

## CHAPTER 12

# Decision Making, Creativity, and Ethics

Nike's decision to manufacture shoes overseas has prompted critics to claim that it exploits workers in poor countries. Did Nike make a rational decision, and is the decision socially responsible?



- 1 Is there a right way to make decisions?
- 2 How do people actually make decisions?
- 3 How can knowledge management improve decision making?
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What is corporate social responsibility?

Nike's first Corporate Responsibility Report, published in October 2001, confessed that making Nike's runners is "tedious, hard and doesn't offer a wonderful future."<sup>1</sup> Readers may have been startled to learn that employees in overseas factories making Nike products were being harassed by supervisors. Employees were also asked to work far more overtime than rules permitted. Finally, the company admitted to knowing far too little about day-to-day life in the factories, because it was not monitoring the situation closely enough.

These admissions might have seemed shocking to anyone who would have expected Nike to deny what critics have been saying for years: Nike benefits from unfair labour practices in foreign-owned plants to which it subcontracts work.

Nike's decision to publish a corporate responsibility report is just one example of the many decisions com-



panies face every day. The company has decided to improve conditions at its overseas operations.

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

## HOW SHOULD DECISIONS BE MADE?

After publishing its first Corporate Responsibility Report, Nike increased training for both managers and employees at its overseas operations. Managers were told that treating employees properly will lead to "improved productivity, reduced labour turnover and less sick leave." Nike thus evaluated its problem, and came up with ways to resolve it in order to reduce criticism of its labour practices. How do individuals and companies make decisions?

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

Decision making happens at all levels of the organization. For instance, top managers such as those at Nike determine their organization's goals, what products or services to offer, how best to finance operations, or where to locate a new high-tech research and development facility. Middle- and lower-level managers determine production schedules, select new employees, and decide how pay raises are to be allocated. Nonmanagerial employees also make decisions such as whether to come to work on any given day, how much effort to put forward once at work, and whether to comply with a request made by the manager. In addition, an increasing number of organizations in

**1** Is there a right way to make decisions?

Nike Canada  
[www.nike.com/canada/](http://www.nike.com/canada/)

**decisions** The choices made from two or more alternatives.

recent years have been empowering their nonmanagerial employees with job-related decision-making authority that was historically reserved for managers alone. Thus they may make decisions about initiating some new projects or solving some customer-related problems without consulting their managers.

Knowing how to make decisions is an important part of everyday life. Below we consider various decision-making models. Even though we discuss the special aspects of group decision making later in the chapter, these models apply, whether it is individuals or an entire group or team making a decision. We start with the rational model, which describes decision making in the ideal world, a situation that rarely exists. We then look at alternatives to the rational model, and how decisions actually get made.

## The Rational Decision-Making Process

The **rational** decision maker makes consistent, value-maximizing choices within specified constraints.<sup>2</sup> These choices are made following a six-step **rational decision-making model**.<sup>3</sup> Moreover, specific assumptions underlie this model.

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

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

### The Rational Model

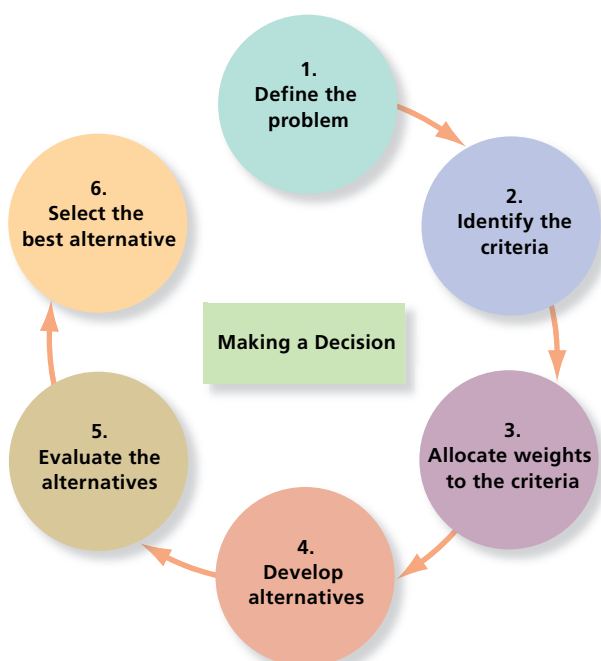
The six steps in the rational decision-making model are presented in Exhibit 12-1.

First, the decision maker must *define the problem*. As noted previously, a problem exists when a discrepancy occurs between the current and a desired state of affairs.<sup>4</sup> If you calculate your monthly expenses and find you are spending \$50 more than your monthly earnings, you have defined a problem. Many poor decisions can be traced to the decision maker overlooking a problem or defining the wrong problem.

Once a decision maker has defined the problem, he or she needs to *identify the criteria* that will be important in solving the problem. In this step, the decision maker determines what is relevant in making the decision. This step brings the decision maker's interests, values, and similar personal preferences into the process. Identifying criteria is important because what one person thinks is relevant, another person may not. Also keep in mind that any factors not identified in this step are considered irrelevant to the decision maker.

Canadian Imperial Bank of Commerce (CIBC)  
www.cibc.com

#### EXHIBIT 12-1 Steps in the Rational Decision-Making Model



To understand the types of criteria that might be used to make a decision, consider the many sponsorship requests that Toronto-based Canadian Imperial Bank of Commerce (CIBC) receives each year. In making a decision about whether or not to support a request, the bank considers the following criteria:<sup>5</sup>

- Strategic fit with CIBC's overall goals and objectives
- Ability to achieve marketing objectives for the youth customer segment
- Tangible and intangible benefits of the proposal, such as goodwill, reputation, and cost/potential revenue
- Organizational impact
- Business risks (if any)

If the sponsorship request does not meet these criteria, it is not funded.

The criteria identified are rarely all equal in importance. So the third step requires the decision maker to *allocate weights to the criteria* in order to give them the correct priority in the decision.

The fourth step requires the decision maker to *develop alternatives* that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.

Once the alternatives have been generated, the decision maker must critically *evaluate the alternatives*. The strengths and weaknesses of each alternative become evident as they are compared with the criteria and weights established in the second and third steps.

The final step in this model requires the decision maker to *select the best alternative*. This is done by evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

### Assumptions of the Model

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

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

## HOW DO INDIVIDUALS ACTUALLY MAKE DECISIONS?

Chaichana Homsombat, a 21-year-old employee at Pan Asia Footwear Public Company in Thailand, the world's third-largest Nike subcontractor factory, explains his job: "Each of us has to work constantly. The faster we meet the assigned quota, the earlier we can go home."<sup>7</sup> Homsombat's quota is to pack 1296 pairs of runners into boxes each workday.

The deputy managing director of the plant, Boonrawd Indamane, says the quotas improve productivity. A human rights inspector at the plant wonders whether employees are really getting a fair day's pay under the quota system. The management does not want trade unions in the plant, but the inspector fears that "workers don't know their rights. They simply accept whatever is given to them." Thus, when asked if the company gives benefits to employees, one supervisor responded: "The uniform. We get three of them when we join the company and two more each year." If employees are not aware of their rights, or do not have full information about them, or have few alternatives, are they really able to make an informed decision about how to behave?

Do decision makers actually follow the rational model? Do they carefully assess problems, identify all relevant criteria, use their creativity to identify all workable alternatives, and painstakingly evaluate every alternative to find an optimizing choice?

When decision makers are faced with a simple problem with few alternative courses of action, and when the cost of searching out and evaluating alternatives is low, the

**2** How do people actually make decisions?

rational model provides a fairly accurate description of the decision process.<sup>8</sup> However, such situations are the exception. Most decisions in the real world don't follow the rational model. For instance, people are usually content to find an acceptable or reasonable solution to their problem rather than an optimizing one. As such, decision makers generally make limited use of their creativity. Choices tend to be confined to the neighbourhood of the problem symptom and to the neighbourhood of the current alternative. As one expert in decision making concluded: "Most significant decisions are made by judgment, rather than by a defined prescriptive model."<sup>9</sup>

In the following sections, we indicate areas where the reality of decision making conflicts with the rational model.<sup>10</sup> None of these ways of making decisions should be considered *irrational*; they are simply departures from the rational model.

## Problem Identification

Most of the decisions that get made reflect only the problems that decision makers see. Problems don't come with flashing neon lights to identify themselves. One person's *problem* may even be another person's *acceptable status quo*. So how do decision makers identify and select problems?

Problems that are visible tend to have a higher probability of being selected than ones that are important.<sup>11</sup> Why? We can offer at least two reasons. First, it's easier to recognize visible problems. They are more likely to catch a decision maker's attention. This explains why politicians are more likely to talk about the "crime problem" than the "illiteracy problem." Second, remember we are concerned with decision making in organizations. Decision makers want to appear competent and "on top of problems." This motivates them to focus attention on problems that are visible to others.

Don't ignore the decision maker's self-interest. If a decision maker faces a conflict between selecting a problem that is important to the organization and one that is important to the decision maker, self-interest tends to win out.<sup>12</sup> This also ties in with the issue of visibility. It's usually in a decision maker's best interest to attack high-profile problems. It conveys to others that things are under control. Moreover, when the decision maker's performance is later reviewed, the evaluator is more likely to give a high rating to someone who has been aggressively attacking visible problems than to someone whose actions have been less obvious.

## Bounded Rationality in Considering Alternatives

*Do people really consider every alternative?*

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

It's difficult for individuals to identify and consider every possible alternative available to them. Realistically speaking, people are bounded by their limitations in interpreting, processing, and acting on information. This is called **bounded rationality**.<sup>13</sup>

Because of bounded rationality, individuals are not able to discover and consider every alternative for a decision. Instead, individuals identify a limited list of the more conspicuous choices. In most cases, the list will represent familiar criteria and previously tried-and-true solutions. Rather than carefully reviewing and evaluating each alternative in great detail, individuals will settle on an alternative that is "good enough"—one that meets an acceptable level of performance. The first alternative that meets the "good enough" criterion ends the search. So decision makers choose final solutions that **satisfice** rather

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

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



than optimize; that is, they seek solutions that are both satisfactory and sufficient. In practice this might mean that rather than interviewing 10 job candidates for a position and then making a decision, a manager interviews individuals only until someone “good enough” is found, that is, the first job candidate encountered who meets the minimum criteria for the job. The federal government has proposed such a rule for its own hiring, as *OB in the Workplace* shows.

## OB IN THE WORKPLACE



### Ottawa May Stop Hiring “Best Qualified”

**Is hiring the “best-qualified” person too much work?** Executives and middle managers working in the federal government are starting to think so.<sup>14</sup> They argue that “being qualified and competent for a particular job should be enough” even though the person may not be the best possible candidate.

Civil servants asked for the rules on hiring to be loosened so that they could actually start hiring and filling positions rather than spending so much time finding the “best-qualified” person. They find those searches excruciating and exhausting. When managers follow the federal guidelines for hiring, it can take six months or more to fill a position.

Steve Hindle, president of The Professional Institute of the Public Service of Canada, explains why hiring someone who is qualified is probably good enough: “If people are honest, what they want is someone who is qualified, but the idea of finding the best? Do we have the time, tools and money needed to find the very best? You want someone competent and good, and if they’re the best, that’s great.”

Not everyone agrees that changing the rules for hiring is a good idea, however. The public sector unions worry that favouritism may become more common. But they do agree that the current system has too much red tape. ✖

## Intuition

*Is it okay to use intuition when making decisions?*

Jessie Lam has just committed her corporation to spend more than \$40 million to build a new plant in New Westminster, BC, to manufacture electronic components for satellite communication equipment. A vice-president of operations for her firm, Lam had before her a comprehensive analysis of five possible plant locations developed by a site-location consulting firm she had hired. This report ranked the New Westminster location third among the five alternatives. After

carefully reading the report and its conclusions, Lam decided against the consultant’s recommendation. When asked to explain her decision, Lam said, “I looked the report over very carefully. Despite its recommendation, I felt that the numbers didn’t tell the whole story. Intuitively, I just sensed that New Westminster would prove to be the best bet over the long run.”

Intuitive decision making, like that used by Jessie Lam, has recently come out of the closet and gained some respectability. Experts no longer automatically assume that using intuition to make decisions is irrational or ineffective.<sup>15</sup> There is growing recognition that rational analysis has been overemphasized and that, in certain instances, relying on intuition can improve decision making.

