

# Decision Making in Organizations

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## ABSTRACT

Today, many decisions in organizations are made by groups, teams, or committees. The benefits of group decision making include: More knowledge and expertise is available to solve the problem; a greater number of alternatives are examined; the final decision is better understood and accepted by all group members; and there is more commitment among all group members to make the final decision work. There are some common dysfunctions of effective group decision making. There are several ways in which the organization can counter these dysfunctions and improve group decision making. They include brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

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Think about the difficulties involved in making individual decisions in your own personal life. Thus, you can appreciate how complicated—and important—the process of decision making can be in organizations, where the stakes are considerable and the impact is widespread (Greenberg, 2011). In both cases, the essential nature of decision making is identical. *Decision making* may be defined as the process of making choices from among alternatives (March, 2010).

Management theorists agree that decision making is one of the most important—if not *the* most important—of all management activities (Drucker, 2010; Mintzberg, 2008; Simon, 1997). It is important to note, however, that not only managers make decisions in organizations, but also employees at every level in an organization participate in decision making as well. The late management consultant put it this way, “Most discussions of decision making assume that only senior executives make decisions . . . This is a dangerous mistake . . . Making sound decisions is a crucial skill at every level in the organization.” (Drucker, 2009, p. 27). Today, many decisions in organizations are made by groups, teams, or committees (Bonito, 2012).

The term *group decision making* refers to being involved in making decisions. Group decision making takes place in different degrees. At one extreme is *consultative* decision making, in which the leader consults with group members before making a decision. At the other extreme is *democratic* decision making, in which the problem is given to the group, and group members are empowered to make the decision.

In between the two is *consensus* decision making, in which the leader shares the problem with group members. Together the group leader and members generate and evaluate alternatives and attempt to reach agreement on a solution to the problem (DuBrin, 2012). Consensus has been reached when the group can agree on a decision and

each member can say: I believe you understand my point of view; I believe I understand your point of view; I will support this decision when we leave this meeting because it was reached fairly and openly; and I believe this decision is in the overall best interest of the organization and its members (Hartnett, 2011).

### **Individual versus Group Decision Making**

Considerable debate has occurred concerning the relative effectiveness of individual versus group decision making. The benefits of group decision making include (1) more knowledge and expertise is available to solve the problem; (2) a greater number of alternatives are examined; (3) the final decision is better understood and accepted by all group members; and (4) there is more commitment among all group members to make the final decision work (Schermerhorn, Hunt, & Osborn, 2011). In fact, a considerable amount of research has indicated that consensus decisions with five or more participants are superior to individual, majority vote, and leader decisions (Bonner, Sillito, & Bauman, 2007; Dirks, Cummings, & Pierce, 1996; Foote, Matson, Weiss, & Wenger, 2002; Gigone & Hastie, 2007; Hill, 1982; Johnson & Hollenbeck, 2007; Kleingeld, Van Tuijl, & Algera, 2004; Maier, 1967; Martell & Borg, 1993; Robinson & Schroeder, 2004; Scott-Ladd & Marshall, 2004; Shaw, 1981; Walsh & Tseng, 1998; Wanous & Youtz, 1986; Watson, Michaelson, & Sharp, 1991; Yetton & Bottger, 1983).

Unfortunately, open discussion can be negatively influenced by behavioral factors, such as (1) social pressure to conform, i.e., individuals may feel compelled to go along with the wishes of the group; (2) minority domination, i.e., the group's decision may be forced, or ramrodded through, by one individual or a dominant clique; and (3) time delays, i.e., with more people involved in the dialogue and discussion, group decisions usually take longer to make than individual decisions (Schermerhorn, et al, 2011).

### **Group Decision-Making Techniques**

For groups to be more effective, they must overcome some of the problems and dysfunctions that groups generally encounter: groupthink (Janis, 1982), risky shift (Stoner, 1968), group polarization (Bordley, 1983), and escalation of commitment Whyte, 1993). Traditional models of group effectiveness include creating the right climate where support, commitment, goals, rewards, communication systems, and physical space are all synchronized to allow the group to work in a productive atmosphere (Lunenburg, 1983). Group size should be kept ideally between five to 12 participants depending on the task (Hare, 1976; Seijts & Latham, 2000; Shaw, 1981; Thomas & Fink, 1963) and members should be selected based on their motivation and ability (Hersey & Blanchard, 2008). Furthermore, group cohesion should be built by either establishing homogeneous groups or overcoming potential problems associated with diversity; by encouraging interaction and contact; and by making the group seem somewhat "exclusive," so that members are honored to be included (Luthans, 2011).

Moreover, group success tends to build greater cohesiveness (Mullen & Copper, 1994; van Kippenberg, DeDreu, & Homan, 2004).

