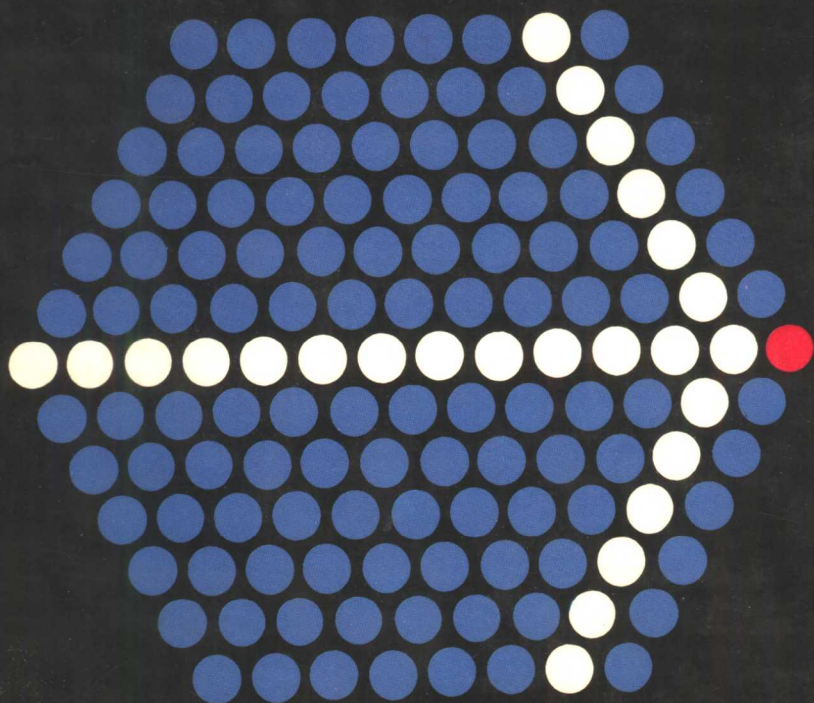


**John Adair**

# **MANAGEMENT DECISION MAKING**



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Published by  
Gower Publishing Company Limited,  
Gower House,  
Croft Road,  
Aldershot,  
Hants GU11 3HR,  
England.

British Library Cataloguing in Publication Data

Adair, John  
Management decision making.

1. Decision-making

I. Title

658.4'03      HD30.23

ISBN 0-566-02530-2

Typeset in Great Britain by  
Guildford Graphics Limited, Guildford, Surrey.  
Printed and bound in Great Britain  
by Billings & Sons Limited, Worcester.

# Acknowledgements

The following publishers were kind enough to give permission for the reproduction of copyright material:

Punch Publications Ltd: the cartoons in Chapters 1, 3, 6, 8, 10 and 12.

William Collins Sons & Co. Ltd: the extract from *Back from the Brink* by Sir Michael Edwardes (used in Chapter 5).

Weidenfeld and Nicolson Ltd: the extract from *Return to Go* by Jim Slater (used in Chapter 13).

Hamish Hamilton Ltd: the extracts from *After I was Sixty* by Lord Thomson (1975) used in Chapters 4, 9, 11 and 12.

# Preface

Decision making is an essential function of management. Together with leadership and communication it heads the list of those abilities which as a manager you should be seeking to develop. The purpose of this book is to help you do just that.

The actual moment of decision cannot be studied. Sometimes you are not even conscious of it. Our primary concern therefore must be the whole process by which minds are made up, the mental movements which lead to decisions: in a word, thinking.

The kind of thinking which leads to action should be regarded by the manager as a demanding activity in its own right. 'If I have any advice to pass on it is this: if one wants to be successful one must think until it hurts'. So wrote Roy Thomson, one of the great businessmen of our times. 'Believe me', he added, 'this is hard work and, from my close observation, I can say that there are few people indeed who are prepared to perform this arduous and tiring work'.

Deciding implies choice from several – or many – possibilities.

Thinking is the preliminary work of weighing up the pros and cons for each course of action. A decisive person is one who has the power to stop thinking and start acting.

Decision making of this nature should not exhaust the manager's thinking time. For one thing, it assumes that you know what is your objective: the mark you are trying to hit. That is not always the case. There is a perennial need in organisations to 'think until it hurts' about their purpose, aims and objectives.

