1. Position
2. Sense
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PSU Problem Solving Process

Who Are These Companies?

Pfizer
Bristol-Myers Squibb
GlaxoSmithKline
AstraZeneca
Novartis

Their Mission Statements…

- Company A’s mission is to improve the quality of human life by enabling people to do more, feel better and live longer.
- The people of Company B are dedicated to discovering, developing and delivering innovative pharmaceutical solutions; enriching the lives of patients, families, communities and other stakeholders; and creating a challenging and rewarding work environment for everyone.
- At Company C, our mission is to extend and enhance human life by providing the highest quality pharmaceuticals and health care products. Our medicines are making a difference in the lives of millions of customers across the globe. And by living our mission and growing our company for well over a century, we are making a difference in the lives of our shareholders, employees and neighbors as well.
Their Mission Statements…

- The mission of Company D is to provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, and to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return.

- Company E: We want to discover, develop and successfully market innovative products to cure diseases, to ease suffering and to enhance the quality of life. We also want to provide a shareholder return that reflects outstanding performance and to adequately reward those who invest ideas and work in our company.

- Company F: We will become the world’s most valued company to patients, customers, colleagues, investors, business partners, and the communities where we work and live.

How’s This?

- OUR VISION IS TO BE A world-class ORGANIZATION THAT PROVIDES innovative products and services TO delight our customers IN THE hypercompetitive health-solutions MARKETPLACE.

Vision-O-Meter

- OUR VISION IS TO BE A (a) ORGANIZATION THAT PROVIDES (b) (c) TO (d) IN THE (e) (f) MARKETPLACE.

  - (a) growing; leading; world-class; premier; benchmark; first-mover
  - (b) dynamic; innovative; creative; breathtaking; cost-effective; diverse; high-quality
  - (c) products; services; people; products & services; people & services
  - (d) thrill our shareholders; delight our customers; enrich our stakeholders’ lives
  - (e) hypercompetitive; emerging; growing; attractive; thriving
  - (f) business-solutions; health-solutions; consumer-solutions; financial-solutions; environmental-solutions

Strategic Leadership
Definitions

- **Vision statements:**
  - A simple statement or understanding of what the firm will be in the future.
  - An attractive, ideal future that is credible yet not readily available.
- **Mission Statements (business purpose):**
  - The organization’s core broad purpose and reason for existence
  - What a firm is and what it stands for – fundamentals values and purpose

Common Themes Of Vision

- Vision has broad appeal
- Vision deals with change
- Vision encourages faith and hope
- Vision reflects high ideals
- Vision defines the destination and the journey

Judging Vision Statements

- What makes a good statement?
  - graphic – paints a picture
  - directional
  - focused, flexible, feasible
  - desirable
  - easy to communicate
- What makes bad statement?
  - vague or incomplete
  - bland or unmotivating
  - not distinctive
  - too many superlatives
  - too generic or broad

How Do These Measure Up?

*Be the world's beer company. Through all of our products, services and relationships, we will add to life's enjoyment.*
How Do These Measure Up?

To be the company that best understands and satisfies the product, service and self-fulfillment needs of women - globally.

AVON

How Do These Measure Up?

Helping people around the world eat and live better.

BA301 Winter 2011 Chapter 1 - Position

How Do These Measure Up?

Provide a global trading platform where practically anyone can trade practically anything.

MISSION VERSUS VISION

Vision is...
- "where we are going and why"

Mission is...
- "who we are, what we do, and why we are here"
- Mission is...
  - defined by the buyer needs it seeks to satisfy, the customer groups and market segments it is endeavoring to serve, and the resources and technologies it is deploying in trying to please its customers.
At Trader Joe’s, our mission is to bring our customers the best food and beverage values and the information to make informed buying decisions. There are more than 2000 unique grocery items in our label, all at honest everyday low prices. We work hard at buying things right: Our buyers travel the world searching for new items and we work with a variety of suppliers who make interesting products for us, many of them exclusive to Trader Joe’s. All our private label products have their own "angle," i.e., vegetarian, Kosher, organic or just plain decadent, and all have minimally processed ingredients.

