	CHAPTER	
Effective Managerial Decision Making	6	
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Decision Making

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

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ven Steps he 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 	
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Rational-Economic Model	
How a decision <u>should</u> be made.	
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Assumptions: Rational-Economic	
• "Perfect information"	
 List of alternatives Managers are rational Best interests of their organizations	
Dest merests 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	-
• Escalation of Commitment	
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Quality Decision Making	
January 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
Vigilance	
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	7
Vigilant Decision Makers	
• Survey objectives	
Canvass 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	
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Participative Models	
Vroom and Yetton Model	
Five decision-making styles	
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Vroom and Yetton Decision Styles	
Lightly autocratic AI	
AII $\mathbf{A} = \text{Autocratic}$	
\mathbf{CI} \mathbf{C} = Consultative	
CII $\mathbf{G} = \text{Group}$	
Highly democratic GII	

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	ve Model	
Impact of Group Size In general, as group size increases: Leader becomes Demands on the leaders time Decision making becomes Atmosphere Rules and procedures Rules and procedures Advantages of Group Experience	and Jago Model	
In general, as group size increases: Leader becomes Demands on the leaders time Tolerance of direction Decision making becomes Atmosphere Rules and procedures Committee 6000 to bath Winner a divine of Thomas Lamine Alfolds record Advantages of Group Experience	The Decision Tree	
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- Atmosphere Rules and procedures 2 Cognide COOM to South Western, a division of Thomson Learning. All cides reserved. Advantages of Group • Experience	ance of direction	
• Experience	sphere	
• Experience		
• Experience	Phomoo Leaning. All rights received.	
• Experience		
• Experience		
	of Group	
• Information • Perspectives		
• Satisfaction —————		
• Acceptance		
• Commitment	nmitment	

Disadventages of Croun	
Disadvantages of Group	
-Time	
-Domination	
-Compromise	
-Goals	
-Conform	
-Groupthink	
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Crounthink	
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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