Making Effective Decisions

Certain factors are recognized as being critical to decision-making. Yet, knowing these, can you ever tell beforehand whether a decision will be a good one? Or, instead, does effectiveness depend on how a decision is carried out?

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To know whether a decision is effective, a manager must first have a basis for determining what is a good decision. In one study involving chief executives, the consensus was that a good decision is one that "feels" good. On the other hand, when looking at the question from the point of view of "management by objectives," the soundness of a decision is determined by the results achieved.

Of course, after the fact, one can ascertain whether the decision met the objectives desired, but how can we tell ahead of time whether a proposed course of action will achieve desired results? As might be expected, there are no simple answers to this question. Rather, what is required is a recognition that any approach proposed will have to be based on a "current appraisal of a future occurrence."

Decision Factors

Undoubtedly, any basis for determining the soundness of a decision will have to be multidimensional, because there are a number of considerations that must be met. The following list attempts to identify factors, which, if considered ahead of time, offer the highest likelihood of the decision being successful:

Perception: Has the right problem been defined and the objectives clearly stated?

Priority: Does the decision deal with priorities in an appropriate order?

Acceptability: Will the results be accepted by the persons who have to implement the decision?

Risk: Is there an understanding of the risk involved, and the strategy to follow when dealing with uncertainty?

Resources: Is there an analysis of the resources required and a forecast of return on investment?

Goals: Does the decision fit within the stated goals and objectives of the organization?

Values: Does the decision reflect the values of the decision-maker and of the organization?

Demands: Does time pressure or lack of information present unreasonable demands on the individuals involved?

Style: Has the decision involved participation on the part of persons in the organization and achieved support from power blocks?

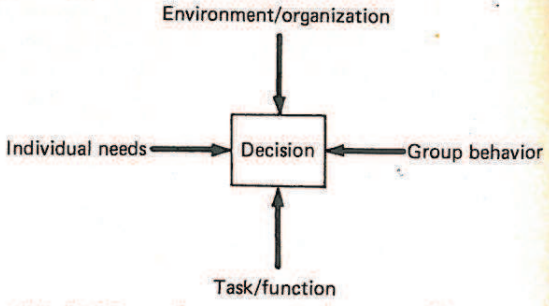
Judgment: Does the decision meet the test of intuition or experience, and is there a validation of the expected results by experts?

One could easily say that most decisions do not warrant the extensive "looking into" that is implied by the list. The intention here is not to say that all decisions must satisfy the foregoing factors, but rather to suggest that a measure such as "results" is not useful in determining, before action was taken, whether the decision would be a good one.

We are concerned here mainly with determining the soundness of a decision before it is carried out. Thus, "results" would only be what is expected rather than what actually happens. The effective decision-maker is able to determine which factors apply in a given situation and then is able to carry through on the proposed course of action.

Understanding the Decision-Maker

To understand the decision process, we might start by examining how individuals make decisions. A powerful, yet very simple, approach is based on a model of decision-making that considers the decision-maker as responding to a series of forces, as shown:



All decision-makers operate in an environment in which they are expected to perform some meaningful function. Performance depends not only on the capabil-

ity of the manager, but also on the environment in which he operates. For example, every manager responds to the pressure of small and large groups with whom he must interact and, at the same time, he has personal needs. These personal needs include such things as his aspirations, goals and values. The environment consists of both social and managerial influences. His responses to managerial pressures will depend on the management style being used.

The model can be extended to show the behavior of groups or entire organizations. For example, McGregor describes the behavior of a group as consisting of a number of interacting variables, including:

- Members—attitudes, knowledge, skills and capabilities.
- Task—the nature of the job and variables related to the primary task.
- Structure—the internal controls of the organizational subsystem.
- Leader—skills, capabilities and other personal characteristics.
- Environment—variables in the larger organizational system and society.

These variables are included in the preceding model as forces impinging on the decision-maker.

If we next put the decision-maker into a problem-solving situation, the model in Fig. 1 could be used to describe his behavior and response.

Although the model in Fig. 1 is at best a simplified description of how decisions are carried out, it nevertheless illustrates the fact that decision-making consists of a number of phases, and involves more than merely choosing from among a number of alternatives. It shows that both the behavioral and analytic factors must be included in order to have a correct description of decision-making.

Although the decision model attempts to incorporate behavioral and rational aspects of decision-making, such a model often does not explain what happens in actual decision-making. For example, it assumes that a rational choice can be made between conflicting values and that problem-solving is an orderly process. It also suggests that the decision-maker can rank all the sets of consequences. Of course, no human being can solve problems in a completely rational manner.

There is a growing body of evidence that behavioral factors are perhaps more important than analytical ones in "making decisions work." It is thus incumbent on the manager to properly balance these considerations and not be trapped into thinking that merely having the right information or the right analysis will lead to good decisions.

