Chapter 6 - Decision Making

Chapter Overview

This chapter begins with a discussion of the characteristics of managerial decisions, and explores the stages that decision makers go through as they move toward the implementation of the decision. Then, group decision making is addressed. Finally, the concepts of time management and delegation are examined.

Chapter Objectives

1. Recognize the nature of management decisions: programmability, uncertainty, risk, conflict, decision scope, and crisis situations.

2. Utilize the six steps of decision making.

3. Apply the criteria of quality and acceptance to a decision.

4. Reap the benefits and avoid the problems of group decision making.

5. Develop time management skills to generate adequate time to make decisions.

6. Know when to delegate, and how to do so wisely.

Outline

I. Characteristics of Management Decision Making

Managers today operate in a world filled with risk and uncertainty. The decisions they make will contribute the success or failure of their organization.

A. Decision making is the process of identifying problems and opportunities and resolving them. The characteristics of decision making include
   1. Programmability
   2. Uncertainty
   3. Risk
   4. Conflict
   5. Scope
   6. Crisis

1. Programmability

   A. A programmed decision involves identifying a problem and matching the problem with established routines and procedures for resolving it.
   B. A non-programmed decision is the process of identifying and solving a problem when a situation is unique and there are not previously established routines or procedures that can be used as guides.
C. Non-programmed decisions are usually more complicated and difficult to make, and tend to be more important than programmed ones.

D. Programmed decisions are often delegated to subordinates.

2. Uncertainty

A. When all the information necessary to make a decision is available, the decision is made under a condition of certainty.

B. When the information available to managers is incomplete, decisions are made under the condition of uncertainty.

C. Most important decisions are made under the condition of uncertainty.

3. Risk

A. Risk refers to the level of uncertainty as to the outcome of a management decision.

B. Entrepreneurial firms are typically more comfortable with risky decisions as compared to other organizations.

C. Organizations that encourage managers to take risks are typically more tolerant of failures associated with those decisions than more risk adverse companies.

4. Conflict

A. It is important to consider the perspectives of different stakeholders when making decisions.

B. Conflict among stakeholders can help managers make better decisions by forcing them to think about the consequences of a decision for a diverse group of people.

C. Involving stakeholders in the decision making process can increase their commitment to the outcome of a decision.

5. Decision Scope

A. Decision scope refers to the effect and time horizon of a decision.

B. Strategic decisions have a long-term perspective of two to five years and affect the entire organization, while tactical decisions have a short term perspective of one year or less and focus on subunits of the organization.

C. Operational decisions have a short time perspective, usually less than one year, and are often made on a daily or weekly basis and focus on the routine handling of the firm.
D. Top level managers make strategic decisions, middle managers make tactical decisions, and front line employees make operational decisions.

6. Crisis Situations

A. Decision making during a crisis is more challenging and difficult than under normal conditions.

B. Crisis situations include highly ambiguous circumstances in which causes and effects are not known, rare and extraordinary events that can threaten the survival of an organization, an event in which there is a small amount of time to respond, a surprise to organizational members that takes place, and dilemmas in need of decisions that will result in change for better or worse.

II. Stages of Decision Making

When abundant information is available to decision makers, they can use a rational process to make decisions.

A. The decision making process involves six steps
   1. Identifying and diagnosing the problem
   2. Generating alternative solutions
   3. Evaluating alternatives
   4. Choosing the best alternative
   5. Implementing the decision
   6. Evaluating the results

1. Identifying and Diagnosing the Problem

   A. The first step in decision making is identifying and diagnosing a problem (occurs when performance is below expected or desired levels) or an opportunity (a special type of problem that requires the commitment of resources).

   B. To avoid implementing a “wrong” solution, managers need to accurately diagnose problems before trying to solve them.

2. Generating Alternative Solutions

   A. The second step in the decision making process is generating possible solutions to the problem based on the perceived causes.

   B. This step can involve both programmed solutions and non-programmed solutions. Many firms use groups to generate solutions to allow for a broader interpretation of the problem and generate more innovative solutions.

3. Evaluating Alternatives
A. The third stage of decision making involves evaluating alternative solutions using a set of decision criteria.