Another important sphere for thinking which is not coupled to daily decisions concerns the generation of new ideas. Inventing new products, services and technologies, modifying or improving existing ones, seeing new opportunities and discovering fresh markets requires a capacity for original thinking. Here, too much preoccupation with decisions can actually be counter productive.

On this sketchmap we now need to place the sort of thinking appropriate to management which is commonly called problem solving. A problem means literally something thrown in front of you which requires attention, solution or answer. It is a very general word, as is shown by the very varied ways we use it in everyday life: Jack's drinking problem, the problem of unemployment, the problem of motivating people, the problem of inflation, and so on.

Problems in these cases are loose descriptions of states of affairs that call for decision. Thus decision making and problem solving as activities tend to be conflated with each other; indeed much management literature seems to regard them as synonymous. I feel that this is a mistake.

The manager, I suggest, may be faced with two broad types of problem. The first are like obstacles in his path. He has decided his objective and chosen his course of action: somewhere along the road he encounters an unforeseen block, such as a strike in a supplier's factory or the unexpected illness of a key colleague. What should he do? Problems of this sort derive from decisions. If you never decide anything you never have any problems. The mental processes for dealing with them are identical to decision making.

The second type of problem concerns systems. Something goes wrong with a mechanical system such as an assembly line or machinery. Then the problem-solver has to act like the doctor

dealing with the human body; he has to study the symptoms and diagnose the underlying cause or causes of the trouble. Only when these have been corrected will the health of the system be restored. Problem solving of this kind is heavily dependent on professional knowledge and case experience. As a manager rises higher it is an activity he usually has to delegate to specialists. For these reasons problem solving in systems situations is not a major theme in this book, although I have discussed it elsewhere\*.

We can solve many problems – crossword puzzles, for example – without having to take action. But decision implies action and change: life will not be quite the same again and it may very well be radically different. Thus people who are very clever at solving academic-type problems may lack the qualities required to take decisions in situations involving uncertainty and risk.

The context of decision making for the manager is the subject of the first chapter. In it I contrast the theory of the rational manager with some research into what managers actually do, mainly to get you thinking hard about how you use your time. Also in this chapter I underline the significance of decision making.

The subsequent chapters review the basic functions of thinking – analysing, reasoning, synthesising and thinking in wholes, conceptualising, imagining and valuing. These are described and illustrated with practical examples and case studies. For, where possible, I have drawn on the experience of those who have excelled in decision making or some other relevant form of thinking. Not all examples are taken from business: you can stretch your mind if you consider a wide range of analogies or models. To stimulate further thought I have included some exercises and activities for you to tackle as you go through the book.

In Chapter 9 I explore the role of what I call the ‘depth mind’ in decision making, an aspect of thinking which has received too little attention in the management textbooks. You can make progress in making more effective use of the unconscious mind if you are aware of its existence and understand how it works.

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\*Chapter 5, *Training for Decisions* (1971), reproduced in *The Skills of Leadership* (Gower, 1984).

## PREFACE

Following that, in the later chapters of the book, I focus upon decision making in the sense of choosing between feasible options; the nature of good reasoned argument about those courses of action; and how new ideas are produced. The final chapter is a summary, drawing together the threads and suggesting practical ways in which to maintain and improve your basic mental fitness.

If managerial thinking is not an entirely solitary activity nor is writing about it. I am conscious of the debt I owe to past thinkers and writers in this field, too many to mention here but their names will appear in the text. I am especially grateful to those who have contributed directly by reading and commenting constructively and critically upon the first draft. Bernard Babington Smith, until his retirement Senior Lecturer in Experimental Psychology and a Fellow of Pembroke College in Oxford University, has long been a source of ideas and inspiration for me in this area and, having read my manuscript, gave me a characteristically kind and reflective but searching tutorial on it, page by page. Ron Pittendrigh, Senior Training Manager in Thorn-EMI, also read the manuscript and added useful comments. Roger Oldcorn, Senior Lecturer in Business Development at Kingston Regional Management Centre and author of the first-class introduction to management in the Pan Break-through series, worked through the text and made a number of valuable suggestions which I have been delighted to incorporate. My respective editors at Gower and Pan – Malcolm Stern and Steven Mair – have helped shape the book for publication. Jennifer Perraton has typed the various drafts for me with her customary skill. Lastly, my wife Thea read it through to check the sense as well as the style. To all of these friends and helpers I give my warmest thanks.

