

Chapter 6 Decision Making: The Essence of the Manager's Job

TRUE/FALSE QUESTIONS

THE DECISION-MAKING PROCESS

1. Problem identification is purely objective.
(False; moderate; p. 157)
2. The second step in the decision-making process is identifying a problem.
(False; easy; p. 158)
3. A decision criterion defines what is relevant in a decision.
(True; moderate; p. 158)
4. The fourth step of the decision-making process requires the decision maker to list viable alternatives that could resolve the problem.
(True; easy; p. 159)
5. Once the alternatives have been identified, a decision maker must analyze each one.
(True; moderate; p. 159)
6. The step in the decision-making process that involves choosing a best alternative is termed *implementation*.
(False; moderate; p. 160)

THE MANAGER AS DECISION MAKER

7. Making decisions is with the essence of management.
(True; easy; p. 161)
8. Managerial decision making is assumed to be rational.
(True; moderate; p. 162)
9. One assumption of rationality is that we cannot know all of the alternatives.
(False; difficult; p. 162)
10. Managers tend to operate under assumptions of bounded rationality.
(True; moderate; p. 163)
11. Studies of the events leading up to the *Challenger* space shuttle disaster point to an escalation of commitment by decision makers.
(True; moderate; p. 163)

12. Managers regularly use their intuition in decision making.
(True; easy; p. 164)
13. Rational analysis and intuitive decision making are complementary.
(True; moderate; p. 164)
14. Programmed decisions tend to be repetitive and routine.
(True; easy; p. 165)
15. Rules and policies are basically the same.
(False; moderate; p. 166)
16. A policy is an explicit statement that tells a manager what he or she ought or ought not to do.
(False; moderate; p. 166)
17. The solution to nonprogrammed decision making relies on procedures, rules, and policies.
(False; moderate; p. 166)
18. Most managerial decisions in the real world are fully nonprogrammed.
(False; easy; p. 167)
19. The ideal situation for making decisions is low risk.
(False; moderate; p. 167)
20. Risk is the condition in which the decision maker is able to estimate the likelihood of certain outcomes.
(True; easy; p. 167)
21. Risk is a situation in which a decision maker has neither certainty nor reasonable probability estimates.
(False; difficult; p. 168)
22. People who have a low tolerance for ambiguity and are rational in their way of thinking are said to have a directive style.
(True; moderate; p. 171)
23. Decision makers with an analytic style have a much lower tolerance for ambiguity than do directive types.
(False; moderate; p. 171)
24. Individuals with a conceptual style tend to be very broad in their outlook and will look at many alternatives.
(True; moderate; p. 171)

25. Behavioral-style decision makers work well with others.

(True; easy; p. 171)

26. Most managers have characteristics of analytic decision makers.

(False; moderate; p. 171)

27. According to the boxed feature, “Managing Workforce Diversity,” diverse employees tend to make decisions faster than a homogeneous group of employees.

(False; moderate; p. 172; AACSB: Diversity)

28. The anchoring effect describes when decision makers fixate on initial information as a starting point and then, once set, they fail to adequately adjust for subsequent information.

(True; moderate; p. 173)

29. The availability bias describes when decision makers try to create meaning out of random events.

(False; moderate; p. 173)

30. The sunk cost error is when decision makers forget that current choices cannot correct the past.

(True; moderate; p. 173)

DECISION MAKING FOR TODAY’S WORLD

31. Today’s business world revolves around making decisions, usually with complete or adequate information, and under minimal time pressure.

(False; difficult; p. 175)

32. Managers need to understand cultural differences to make effective decisions in today’s fast-moving world.

(True; moderate; p. 175; AACSB: Diversity)

33. According to the boxed feature, “Focus on Leadership,” when identifying problems, managers might be from a culture that is focused on problem solving, or their culture might be one of situation acceptance.

(True; easy; p. 175; AACSB: Diversity)

34. According to the boxed feature, “Focus on Leadership,” findings from studies by Geert Hofstede and from GLOBE researchers show that in high uncertainty avoidance countries, decision making tends to be based more on intuition than on formal analysis.

(False; moderate; p. 175)

35. Highly reliable organizations (HROs) are easily tricked by their success.

(False; easy; p. 176)

MULTIPLE-CHOICE QUESTIONS

For each of the following choose the answer that *most completely* answers the question.

THE DECISION-MAKING PROCESS

36. Decision making is typically described as _____, which is a view that is too simplistic.
- deciding what is correct
 - putting preferences on paper
 - choosing among alternatives
 - processing information to completion

(c; moderate; p. 156)

37. A series of eight steps that begins with identifying a problem and concludes with evaluating the decision's effectiveness is the _____.
- decision-making process
 - managerial process
 - maximin style
 - bounded rationality approach

(a; easy; p. 156)

38. _____ is the existence of a discrepancy between an existing and a desired state of affairs.
- An opportunity
 - A solution
 - A weakness
 - A problem

(d; easy; p. 156)

39. In identifying the problem, a manager _____.
- compares the current state of affairs with where they would like to be
 - expects problems to be defined by neon lights
 - looks for discrepancies that can be postponed
 - will not act when there is pressure to make a decision

(a; easy; p. 158)

40. Which of the following statements is true concerning problem identification?
- Problems are generally obvious.
 - A symptom and a problem are basically the same.
 - Well-trained managers generally agree on what is considered a problem.
 - The problem must be such that it exerts some type of pressure on the manager to act.

