

Organizational decision – making and business ethics

[Business](#), [Business Ethics](#)



In the shoulders of the executives is the future of a company. Facing pressures from the stakeholders, company executives have truly become experts in decision - making. The experiences and qualities of an executive are vital for the strong and effective leadership circle within the business. While this circle of leadership within the company could bring success, the same managing body could bring the company rolling to its downfall with distorted decisions. Messick and Bazerman theorized three causes of distorted decision - making in an organization: theories about the world, theories about other people and theories about one's self.

In the hope of the executives, or any decision - makers, to simplify complex decisions, the theories about the world states that the other possible outcomes of the decision are not being completely assessed, weakening the basis of the decision, which cascades, according to the theorists, from overlooking low - probability events, the possibility that the public will " find out" and other collective outcomes. The theories about the world also stipulate that the risks in a decision are miscalculated by refuting uncertainty and the lessons from past experiences.

In addition, the authors believe that unreliable decisions in an organization focus on people and commit the sins of omission (MIT Sloan Management Review, 1996). In the theories about other people, the authors believe that the quality of thinking of company executives tolerates ethnocentrism and stereotyping, which is relevant to the company's diversified employees, customers or clients, stakeholders, partners, as well as its competitors (MIT Sloan Management Review, 1996).

The illusions of superiority over favorability, optimism and control, aided with fairness biases, selective memory and overconfidence, are the theories about one's self that the authors believe to be the principalities that affects the decision makers in an organization (MIT Sloan Management Review, 1996). People are highly susceptible to these theories. In the history of corporate downturns to complete failures, the assessments of the authors could be observed, particularly the theories of the world.

Pan American World Airways, popularly known as Pan Am, was the US leader in transnational air carrier for almost seven decades, from the late 1920s until its downfall on 1991. The management's decision to invest in the large fleet of new Boeing 747 did not foresee the declining demand for air travel and the domestic competitors growing advantages over the air travel business. These miscalculations of possible outcomes, along with other reasons including the stereotyping that the company endured from its competitors and other institutions, have significantly contributed to the company's exiting the business (Drea, 2009).

In October 1995, Bre - X Minerals Ltd. , a mining company based in Canada, reported that they had discovered huge amounts of gold in their Busang, Indonesia site, causing its stock to a high rise. However, an investigation had been made invalidating the claim of the company which sent a number of lawsuits against the company. The incident caused economic fallout in Canada in 1997 for there had been several public and private sectors defrauded by the company (Alden).

While the authors, Messick and Bazerman enumerated how faulty decision causes failures to an organization, they also gave recommendations on how not to get into the claws of it. The criteria for any decision making, they said, are quality, breadth and honesty. Imposing higher quality in decision - making reduces ethical mistakes by being objective, concrete and systematic. The unreliability of human memory could be compensated by acknowledging the threats and practicing detailed record keeping.

The emphasis on breadth signifies looking from the stakeholders' perspectives in evaluating a decision, which could begin by identifying the stakeholders of the organization. While honesty in an organization's accountability over the public, or the organization's client, is not giving away proprietary information, but being open in the information being withheld. References Alden, A. (n. d.). The Bre-X Gold Scandal. Retrieved August 16, 2010, from About. com Guide: <http://geology.about.com/cs/mineralogy/a/aa042097.htm> Drea. (2009, January 14). The 25 Worst Business Failures in History.

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