Several other techniques have been developed to assist groups to make sound decisions that promote high performance levels and positive attitudes and avoid some of the potential dysfunctions of group decision making. These include techniques that involve the structuring of group discussions in specific ways. Five important alternative structures are brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

### **Brainstorming**

*Brainstorming*, developed by Alex Osborn (1957) more than fifty years ago, is a technique for creatively generating alternative solutions to a problem. The unique feature of brainstorming is the separation of ideas from evaluation. Earlier, we noted the importance of generating a wide variety of new ideas during the generating alternatives step of the decision-making process. This increases the number of alternatives from which managers can choose when evaluating alternatives and making their decisions. People tend to evaluate solutions to problems when they are proposed, which often eliminates many creative and feasible ideas from further consideration. The following rules are central to brainstorming:

1. *Do Not Evaluate or Discuss Alternatives.* Evaluation comes later. Avoid criticism of your own or others' ideas.
2. *Encourage "Freewheeling."* Do not consider any idea outlandish. An unusual idea may point the way to a truly creative decision.
3. *Encourage and Welcome Quantities of Ideas.* The greater the number of ideas generated, the greater the number of useful ideas will remain after evaluation.
4. *Encourage "Piggybacking."* Group members should try to combine, embellish, or improve on an idea. Consequently, most of the ideas produced will belong to the group and not to a single individual.

As an idea-generating technique, group brainstorming may not be any more effective than individual brainstorming. However, the technique is in widespread use today in all types of organizations.

### **Nominal Group Technique**

Another technique that can be used in group decision making, which incorporates some of the features of brainstorming, is the *nominal group technique* (Delbecq, Van de Ven, & Gustafsen, 1986). As in brainstorming, individuals are brought together to develop a solution to a problem. Unlike brainstorming, the nominal group technique is concerned with both the generation of ideas and the evaluation of these ideas. The process of decision making in nominal groups has several steps:

**Silent generation of ideas.** Allow five to ten minutes for this phase. The problem should be posted on a flip chart in the front of the room. Group members are asked to

solve the problem on the chart. They are cautioned not to talk to or look at the worksheets of other participants.

**Round-robin recording of ideas.** The leader circulates around the room eliciting one idea from each group member and recording it on the flip chart. This continues, round-robin fashion, until all ideas are exhausted. The chief objective of this step is to place before the group an accurate list of ideas that can serve as a compilation of group ideas.

**Discussion of ideas.** Each idea on the flip chart is discussed in the order it appears on the chart. The leader reads each item and asks the group if there are any questions, needs for clarification, agreement, or disagreement.

**Preliminary vote on item importance.** Each participant makes an independent judgment about the alternatives by rank ordering them secretly on 3 x 5 inch cards. The average of these judgments is used as the group's decision. The nominal group process may end here, or the decision may be further refined through discussion and revoting.

**Additional discussion.** The voting patterns are analyzed and reasons examined to determine if a more accurate decision can be made.

**Final vote.** The final voting occurs in the same manner as the preliminary vote, by secret rankings. This action completes the decision process and provides closure.

As noted, the nominal group technique separates ideation from evaluation. Ideas are generated nominally (without verbal communication). This prevents inhibition and conformity, which occurs in the phenomenon of groupthink (Janis, 1982). Evaluation occurs in a structured manner that allows each idea to get adequate attention.

The research on the effectiveness of the nominal group technique is encouraging. In terms of the number and quality of ideas generated, studies indicate that the nominal group technique is superior to both ordinary group decision making and brainstorming (Corey, 2011). Furthermore, nominal group techniques often facilitate the implementation of decisions. In any event, the nominal group technique provides for both greater expression and evaluation of creative ideas by group members than either brainstorming or ordinary group decisions. Despite the research support for the nominal group technique, many managers still do not take advantage of its benefits in group decisions.

## **Delphi Technique**

Researchers at the Rand Corporation developed the *Delphi technique* in the 1960s (Dalkey, 1969). Unlike brainstorming and the nominal group technique, the Delphi approach relies completely on a nominal group; that is, participants do not engage in face-to-face discussions. Instead their input is solicited by mail at their various home bases, thus allowing the polling of large numbers of experts, clients, executives, or constituencies who are removed from the organization by distance and scheduling

problems. For example, suppose the president of a large manufacturing firm wishes to evaluate a new technology for manufacturing a new product line. Selected members of the organization, plant managers, executives, consumers, and nationally renowned experts could participate in the various phases of the Delphi process.

The Delphi technique has many variations, but generally it works as follows.