B. **Decision quality** is based on facts such as costs, revenues, and product design specifications.

C. **Decision acceptance** is based on people’s feelings. It occurs when people who are affected by a decision agree with what is to be done.
   1. Decisions that require both high acceptance and high quality are the most difficult.
   2. Managers can use a *decision tree* to evaluate different alternatives.
      a. The decision tree requires a decision to meet three criteria
         1) *feasibility* – is it *practical* to make the decision
         2) quality
         3) acceptance

4. Choosing the Best Alternative

   A. During the fourth stage of decision making, the best alternative is selected using either optimizing or satisficing.

   B. **Optimizing** involves selecting the best alternative from among multiple criteria.

   C. **Satisficing** involves selecting the first alternative solution that meets a minimum criterion.
      1. This is used when complete information is not available or is too expensive.

5. Implementing the Decision

   A. The fifth step of the decision making process is implementing the decision.

   B. This step requires the support and cooperation of executives, managers, and employees.

   C. To make this stage more successful, companies can
      1. Provide the necessary resources.
      2. Exercise leadership to ensure the process moves forward.
      3. Develop communication and information systems to provide feedback about the process.
      4. Reward individuals who successfully implement the decision.

6. Evaluating the Results

   A. The final stage of the decision making process involves evaluating the results.

   B. Accurate and timely information and feedback is needed at this stage, and managers need to allow enough time for the decision to take effect.
III. The Limits of Rational Decision Making

Several factors can limit rational decision making including organization politics, emotions and personal preferences, the illusion of control, intuition, and escalation of commitment.

1. Organization Politics
   
   A. Most organizations have coalitions (political alliances between managers who agree on goals and priorities) that may disagree about alternatives for a decision.
      1. Executives have to work to build a consensus between coalitions.
   
   B. Organization politics involves the exercise of power in an organization to control resources and influence policy.
      1. Organization politics is more common in firms that have democratic cultures where power is decentralized and decisions are made through consensus.
      2. Solutions are not always based on rational thinking in organizations where decisions are made by political coalitions.

2. Emotions and Personal Preferences
   
   A. The two emotions that are most disruptive to good decision making are
      1. anger
      2. depression

3. Illusion of Control
   
   A. The illusion of control is the tendency for decision makers to be overconfident of their ability to control activities and events.
      1. This can be a problem for top executives who are surrounded by ‘yes’ men.

4. Intuition and Escalation of Commitment
   
   A. Two other factors that limit rational decision making are
      1. Intuition – when a decision maker depends on gut feelings or innate beliefs as a basis for making a decision.
      2. Escalation of commitment – the refusal to abandon an earlier decision even when it is no longer appropriate, which happens because the decision maker is highly committed to a course of action and wants to stay the course. This is also known as a sunk cost trap.

IV. Non-rational Decision-Making Models

Non-rational decision making models assume that information gathering and processing limitations make it difficult for managers to make optimal decisions.

A. Two non-rational decision making models are
   1. The administrative model
   2. The garbage can model

Copyright © 2012 Pearson Education, Inc. publishing as Prentice Hall.
1. Administrative Model

   A. Herbert Simon developed the administrative model of decision making which describes how decisions are made by managers and assumes information is incomplete and imperfect.
      1. Simon’s concept of bounded rationality suggests that the ability of a manager to be perfectly rational is limited by factors including cognitive capacity and time constraints.

   B. Decision makers apply heuristics or decision rules to eliminate alternatives.
      1. Managers apply the heuristic called satisficing to find the first alternative that is satisfactory.
      2. The cost of finding a better solution is outweighed by the benefits of quickly finding a satisfactory decision.

2. Garbage Can Model

   A. The garbage can model of decision making suggests that managers have a set of pre-established solutions to problems located in ‘garbage cans.’
      1. Managers look for problems they can fix using these pre-established solutions.

   B. This model is used when decision makers are undisciplined and have no clear immediate goals, and frequently leads to poor decisions.

V. Personal Decision-Making Styles

   A. The differences between how managers approach problems and make decisions are called decision styles.

   B. There are four categories of decisions styles
      1. The directive style is used when a manager perceives a clear and simple solution to a problem.
      2. The analytical style is used by managers who prefer to gather as much data as possible before making decisions.
      3. The conceptual style is used by managers who tend to be very broad in their outlook and examine many alternatives.
      4. The behavior style is used by managers who place a high priority on other people’s concerns and talk to them about how they feel about the problem and the effect of the decision on them.

