

Chapter 1: Critical Thinking and Decision-Making Processes

Overview

This chapter covers the basics of decision-making and critical thinking. These skills are critical for all managers, since the majority of their tasks revolve around making decisions that impact their organization, its employees, and its customers.

Lecture Notes

A. Organizational Decision-Making

A manager's primary function is to solve problems creatively; he or she is responsible for fostering the development of creative decisions. Today, others are eager to be involved in the decision-making that impacts their lives. Everyone should be aware that individual and organizational decision-making processes vary.

1. **Theories of Managerial Decision-Making** include the classical theory and the behavioral (or administrative) theory.
 - a. Classical theory represents an ideal model; it is difficult for real people to apply an ideal model. Managers are expected to gather complete information before making the best decision possible; maximizing outcomes is a primary goal. Optimizing involves selecting the best alternative based on time and cost. The theory is considered a normative model because it defines how a decision-maker should make decisions. The process includes:
 - Identification of the problem; clearly stated and defined
 - Presence of certainty; amount of risk clearly identified
 - Information about alternatives; complete information important through research
 - Maximization of outcomes; rational choice/ideal decision
 - b. Behavioral/administrative theory is based on the work of Herbert A. Simon. It describes how managers make decisions in business situations by incorporating two concepts: bounded rationality and satisficing (allows the manager to adopt a solution without studying alternatives). The process includes:
 - Identification of the problem; difficulty clarifying
 - Presence of uncertainty and intuition; more realistic for complex decisions
 - Information about alternatives; may be limited or incomplete
 - Satisficing decision-making; seems good enough
2. **Types of Decisions** vary based on the type of decisions that have been made, those to be made, and the frequency of decisions.
 - a. Programmed decisions are made routinely. They do not require huge expenditures, and they are not complex. Precedents may be established from similar decisions.
 - b. Nonprogrammed decisions have no precedents, and they have not been dealt with before. Therefore, there are no rules or procedures to follow.

3. **Personal vs. Business Decisions** relates to behavior and logic. Personal decisions may involve more emotion in the process. Since some personal decisions are made at work, it is important to behave in a rational manner.
4. **Business Decisions** are not to include emotion. It is a moral responsibility to make logical and rational decisions for the best interests of the firm and employees.
 - a. Need for rational behavior; it is expected of management in order to follow a logical process.
 - b. *Use of decision-making aids* can include computers and/or statistics.

B. Critical Thinking

Rational decision making is considered a definition of critical thinking. The process of making the unprogrammed decisions is far more detailed.

1. **The Scientific Method** is used so knowledge is obtained in an unbiased manner. It is considered one reason for the power of scientific research and invention over past few centuries.
2. **Logical Reasoning Using the Scientific Process** is simple in number and title; however, the application can become complex. *(Details for each step are explained in the text.)*
 - a. Identifying and defining the problem is the most important and critical step. Be careful to find the real problem, not just symptoms.
 - b. Gather information with care. Investigate the entire event fully. This is the time to challenge prior assumptions.
 - c. Develop alternative solutions based on clear objectives, clear solutions, and alternative scenarios.
 - d. Evaluate alternatives using tests of logic, other analytic techniques, and risk.
 - e. Choose an alternative using good judgment, consideration for negative consequences, and personal values.
 - f. Implement the decision completely—background changes through final changes.
 - g. Monitor the decision by gathering feedback on the changes that were made.
3. **Logical Thinking Patterns** add value to the information; a logical mind is usually seen as a positive attribute.
 - a. Inductive reasoning moves thinking from the specific to the general, known to unknown.
 - b. Deductive reasoning moves thoughts from a general premise toward specific conclusions.
 - c. Comparison between items is conducted using the same procedures and pre-established criteria for each.
 - d. Causation tries to establish a cause-effect relationship.

C. Creative Thinking in Decision-Making

There is a close relationship between creative thinking and innovation; the relationship is very important. Creativity is the generation of new ideas; innovation is the translation of a new idea into something new. Noncreative organizations will probably not survive.

1. **Individual Creativity** should be identified in an organization. Highly creative people tend to be
 - a. More original in thought and ideas generated.
 - b. Willing to shift from one approach to another to solve a problem.
 - c. More flexible and less rigid with regard to time and resources.
 - d. More independent in pursuing answers to problems.
 - e. More apt to disobey orders that do not make sense to them.
2. **Using the Creative Process in Organizations** leads to new products, services, and processes.
 - a. Idea generation may be the response to conditions in the marketplace, dissatisfaction with current product or service, or even the result of a consultant's visit. Brainstorming often used to bring in new ideas.
 - b. Idea development or problem-solving depends on the organizational culture. Some environments support, others inhibit the activities. Rational problem-solving approach is best.

Additional Resources for Students

Recommended readings (no texts should be more than two years old):

- Bateman, Thomas S. and Scott A. Snell. *Management: Building Competitive Advantages*. Irwin/McGraw Hill.
- David, Fred R. *Strategic Management: Concepts & Cases*. Prentice-Hall.
- Dessler, Gary. *Essentials of Management*. Prentice-Hall.
- Griffin, Ricky W. *Management*. Houghton Mifflin.
- Hersey, Paul, Kenneth H. Blanchard, and Dewey E. Johnson. *Management of Organizational Behavior*. Prentice-Hall.
- Robbins, Stephen P. *Organizational Behavior*. Prentice-Hall.
- Robbins, Stephen and Mary Coulter. *Management*. Prentice-Hall.
- Stoner, James, R. Edward Freeman, and Daniel R. Gilbert, Jr. *Management*. Prentice-Hall.

Current issues of periodicals or business publications are also an excellent resource. Some of the following periodicals have an accompanying Web site.

<i>Current Periodical</i>	<i>Web Address</i>
<i>BusinessWeek</i>	http://www.businessweek.com
<i>Fortune</i>	http://www.fortune.com
<i>IAAP Complete Office Handbook</i>	http://www.iaap-hq.org/products/handbook.htm
<i>Modern Office Technology</i>	
<i>OfficePro</i>	http://www.iaap-hq.org/officepro/toc.htm
<i>The Office</i>	