Decision Making

The process through which managers identify and resolve problems and capitalize on opportunities.

Seven Steps in the Decision-Making Process

- Identifying opportunities and diagnosing problems
- Identifying objectives
- Generating alternatives
- Evaluating alternatives
- Reaching decisions
- Choosing implementation strategies
- Monitoring and evaluating
Models of Decision Making

- Rational-Economic Model
- Behavioral Decision Model

Rational-Economic Model

How a decision should be made.

Assumptions: Rational-Economic

- “Perfect information”
- List of alternatives
- Managers are rational
- Best interests of their organizations
Drawbacks: Rational-Economic

- Perfect information is rare
- Ability to comprehend
- Adequate knowledge
- Managers are human
- Environment

Models of Decision Making

- Rational-Economic Model
- Behavioral Decision Model

Behavioral Decision Model

- Human limitations
- Processing ability limited
- Limited perception
- Situations are complex
**Decision Model Concepts**

- Bounded Rationality
- Intuition
- Satisficing
- Escalation of Commitment

**Quality Decision Making**

Vigilance

**Vigilant Decision Makers**

- Survey objectives
- Canvas alternative
- Weigh consequences
- Search for new information
- Listen to new advice
- Reexamine known alternatives
- Implement & execute
- Contingency plans
Group Decision Making

Improving customer service
Delegating decision making

Participative Models

• Vroom and Yetton Model

Five decision-making styles

Vroom and Yetton Decision Styles

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<th>Style</th>
<th>Description</th>
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Participative Model

- Vroom and Jago Model

The Decision Tree

Impact of Group Size

- In general, as group size increases:
  - Leader becomes…
  - Demands on the leaders time…
  - Tolerance of direction…
  - Decision making becomes…
  - Atmosphere…
  - Rules and procedures…

Advantages of Group

- Experience
- Information
- Perspectives
- Satisfaction
- Acceptance
- Commitment
### Disadvantages of Group

- Time
- Domination
- Compromise
- Goals
- Conform
- Groupthink

### Groupthink

An agreement-at-any-cost mentality that results in ineffective group decision making.

### Characteristics of Groupthink

- Invulnerability
- Rationalization
- Morality
- Self-censorship
- Unanimity
- Pressure
Group Decision-Making Techniques

- Brainstorming
- Nominal Group Technique
- Delphi Technique
- Devil's Advocacy Approach
- Dialectical Inquiry