   C. The decision style used by managers usually depends on the type of decision that is being made.
      1. Managers making programmed decisions might use a directive style, while for a non-programmed decision the manager might choose among the other styles.

VI. Decision Making in Groups

Copyright © 2012 Pearson Education, Inc. publishing as Prentice Hall.
Involving groups of employees (task forces, teams, or committees) in decisions that require employee acceptance is beneficial.

1. The Benefits and Problems of Group Decision Making

A. There are several advantages to group decision making including
   1. Increased acceptance
   2. Greater pool of knowledge
   3. Different perspectives
   4. Greater comprehension

B. Group decision making can be problematic. Problems include
   1. Social pressure
   2. Minority domination
   3. Logrolling
   4. Goal displacement
   5. Groupthink – valuing social harmony over doing a thorough job

2. Managing Group Decision Making

A. Companies can improve the success of group decision making by
   1. Adapting leadership style to the problem at hand – decide and persuade, discover facts and decide, consult and decide, consult with group and decide, or group decision.
   2. Assuming the devil’s advocate role – criticize and challenge decision alternatives that are agreed on by other members of the group, and induce creative conflict and better solutions.
   3. Using decision making techniques to stimulate creativity -
      a. Brainstorming is a technique to generate creative ideas for solving problems by reducing critical and judgmental reactions to ideas from group members.
      b. Storyboarding is a variation of brainstorming in which group members jot down ideas on cards and then shuffle, rewrite, or even eliminate cards to examine complex processes.
      c. Nominal group technique (NGT) is a decision making technique that helps a group generate and select solutions while letting group members think independently
         1) Group members are given the problem and each person presents one solution without discussion. Then all solutions are discussed, evaluated, and ranked to determine the best alternative.
      d. Delphi technique is a technique in which group members are presented with a problem and complete an anonymous questionnaire soliciting solutions, the results are tabulated, summarized, and returned to the group members, and each is asked again for solutions, the process continues until a consensus decision is reached.

VII. Decision-Making Skills

Copyright © 2012 Pearson Education, Inc. publishing as Prentice Hall.
Time management skills and delegation skills can improve the quality of decisions.

1. Time Management

   A. **Reactive managers** respond to the most urgent problem first when not enough time is available.
      1. Decisions can be haphazard, poor quality, or poorly executed.
      2. Managers using this style lose sight of the big picture and instead focus on putting out fires.

   B. **Proactive managers** anticipate problems before they become pervasive and set time aside weekly and daily to plan goals and priorities.
      1. Proactive managers are less stressed than reactive managers.

2. Delegation

   A. **Delegation** is the transfer of decision making authority from a manager to a subordinate or a team at a lower level in the organization.

   B. Delegation
      1. gives the manager more time to spend on the most important tasks and decisions
      2. teaches subordinates how to make their own decisions and deal with the consequences of those decisions
      3. allows lower level employees who are closer to customers to make higher quality decisions that increase customer satisfaction

**Study Questions**

1) Decision making is the process of
A) resolving problems.
B) identifying problems and resolving them.
C) identifying problems.
D) identifying problems and opportunities and resolving them.
Answer: D  
Diff: 2   Page Ref: 168  
Objective: LO1

2) Which of the following is not considered a characteristic of management decision making?
A) Programmability
B) Risk
C) Budget
D) Crisis
Answer: C  
Diff: 1   Page Ref: 168  
Objective: LO1
3) Identifying a problem and matching it with established routines and procedures for resolving it is a(n)
A) tactical decision.
B) programmed decision.
C) operational decision.
D) non-programmed decision.
Answer: B
Diff: 1 Page Ref: 168
Objective: LO1

4) When John draws on well-developed procedures in his job of grocery store inventory clerk to determine which products to stock first, he is making which type of decision?
A) Tactical decision
B) Programmed decision
C) Operational decision
D) Non-programmed decision
Answer: B
Diff: 2 Page Ref: 168
Objective: LO1
AACSB: Reflective thinking skills
5) Situations with important consequences for the organization that are poorly defined and unstructured are
   A) tactical decisions.
   B) programmed decisions.
   C) operational decisions.
   D) non-programmed decisions.
   Answer: D
   Diff: 3   Page Ref: 168
   Objective: LO1

