sales force she'd go anywhere to meet with Xerox customers and assure them that Xerox was getting back on track.

Where Mulcahy didn't have expertise, she became a quick study. Lacking financial expertise and with Xerox under SEC scrutiny, she asked her finance people for a "crash course" that would enable her to hold her own in meetings with the SEC.[28]

- Unlike many CEOs who put shareholders above everything, Anne Mulcahy decided to put employees and customers first. Why do you think she picked that alternative when it could generate conflict with the shareholders?
- Mulcahy could have declared bankruptcy for Xerox. Instead, she chose a hard program of cutting expenses and reassuring customers that the company would turn around. Why do you think she chose the alternative she did?

consequences and the fewest negative consequences. In other words, maximizing results in the greatest benefit at the lowest cost, with the largest expected total return. Maximizing requires searching thoroughly for a complete range of alternatives, carefully assessing each alternative, comparing one to another, and then choosing or creating the very best.

Satisficing is choosing the first option that is minimally acceptable or adequate. When you satisfice, you compare your choice against your goal, not against other options. Satisficing means that a search for alternatives stops at the first one that is okay. Commonly, people do not expend the time or energy to gather more information. Instead, they make the expedient decision based on readily available information.

satisficing
Choosing an option that is acceptable, although not necessarily the best or perfect.

Let's say you are purchasing new equipment, and your goal is to avoid spending too much money. You would be maximizing if you checked out all your options and their prices, and then bought the cheapest one that met your performance requirements. But you would be satisficing if you bought the first adequate option that was within your budget and failed to look for less expensive options.

Satisficing is sometimes a result of laziness; other times, there is no other known option because time is short, information is unavailable, or other constraints make maximizing impossible. When the consequences are not huge, satisficing can even be the ideal approach. But in other situations, when managers satisfice, they fail to consider important options. Returning to the earlier example of Accurate Perforating, when the company's management initially addressed declining profits, they were satisficing; they assumed they should focus on cutting costs and failed to identify alternatives that would boost profits by investing in new markets where they could charge more.

optimizing

Achieving the best possible balance among several goals.

Optimizing means that you achieve the best possible balance among several goals. Perhaps, in purchasing equipment, you are interested in quality and durability as well as price. So, instead of buying the cheapest piece of equipment that works, you buy the one with the best combination of attributes, even though there may be options that are better on the price criterion and others that are better on the quality and durability criteria. The same idea applies to achieving business goals: one marketing strategy could maximize sales, while a different strategy might maximize profit. An optimizing strategy is the one that achieves the best balance among multiple goals.

It's easy to become so focused on maximizing on one goal that you lose sight of other important goals. You're optimizing if you make sure that no important result suffers too much, unnecessarily.

Implementing the Decision

The decision-making process does not end once a choice is made. The chosen alternative must be implemented. Sometimes the people involved in making the choice must put it into effect. At other times, they delegate the responsibility for implementation to others, such as when a top management team changes a policy or operating procedure and has operational managers carry out the change.

Unfortunately, sometimes people make decisions but don't take action. Implementing may fail to occur when talking a lot is mistaken for doing a lot; if people just assume that a decision will "happen"; when people forget that merely making a decision changes nothing; when meetings, plans, and reports are seen as "actions," even if they have no effect on what people actually do; and if managers don't check to ensure that what was decided was actually done.[29]

Managers should plan implementation carefully. Adequate planning requires several steps:[30]

1. Determine how things will look when the decision is fully operational.
2. Chronologically order, perhaps with a flow diagram, the steps necessary to achieve a fully operational decision.
3. List the resources and activities required to implement each step.
4. Estimate the time needed for each step.
5. Assign responsibility for each step to specific individuals.

Decision makers should presume that things will *not* go smoothly during implementation. It is very useful to take a little extra time to *identify potential problems* and *identify potential opportunities* associated with implementation. Then you can take actions to prevent problems and also be ready to seize on unexpected opportunities. The following questions are useful:

What problems could this action cause?
What can we do to prevent the problems?
What unintended benefits or opportunities could arise?
How can we make sure they happen?
How can we be ready to act when the opportunities come?

Many of the chapters in this book are concerned with implementation issues: how to implement strategy, allocate resources, organize for results, lead and motivate people, manage change, and so on. View the chapters from that perspective, and learn as much as you can about how to implement properly.

Evaluating the Decision

The final stage in the decision-making process is evaluating the decision. It involves collecting information on how well the decision is working. Quantifiable goals—a 20 percent increase in sales, a 95 percent reduction in accidents, 100 percent on-time deliveries—can be set before the solution to the problem is implemented. Then objective data can be gathered to accurately determine the success or failure of the decision.

Decision evaluation is useful whether the conclusion is positive or negative. Feedback that suggests the decision is working implies that the decision should be continued and perhaps applied elsewhere in the organization. Negative feedback means that either (1) implementation will require more time, resources, effort, or thought or (2) the decision was a bad one.

If the decision appears inappropriate, it's back to the drawing board. Then the process cycles back to the first stage: (re)definition of the problem. The decision-making process begins anew, preferably with more information, new suggestions, and an approach that attempts to eliminate the mistakes made the first time around. This is the stage where Accurate Perforating finally began to see hope. When cost-cutting efforts could not keep the company ahead of the competition or in favor with the company's bank, general manager Aaron Kamins hired a consultant to guide him in identifying more alternatives and making more professional decisions about investment and marketing. This stage of the implementation showed Kamins that the company needed better-educated management, and he began taking executive education courses. Kamins realized that the advice he had received from the managers at the Semrow subsidiary—to invest in producing finished metal products—was wiser than he had realized. He arranged new financing to purchase modern equipment, hired salespeople, developed a Web site, and finally began to see profits from his improved decision making.[31]

The Best Decision

LO 3

How can managers tell whether they have made the best decision? While nothing can guarantee a "best" decision, managers should at least be confident that they followed proper *procedures* that will yield the best possible decision under the circumstances. This means that the decision makers were appropriately vigilant in making the decision. **Vigilance** occurs when the decision makers carefully and conscientiously execute all six stages of decision making, including making provisions for implementation and evaluation.[32]

vigilance

A process in which a decision maker carefully executes all stages of decision making.

Author and CEO Luda Kopeikina says managers can learn to make better decisions by improving the processes they use. First, she says your decisions will get better if you learn to manage stress, get enough rest, and put distractions aside when you need to make important decisions. Next, you should define the consequences you are trying to achieve and make sure the data you gather match the goals for your decision. Along with this comes the vision of how your decision can play out when you implement it. Finally, you need to develop the strength of character to take responsibility for the consequences of your decision. Encourage debate so that you can see all the alternatives, but if you are the decision maker, you must eventually end the debate, exercise courage, and act on your responsibility as decision maker.[33]

Strong leadership and a vision of the future gave Greg Waldorf confidence to decide on a change in the face of great uncertainty. Waldorf, chief executive of the dating Web site eHarmony, believed the company needed to modify its advertising campaign. The problem, as Waldorf defined it, was that the company's ads, in which several people talked about their experience with the site, were meeting a previous need to explain what the site does. But by now most people had become familiar with what eHarmony does; to persuade new people to sign up, Waldorf believed, the company needed to connect with them on a more emotional level.

Waldorf determined that the best way to generate an emotional response would be with more in-depth examples. But as strongly as he felt, Waldorf also appreciated the risk

Melinda Miller opens her computer to show the eHarmony Web site at Stetson University in Celebration, Florida. Miller vouches for eHarmony where the 32- year-old middle school teacher completed her personality profile. Jack Stevison, an investment officer for a securities firm, submitted his profile the very next day. They met in person and were engaged within four months.

of abandoning an ad campaign that had worked well in favor of new advertisements that had no track record. Waldorf addressed the risk by first testing the new ads, in which one couple per ad talked about their dating relationship, and then airing the campaign first in Canada before moving into the larger U.S. market.

The initial response in Canada was so favorable that Waldorf considered bringing the new ad campaign to the United States ahead of schedule. He ran the idea past his chief operating officer, Greg Steiner, whose business judgment Waldorf values. Steiner agreed with the decision to move ahead, a reaction that helped Waldorf make the call to proceed.[34]

Even if managers reflect on their decision-making activities and conclude that they executed each step conscientiously, they still will not know whether the decision will work; after all, nothing guarantees a good outcome. But they *will* know that they did their best to make the best possible decision.

Barriers to Effective Decision Making

Vigilance and full execution of the six-stage decision-making process are the exception rather than the rule. But when managers use such rational processes, better decisions result.[35] Managers who make sure they engage in these processes are more effective.

Why don't people automatically invoke such rational processes? It is easy to neglect or improperly execute these processes. The problem may be improperly defined, or goals misidentified. Not enough solutions may be generated, or they may be evaluated incompletely. A satisficing rather than maximizing choice may be made. Implementation may be poorly planned or executed, or monitoring may be inadequate or nonexistent. And decisions are influenced by subjective psychological biases, time pressures, and social realities.

Psychological Biases

Decision makers are far from objective in the way they gather, evaluate, and apply information in making their choices. People have biases that interfere with objective rationality. The examples that follow represent only a few of the many documented subjective biases.[36]

The **illusion of control** is a belief that one can influence events even when one has no control over what will happen. Gambling is one example: Some people believe they have the skill to beat the odds, even though most of the time they cannot. In business, such overconfidence can lead to failure because decision makers ignore risks and fail to objectively evaluate the odds of success. In addition, they may believe they can do no wrong, or hold a general optimism about the future that can lead them to believe they are immune to risk and failure.[37] In addition, managers may overrate the value of their experience. They may believe that a previous project met its goals because of their decisions, so they can succeed by doing everything the same way on the next project. Rohit Girdhar admits that he held this type of bias until he tried a computer simulation that he assumed would confirm his skills as an experienced manager of software programmers. In the simulation, the workload increased and he hired more workers, as he had in his prior jobs. But the added workers weren't as productive as his experience told him they would be, and his project fell behind. Girdhar learned to question his assumptions before making decisions.[38]

illusion of control

People's belief that they can influence events, even when they have no control over what will happen.

Framing effects refer to how problems or decision alternatives are phrased or presented and how these subjective influences can override objective facts. In one example, managers indicated a desire to invest more money in a course of action that was reported to have a 70 percent chance of profit than in one said to have a 30 percent chance of loss.[39] The choices were equivalent in their chances of success; it was the way the options were framed that determined the managers' choices.

framing effects

A decision bias influenced by the way in which a problem or decision alternative is phrased or presented.

