

Developing Workplace Critical Thinking (DWC)

BMSK5001

Week 5
Lecture 2

Aim session

- Utilizing Critical Thinking Poles
- To discuss decision making skills & CT
- To discuss the Contingency Management Theory
- Exercise – *putting theory into practice*

Decision making

- Being faced with problems or any type of (undesirable) situation in the workplace which calls for change will involve decision making

“The process of making choices, esp. important choices (Cambridge, 2018)



<http://leadershipmadesimple.com/sensible-decision-making-skills/>

Decision making

- Organizational culture and leadership style together determine the process for decision-making in any given company.
- Many organizations use a mixture of centralized and consensus-based styles
- How an individual employee participates in the decision-making process depends on his or her position within the overall structure of the company.

Decision making & CT

Decision making

- The thought process of selecting a logical choice from the available options/alternatives.
- When trying to make a good decision, a person must weight the positives and negatives of each option/alternative, and consider all the alternatives.
- For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.

<http://www.businessdictionary.com/definition/decision-making.html>

The Decision-Making Process outlined

The stages of the decision-making process are:

1. Defining the problem, challenge, or opportunity
2. Generating an array of possible solutions or responses
3. Evaluating the costs and benefits, or pros and cons, associated with each option
4. Selecting a solution or response
5. Implementing the option chosen
6. Assessing the impact of the decision and modifying the course of action as needed

Decision criteria & CT

- For a business situation, the key decision criteria are those things that are important for the organization making the decision, and they will be used to evaluate the suitability of each alternative recommended.

Key decision criteria

Should be predetermined, brief, preferably in point form, such as

- ☐ *improve (or at least maintain) profitability,*
- ☐ *increase sales, market share, or return on investment,*
- ☐ *maintain customer satisfaction, corporate image,*
- ☐ *be consistent with the corporate mission or strategy,*
- ☐ *within our present (or future) resources and capabilities,*
- ☐ *within acceptable risk parameters,*
- ☐ *ease or speed of implementation,*
- ☐ *employee morale, safety, or turnover,*
- ☐ *retain flexibility, and/or*
- ☐ *minimize environmental impact.*

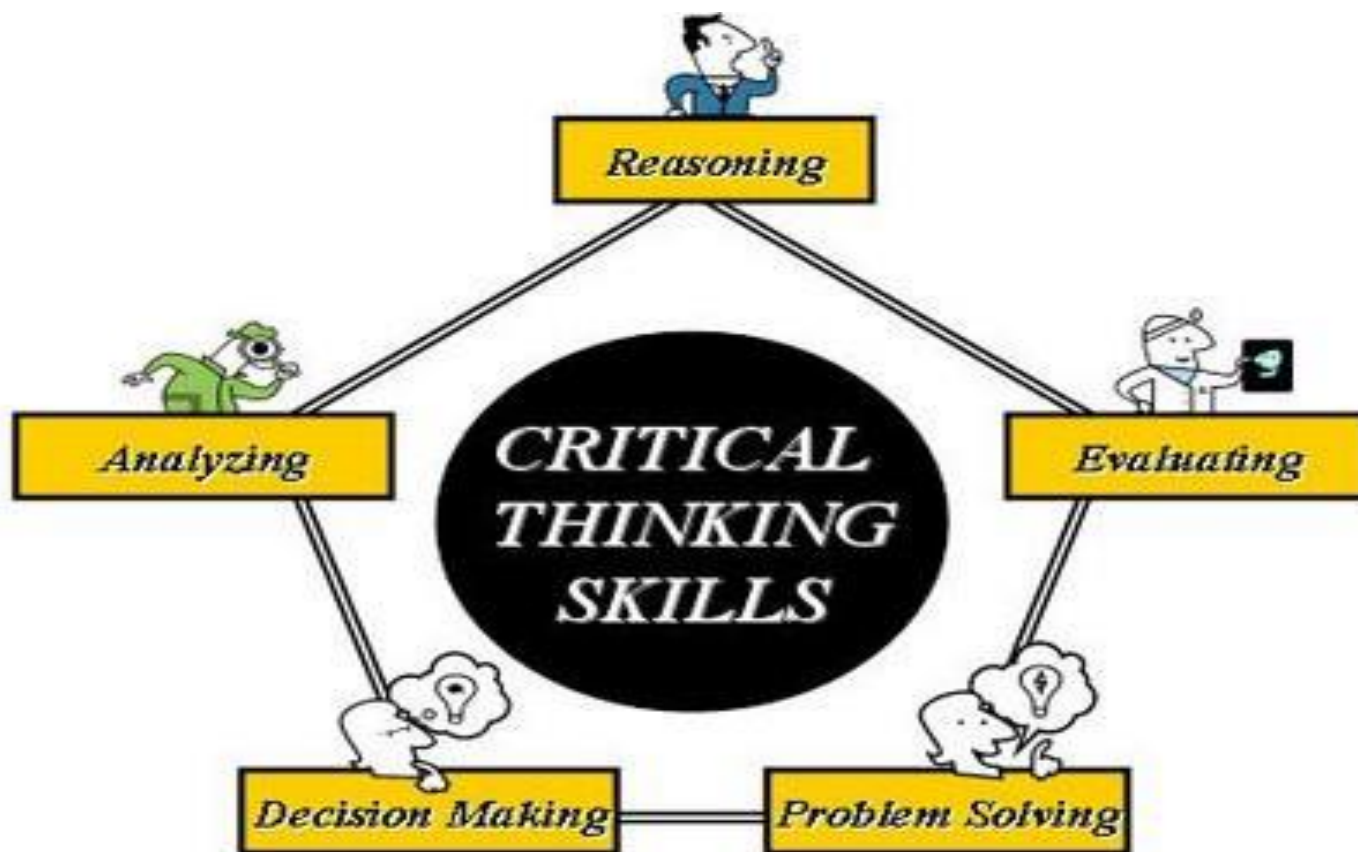
Evaluation of Alternatives (1)