What do we mean by intuitive decision making? There are a number of ways to conceptualize intuition.<sup>16</sup> For instance, some consider it a form of extrasensory power or sixth sense, and some believe it is a personality trait that a limited number of people are

**intuitive decision making** A subconscious process created out of a person's many experiences.

born with. For our purposes, we define **intuitive decision making** as a subconscious process created out of a person's many experiences. It does not necessarily operate independently of rational analysis; rather, the two complement each other. Those who use intuition effectively often rely on their experiences to help guide and assess their intuitions. That is why many managers are able to rely on intuition, as *Focus on Research* shows.

## FOCUS ON RESEARCH



### Many Managers Add Intuition to Data Analysis

**Do senior managers use intuition in their decision making?** A recent study of 60 experienced professionals holding high-level positions in major US organizations found that many of them used intuition to help them make workplace decisions.<sup>17</sup> Twelve percent said they always used it; 47 percent said they often used it. Only 10 percent said they rarely or seldom used intuition. More than 90 percent of managers said they were likely to use a mix of intuition and data analysis when making decisions.

When asked the types of decisions where they most often used intuition, 40 percent reported that they used it to make people-related decisions such as hiring, performance appraisal, harassment complaints, and safety issues. The managers said they also used intuition for quick or unexpected decisions so they could avoid delays. They also were more likely to rely on intuition in novel situations that had a lot of uncertainty.

The results from this study suggest that intuitive decisions are best applied when time is short, when policies, rules, and guidelines do not give clear-cut advice, when there is a great deal of uncertainty, and when quantitative analysis needs a check and balance. ✎

Intuition can be wrong, so it's important to develop your intuition. Often, good intuition is really the result of recognizing the pattern in a situation and drawing upon previously learned information associated with that pattern to arrive quickly at a decision. The result is that the intuitive decision maker can decide rapidly with what appears to be very limited information. Decision making can be improved by analyzing your decisions after the fact to develop a better understanding of when good and bad decisions have been made.

So what does all of this discussion about making decisions tell us? Based on our discussion above, you should consider the following when making decisions:

- Make sure that you define the problem as best you can.
- Be clear on the factors that you will use to make your decision.
- Be sure to collect enough alternatives that you can clearly differentiate among them.

## Judgment Shortcuts

*So why is it that we sometimes make bad decisions?*

In examining the ways that people make decisions, two eminent psychologists, Daniel Kahneman (the 2002 winner of the Nobel Prize in economic sciences) and Amos Tversky, discovered that individuals often rely on **heuristics**, or judgment shortcuts, to simplify the decision process, rather than going through all of the steps of the rational decision-making model.<sup>18</sup> We review some of these shortcuts next to alert you to mistakes that are often made when making decisions.

**heuristics** Judgment shortcuts in decision making.

## Framing

Kahneman and Tversky discovered that even when people are trying to be coldly logical, they give radically different answers to the same question if it's posed in different ways.<sup>19</sup> For instance, consider choices A and B in Scenario 1 in Exhibit 12-2. Most people come to opposite conclusions when faced with these two problems, even though they are identical. The only difference is that the first states the problem in terms of lives saved, while the second states it in terms of lives lost.

This judgment error is called **framing**, and refers to how the selective use of perspective alters the way we might view a situation in formulating a decision.

**framing** Error in judgment that arises from the selective use of perspective (that is, the way in which a set of ideas, facts, or information is presented) that alters the way we view a situation in formulating a decision.

## Statistical Regression to the Mean

Sometimes people make judgments while ignoring **statistical regression to the mean**. This heuristic may be of particular interest to those trying to decide whether rewards or punishments work better with employees, colleagues, children, and even friends. Although many studies indicate that rewards are a more effective teaching tool than punishment, Kahneman was once faced with a student who begged to differ on this point. "I've often praised people warmly for beautifully executed manoeuvres, and the next time they almost always do worse. And I've screamed at people for badly executed manoeuvres, and by and large the next time they improve." Regression to the mean helps us understand that an exceptional performance is often followed by a lesser performance, while a poorer performance is more likely followed by a better performance. This happens because each person has an average performance level, so the highs and the lows balance out.

**statistical regression to the mean** The statistical observation that an above-average performance is often followed by a lesser performance, while a below-average performance is more likely followed by a better performance; the result is average performance over time.

## Availability Heuristic

The **availability heuristic** is the tendency for people to base their judgments on information that is readily available to them rather than complete data. Events that evoke emotions, that are particularly vivid, or that have occurred more recently tend to be more available in our memory. As a result, we tend to overestimate unlikely events such as an airplane crash, compared with more likely events like car crashes. The availability heuristic

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

### EXHIBIT 12-2 Examples of Decision Biases

#### Scenario 1: Answer part A before reading part B.

**A:** Threatened by a superior enemy force, the general faces a dilemma. His intelligence officers say his soldiers will be caught in an ambush in which 600 of them will die unless he leads them to safety by one of two available routes. If he takes the first route, 200 soldiers will be saved. If he takes the second, there's a one-third chance that 600 soldiers will be saved and a two-thirds chance that none will be saved. Which route should he take?

**B:** The general again has to choose between two escape routes. But this time his aides tell him that if he takes the first, 400 soldiers will die. If he takes the second, there's a one-third chance that no soldiers will die, and a two-thirds chance that 600 soldiers will die. Which route should he take?

#### Scenario 2:

Linda is 31, single, outspoken, and very bright. She majored in philosophy in university. As a student, she was deeply concerned with discrimination and other social issues and participated in antinuclear demonstrations. Which statement is more likely:

- a. Linda is a bank teller.
- b. Linda is a bank teller and active in the feminist movement.

Source: K. McKean, "Decisions, Decisions," *Discover*, June 1985, pp. 22–31.



can also explain why managers, when doing annual performance appraisals, tend to give more weight to recent behaviours of an employee than to those behaviours of six or nine months ago.

### Representative Heuristic

Many youngsters in Canada dream of playing hockey in the National Hockey League (NHL) when they grow up. In reality, they have a better chance of becoming medical doctors than they do of playing in the NHL, but these kids are suffering from a **representative heuristic**. They tend to assess the likelihood of an occurrence by trying to match it with a pre-existing category.<sup>20</sup> They heard about someone from their neighborhood who went to the NHL 25 years ago, and imagine that anyone from their neighborhood can do the same. In the workplace, individuals use this heuristic to make any number of decisions. For instance, if three graduates from the same university were hired and turned out to be poor performers, a manager might predict that a current job applicant from the same university would not be a good employee. The manager is assuming that the small sample of graduates previously employed represents all graduates from that university. Scenario 2 in Exhibit 12-2 gives an additional example of representativeness. In that case, Linda is assumed to be a bank teller and a feminist, given her concerns about social issues, even though the probability of both situations being true is much less than the probability that she is just a bank teller.

**representative heuristic** The tendency for people to assess the likelihood of an occurrence by trying to match it with a pre-existing category.

### Ignoring the Base Rate

Yet another judgment error that people make is **ignoring the base rate**, which is ignoring the statistical likelihood that an event might happen. For instance, if you were planning to become an entrepreneur, and were asked whether your business would succeed, you would almost undoubtedly respond with a resounding “yes.” Individuals believe they will beat the odds, even when, in the case of founding a business, the failure rate is close to 90 percent. Ignoring the base rate is not due to inexperience of the decision maker. Professors Glen Whyte of the Rotman School of Management (University of Toronto) and Christina Sue-Chan of the Asper School of Business (University of Manitoba) found that even experienced human resource managers ignore the base rate when asked to make hiring decisions in an experiment.<sup>21</sup> They suggest the importance of reminding people of what the base rate is before asking them to make decisions.

**ignoring the base rate** Error in judgment that arises from ignoring the statistical likelihood that an event might happen.

### Escalation of commitment

Some decision makers escalate commitment to a failing course of action.<sup>22</sup> **Escalation of commitment** is an increased commitment to a previous decision despite negative information. For example, a friend had been dating a man for about four years. Although she admitted that things were not going too well in the relationship, she was determined to marry the man. When asked to explain this seemingly nonrational choice of action, she responded: “I have a lot invested in the relationship!”

Individuals escalate commitment to a failing course of action when they view themselves as responsible for the failure. That is, they “throw good money after bad” to demonstrate that their initial decision was not wrong and to avoid having to admit they made a mistake. Many organizations have suffered large losses because a manager was determined to prove his or her original decision was right by continuing to commit resources to what was a lost cause from the beginning.

**escalation of commitment** An increased commitment to a previous decision despite negative information.

When making decisions, you should consider whether you are falling into any of the judgment traps described above. In particular, understanding the base rates, and making sure that you collect information beyond that which is immediately available to you, will provide you with more alternatives from which to frame a decision. It is also

useful to consider whether you are sticking with a decision simply because you have invested time in that particular alternative, even though it may not be wise to continue. *OB in Action—Reducing Biases and Errors in Decision Making* provides you with some ideas for improving your decision making. To learn more about your decision-making style, refer to the *Learning About Yourself Exercise* on page 462.

## IMPROVING DECISION MAKING THROUGH KNOWLEDGE MANAGEMENT

The process of organizing and distributing an organization's collective wisdom so the right information gets to the right people at the right time is called **knowledge management** (KM).<sup>23</sup> When done properly, KM provides an organization with both a competitive edge and improved organizational performance because it makes its employees smarter.

A growing number of companies—including the Royal Bank of Canada, Cisco Systems, British Telecom, and Johnson & Johnson—have realized the value of knowledge management. In fact, a recent survey found that 81 percent of the leading organizations in Europe and the United States say they have, or are at least considering adopting, some kind of KM system.<sup>24</sup>

Knowledge management is increasingly important today for at least three reasons:<sup>25</sup>

1. Organizations that can quickly and efficiently tap into their employees' collective experience and wisdom are more likely to "outsmart" their competition.
2. As Baby Boomers begin to leave the workforce, there is an increasing awareness that they represent a wealth of knowledge that will be lost if there are no attempts to capture it.
3. A well-designed KM system reduces redundancy and makes the organization more efficient. For instance, when employees in a large organization undertake a new project, they need not start from scratch. They can access what previous employees have learned and avoid repeating previous mistakes.

How do organizations record the knowledge and expertise of their employees and make that information easily accessible? First, organizations need to develop *computer databases* of pertinent information that employees can readily access. This process includes identifying what knowledge matters to the organization.<sup>26</sup>

Second, organizations need to create a *culture* that promotes, values, and rewards sharing knowledge. As we discussed in Chapter 8, information that is important and scarce can be a potent source of power. And people who hold that power are often reluctant to share it with others. KM won't work unless the culture supports sharing of information.<sup>27</sup>

Finally, organizations need to develop *mechanisms* that allow employees who have built up valuable expertise and insights to share them with others.<sup>28</sup> *More* knowledge is not necessarily *better* knowledge. Information overload needs to be avoided by designing the system to capture only pertinent information and then organizing it so it can be quickly accessed by the people whom it can help. Royal Bank of Canada, for instance, has created a KM system with customized email distribution lists

### 3 How can knowledge management improve decision making?

**knowledge management** The process of organizing and distributing an organization's collective wisdom so the right information gets to the right people at the right time.

## OB IN ACTION

### Reducing Biases and Errors in Decision Making

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

Source: S. P. Robbins, *Decide & Conquer: Making Winning Decisions and Taking Control of Your Life* (Upper Saddle River, NJ: Financial Times/Prentice Hall, 2004), pp. 164–168.

carefully broken down by employees' specialty, title, and area of interest; set aside a dedicated site on the company's intranet that serves as a central information repository; and created separate in-house websites featuring "lessons learned" summaries, where employees with various expertise can share new information with others.<sup>29</sup>

## GROUP DECISION MAKING

### 4 What factors affect group decision making?

A variety of decisions in both life and organizations are made at the individual level. But the belief—characterized by juries—that two heads are better than one has long been accepted as a basic component of North American and many other countries' legal systems. This belief has expanded to the point that, today, many decisions in organizations are made by groups, teams, or committees. In this section, we will review group decision making and compare it with individual decision making.

### Groups vs. the Individual

Decision-making groups may be widely used in organizations, but does that imply group decisions are preferable to those made by an individual alone? The answer to this question depends on a number of factors we consider below.<sup>30</sup> See Exhibit 12-3 for a summary of our major points.