Managers may be quick to frame a problem as being similar to problems they have already handled, so they don't search for new alternatives. For example, when CEO Richard Fuld tackled financial problems at Lehman Brothers as the mortgage market tumbled, he assumed that the situation was much the same as when he had handled a previous financial crisis in the late 1990s. Unfortunately for Lehman Brothers, the recent crisis was far worse. In late 2008 the firm declared bankruptcy—the largest in U.S. history—helping to send global financial markets into a tailspin. Similarly, when the head of the operations center of the Department of Homeland Security prepared for Hurricane Katrina as it headed for New Orleans, he assumed the storm would be like Florida hurricanes he had prepared for in the past. As information came in, he focused on the data that fit his expectations, but Katrina turned out to be far more devastating.[40]

Often decision makers **discount the future.** That is, in their evaluation of alternatives, they weigh short-term costs and benefits more heavily than longer-term costs and benefits. Consider your own decision about whether to go for a dental checkup. The choice to go poses short-term financial costs, anxiety, and perhaps physical pain. The choice not to go will inflict even greater costs and more severe pain if dental problems worsen. How do you choose? Many people decide to avoid the short-term costs by not going for regular checkups, but end up facing much greater pain in the long run.

discounting the future

A bias weighting short-term costs and benefits more heavily than longer-term costs and benefits.

The same bias applies to students who don't study, weight watchers who sneak dessert or skip an exercise routine, and people who take the afternoon off to play golf when they really need to work. It can also affect managers who hesitate to invest funds in research and development programs that may not pay off until far into the future. In all these cases, the avoidance of short-term costs or the seeking of short-term rewards results in negative long-term consequences.

In contrast, when U.S. companies sacrifice present value to invest for the future—such as when Weyerhaeuser incurs enormous costs for its reforestation efforts that won't lead to harvest until 60 years in the future—it seems the exception rather than the rule. Discounting the future partly explains governmental budget deficits, environmental destruction, and decaying urban infrastructure.[41]

Time Pressures

In today's rapidly changing business environment, the premium is on acting quickly and keeping pace. The most conscientiously made business decisions can become irrelevant and even disastrous if managers take too long to make them.

How can managers make decisions quickly? Some natural tendencies, at least for North Americans, might be to skimp on analysis (not be too vigilant), suppress conflict, and make decisions on one's own without consulting other managers.[42] These strategies may speed up decision making, but they reduce decision *quality*. Carl Camden, CEO of Kelly Services, believed that rapid-fire decisions were the sign of a dynamic executive until he saw how this approach could hurt decision quality. In light of some early mistakes, Camden now believes the habit of fast decisions is related to the "trap of being all-knowing."[43]

In fact, the "speed trap" can be as dangerous as moving too slowly.[44] In an Internet start-up that went bankrupt, fast decisions initially helped the firm achieve its growth objectives. Early on, the founders did everything they could to create a sense of urgency: they planned a meeting to "light a fire under the company," calling it a "state-of-emergency address" with the purpose of creating "the idea of panic with an emerging deadline." Speed became more important than content. They failed to consider multiple alternatives, used little information, didn't fully acknowledge competing views, and didn't consult outside advisers. They never considered slowing down to be an option. This speed trap syndrome is a potential pathology for organizations under pressure to make fast decisions.

You'll feel pressure to make quick decisions, but then it becomes easier to make mistakes. Fortunately, you can be vigilant while moving quickly, and you can avoid the "speed trap."

Can managers under time pressure make decisions that are timely and of high quality? A recent study of effective decision-making processes in microcomputer firms—a high-tech, fast-paced industry—revealed the tactics that such companies use.[45] First, instead of relying on old data, long-range planning, and futuristic forecasts, they focus on *real-time information:* current information obtained with little or no time delay. For example, they constantly monitor daily operating measures like work in process rather than checking periodically the traditional accounting-based indicators such as profitability.

Second, they *involve people more effectively and efficiently* in the decision-making process. They rely heavily on trusted experts, and this yields both good advice and the confidence to act quickly despite uncertainty. They also take a *realistic view of conflict:* They value differing opinions, but they know that if disagreements are not resolved, the top executive must make the final choice in the end. Slow-moving firms, in contrast, are stymied by conflict. Like the fast-moving firms they seek consensus, but when disagreements persist, they fail to come to a decision.

Social Realities

Many decisions are made by a group rather than by an individual manager. In slow-moving firms, interpersonal factors decrease decision-making effectiveness. Even the manager acting alone is accountable to the boss and to others and must consider the preferences and reactions of many people. Important managerial decisions are marked by conflict among interested parties. Therefore, many decisions are the result of intensive social interactions, bargaining, and politicking.

The remainder of this chapter focuses on the social context of decisions, including decision making in groups and the realities of decision making in organizations.

Decision Making in Groups

LO 4

Sometimes a manager finds it necessary to convene a group of people for the purpose of making an important decision. Some advise that in today's complex business environment, significant problems should *always* be tackled by groups.[46] As a result, managers must understand how groups operate and how to use them to improve decision making. You will learn much more about how groups work later in the book.

The basic philosophy behind using a group to make decisions is captured by the adage "two heads are better than one." But is this statement really valid? Yes, it is—potentially.

If enough time is available, groups usually make higher-quality decisions than most individuals acting alone. However, groups often are inferior to the *best* individual.[47]

How well the group performs depends on how effectively it capitalizes on the potential advantages and minimizes the potential problems of using a group. Table 3.2 summarizes these issues.

Potential Advantages of Using a Group

If other people have something to contribute, using groups to make a decision offers at least five potential advantages:[48]

1. More *information* is available when several people are making the decision. If one member doesn't have all the facts or the pertinent expertise, another member might.
2. A greater number of *perspectives* on the issues, or different *approaches* to solving the problem, are available. The problem may be new to one group member but familiar to another. Or the group may need to consider other viewpoints—financial, legal, marketing, human resources, and so on—to achieve an optimal solution.
3. Group discussion provides an opportunity for *intellectual stimulation*. It can get people thinking and unleash their creativity to a far greater extent than would be possible with individual decision making.

These three potential advantages of using a group improve the odds that a more fully informed, higher-quality decision will result. Thus, managers should involve people with different backgrounds, perspectives, and access to information. They should not involve only their cronies who think the same way they do.

4. People who participate in a group discussion are more likely to *understand* why the decision was made. They will have heard the relevant arguments both for the chosen alternative and against the rejected alternatives.
5. Group discussion typically leads to a higher level of *commitment* to the decision. Buying into the proposed solution translates into high motivation to ensure that it is executed well.

Using a group may seem to slow down decision making. If one person dominates the discussion, it may feel like you're speeding up the decision making. But one dominant person reduces decision quality, and most of you will have wasted your time.

The last two advantages improve the chances that the decision will be implemented successfully. Therefore, managers should involve the people who will be responsible for implementing the decision as early in the deliberations as possible.

Potential Problems of Using a Group

Things *can* go wrong when groups make decisions. Most of the potential problems concern the process through which group members interact with one another:[49]

1. Sometimes one group member *dominates* the discussion. When this occurs—such as when a strong leader makes his or her preferences clear—the result is

TABLE 3.2
Pros and Cons of Using a Group to Make Decisions

Potential Advantages	Potential Disadvantages
1. Larger pool of information.	1. One person dominates.
2. More perspectives and approaches.	2. Satisficing.
3. Intellectual stimulation.	3. Groupthink.
4. People understand the decision.	4. Goal displacement.
5. People are committed to the decision.	

the same as it would be if the dominant individual made the decision alone. Individual dominance has two disadvantages. First, the dominant person does not necessarily have the most valid opinions—and may even have the most unsound ideas. Second, even if that person's preference leads to a good decision, convening as a group will have been a waste of everyone else's time.

2. *Satisficing* is more likely with groups. Most people don't like meetings and will do what they can to end them. This may include criticizing members who want to continue exploring new and better alternatives. The result is a satisficing rather than an optimizing or maximizing decision.
3. *Pressure to avoid disagreement* can lead to a phenomenon called *groupthink*. **Groupthink** occurs when people choose not to disagree or raise objections because they don't want to break up a positive team spirit. Some groups want to think as one, tolerate no dissension, and strive to remain cordial. Such groups are overconfident, complacent, and perhaps too willing to take risks. Pressure to go along with the group's preferred solution stifles creativity and the other behaviors characteristic of vigilant decision making.
4. *Goal displacement* often occurs in groups. The goal of group members should be to come up with the best possible solution to the problem. But when **goal displacement** occurs, new goals emerge to replace the original ones. It is common for two or more group members to have different opinions and present their conflicting cases. Attempts at rational persuasion become heated disagreement. Winning the argument becomes the new goal. Saving face and defeating the other person's idea become more important than solving the problem.

Effective managers pay close attention to the group process; they manage it carefully. You have just read about the pros and cons of using a group to make decisions, and you are about to read *how* to manage the group's decision-making process. Chapter 12, on leadership, helps you decide *when* to use groups to make decisions.

Keeping focus on the goal is critical for team members, even when there are conflicting viewpoints.

groupthink

A phenomenon that occurs in decision making when group members avoid disagreement as they strive for consensus.

goal displacement

A condition that occurs when a decision-making group loses sight of its original goal and a new, less important goal emerges.

Managing Group Decision Making

LO 5

As Figure 3.3 illustrates, effectively managing group decision making has three requirements: (1) an appropriate leadership style, (2) the constructive use of disagreement and conflict, and (3) the enhancement of creativity.

Leadership Style

The leader of a decision-making body must attempt to minimize process-related problems. The leader should avoid dominating the discussion or allowing another individual to dominate. Less vocal group members should be encouraged to air their opinions and suggestions, and all members should be asked for dissenting viewpoints.

At the same time, the leader should not allow the group to pressure people into conforming. The leader should be alert to the dangers of groupthink and satisficing. Also, she should be attuned to indications that group members are losing sight of the primary objective: to come up with the best possible solution to the problem.

These suggestions have two implications. First, don't lose sight of the problem. Second, make a decision! Slow-moving organizations whose group members can't come to an agreement will be standing still while their competitors move ahead.

