

Psychologic Types and Decision Making Study Case in Logistics Management at Danone Morocco

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Abstract: When faced with decision making, managers tend to have two different approaches, known under the terms “Analysis Paralysis” and “Extinction by Instinct”. These two concepts are often used individually, while the combination of both is what can help the manager sort out his problems and find effective solutions. This is where the helicopter view comes in the picture.

Key words: decision making; analysis paralysis; extinction by instinct; helicopter view; intuitive managers; inner processing; systems thinking

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1. Introduction

Leadership styles have been a recurrent subject in the past century (Murray, 2010; Lewin, Lippitt, White, 1939), as well their relationship with intuition and emotional intelligence (Downey, Papageorgiou, Stough, 2006). On this paper, it is tried to convey all the ways an intuitive versus a sensing type (C. G. Jung, 1921) can manage a team (Myers-Briggs, 1962). Does the manager pays more attention to the information that comes in through all the five senses, or does he relay more on paying attention to the patterns and possibilities he gets from the received information?

“Soft” skills have found their roots through Emotional Intelligence (Salovey Mayer, 1990). The first precise and consistent model of EI has been developed in the early 1990’s, and ever since researchers have applied it to different areas such as education and business. Behavioral finance, business, all resulting from a more general area in psychology. Studies conducted on emotional intelligence emphasize the benefits of emotions on decisions, taking the opposite directions of anterior theories focusing on their negative connotations.

This paper tries to see how exactly decision making can rely on the manager’s psychological type, especially between the intuitive and sensing types, which are according to Jung the two perceiving function amongst the four main functions of consciousness. A hypothetico-deductive approach is going to be used relying on a study case on the logistic department of Centrale Laitière Danone in Morocco.

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2. Psychological Types and Decision Making

2.1 Introduction of Limited Rationality

Among the main theories on which relies the neoclassical thinking as a science, we find the one about rationality, and perfect coordination of markets. The first one in its original version stipulates that men have a behavior of *homo economicus*, who always have clear thoughts and ideas, and know how to make choices with an analytical ability. As consumers, they maximize their utility in order to choose the best combination of goods and services at the best price. Producers invent most adapted goods to consumer's tastes, while maximizing their profits or minimizing their production's costs. In addition to their rational nature, the *homo economicus* presents two other qualities. He's completely informed, infinitely sensible and consistent. The complete information gives him the ability to know all about the action he takes and its consequences. His sensitivity lets him perceives all the variables of his environment, even the most imperceptible. Consistency gives him a sense of order in his decisions

The hypothesis of perfect coordination of markets states that individuals only need to know the price for their behavior to be compatible. Price is an indicator that let the producers predict plans of consummation, and thus lead to an efficient society where everyone receives the lawful counterpart of what he brings.

This dominant theory doesn't always correspond to the real behavior of men, or the real functioning of markets. Neoclassical wanting to add risk and incertitude in their analysis, suppose then that the individual moves his status from *homo economicus* to *homo probabilis* (L. Sfes, 1988). In other terms, the information deficiency conducts him to consider multiple scenarios of the future, and affect them probabilities of realization. In this case, the individual choose, not the maximum utility, but the maxim utility anticipated. This reasoning by Von Neumann and Morgenstern has never been proved (B. Munier, 1989). In 1952, M Allais, Nobel Prize in Economics has shown that one of the axioms of behavior that appeared to be "rational" and simplified the theory, was systematically disregarded by knowing individuals. This demonstration took the name of "Allais paradox". The same author, says Jean Michel Grandmont (1989), thinks that "contemporary economics know important inefficiencies due to the lack of perfect concurrence."

Another author having denied the validity of this model was Herbert Simon, Nobel Prize in Economics in 1978. He has shown that the "strong rationality" postulate by the neoclassical doesn't match the reality of individual and organizational behaviors when they want to take decisions. In other terms, human and organizational decisions can't be reduced to optimization models. Inside socio-economical organizations, decisions form real social and cognitive processes, and their making depend on the limited rationality of the individuals that built it.

One way to react to the economic crisis of the past years in various logistics departments in companies was stock reductions. And according to researches¹ made in the past few years, this particular action was the go to crisis management goal in the supply chain system. Thinking of it the regular way, reducing stock levels would be by creating more frequent deliveries that would contain smaller quantities from the suppliers. Then again that would lead to creating a symptom of growing transports costs. Leading the problem to expand beyond stock reductions and find its roots in stock management.