(d; moderate; p. 158)

41. What is the second step in the decision-making process?

- a. identifying decision criteria
- b. allocating weights to the criteria
- c. analyzing alternatives
- d. identifying a problem

(a; moderate; p. 158)

42. To determine the _____, a manager must determine what is relevant or important to resolving the problem.

- a. geocentric behavior needed
- b. number of allowable alternatives
- c. weighting of decision criteria
- d. decision criteria

(d; moderate; p. 158)

43. What is the third step in the decision-making process?

- a. allocating weights to the criteria
- b. analyzing the alternatives
- c. selecting the best alternative
- d. implementing the alternative

(a; moderate; p. 158)

44. If all criteria in the decision making are equal, weighting the criteria _____.

- a. improves decision making when large numbers of criteria are involved
- b. is not needed
- c. produces excellent decisions
- d. improves the criteria

(b; difficult; p. 158)

45. In allocating weights to the decision criteria, which of the following is helpful to remember?

- a. All weights must be the same.
- b. The total of the weights should sum to 1.0.
- c. Every factor criterion considered, regardless of its importance, must receive some weighting.
- d. Assign the most important criterion a score, and then assign weights against that standard.

(d; difficult; p. 159)

46. What is the step where a decision maker wants to be creative in coming up with possible alternative?

- a. allocating weights to the criteria
- b. analyzing alternatives
- c. developing alternatives
- d. identifying decision criteria

(c; easy; p. 159)

47. When analyzing alternatives, what becomes evident?

- a. the strengths and weaknesses of each alternative
- b. the weighting of alternatives
- c. the list of alternatives
- d. the problem

(a; easy; p. 159)

48. When developing alternatives in the decision-making process, what must a manager do?

- a. list alternatives
- b. evaluate alternatives
- c. weight alternatives
- d. implement alternatives

(a; moderate; p. 159)

49. Selecting an alternative in the decision-making process is accomplished by _____.

- a. choosing the alternative with the highest score
- b. choosing the one you like best
- c. selecting the alternative that has the lowest price
- d. selecting the alternative that is the most reliable

(a; easy; p. 160)

50. In Step 6 of the decision-making process, each alternative is evaluated by appraising it against the _____.

- a. subjective goals of the decision maker
- b. criteria
- c. assessed values
- d. implementation strategy

(b; moderate; p. 160)

51. _____ includes conveying a decision to those affected and getting their commitment to it.

- a. Selecting an alternative
- b. Evaluating the decision effectiveness
- c. Implementing the alternatives
- d. Analyzing alternatives

(c; moderate; p. 160)

52. Which of the following is important in effectively implementing the chosen alternative in the decision-making process?

- a. getting upper-management support
- b. double-checking your analysis for potential errors
- c. allowing those impacted by the outcome to participate in the process
- d. ignoring criticism concerning your chosen alternative

(c; moderate; p. 160)

53. The final step in the decision-making process is to _____.
- a. pick the criteria for the next decision
 - b. reevaluate the weightings of the criteria until they indicate the correct outcome
 - c. evaluate the outcome of the decision
 - d. reassign the ratings on the criteria to find different outcomes

(c; moderate; p. 161)

54. Which of the following is important to remember in evaluating the effectiveness of the decision-making process?
- a. You should ignore criticism concerning the decision-making process.
 - b. You may have to start the whole decision process over.
 - c. You will have to restart the decision-making process if the decision is less than 50 percent effective.
 - d. Ninety percent of problems with decision making occur in the implementation step.

(b; difficult; p. 161)

THE MANAGER AS DECISION MAKER

55. Managers are assumed to be _____; they make consistent, value-maximizing choices within specified constraints.
- a. rational
 - b. leaders
 - c. organized
 - d. satisficers

(a; easy; p. 162)

56. It is assumed that a perfectly rational decision maker _____.
- a. does not follow rational assumptions
 - b. does not consider value maximizing as an objective
 - c. offers inconsistent decisions
 - d. would be objective and logical

(d; moderate; p. 162)

57. Managers can make rational decisions if _____.
- a. the problem is ambiguous
 - b. the goals are unclear
 - c. the alternatives are limited
 - d. time constraints exist

(c; difficult; p. 162)

58. Which of the following is not a valid assumption about rationality?
- a. The problem is clear and unambiguous.
 - b. A single, well-defined goal is to be achieved.
 - c. Preferences are clear.
 - d. Preferences are constantly changing.