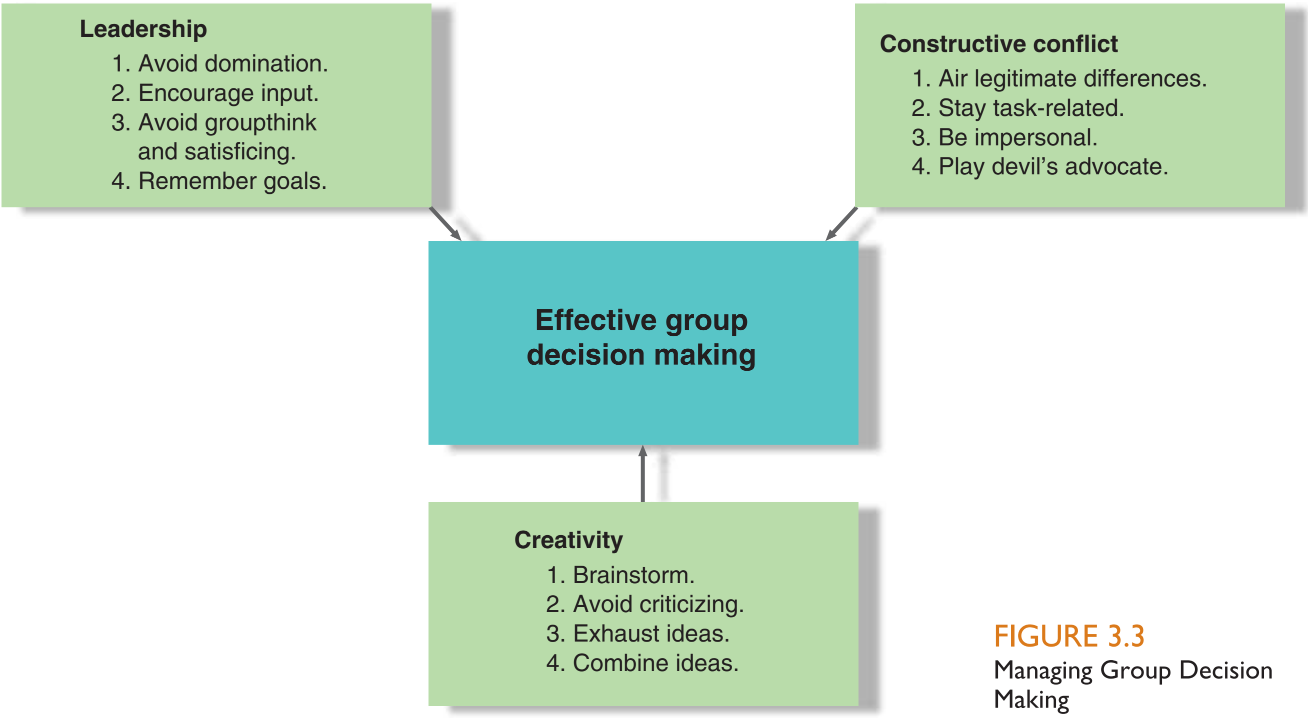


FIGURE 3.3
Managing Group Decision Making

Constructive Conflict

Total and consistent agreement among group members can be destructive. It can lead to groupthink, uncreative solutions, and a waste of the knowledge and diverse viewpoints that individuals bring to the group. Therefore, a certain amount of *constructive* conflict should exist.[50] Some companies, including United Parcel Service, take steps to ensure that conflict and debate are generated within their management teams.[51]

The most constructive type of conflict is **cognitive conflict,** or differences in perspectives or judgments about issues. In contrast, **affective conflict** is emotional and directed at other people. Affective conflict is likely to be destructive to the group because it can lead to anger, bitterness, goal displacement, and lower-quality decisions. Cognitive conflict, in contrast, can air legitimate differences of opinion and develop better ideas and problem solutions. Conflict, then, should be task related rather than personal.[52] But even task-related conflict can hurt performance;[53] disagreement is good only when managed properly.

cognitive conflict
Issue-based differences in perspectives or judgments.

affective conflict
Emotional disagreement directed toward other people.

Conflict can be generated formally through structured processes.[54] Two techniques that purposely program cognitive conflict into the decision-making process are devil's advocacy and the dialectic method.

A **devil's advocate** has the job of criticizing ideas. The group leader can formally assign people to play this role. Requiring people to point out problems can lessen inhibitions about disagreeing and make the conflict less personal and emotional.

devil's advocate
A person who has the job of criticizing ideas to ensure that their downsides are fully explored.

An alternative to devil's advocacy is the dialectic. The **dialectic** goes a step beyond devil's advocacy by requiring a structured debate between two conflicting courses of action.[55] The philosophy of the dialectic stems from Plato and Aristotle, who advocated synthesizing the conflicting views of a thesis and an antithesis. Structured debates between plans and counterplans can be useful prior to making a strategic decision. For example, one team might present the case for acquiring a firm while another team advocates not making the acquisition.

dialectic
A structured debate comparing two conflicting courses of action.

Constructive conflict does not need to be generated on such a formal basis and is not solely the leader's responsibility. Any team member can introduce cognitive conflict by being honest with opinions, by being unafraid to disagree with others, by pushing the group to action if it is taking too long or making the group slow down if necessary, and by advocating long-term considerations if the group is too focused on short-term results. Introducing constructive conflict is a legitimate and necessary responsibility of all group members interested in improving the group's decision-making effectiveness.

Encouraging Creativity

LO 6

As you've already learned, ready-made solutions to a problem can be inadequate or unavailable. In such cases, custom-made solutions are necessary, so the group must be creative in generating ideas.

Some have said we are in the midst of the next great business revolution: the "creative revolution."[56] Said to transcend the agricultural, industrial, and information revolutions, the most fundamental unit of value in the creativity revolution is ideas. Creativity is more than just an option; it is essential to survival. Allowing people to be creative may be one of the manager's most important and challenging responsibilities.

You might be saying to yourself, "I'm not creative." But even if you are not an artist or a musician, you do have potential to be creative in countless other ways. You are being creative if you (1) bring a new thing into being (*creation*); (2) join two previously unrelated things (*synthesis*); or (3) improve something or give it a new application (*modification*). You don't need to be a genius in school either—Thomas Edison and Albert Einstein were not particularly good students. Nor does something need to change the world to be creative; the "little things" can always be done in new, creative ways that add value to the product and the customer.

How do you "get" creative?[57] Recognize the almost infinite "little" opportunities to be creative. Assume you can be creative if you give it a try. Escape from work once in a while. Read widely, and try new experiences. Take a course or find a good book about creative thought processes; plenty are available. And be aware that creativity is social; your creativity will be affected by your social relationships at work, including your connections with other people outside your immediate close network.[58] Talk to people, often, about the issues and ideas with which you are wrestling.

> "I invented nothing new. I simply assembled into a car the discoveries of other men behind whom were centuries of work."
>
> Henry Ford

The bottom line

Innovation

Most creative ideas come, not from the lone genius in the basement laboratory, but from people talking and working together.

How do you "get" creativity out of other people?[59] Give creative efforts the credit they are due, and don't punish creative failures. Avoid extreme time pressure, if possible.[60] Stimulate and challenge people intellectually. Listen to employees' ideas, and allow enough time to explore different ideas. Put together groups of people with different styles of thinking and behaving. Get your people in touch with customers, and let them bounce ideas around. Protect your people from managers who demand immediate payoffs, who don't understand the importance of creative contributions, or who try to take credit for others' successes. And strive to be creative yourself—you'll set a good example.

People are likely to be more creative if they believe they are capable, if they know that their coworkers expect creativity, and if they believe that their employer values creativity.[61] As a manager, you can do much to help employees develop these beliefs by how you listen, what you allow, and what you reward and punish. At a large consumer products company, management signals that it values creativity by inviting managers to post stories on the company's intranet about ideas their employees have suggested and the results of implementation. The company also awards "innovation bonuses" linked to how these innovations have benefited the organization.[62]

At Miron Construction Company, Theresa Lehman fosters creative thinking about sustainability—the effort to minimize the use of resources, especially those that are polluting and nonrenewable. Besides helping clients plan more sustainable buildings, Lehman, the director of sustainability at the Neenah, Wisconsin, building contractor, helps Miron itself operate more sustainably.

Lehman defines the problem—or opportunity—of running a sustainable construction company as one that extends beyond a building's features. Rather, all efforts to reduce waste contribute to sustainability. Says Lehman, "Everyone needs to focus on doing things more effectively and efficiently by reducing resources and eliminating waste." She seeks ideas from all employees and ensures that every idea receives careful consideration. For example, an employee suggested switching from paper paychecks to direct deposit for all employees. Besides saving paper, that change cuts printing and postage expenses. By taking ideas seriously and then communicating the practical benefits, Lehman reinforces the value of sustainability.

Lehman is ready with plenty of examples about the financial soundness of sustainability. For example, as Miron adds to and renovates its own headquarters, it is installing geothermal heating and cooling, which will pay for itself in five years, and it is replacing interior lights with LED bulbs that are expected to save about $12,000 in energy costs over the life of the bulbs. With benefits like these, it's no wonder that Lehman has been able to make sustainability a widely shared value at Miron.[63]

Brainstorming

A common technique used to elicit creative ideas is brainstorming. In **brainstorming,** group members generate as many ideas about a problem as they can. As the ideas are presented, they are posted so that everyone can read them, and people can use the ideas as building blocks. The group is encouraged to say anything that comes to mind, with one exception: No criticism of other people or their ideas is allowed.

Brainstorming is a technique used to generate as many ideas as possible to solve a problem. You have probably engaged in brainstorming sessions for various class or work projects.

In the proper brainstorming environment—free of criticism—people are less inhibited and more likely to voice their unusual, creative, or even wild ideas. By the time people have exhausted their ideas, a long list of alternatives has been generated. Only then does the group turn to the evaluation stage. At that point, many different ideas can be considered, modified, or combined into a creative, custom-made solution to the problem.

Brainstorming isn't necessarily as effective as some people think. Sometimes in a brainstorming session people are inhibited and anxious, they conform to others' ideas, they set low standards, and they engage in noncreative behaviors including cocktail party–type conversations—complimenting one another, repeating ideas, telling stories—that are nice but don't promote creativity. Fortunately, there are techniques that help, including brainwriting (taking time to silently write down ideas), using trained facilitators, setting high performance goals, brainstorming electronically so that people aren't competing for air time, and even building a playground with fun elements that can foster creativity.[64]

brainstorming

A process in which group members generate as many ideas about a problem as they can; criticism is withheld until all ideas have been proposed.

Organizational Decision Making

LO 7

Individuals and groups make decisions constantly, throughout every organization. To understand decision making in organizations, a manager must consider (1) the constraints decision makers face, (2) organizational decision processes, and (3) decision making during a crisis.

The bottom line
Innovation
You may be an innovator if you come up with a creative idea. But you're not yet, until you implement it.

Constraints on Decision Makers

Organizations—or, more accurately, the people who make important decisions—cannot do whatever they wish. They face various constraints—financial, legal, market, human, and organizational—that inhibit certain actions. Capital or product markets may make an expensive new venture impossible. Legal restrictions may constrain the kinds of international business activities in which a firm can participate. Labor unions may defeat a contract proposed by management, and managers and investors may block a takeover attempt. Even brilliant ideas must take into account the practical matters of implementation.[65]

Suppose you have a great idea that will provide a revolutionary service for your bank's customers. You won't be able to put your idea into action immediately. You will have to sell it to the people who can give you the go-ahead and also to those whose help you will need to carry out the project. You might start by convincing your boss of your idea's merit. Next, the two of you may have to hash it out with a vice president. Then maybe the president has to be sold. At each stage, you must listen to these individuals' opinions and suggestions and often incorporate them into your original concept. Ultimately, you will have to derive a proposal acceptable to others.