#### Strengths of Group Decision Making

Groups generate *more complete information and knowledge*. By aggregating the resources of several individuals, groups bring more input into the decision process. In addition to more input, groups can bring heterogeneity to the decision process. They offer an *increased diversity of views*, and the opportunity to consider more approaches and alternatives. The evidence indicates that a group will almost always outperform even the best individual. So groups generate *higher quality decisions*. Groups also lead to *increased acceptance of a solution*.<sup>31</sup> Many decisions fail after they are made because people don't accept them. Group members who participated in making a decision are likely to enthusiastically support the decision and encourage others to accept it.

In terms of decision outcomes, group decisions tend to be more *accurate*. The evidence also indicates that, on average, groups make *better quality decisions* than individuals.<sup>32</sup> Finally, if *creativity* is important, groups tend to be more creative in their decisions than individuals.

#### Weaknesses of Group Decision Making

Despite the advantages noted, group decisions involve certain drawbacks. First, they are *time-consuming*. They typically take more time to reach a solution than would be the case if an individual were making the decision alone. Thus, group decisions are not

**EXHIBIT 12-3** Group vs. Individual Decision Making

Criteria of Effectiveness	Groups	Individuals
Accuracy	✓	
Speed		✓
Creativity	✓	
Degree of acceptance	✓	
Efficiency		✓

always efficient. Second, there are *conformity pressures* in groups. The desire by group members to be accepted and considered an asset to the group can result in squashing any overt disagreement. Third, group discussion can be *dominated by one or a few members*. If this dominant coalition is composed of low- and medium-ability members, the group's overall effectiveness will suffer. Finally, group decisions suffer from *ambiguous responsibility*. In an individual decision, it's clear who is accountable for the final outcome. In a group decision, the responsibility of any single member is watered down.

## Groupthink and Groupshift

Two by-products of group decision making have received a considerable amount of attention by organizational behaviour (OB) researchers: groupthink and groupshift. As we will show, these two factors have the potential to affect the group's ability to appraise alternatives objectively and arrive at quality solutions.

### Groupthink

Have you ever felt like speaking up in a meeting, classroom, or informal group, but decided against it? One reason may have been shyness. On the other hand, you may have been a victim of **groupthink**, a phenomenon in which group pressures for conformity prevent the group from critically appraising unusual, minority, or unpopular views. It describes a deterioration in an individual's mental efficiency, reality testing, and moral judgment as a result of group pressures.<sup>33</sup>

We have all seen the symptoms of the groupthink phenomenon:<sup>34</sup>

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

As the Bre-X scandal was unfolding in early 1997, many people who possibly should have known better refused to accept the initial evidence that there might not be any



Molly Mak was chosen president of a national information technology solutions provider, Calgary-based Onward Computer Systems, by other partners in the firm after she showed that she had the vision and determination to lead the company to greater growth and profits. She says that consensus is not always possible, especially when it's important to get things accomplished under tight time constraints.

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

gold at Busang, Indonesia. Because investors and the companies involved had convinced themselves that they were sitting on the gold find of the twentieth century, they were reluctant to challenge their beliefs when the first evidence of tampered core samples was produced. More recently, forecasters seemed to be suffering from groupthink as they pronounced the economy in recession, as *OB in the Street* shows.

## OB IN THE STREET



### Recession: Are We There Yet?

**How many economic forecasters does it take to change the economy?** In early 2002, economic forecasters were absolutely surprised by all the good news they heard on the economic front in Canada and the United States.<sup>35</sup> They were surprised that the economies of both countries grew in the fourth quarter and by the job growth in Canada during January and February. They were even surprised that Canada's manufacturers and exporters had a great January. Their surprise came because they had been predicting either a recession, at worst, or a recession and jobless recovery, at best.

Forecasters started painting a gloomy picture after the September 11, 2001, terrorist attacks, anticipating that the US national crisis would have a long-lasting impact on the world economy. Even as evidence failed to support this gloomy picture, forecasters struggled to find evidence that they were right.

Groupthink may well explain the forecasters' lingering negative predictions. They were from the financial industry, which was harder hit than most industries, except for the technology sector. Wall Street economists also lived next door to the World Trade Center, so this had a greater impact. Rather than search more widely for evidence, they looked more locally, at the economy right around Wall Street.

Stock prices and corporate profits fell significantly during much of 2001, and this is what they focused on. Meanwhile, housing prices and consumer spending continued to rise. The analysts figured this was a temporary upturn before the large downturn they were predicting. They also failed to notice that personal income continued to rise throughout the year.

In short, forecasters were calling for a recession. They convinced each other it was coming. "[Those] who didn't buy the line, and suggested that maybe this was only a very sharp slowdown, invited ridicule." ✖

The forecasters were suffering from some of the symptoms of groupthink. They rationalized resistance, suggesting it was everyone else who didn't understand the economic numbers. They applied peer pressure to each other, ridiculing those who suggested that a recession might not occur. This may have led some analysts to minimize their doubts, keeping silent. All of these behaviours led forecasters to appear unanimous in their views on the coming recession for 2002–2003.

Groupthink appears to be closely aligned with the conclusions Solomon Asch drew in his experiments with a lone dissenter, which we described in Chapter 6. Individuals who hold a position that is different from that of the dominant majority are under pressure to suppress, withhold, or modify their true feelings and beliefs. As members of a group, we find it more pleasant to be in agreement—to be a positive part of the group—than to be a disruptive force, even if disruption is necessary to improve the effectiveness of the group's decisions.

Do all groups suffer from groupthink? No. It seems to occur most often where there is a clear group identity, where members hold a positive image of their group, which they want to protect, and where the group perceives a collective threat to this positive image.<sup>36</sup>



So groupthink is less a dissenter-suppression mechanism than a means for a group to protect its positive image.

What can managers do to minimize groupthink?<sup>37</sup>

- Encourage group leaders to play an impartial role. Leaders should actively seek input from all members and avoid expressing their own opinions, especially in the early stages of deliberation.
- Appoint one group member to play the role of devil's advocate. This member's role is to overtly challenge the majority position and offer divergent perspectives.
- Stimulate active discussion of diverse alternatives to encourage dissenting views and more objective evaluations.

Despite considerable anecdotal evidence indicating the negative implications of groupthink in organizational settings, there has not been much actual empirical work conducted in organizations on this matter.<sup>38</sup> In fact, researchers on groupthink have been criticized for suggesting that its effect is uniformly negative<sup>39</sup> and for overestimating the link between the decision-making process and its outcome.<sup>40</sup> A 1999 study of groupthink using 30 teams from five large corporations suggests that elements of groupthink may affect decision making differently. For instance, the illusion of invulnerability, assumption of morality, and the illusion of unanimity were positively associated with team performance.<sup>41</sup> The most recent research suggests that we should be aware of groupthink conditions that lead to poor decisions, while realizing that not all groupthink symptoms harm decision making.

## Groupshift

Research suggests that there are differences between the decisions groups make and the decisions that would be made by individual members within the group.<sup>42</sup> In some cases, group decisions are more conservative than individual decisions. More often, group decisions are riskier than individual decisions.<sup>43</sup> In either case, participants have engaged in **groupshift**, a phenomenon in which the initial positions of individual group members become exaggerated because of the interactions of the group.

What appears to happen in groups is that the discussion leads to a significant shift in the positions of members toward a more extreme position in the direction in which they were already leaning before the discussion. So conservative types become more cautious and more aggressive types assume more risk. The group discussion tends to exaggerate the initial position of the group.

Groupshift can be viewed as a special case of groupthink. The group's decision reflects the dominant decision-making norm that develops during the group's discussion. Whether the shift in the group's decision is toward greater caution or more risk depends on the dominant prediscussion norm.

The greater occurrence of the shift toward risk has generated several explanations for the phenomenon.<sup>44</sup> It's been argued, for instance, that discussion creates familiarization among the members. As they become more comfortable with each other, they also become more bold and daring. Another argument is that our society values risk, that we admire individuals who are willing to take risks, and that group discussion motivates members to show that they are at least as willing as their peers to take risks. The most plausible explanation of the shift toward risk, however, seems to be that the group diffuses responsibility. Group decisions free any single member from accountability for the group's final choice. Greater risk can be taken because even if the decision fails, no one member can be held wholly responsible.

How should you use the findings on groupshift? You should recognize that group decisions exaggerate the initial position of the individual members, that the shift has been

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

shown more often to be toward greater risk, and that whether a group will shift toward greater risk or caution is a function of the members' prediscussion inclinations.

## Group Decision-Making Techniques

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

### Interacting Groups

The most common form of group decision making takes place in **interacting groups**. In these groups, members meet face to face and rely on both verbal and nonverbal interaction to communicate with each other. But as our discussion of groupthink demonstrated, interacting groups often censor themselves and pressure individual members toward conformity of opinion. Brainstorming, the nominal group technique, and electronic meetings have been proposed as ways to reduce many of the problems inherent in the traditional interacting group.

### Brainstorming

**Brainstorming** is meant to overcome pressures for conformity in the interacting group that retard the development of creative alternatives.<sup>45</sup> It achieves this by using an idea-generation process that specifically encourages any and all alternatives, while withholding any criticism of those alternatives.

In a typical brainstorming session, 6 to 12 people sit around a table. The group leader states the problem in a clear manner so that all participants understand it. Members then "free-wheel" as many alternatives as they can in a given period of time. No criticism is allowed, and all the alternatives are recorded for later discussion and analysis. With one idea stimulating others and judgments of even the most bizarre suggestions withheld until later, group members are encouraged to "think the unusual."

A more recent variant of brainstorming is electronic brainstorming, which is done by people interacting on computers to generate ideas. For example, Calgary-based Jerilyn Wright & Associates uses electronic brainstorming to help clients design their workspaces through software that has been adapted for office-space design.<sup>46</sup>

The Executive Decision Centre at Queen's University was "one of the first electronic [decision making] facilities in North America and the first to be made accessible to the public."<sup>47</sup> Professor Brent Gallupe and another facilitator at the centre have conducted more than 600 decision-making sessions with a variety of North American organizations. The strength of Queen's system is that participants simultaneously interact via computer terminals, all responses are anonymous, and the speed allows numerous ideas to be generated in a short time. Whitby, Ontario-based McGraw-Hill Ryerson became a regular user when it found that one of its divisions experienced a surge in sales after visiting the Queen's centre. "They came up with a better, more soundly developed strategy, with more commitment on the part of the people. People feel very committed to the outcomes of the process because they don't feel like they've been strong-armed into the outcomes. They've had a voice in it," says John Dill, McGraw-Hill Ryerson's president and CEO.

However, brainstorming isn't always the right strategy to use. For example, Terry Graham, former president and CEO of Scarborough, Ontario-based Image Processing Systems, which won Canada's 1997 Export Award, saw brainstorming backfire when he was doing business in China. He says that meetings with Chinese business people "are definitely not for brainstorming. We learned this lesson the hard way. Our team thought we could show our creativity by placing fresh alternatives in front of an important manager. It was two years before the company would talk to us again."<sup>48</sup>

Brainstorming is merely a process for generating ideas. The following two techniques go further by offering methods of actually arriving at a preferred solution.<sup>49</sup>

**interacting groups** Typical groups, where members interact with each other face to face.

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

**Jerilyn Wright & Associates (JWA)**

[www.jwadesign.com](http://www.jwadesign.com)

**Executive Decision Centre at Queen's University**

[business.queensu.ca/qedc/facility.htm](http://business.queensu.ca/qedc/facility.htm)

**McGraw-Hill Ryerson**

[www.mcgrawhill.ca](http://www.mcgrawhill.ca)

## Nominal Group Technique

The **nominal group technique** restricts discussion or interpersonal communication during the decision-making process, hence the term *nominal*. Group members are all physically present, as in a traditional committee meeting, but members operate independently. Specifically, a problem is presented and then the following steps take place:

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

The steps of the nominal group technique are illustrated in Exhibit 12-4. The chief advantage of the technique is that it permits the group to meet formally but does not restrict independent thinking, as does the interacting group.

## Electronic Meetings

The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology.<sup>50</sup> It's called the computer-assisted group, or **electronic meeting**. Up to 50 people sit around a horseshoe-shaped table, which is empty except for a series of computer terminals. Issues are presented to participants and they type their responses onto their computer monitors. Individual comments, as well as aggregate votes, are displayed on a projection screen in the room.