The Essence Of Vision

- Vision can often be captured in a slogan:
  - "We will clothe the world by marketing the most appealing and widely worn casual clothing in the world."
    - Levi Strauss & Company
  - "To make London the safest major city in the world."
    - Scotland Yard
  - "To halt environmental abuse and promote environmental solutions."
    - Greenpeace

The Real World

- Do you really need both a mission statement and a vision statement?
  - You’ll be lucky to find one of them, and many companies combine them.
- Who really cares about this?
  - Customers? Employees? Shareholders?
- Where do values fit in? What are values?
  - Beliefs and ideology that guide business activities.
  - Principles, standards and qualities.
Core Business Values

- 3M
  - sponsoring innovation
  - protecting the creative individual
  - solving problems in a way that makes people's lives better

- WalMart – the three beliefs
  - respect the individual
  - service to our customers
  - strive for excellence

Context and Problem-Solving

- Mission, Vision and Values should inform good problem solving and decision making.
  - eVineyard.com
  - Alternatives?
  - Decision?
Group Activity 1.1

- Read and complete Activity 1.1
- Review and discuss the PSU and Coca-Cola statements as a group
- Develop and write down a group consensus as to their quality.
- Do you think they accurately reflect the two organizations?
- For PSU – does it matter to you? Why or why not?
- Think of a recent PSU decision – is it consistent with the mission/vision? Why or why not?
- Write a mission statement for your BA 301 group.

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- Impediments

Who Are You Responsible To?

- According to Milton Friedman – owners and shareholders - STAKEHOLDERS
- Emphasis on sustainable development and social responsibility has expanded the range of corporate stakeholders
  - CSR (Corporate Social Responsibility)
- Today’s manager must have a broader perspective on his/her constituency

What Has Driven This Change?

- Business allegations...
- Little concern for the consumer
- Cares nothing about the deteriorating social order
- Has no concept of acceptable ethical behavior
- Indifferent to the problems of minorities and the environment
- What responsibility does business have to society?
Corporate Social Responsibility

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." World Business Council for Sustainable Development

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” European Commission

“Managements’ obligation to make choices and take actions that will contribute to the welfare and interests of society as well as the organization.”

There Have Been Practical Results

- From the 1950’s to the present, the concept of CSR has gained considerable acceptance and the meaning has been broadened to include specific issues, such as:
  - product safety
  - honesty in advertising
  - employee rights
  - affirmative action
  - environmental sustainability
  - ethical behavior

A Range of Responsibilities

- The social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time. (Archie Carroll)

A Four-Part Definition of CSR

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Societal Expectation</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Required</td>
<td>Be profitable, Maximize sales, minimize costs</td>
</tr>
<tr>
<td>Legal</td>
<td>Required</td>
<td>Obey laws and regulations</td>
</tr>
<tr>
<td>Ethical</td>
<td>Expected</td>
<td>Do what is right, fair, and just</td>
</tr>
<tr>
<td>Philanthropic</td>
<td>Desired/ Expected</td>
<td>Be a good corporate citizen</td>
</tr>
</tbody>
</table>
The Pyramid of CSR

- Philanthropic Responsibilities
  - Be a good corporate citizen.
- Ethical Responsibilities
  - Be ethical.
- Legal Responsibilities
  - Obey the law.
- Economic Responsibilities
  - Be profitable.

The CSR Equation

Economic Responsibilities + Legal Responsibilities + Ethical Responsibilities + Philanthropic Responsibilities = Total Corporate CSR

CSR, Stakeholders and Problem-Solving

- Again, what does this have to do with problem-solving?
  - CSR has broadened the list of relevant stakeholders.
  - The needs and objectives of these stakeholders must be considered as context for decision-making and problem-solving.
  - Your task (specifically in the research paper) is to define and prioritize these stakeholders.

Who Are Business Stakeholders?