In addition, ethical and legal considerations must be thought out carefully. Decision makers must consider ethics and the preferences of many constituent groups—the realities of life in organizations. You will have plenty of opportunity to think about ethical issues in Chapter 5.

bounded rationality
A less-than-perfect form of rationality in which decision makers cannot be perfectly rational because decisions are complex and complete information is unavailable or cannot be fully processed.

incremental model
Model of organizational decision making in which major solutions arise through a series of smaller decisions.

coalitional model
Model of organizational decision making in which groups with differing preferences use power and negotiation to influence decisions.

Models of Organizational Decision Processes

Just as with individuals and groups, organizational decision making historically was described with rational models like the one depicted earlier in Figure 3.2. But Nobel laureate Herbert Simon challenged the rational model and proposed an important alternative called *bounded rationality*. According to Simon's **bounded rationality,** decision makers cannot be truly rational because (1) they have imperfect, incomplete information about alternatives and consequences; (2) the problems they face are so complex; (3) human beings simply cannot process all the information to which they are exposed; (4) there is not enough time to process all relevant information fully; and (5) people, including managers within the same firm, have conflicting goals.

When these conditions hold—and they do for most consequential managerial decisions—perfect rationality will give way to more biased, subjective, messier decision processes. For example, the **incremental model** of decision making occurs when decision makers make small decisions, take little steps, move cautiously, and move in piecemeal fashion toward a bigger solution. The classic example is the budget process, which traditionally begins with the budget from the previous period and makes incremental decisions from that starting point.

The **coalitional model** of decision making arises when people disagree on goals or compete with one another for resources. The decision process becomes political, as groups of individuals band together and try collectively to influence the decision. Two or more coalitions form, each representing a different preference, and each tries to use power and negotiations to sway the decision.

Organizational politics, in which people try to influence organizational decisions so that their own interests will be served, can reduce decision-making effectiveness.[66] One of the best ways to reduce such politics, and to make sure that constructive cognitive conflict does not degenerate into affective conflict, is to *create common goals* for members of the team—that is, make the decision-making process a collaborative, rather than a competitive, exercise by establishing a goal around which the group can rally. In one study, top management teams with stated goals like "build the biggest financial war chest" for an upcoming competitive battle, or "create *the* computer firm of the decade," or "build the best damn machine on the market" were less likely to have dysfunctional conflict and politics between members.[67] On a personal level, if you find yourself in a conflict, you and your adversary may be focused on the wrong goals. Work to find common ground in the form of an important goal that you both want to achieve.

The **garbage can model** of decision making occurs when people aren't sure of their goals, or disagree about the goals, and likewise are unsure of or in disagreement about what to do. This situation occurs because some problems are so complex that they are not well understood and also because decision makers move in and out of the decision process because they have so many other things to attend to as well. This model implies that some decisions are chaotic and almost random. You can see that this is a dramatic departure from rationality in decision making.

garbage can model

Model of organizational decision making depicting a chaotic process and seemingly random decisions.

Decision Making in a Crisis

LO 8

In crises, managers must make decisions under a great deal of pressure.[68] You may know some of the most famous recent crises: the explosion of BP's oil refinery in Texas, the devastation of hurricanes along the Gulf Coast, the sickening of people by tainted peanuts, and the recent economic crisis discussed in the "From the Pages of *BusinessWeek*" feature.

Managing Through a Crisis: The New Rules

FROM THE PAGES OF **BusinessWeek**

In times of turmoil, opportunities abound. All managers must do is keep their companies afloat, their eyes peeled for openings, and their bearings—as the old rules wash away. What do Carnegie Steel and Hewlett-Packard (*HPQ*) have in common? Both were born at a time when people thought the world was falling apart. Andrew Carnegie launched his first steel mill during the Panic of 1873, the start of a long depression. He took advantage of low costs to build an industrial giant that made him the world's richest man. Bill Hewlett and Dave Packard showed similar courage when they launched HP from a Palo Alto (Calif.) garage toward the end of the Great Depression.

History has shown that crisis breeds opportunity. Business leaders may have to cut costs to survive 2009, but the smart ones are also out there looking for prospects. They are willing to take the type of bold move that IBM (*IBM*) made during the recessionary days of 1981 when CEO John R. Opel aggressively rolled out the company's landmark personal computer just as PC demand soared. Even in the current downturn, there are companies like AT&T (T), which recently announced plans to buy two companies for a total of $1.2 billion. "A recession creates winners and losers just like a boom," observes Mauro F. Guillen, a professor of international management at the University of Pennsylvania's Wharton School.

Managers are now dealing with everything from shattered consumer confidence to tighter credit, not to mention the likelihood of a tougher regulatory environment. Decisions that made sense two years ago may prove disastrous in this climate—from giving outsize rewards to those who take big risks to borrowing heavily just because interest rates are low. Years of excessive borrowing have taken a toll: An unprecedented two-thirds of nonfinancial American companies covered by Standard & Poor's have speculative-grade, or junk-rated, debt. (S&P, like *BusinessWeek,* is a unit of The McGraw-Hill Companies (*MHP*).) On the whole, U.S. businesses face a $238 billion wave of debt maturities that will come due by the end of 2009.

http://www.businessweek.com/magazine/content/09_03/b4116030884620.htm

SOURCE: E. Thornton, "Managing through a Crisis: The New Rules," *BusinessWeek,* January 19, 2009, p. 30.

TABLE 3.3
Two Disasters

Union Carbide	Johnson & Johnson
Failed to identify as a crisis the public perception that the company was a negligent, uncaring killer.	Identified the crisis of public perception that Tylenol was unsafe and J&J was not in control.
No planning before reacting: CEO immediately went to India to inspect damage. All executives involved.	Planned before reacting: CEO picked one executive to head crisis team. Rest of company involved only on a need-to-know basis.
Set no goals.	Set goals to: Stop the killings. Find reasons for the killings. Provide assistance to the victims. Restore Tylenol's credibility.
Action: Damage control/stonewalling. Distanced itself. Misrepresented safety conditions. Did not inform spokespeople. Adopted bunker mentality.	Action: Gave complete information. Worked with authorities. Pulled Tylenol from shelves (first-year cost: $150 million). Used strong marketing program. Reissued Tylenol with tamper-proof packaging.
Chronic problems continued: Public confidence low. Costly litigation. No formal crisis plan resulted.	Crisis resolved: Public confidence high. Sales high again. Well-documented crisis management plan.

In two famous cases from the past, Union Carbide's gas leak in Bhopal, India, killed thousands of people, and several people were killed in the cyanide poisonings using Johnson & Johnson's Tylenol. As outlined in Table 3.3, Union Carbide and J&J handled their crises in very different ways. Today, J&J is still known for its effective handling of the crisis, as outlined in the table.

Information technology is a new arena for a crisis. Businesses, homes, government agencies, hospitals, and other organizations send critical information through the Internet and private networks around the clock, and any technical failure—sometimes accidental, sometimes maliciously intentional— could be magnified by the speed and widespread use of information technology. One vulnerable area is the electrical grid, which links utilities and carries power to each user. Information technology systems allow utility employees to control the grid remotely. Recently, information came to light that hackers have gained access to the U.S. electrical grid, leaving behind computer programs that theoretically would permit them to interfere with the grid's operations.[69] Such programs can be purged, but the biggest challenge is preventing or catching each attempt to gain unauthorized access to the system.

The response to IT-related crises must involve senior-level executives in online communication, both to protect the firm's reputation and to communicate with outside experts, news sources, and key external and internal stakeholders. Managers can use IT to monitor and respond immediately to problems including scandals, boycotts, rumors, cyber attacks, and other crises.[70]

Although many companies don't concern themselves with crisis management, it is imperative that it be on management's agenda. An effective plan for crisis management (CM) should include the following elements.[71]

1. *Strategic actions* such as integrating CM into strategic planning and official policies.
2. *Technical and structural actions* such as creating a CM team and dedicating a budget to CM.
3. *Evaluation and diagnostic actions* such as conducting audits of threats and liabilities, and establishing tracking systems for early warning signals.
4. *Communication actions* such as providing training for dealing with the media, local communities, and police and government officials.
5. *Psychological and cultural actions* such as showing a strong top management commitment to CM and providing training and psychological support services regarding the human and emotional impacts of crises.

Ultimately, management should be able to answer the following questions:[72]

What kinds of crises could your company face?
Can your company detect a crisis in its early stages?
How will it manage a crisis if one occurs?
How can it benefit from a crisis after it has passed?

The last question makes an important point: A crisis, managed effectively, can have *benefits*. For example, Hurricanes Katrina and Rita devastated businesses along the Gulf Coast, but some managers were able to respond effectively. Michael de la Houssaye, who with his father runs the C&D Agency, which serves the electricity distribution industry, set up a new office and as soon as possible began communicating with clients via e-mail. As you can imagine, demand for generators and other equipment was enormous in the months following the storm. De la Houssaye took advantage of the demand to shift the focus to selling generators, rather than meeting with clients to discuss new products. More important, perhaps, the agency switched from paper documents to electronic order processing and communications, which yielded greater efficiency. "We're operating here better than I think we were before the hurricane," de la Houssaye concluded.[73]

An aerial infrared image of a wildfire area is displayed in the background as California Governor Arnold Schwarzenegger, state fire officials, and NASA employees team up to address the wildfire crisis. This crisis management team met to discuss the important role of NASA's remotely piloted aircraft, named Ikhana. The unmanned aircraft carrying a NASA infrared scanning sensor flew over much of the state gathering information that was delivered to fire commanders in the field, helping them to understand the terrain and behavior of the state's most dangerous fires.

Thus, with effective crisis management, old as well as new problems can be resolved, new strategies and competitive advantages may appear, and positive change can emerge. And if someone steps in and manages the crisis well, a hero is born. The view that Xerox was floundering, perhaps even near bankruptcy, is one reason that observers are so impressed with Anne Mulcahy's decisions, which turned the company around, as described in the "Management Close-Up: Assessing Outcomes and Seizing Opportunities" feature.

As a leader during a crisis, don't pretend that nothing happened (as did managers at one firm after a visitor died in the hallway despite employees' efforts to save him).[74] Communicate and reinforce the organization's values. Try to find ways for people to support one another, and remember that people will take cues from your behavior. You should be optimistic but brutally honest. Show emotion, but not fear. "You have to be cooler than cool," says Gene Krantz of Apollo 13 ground control fame. But don't ignore the problems or downplay them and reassure too much; don't create false hopes. Give people the bad news straight—you'll gain credibility, and when the good news comes, it will really mean something.

Management Close-Up

ASSESSING OUTCOMES AND SEIZING OPPORTUNITIES

As CEO of a floundering company, Anne Mulcahy had to make hard choices. She closed divisions, eliminated 34,000 jobs, and trimmed billions in expenses. Mulcahy believes companies in crisis need leaders to make speedy decisions, and she claims that "speed trumps perfection." Inaction, when action is needed, she says, is often worse than doing the wrong thing.