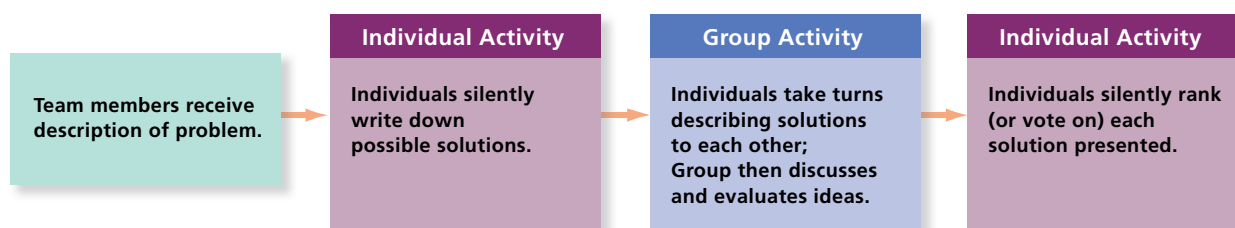
The major advantages of electronic meetings are anonymity, honesty, and speed. Participants can anonymously type any message they want, and it flashes on the screen for all to see at the push of a participant's keyboard. It also allows people to be brutally honest without penalty. And it's fast because chitchat is eliminated, discussions don't digress, and many participants can "talk" at once without stepping on one another's toes. The future of group meetings undoubtedly will include extensive use of this technology.

Each of these four group decision techniques has its own strengths and weaknesses. The choice of one technique over another will depend on what criteria you want to emphasize and the cost-benefit trade-off. For instance, as Exhibit 12-5 indicates, the interacting group is effective for building group cohesiveness; brainstorming keeps social pressures to a minimum; the nominal group technique is an inexpensive means for generating a large number of ideas; and electronic meetings process ideas quickly.

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

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

**EXHIBIT 12-4** Nominal Group Technique



**EXHIBIT 12-5 Evaluating Group Effectiveness**

Effectiveness Criteria	Type of Group			
	Interacting	Brainstorming	Nominal	Electronic
Number of ideas	Low	Moderate	High	High
Quality of ideas	Low	Moderate	High	High
Social pressure	High	Low	Moderate	Low
Money costs	Low	Low	Low	High
Speed	Moderate	Moderate	Moderate	High
Task orientation	Low	High	High	High
Potential for interpersonal conflict	High	Low	Moderate	Low
Feelings of accomplishment	High to low	High	High	High
Commitment to solution	High	Not applicable	Moderate	Moderate
Develops group cohesiveness	High	High	Moderate	Low

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

## THE INFLUENCE OF THE LEADER ON GROUP DECISION MAKING

### 5 Should the leader make the decision, or encourage the group to participate?

**leader-participation model** A leadership theory that provides a set of rules to determine the form and amount of participative decision making in different situations.

You're the head of your own business, or you're the manager of your division at work, and you're trying to decide whether you should make a decision yourself, or involve the members of your team in the decision. Is there anything that informs you about whether it's better for the leader to make the decision, or to get everyone involved in the decision-making process?

Back in 1973, OB scholars Victor Vroom and Philip Yetton developed a **leader-participation model** to account for various actions the leader might take with respect to the decision-making processes of the group he or she led.<sup>51</sup> Vroom and Yetton's model was normative—it provided a sequential set of rules that should be followed for determining the form and amount of participation desirable by the manager or group leader in decision making, as dictated by different types of situations. The model was a complex decision tree incorporating seven contingencies (whose relevance could be identified by making "yes" or "no" choices) and five alternative leadership styles.

More recent work by Vroom and Arthur Jago has resulted in a revision of this model.<sup>52</sup> The new model retains the same five alternative leadership styles, but adds a set of problem types and expands the contingency variables to 12, 10 of which are answered along a five-point scale.

The model assumes that any of five possible behaviours that leaders could use might be feasible in a given situation—Autocratic I (AI), Autocratic II (AII), Consultative I (CI), Consultative II (CII), and Group II (GII). Thus the group leader or manager has the following alternatives from which to choose when deciding how involved he or she should be with decisions that affect a work group:

**AI:** You solve the problem or make a decision yourself using whatever facts you have at hand.

**AII:** You obtain the necessary information from employees and then decide on the solution to the problem yourself. You may or may not tell employees about the

nature of the situation you face. You seek only relevant facts from them, not their advice or counsel.

**CI:** You share the problem with relevant employees one-on-one, getting their ideas and suggestions. However, the final decision is yours alone.

**CII:** You share the problem with your employees as a group, collectively obtaining their ideas and suggestions. Then you make the decision, which may or may not reflect your employees' influence.

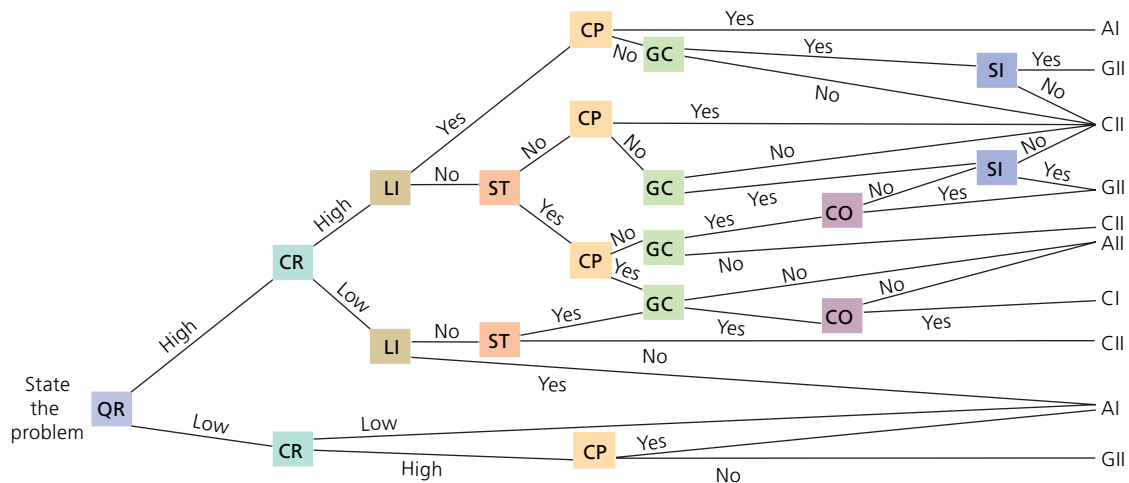
**GII:** You share the problem with your employees as a group. Your goal is to help the group concur on a decision. Your ideas are not given any greater weight than those of others.

The original leader-participation model has been revised, and is too sophisticated and complex to describe in detail in a basic OB textbook. There is a computer program that cuts through the complexity of the new model. The variables identified in the decision tree in Exhibit 12-6 provide you with solid insights about when you as a leader should participate in a group decision, make the decision yourself, or delegate to someone else. The major decision factors include the quality of the decision required, the degree of commitment needed from participants, and the time available to make the decision.

To help you become more familiar with using these decision trees, the *Working With Others Exercise* on page 463 presents several cases for you to analyze.

**EXHIBIT 12-6 The Revised Leadership-Participation Model (Time-Driven Decision Tree Group Problems)**

- QR** Quality requirement: How important is the technical quality of this decision?
- CR** Commitment requirement: How important is subordinate commitment to the decision?
- LI** Leader's information: Do you have sufficient information to make a high quality decision?
- ST** Problem structure: Is the problem well structured?
- CP** Commitment probability: If you were to make the decision by yourself, is it reasonably certain that your subordinate(s) would be committed to the decision?
- GC** Goal congruence: Do subordinates share the organizational goals to be attained in solving this problem?
- CO** Subordinate conflict: Is conflict among subordinates over preferred solutions likely?
- SI** Subordinate information: Do subordinates have sufficient information to make a high quality decision?



Source: Adapted and reprinted from *Leadership and Decision-Making*, by Victor H. Vroom and Philip W. Yetton, by permission of the University of Pittsburgh Press. Copyright © 1973 by University of Pittsburgh Press.



Research testing of the original leader-participation model was very encouraging.<sup>53</sup> We have every reason to believe that the revised model provides an excellent guide to help managers choose the most appropriate leadership style in different situations.

## CREATIVITY IN ORGANIZATIONAL DECISION MAKING

### 6 How can we get more creative decisions?

“Canada is not a very creative culture,” according to a National Research Council report written by Professor David Bentley of the English Department at the University of Western Ontario.<sup>54</sup> The report suggests that concrete steps need to be taken to promote a culture of innovation and improve the creativity of individuals. The report gives a number of suggestions for improving creativity, including using metaphors, empathetic thinking, and imagining to help see things in new ways.

Bentley’s call for improving creativity is consistent with a contemporary survey showing that 58 percent of both large public companies and entrepreneurs recognize a link between creative thinking within the organization and having a competitive edge.<sup>55</sup> “It [creative thinking] will not necessarily spell the difference between success and failure. But it is one of those tangential issues that can add a few cents per share profit,” noted the head of an Ontario agriproducts company, who was not identified by the survey. Moreover, research shows that the organizational benefits of individual creativity include “higher-quality products, more effective decision making, better group performance, and more innovative solutions to organizational problems.”<sup>56</sup>

A variety of definitions exist for the concept of creativity; some view it as a characteristic of a person, and others view it as a process.<sup>57</sup> Most contemporary researchers and theorists use a definition that addresses either the product or the outcome of the product development process.<sup>58</sup> In the discussion below, we consider **creativity** as the process of creating novel products, ideas, or procedures that are potentially relevant or useful to an organization.<sup>59</sup>

**creativity** The process of creating novel products, ideas, or procedures that are potentially relevant or useful to an organization.

### Factors That Affect Individual Creativity

*Why are some people more creative than others?*

People differ in their inherent creativity. Albert Einstein, Marie Curie, Thomas Edison, Pablo Picasso, and Wolfgang Amadeus Mozart were individuals of exceptional creativity. In more recent times, Canadian artist Emily Carr, legendary Canadian concert pianist Glenn Gould, Canadian author Carol Shields, and basketball star Michael Jordan have been noted for the creative contributions they made to their fields. Not surprisingly, exceptional creativity is scarce. For example, a study of lifetime creativity of 461 men and women found that less than 1 percent were exceptionally creative.<sup>60</sup> But 10 percent were highly creative and about 60 percent were somewhat creative. This suggests that most of us have creative potential, if we can learn to unleash it.

A large body of literature has examined the personal attributes associated with creative achievement.<sup>61</sup> In general, “these studies have demonstrated that a stable set of core personal characteristics, including broad interests, attraction to complexity, intuition, aesthetic sensitivity, toleration of ambiguity, and self-confidence relate positively and consistently to measures of creative performance across a variety of domains.”<sup>62</sup>

While personality and cognitive skills are linked to creativity,<sup>63</sup> the task itself plays an important role. Individuals are more creative when they are motivated by intrinsic interest, challenge, task satisfaction, and self-set goals.<sup>64</sup> Those who are extrinsically motivated are more likely to look for the most efficient solution to a problem in order to receive the desired rewards. Those who are intrinsically motivated may take more time explor-

ing issues and situations, which gives them the opportunity to see things in a different light.<sup>65</sup> The setting also makes a difference, and those settings that provide opportunities, absence of constraints,<sup>66</sup> and rewards<sup>67</sup> encourage creativity.

There is some evidence that the brain is set up to think linearly, rather than laterally, and yet lateral thinking is needed for creative thinking. Edward De Bono, a leading authority on creative and conceptual thinking for over 25 years, has written a number of books on this topic, including *Six Thinking Hats* and *The Mechanism of Mind*.<sup>68</sup> De Bono's "six thinking hats" concept is a simple yet powerful tool that is intended to change the way people think. He suggests that innovative and creative problem-solving can develop from working through decisions using each of the frameworks represented by individual hats. The hats are metaphors for different kinds of thinking.<sup>69</sup>

- The *white hat* represents impartial thinking, focusing strictly on the facts.
- The *red hat* represents expression of feelings, passions, intuitions, emotions.
- The *black hat* represents a critical, deliberate, evaluating outlook.
- The *yellow hat* represents an optimistic, upbeat, positive outlook.
- The *green hat* represents creativity, inspiration, imagination, and the free flow of new concepts.
- The *blue hat* represents control, an overall "managerial" perspective of the process.

