

CHAPTER 6

Effective Managerial
Decision Making

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Decision Making

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

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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

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Models of Decision Making

- Rational-Economic Model
- Behavioral Decision Model

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Rational-Economic Model

How a decision should be made.

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Assumptions: Rational-Economic

- “Perfect information”
- List of alternatives
- Managers are rational
- Best interests of their organizations

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Drawbacks: Rational-Economic

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

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Models of Decision Making

- Rational-Economic Model

- Behavioral Decision Model

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Behavioral Decision Model

- Human limitations
- Processing ability limited
- Limited perception
- Situations are complex

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Decision Model Concepts

- Bounded Rationality
- Intuition
- Satisficing
- Escalation of Commitment

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Quality Decision Making

Vigilance

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Vigilant Decision Makers

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

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Group Decision Making

Improving customer service

Delegating decision making

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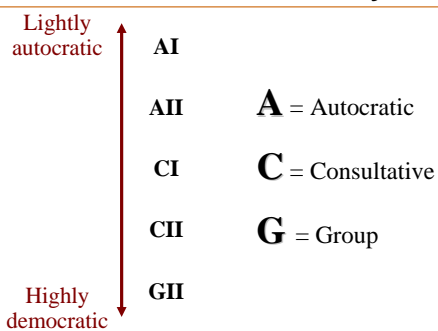
Participative Models

- Vroom and Yetton Model

Five decision-making styles

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Vroom and Yetton Decision Styles



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Participative Model

- Vroom and Jago Model

The Decision Tree

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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...

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Advantages of Group

- Experience
- Information
- Perspectives
- Satisfaction
- Acceptance
- Commitment

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Disadvantages of Group

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

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Groupthink

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

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Characteristics of Groupthink

- Invulnerability
- Rationalization
- Morality
- Self-censorship
- Unanimity
- Pressure

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Group Decision-Making Techniques

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

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