With her team, Mulcahy restored Xerox to profitability. The company paid its debts. Revenues are rising, and the company recently hit $1 billion in net profit. In addition, the stock dividend has been restored.

Mulcahy's turnaround strategy emphasized communication and teamwork, and the belief that Xerox would survive only if it made a long-term commitment to innovation. Under Mulcahy, Xerox has stepped up research and development funding, investing nearly $1 billion a year and filling the pipeline with new technologies. Since 2005, the company has introduced 100 new products. Reflecting the spirit of a revived Xerox, the company redesigned its decades-old logo with a lively new one. The logo is a physical symbol of the company's rebirth.

Today, Xerox is moving to an all-color world, where users can print customized work on demand. It is also making strides in digital technologies, helping customers put their records on digital files. Xerox also wants customers to print less. Erasable paper, invented by Xerox, allows users to program what's printed on the sheet to disappear within 24 hours, enabling repeated reuse and eliminating waste.

Anne Mulcahy's brand of tough love seems to have worked. Recently ranked number 10 on *Forbes*'s list of the 100 most powerful women and named CEO of the Year by *CEO Magazine,* she masterminded the plan that pulled Xerox back from the brink.[75]

- Instead of declaring bankruptcy, Mulcahy met with key leaders, employees, and customers to enlist their help in turning the company around. What are the potential advantages and disadvantages to making such group decisions?
- Mulcahy could have focused solely on cost cutting and increasing profits for existing products. How does her decision to invest in research and development demonstrate leadership and creativity in decision making?

KEY TERMS

Affective conflict, p. 101
Bounded rationality, p. 104
Brainstorming, p. 103
Certainty, p. 87
Coalitional model, p. 104
Cognitive conflict, p. 101
Conflict, p. 88
Contingency plans, p. 92
Custom-made solutions, p. 90
Devil's advocate, p. 101
Dialectic, p. 101
Discounting the future, p. 97
Framing effects, p. 97
Garbage can model, p. 105
Goal displacement, p. 100
Groupthink, p. 100
Illusion of control, p. 97
Incremental model, p. 104
Maximizing, p. 92
Nonprogrammed decisions, p. 87
Optimizing, p. 94
Programmed decisions, p. 87
Ready-made solutions, p. 90
Risk, p. 88
Satisficing, p. 93
Uncertainty, p. 87
Vigilance, p. 95

SUMMARY OF LEARNING OBJECTIVES

Now that you have studied Chapter 3, you should be able to:

LO 1 Describe the kinds of decisions you will face as a manager.

Most important managerial decisions are ill structured and characterized by uncertainty, risk, and conflict. Yet managers are expected to make rational decisions in the face of these challenges.

LO 2 Summarize the steps in making "rational" decisions.

The ideal decision-making process involves six stages. The first, identifying and diagnosing the problem (or opportunity), requires recognizing a discrepancy between the current state and a desired state and then delving below surface symptoms to uncover the underlying causes of the problem. The second stage, generating alternative solutions, requires adopting ready-made or designing custom-made solutions. The third, evaluating alternatives, means predicting the consequences of different alternatives, sometimes through building scenarios of the future. Fourth, a solution is chosen; the solution might maximize, satisfice, or optimize. Fifth, people implement the decision; this stage requires more careful planning than it often receives. Finally, managers should evaluate how well the decision is working. This means gathering objective, valid information about the impact the decision is having. If the evidence suggests the problem is not getting solved, either a better decision or a better implementation plan must be developed.

LO 3 Recognize the pitfalls you should avoid when making decisions.

Situational and human limitations lead most decision makers to satisfice rather than maximize. Psychological biases, time pressures, and the social realities of organizational life may prevent rational execution of the six decision-making stages. But vigilance and an understanding of how to manage decision-making groups and organizational constraints will improve the process and result in better decisions.

LO 4 Evaluate the pros and cons of using a group to make decisions.

Advantages of using groups include more information, perspectives, and approaches brought to bear on problem solving; intellectual stimulation; greater understanding by all of the final decision; and higher commitment to the decision once it is made. Potential dangers or disadvantages of using groups include individual domination of discussions, satisficing, groupthink, and goal displacement.

LO 5 Identify procedures to use in leading a decision-making group.

Effective leaders in decision-making teams avoid dominating the discussion; encourage people's input; avoid groupthink and satisficing; and stay focused on the group's goals. They encourage constructive conflict via devil's advocacy and the dialectic, posing opposite sides of an issue or solutions to a problem. They also encourage creativity through a variety of techniques.

LO 6 Explain how to encourage creative decisions.

When creative ideas are needed, leaders should set a good example by being creative themselves. They should recognize the almost infinite "little" opportunities for creativity and have confidence in their own creative abilities. They can inspire creativity in others by pushing for creative freedom, rewarding creativity, and not punishing creative failures. They should encourage interaction with customers, stimulate discussion, and protect people from managers who might squelch the creative process. Brainstorming is one of the most popular techniques for generating creative ideas.

LO 7 Discuss the processes by which decisions are made in organizations.

Decision making in organizations is often a highly complex process. Individuals and groups are constrained by a variety of factors and constituencies. In practice, decision makers are boundedly rational rather than purely rational. Some decisions are made on an incremental basis. Coalitions form to represent different preferences. The process is often chaotic, as depicted in the garbage can model. Politics can also enter the process, decisions are negotiated, and crises come and go.

LO 8 Describe how to make decisions in a crisis.

Crisis conditions make sound, effective decision making more difficult. However, it is possible for crises to be managed well. A strategy for crisis management can be developed beforehand, and the mechanisms readied, so that if crises do arise, decision makers are prepared.

DISCUSSION QUESTIONS

1. Discuss Xerox Corporation in terms of risk, uncertainty, and how its managers handled the company's problems. What is the current news on this company?
2. Identify some risky decisions you have made. Why did you take the risks? How did they work out? Looking back, what did you learn?
3. Identify a decision you made that had important unexpected consequences. Were the consequences good, bad, or both? Should you, and could you, have done anything differently in making the decision?
4. What effects does time pressure have on your decision making? In what ways do you handle it well and not so well?
5. Recall a recent decision that you had difficulty making. Describe it in terms of the characteristics of managerial decisions.
6. What do you think are some advantages and disadvantages to using computer technology in decision making?
7. Do you think that when managers make decisions they follow the decision-making steps as presented in this chapter? Which steps are apt to be overlooked or given inadequate attention? What can people do to make sure they do a more thorough job?
8. Discuss the potential advantages and disadvantages of using a group to make decisions. Give examples from your experience.
9. Suppose you are the CEO of a major corporation and one of your company's oil tanks has ruptured, spilling thousands of gallons of oil into a river that empties into the ocean. What do you need to do to handle the crisis?
10. Identify some problems you want to solve. Brainstorm with others a variety of creative solutions.

CONCLUDING CASE

The Wallingford Bowling Center

A group of 12 lifelong friends put together $1,200,000 of their own funds and built a $6,000,000, 48-lane bowling alley, near Norfolk, Virginia. Two of the investors became employees of the corporation. Ned Flanders works full-time as General Manager, and James Ahmad, a licensed CPA, serves as Controller on a part-time basis.

The beautiful, modern-day facility features a multilevel spacious interior with three rows of 16 lanes on two separate levels of the building, a full-service bar, a small restaurant, a game room (pool, videogames, pinball), and two locker rooms. The facility sits on a spacious lot with plenty of parking and room to grow.

The bowling center is located in the small blue-collar town of Wallingford. There is no direct competition within the town. The surrounding communities include a wide-ranging mix of ethnic groups, professionals, middle- to upper-middle-class private homes, and apartment and condominium complexes ranging from singles to young married couples to senior citizen retirement units. Nearly 200,000 people live within 15 miles of Wallingford.

The bowling center is open 24 hours per day and has a staff of 27 part- and full-time employees. After four years of operation, the partners find themselves frustrated with the low profit performance of the business. While sales are covering expenses, the partners are not happy with the end-of-year profit-sharing pool. The most recent income statement follows:

Sales	$1,844,000
CGS	315,000
GM	1,529,000
Operating expenses	1,466,000
Mortgage	460,000
Depreciation	95,000
Utilities	188,000
Maintenance	70,000
Payroll	490,000
Supplies	27,000
Insurance	136,000
Taxable income	63,000
Taxes	19,000
Net income	$ 44,000

The bowling center operates at 100 percent capacity on Sunday through Thursday nights from 6:00 p.m. until midnight. Two sets of men's leagues come and go on each of those nights, occupying each lane with mostly five-person teams. Bowlers from each league consistently spend money at both the bar and restaurant. In fact, the men's leagues combine to generate about 60 percent of total current sales.

The bowling center operates at about 50 percent capacity on Friday and Saturday nights and on Saturday morning. The Friday and Saturday "open bowling" nights include mostly teenagers, young couples, and league members who come to practice in groups of two or three. The Saturday morning group is a kids' league, ages 10 through 14.

There are four ladies leagues that bowl on Monday and Wednesday afternoons.

Business is extremely slow at the bowling center on Monday through Friday and Sunday mornings, and on the afternoons of Tuesday, Thursday, Friday, Saturday, and Sunday. It is not uncommon to have just three or four lanes in operation during those time periods.

The owners have taken a close look at the cost side of their business as a way to improve profitability. They concluded that while the total operating expense of $1,466,000 might appear to be high, there was in fact little room for expense cutting.

At a recent meeting of the partners, James Ahmad reported on the results of his three-month-long investigation into the operating cost side of other bowling alleys and discovered that the Wallingford Bowling Center was very much in keeping with their industry. James went on to report that bowling alleys were considered to be "heavy fixed cost operations" and that the key to success and profitability lies in maximizing capacity and sales dollars.

QUESTIONS

1. Apply the decision-making process described in the chapter to this case. What is the major problem facing Wallingford? List five specific alternative solutions that could be implemented to solve that major problem.
2. As general manager of this company, how could you utilize and manage the group decision-making process and technique to improve company profits? Which employees would you include in the group?

EXPERIENTIAL EXERCISES

3.1 Competitive Escalation: The Dollar Auction

OBJECTIVE

To explore the effects of competition on decision making.

INSTRUCTIONS

Step 1: *5 Minutes.* The instructor will play the role of auctioneer. In this auction, the instructor will auction off $1 bills (the instructor will inform you whether this money is real or imaginary). All members of the class may participate in the auction at the same time.

The rules for this auction are slightly different from those of a normal auction. In this version, *both the highest bidder and the next highest bidder will play their last bids* even though the dollar is awarded only to the highest bidder. For example, if Bidder A bids 15 cents for the dollar and Bidder B bids 10 cents, and there is no further bidding, then A pays 15 cents for the dollar and receives the dollar, while B pays 10 cents and receives nothing. The auctioneer will lose 75 cents on the dollar just sold.