(d; difficult; p. 162)

59. When managers circumvent the rational decision-making model and find ways to satisfice, they are following the concept of _____.
- a. jurisprudence
 - b. bounded rationality
 - c. least-squared exemptions
 - d. self-motivated decisions

(b; moderate; p. 163)

60. Because managers can't possibly analyze all information on all alternatives, managers _____, rather than _____.
- a. maximize; satisfice
 - b. maximize; minimize
 - c. satisfice; minimize
 - d. satisfice; maximize

(d; moderate; p. 163)

61. The type of decision making in which the solution is considered "good enough" is known as _____.
- a. intuition
 - b. satisfying
 - c. maximizing
 - d. satisficing

(d; moderate; p. 163)

62. When a decision maker chooses an alternative under perfect rationality, she _____ her decision, whereas under bounded rationality she chooses a _____ decision.
- a. minimizes; satisficing
 - b. satisfices; maximizing
 - c. maximizes; satisficing
 - d. maximizes; minimizing

(c; difficult; p. 163)

63. An increased commitment to a previous decision despite evidence that it may have been wrong is referred to as _____.

- a. economies of commitment
- b. escalation of commitment
- c. dimensional commitment
- d. expansion of commitment

(b; moderate; p. 163)

64. Intuitive decision making is _____.

- a. not utilized in organizations
- b. a conscious process based on accumulated judgment
- c. making decisions based on experience, feelings, and accumulated judgment
- d. important in supporting escalation of commitment

(c; moderate; p. 164)

65. In studying intuitive decision making, researchers have found that _____.

- a. managers do not make decisions based on feelings or emotions
- b. managers use data from their subconscious mind to help make their decisions
- c. rational thinking always works better than intuitive
- d. accumulated experience does not support intuitive decisions

(b; moderate; p. 164)

66. All of the following are aspects of intuition except _____.

- a. experienced-based decisions
- b. affect-initiated decisions
- c. cognitive-based decisions
- d. programmed decisions

(d; easy; p. 164)

67. _____ are straightforward, familiar, and easily defined.

- a. Unstructured problems
- b. Structured problems
- c. Unique problems
- d. Nonprogrammed problems

(b; moderate; p. 165)

68. Structured problems align well with which type of decision making?

- a. programmed
- b. satisficing
- c. intuition
- d. gut feeling

(a; moderate; p. 165)

69. _____ decision making is relatively simple and tends to rely heavily on previous solutions.

- a. Nonprogrammed
- b. Linear
- c. Satisficing
- d. Programmed

(d; moderate; p. 165)

70. A procedure _____.

- a. is an explicit statement detailing exactly how to deal with a decision
- b. is a series of interrelated sequential steps to respond to a structured problem
- c. is a set of guidelines that channel a manager's thinking in dealing with a problem
- d. allows a manager to use broad decision-making authority

(b; moderate; p. 165)

71. A _____ is an explicit statement that tells a manager what he or she can or cannot do.

- a. procedure
- b. policy
- c. rule
- d. solution

(c; moderate; p. 165)

72. A policy _____.

- a. typically contains an ambiguous term
- b. is used frequently when a manager faces a structured problem
- c. allows little discretion on the part of the manager
- d. offers strict rules as to how a problem should be solved

(a; moderate; p. 166)

73. What is a difference between a policy and a rule?

- a. A policy establishes parameters.
- b. A rule establishes parameters.
- c. A policy is more explicit.
- d. A rule is more ambiguous.

(a; moderate; p. 166)

74. A _____ typically contains an ambiguous term that leaves interpretation up to the decision maker.

- a. system
- b. rule
- c. solution
- d. policy

(d; moderate; p. 166)

75. A business school's statement that it "strives for productive relationships with local organizations" is an example of a _____.

- a. rule
- b. policy
- c. procedure
- d. commitment

(b; moderate; p. 166)

76. Unstructured problems _____.

- a. are easily solved
- b. present familiar circumstances
- c. force managers to deal with incomplete or ambiguous information
- d. are routine

(c; moderate; p. 166)

77. Nonprogrammed decisions are best described as _____.

- a. recurring, but difficult to make
- b. very similar to problems in other areas of the organization
- c. requiring more aggressive action on the decision maker's thought processes
- d. unique and nonrecurring

(d; moderate; p. 166)

78. When problems are _____, managers must rely on _____ in order to develop unique solutions.

- a. structured; nonprogrammed decision making
- b. structured; pure intuition
- c. unstructured; nonprogrammed decision making
- d. unstructured; programmed decision making

(c; moderate; p. 166)

79. Lower-level managers typically confront what type of decision making?

- a. unique
- b. nonroutine
- c. programmed
- d. nonprogrammed

(c; moderate; p. 166)

80. Which of the following is likely to make the most programmed decisions?

- a. the CEO of PepsiCo.
- b. the vice president of General Motors Cadillac Division.
- c. the head of the Minute Maid Division at Coca-Cola.
- d. the manager of the local McDonald's.