The goal the company truly looks for is to envision all the solutions, fix the one present and in hand, and yet find ways to prevent it from happening again from another perspective.

¹ Cap Gemini, Crisis dominates the supply chain agenda in 2009, 2009 March, Cap Gemini.

With this in mind, trying regular solutions would only lead to similar results. You can't try the same thing over and over and expect a new outcome. And obviously the logical step is to tell the company to try new things, only as it's always the case, harder to do than to say. Yet it may be the only way the company has to stay sustainable and in some cases, afloat.

When faced with the decision making, managers tend to have two different approaches. That is known under the terms "Analysis Paralysis" and "Extinction by Instinct".

These two concepts are often used individually, while the combination of both is what can help the manager sort out his problems and find effective solutions. This is where the helicopter view comes in the picture.

2.2 Perceiving Functions of Consciousness: Intuitive vs. Sensing Managers

2.2.1 Analysis Paralysis

"I come from an environment where, if you see a snake, you kill it. At GM, if you see a snake, the first thing you do is go hire a consultant on snakes. Then you get a committee on snakes, and then you discuss it for a couple of years. The most likely course of action is nothing. You figure, the snake hasn't bitten anybody yet, so you just let him crawl around on the factory floor." Ross Perot, General Motors.

This would be the most explanatory sentence one could use to describe what analysis paralysis actually means. That would fall under the category of sensing type managers.

The acts of over analyzing a situation so much where you finally stay put and do nothing beside letting it crawl around you, while it may actually end up suffocating you.

It's a condition where people find themselves unable to actually go through with their initial planning. This comes from fear of the above-mentioned unknown outcome, whether it is failure or even in some cases, — although these tend to be more on the individual and personal aspect rather than for a company-success. Usually, people suffer from this particular condition when they're facing the intake of major decisions, ones that could have long-term irreparable consequences. It doesn't matter if those decisions are somewhat big or relatively small, people tend to thrive on predictable and liable, and they usually dislike outcomes they have less than a hundred percent hold on.

Business executives can be crippled in a way that the more they think about a decision they have to make, analyze every detail, have more spreadsheets and numbers in hand, the more fearful they end up of taking the actual decision and making radical moves.

In our case with logistical management, there may be a fear that either stock reduction can cause further expenses, or having to retake the whole approach of stock management, that the managers would end up taking practically no decision per say, and rather choosing to stay on their status quo, relying on both time and usual procedures to make the problem go away.

2.2.2 Extinction by Instinct

This type of decision making can be taken in a lot of cases as well. It is shown in some rather intuitive managers, ones that rely on their instinct, their "guts", to tell themselves that this decision is the right one to take. Jung talks about the sensitive versus the intuitive types. Whereas the first one is more inclined to analyze, detail, archive, and classify data and events, the latter is instead relying on ideas, perspectives, and overview. They are better at perceiving and using ideas, than they are with sense data. Sensing types can see the wood for the trees; intuitive types can see the trees for the wood.

Extinction by instinct can also be shown when “Groupthink” occurs. It is a psychological phenomenon that happens when a group of people develop and reach a high level in solidarity and loyalty, which makes the desire for harmony or conformity in the group result in an incorrect or deviant decision-making outcome, leading them in neglecting the negative feelings about the leader’s proposal. All in the hopes of minimizing conflicts and reaching consensus decisions altogether, doing so by shutting off to external sources and only focusing on what happens inside their group.

This little overview of both analysis paralysis and extinction by instinct lead us to talk about the helicopter view. While analysis paralysis happen when managers are too focused on the details and zeroing their view on single problems at hand, extinction by instinct can happen to leaders that tend to exaggerate on their overview, and don’t put enough attention to critical details around them. The goal is to have equilibrium, to use both analysis and overview to reach the wanted outcome.

