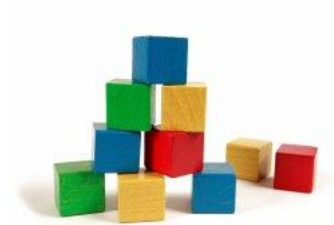




Warsaw University of Life Sciences - SGGW
Dr Mariusz Maciejczak

Principles of Management



www.maciejczak.pl

Basic reading

The presentation has been prepared based on the book

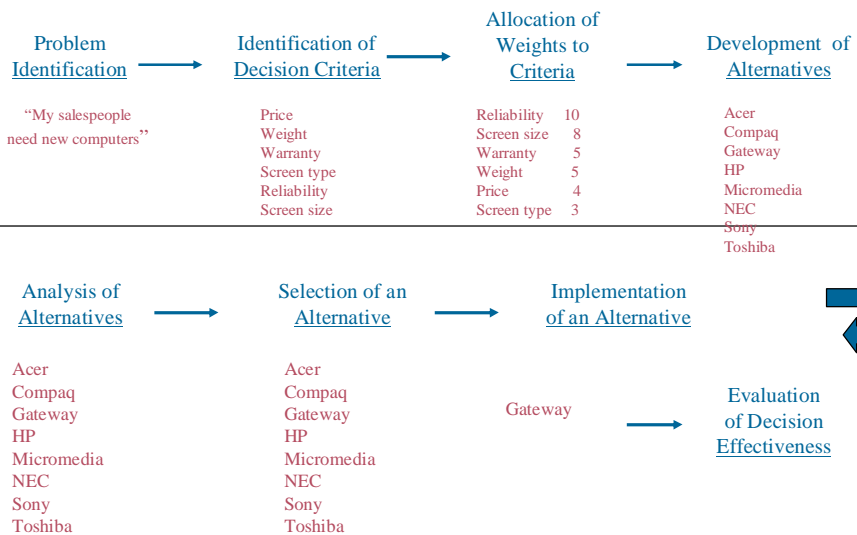


Decision Making

- Decisions
 - choices from two or more alternatives
 - all organizational members make decisions
- Decision-Making Process
 - a comprehensive, 8-step process
 - **Step 1 - Identifying a Problem**
 - **problem** - discrepancy between an existing and a desired state of affairs
 - must be such that it exerts pressure to act
 - manager is unlikely to characterize a situation as a problem unless s/he has resources necessary to act

6-3

The Decision-Making Process



6-4

Decision Making (cont.)

- Decision-Making Process (cont.)
 - **Step 2 - Identifying Decision Criteria**
 - **decision criteria** - what's relevant in making a decision
 - **Step 3 - Allocating Weights to the Criteria**
 - must weight the criteria to give them appropriate priority in the decision
 - **Step 4 - Developing Alternatives**
 - list the viable alternatives that could resolve the problem without evaluating them
 - **Step 5 - Analyzing Alternatives**
 - each alternative is evaluated against the criteria

6-5

**Assessed Values of Notebook Computer Alternatives Against
Decision Criteria**

Model	Reliability	Screen Size	Warranty	Weight	Price	Screen Type
Acer TravelMate734TL	8	3	5	10	3	5
Compaq Presario 1800 XL186	8	5	10	5	6	5
Gateway Solo 2550 LS	10	8	5	10	3	10
Hewlett-Packard Omnibook 900	8	5	5	10	3	10
Micromedia Computers Millenium 3000	6	8	5	10	6	10
NEC Direct Versa Note VX 14.1	10	8	5	5	3	10
Sony Vaio PCG-X18	2	10	5	10	10	10
Toshiba Satellite Pro 4280	4	10	5	10	10	5

Evaluation of Laptop Computer Alternatives Against Criteria and Weights

Model	Reliability	Screen		Warranty	Weight	Price	Screen		Total
		Size	Type				Type	Weight	
Acer TravelMate734TL	80	24	25	50	12	15		205	
Compaq Presario 1800 XL186	80	40	50	25	24	15		234	
Gateway Solo 2550 LS	100	64	25	50	12	30		281	
Hewlett-Packard Omnibook 900	80	40	25	50	12	30		237	
Micromedia Computers Millenium 3000	60	64	25	50	24	30		253	
NEC Direct Versa Note VX 14.1	100	64	25	25	12	30		255	
Sony Vaio PCG-X18	20	80	25	50	40	30		245	
Toshiba Satellite Pro 4280	40	80	25	50	40	15		250	

Decision Making (cont.)