Bids must be made in multiples of 5 cents. The dollar will be sold when there is no further bidding. If two individuals bid the same amount at the same time, ties are resolved in favor of the bidder located physically closest to the auctioneer. *During each round, there is to be no talking except for making bids.*

Step 2: *15 Minutes.* The instructor (auctioneer) will auction off five individual dollars to the class. Any student may bid in an effort to win the dollar. A record sheet of the bidding and winners can be kept in the worksheet that follows.

DISCUSSION QUESTIONS

1. Who made the most money in this exercise—one of the bidders or the auctioneer? Why?
2. As the auction proceeded, did bidders become more competitive or more cooperative? Why?
3. Did two bidders ever pay more for the money being auctioned than the value of the money itself? Explain how and why this happened.
4. Did you become involved in the bidding? Why?
   a. If you became involved, what were your motivations? Did you accomplish your objectives?
   b. If not, why didn't you become involved? What did you think were the goals and objectives of those who did become involved?
5. Did people say things to one another during the bidding to influence their actions? What was said, and how was it influential?

Dollar Auction Worksheet

	Amount paid by winning bidder	Amount paid by second bidder	Total paid for this dollar
First dollar			
Second dollar			
Third dollar			
Fourth dollar			
Fifth dollar			

SOURCE: Excerpted from R. Lewicki, *Experiences in Management and Organizational Behavior,* 3rd ed.

3.2 Group Problem-Solving Meeting at the Community Agency

OBJECTIVE

To understand the interactions in group decision making through role playing a meeting between a chairman and his subordinates.

INSTRUCTIONS

1. Gather role sheets for each character and instructions for observers.
2. Set up a table in front of the room with five chairs around it arranged in such a way that participants can talk comfortably and have their faces visible to observers.
3. Read the introduction and cast of characters.
4. Five members from the class are selected to role play the five characters. All other members act as observers. The participants study the roles. All should play their roles without referring to the role sheets.
5. The observers read the instructions for observers.
6. When everyone is ready, John Cabot enters his office, joins the others at the table, and the scene begins. Allow 20 minutes to complete the meeting. The meeting is carried to the point of completion unless an argument develops and no progress is evident after 10 or 15 minutes of conflict.

DISCUSSION QUESTIONS

1. Describe the group's behavior. What did each member say? Do?
2. Evaluate the effectiveness of the group's decision making.
3. Did any problems exist in leadership, power, motivation, communication, or perception?
4. How could the group's effectiveness be increased?

INTRODUCTION

The Community Agency is a role-play exercise of a meeting between the chairman of the board of a social service agency and four of his subordinates. Each character's role is designed to recreate the reality of a business meeting. Each character comes to the meeting with a unique perspective on a major problem facing the agency as well as some personal impressions of the other characters developed over several years of business and social associations.

CAST OF CHARACTERS

John Cabot, the Chairman, was the principal force behind the formation of the Community Agency, a multiservice agency. The agency employs 50 people, and during its 19 years of operations has enjoyed better client relations, a better service record, and a better reputation than other local agencies because of a reputation for high-quality service at a moderate cost to funding agencies. Recently, however, competitors have begun to overtake the Community Agency, resulting in declining contracts. John Cabot is expending every possible effort to keep his agency comfortably at the top.

Ron Smith, Director of the agency, reports directly to Cabot. He has held this position since he helped Cabot establish the agency 19 years ago.

Joan Sweet, Head of Client Services, reports to Smith. She has been with the agency 12 years, having worked before that for the government as a contracting officer.

Tom Lynch, Head Community Liaison, reports to Joan Sweet. He came to the Community Agency at Sweet's request, having worked with Sweet previously.

Jane Cox, Head Case Worker, also works for Joan Sweet. Cox was promoted to this position two years ago. Prior to that time, Jane had gone through a year's training program after receiving an MSW from a large urban university.

TODAY'S MEETING

John Cabot has called the meeting with these four managers to solve some problems that have developed in meeting service schedules and contract requirements. Cabot must catch a plane to Washington in half an hour; he has an appointment to negotiate a key contract that means a great deal to the future of the Community Agency. He has only 20 minutes to meet with his managers and still catch the plane. Cabot feels that getting the Washington contract is absolutely crucial to the future of the agency.

SOURCE: Judith R. Gordon, *A Diagnostic Approach to Organizational Behavior.*

PART 1 SUPPORTING CASE

SSS Software In-Basket Exercise

One way to assess your own strengths and weaknesses in management skills is to engage in an actual managerial work experience. The following exercise gives you a realistic glimpse of the tasks faced regularly by practicing managers. Complete the exercise, and then compare your own decisions and actions with those of classmates.

SSS Software designs and develops customized software for businesses. It also integrates this software with the customer's existing systems and provides system maintenance. SSS Software has customers in the following industries: airlines, automotive, finance/banking, health/hospital, consumer products, electronics, and government. The company has also begun to generate important international clients. These include the European Airbus consortium and a consortium of banks and financial firms based in Kenya.

SSS Software has grown rapidly since its inception just over a decade ago. Its revenue, net income, and earnings per share have all been above the industry average for the past several years. However, competition in this technologically sophisticated field has grown very rapidly. Recently, it has become more difficult to compete for major contracts. Moreover, although SSS Software's revenue and net income continue to grow, the rate of growth declined during the last fiscal year.

SSS Software's 250 employees are divided into several operating divisions with employees at four levels: nonmanagement, technical/professional, managerial, and executive. Nonmanagement employees take care of the clerical and facilities support functions. The technical/professional staff perform the core technical work for the firm. Most managerial employees are group managers who supervise a team of technical/professional employees working on a project for a particular customer. Staff who work in specialized areas such as finance, accounting, human resources, nursing, and law are also considered managerial employees. The executive level includes the 12 highest-ranking employees at SSS Software. There is an organization chart in Figure A that illustrates SSS Software's structure. There is also an Employee Classification Report that lists the number of employees at each level of the organization.

In this exercise, you will play the role of Chris Perillo, Vice President of Operations for Health and Financial Services. You learned last Wednesday, October 13, that your predecessor, Michael Grant, has resigned and gone to Universal Business Solutions, Inc. You were offered his former job, and you accepted it. Previously, you were the Group Manager for a team of 15 software developers assigned to work on the Airbus consortium project in the Airline Services Division. You spent all of Thursday and Friday and most of the weekend finishing up parts of the project, briefing your successor, and preparing for an interim report you will deliver in Paris on October 21.

It is now 7 a.m. Monday, and you are in your new office. You have arrived at work early so you can spend the next two hours reviewing material in your in-basket (including some memos and messages to Michael Grant), as well as your voice mail and e-mail. Your daily planning book indicates that you have no

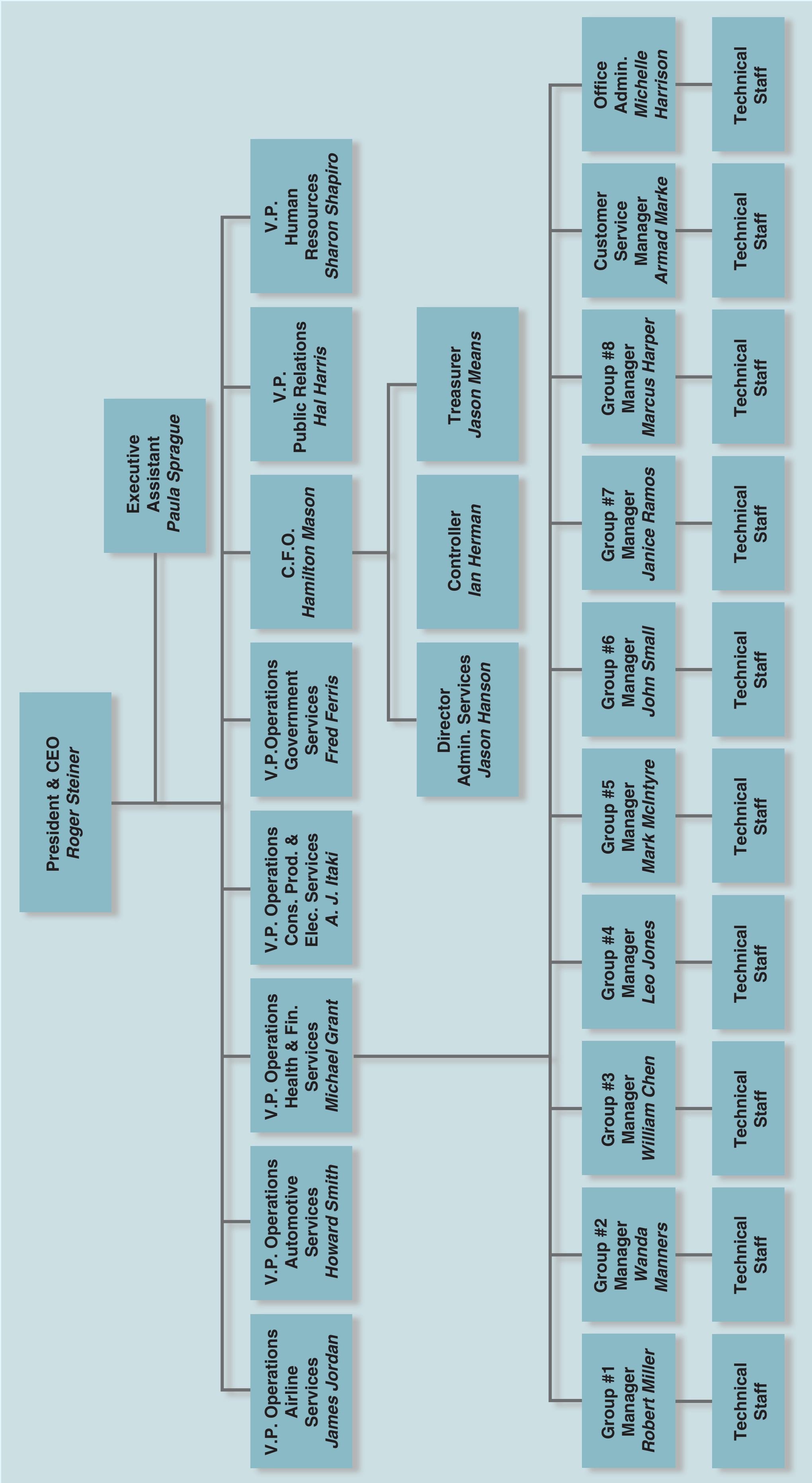


FIGURE A
Partial Organization Chart of the Health and Financial Services Division

appointments today or tomorrow but will have to catch a plane for Paris early Wednesday morning. You have a full schedule for the remainder of the week and all of next week.