From *Concepts to Skills* on page 466 points out how to solve problems creatively.

Each hat has its own place in the decision-making process. De Bono suggests that we use all six in order to fully develop our capacity to think more creatively. Groups could do the same by assigning each person to the role of one of the hats.

## Organizational Factors That Affect Creativity

In two decades of research analyzing the links between work environment and creativity, six general categories have been found:<sup>70</sup>

- *Challenge*. When people are matched up with the right assignments, their expertise and skills can be brought to the task of creative thinking. Individuals should be stretched, but not overwhelmed.
- *Freedom*. To be creative, once a person is given a project, he or she needs the autonomy to determine the process. In other words, let the person decide how to tackle the problem. This heightens intrinsic motivation.
- *Resources*. Time and money are the two main resources that affect creativity. Thus, managers need to allot these resources carefully.
- *Work group features*. Our discussion of group composition and diversity concluded that heterogeneous groups were likely to come up with more creative solutions. In addition to ensuring a diverse group of people, team members need to share excitement over the goal, must be willing to support each other through difficult periods, and must recognize each other's unique knowledge and perspective.



Creativity and the bottom line can go hand in hand. In fact, at Vancouver-based Big House Communications, creativity rules. Big House develops communications, including websites, for other companies. It's known for giving clients several alternatives: traditional, wacky, and fun. The company must be doing something right. It's more than 16 years old, which makes it really old for its business.

Edward De Bono  
www.edwdebono.com

- *Supervisory encouragement.* To sustain passion, most people need to feel that what they are doing matters to others. Managers can reward, collaborate, and communicate to nurture the creativity of individuals and teams.
- *Organizational support.* Creativity-supporting organizations reward creativity, and also make sure that there is information sharing and collaboration. They make sure that negative political problems do not get out of control.

The Swiss firm BrainStore takes advantage of group diversity to improve decision making in *Focus on Diversity*.

## FOCUS ON DIVERSITY



### Kids Improve Decision Making at BrainStore

BrainStore  
www.brainstore.com


**Can kids help organizations be more creative?** BrainStore, an “idea factory” in Biel, Switzerland, recognizes the importance of diversity in putting together creative ideas.<sup>71</sup> It uses an international network of children to brainstorm its most challenging projects.

BrainStore manufactures and sells ideas. Clients include pharmaceuticals giant Novartis AG, which was looking for ideas for new food products; the Swiss Cancer Association, which wanted ideas on how to promote the use of sun-protection products; and a 70-year-old woman who wanted ideas to help her fall in love again.

The company vision of BrainStore founders Markus Mettler, 38, and Nadja Schnetzler, 32, is to “approach the manufacturing of ideas with as much rigour and as much discipline as you apply to the manufacturing of assembly-line products.”

BrainStore calls in the BrainNet whenever it faces a really big creative challenge. BrainNet is a 1500-person global network of young people aged 13 to 20. The young people scour the world for new trends and offbeat sources of inspiration to help the company. “We’re not looking for average ideas,” says Mettler. “We’re looking for crazy ideas. We use kids to find those ideas, because they know how to talk without letting their thinking get in the way.”

Members of BrainNet join members of BrainStore’s client teams during creative workshops. “One of the ideas behind the company was to blend the professionalism of experts with the unbridled enthusiasm of kids,” says Schnetzler. It’s not unusual for teens to work with such clients as Nestle SA and the Swiss railway.

Recently, nine kids helped five executives from Credit Suisse Group, one of Switzerland’s top banks, to brainstorm ideas to get rid of its passbook savings accounts. Swiss families liked the accounts, but bank employees found them obsolete. After the cross-generational teams developed a set of raw ideas, they went through the remaining steps in the BrainStore assembly line: “compression (in which a team of in-house employees and outside experts sorts through ideas and picks out the best ones); testing (research and prototype); and finishing (marketing campaigns and positioning strategies).” Mettler suggests that it is this assembly-line process that keeps innovation flowing, by making sure that all parts of the decision-making process get carried out. 



Videogame maker Electronic Arts (EA) created an on-site labyrinth to help employees unleash their creative potential. EA encourages video and computer game developers to wander the maze when their creativity levels are running low. While walking the maze, they can think about their challenges in divergent ways for designing innovative products.

Five organizational factors have been found to block your creativity at work:<sup>72</sup>

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

This chapter's *CBC Video Case* illustrates how one creativity specialist gets people to think more creatively.



Doug Hall, Creativity Guru

## WHAT ABOUT ETHICS IN DECISION MAKING?

At the Pan Asia Footwear Public Company in Thailand, managers set quotas in order to keep productivity high.<sup>73</sup> The difficulty, as one inspector points out, is “shoes with complex details sometimes can’t be finished in eight hours. This means that staff might work 10 hours for an eight-hour wage.” The company does not pay overtime when this happens, because the employee has not met the quota on time. Employees are not paid by the hour. They simply receive a flat fee for a day’s work. How can we determine whether this is an ethical practice by the company?

No contemporary discussion of decision making would be complete without the inclusion of ethics, because ethical considerations should be an important criterion in organizational decision making. **Ethics** is the study of moral values or principles that guide our behaviour, and inform us whether actions are right or wrong. Ethical principles help us “do the right thing.” In this section, we present three ways to ethically frame decisions and examine the factors that shape an individual’s ethical decision-making behaviour. We also examine organizational responses to the demand for ethical behaviour, as well as consideration of ethical decisions when doing business in other cultures. To learn more about your ethical decision-making approach, see the *Ethical Dilemma Exercise* on page 464. To consider the extent to which ethical decision making blurs the lines between work and personal life, examine the *Case Incident—Bankers’ Excess Gets Them Fired* on page 465.

**7** What is ethics, and how can it be used for better decision making?

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

### Four Ethical Decision Criteria

An individual can use four different criteria in making ethical choices.<sup>74</sup> The first is the *utilitarian* criterion, in which decisions are made solely on the basis of their outcomes or consequences. The goal of **utilitarianism** is to provide the greatest good for the greatest number. This view tends to dominate business decision making. It is consistent with goals such as efficiency, productivity, and high profits. By maximizing profits, for instance, business executives can argue that they are securing the greatest good for the greatest number—as they hand out dismissal notices to 15 percent of employees.

BMO Nesbitt Burns ignored unethical behaviour by an employee because the company stood to gain from the behaviour, as *Focus on Ethics* shows.

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

#### FOCUS ON ETHICS



### Making Profits at the Expense of Clients

**Can profits really drive unethical decisions?** In spring 2001, BMO Nesbitt Burns in Winnipeg agreed to pay the highest fine in Manitoba securities history (\$100 000 plus \$60 000 toward investigation costs) after being investigated by the Manitoba

**BMO Nesbitt Burns**  
www.bmonesbittburns.com



Securities Commission, the Investment Dealers Association (IDA), and the Canadian Banking Ombudsman for ignoring unethical behaviour by one of its investment brokers over several years.<sup>75</sup> These investigations stemmed from continuing complaints about broker Randolph McDuff's behaviour, for which the company took little action. McDuff was first investigated by BMO Nesbitt Burns in March 1999 for trading in clients' accounts without their permission. McDuff admitted he had made unauthorized trades in client accounts; a compliance officer noted that "McDuff did not seem to understand that a client must be contacted prior to a trade being executed." The head of compliance at Nesbitt Burns' Toronto headquarters recommended that McDuff be fired.

However, McDuff was not fired. Instead he was fined \$2000 and warned that "any further occurrences may result in termination of employment." This was not the first incident of unethical behaviour by McDuff. An internal document dated January 28, 1999, noted, "We have experienced a large increase in the amount of settlements [anticipated and settled]" regarding McDuff.

Nevertheless, Tom Waitt, senior vice-president of BMO Nesbitt Burns' Prairie division and McDuff's supervisor in Manitoba, urged the head office to avoid taking drastic action, and to keep McDuff under close supervision instead. A memo McDuff wrote to his supervisor in September 1999 may explain why the Winnipeg office was so interested in ignoring his behaviour: "I know there is this great big cloud over my head and that head office wants me out of here. Does head office forget about my contributions to this firm over the years? In addition to providing for more than 15% of the office revenue consistently over the past five years, I have been an advocate of Nesbitt Burns. . . . Rookies and marketers are still amazed at my work ethic. Some have said that it inspires them to work harder." ✖

Decision makers, particularly in for-profit organizations, tend to feel safe and comfortable when they use utilitarianism. Many questionable actions can be justified when framed as being in the best interests of "the organization" and stockholders. But many critics of business decision makers argue that this perspective should change because it can result in ignoring the rights of some individuals, particularly those with minority representation in the organization.<sup>76</sup>

A second ethical criterion is to focus on *rights*. This criterion calls on individuals to make decisions consistent with fundamental liberties and privileges as set forth in documents such as the Canadian Charter of Rights and Freedoms. An emphasis on rights in decision making means respecting and protecting the basic rights of individuals, such as the right to privacy, to free speech, and to due process. For instance, use of this criterion would protect whistle-blowers when they report unethical or illegal practices by their organization to the media or to government agencies on the grounds of their right to free speech.

A third ethical criterion is to focus on *justice*. This requires individuals to impose and enforce rules fairly and impartially so there is an equitable distribution of benefits and costs. Union members typically favour this view. It justifies paying people the same wage for a given job, regardless of performance differences, and using seniority as the primary determination in making layoff decisions. A focus on justice protects the interests of the



Stewart Leibl, president of Perth's, a Winnipeg dry-cleaning chain, is a founding sponsor of the Koats for Kids program. The company's outlets are a drop-off point for no-longer-needed children's coats, which Perth's cleans free of charge before distributing them to children who don't have winter coats. Leibl is going beyond the utilitarian criterion when he says, "We all have a responsibility to contribute to the society that we live in." He is also looking at social justice.



underrepresented and less powerful, but it can encourage a sense of entitlement that reduces risk-taking, innovation, and productivity.

A fourth ethical criterion is to focus on *care*. The ethics of care can be stated as follows: “The morally correct action is the one that expresses care in protecting the special relationships that individuals have with each other.”<sup>77</sup> Care as an ethical criterion came out of feminist literature<sup>78</sup> to address the idea that the male-dominated view of ethics was too impersonal and ignored the relationships among individuals.<sup>79</sup> The care criterion suggests that we should be aware of the needs, desires, and well-being of those to whom we are closely connected. Recent research does not suggest that men and women differ in their use of justice vs. care in making decisions.<sup>80</sup> However, this perspective does remind us of the difficulty of being impartial in all decisions.

## Factors Influencing Ethical Decision-Making Behaviour

*Why do some people make more ethical decisions than others?*

What accounts for unethical behaviour in organizations? Is it immoral individuals or work environments that promote unethical activity? The answer is, *both!* The evidence indicates that ethical or unethical actions are largely a function of both the individual’s characteristics and the environment in which he or she works.<sup>81</sup> The model in Exhibit 12-7 illustrates factors affecting ethical decision-making behaviour and emphasizes three factors: stage of moral development, locus of control, and the organizational environment.