John Adair



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# 1 The management context

Thinking is not done in a vacuum. This book assumes a context: the manager at work.

Managers are subject to many pressures. They are interacting with their environment with particular ends in view. But that environment is subject to change; so are the ends of enterprise and so are the managers themselves. Therefore thinking for the manager is like handling a small ship in a rough sea, often without maps or charts. That is true management.

In this chapter we shall survey the key factors that impinge upon – and often shape – the decision making aspect of the manager's job. Perhaps you will recognise yourself in this identikit picture. In the rest of the book we shall work on that picture until it becomes more to your liking.

What is management? All authors like to start with a definition. It is easier to say what it is not. It is certainly not a science. Management does not stand on the same footing as, for example, physics or chemistry. The search for a comparable knowledge

base, however, has been far from fruitless. We do know some things about managers.

## The crucial competence

Everyone agrees that decision making and problem solving are among the core functions of the manager's job. By 'everyone' I mean the academics who have studied management and the practitioners who manage. Let us concentrate upon the latter.

In 1976 a questionnaire was sent to 200 leaders of industry and commerce. They included the executive heads (chairman, managing director or chief executive) of the largest – by size of turnover – 163 industrial companies in Britain. To these were added the heads of the nationalised industries and the leaders of the clearing banks, main merchant banks, building societies and other financial institutions. Just on 60 per cent replied, a high response for such a survey. In one of the questions, the executive heads were asked to rank 25 attributes most valuable at the top level of management. In first place they put *the ability to take decisions*.

One of the most sensible criteria we have for determining pay relativities is to go by the decision making content of jobs. A surgeon, an airline pilot and a refuse collector all take decisions. Why do we pay the first two more than the latter? Because their decisions involve life-and-death for us and because the knowledge required for their jobs takes many years to acquire. When a client complained to a famous painter about the fee he proposed to charge her for six hours of work on her portrait he replied, 'Not six hours, madam, but thirty years of experience'.

A builder responsible for a large town centre redevelopment, lasting three years, will earn more salary than one who merely modifies kitchens. You are going to be paid in life by the quality and quantity of the decisions you make within your sphere of work.

Therefore decisions are central to managing. One definition of management is 'deciding what to do and getting it done'. In any management situation a decision or series of decisions must precede implementation. The outcome in terms of success or failure, however, will depend on both the decision itself and your

effectiveness in implementing it. That is where leadership or influencing, communication and motivation come into play. The first requirement for success in any enterprise, then, is high quality management decisions.

## The rational manager

The decision maker, in the classic view of management, follows a logical or step-by-step sequence. He is completely rational. He has clear, unconflicting objectives and a perfect knowledge of the problem. All information is gathered and all possible solutions or courses considered.

In management theory the hallmark of the rational manager is that he makes a decision between choices in terms of their *consequences* or outcomes. When people talk about being rational in this context that is usually what they mean. If the objective is purely financial – to maximise your profit – consequences can be assessed numerically and a simple choice made. If you can safely invest a large sum of money with a ten per cent return in one stock or with twelve per cent in another, the choice is obvious – at least on purely rational grounds.

## *The rational manager in action*

Imagine you are the owner of a small building firm. One day, you are told that the old lorry you have been using for the last eight years is on the point of falling to bits. You have at most a month to decide what to do. Here is a list of possible actions you can take. Which would you not do, and in what order would you work on the remaining items:

- 1 Go and buy a new lorry from the nearest dealer.
- 2 Take a month's holiday in Spain.
- 3 Buy a farm instead.
- 4 Find out the cost of renting new vans of different types.
- 5 Work out what kind of lorry you need.
- 6 Ask the bank manager how much he will lend you.
- 7 Add up how much money you could afford to spend.

- 8 Find out the tax angles.
- 9 Get details of all possible types of suitable lorry, including price, fuel consumption etc.
- 10 Get three quotes for repairing your present lorry.
- 11 Take a cold bath.
- 12 Sell the business.
- 13 Carefully evaluate all your options.
- 14 Consult your staff.
- 15 Find out the cost of hay and a horse and cart.