- Once the decision criteria have been identified
 - One can measure the alternatives against each key decision criteria.
 - Set up a simple table with key decision criteria as columns and alternatives as rows, and write this section based on the table.
 - Each alternative must be compared to each criteria and its suitability ranked in some way, such as met/not met, or in relation to the other alternatives, such as better than, or highest. This will be important to selecting an alternative.

Evaluation of Alternatives (2)

- Another method is to list the advantages and disadvantages (pros/cons) of each alternative,
- Then discuss the short and long term implications of choosing each.
- Note that this implies that you have already predicted the most likely outcome of each of the alternatives.
- Consider three different levels of outcome, such as best, worst, and most likely, as another way of evaluating alternatives.

- In the final decision an alternative is selected as the most suitable for that specific business/ workplace situation.
- How the implementation of this alternative will be managed for a substantial part depends on the management/leadership style (theory) of the business.



<https://medium.com/@LittleBigCity/how-good-are-your-thinking-and-decision-making-skills-c2837ac16a54>

Decision making & CT

- The critical skill in decision-making is not learning many techniques, but in knowing how and when to apply the basic principles and in constantly revaluating and improving your methods.
- If you, or the teams you are a part of, consistently achieve good results, then you are making decisions well.

Examples (1)

1. Researching possible legal or logistical problems associated with a new company policy
2. Soliciting input from staff members on an issue important to the company's future.
3. Surveying customers to evaluate the impact of a change in pricing policy.
4. Implementing the shutdown of a designated plant with excess manufacturing capacity.
5. Generating a list of options for a new regional sales territory.
6. Evaluating the impact of several possible cost-cutting measures.
7. Comparing the leadership potential of different team members and choosing a project manager.

Examples (2)

8. Brainstorming possible themes for a fundraising campaign.
9. Analyzing data from focus groups to help select packaging for a new product.
10. Comparing the strengths and weaknesses of three potential vendors for processing payroll.
11. Facilitating a brainstorming session to generate possible names for a new product.
12. Polling staff to gauge the impact of extending retail hours.
13. Conducting a comparative analysis of proposals from three advertising agencies and selecting the best firm to lead a campaign.
14. Identifying a faulty machine as the source of disruptions in the production process.

Contingency Theory

Background Information

- During the 1960s, the importance of studying the impact of the external environment on the management and leadership of an organization was established

Background Information

- 1960s-70s – Tom Burns and George Stalker conduct an experiment to see how the environment affects a firm's organizational and management systems.
 - Developers of the contingency theory
- -Joan Woodward conducted a study to determine how technology affects organizational structure.

What is Contingency Theory

- It is the idea that the organizational structures and control systems that managers choose depend on (i.e. are *contingent* on) characteristics of the external environment in which the organization operates and has TO ADAPT to meet the demands

External environment?



<https://businesscasestudies.co.uk/first-group/managing-external-influences/external-influences.html>

Characteristics of Contingency Theory

- The characteristics of the external environment affect an organization's ability to obtain resources
- To maximize the likelihood of gaining access to scarce resources, managers must allow an organization's departments to organize and control their activities in ways most likely to allow them to obtain those resources
- Examples of characteristics of the external environment include (but are not limited to):
 - changes in the environment;
 - the entry of new competitors;
 - unstable economic conditions.

Characteristics of Contingency Theory (cont'd)

- Burns & Stalker (drawing on Weber's and Fayol's principles of organization and management) proposed 2 basic ways in which managers can organize and control an organization's activities in response to its external environment:
 - A mechanistic structure for organizations in stable environments
 - An organic structure for organizations in changing environments

Key Concepts

- Focus on determining the best management approach for any given situation (the best fit).
- Two types of environments: Stable (little to no change) and Innovative (great changes)
- Two types of management systems: Mechanistic (similar to bureaucratic classical theory) and organic (nonbureaucratic, similar to human relations management)
- In a stable environment, mechanistic works best, In an innovative environment organic works best
- Organizational structure is affected by technology.