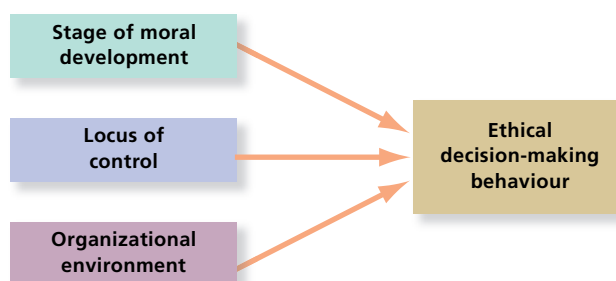
### Stages of Moral Development

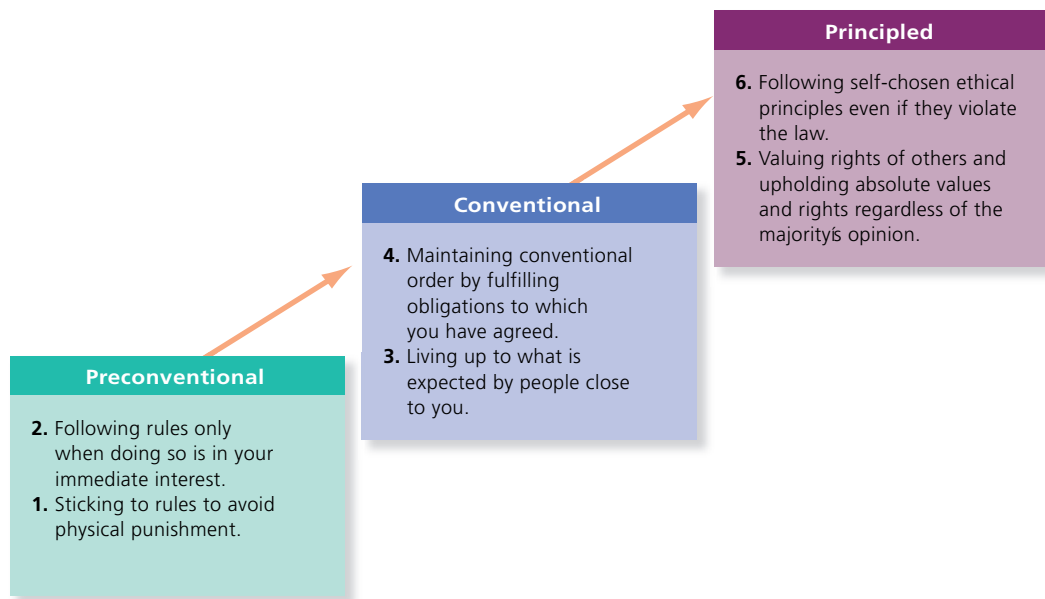
**Stages of moral development** assess a person’s capacity to judge what is morally right.<sup>82</sup> Research suggests that there are three levels of moral development, and each level has two stages.<sup>83</sup> The higher a person’s moral development, the less dependent he or she is on outside influences and, hence, the more he or she will be predisposed to behave ethically. The first level is the preconventional level, the second is the conventional level, and the third, or highest, level is the principled level. These levels and their stages are described in Exhibit 12-8 on page 452.

Research indicates that people proceed through the stages one step at a time, though they do not necessarily reach the highest stage.<sup>84</sup> Most adults are at a mid-level of moral development—they are strongly influenced by peers and will follow an organization’s rules and procedures. Those individuals who have progressed to the higher stages place increased value on the rights of others, regardless of the majority’s opinion, and are likely to challenge organizational practices they personally believe are wrong. Those at the higher stages are most likely to make ethical decisions.

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

#### EXHIBIT 12-7 Factors Affecting Ethical Decision-Making Behaviour



**EXHIBIT 12-8 Stages of Moral Development**

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

### Locus of Control

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

### Organizational Environment

The *organizational environment* refers to an employee's perception of organizational expectations. Does the organizational culture encourage and support ethical behaviour by rewarding it or discourage unethical behaviour by punishing it? Characteristics of an organizational environment that are likely to foster high ethical decision making include written codes of ethics; high moral behaviour by senior management; realistic performance expectations; performance appraisals that evaluate means as well as ends; visible recognition and promotions for individuals who display high moral behaviour; and visible punishment for those who act unethically.

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

### Making Ethical Decisions

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

Exhibit 12-9 illustrates a decision tree to guide ethical decisions.<sup>85</sup> This tree is built on the three ethical decision criteria—utilitarianism, rights, and justice—presented earlier. The first question you need to answer addresses self-interest vs. organizational goals.

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

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

Unfortunately, the answers to the questions in Exhibit 12-9 are often argued in ways to make unethical decisions seem ethical. Powerful people, for example, can become very adept at explaining self-serving behaviours in terms of the organization's best interests. Similarly, they can persuasively argue that unfair actions are really fair and just. Our point is that immoral people can justify almost any behaviour. Those who are powerful, articulate, and persuasive are the most likely to be able to get away with unethical actions successfully. When faced with an ethical dilemma, try to answer the questions in Exhibit 12-9 truthfully.

## Organizational Response to Demands for Ethical Behaviour

During the 1990s, an explosion in the demand for more ethics occurred in Canada and the United States. A second explosion occurred in 2002, after the Enron, WorldCom, and other accounting scandals. In Canada, more than 120 ethics specialists now offer services as in-house moral arbitrators, mediators, watchdogs, and listening posts. Some work at Canada's largest corporations, including CIBC, Canada Post, Magna International, Royal Bank of Canada, Nortel Networks, and McDonald's Canada. These corporate ethics officers hear about issues such as colleagues making phone calls on company time, managers yelling at their employees, product researchers being asked to fake data to meet a deadline, or a company wanting to terminate a contract because the costs are higher than anticipated. Ethics professor Wayne Norman of the Université de Montréal believes that ethics officers are a positive trend, noting, "All sorts of studies show the companies that take ethics seriously tend to be more successful."<sup>86</sup>

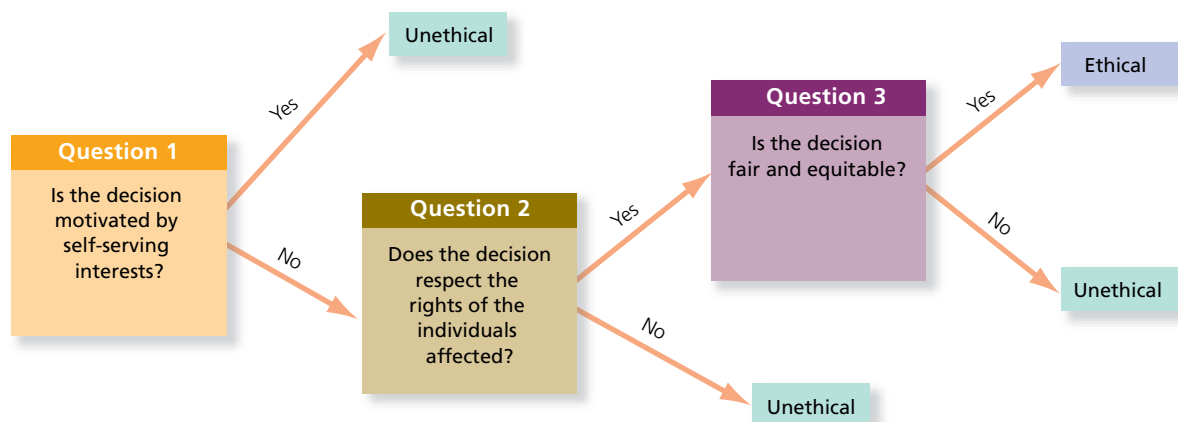
Canada Post  
www.canadapost.ca

Magna International  
www.magnaint.com

Nortel Networks  
www.nortelnetworks.com

McDonald's Canada  
www.mcdonalds.ca/en/

**EXHIBIT 12-9** Is a Decision Ethical?





United Parcel Service (UPS) Canada, based in Moncton, New Brunswick, wants to make sure that its employees approach ethical dilemmas with the confidence to make the right decision. Therefore, the company conducts an ethics training program for all of its employees, from senior managers to the service providers.

#### United Parcel Services (UPS) Canada

[www.ups.com/canada/](http://www.ups.com/canada/)

Many corporations are also developing codes of ethics. For example, about 66 percent of Canada's largest 1000 corporations have them,<sup>87</sup> while about 90 percent of the companies on the *Fortune* 500 index have them. Twenty percent of the top 300 Canadian organizations employ ethics specialists, compared with 30 percent of the *Fortune* 500 companies in the United States. Unlike the United States, however, Canada does not legally require companies to create an ethical culture. In the United States, when a company is sued for illegal practices, financial damages may be reduced considerably if the company has a fully functioning ethics program in place.

Having a corporate ethics policy is not enough; employees must be instructed in how to follow the policy. Yet only about 39 percent of Canadian firms provided training in ethical decision making in 2000, although this was up from 21 percent in 1997. United Parcel Services (UPS) Canada launched its ethics train-

ing program in July 1999. As David Cole, vice-president of human resources at UPS, noted, "We want to make sure that as people approach ethical dilemmas, they understand there is a support structure in place."<sup>88</sup> *OB in Action—Developing a Meaningful Code of Ethics* shows how to implement codes of ethics in organizations.

Only 14 percent of companies evaluate their ethics-related performance, suggesting that most are not focused on improving ethics in the workplace.<sup>89</sup> However, a small group of companies is starting a new trend in monitoring ethical practices—hiring an ethics auditor in much the same way as they would hire a financial auditor. The ethics auditor is hired to "double-check an organization's perception of its own morals."<sup>90</sup> Vancouver City Savings Credit Union (Vancity), Bell Canada, Tetra Pak, British Telecom, the University of Toronto, and The Body Shop have all brought in ethics auditors. This chapter's *HR Implications*, on page 461, contains further details about the types of ethical policies that organizations implement.

Another way to encourage ethical behaviour is to create mechanisms that encourage employees to speak up when they see wrongdoing. Toronto-based BBDO Canada encourages "candour moments." Employees are empowered "to call each other on behaviour that goes against company values, even junior employees who want to be candid with managers," says the ad agency's president and CEO, Gerry Frascione.<sup>91</sup>

## What About National Culture?

We have already shown that there are differences between Canada and the United States in the legal treatment of ethics violations and the creation of an ethical corporate culture. However, it's important to note that what is considered unethical in one country may not be viewed similarly in another country. The reason is that there are no global ethical standards. Contrasts between Asia and the West provide an illustration.<sup>92</sup> In Japan, people doing business together often exchange gifts, even expensive ones. This is part of Japanese tradition. When North American and European companies started doing business in Japan, most North American executives were not aware of the Japanese tradition of exchanging gifts and wondered whether this was a form of bribery. Most have come to accept this tradition now and have even set different limits on gift giving in Japan than in other countries.<sup>93</sup>

In another example of the differences between Asia and North America, a manager of a large US company that operates in China caught an employee stealing. Following company policy, she fired the employee and turned him over to the local authorities for

his act. Later she discovered, to her horror, that the former employee had been executed for the theft.<sup>94</sup> These examples indicate that standards for ethical behaviour and the consequences of particular acts are not universal. This presents a variety of problems for those doing business in other countries.

Companies operating branches in foreign countries are faced with tough decisions about how to conduct business under different ethical standards from those in Canada. For instance, Canadian companies must decide whether they want to operate in countries such as China, Burma, and Nigeria, which abuse human rights. Although the Canadian government permits investing in these countries, it also encourages companies to act ethically.

Although ethical standards may seem ambiguous in the West, criteria defining right and wrong are actually much clearer in the West than in Asia and the Middle East. Few issues are black and white there; most are grey. John B. McWilliams, senior vice-president and general counsel for Calgary-based Canadian Occidental Petroleum (now known as Nexen), notes that requests for bribes are not necessarily direct: "Usually, they don't say, 'Give me X thousands of dollars and you've got the deal.' It's a lot more subtle than that."<sup>95</sup> Michael Davies, vice-president and general counsel for Toronto-based General Electric Canada, offers an example: "A payment [is] made to an administrative official to do the job that he's supposed to do. In other words, you pay a fellow over the counter \$10 when you're in the airport in Saudi Arabia to get on the flight you're supposed to get on, because, otherwise, he's going to keep you there for two days."<sup>96</sup>

The US government reported that between 1994 and 2001, bribery was uncovered in more than 400 competitions for international contracts.<sup>97</sup> The need for global organizations to establish ethical principles for decision makers in all countries may be critical if high standards are to be upheld and if consistent practices are to be achieved.

## CORPORATE SOCIAL RESPONSIBILITY

In 1999 Nike gave a \$7.7-million (US) grant to the International Youth Foundation (IYF) to establish an organization called the Global Alliance for Workers and Communities (GA).<sup>98</sup> GA, founded to improve working conditions in overseas factories, has been critical of Nike, publishing a report in 2001 on abuses in Indonesian factories making Nike products. "Verbal abuse was the most marked, with 30 per cent of the workers having personally experienced and 56 per cent having observed the problem. An average of 7 per cent of workers reported receiving unwelcome sexual comments and 3 per cent reported being physically abused," the report said.

Nike admitted that it was unaware of these problems when the report was published. The company has since increased training for both managers and employees at its overseas facilities to avoid some of the abuses that were happening in the factories. Maria Eitel, the company's vice-president for corporate responsibility, says: "The factory managers are telling us that as they increase their work around social responsibility, they are seeing improvements." To what extent should companies be socially responsible?

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

## OB IN ACTION

### Developing a Meaningful Code of Ethics

- Clearly **state basic principles** and expectations.
- Realistically **focus on potential ethical dilemmas** that employees face.
- **Distribute the code** to all employees.
- **Enforce violations** of the code.

