

Contents

<i>List of Figures</i>	ix
<i>List of Tables</i>	x
<i>Preface</i>	xii
1 The importance of making effective investment decisions	1
<i>Introduction</i>	1
<i>Outline of the book</i>	2
2 Approaches to appreciating organizational decision-making	5
<i>Introduction</i>	5
<i>The problem of uncertainty</i>	6
<i>The rational model of decision-making</i>	7
<i>The bounded-rational model of decision-making</i>	8
<i>The political model of decision-making</i>	13
<i>The garbage can model of decision-making</i>	14
<i>A contingency model of decision-making</i>	17
<i>The dynamics of decision-making</i>	19
<i>Patterns of decision-making: the Bradford studies</i>	22
<i>Conclusion</i>	25
3 The decision effectiveness model	26
<i>Introduction</i>	26
<i>Variables of effectiveness</i>	29
<i>The definition of decision issues</i>	34
<i>Strategies for building solutions and support</i>	38
<i>Influence</i>	41
<i>Timing</i>	43
<i>Dynamics of the decision effectiveness model</i>	44
<i>Disparity of views</i>	45
<i>Summary</i>	47

4 Capital investment decisions	49
<i>Introduction</i>	49
<i>A financial perspective</i>	49
<i>Capital investment: the decision process</i>	51
<i>Stage one: identification</i>	53
<i>Stage two: development</i>	53
<i>Stage three: selection</i>	55
<i>Stage four: control</i>	57
<i>Investment decision analysis and decision effectiveness</i>	60
<i>Summary</i>	62
5 Congruence in capital investment evaluation	63
<i>Evaluation congruence</i>	64
<i>Investment experiment</i>	66
<i>Summary</i>	71
6 Medical Supplier: to weave or to knit	73
<i>The business of medical supplier</i>	73
<i>The knitting solution</i>	75
<i>Decision to hire a knitting-machine from Avanti</i>	76
<i>Appointment of Edgar Dobbs as project leader</i>	78
<i>Authorization of purchase of the knitting machine</i>	79
<i>Employment of an outworker</i>	81
<i>Launch of 'SuperDress' on the market</i>	83
<i>The chronology of events and subdecisions</i>	85
<i>Organizational learning</i>	88
7 The appreciation of effectiveness	89
<i>Introduction</i>	89
<i>A highly-effective and the least effective decisions compared: Electronics Company (LP) and Medical Supplier (MP)</i>	89
<i>A high learning/low objectives decision and a low learning/ high objectives decision: Medical Supplier revisited (MK) and the Electric Company (ES)</i>	95
<i>Capital goods manufacturer: installation of a new manufacturing centre at the Turbine Division (CM)</i>	98
<i>Conclusion</i>	101
8 A new kitchen at Cloth-Dyer	102
<i>Issue definition</i>	103
<i>Appointment of works director</i>	104
<i>Evaluation committee formed</i>	105
<i>Installation of new central computer</i>	106

<i>Analysis of options</i>	106
<i>The shift to quality</i>	110
<i>Authorization of 'ST' option</i>	112
<i>Commentary</i>	112
<i>The chronology of events and subdecisions</i>	113
9 Water Company: the filtration plant investment decision	116
<i>Setting</i>	116
<i>The water quality issue</i>	118
<i>Brum modernization</i>	119
<i>Building of the pilot flotation plant</i>	119
<i>Moratorium on capital projects</i>	122
<i>Use of existing reservoir for sedimentation</i>	122
<i>Design of the flotation treatment plant</i>	123
<i>Head office evaluation</i>	123
<i>Board sanctions investment</i>	125
<i>Commentary</i>	126
<i>Building solutions and support</i>	128
10 Mainframe replacement in Society: decision SC	133
<i>Setting</i>	133
<i>The corporate plan</i>	136
<i>Definition of the computer problem</i>	137
<i>Solution and support-building</i>	138
<i>Authorization by the board</i>	140
<i>Commentary</i>	140
<i>Strategies for solution and support-building</i>	142
11 Appreciating decisions	145
<i>Patterns for effectiveness</i>	145
<i>Patterns of decision strategies</i>	147
<i>Learning</i>	148
<i>Hierarchy of decisions</i>	151
<i>Summary</i>	154
12 Models of capital investment decision effectiveness	156
<i>Explaining effectiveness</i>	156
<i>Regression models of decision effectiveness</i>	160
<i>Explaining the determinants of effectiveness</i>	164
<i>Overall assessment of the path diagrams</i>	172
<i>Summary</i>	173

13 Conclusions	175
<i>The meaning of decision effectiveness</i>	175
<i>Interactions between decision strategies</i>	177
<i>Timing</i>	183
<i>Influence</i>	184
<i>Definition of the issue</i>	186
<i>Towards decision-making principles: strategies for reflective action</i>	186
<i>Assessment</i>	188
<i>Appendix A – Interview schedule</i>	190
<i>Appendix B – Factor analyses and other derived variables</i>	197
<i>Appendix C – Regression and discriminatory analyses</i>	205
<i>References</i>	216
<i>Index</i>	221

List of figures

2.1	Phases and circularity of decision-making	11
2.2	The contingencies of organizational decision-making	17
3.1	The phases of the decision effectiveness model	27
3.2	Disparity and decision effectiveness	46
4.1	The capital investment decision	52
6.1	Organization of Medical Supplier	74
7.1	The two dimensions of decision effectiveness	90
8.1	Cloth-Dyer's organization	103
9.1	Water Company: organization chart of pre-1983 structure	117
10.1	Organizational chart for Society	134
11.1	The hierarchy of decisions and learning loops	152
12.1	Decision objectives-attainment model	166
12.2	Decision-learning model	167

List of tables

2.1	Three ways of making top decisions	24
2.2	Decision modes and topic issues	25
3.1	Sample of organizations and decisions	28
3.2	The decision-effectiveness model	30
3.3	The decisions and their variables	32
4.1	Capital investment evaluation methods: trend analysis of usage in 100 large UK firms	56
4.2	Capital budgeting control procedures within 100 large UK firms	58
4.3	Project perceived effectiveness and methods of analysis	61
5.1	Investment attributes and associated levels	67
5.2	Average importance of investment attributes	69
5.3	Comparison of survey and experiment rankings	70
6.1	SuperDress decision chronology	86
8.1	A chronology of events and subdecisions during the colourshop investment decision at Cloth-Dyer	111
9.1	Chronology of subdecisions during flotation investment at Water Company	129
10.1	A chronology of events during the mainframe replacement decision at Society	143
11.1	Summary of the decisions	146
12.1	The decision-effectiveness model	158
12.2	Explanations of decision effectiveness: objectives-attainment	161
12.3	Explanations of decision effectiveness: learning	162
12.4	Explanatory variables for which models were produced	165

Appendix tables

B1	Effectiveness factors	198
B2	Influence factors	199
B3	Consequentiality factors	199
B4	Uncertainty factors	200
B5	Disagreement factors	200
B6	Computation factors	201
B7	Judgement factors	201
B8	Negotiation factor	202
B9	Timing factor	202
C1	The decision-effectiveness model	206
C2	Interaction terms for effectiveness regressions	207
C3	Regression model for objectives-attainment	210
C4	Regression model for learning	210
C5	Breakdown of response to inspiration question	211
C6	Discriminant analysis of inspiration (individual respondent weightings)	212
C7	Discriminant analysis of inspiration (decision-based weightings)	212
C8	Regression model for negotiation	213
C9	Regression model for personal disagreements	213
C10	Regression model for internality	214
C11	Regression model for deliberation	214
C12	Regression model for judgement	215