Mechanistic vs. Organic Structures

Mechanistic Structures exhibit:

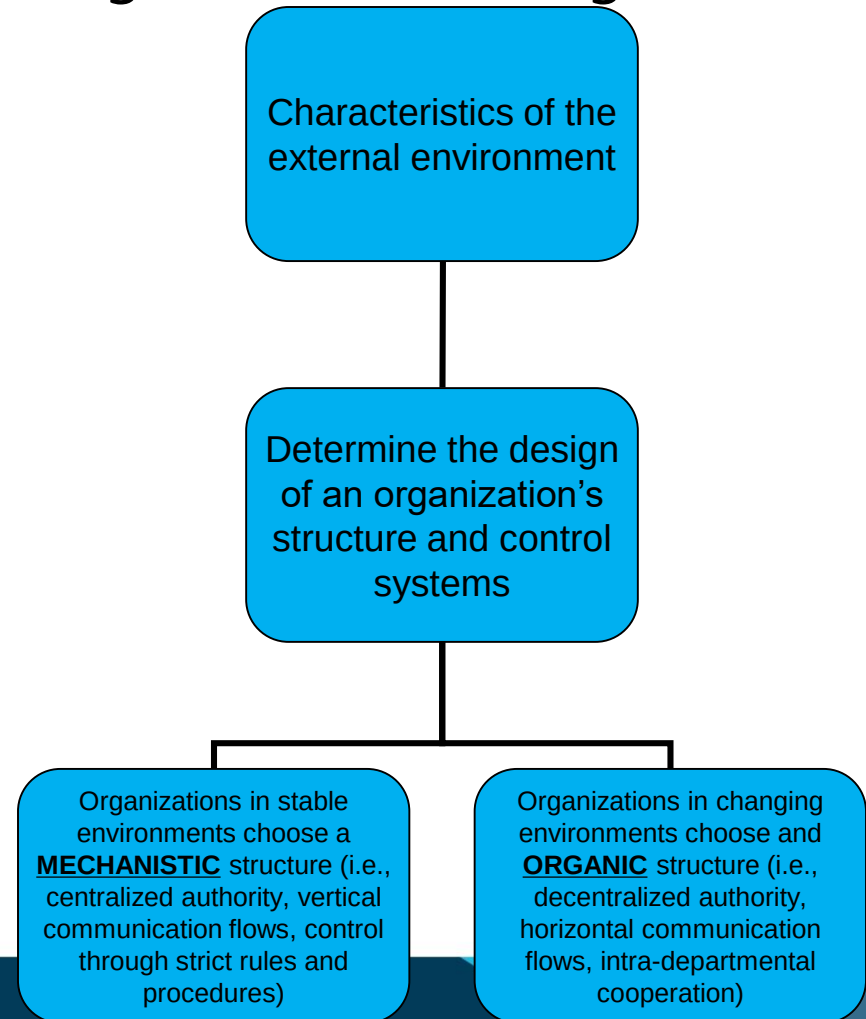
- Managerial authority resting at the top & controlling the behavior of subordinates
- Close supervision of subordinates with tasks & roles clearly defined
- An emphasis on strict discipline & order
- An example is McDonald's – supervisors make all important decisions; employees are closely supervised & follow well-defined rules & standard operating procedures

Organic Structures exhibit:

- Middle & 1st line managers are encouraged to take responsibility & act quickly to acquire scarce resources
- Tasks & roles are left ambiguous to encourage employees to cooperate & respond quickly to the unexpected
- Cross-departmental teams (authority rests with the individuals, departments and teams best poised to control the specific problem facing the organization)
- More expensive to operate as it requires more managerial time, money & effort to be spent on coordination
- Only used when needed; i.e. when the external environment is unstable & rapidly changing
- An example is Nokia – teams make important decisions; teams are given autonomy & are allowed to be creative

A graphic explanation of Contingency Theory of Organizational Design

- There's no one best way to organize
- Organizational structure depends on the environment in which an organization operates



Lawrence and Lorsch (1960's)

- Investigate the relation between organizational characteristics and their environment,
- Stipulate that an organization's economic performance is determined by its ability to meet integration and differentiation requirements according to their environment
- The degree of integration and differentiation between subgroups in each company (i.e., sales, production and research and development subsystems) attempt to meet requirements from their sub-environments (i.e., science, market and technical-economic).
- The most economic successful organizations are the ones that managed to fulfil the dual goal of differentiation and integration.

Conclusion

- The importance of studying the organization's external environment became clear in the 1960s.
- A main focus of such research was to find methods to help managers improve the ways they use organizational resources and compete successfully in the global environment.

Exercise

- The business case study of this week will be handed to you in session

Q/A?

Sources

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