ASSIGNMENT

During the next two hours, review all the material in your in-basket, as well as your voice mail and e-mail. Take only two hours. Using the following response form as a model, indicate how you want to respond to each item (that is, via letter/memo, e-mail, phone/voice mail, or personal meeting). If you decide not to respond to an item, check "no response" on the response form. All of your responses must be written on the response forms. Write your precise, detailed response (do not merely jot down a few notes). For example, you might draft a memo or write out a message that you will deliver via phone/voice mail. You may also decide to meet with an individual (or individuals) during the limited time available on your calendar today or tomorrow. If so, prepare an agenda for a personal meeting and list your goals for the meeting. As you read through the items, you may occasionally observe some information that you think is relevant and want to remember (or attend to in the future) but that you decide not to include in any of your responses to employees. Write down such information on a sheet of paper titled "note to self."

Source: D. Whetten and K. Cameron, *Developing Management Skills,* 3rd ed. (New York: Harper Collins, 1995).

SAMPLE RESPONSE FORM

Relates To:

Memo # _____________ E-mail # _____________ Voice mail # _____________

Response form:

_____________ Letter/Memo _____________ Meet with person (when, where)

_____________ E-mail _____________ Note to self

_____________ Phone call/Voice mail _____________ No response

ITEM 1 MEMO

TO: All Employees

FROM: Roger Steiner, Chief Executive Officer

DATE: October 15

I am pleased to announce that Chris Perillo has been appointed as Vice President of Operations for Health and Financial Services. Chris will immediately assume responsibility for all operations previously managed by Michael Grant. Chris will have end-to-end responsibility for the design, development, integration, and maintenance of custom software for the health and finance/banking industries. This responsibility includes all technical, financial, and staffing issues. Chris will also manage our program of software support and integration for the recently announced merger of three large health maintenance organizations (HMOs). Chris will be responsible for our recently announced project with a consortium of banks and financial firms operating in Kenya. This project represents an exciting opportunity for us, and Chris's background seems ideally suited to the task.

Chris comes to this position with an undergraduate degree in Computer Science from the California Institute of Technology and an M.B.A. from the University of Virginia. Chris began as a member of our technical/professional staff six years ago and has most recently served for three years as a Group Manager supporting domestic and international projects for our airlines industry group, including our recent work for the European Airbus consortium.

I am sure you all join me in offering congratulations to Chris for this promotion.

ITEM 2 MEMO

TO: All Managers

FROM: Hal Harris, Vice President, Community and Public Relations

DATE: October 15

For your information, the following article appeared on the front page of the business section of Thursday's *Los Angeles Times.*

In a move that may create problems for SSS Software, Michael Grant and Janice Ramos have left SSS Software and moved to Universal Business Solutions Inc. Industry analysts see the move as another victory for Universal Business Solutions Inc. in their battle with SSS Software for share of the growing software development and integration business. Both Grant and Ramos had been with SSS Software for over 7 years. Grant was most recently Vice President of Operations for all SSS Software's work in two industries: health and hospitals, and finance and banking. Ramos brings to Universal Business Solutions Inc. her special expertise in the growing area of international software development and integration.

Hillary Collins, an industry analyst with Merrill Lynch, said "the loss of key staff to a competitor can often create serious problems for a firm such as SSS Software. Grant and Ramos have an insider's understanding of SSS Software's strategic and technical limitations. It will be interesting to see if they can exploit this knowledge to the advantage of Universal Business Solutions Inc."

ITEM 3 MEMO

TO: Chris Perillo

FROM: Paula Sprague, Executive Assistance to Roger Steiner

DATE: October 15

Chris, I know that in your former position as a Group Manager in the Airline Services Division, you probably have met most of the group managers in the Health and Financial Services Division, but I thought you might like some more personal information about them. These people will be your direct reports on the management team.

Group #1: Bob Miller, 55-year-old white male, married (Anne) with two children and three grandchildren. Active in local Republican politics. Well regarded as a "hands-off" manager heading a high-performing team. Plays golf regularly with Mark McIntyre, John Small, and a couple of V.P.s from other divisions.

Group #2: Wanda Manners, 38-year-old white female, single with one school-age child. A fitness "nut," has run in several marathons. Some experience in Germany and Japan. Considered a hard-driving manager with a constant focus on the task at hand. Will be the first person to show up every morning.

Group #3: William Chen, 31-year-old male of Chinese descent, married (Harriet), two young children from his first marriage. Enjoys tennis and is quite good at it. A rising star in the company, he is highly respected by his peers as a "man of action" and a good friend.

Group #4: Leo Jones, 36-year-old white male, married (Janet), with an infant daughter. Recently returned from paternity leave. Has traveled extensively on projects, since he speaks three languages. Has liked hockey ever since the time he spent in Montreal. Considered a strong manager who gets the most out of his people.

Group #5: Mark McIntyre, 45-year-old white male, married (Mary Theresa) to an executive in the banking industry. No children. A lot of experience in Germany and Eastern Europe. Has been writing a mystery novel. Has always been a good "team player," but several members of his technical staff are not well respected and he hasn't addressed the problem.

Group #6: John Small, 38-year-old white male, recently divorced. Three children living with his wife. A gregarious individual who likes sports. He spent a lot of time in Mexico and Central America before he came to SSS Software. Recently has been doing mostly contract work with the federal government. An average manager, has had some trouble keeping his people on schedule.

Group #7: This position vacant since Janice Ramos left. Roger thinks we ought to fill this position quickly. Get in touch with me if you want information on any in-house candidates for any position.

Group #8: Marcus Harper, 42-year-old black male, married (Tamara) with two teenage children. Recently won an award in a local photography contest. Considered a strong manager who gets along with peers and works long hours.

Customer Services: Armand Marke, 38-year-old Armenian male, divorced. A basketball fan. Originally from Armenia. Previously a Group Manager. Worked hard to establish the Technical Services Phone Line, but now has pretty much left it alone.

Office Administrator: Michelle Harrison, 41-year-old white female, single. Grew up on a ranch and still rides horses whenever she can. A strict administrator.

There are a number of good folks here, but they don't function well as a management team. I think Michael played favorites, especially with Janice and Leo. There are a few cliques in this group and I'm not sure how effectively Michael dealt with them. I expect you will find it a challenge to build a cohesive team.

ITEM 4 MEMO

TO: Chris Perillo

FROM: Wanda Manners, Group 2 Manager

DATE: October 15

CONFIDENTIAL AND RESTRICTED

Although I know you are new to your job, I feel it is important that I let you know about some information I just obtained concerning the development work we recently completed for First National Investment. Our project involved the development of asset management software for managing their international funds. This was a very complex project due to the volatile exchange rates and the forecasting tools we needed to develop.

As part of this project, we had to integrate the software and reports with all their existing systems and reporting mechanisms. To do this we were given access to all of their existing software (much of which was developed by Universal Business Solutions Inc.). Of course, we signed an agreement acknowledging that the software to which we were given access was proprietary and that our access was solely for the purpose of our system integration work associated with the project.

Unfortunately, I have learned that some parts of the software we developed actually "borrow" heavily from complex application programs developed for First National Investment by Universal Business Solutions Inc. It seems obvious to me that one or more of the software developers from Group 5 (that is, Mark McIntyre's group) inappropriately "borrowed" algorithms developed by Universal Business Solutions Inc. I am sure that doing so saved us significant development time on some aspects of the project. It seems very unlikely that First National Investment or Universal Business Solutions Inc. will ever become aware of this issue.

Finally, First National Investment is successfully using the software we developed and is thrilled with the work we did. We brought the project in on time and under budget. You probably know that they have invited us to bid on several other substantial projects.

I'm sorry to bring this delicate matter to your attention, but I thought you should know about it.

ITEM 5A MEMO

TO: Chris Perillo

FROM: Paula Sprague, Executive Assistant to Roger Steiner

DATE: October 15

RE: Letter from C.A.R.E. Services (copies attached)

Roger asked me to work on this C.A.R.E. project and obviously wants some fast action. A lot of the staff are already booked solid for the next couple of weeks. I knew that Elise Soto and Chu Hung Woo have the expertise to do this system, and when I checked with them, they were relatively free. I had them pencil in the next two weeks and wanted to let you know. Hopefully, it will take a "hot potato" out of your hands.

ITEM 5B COPY OF FAX

C.A.R.E.
Child and Adolescent Rehabilitative and Educational Services
A United Way Member Agency
200 Main Street
Los Angeles, California 90230

DATE: October 11

Mr. Roger Steiner, CEO
SSS Software
13 Miller Way
Los Angeles, California 90224

Dear Roger,

This letter is a follow-up to our conversation after last night's board meeting. I appreciated your comments during the board meeting about the need for sophisticated computer systems in nonprofit organizations and I especially appreciate your generous offer of assistance to have SSS Software provide assistance to deal with the immediate problem with our accounting system. Since the board voted to fire the computer consultant, I am very worried about getting our reports done in time to meet the state funding cycle.

Thanks again for your offer of help during this crisis.

Sincerely yours,

Janice Polocizwic
Janice Polocizwic
Executive Director

ITEM 5C COPY OF LETTER

SSS SOFTWARE
13 Miller Way
Los Angeles, CA 90224
213-635-2000

DATE: October 12

Janice Polocizwic
Executive Director, C.A.R.E. Services
200 Main Street
Los Angeles, California 90230

Dear Janice,

I received your fax of October 11. I have asked Paula Sprague, my executive assistant, to line up people to work on your accounting system as soon as possible. You can expect to hear from her shortly.

Sincerely,
Roger Steiner
Roger Steiner

cc: Paula Sprague, Executive Assistant

ITEM 6 MEMO

TO: Michael Grant

FROM: Harry Withers, Group 6 Technical Staff

DATE: October 12

PERSONAL AND CONFIDENTIAL

Our team is having difficulty meeting the submission deadline of November 5 for the Halstrom project. Kim, Fred, Peter, Kyoto, Susan, Mala, and I have been working on the project for several weeks, but are experiencing some problems and may need additional time. I hesitate to write this letter, but the main problem is that our group manager, John Small, is involved in a relationship with Mala. Mala gets John's support for her ideas and brings them to the team as required components of the project. Needless to say, this has posed some problems for the group. Mala's background is especially valuable for this project, but Kim and Fred, who have both worked very hard on the project, do not want to work with her. In addition, one member of the team has been unavailable recently because of child-care needs. Commitment to the project and team morale have plummeted. However, we'll do our best to get the project finished as soon as possible. Mala will be on vacation the next two weeks, so I'm expecting that some of us can complete it in her absence.

ITEM 7 VOICE MAIL

Hello, Michael. This is Jim Bishop of United Hospitals. I wanted to talk with you about the quality assurance project that you are working on for us. When José Martinez first started talking with us, I was impressed with his friendliness and expertise. But recently, he doesn't seem to be getting much accomplished and has seemed distant and on-edge in conversations. Today, I asked him about the schedule and he seemed very defensive and not entirely in control of his emotions. I am quite concerned about our project. Please give me a call at 213-951-1234.