Making Decisions Work

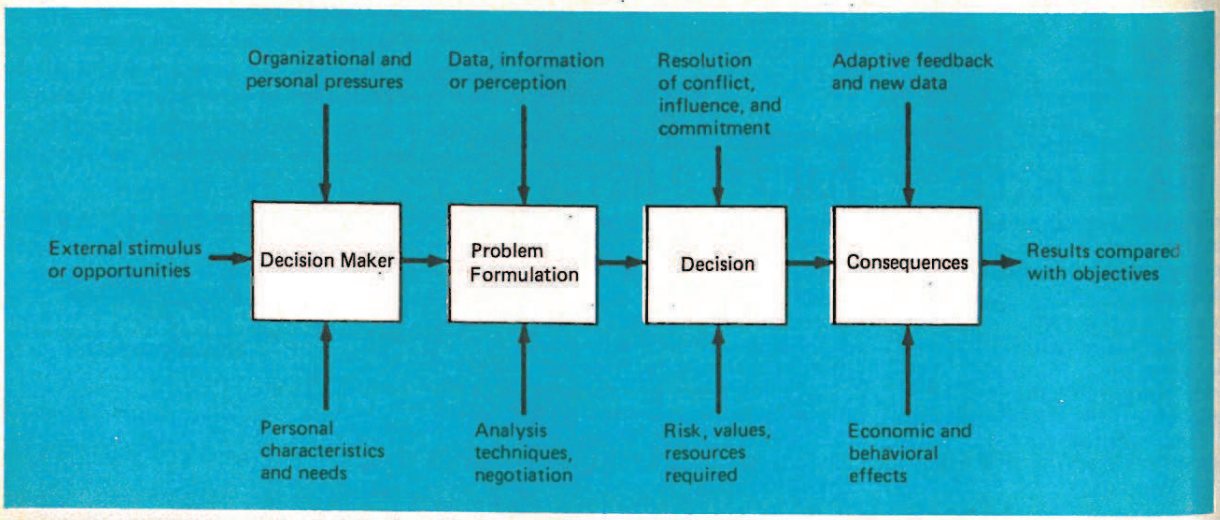
Let us now examine how to effectively carry out decisions. As can be seen in Fig. 1, decision-making is really only a part—even only the beginning—of the process of achieving effective results. Carrying out the decision is often more complex and trying on the manager than the analysis performed to arrive at an appropriate course of action.

It is because of the increasing complexity of decisions in organizations and the rising desire for involvement and commitment on the part of subordinates that managers have been turning more and more to the practice of participative management.

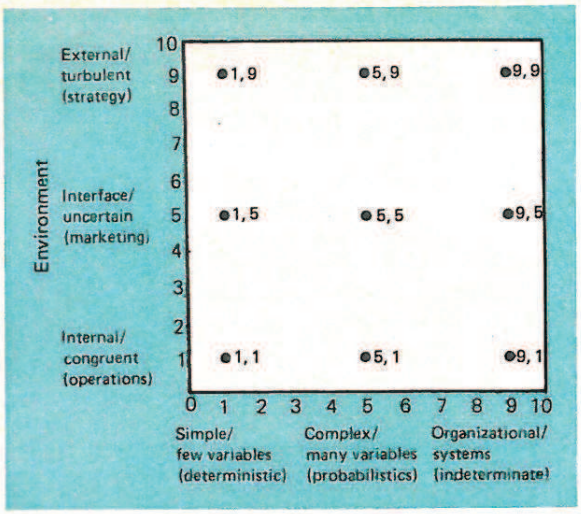
As with any approach, participative management has benefits and shortcomings. The theory rests on assumptions that employees at all levels of an organization are capable of contributing usefully to the decision process, and that, in general, this willingness and capability have not been used.

Collins and Guetzkow have examined the question of power and influence in an organization, and concluded that when subordinates are more involved in decision-making, superiors have more influence in how decisions are carried out.

Perhaps we can best examine participative management if we define participation as the sharing of power and influence in decision situations. Heller's monumental study of participative management showed that senior managers use prior consultation 37% of the time, whereas they make decisions on their own only 36% of



DECISION-MAKING is only the first step in achieving results; carrying out a decision is often more complex—Fig. 1



STYLE depends on environment and decision type—Fig. 2

the time, and that delegation is the least frequently used decision style. (On the other hand, his research indicated that power is shared between senior managers and their immediate subordinates in nearly 50% of all important decisions.)

What accounts for the fact that participation is not more widely used? Perhaps it is that the sharing of power is not really practical when managers are solely accountable for results. Further, it may be unreasonable to expect a subordinate who has less information and often less experience to have the same perspective as the manager.

Most important is the willingness of the subordinate to assume responsibility. There is evidence that the workers councils that have existed in Europe for some time are rather apathetic toward decision-making that does not directly involve their work or expertise. For example, Mulder in his study of "power equalization through participation" found that participation by those who are less powerful in decision-making processes actually increases power differences between those who are more powerful and those who are less powerful.