(d; easy; p. 166)

81. _____ is a situation in which a manager can make accurate decisions because the outcome of every alternative is known.

- a. Certainty
- b. Risk
- c. Uncertainty
- d. Maximax
- e. Maximin

(a; easy; p. 167)

82. If an individual knows the price of three similar cars at different dealerships, he or she is operating under what type of decision-making condition?

- a. risk
- b. uncertainty
- c. certainty
- d. factual

(c; easy; p. 167)

83. A retail clothing store manager who estimates how much to order for the current spring season based on last spring's outcomes is operating under what kind of decision-making condition?

- a. seasonal
- b. risk
- c. uncertainty
- d. certainty

(b; difficult; p. 167)

84. _____ is a situation in which a decision maker has neither certainty nor reasonable probability estimates available.

- a. Certainty
- b. Risk
- c. Uncertainty
- d. Maximax

(c; easy; p. 168)

85. Nonprogrammed decisions are typically made under a condition of _____.

- a. certainty
- b. low levels of risk
- c. uncertainty
- d. reliability

(c; difficult; p. 168)

86. A person at a horse racetrack who bets all of his or her money on the odds-based long shot to “win” (rather than “place” or “show”) is making what kind of choice?

- a. maximax
- b. maximin
- c. minimax
- d. minimin

(a; moderate; p. 168)

87. What best describes the psychological orientation of an individual making a “maximax” choice?

- a. optimist
- b. realist
- c. pessimist
- d. satisficer

(a; moderate; p. 168)

88. Optimistic managers could be expected to utilize their maximax orientation when they _____.

- a. maximize the maximum payoff
- b. maximize the minimum payoff
- c. minimize the maximum regret
- d. minimize the minimum regret

(a; easy; p. 168)

89. What is the psychological orientation of a decision maker who makes a “maximin” choice?

- a. optimist
- b. realist
- c. pessimist
- d. satisficer

(c; moderate; p. 168)

90. Which of the following best describes “maximizing the minimum possible payoff”?

- a. maximax
- b. maximin
- c. minimax
- d. minimin

(b; moderate; pp. 168-169)

91. A manager who desires to minimize his or her maximin “regret” will opt for a _____ choice.

- a. maximax
- b. maximin
- c. minimax
- d. minimin

(c; moderate; p. 169)

92. Decision makers using what decision-making style make fast decisions and focus on the short run?
- a. directive
 - b. behavioral
 - c. analytic
 - d. conceptual
- (a; moderate; p. 171)**
93. What types are characterized as careful decision makers with the ability to adapt or cope with unique situations?
- a. directive decision makers
 - b. behavioral decision makers
 - c. analytic decision makers
 - d. conceptual decision makers
- (c; moderate; p. 171)**
94. Who are concerned about the achievements of those around them and are receptive to suggestions from others?
- a. directive decision makers
 - b. behavioral decision makers
 - c. analytic decision makers
 - d. conceptual decision makers
- (b; moderate; p. 171)**
95. Many managers use _____ or rules of thumb to simplify their decision making.
- a. heuristics
 - b. biases
 - c. errors
 - d. habits
- (a; easy; p. 172)**
96. When decision makers tend to think they know more than they do or hold unrealistically positive views of themselves and their performance, they are exhibiting _____.
- a. self-serving bias
 - b. the anchoring effect
 - c. immediate gratification bias
 - d. overconfidence bias
- (d; easy; p. 172)**
97. When decision makers seek out information that reaffirms their past choices and discount information that contradicts past judgments, they are exhibiting _____.
- a. availability bias
 - b. the anchoring effect
 - c. self-serving bias
 - d. confirmation bias
- (d; moderate; p. 173)**

98. When decision makers assess the likelihood of an event based on how closely it resembles other events or sets of events, they are using _____.

- a. availability bias
- b. framing bias
- c. selective perception bias
- d. representation bias

(d; moderate; p. 173)

99. What is the tendency for decision makers to falsely believe that they would have accurately predicted the outcome of an event once that outcome is actually known?

- a. the hindsight bias
- b. the sunk costs error
- c. the randomness bias
- d. the selective perception bias

(a; moderate; p. 173)

DECISION MAKING FOR TODAY'S WORLD

100. According to the boxed feature, "Focus on Leadership," when _____, managers might come from a culture that gathers facts or from a culture that is more intuitive in gathering ideas and possibilities.

- a. developing alternatives
- b. implementing alternatives
- c. searching for information
- d. identifying problems

(c; easy; p. 175; AACSB: Diversity)

101. To make effective decisions in today's fast-moving world, managers need to _____.

- a. use the five-stage decision-making process
- b. know when it is time to call it quits
- c. ignore cultural differences
- d. identify their style of decision making

(b; easy; p. 176)

102. What is a characteristic that the experts say an effective decision-making process has?

- a. It is inconsistent.
- b. It acknowledges only objective thinking.
- c. It focuses on all factors—even those that do not seem important.
- d. It requires only as much information and analysis as is necessary.