- Primary Stakeholders: Have a direct stake in the organization and its success
- Secondary Stakeholders: Have a public or special interest stake in the organization
**Key Questions In Stakeholder Management**

1. Who are our stakeholders?
2. What are our stakeholders’ stakes?
3. What opportunities and challenges do our stakeholders present to the firm?
4. What economic, legal, ethical, and philanthropic responsibilities does the firm have to stakeholders?
5. What strategies or actions should our firm take to best address stakeholder challenges and opportunities?

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**A Multiple Bottom-Line Perspective**

- Owner Stakeholders' “Bottom Line”
- Consumer Stakeholders' “Bottom Line”
- Employee Stakeholders' “Bottom Line”
- Community Stakeholders' “Bottom Line”
- Other Stakeholders' “Bottom Line”

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**So What?**

- Think about CSR and multiple stakeholders for your term paper project.
- Problems and their solutions typically involve a broad set of stakeholders
  - You have to think about the multiple bottom line.
    - Economic performance
    - Social performance
    - Environmental performance
Activity 1.2

- Objective – understand how changing missions and stakeholders can affect decisions
- Three different registration options for college
  - Online
  - Semester abroad
  - Traditional
- Read Mission A – choose an option and discuss how and why the mission and stakeholders affects the choice.
- Do the same for Mission B
- Takes notes and don’t forget to discuss the exercise and decisions for the scribe report

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Understanding Decision Making

- The personality/style of the decision maker
- Complexity or urgency
- The scale, scope or potential impact
- Type – strategic or tactical
- Accepted decision models
- Personal or organizational bias
Decision-Making Styles

- Rational thinking
  - Using knowledge, skills and experience
  - Applying logic to reach conclusions
  - Analyzing issues to understand the whole picture
- Intuitive thinking
  - Conclusions by hunch
  - Being led by emotion and sensitivity
  - Using imagination to create new ideas

Rational or Intuitive

- Gene Hackman was?
- Denzel was?

Sometimes, Just Trust Your Instincts
Types Of Decisions

- Programmed
  - Things that have occurred often enough such that you can have rules and guidelines.
  - Examples?

- Non-programmed
  - Situations that are unique, poorly defined, unstructured, have important consequences, or all of the above.
  - Examples?

Decision-Making Models

- There are a number of accepted models for organizational decision-making:
  - The Classical Model (rational)
  - The Administrative Model
  - The Political Model

- Why does it help to understand these models?
  - It helps to understand organizational tendencies when faced with decision-making in the context of problem-solving.
  - For example, if you assume a rational model when the political model is more prevalent, you may encounter roadblocks and difficulties.

Decision-Making Models

<table>
<thead>
<tr>
<th>Classical</th>
<th>Administrative</th>
<th>Political</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear-cut problems and goals</td>
<td>Vague problems and goals</td>
<td>Pluralistic, conflicting goals</td>
</tr>
<tr>
<td>Condition of certainty</td>
<td>Condition of uncertainty &amp; ambiguity</td>
<td>Condition of uncertainty &amp; ambiguity</td>
</tr>
<tr>
<td>Full information about alternatives and outcomes</td>
<td>Limited information about alternatives and outcomes</td>
<td>Inconsistent viewpoints; ambiguous information</td>
</tr>
<tr>
<td>Rational choice by individual for maximizing outcomes</td>
<td>Satisficing choice for resolving problem using intuition</td>
<td>Bargaining and discussion among coalition members</td>
</tr>
</tbody>
</table>

Sometimes…

- Decision opportunities are like garbage cans:
  - Problems and solutions are dropped into the “can” independent of one another
  - Problems, solutions and decision-makers are not necessarily related to one another
  - Often it seems as if the solutions, the time needed, and the problems rely on chance alignments for completion.