Source: Based on W. E. Stead, D. L. Worrell, and J. G. Stead, "An Integrative Model for Understanding and Managing Ethical Behavior in Business Organizations," *Journal of Business Ethics* 9, no. 3 (March 1990), pp. 233–242.

**Nexen**  
www.nexen.inc.com

**General Electric Canada**  
www.ge.com/ca

**The Global Alliance for Workers and Communities**  
www.theglobalalliance.org

### 8 What is corporate social responsibility?

**corporate social responsibility**  
An organization's responsibility to consider the impact of its decisions on society.





Halifax-based Nova Scotia Power wants its employees to be active in helping their communities. To encourage them to invest their time, the company started a Good Neighbour funding program. Employees apply to the Good Neighbour committee to receive up to \$1000 for capital costs for a community project.

Eighty percent of Canadians feel that Ottawa should establish standards for corporate social responsibility, and require corporations to report on how they are meeting guidelines, according to a recent survey.<sup>99</sup> Many Canadian companies are feeling the pressure to act socially responsible as well. Environics Research Group recently found that 49 percent of the 25 000 consumers interviewed worldwide made product decisions on the basis of companies' social responsibility.<sup>100</sup> This exceeded the 40 percent who made decisions based on brand quality and reputation. Moreover, 23 percent said they had punished a company in the previous year for not meeting what they thought were the company's social obligations.

Not everyone agrees with the position of organizations assuming social responsibility. For example, economist Milton Friedman remarked in *Capitalism and Freedom* that "few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible."<sup>101</sup>

Joel Bakan, professor of law at the University of British Columbia, author of *The Corporation*,<sup>102</sup> and co-director of the documentary of the same name, is more critical of organizations than Friedman, though he finds that current laws support corporate behaviour that some might find troubling. Bakan suggests that today's corporations have many of the same characteristics as a psychopathic personality (e.g., self-interested, lacking empathy, manipulative, and reckless in their disregard of others). Bakan notes that even though companies have a tendency to act psychopathically, this is not why they are fixated on profits. Rather, the only legal responsibility corporations have is to maximize organizational profits for stockholders. He suggests more laws and more restraints need to be put in place if corporations are to behave more socially responsibly, as current laws direct corporations to be responsible to their shareholders, and make little mention of responsibility toward other stakeholders.

Interestingly enough, a recent study shows that MBA students change their views about social responsibility during the course of their program.<sup>103</sup> Students from 13 international business schools, including the Ivey School at the University of Western

Ontario and the Schulich School at York University, were asked at the beginning and the end of their MBA program about their attitudes toward corporate social responsibility. At the start of their program, 40 percent reported that one of the primary responsibilities of a company is to produce useful, high quality goods and services. By the time the students graduated, only 30 percent of them thought this was a valuable corporate goal; 75 percent suggested that a company's primary responsibility was to maximize shareholder value.

Some Canadian companies do practise social responsibility, however. Both Vancouver-based Vancity and Bolton, Ontario-based Husky Injection Molding Systems have "taken comprehensive steps to include customer, employee, community and environmental concerns in both long-term planning and day-to-day decision making."<sup>104</sup> Vancity's electronic banking arm, Citizens Bank, has an "Ethical Policy," which states, for instance, that the bank is against excessive environmental harm, and will not do business with companies that either violate the fundamental rights of children or are involved in weapons.<sup>105</sup> This chapter's *Case Incident—Syncrude Wants to be a Good Neighbour* on page 465 describes a socially responsible approach to running a business located near an Aboriginal community. For more on the debate about social responsibility vs. concentrating on the bottom line, see this chapter's *Point/Counterpoint* on page 460.

Vancity  
www.vancity.com

Husky Injection Molding  
Systems  
www.husky.ca

## SUMMARY AND IMPLICATIONS

- 1 **Is there a right way to make decisions?** The rational decision-making model describes the six steps individuals take to make decisions: (1) Define the problem, (2) identify the criteria, (3) allocate weights to the criteria, (4) develop alternatives, (5) evaluate the alternatives, and (6) select the best alternative. This is an idealized model, and not every decision thoroughly follows these steps.
- 2 **How do people actually make decisions?** Most decisions in the real world don't follow the rational model. For instance, people are usually content to find an acceptable or reasonable solution to their problem rather than an optimizing one. Thus, decision makers may rely on bounded rationality, satisficing, and intuition in making decisions. There are a number of judgment shortcuts people use, including framing, statistical regression to the mean, the availability heuristic, the representative heuristic, ignoring the base rate, and escalation of commitment.
- 3 **How can knowledge management improve decision making?** Knowledge management makes employees smarter when it's carried out properly. By electronically storing information that employees have, organizations make it possible to share collective wisdom. As well, when new projects are started, individuals can see what others have done before them, to avoid going down unproductive paths.
- 4 **What factors affect group decision making?** Groups generate more complete information and knowledge, they offer increased diversity of views, they generate higher quality decisions, and they lead to increased acceptance of a solution. However, group decisions are time-consuming. They also lead to conformity pressures and the group discussion can be dominated by one or a few members. Finally, group decisions suffer from ambiguous responsibility, and the responsibility of any single member is watered down. Groups can suffer from groupthink and/or groupshift. Under groupthink, the group emphasizes agreement above everything else, often shutting down individuals who express any disagreement with the group's actions. In groupshift, the group takes a more extreme position (either more conservative or more risky) than individuals would take on their own.

- 5 Should the leader make the decision, or encourage the group to participate?** The revised leadership-participation model uses a decision tree to determine whether the leader should make the decision alone or incorporate some level of group participation. The factors in the model include the quality of the decision required, the degree of commitment needed from participants, and the time available to make the decision.
- 6 How can we get more creative decisions?** While there is some evidence that individuals vary in their ability to be creative, we also know that individuals are more creative when they are motivated by intrinsic interest, challenge, task satisfaction, and self-set goals. Five organizational factors have been found that can block creativity at work: (1) expected evaluation—focusing on how work is going to be evaluated; (2) surveillance—being watched while working; (3) external motivators—focusing on external, tangible rewards; (4) competition—facing win-lose situations with peers; and (5) constrained choice—being given limits on how to do the work.
- 7 What is ethics, and how can it be used for better decision making?** Ethics is the study of moral values or principles that guide our behaviour, and inform us whether actions are right or wrong. Ethical principles help us “do the right thing.” An individual can use four different criteria in making ethical choices. The first is the utilitarian criterion, in which decisions are made solely on the basis of their outcomes or consequences. The second ethical criterion is to focus on rights. This means respecting and protecting the basic rights of individuals. The third ethical criterion is to focus on justice. This requires individuals to impose and enforce rules fairly and impartially so there is an equitable distribution of benefits and costs. The fourth ethical criterion is to focus on care. The care criterion suggests that we should be aware of the needs, desires, and well-being of those to whom we are closely connected. There are advantages and disadvantages to each of these criteria.
- 8 What is corporate social responsibility?** Corporate social responsibility is defined as an organization’s responsibility to consider the impact of its decisions on society. Thus, organizations may try to better society, through such things as charitable contributions or providing better wages to employees working in offshore factories. Organizations may engage in these practices because they feel pressured by society to do so, or they may seek ways to improve society because they feel it is the right thing to do.

## For Review

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

## For Critical Thinking

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

## OB for You

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



## POINT

## Organizations Should Just Stick to the Bottom Line

The major goals of organizations are and should be efficiency, productivity, and high profits. By maximizing profits, businesses ensure that they will survive and thus make it possible to provide employment. Doing so is in the best interests of the organization, employees, and stockholders. Moreover, it's up to individuals to show that they are concerned about the environment through their investment and purchasing activities, not for corporations to lead the way.

Let's examine some of the reasons why it's not economically feasible to place the entire burden of protecting the environment on the shoulders of big business.

Studies show that environmental regulations are too costly. The Conference Board of Canada suggested that environmental regulations cost Canadian companies \$580 million to \$600 million a year.<sup>106</sup> The Fraser Institute in Vancouver reported that all regulations, including those designed to protect the environment, cost Canadian industry \$85 billion a year.<sup>107</sup>

Environmental regulations can also be harmful to jobs. In British Columbia, the Forest Practices Code is said to have added \$1 billion a year to harvesting costs and resulted in a number of job cuts.

While businesses are concerned with the high cost that results from environmental regulations, the general public are not completely supportive of protecting the environment either, particularly if it will inconvenience them.<sup>108</sup>

Companies would be better off sticking to the bottom line, and governments should stay away from imposing costly environmental regulations on business. Stringent environmental standards cause trade distortions, and governments rarely consider the cost of complying with regulations. Companies should be allowed to take their lead from shareholders and customers. If these constituencies want businesses to pay for environmental protection, they will indicate this by investing in firms that do so. Until they do, the cost of environmental legislation is simply too high.



## COUNTERPOINT

## Environmental Responsibility Is Part of the Bottom Line

Going green makes good economic sense. The studies reported in the *Point* argument tend to overstate the cost of environmental regulations.<sup>109</sup> They do not consider the benefits to society of those regulations.

A closer look at a few companies that have devoted efforts to being more environmentally friendly will illustrate the benefits of this approach. When Quaker Oats Canada started working toward a "greener" work environment, its Peterborough, Ontario, plant saved more than \$1 million in three years through various environmental initiatives.<sup>110</sup>

As another example, Inco spent \$600 million to change the way it produces nickel at its Sudbury, Ontario, operations in order to be less devastating to the local environment. Its new smelting process is the most energy-efficient and environmentally friendly process in the world. Inco continues to work to restore the appearance of Sudbury. Trees have grown back, the wildlife has returned, and the air is clean. Sudbury has even been listed as one of the 10 most desirable places to live in Canada. While Inco invested a lot of money to change its production process, Doug Hamilton, controller at Inco's Ontario division in Sudbury, says, "Our Sulphur Dioxide Abatement Program was an awesome undertaking. Not only did this investment allow us to capture 90 percent of the sulphur in the ore we mine, but the new processes save the company \$90 million a year in production costs. That strikes me as a pretty smart investment."<sup>111</sup>

London, Ontario-based 3M Canada started a Pollution Prevention Pays (3P) program more than 20 years ago.<sup>112</sup> The program emphasizes stopping pollution at the source to avoid the expense and effort of cleaning it up or treating it after the fact. The recycling program at 3M Canada's tape plant in Perth, Ontario, reduced its waste by 96 percent and saved the company about \$650 000 annually. The capital cost for the program was only \$30 000.

The examples of Quaker Oats, Inco, and 3M show that companies that are environmentally friendly have an advantage over their competitors. If organizations control their pollution costs better than their competitors, they will use their resources more efficiently and therefore increase profitability.





## HR IMPLICATIONS

# Developing Corporate Ethics Policies

Canadian corporations have chosen a variety of ways to implement ethics programs. These include developing training sessions, writing out explicit codes, making more general principles, or developing a culture of ethics. In the examples below, we indicate companies that have chosen one or more of these ways of developing their ethics approach.<sup>113</sup>

Brampton, Ontario-based Nortel Networks revised its “Guide to Ethical Business Practices” in 2004, in response to financial reporting issues in the telecom industry. The guide directs employees to act in accordance with the company’s core values when trying to decide on ethical business practices. These core values are:<sup>114</sup>

- Customers are the driving force.
- People are our strength.
- Quality is in every aspect.
- Innovation fuels our future.
- Accountability brings clarity.
- Integrity underpins everything.

The guide is required reading for all employees, and copies of it are found on its intranet and Internet sites. Posting it on the Internet has alerted those outside Nortel to the importance the company places on corporate ethics.

Nortel hired a senior ethics adviser in 2005, several years after the previous one left in 1998. Nortel includes ethics training modules as part of its new employee training, and newly promoted managers receive ethics modules. Nortel produces the modules locally, so that the relevant business examples are provided in the proper cultural context.