(d; moderate; p. 176)

103. What term is used by Navy aviators to describe a gut feeling that something isn't right?
- a. leemers
 - b. the creeps
 - c. uneasiness
 - d. regret

(a; difficult; pp. 176-177)

104. Managers of highly reliable organizations (HROs) get the input of _____ and let them make decisions.
- a. CEOs
 - b. frontline workers
 - c. customers
 - d. suppliers

(b; easy; p. 177)

105. When highly reliable organizations (HROs) face complexity, they _____.
- a. try to simplify data
 - b. aim for deeper understanding of the situation
 - c. defer to the experts
 - d. act, then think

(b; moderate; p. 177)

SCENARIOS AND QUESTIONS

For each of the following choose the answer that *most completely* answers the question.

THE DECISION-MAKING PROCESS

Decisions, Decisions (Scenario)

Sondra needed help. Her insurance company's rapid growth was necessitating making some changes, but what changes? Should they add to the existing information system or should they buy a new system? She was given the responsibility of analyzing the company's present information system and deciding what the company should do that would give them plenty of room. She was confused and needed help in making the correct decision.

106. According to the decision-making process, the first step Sondra should take is to _____.
- a. analyze alternative solutions
 - b. identify decision criteria
 - c. evaluate her decision's effectiveness
 - d. identify the problem

(d; moderate; p. 156)

107. According to the decision-making process, the second step Sondra should take is to _____.

- a. analyze alternative solutions
- b. identify decision criteria
- c. evaluate her decision's effectiveness
- d. allocate weights to the criteria

(b; moderate; p. 158)

108. Allocating weights to the criteria is the step in the decision-making process that occurs between identifying the decision criteria and _____.

- a. developing the alternatives
- b. selecting alternatives
- c. implementing the alternative
- d. identifying the problem

(a; difficult; p. 158)

109. When Sondra is conveying her decision to those affected and getting their commitment to it, she is performing which step in the decision-making process?

- a. analyzing alternative solutions
- b. selecting alternatives
- c. implementing the alternative
- d. identifying the problem

(c; moderate; p. 160)

110. The very last step Sondra should take, according to the decision-making process, is to _____.

- a. analyze alternative solutions
- b. select alternatives
- c. implement the alternative
- d. evaluate the decision's effectiveness

(d; easy; p. 161)

The Car (Scenario)

Colleen is a student, and her older brother has loaned her an old car. The car is in need of several repairs before she will feel comfortable driving it.

111. Colleen needs a vehicle, but she has to decide if the vehicle is worth repairing. She is facing a(n) _____, a discrepancy between an existing and a desired state of affairs.

- a. alternative
- b. weighted problem set
- c. problem
- d. certainty avoidance situation

(c; moderate; p. 156)

112. In talking with an automotive repair person, Colleen needs to prioritize the repairs. Her first concern is safety of the vehicle. This step in the decision-making process is called _____.
- a. weighting the decision criteria
 - b. analyzing of alternatives
 - c. identifying decision criteria
 - d. selecting an alternative
- (c; moderate; p. 158)**

THE MANAGER AS DECISION MAKER

The Car (Scenario)

Colleen is a student, and her older brother has loaned her an old car. The car is in need of several repairs before she will feel comfortable driving it.

113. Colleen decides to have all of the problems fixed on the car. She assumes that the repair person has found all the problems and that there will be no problem correcting the imperfections within a specified budget. This is an example of a _____ decision.
- a. parochial
 - b. irrational
 - c. ethical
 - d. rational
- (d; difficult; p. 162)**

114. Colleen's brother has a different view of the repairs. He assumes that the repair person is using the best information available, but there may be other unexpected repairs that might surface and that a higher budget might be more reasonable. He is using _____.
- a. rational decision making
 - b. risk avoidance
 - c. bounded rationality
 - d. Stage 4 decision making
- (c; difficult; p. 163)**

115. Colleen's brother feels the car is worth repairing because he has owned several cars made by the same manufacturer as this car, and he has driven this car for several years. He is using _____ to determine that the car has value despite its need of repair.
- a. intuitive decision making
 - b. selective coordination of thought processes
 - c. sunk costs
 - d. return on investment
- (a; difficult; p. 164)**

The First Job (Scenario)

Upon graduation, you search for a job with the university's job placement center. Although you have studied and prepared to work in an advertising agency, the first job that you are offered is a supervisor in a manufacturing company working the afternoon shift from 3:00 P.M. until 11:00 P.M.

116. If you had made a larger search using the Internet and other employment search processes, you might have been able to find more employment opportunities. This would have been a more _____ decision-making process.

- a. nonprogrammable
- b. uncertain
- c. risky
- d. perfectly rational

(d; moderate; p. 162)

117. Under bounded rationality, you would be expected to search for a job by _____.

- a. looking at all the opportunities that can be analyzed in the time available
- b. looking at all the opportunities available
- c. looking "outside the box" in your search
- d. analyzing all the opportunities until you find the perfect job

(a; difficult; p. 163)

118. If you use a shortened process of searching for a job, it is likely that you _____ rather than maximized in your decision process.