- Decision-Making Process (cont.)
 - **Step 6 - Selecting an Alternative**
 - choosing the best alternative from among those considered
 - **Step 7 - Implementing the Alternative**
 - **implementation** - conveying the decision to those affected by it and getting their commitment to it
 - participation in decision-making process inclines people to support the decision
 - decision may fail if it is not implemented properly
 - **Step 8 - Evaluating Decision Effectiveness**
 - determine whether the problem is resolved

6-8

Decisions in the Management Functions

Planning

- What are the organization's long-term objectives?
- What strategies will best achieve those objectives?
- What should the organization's short-term objectives be?
- How difficult should individual goals be?

Organizing

- How many employees should I have report directly to me?
- How much centralization should there be in the organization?
- How should jobs be designed?
- When should the organization implement a different structure?

Leading

- How do I handle employees who appear to be low in motivation?
- What is the most effective leadership style in a given situation?
- How will a specific change affect worker productivity?
- When is the right time to stimulate conflict?

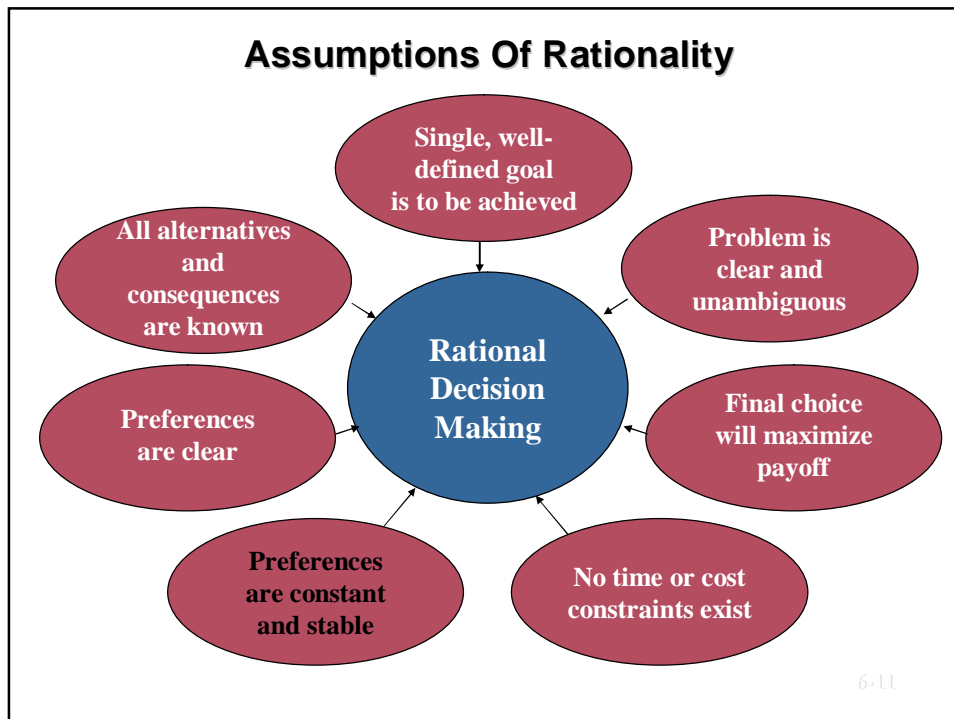
Controlling

- What activities in the organization need to be controlled?
- How should those activities be controlled?
- When is a performance deviation significant?
- What type of management information system should the organization have?

The Manager As Decision Maker

- Rational Decision Making
 - decisions are consistent, value-maximizing choices within specified constraints
 - managers assumed to make rational decisions
 - **Assumptions of Rationality** - decision maker would:
 - be objective and logical
 - carefully define a problem
 - have a clear and specific goal
 - select the alternative that maximizes the likelihood of achieving the goal
 - make decision in the firm's best **economic** interests
 - managerial decision making seldom meets all the tests

6-10



The Manager As Decision Maker (cont.)

- Bounded Rationality
 - behave rationally within the parameters of a simplified decision-making process that is limited by an individual’s ability to process information
 - **satisfice** - accept solutions that are “good enough”
 - **escalation of commitment** - increased commitment to a previous decision despite evidence that it may have been wrong
 - refusal to admit that the initial decision may have been flawed

6-12

The Manager As Decision Maker (cont.)