In 1995, the Department of National Defence and Canadian Forces appointed a team headed by Rosalie Bernier to develop a statement of ethics that would apply across all ranks and divisions of the department, both military and bureaucratic. Bernier, who was manager of the Defence Ethics Program at the Department of Defence, noted that the team tried to take a positive

approach by establishing a set of values rather than rules. The core values are loyalty, honesty, courage, diligence, fairness, and responsibility. There are also three principles to frame the values: “to respect the dignity of all persons; to serve Canada before self; and to obey and support lawful authority.”<sup>115</sup> The Department’s website provides extensive information about acting ethically, and includes a self-assessment tool to help leaders evaluate the ethical climate in their unit or section.<sup>116</sup>

At the Bank of Montreal (BMO), all employees are asked to read “First Principles,” BMO’s comprehensive code of business conduct and ethics, once a year, and sign a document indicating that this has been done. “First Principles” encourages employees to consider the questions “Is it fair? Is it right? Is it legal?” before engaging in any actions related to their job.<sup>117</sup>

Shell Canada’s code of ethics states the following:

*Shell Canada’s reputation and credibility are based upon its total commitment to ethical business practices. To safeguard the Shell reputation, employees must conduct themselves in accordance with the highest ethical standards and also be perceived to be acting ethically at all times.*<sup>118</sup>

Shell Canada’s code requires the following conduct of all employees:

- Acting with honesty and integrity and being open in dealings with customers, employees, shareholders, and others with whom Shell does business.
- Treating others with fairness, dignity, and respect to create and protect a trusting environment free from harassment and discrimination.
- Striving for excellence and professionalism, taking pride in what we do individually and as part of a team.

It should be obvious from these examples that there is no one right way to introduce ethics to employees, and that it also takes some realistic planning to do so.

LEARNING ABOUT **YOURSELF** EXERCISE

## Decision-Making Style Questionnaire

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

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

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

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

### Scoring Key:

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

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

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

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

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

## BREAKOUT GROUP EXERCISES

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

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

## WORKING WITH OTHERS EXERCISE

### Individual vs. Group Decision Making

1. Read each of the cases on page 464, and using the revised leadership-participation model in Exhibit 12-6 on page 445, select the appropriate decision style for each case.
2. Your instructor will divide the class into small groups in which you will be asked to reach a consensus about the appropriate decision style.
3. A group spokesperson will be asked to present the group's response and the rationale for this decision.

**OB AT WORK****Case 1**

Assume that you are a production manager, and one of your responsibilities is to order the materials used by your employees to manufacture wheels. A large stockpile of material sitting idle is costly, but having idle workers because there are not enough materials also costs money. Based on past records, you have been able to determine with considerable accuracy which materials employees will need a few weeks in advance. The purchase orders are written up by the Purchasing Office, not by your employees.

How would you decide how much material you should order? Specifically, would you tell the Purchasing Office how much to order, or would you first ask your employees what they think? Why?

**Case 2**

Assume that you are the vice-president for production in a small computer-assembly company. Your plant is working close to capacity to fill current orders. You have just been offered a contract to assemble 25 computers for a new customer. If the customer is pleased with the way you handle this order, additional orders are likely and the new customer could become one of your company's largest clients. You are confident that your production supervisors can handle the job, but it would impose a heavy burden on them in terms of rescheduling production, hiring extra workers, and working extra hours.

How would you decide whether to accept the new contract? Specifically, would you make the decision yourself, or would you ask others for help? Why?

**Case 3**

Assume that you have been appointed the chair of a committee formed to coordinate the interdependent activities of the marketing, production, and design departments in the company. Coordination problems have interfered with the flow of work, causing bottlenecks, delays, and wasted effort. The coordination problems are complex, and solving them requires knowledge of ongoing events in the different departments. Even though you are the designated chair, you have no formal authority over the other members, who are not your employees. You depend on committee members to return to their respective departments and implement the decisions made by the committee. You are pleased that most members appear to be sincerely interested in improving coordination among departments.

How would you make decisions about coordination? Specifically, would you decide how best to coordinate among the departments yourself, or would you ask others for help? Why?

Your instructor will discuss with you possible answers to these cases.

**ETHICAL DILEMMA EXERCISE**

## Five Ethical Decisions: What Would You Do?

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

1. You are negotiating a contract with a potentially very large customer whose representative has hinted that you could almost certainly be assured of getting his business if you gave him and his wife an all-expenses-paid cruise to the Caribbean. You know the representative's employer would not approve of such a "payoff," but you have the discretion to authorize such an expenditure. What would you do?
2. You have the opportunity to steal \$100 000 from your company with absolute certainty that you would not be detected or caught. Would you do it?
3. Your company policy on reimbursement for meals while travelling on company business is that you will be repaid for your out-of-pocket costs, which are not to exceed \$50 a day. You don't need receipts for these expenses—the company will take your word. When travelling, you tend to eat at fast-food places and rarely spend in excess of \$15 a day. Most of your colleagues submit reimbursement requests in the range of \$40 to \$45 a day regardless of what their actual expenses are. How much would you request for your meal reimbursements?

4. You want to get feedback from people who are using one of your competitor's products. You believe you will get much more honest responses from these people if you disguise the identity of your company. Your boss suggests you contact possible participants by using the fictitious name of the Consumer Marketing Research Corporation. What would you do?
5. You have discovered that one of your closest friends at work has stolen a large sum of money

from the company. Would you do nothing? Go directly to an executive to report the incident before talking about it with the offender? Confront the individual before taking action? Make contact with the individual with the goal of persuading that person to return the money?

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Source: Several of these scenarios are based on D. R. Altany, "Torn Between Halo and Horns," *IndustryWeek*, March 15, 1993, pp. 15–20.

## CASE INCIDENTS

### Bankers' Excess Gets Them Fired

Five bond and derivatives specialists from Barclays PLC of London were dismissed after a dinner celebrating a major bond and derivatives deal. The dinner tab came to \$97 736. Initial reports of the incident suggested that the investment bankers had purchased the dinners with their own funds. Most of the bill was for five bottles of vintage wine; one bottle alone cost \$27 244.

Barclays knew about the dinner for nearly seven months before firing the employees. Petrus, the restaurant in London's St. James district where the dinner occurred, gave details of the bill to the media right after the meal. Initially, the bank suggested that "this is a matter on personal time, it didn't involve clients, it was personal money." Some press reports later suggested that the bankers tried to claim some of the meal expenses as client expenses, but these could not be confirmed.

In the wake of the Enron scandal, which led to massive cutbacks in the brokerage industry and concern about

corporate excesses, Barclays rethought its decision. The dinner was viewed as outrageously extravagant, and reflecting poorly on Barclays' investment bankers.

#### Questions

1. Would you have fired the five investment bankers? Why or why not?
2. Did the bankers do anything unethical?
3. How can decision-making processes be used to explain why Barclays changed its initial response of "this is private" to something more serious later?

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Sources: "Barclays Finds Lavish Dinner Indigestible, Lets Bankers Go," *Globe and Mail*, February 26, 2002, p. B2; and J. Lawless, "Bankers Hold Record for Most Costly Meal," *Salon*, February 26, 2002, [www.salon.com/people/wire/2002/02/26/bankers\\_meal/index.html](http://www.salon.com/people/wire/2002/02/26/bankers_meal/index.html) (accessed February 27, 2002).

### Syncrude Wants to be a Good Neighbour

Fort McMurray, Alberta-based Syncrude is "the largest non-governmental employer of Aboriginal people in Canada." The company, the largest producer of light sweet crude oil from oil sand, is strongly committed to working with the Aboriginal community. According to Syncrude's website, "Commitment to the Aboriginal people of our region is not only motivated by our responsibility as a good corporate citizen, but by our desire to be a good neighbour."

In order to make sure that members of the Aboriginal community are employable, Syncrude provides them with skill training, before they are even considered for hiring.

This makes it possible for Aboriginal people to compete for jobs in the oil sands industry on an equal footing with non-Aboriginal people. Nora Flett, Syncrude's Aboriginal affairs representative, explains that companies cannot just hire Aboriginal people directly without training, "because you don't just take someone from a small community, put them in a big corporation environment and expect that people will survive there, because that's quite a bit of a culture shock."

In addition to being sensitive to the employment needs of the Aboriginal community, Syncrude is committed to being a good neighbour in the community. The company



## OB AT WORK

gives preference to local suppliers to help the local population benefit economically from Syncrude's presence. Syncrude supports literacy programs for schools. As well, employment counsellors offer advice about the company, helping Aboriginal families learn about the company and what is expected of its employees.

### Questions

1. What benefits do you think Syncrude might derive from being a good neighbour in Fort McMurray?

2. Should the company engage in practices that help the Aboriginal community, even if it means that the return to shareholders isn't as large?
3. How does social responsibility explain what Syncrude does?

Sources: A. Kellogg, "Punch the Query 'Canada's Best Major Corporate Citizen' into Google on Your Computer and It's Likely the Image of Eric Newell Will Pop Up," *Calgary Herald*, November 30, 2003, p. C2; C. Petten, "Syncrude, Cameco Strike Gold With PAR," *Windspeaker*, March 2002, pp. B7-B8; [www.syncrude.com/community/aboriginal.html](http://www.syncrude.com/community/aboriginal.html); and [www.syncrude.com/business/business\\_04.html#4b](http://www.syncrude.com/business/business_04.html#4b).

## From Concepts to Skills

### Solving Problems Creatively

You can be more effective at solving problems creatively if you use the following 10 suggestions:<sup>119</sup>

1. *Think of yourself as creative.* Research shows that if you think you can't be creative, you won't be. Believing in your ability to be creative is the first step in becoming more creative.
2. *Pay attention to your intuition.* Every individual has a subconscious mind that works well. Sometimes answers will come to you when you least expect them. Listen to that "inner voice." In fact, most creative people will keep a notepad near their bed and write down ideas when the thoughts come to them.
3. *Move away from your comfort zone.* Every individual has a comfort zone in which certainty exists. But creativity and the known often do not mix. To be creative, you need to move away from the status quo and focus your mind on something new.
4. *Determine what you want to do.* This includes such things as taking time to understand a problem before beginning to try to resolve it, getting all the facts in mind, and trying to identify the most important facts.
5. *Think outside the box.* Use analogies whenever possible (e.g., could you approach your problem like a fish out of water and look at what the fish does to cope? Or can you use the things you have to do to find your way when it's foggy to help you solve your problem?). Use different problem-solving strategies, such as verbal, visual, mathematical, or theatrical. Look at your problem from a different perspective or ask yourself what someone else, like your grandmother, might do if faced with the same situation.
6. *Look for ways to do things better.* This may involve trying consciously to be original, not worrying about looking foolish, keeping an open mind, being alert to odd or puzzling facts, thinking of unconventional ways to use objects and the environment, discarding usual or habitual ways of doing things, and striving for objectivity by being as critical of your own ideas as you would be of someone else's.
7. *Find several right answers.* Being creative means continuing to look for other solutions even when you think you have solved the problem. A better, more creative solution just might be found.
8. *Believe in finding a workable solution.* Like believing in yourself, you also need to believe in your ideas. If you don't think you can find a solution, you probably won't.
9. *Brainstorm with others.* Creativity is not an isolated activity. Bouncing ideas off of others creates a synergistic effect.

10. *Turn creative ideas into action.* Coming up with creative ideas is only part of the process. Once the ideas are generated, they must be implemented. Keeping great ideas in your mind, or on papers that no one will read, does little to expand your creative abilities.

### Assessing Skills

After you've read this chapter, take the following Self-Assessments on your enclosed CD-ROM:

5. How Creative Am I?
20. What's My Decision-Making Style?
22. How Do My Ethics Rate?

### Practising Skills

Every time the phone rings, your stomach clenches and your palms start to sweat. And it's no wonder! As sales manager for Brinkers, a machine tool parts manufacturer, you are besieged by calls from customers who are upset about late deliveries. Your boss, Carter Herrera, acts as both production manager and scheduler. Every time your sales representatives negotiate a sale, it's up to Carter to determine whether production can actually meet the delivery date the customer specifies. And Carter invariably says, "No problem." The good thing about this is that you

make a lot of initial sales. The bad news is that production hardly ever meets the shipment dates that Carter authorizes. And he does not seem to be all that concerned about the aftermath of late deliveries. He says: "Our customers know they're getting outstanding quality at a great price. Just let them try to match that anywhere. It can't be done. So even if they have to wait a couple of extra days or weeks, they're still getting the best deal they can." Somehow the customers do not see it that way. And they let you know about their unhappiness. Then it's up to you to try to soothe the relationship. You know this problem has to be taken care of, but what possible solutions are there? After all, how are you going to keep from making your manager angry or making the customers angry? Use your knowledge of creative problem-solving to come up with solutions.

### Reinforcing Skills

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