- a. minimized
- b. rationalized
- c. satisficed
- d. agreed

(c; difficult; p. 163)

119. During your job search, you depend on _____ decision making by making your decision based on accumulated judgment and experience.

- a. experiential
- b. legal
- c. intuitive
- d. formidable

(c; difficult; p. 164)

Is the Picture Clear? (Scenario)

Sharon was the regional manager of a large cable television company. She faced many problems and decisions daily, such as how to price each market, who to hire, what kind of technology she should purchase, and how she should handle the increasing customer complaints. She needed some help sorting these issues out.

120. When a customer calls and requests a refund for a partial month's usage of cable, the fact that such situations are routine and most likely have a standard response would make the response a _____ decision.

- a. standard
- b. routine
- c. policy
- d. programmed

(d; moderate; p. 165)

121. Sometimes Sharon follows a _____, a series of interrelated sequential steps for responding to a structured problem.

- a. rule
- b. policy
- c. procedure
- d. suggestion

(c; moderate; p. 165)

122. Sometimes Sharon instructs her local managers to follow _____ when confronted with problem situations. These establish parameters for the manager making the decision rather than specifically stating what should or should not be done.

- a. rules
- b. procedures
- c. policies
- d. orders

(c; moderate; p. 166)

123. Unfortunately, Sharon also faces issues containing information that is ambiguous or incomplete, such as what kind of technology to purchase. These are known as _____ problems.

- a. unstructured
- b. variable
- c. random
- d. hit-and-miss

(a; moderate; p. 166)

Managing Your Career (Scenario)

Michelle has a new job and is learning to perform the tasks assigned to her. Different situations demand different decision-making processes.

124. Michelle finds a situation that instructs her in specific, interrelated, sequential steps to respond to a problem. This is referred to as a _____.
- a. rule
 - b. policy
 - c. broad guideline
 - d. procedure

(d; moderate; p. 165)

125. Michelle finds a company directive that specifically restricts her from taking certain actions. This is a _____.
- a. rule
 - b. policy
 - c. broad guideline
 - d. procedure

(a; moderate; p. 165)

126. As she learns the general guidelines of the job, Michelle is given more decision-making authority. The guidelines establish parameters for decision making and are referred as a _____.
- a. rule
 - b. policy
 - c. broad guideline
 - d. procedure

(b; moderate; p. 166)

127. Michelle eventually finds a problem that has no cut-and-dry solution. The problem is unique and will never occur again. This problem is referred to as _____.
- a. flexible
 - b. programmed
 - c. adaptable
 - d. nonprogrammed

(d; moderate; p. 166)

Decision-Making Conditions (Scenario)

Sandy Jo is the manager for TrucksRUs, a medium-sized hauling service located in the Southeast. She is responsible for scheduling trucks, initiating new routes, and staffing both existing and new routes. She is currently struggling with existing information about the profitability of existing and future truck routes.

128. Sandy Jo can make accurate decisions if she is willing to pay \$5,000 for research about the profitability of various truck routes. If she pays for the research, she believes that she is operating under a condition of _____.

- a. certainty
- b. risk
- c. uncertainty
- d. maximax

(a; moderate; p. 167)

129. Joe, Sandy Jo's best driver, tells her that he believes he can estimate that there is a 75 percent probability that they can get the business of Pork Brothers, Inc., if they initiate a truck route through rural North Carolina. Joe is operating under a condition of _____.

- a. certainty
- b. risk
- c. uncertainty
- d. maximax

(b; moderate; p. 167)

130. Sandy Jo knows that she is operating in an uncertain environment. She is basically an optimist, and we would, therefore, expect her to follow a _____ strategy.

- a. certainty
- b. risk
- c. uncertainty
- d. maximax

(d; moderate; p. 168)

131. Sandy Jo knows that she is operating in an uncertain environment. She is basically a pessimist, and we would, therefore, expect her to follow a _____ strategy.

- a. certainty
- b. risk
- c. minimax
- d. maximin

(d; moderate; p. 168)

132. Sandy Jo wishes to minimize her regret and will probably opt for a _____ strategy.
- a. certainty
 - b. risk
 - c. minimax
 - d. maximax

(c; moderate; p. 169)