6) When a manufacturer plans annual labor costs based on the labor union contract that has locked in employee wage rates for the year, the decision is made under a condition of
   A) certainty.
   B) uncertainty.
   C) risk.
   D) conflict.
   Answer: A
   Diff: 2   Page Ref: 169
   Objective: LO1
   AACSB: Reflective thinking skills

7) When television network executives continued the *Seinfeld* sitcom after poor ratings in the first two season, they were making the decision under a condition of
   A) certainty.
   B) uncertainty.
   C) risk.
   D) conflict.
   Answer: B
   Diff: 3   Page Ref: 169
   Objective: LO1
   AACSB: Reflective thinking skills

8) When the availability of each alternative and its outcomes are associated with probability estimates, decisions are being made under a condition of
   A) certainty.
   B) uncertainty.
   C) risk.
   D) conflict.
   Answer: C
   Diff: 2   Page Ref: 169
   Objective: LO1
9) The effect and time horizon of the decision are referred to as
A) risk.
B) decision conflict.
C) decision scope.
D) certainty.
Answer: C
Diff: 1 Page Ref: 170
Objective: LO1

10) Decisions that have long-term perspectives of two to five years and affect the entire organization are
A) operational decisions.
B) strategic decisions.
C) programmed decisions.
D) tactical decisions.
Answer: B
Diff: 1 Page Ref: 170
Objective: LO1

11) Molly is a marketing manager who is deciding how to allocate the financial resources among three different product launches over the next few years. Molly is making a(n)
A) strategic decision.
B) operational decision.
C) tactical decision.
D) opportunistic decision.
Answer: C
Diff: 3 Page Ref: 170
Objective: LO1
AACSB: Reflective thinking skills

12) Which decisions tend to have the shortest time horizon?
A) Strategic decisions
B) Operational decisions
C) Tactical decisions
D) Programmed decisions
Answer: B
Diff: 2 Page Ref: 171
Objective: LO1
AACSB: Reflective thinking skills
13) Which of the following reflects a crisis situation?
A) A highly ambiguous circumstance in which causes and effects are not known
B) A rare and extraordinary event that can threaten the survival of the organization
C) A surprise to organizational members
D) all of the above
Answer: D
Diff: 3    Page Ref: 171
Objective: LO1
AACSB: Reflective thinking skills

14) The first stage of decision making is
A) generating alternative solutions.
B) choosing the best alternative.
C) evaluating the results.
D) identifying and diagnosing the problem.
Answer: D
Diff: 2    Page Ref: 172
Objective: LO2
AACSB: Reflective thinking skills

15) Which of the following is not true of non-programmed decision making?
A) It is important to develop creative alternative solutions and to suspend judgment of their worth until all possible alternatives have been developed.
B) Lower quality solutions may result if solutions are evaluated too soon.
C) Seldom are groups used to generate solutions.
D) Novel situations require non-programmed decision making.
Answer: C
Diff: 3    Page Ref: 173
Objective: LO2

16) __________ occurs when people who are affected by a decision agree with what is to be done.
A) Decision quality
B) Decision acceptance
C) Decision effectiveness
D) Decision feasibility
Answer: B
Diff: 2    Page Ref: 173
Objective: LO3
17) A technical decision of which machine should replace current machinery would most likely require ________ quality and ________ acceptance.

A) high; high  
B) low; low  
C) high; low  
D) low; high  
Answer: C  
Diff: 3   Page Ref: 174  
Objective: LO3  
AACSB: Reflective thinking skills

18) Selecting the best alternative among multiple criteria is referred to as

A) satisficing.  
B) optimizing.  
C) decision making.  
D) opportunistic.  
Answer: B  
Diff: 2   Page Ref: 175  
Objective: LO3

19) ________ involves selecting the first alternative solution that meets a minimum criterion while ________ involves selecting the best alternative from among multiple criteria.