ITEM 8 VOICE MAIL

Hi, Michael. This is Armand. I wanted to talk with you about some issues with the Technical Services Phone Line. I've recently received some complaint letters from Phone Line customers whose complaints have included: long delays while waiting for a technician to answer the phone; technicians who are not knowledgeable enough to solve problems; and, on occasion, rude service. Needless to say, I'm quite concerned about these complaints.

I believe that the overall quality of the phone line staff is very good, but we continue to be understaffed, even with the recent hires. The new technicians look strong, but are working on the help line before being fully trained. Antolina, our best tech, often brings her child to work, which is adding to the craziness around here.

I think you should know that we're feeling a lot of stress here. I'll talk to you soon.

ITEM 9 VOICE MAIL

Hi Chris, it's Pat. Congratulations on your promotion. They definitely picked the right person. It's great news—for me, too. You've been a terrific mentor so far, so I'm expecting to learn a lot from you in your new position. How about lunch next week?

ITEM 10 VOICE MAIL

Chris, this is Bob Miller. Just thought you'd like to know that John's joke during our planning meeting has disturbed a few of the women in my group. Frankly, I think the thing's being blown out of proportion, especially since we all know this is a good place for both men and women to work. Give me a call if you want to chat about this.

ITEM 11 VOICE MAIL

Hello. This is Lorraine Adams from Westside Hospital. I read in today's Los Angeles Times that you will be taking over from Michael Grant. We haven't met yet, but your division has recently finished two large million-dollar projects for Westside. Michael Grant and I had some discussion about a small conversion of a piece of existing software to be compatible with the new systems. The original vendor had said that they would do the work but has been stalling, and I need to move quickly. Can you see if Harris Wilson, Chu Hung Woo, and Elise Soto are available to do this work as soon as possible? They were on the original project and work well with our people. You can call me at 213-555-3456.

Um . . . (long pause) I guess I should tell you that I got a call from Michael offering to do this work. But I think I should stick with SSS Software. Give me a call.

ITEM 12 VOICE MAIL

Hi, Chris. This is Roosevelt Moore calling. I'm a member of your technical/professional staff. I used to report to Janice Ramos, but since she left the firm, I thought I'd bring my concerns directly to you. I'd like to arrange some time to talk with you about my experience since returning from six weeks of paternity leave. Some of my major responsibilities have been turned over to others. I seem to be out of the loop and wonder if my career is at risk. Also, I am afraid that I won't be supported or seriously considered for the opening created by Janice's departure. Frankly, I feel I'm being screwed for taking my leave. I'd like to talk with you this week.

ITEM 13 E-MAIL

TO: Michael Grant

FROM: José Martinez, Group 1 Technical Staff

DATE: October 12

I would like to set up a meeting with you as soon as possible. I suspect that you will get a call from Jim Bishop of United Hospitals and want to be sure that you hear my side of the story first. I have been working on a customized system design for quality assurance for them using a variation of the J-3 product we developed several years ago. They had a number of special requirements and some quirks in their accounting systems, so I have had to put in especially long hours. I've worked hard to meet their demands, but they keep changing the ground rules. I keep thinking, this is just another J-3 I'm working on, but they have been interfering with an elegant design I have developed. It seems I'm not getting anywhere on this project. Then Mr. Bishop asked me if the system was running yet. I was worn out from dealing with the Controller, and I made a sarcastic comment to Mr. Bishop. He gave me a funny look and just walked out of the room.

I would like to talk with you about this situation at your earliest convenience.

ITEM 14 E-MAIL

TO: Chris Perillo

FROM: John Small, Group 6 Manager

DATE: October 15

Welcome aboard, Chris. I look forward to meeting with you. I just wanted to put a bug in your ear about finding a replacement for Janice Ramos. One of my technical staff, Mala Abendano, has the ability and drive to make an excellent group manager. I have encouraged her to apply for the position. I'd be happy to talk with you further about this, at your convenience.

ITEM 15 E-MAIL

TO: Chris Perillo

FROM: Paula Sprague, Executive Assistant to Roger Steiner

DATE: October 15

Roger asked me to let you know about the large contract we have gotten in Kenya. It means that a team of four managers will be making a short trip to determine current needs. They will assign their technical staff the task of developing a system and software here over the next six months, and then the managers and possibly some team members will be spending about 10 months on site in Kenya to handle the implementation. Roger would appreciate an email of your thoughts about the issues to be discussed at this meeting, additional considerations about sending people to Kenya, and about how you will put together an effective team to work on this project. The October 15 memo I sent to you will provide you with some information you'll need to start making these decisions.

ITEM 16 E-MAIL

TO: Chris Perillo

FROM: Sharon Shapiro, V. P. of Human Resources

DATE: October 15

RE: Upcoming meeting

I want to update you on the rippling effect of John Small's sexual joke at last week's planning meeting. Quite a few women have been very upset and have met informally to talk about it. They have decided to call a meeting of all the people concerned about this kind of behavior throughout the firm. I plan to attend, so I'll keep you posted.

ITEM 17 E-MAIL

TO: All SSS-Software Managers

FROM: Sharon Shapiro, Vice President, Human Resources

DATE: October 14

RE: Promotions and External Hires

Year-to-date (January through September) promotions and external hires

	Race					Sex		
Level	White	Black	Asian	Hispanic	Native American	M	F	Total
Hires into Executive Level	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0
Promotions to Executive Level	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0
Hires into Management Level	2 (67%)	1 (33%)	0 (0%)	0 (0%)	0 (0%)	2 (67%)	1 (33%)	3
Promotions to Management Level	7 (88%)	0 (0%)	1 (12%)	0 (0%)	0 (0%)	7 (88%)	1 (12%)	8
Hires into Technical/ Professional Level	10 (36%)	6 (21%)	10 (36%)	2 (7%)	0 (0%)	14 (50%)	14 (50%)	28
Promotions to Technical/ Professional Level	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0
Hires into Non-Management Level	4 (20%)	10 (50%)	2 (10%)	4 (20%)	0 (0%)	6 (30%)	14 (70%)	20
Promotions to Non-Management Level	NA	NA	NA	NA	NA	NA	NA	NA

SSS Software employee (EEO) classification report as of June 30

	Race					Sex		
Level	White	Black	Asian	Hispanic	Native American	M	F	Total
Executive Level	11 (92%)	0 (0%)	1 (8%)	0 (0%)	0 (0%)	11 (92%)	1 (8%)	12
Management Level	43 (90%)	2 (4%)	2 (4%)	1 (2%)	0 (0%)	38 (79%)	10 (21%)	48
Technical/ Professional Level	58 (45%)	20 (15%)	37 (28%)	14 (11%)	1 (1%)	80 (62%)	50 (38%)	130
Non-Management Level	29 (48%)	22 (37%)	4 (7%)	4 (7%)	1 (2%)	12 (20%)	48 (80%)	60
Total	141 (56%)	44 (18%)	44 (18%)	19 (8%)	2 (1%)	141 (56%)	109 (44%)	250

CRITICAL INCIDENTS

Employee Raiding

Litson Cotton Yarn Manufacturing Company, located in Murray, New Jersey, decided as a result of increasing labor costs to relocate its plant in Fairlee, a southern community of 4,200. Plant construction was started, and a human resources office was opened in the state employment office, located in Fairlee.

Because of ineffective HR practices in the other three textile mills located within a 50-mile radius of Fairlee, Litson was receiving applications from some of the most highly skilled and trained textile operators in the state. After receiving applications from approximately 500 people, employment was offered to 260 male and female applicants. These employees would be placed immediately on the payroll with instructions to await final installation of machinery, which was expected within the following six weeks.

The managers of the three other textile companies, faced with resignations from their most efficient and best-trained employees, approached the Litson managers with the complaint that their labor force was being "raided." They registered a strong protest to cease such practices and demanded an immediate cancellation of the employment of the 260 people hired by Litson.

Litson managers discussed the ethical and moral considerations involved in offering employment to the 260 people. Litson clearly faced a tight labor market in Fairlee, and management thought that if the 260 employees were discharged, the company would face cancellation of its plans and large construction losses. Litson management also felt obligated to the 260 employees who had resigned from their previous employment in favor of Litson.

The dilemma was compounded when the manager of one community plant reminded Litson that his plant was part of a nationwide chain supplied with cotton yarn from Litson. He implied that Litson's attempts to continue operations in Fairlee could result in cancellation of orders and the possible loss of approximately 18 percent market share. It was also suggested to Litson managers that actions taken by the nationwide textile chain could result in cancellation of orders from other textile companies. Litson's president held an urgent meeting of his top subordinates to (1) decide what to do about the situation in Fairlee, (2) formulate a written policy statement indicating Litson's position regarding employee raiding, and (3) develop a plan for implementing the policy.

How would you prepare for the meeting, and what would you say at the meeting?

Source: J. Champion and J. James, *Critical Incidents in Management: Decision and Policy Issues,* 6th ed. (Burr Ridge, IL: Richard D. Irwin, 1989).

Effective Management

Dr. Sam Perkins, a graduate of the Harvard University College of Medicine, had a private practice in internal medicine for 12 years. Fourteen months ago, he was persuaded by the Massachusetts governor to give up private practice to be director of the State Division of Human Services.

After one year as director, Perkins recognized he had made little progress in reducing the considerable inefficiency in the division. Employee morale and effectiveness seemed even lower than when he had assumed the position. He realized his past training and experiences were of a clinical nature with little exposure to effective management techniques. Perkins decided to research literature on the subject of management available to him at a local university.

Perkins soon realized that management scholars are divided on the question of what constitutes effective management. Some believe people are born with certain identifiable personality traits that make them effective managers. Others believe a manager can learn to be effective by treating subordinates with a personal and considerate approach and by giving particular attention to their need for favorable working conditions. Still others emphasize the importance of developing a management style characterized by either authoritarian, democratic, or laissez-faire approaches. Perkins was further confused when he learned that a growing number of scholars advocate that effective management is contingent on the situation.

Because a state university was located nearby, Perkins contacted the dean of its college of business administration. The dean referred him to the director of the college's management center, Professor Joel McCann. Discussions between Perkins and McCann resulted in a tentative agreement that the management center would organize a series of management training sessions for the State Division of Human Services. Before agreeing on the price tag for the management conference, Perkins asked McCann to prepare a proposal reflecting his thoughts on the following questions:

1. How will the question of what constitutes effective management be answered during the conference?
2. What will be the specific subject content of the conference?
3. Who will the instructors be?
4. What will be the conference's duration?
5. How can the conference's effectiveness be evaluated?
6. What policies should the State Division of Human Services adopt regarding who the conference participants should be and how they should be selected? How can these policies be best implemented?

Source: J. Champion and J. James, *Critical Incidents in Management: Decision and Policy Issues,* 6th ed. (Burr Ridge, IL: Richard D. Irwin, 1989).