ESSAY QUESTIONS

THE DECISION-MAKING PROCESS

133. In a short essay, list and discuss the eight steps in the decision-making process.

Answer

- a. Step 1: Identifying a problem—the decision-making process begins with the existence of a problem or a discrepancy between an existing and a desired state of affairs. However, a discrepancy without pressure to take action becomes a problem that can be postponed.
- b. Step 2: Identify decision criteria—once the manager has identified a problem that needs attention, the decision criteria important to resolving the problem must be identified. That is, managers must determine what's relevant in making a decision.
- c. Step 3: Allocating weights to the criteria—at this step, the decision maker must weigh the items in order to give them the correct priority in the decision. A simple approach is to give the most important criterion a weight of 10 and then assign weights to the rest against that standard.
- d. Step 4: Developing alternatives—the fourth step requires the decision maker to list the viable alternatives that could resolve the problem. No attempt is made in this step to evaluate the alternative, only to list them.
- e. Step 5: Analyzing alternatives—once the alternatives have been identified, the decision maker must critically analyze each one. From this comparison, the strengths and weaknesses of each alternative become evident.
- f. Step 6: Selecting an alternative—the sixth step is the important act of choosing the best alternative from among those considered. All the pertinent criteria in the decision have now been determined and weighted, and the alternatives have been identified and analyzed.
- g. Step 7: Implementing the alternative—implementation involves conveying the decision to those affected by it and getting their commitment to it. If the people who must carry out a decision participate in the process, they're more likely to enthusiastically support the outcome than if they are just told what to do.
- h. Step 8: Evaluating decision effectiveness—the last step in the decision-making process involves appraising the outcome of the decision to see if the problem has been resolved. Did the alternative chosen and implemented accomplish the desired result? If not, the manager may consider returning to a previous step or may even consider starting the whole decision process over.

(difficult; pp. 156-161)

THE MANAGER AS DECISION MAKER

134. In a short essay, discuss the assumptions of rationality and the validity of those assumptions.

Answer

A decision maker who was perfectly rational would be fully objective and logical. He or she would carefully define a problem and would have a clear and specific goal. Moreover, making decisions using rationality would consistently lead toward selecting the alternative that maximizes the likelihood of achieving that goal. The assumptions of rationality apply to any decision. Rational managerial decision making assumes that decisions are made in the best economic interests of the organization. That is, the decision maker is assumed to be maximizing the organization's interests, not his or her own interests. Managerial decision making can follow rational assumptions if the following conditions are met: the manager is faced with a simple problem in which the goals are clear and the alternatives limited; the time pressures are minimal; the cost of seeking out and evaluating alternatives is low; the organizational culture supports innovation and risk taking; and outcomes are relatively concrete and measurable. However, most decisions that managers face in the real world don't meet all of those tests.

(moderate; pp. 162-163)

135. In a short essay, discuss bounded rationality and satisficing.

Answer

Despite the limits to perfect rationality, managers are expected to follow a rational process when making decisions. However, certain aspects of the decision-making process are not realistic as managers make decisions. Instead, managers tend to operate under assumptions of bounded rationality; that is, they behave rationally within the parameters of a simplified decision-making process that is limited by an individual's ability to process information. Managers satisfice, rather than maximize, because they can't possibly analyze all the information on all of the alternatives. That is, they accept solutions that are "good enough." They are being rational within the limits of their information-processing ability.

(easy; p. 163)

136. In a short essay, discuss the difference between structured and unstructured problems. Include specific examples of each type of problem to support your answer. Next, discuss the type of decisions that would be used to address each of these problems.

Answer

- a. Structured problems—the goal of the decision maker is clear, the problem is familiar, and information about the problem is easily defined and complete. Examples of these types of problems might include a customer wanting to return a purchase to a retail store, a supplier being late with an important delivery, a news team responding to an unexpected and fast-breaking event, or a college's handling of a student wanting to drop a class. Such situations are called structured problems because they are straightforward, familiar, and easily defined problems. In handling these problem situations, the manager uses a programmed decision. Decisions are programmed to the extent that they are repetitive and routine and to the extent that a definite approach has been worked out for handling them. Since the problem is well structured, the manager doesn't have to go to the trouble and expense of going through an involved decision process. Programmed decision making is relatively simple and tends to rely heavily on previous solutions.
- b. Unstructured problems—these problems are new or unusual, and information for them is ambiguous or incomplete. For example, the selection of an architect to design a new corporate manufacturing facility in Bangkok is an example of an unstructured problem. When problems are unstructured, managers must rely on nonprogrammed decision making in order to develop unique solutions. Nonprogrammed decisions are unique and nonrecurring. When a manager confronts an unstructured problem or one that is unique, there is no cut-and-dry solution. It requires a custom-made response through nonprogrammed decision making.

(difficult; p. 165)

137. In a short essay, discuss the differences among a procedure, a rule, and a policy. Include specific examples of each to support your answer.

Answer

- a. A procedure is a series of interrelated sequential steps that a manager can use for responding to a structured problem. The only real difficulty is in identifying the problem. Once the problem is clear, so is the procedure. For instance, a purchasing manager receives a request from the sales department for 15 PalmPilots for use by the company's customer service representatives. The purchasing manager knows that there is a definite procedure for handling this decision. The decision-making process in this case is merely executing a simple series of sequential steps.
- b. A rule is an explicit statement that tells a manager what he or she can or cannot do. Managers frequently use rules when they confront a structured problem because they are simple to follow and ensure consistency. For example, rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and with a relatively high degree of fairness.
- c. A policy provides guidelines to channel a manager's thinking in a specific direction. In contrast to a rule, a policy establishes parameters for the decision maker rather than specifically stating what should or should not be done. Policies typically contain an ambiguous term that leaves interpretation up to the decision maker. For instance, each of the following is a policy statement: "The customer always comes first and should always be satisfied," "We promote from within, whenever possible," and "Employee wages shall be competitive within community standards."