1. The organization identifies a panel of experts, both inside and outside the organization, and solicits their cooperation.
2. Each member of the panel receives the basic problem.
3. Each individual expert independently and anonymously writes comments, suggestions, and solutions to the problem.
4. A central location compiles, transcribes, and reproduces the experts' comments.
5. Each panelist receives a copy of all the other experts' comments and solutions.
6. Each expert provides feedback on the others' comments, writes new ideas stimulated by their comments, and forwards these to the central location.
7. The organization repeats Steps 5 and 6 as often as necessary until consensus is reached or until some kind of voting procedure is imposed to reach a decision.

Success of the Delphi technique depends on the expertise, communication skills, and motivation of the participants and the amount of time the organization has available to make a decision.

There are several benefits of the Delphi approach. First, it eliminates many of the interpersonal problems associated with other group decision-making approaches. Second, it enlists the assistance of experts and provides for the efficient use of their time. Third, it allows adequate time for reflection and analysis of a problem. Fourth, it provides for a wide diversity and quantity of ideas. And, finally, it facilitates the accurate prediction and forecasting of future events. The major objectives of the Delphi technique include the following:

- To determine or develop a range of possible program alternatives.
- To explore or expose underlying assumptions or information leading to different judgments.
- To seek out information that may generate a consensus among the group members.
- To correlate informed judgments on a subject that spans a wide range of disciplines.
- To educate group members concerning the diverse and interrelated aspects of the subject.

Today, numerous organizations in business, government, the military, health-care agencies, and schools are using the Delphi technique. Research shows that the technique is superior to ordinary group decision making in terms of the number and quality of ideas generated and group members overall satisfaction (Corey, 2011). The major disadvantage of the Delphi technique is the amount of time involved in going through the questionnaire phases of the process. Variations of the Delphi technique have been used to overcome this problem.

One special type of Delphi approach is a procedure called *ringi* used by the Japanese. This version of the Delphi technique involves the circulation of a written document from member to member, in nominal group fashion, for sequential editing until no more changes are required and each participant has signed off the final document. Another Japanese variation of the Delphi technique is assigning parts of the problem to each of several subgroups who prepare responses for their assignments. This version differs from the pure Delphi approach in that the written mini-reports are then circulated among the group members before face-to-face discussion starts. In essence, the latter Japanese version of the Delphi technique combines with simple group decision making (Eto, 2003).

### **Devil's Advocacy**

*Devil's advocacy*, another technique for improving the quality of group decisions, introduces conflict into the decision-making process (Schwenk, 1984). Janis (1982) suggests that this concept is an antidote for groupthink. Groupthink, one of the dysfunctions of group decision making, results in inhibitions and premature conformity to group norms. Devil's advocacy can nullify these and other group phenomena to which group members are subjected (Schwenk, 1990). After a planning group has developed alternative solutions to a problem, the plan is given to one or more staff members, with instructions to find fault with it. If the plan withstands the scrutiny of the devil's advocates, it can be presumed to be free of the effects of groupthink and thus viable. Although devil's advocacy can be used as a critiquing technique after alternative solutions to a problem have been developed, it can also be used during the early stages of the decision-making process. For example, during a decision-making session one member could be assigned the role of devil's advocate, expressing as many objections to each alternative solution to a problem as possible (Schweiger & Finger, 1984).

### **Dialectical Inquiry**

Like devil's advocacy, *dialectical inquiry* is an alternative approach for controlling group phenomena such as groupthink in decision making (Schweiger, Sandberg, & Ragan, 1986). The process can be described as follows:

1. The process begins with the formation of two or more divergent groups to represent the full range of views on a specific problem. Each group is made as internally homogeneous as possible; the groups, however, are as different from one another as possible. Collectively they cover all positions that might have an impact on the ultimate solution to a problem.
2. Each group meets separately, identifies the assumptions behind its position, and rates them on their importance and feasibility. Each group then presents a "for" and an "against" position to the other groups.
3. Each group debates the other groups' position and defends its own. The goal is not to convince others but to confirm that what each group expresses as its position is not necessarily accepted by others.

4. Information, provided by all groups, is analyzed. This results in the identification of information gaps and establishes guidelines for further research on the problem.
5. An attempt to achieve consensus among the positions occurs. Strategies are sought that will best meet the requirements of all positions that remain viable. This final step permits further refinement of information needed to solve the problem

Although agreement on a management plan is a goal of this approach, a full consensus does not always follow. Nevertheless, the procedure can produce useful indicators of the organization's planning needs.

### Conclusion

Today, many decisions in organizations are made by groups, teams, or committees. The benefits of group decision making include: more knowledge and expertise is available to solve the problem; a greater number of alternatives are examined; the final decision is better understood and accepted by all group members; and there is more commitment among all group members to make the final decision work. There are some common dysfunctions of effective group decision making. There are several ways in which the organization can counter these dysfunctions and improve group decision making. They include brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

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