A) Optimizing; high acceptance  
B) Optimizing; satisficing  
C) Satisficing; optimizing  
D) Satisficing; high acceptance  
Answer: C  
Diff: 3   Page Ref: 175  
Objective: LO3

20) When hiring employees, John generally makes a job offer to the first person who meets the basic selection criteria. John is

A) satisficing.  
B) optimizing.  
C) making a premature evaluation.  
D) all of the above  
Answer: A  
Diff: 3   Page Ref: 175  
Objective: LO3  
AACSB: Reflective thinking skills
21) Which of the following may help make the implementation phase more successful?
A) Providing needed resources
B) Developing communication systems that enable management to know if the decision alternative is meeting its planned objective
C) Exercising leadership to persuade others to move the implementation forward
D) all of the above
Answer: D
Diff: 2    Page Ref: 175
Objective: LO3
AACSB: Reflective thinking skills

22) What is the final stage in the decision-making process?
A) Generating alternative solutions
B) Choosing the best alternative
C) Evaluating the results
D) Identifying and diagnosing the problem
Answer: C
Diff: 2    Page Ref: 175
Objective: LO3

23) The decision-making pitfall that favors programmed solutions based on what worked in the past, even though that may no longer be relevant, reflects
A) overlooking important constituencies.
B) a bias toward objective data.
C) the "if it isn't broke, don't fix it" syndrome.
D) premature evaluation.
Answer: C
Diff: 2    Page Ref: 176
Objective: LO3

24) Which of the following is not one of the assumptions of rational decision making?
A) The problem is clear and unambiguous.
B) All the alternatives and their consequences are not known.
C) There are no time and cost constraints affecting the decision.
D) The decision solution will maximize the economic pay off.
Answer: B
Diff: 3    Page Ref: 176
Objective: LO3

25) Organization politics can limit rational decision making by
A) controlling resources.
B) influencing policy.
C) favoring the solution that sustains the power of the dominant group.
D) all of the above
Answer: D
Diff: 2    Page Ref: 177
Objective: LO3
26) Emotions and personal preferences may result in poor decisions. The two emotions that are the most disruptive to quality decision making are
A) anger and frustration.
B) anger and depression.
C) egotism and anger.
D) egotism and frustration.
Answer: B
Diff: 2 Page Ref: 177
Objective: LO3

27) The tendency for decision makers to be overconfident of their ability to control activities and events is known as
A) escalation of commitment.
B) the illusion of control.
C) intuition.
D) groupthink.
Answer: B
Diff: 2 Page Ref: 178
Objective: LO3

28) Former President Richard Nixon's cover-up in the Watergate break-in that eventually led to his resignation is an example of
A) escalation of commitment.
B) the illusion of control.
C) intuition.
D) groupthink.
Answer: B
Diff: 3 Page Ref: 178
Objective: LO3
AACSB: Reflective thinking skills

29) When the accounting manager depends on a gut feeling about a circumstance at work, the basis of his decision is
A) escalation of commitment.
B) the illusion of control.
C) intuition.
D) groupthink.
Answer: C
Diff: 2 Page Ref: 178
Objective: LO3
AACSB: Reflective thinking skills
30) The refusal to abandon a choice from an earlier decision even when it is no longer appropriate is called
A) escalation of commitment.
B) the illusion of control.
C) intuition.
D) groupthink.
Answer: A
Diff: 1 Page Ref: 178
Objective: LO3

31) Bankers who throw good loan money after bad are engaged in
A) escalation of commitment.
B) the illusion of control.
C) intuition.
D) groupthink.
Answer: A
Diff: 3 Page Ref: 179
Objective: LO3
AACSB: Reflective thinking skills

32) The non-rational decision-making approach developed by Herbert Simon is
A) the garbage can model.
B) the nominal group technique.
C) the administrative model.
D) the Delphi technique.
Answer: C
Diff: 1 Page Ref: 179
Objective: LO3

33) The ability of a manager to be perfectly rational is limited by factors such as cognitive capacity and time constraints. This is known as
A) a heuristic.
B) bounded rationality.
C) escalation of commitment.
D) the illusion of control.
Answer: B
Diff: 2 Page Ref: 179
Objective: LO3
34) Which decision-making model is most likely to be used when decision makers are undisciplined and have no clear immediate goals?
A) The garbage can model
B) The nominal group technique
C) The administrative model
D) The Delphi technique
Answer: A
Diff: 2 Page Ref: 180
Objective: LO3
AACSB: Analytic skills

35) Which of the following is not one of the categories of decision styles?
A) Directive
B) Conceptual
C) Nondirective
D) Behavioral
Answer: C
Diff: 1 Page Ref: 180
Objective: LO3

36) Which decision-making style is Randy most likely to select when completing a routine customer product order?
A) Directive style
B) Behavioral style
C) Conceptual style
D) Analytical style
Answer: A
Diff: 3 Page Ref: 180
Objective: LO3
AACSB: Reflective thinking skills