(moderate; pp. 165-166)

138. In a short essay, describe the four decision-making styles.

Answer

- a. Decision makers using the directive style have low tolerance for ambiguity and are rational in their way of thinking. They are efficient and logical. Directive types make fast decisions and focus on the short run. Their efficiency and speed in making decisions often result in their making decisions with minimal information and assessing few alternatives.
- b. Decision makers with an analytic style have much greater tolerance for ambiguity than do directive types. They want more information before making a decision and consider more alternatives than a directive decision maker does. Analytic decision makers are characterized as careful decision makers with the ability to adapt or cope with unique situations.
- c. Individuals with a conceptual style tend to be very broad in their outlook and look at many alternatives. They focus on the long run and are very good at finding creative solutions to problems.
- d. Decision makers with a behavioral style work well with others. They are concerned about the achievements of those around them and are receptive to suggestions from others. They often use meetings to communicate, although they try to avoid conflict. Acceptance by others is important to this decision-making style.

(moderate; p. 171)

139. In a short essay, discuss six of the twelve common decision errors and biases that managers make.

Answer

- a. When decision makers tend to think they know more than they do or hold unrealistically positive views of themselves and their performance, they're exhibiting the *overconfidence bias*.
- b. The *immediate gratification bias* describes decision makers who tend to want immediate rewards and to avoid immediate costs. For these individuals, decision choices that provide quick payoffs are more appealing than those in the future.
- c. The *anchoring effect* describes when decision makers fixate on initial information as a starting point and then, once set, fail to adequately adjust for subsequent information. First impressions, ideas, prices, and estimates carry unwarranted weight relative to information received later.
- d. When decision makers selectively organize and interpret events based on their biased perceptions, they're using the *selective perception bias*. This influences the information they pay attention to, the problems they identify, and the alternatives they develop.
- e. Decision makers who seek out information that reaffirms their past choices and discount information that contradicts past judgments exhibit the *confirmation bias*. These people tend to accept at face value information that confirms their preconceived views and are critical and skeptical of information that challenges these views.
- f. The *framing bias* is when decision makers select and highlight certain aspects of a situation while excluding others. By drawing attention to specific aspects of a situation and highlighting them, while at the same time downplaying or omitting other aspects, they distort what they see and create incorrect reference points.
- g. The *availability bias* is when decisions makers tend to remember events that are the most recent and vivid in their memory. The result is that it distorts their ability to recall events in an objective manner and results in distorted judgments and probability estimates.
- h. When decision makers assess the likelihood of an event based on how closely it resembles other events or sets of events, that's the *representation bias*. Managers exhibiting this bias draw analogies and see identical situations where they don't exist.
- i. The *randomness bias* describes when decision makers try to create meaning out of random events. They do this because most decision makers have difficulty dealing with chance even though random events happen to everyone and there's nothing that can be done to predict them.
- j. The *sunk costs error* is when decision makers forget that current choices can't correct the past. They incorrectly fixate on past expenditures of time, money, or effort in assessing choices rather than on future consequences. Instead of ignoring sunk costs, they can't forget them.
- k. Decision makers who are quick to take credit for their successes and to blame failure on outside factors are exhibiting the *self-serving bias*.
- l. Finally, the *hindsight bias* is the tendency for decision makers to falsely believe that they would have accurately predicted the outcome of an event once that outcome is actually known.

(difficult; pp. 172-173)

DECISION MAKING FOR TODAY'S WORLD

140. In a short essay, identify and discuss the five habits shared by highly reliable organizations (HROs).

Answer

Karl Weick, an organizational psychologist identifies five shared habits of highly reliable organizations. First, they are not tricked by their success. HROs are preoccupied with their failures. They are alert to the smallest deviations and react early and quickly to anything that does not fit with their expectations. Another characteristic of HROs is that they defer to the experts on the front line. Frontline workers—those who interact day in and day out with customers, products, suppliers, and so forth—have firsthand knowledge of what can and cannot be done, what will and will not work. Get their input. Let them make decisions. Next, HROs let unexpected circumstances provide the solution. The fourth habit of HROs is that they embrace complexity. Because business is complex, these organizations aim for deeper understanding of the situation. They ask “why” and keep asking why as they probe more deeply into the causes of the problem and possible solutions. Finally, HROs anticipate, but also anticipate their limits. These organizations do try to anticipate as much as possible, but they recognize that they can't anticipate everything. As Weick says, they don't “think, then act.” They think by acting. By actually doing things, you'll find out what works and what doesn't.

(difficult; pp. 176-177)