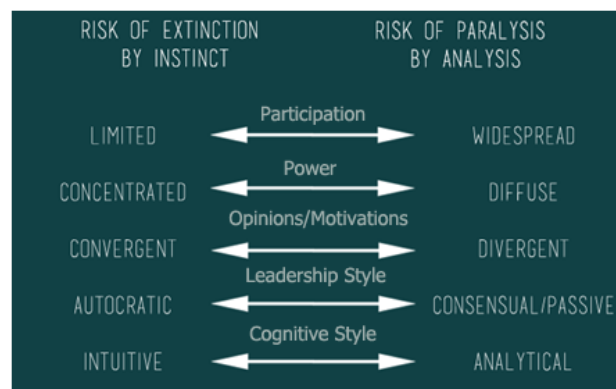


Figure 1 The Risks of Extinction by Instinct VS Paralysis by Analysis

(Figure 1: According to Langley Ann-Between “Paralysis by Analysis” and “Extinction by Instinct” Sloan Management Review; Spring 1995; pp. 36, 3; ABI/INFORM Global, p. 63)

Figure 1 shows the risks managers depending on their own cognitive as well as leadership styles. In fact, some encourage analysis, while others feel like holding back by constantly putting things into perspective, and rather make a decision quickly based on their instincts. Those two factors (cognitive/leadership styles) suggest some conditions that might influence either excessive or insufficient analysis. This leads extinction by instinct to happen more when participation of coworkers is limited, power concentrated in the hands of the leader, the opinions and motivations converge and the leadership style is autocratic while the leader’s cognitive style is intuitive. On the other hand, analysis paralysis happen when the participation is widespread, the power rather diffuse, opinions and motivations diverge, and the leadership style is consensual or even passive, making his cognitive style to be intuitive.

3. Study Case: Centrale Laitière Danone Morocco

3.1 Logistic and Crisis Management

Taking into consideration its strategic nature, the supply chain is a directional structure, aiming to lead and deal with all logistic related matters at the company. There’s a cell inside the company that’s correlating between business, industrial and supply chain departments, the point being to try and merge the interests of those three departments.

Since the business direction's goal is to always sell more, deliveries constraints are not considered top priority. At the factory the main objective is respecting the production planning deadlines, while the logistics departments try and watch the costs.

Logistic costs represent 10% of the turnover at Centrale Laitière Danone, with 70.000 sales points delivered daily. The goal is to reduce those costs by optimizing both transports expenses as well as investments expenses for stocking and handling. Constraints are even higher for fresh products, highly sensitive for dietary security.

Stocking and cross docking take place in the four industrial units towards the twenty Centrale Laitière agencies through the country, the latter's provisioned daily by semi trailers with milk, dairy products, cheeses and ice creams. The agencies are in charge of dispatching the merchandise to the thousands sales points every day, mainly traditional grocery stores, in which 90% of the sales happen. The remaining 10% is sold through the modern canal (hyper and super markets).

Optimizing the logistic circuit also goes by mastering the information and a perfect coordination of exchanging data with the distributors. Exchanging data about sales and stocks with modern distributor's operators would benefit from being improved though. This way a better service could be offered by the company for both the distributors and their clients (A. Shamamba, 2004).

The company can lower their supply chain costs by using new management strategies to reduce inventory safely.

And those strategies often find their roots into improving the people. Programs may vary and change, but the people are the one constant outside the company. The best resource the company has, and also the best investment it can place. Intuitive managers sense that it's the staff that should be bettered, programs and plans are not really the issue. They recruit people, they train and improve those people, put energy and time in them, until their endeavor is suitable to the company. A better staff can and will definitely make a difference inside the company, in shortest amount of time.

Those managers encourage and support individual development inside their staff, it's important to them that communication runs free inside their departments, that issues are tackled and discussed as soon as they come up, and ideas and solutions on how to solve them are usually proposed and laid upon the table. They work simultaneously on the team as a whole and as individuals that need their effectiveness to be promoted as well as nurturing their growth.

Little do programs actually matter if a team is not ready and well equipped to use them. And this is why managing outgoes simply collecting and analyzing data, it also takes intrinsic qualities that help the people in charge sense the flaws and immediately come up with effective and long term solutions.

During our study research in the HR department at Centrale Laitière Danone, it has come to show that assessments and training are a high priority among managers and their staff. They value personal development and believe that people in charge should know more about themselves in order to take better charge of others. Tests like the MBTI² are often conducted inside the company, to review the different types of personalities each department has, although they do not recruit based on the results, or try and find new positions better suitable for the employees according to their personality types. It is mostly conducted to point out the high and low points the employee can benefit from working on or developing, but it is still a great tool to give the manager so they can know what they're working with and looking for ways to improve results by simply understanding better his people.