External	Forecasts	Strategies	Adaptive Strategies
Interface	Budgets	Market Plans	Managerial Control
Internal	Procedures, Rules	Plans, Policies	Motivation, Commitment

DECISION TYPES fit categories of Fig. 2 matrix—Fig. 3

He supports this with empirical research, and states: "In research on the functioning of Dutch work councils, half the voluntary members of work councils were not strongly motivated to participate in decision-making; the other half complained about insufficient expertise, even though the work councils had been functioning for as long as eight years. This combination of low levels of motivation and expertness has appeared in all the investigations made in Dutch-speaking areas."

If we consider participation as being contingent upon environmental conditions and the kinds of decisions being made, we observe a variety of decision styles. For example, if we examine participative decision style as shown in the matrix (Fig. 2), we find that the style changes at each of the points shown.

The categories shown in the matrix can be described by nine typical decisions shown in Fig. 3.

The decision styles actually used could include:

M_a=Manager makes decision alone.

M_m=Manager consults other managers before decisions.

M_d=Manager delegates decision.

M_i=Manager makes decision and informs subordinates.

M_s=Manager depends on staff for input to decision.

M_j=Manager makes decision jointly with subordinates.

M_c=Manager consults subordinate before making decisions.

For example, M_a and M_i are often used for internal simple decisions; whereas, M_c, M_m and M_s generally are used for external/complex decisions. When the decisions directly involve the organization, M_d and M_j are most often used. Results obtained in using the foregoing decision-style categories with a number of management groups confirmed the point made by Heller that there is "no one best way" of making decisions. This, of course, differs with the approach that assumes there is a best style of decision-making.

As shown, situational leadership or structural variables are the key to the decision process; that is, a decision cannot be taken out of its environmental context.

Subordinates' Expectations of Managers

What do subordinates expect in the men they work for? It is obvious they expect specific decision characteristics and do not like the compulsive individual. Sadler and Hofstede found in an international survey resulting in almost 20,000 responses from marketing and service organizations the following:

Decision Style	Preferred Style	Actually Perceived Style	Employees Perceived Preferred Style in Their Manager
Tells	3%	17%	29%
Sells	25	31	43
Consults	56	30	34
Joins	16	7	21
None of these		14	
No reply	5	8	

Thus, although the preferred style was "consults," this was not the managerial behavior perceived either in gen-

eral or in the employees' own managers. Interestingly, "sells" seems to dominate the actually perceived styles.

Bond, Leabo and Swinyard found that the major contributors to successful performance of the chief executive officer were:

Attributes	Percent of Respondents
Special Skills	
Mental skills, analytic ability	56
Ability to work with and lead people	45
Ability to appraise staff	39
Ability to organize and delegate	29
Communication ability	23
Personal Characteristics	
Attitude toward work	44
General leadership qualities	29
Mental capacity, inquiring mind	27
Attitude toward decision-making	23
Ethical values	21
Attitude toward people	21
Acquired Knowledge	
Knowledge of industry and firm	18
Business-economic understanding	9
General management techniques	8
General experience	8

The results would seem to indicate that special skills are most important, although attitude toward work appears more important (in the personal-characteristics category) than mental capacity (which was at the top of the special skills).

Heller used twelve skill factors to define a manager's requirements. He compared the perception of two senior levels of management regarding their own job and that of the other level:

Skill	Agree	Disagree
Knowledge of technical matters	X	
Close contact with people		X
Knowledge of human nature		X
Imagination		X
Self-confidence		X
Sense of responsibility		X
Decisiveness		X
Tact		X
Adaptability		X
Forcefulness		X
Intelligence	X	
Initiative		X

In addition, he found that the skills that most affect a senior manager's decision styles are: technical ability, decisiveness, and intelligence. Not only did he consider the question of how the manager and his subordinate viewed their respective capabilities, he also found that subordinates consistently overestimated the power they held. An important finding was that senior managers and subordinates do not agree on the amount of skill needed for their respective levels of work, except as regards technical specialists. Thus, we can see the need for a clearer relationship between subordinate and superior.

Conclusion

Our purpose in trying to better understand the decision process has been not only to show how to make better decisions, but also to be able to predict the outcome of decisions. Although this might imply a rigid approach to decision-making, it instead has been meant to demonstrate that some of the accepted methods in use are, perhaps, incomplete and could benefit from a more comprehensive or systems view of the problem. For example, when considering decision style, we should look at the characteristics of the decision-maker, the problems he is most likely to encounter, and the environment in which the decision must be carried out.

Although much has been written about the importance of communication, we still find goal conflicts arising because there often is a lack of mutual understanding. Further, because change is inherent in any organization and the future always involves risk, goal-adaptation and risk-taking must be related to the dynamics of the environment confronting every organization. Our ability to predict or forecast the consequences of decisions is a critical requirement for effective operations.

We have only attempted to deal with a limited number of factors in decision-making, the most significant of which is undoubtedly the behavorial aspect. It has remained important despite the advent of computers and quantitative analysis. Still, we do not mean to deny the value of the rational approach to decision-making. Rather, we have attempted to reconcile the two approaches in the expectation that the better understanding of the decision process will contribute to the making of more effective decisions. #

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Meet the Author



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