The irrelevant items in the list are numbers 2, 3, 11 and 15. The information gained and the activity of tackling these items may be interesting and enjoyable but they are not vital to the decision. Whereas the remaining items are most certainly important.

The rational manager would start by defining the problem, in this case whether to buy a new lorry or repair the old one. Then he would obtain all the relevant information (items 4, 6, 7, 8, 9) and he would need to draw up a list of all the reasonable alternatives available to him (item 13). Having evaluated the options he would take his decision and take some kind of action. This may be to sell the business or buy a new lorry from the nearest dealer or even do nothing! The important point is that the decision is taken at the right time and is the best possible choice. What about consulting his staff? That depends on the style of the owner; some always consult, some never consult.

## The five point plan

On numerous occasions in courses on decision making I have asked managers to list the main stages they go through when making a decision or solving a problem. There is a general agreement which clusters around a five point plan, as shown in Table 1.1.

There is probably an element of unreality in the five point plan in that the several thousands of managers who answered the question may have been telling me what *ought* to happen, rather than what actually *does* happen. They may have attended courses or read books on the subject, and both sources preach the five point plan.

Table 1.1

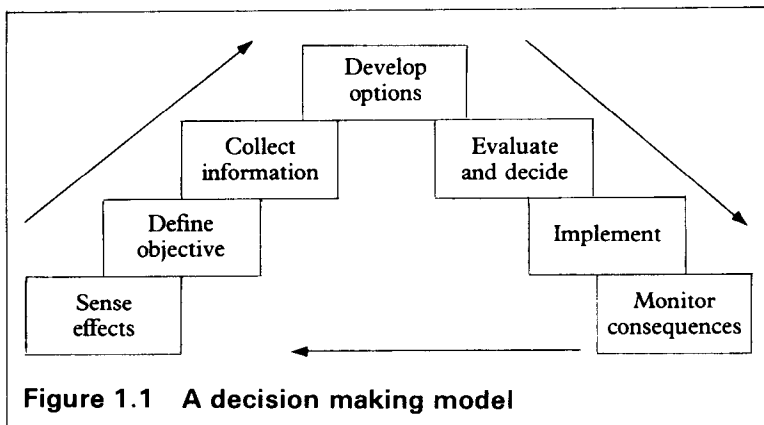
Steps	Key points
Define objective	Specifying the aim or objective, having recognised the need for a decision
Collect information	Collecting and organising data; checking facts and opinions; identifying possible causes; establishing time constraints and other criteria.
Develop options	Listing possible courses of action; generating ideas.
Evaluate and decide	Listing the pros and cons; examining the consequences; measuring against criteria; trials; testing against objective; selecting the best.
Implement	Acting to carry out the decision; monitoring the decision; reviewing.

Nonetheless it is significant that there is a consensus on this sequence. It means you can appeal to it in joint decision making or problem solving. It can serve as a frame of reference for a team working together. Moreover, it does reflect what many managers in many situations actually try to do.

Figure 1.1 shows a slightly expanded version of the five point plan. 'Sensing effects' means having the awareness which picks up the signs or symptoms of an existing problem, long before the nature of the problem is clear.

If you happen to have attended a decision making meeting in the last week try and recollect how far its chairman guided the group in the five phases. Alternatively, if you are involved in making a personal decision yourself, write it down as far as you can, using the five point plan as a framework.





## Some factors which affect decision making

Managers have to take into account a wider range of consequences of possible courses of action than the management science approach in its early days assumed. An American researcher called Nicholas Nicholaidis analysed 332 administrative decisions by officials in the public sector. Far from decisions being based purely on logical grounds, he found strong admixtures of emotion, power politics, the influence of other people and the individual decision makers' own values. Moreover, the decision makers rarely settled for the best or optimum solution as recommended by the management text-books, tending to look for a satisfactory compromise among two or more of the courses or solutions, i.e. one that:

- agreed, at least to some extent, with their own personal interests, values and needs
- met the value standards of their supervisors
- was acceptable to both those who would be affected by the decision and those who had to carry it out
- looked reasonable in its context
- contained a built-in justification which would furnish an excuse, and possibly an avenue of retreat, in case the actual results of the decision turned out to be quite different from those anticipated.