² Myer-Briggs Type Indicator test.

Leadership remains a constant puzzle, different angles and lines seen by various perspectives of view depending on the manager. There's also different types of leadership, all of which has its outstanding qualities. But what we're trying to lay out here is that a leader who has a vision and is a change agent for his people should be prepared to lead the change. To do so that leader needs to have a helicopter view.

3.2 The Helicopter View: Taking a Step Back and Reconsidering

"Systems thinking is a discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing patterns of change rather than static snapshots."—*Peter Senge*

First of all, the key component of the helicopter view is the distance. When the helicopter is high in the sky, it shows to the pilot everything that there is beneath him. It is like when you zoom out while using a camera, or when you just step back and take an overall view at what's surrounding you. And while doing so, not only the current things you were looking at appear anymore, more components add to the picture, just like more problems appear to the manager.

A metaphor for rising above the detail of the situation so that you can see it as a whole, and in its wider context, the whole supply chain.

But when that happens, the urgency of said problems will make an appearance too. Because the red flashing light above some problems will go off, while other lights may flicker lightly. Meaning some problems are urgent and short term, while others are critical and more long term.

The helicopter view also advises to look at your problems from your future self. Managers are asked: if the same exact situation happened to you ten years from now, what will you do?

In this case, horizon expands, widely so, so the manager present problems notwithstanding, thinks about his company with more financial resources, more time, more opportunities, a better social environment, a world he wants to live in. In storm ideas, ideas he wouldn't dare to have under such urgent tension. He frees his mind and let himself wander around all the opportunities he has, and while he does so, he considers some aspects he just didn't let himself take in consideration, just because of self-restriction.

New strategies are drawn, scenarios are laid out, his creativity is on display, but then again you have to make sure to stay on the right path. Not falling in the abyss between analyzing and over viewing, still pondering over the details, yet leaving the imagination a chance to look at all the possibilities.

It's also not enough to view only its own company, but to take into view the whole environment in the future. The world, the competition, the potential customers... Everything that is surrounding the company right now would also eventually change and develop or decline.

Having a liberating insight and daring to change systems that aren't made to be touched is the optimal solution the manager can look for. Because he is now taking a new look, he trades off, changing elements he knows can serve other others. Moving them, expanding them, or completely destroying them. To better his hand and start building improved ones from the hand he already has. The key is not to change everything, but to build operational systems out of the existing elements the company already has.

Evaluation is mandatory, before jumping into the process, and feedbacks as various as they are, are necessary to add other insights or point out left out things.

Companies that remain standing are the one flexible enough to adjust to changing conditions.

4. Conclusion

Most of the problems the company faces are complex, involve different actors and are the results of past actions. Conventional solutions often offer weak results that serve to discourage any potential desire the manager would have to go and look for better and improved ones, and effectively addressing them.

System thinking is dealing with just these types of problems, and challenge the manager to look for those usually disregarded layers of thinking, he can't or won't dare to look vividly into. Absence of immediate solutions, complexity or great numbers of interaction are all putting the manager right into the insecurities of facing failure and risking a lot to still unknown results. Systems thinking wants to go past that, albeit all the risks, and change the way your perspective, look at things differently, and overall not settle in the comfort zone to fall right back in the same mistakes.

Crisis management is an aspect of strategic management. After the increase in crisis and industrial incidents (Tchernobyl, Three Mile Island, Tylenol...), researchers have gathered around studying these strategic matters (Fink, 1986; Pauchant & Mitroff, 1988).

Although it is highly of use in the individual aspect, the constant change in management puts a certain hold in long term planning. Managers that know have a specific amount of time in the department are not interested in drawing long term plans through several cycles. They look for short terms results and financial outcome.

The vicious circle is to be observed as well, because when managers are put into those situations of crisis, they only then want to know how to manage the future. While they have urgent matters, that cannot be managed by long term tools. We notice then that past successes play a big role in laid out strategies, achieved market positions and "winner" products sort of blind the managers to a change in the framework conditions.

It's the core difference between pre action, reaction and pro action. The latter one is the optimal when the company can influence its environment and be one step ahead of the changes, instead of reacting to it, or better yet pre acting along it.

Then the company would benefit from real competitive advantage.

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