- The real-world is often not rational, and decisions are made “seat of the pants.”
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Smart People Can Make Bad Decisions

- Intuition, gut feel, experience, instinct – good or bad?
  - Patterns, rules of thumb, prioritization
  - Quicker problem solving & decision-making
  - Good in automatic processes
- But, it can often lead to the wrong solution
  - Cognitive bias can lead to inaccurate and irrational decisions – judgment error

Cognitive Bias

- Cognition is the process of thought.
  - To become acquainted with...
- Cognitive Bias is our tendency to make errors in judgment based on cognitive factors – things we know or understand, or think we know or understand.
- Cognitive Bias might distort the way we perceive reality.

What Can We Do To Avoid it?

- Recognize how easy it is to make simple mistakes by using intuition alone.
- Learn to spot the most common decision-making biases.
- Learn simple methods for combating these biases in judgment.
Judgment Error #1

- Rank order the following causes of death in the United States between 1990 and 2000, placing a 1 next to the most common, etc.
  - Tobacco
  - Poor diet and physical inactivity
  - Motor vehicle accidents
  - Firearms (guns)
  - Illicit drug use
- Now, estimate the number of deaths caused by each of these during that timeframe.

Availability Bias (a cognitive bias)
- Things that are more "available" to us, are likely to be interpreted as more frequent or important.
- Managers doing performance appraisals often fall victim to this bias.

Judgment Error #2

- Mark is finishing his MBA at a prestigious university. He is very interested in the arts and at one time considered a career as a musician. Where is he more likely to take a job?
  - In arts management?
  - With a consulting firm?

Representativeness Bias
- Many people overlook the "base-rate" data when making these types of judgments.
- Prospective entrepreneurs spend too much time imagining their success and far too little time considering the base rate for business failures.

Judgment Error #3

- Think about the last four digits of your social security number.
  - How many doctors are there in New York?
  - Research shows that there is typically a 0.4 correlation between your answer and the SSN number.
- This is an anchoring bias – the brain is "anchored" to a number or idea.
  - Think about how this affects negotiation...
  - Who threw out the first number?
  - What about salary negotiations?

Judgment Error #4

- Look at this series of numbers. It conforms to a rule. What is the rule? Propose a new set of numbers.
  - 2, 4, 6
- The rule – three ascending numbers.
  - Confirmation bias – a tendency to collect confirming rather than disconfirming information.
- Thing about buying a new car, hiring a new employee, starting research on a new product line?
Judgment Error #5

Consider these facts:
- 80 percent of students believed they were in the top 30 percent of safe drivers.
- A survey asked 829,000 high school students to rate their own ability to “get along with others,” and less than 1 percent rated themselves as below average. Further, 60 percent rated themselves in the top 10 percent, and 25 percent rated themselves in the 1 percent.
- This is Overconfidence bias – most of us are overconfident in our estimation abilities, and do not acknowledge our true uncertainty.

Judgment Error #6

Consider the following:
- What is the probability of tossing a “tail”?
  - 0.5
- What is the probability of HHHHH?
  - 0.5x0.5x0.5x0.5x0.5
- After four heads in a row, what is the probability of a fifth head?
  - 0.5 (counterintuitive to many people)
- Probability bias – intuition overcomes rationality

Avoiding Bias

1. **Do not** jump to conclusions.
2. **Do not** assume a relationship is a cause; record and test your decision outcomes.
3. **Do not** base your conclusion only on your experience.
4. **Do not** just look to support your case; look for non-supporting evidence too.
5. **Do not** fall prey to overconfidence; get confidence evidence and ranges.

Some Other Biases

- Selective search for evidence
  - A tendency to gather facts that support certain conclusions but disregard others that support other conclusions.
- Selective perception
  - We tend to screen out evidence that we do not think is relevant.
- Wishful thinking (optimism)
  - We tend to see things positively – this distorts our thinking and perception.
- Groupthink
  - Peer pressure to conform to the opinions of the group.
Get together in your groups and discuss personal experiences with organizational decision models and cognitive bias.

- In your own work environment, is there an obvious decision-making model in place? Does it change depending on the situation? Provide examples.

- Discuss and reflect on personal examples of cognitive bias.

- Discuss the Cognitive Bias quiz. Were you surprised by the results, and why or why not?

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**Group Activity Notes**