- Role of Intuition

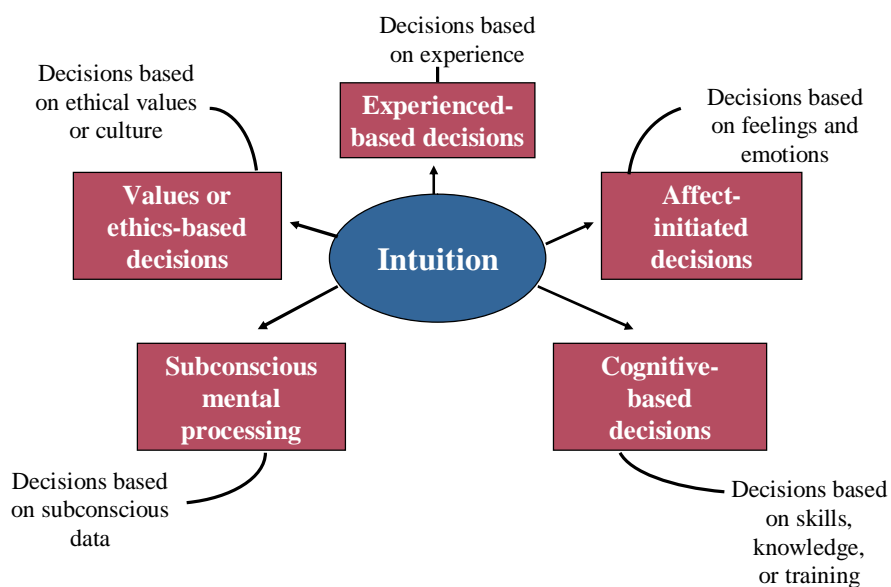
- **intuitive decision making** -

- subconscious process of making decisions on the basis of experience and accumulated judgment

- does not rely on a systematic or thorough analysis of the problem
 - generally complements a rational analysis

6-13

What Is Intuition?



6-14

The Manager As A Decision Maker (cont.)

- Types of Problems and Decisions
 - **Well-Structured Problems** - straightforward, familiar, and easily defined
 - **Programmed Decisions** - used to address structured problems
 - minimize the need for managers to use discretion
 - facilitate organizational efficiency
 - **procedure** - series of interrelated sequential steps used to respond to a structured problem
 - **rule** - explicit statement of what to do or not to do
 - **policy** - guidelines or parameters for decision making

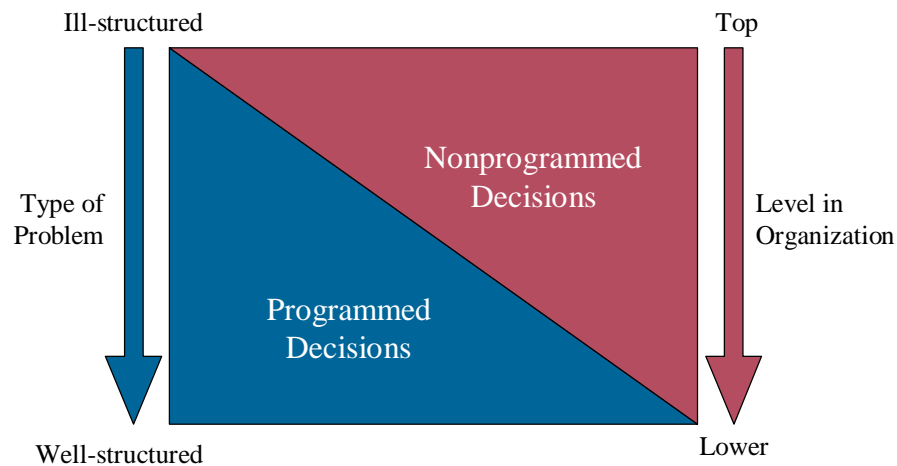
6-15

The Manager As A Decision Maker (cont.)

- Types of Problems and Decisions (cont.)
 - **Poorly-Structured Problems** - new, unusual problems for which information is ambiguous or incomplete
 - **Nonprogrammed Decisions** - used to address poorly- structured problems
 - produce a custom-made response
 - more frequent among higher-level managers
 - few decisions in the real world are either fully programmed or nonprogrammed

6-16

Types Of Problems, Types Of Decisions, And Level In The Organization



6-17

The Manager As A Decision Maker (cont.)

- Decision-Making Conditions
 - **Certainty** - outcome of every alternative is known
 - idealistic rather than realistic
 - **Risk** - able to estimate the probability of outcomes stemming from each alternative
 - **expected value** - the conditional return from each possible outcome
 - multiply expected revenue from each outcome by the probability of each outcome

6-18

The Manager As A Decision Maker (cont.)

- Decision-Making Conditions (cont.)
 - **Uncertainty** - not certain about outcomes and unable to estimate probabilities
 - psychological orientation of decision maker
 - **maximax** choice - optimistic
 - » maximizing the maximum possible payoff
 - **maximin** choice - pessimistic
 - » maximizing the minimum possible payoff
 - **minimax** - minimize the maximum “regret”

6-19

The Manager As A Decision Maker (cont.)

- Decision-Making Styles
 - two dimensions define the approach to decision making
 - **way of thinking** - differs from rational to intuitive
 - **tolerance for ambiguity** - differs from a need for consistency and order to the ability to process many thoughts simultaneously
 - define four decision-making styles
 - **Directive** - fast, efficient, and logical
 - **Analytic** - careful and able to adapt or cope with new situations
 - **Conceptual** - able to find creative solutions
 - **Behavioral** - seek acceptance of decisions

6-20

