

CHAPTER 7

Decision Making Tools and Techniques

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Managerial Decision Situations

- **Problem**
 - A situation ...
- **Opportunity**
 - A situation ...

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Decision Situations

Programmed Decisions	Nonprogrammed Decisions
Alternatives familiar	Alternatives not familiar
Routine	Creativity

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Strategic Decision Making Tools

- Strategy selection
- Evaluation of portfolios

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Strategy Selection

- The Strategic Decision-Making Matrix
 - A two-dimensional grid used to select the best strategic alternative in light of multiple organizational objectives.

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Strategic Decision-Making Matrix

	Objectives		
	Increased Profit	Increased Market Share	Increased Production Output
Alternative Strategies	.5	.3	.2
Product Development	2	2	3
Horizontal Integration	4	2	2
Joint Venture	5	3	3

Total Weighted Score

$$.5(2) + .3(2) + .2(3) = 2.2$$

$$.5(4) + .3(2) + .2(2) = 3.0$$

$$.5(5) + .3(3) + .2(3) = 4.0$$

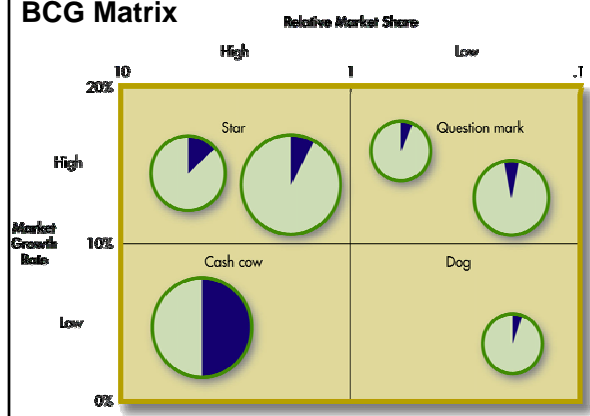
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Evaluation of Portfolios

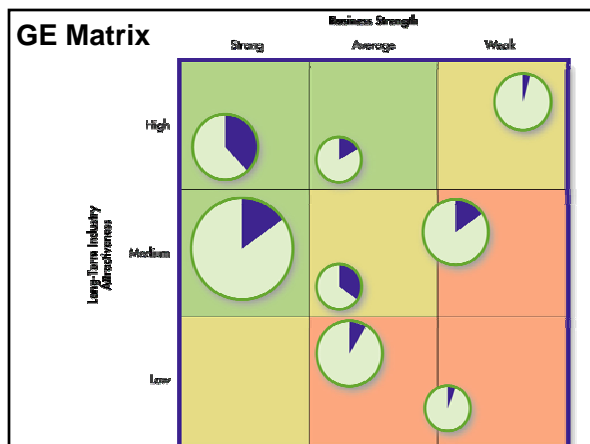
- Growth-share matrix
- Industry strength matrix

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BCG Matrix



GE Matrix



Operational Decision Making

- Shorter time spans
- Lower levels

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Structure: Decision-Making

- Alternative Courses of Action
- States of Nature
- Payoffs

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Decision Making Conditions

- Certainty
- Risk
- Uncertainty

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Ethical & Social Implications

**How do I balance
economic and social
considerations?**



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Ethical & Social Implications

**How will the decision
affect the personal lives
of my employees?**



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Ethical & Social Implications

**What are the ethical
and social implications
of my decision?**



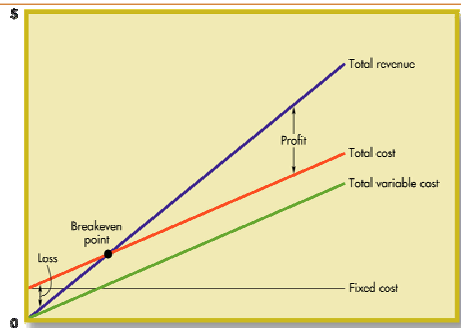
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Quantitative Decision-Making Aids

- Breakeven Analysis
- Linear Programming
- PERT

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Breakeven Analysis



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Linear Programming

- Allocate limited resources

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PERT

- **Program Evaluation & Review Technique**
- **Scheduling major projects**

Activity identification

precedence identification

Activity time estimation

Network construction

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