37) Which decision style is used by those decision makers who base the decision on a rational and objective analysis of data gathered from different sources to make the best possible decision from the information that is available?
A) Directive style
B) Behavioral style
C) Conceptual style
D) Analytical style
Answer: D
Diff: 2 Page Ref: 180
Objective: LO3
38) Which decision style is used by managers who place a high priority on other people's concerns and talk to them about how they feel about the problem and the effect of the decision on them?
A) Directive style
B) Behavioral style
C) Conceptual style
D) Analytical style
Answer: B
Diff: 2 Page Ref: 180
Objective: LO3
AACSB: Communication abilities

39) Former U.S. President Ronald Reagan liked to make decisions according to his values and intuition by considering fewer alternatives. This suggests which decision style?
A) Directive style
B) Behavioral style
C) Conceptual style
D) Analytical style
Answer: A
Diff: 2 Page Ref: 181
Objective: LO3
AACSB: Reflective thinking skills

40) Which of the following is not considered a benefit of group decision making?
A) Greater pool of knowledge
B) Increased acceptance
C) Increased logrolling
D) Different perspectives on problems
Answer: C
Diff: 2 Page Ref: 181
Objective: LO4

41) Which decision-making style requires no participation from subordinates?
A) Discover facts and decide
B) Consult and decide
C) Decide and persuade
D) Group decision
Answer: C
Diff: 2 Page Ref: 182
Objective: LO4

Copyright © 2012 Pearson Education, Inc. publishing as Prentice Hall.
42) Problems that involve technical or specialized knowledge are best solved
A) by the group.
B) alone by the decision maker.
C) by the decision maker after consulting with the group.
D) by the devil's advocate.
Answer: B
Diff: 3 Page Ref: 183
Objective: LO4

43) To reduce the threat of groupthink, a group member may be assigned the role of
A) nominal group member.
B) proactive manager.
C) devil's advocate.
D) reactive manager.
Answer: C
Diff: 2 Page Ref: 183
Objective: LO4
AACSB: Reflective thinking skills

44) The decision-making technique used to generate creative ideas for solving problems by
reducing critical and judgmental reactions to ideas from group members is
A) the nominal group technique.
B) brainstorming.
C) storyboarding.
D) the Delphi technique.
Answer: B
Diff: 2 Page Ref: 183
Objective: LO4

45) Which decision-making technique does not allow critical and judgmental reactions to ideas
from group members?
A) The nominal group technique
B) Brainstorming
C) Storyboarding
D) The Delphi technique
Answer: B
Diff: 3 Page Ref: 183
Objective: LO4

46) Which decision-making technique helps a group generate and select solutions while letting
group members think independently?
A) The nominal group technique
B) Brainstorming
C) Storyboarding
D) The Delphi technique
Answer: A
Diff: 1 Page Ref: 183
Objective: LO4
47) Which decision-making technique tabulates and summarizes anonymous questionnaires then returns them to group members again for solutions until a consensus is reached?
A) The nominal group technique
B) Brainstorming
C) Storyboarding
D) The Delphi technique
Answer: D
Diff: 2    Page Ref: 184
Objective: LO4

48) Which decision-making technique is most useful when the group members are geographically dispersed?
A) The nominal group technique
B) Brainstorming
C) Storyboarding
D) The Delphi technique
Answer: D
Diff: 3    Page Ref: 184
Objective: LO4
AACSB: Analytic skills

49) Which management type is always dealing with the most urgent problems and putting out fires?
A) Devil's advocate manager
B) Proactive manager
C) Reactive manager
D) Opportunistic manager
Answer: C
Diff: 1    Page Ref: 185
Objective: LO5

50) Jim tends to anticipate problems before they become pervasive. He also sets aside time on a regular basis to set goals and priorities. Jim would most likely be described as a
A) devil's advocate manager.
B) proactive manager.
C) reactive manager.
D) opportunistic manager.
Answer: B
Diff: 2    Page Ref: 185
Objective: LO5
AACSB: Reflective thinking skills
51) Which of the following statements about delegation is true?
A) Delegation is synonymous with participation.
B) The group shares decision-making authority with management.
C) When a manager delegates decision-making authority, the subordinate makes a recommendation and then the manager makes the final decision.
D) Managers delegate to have more time to spend on the most important tasks and decisions.
Answer: D
Diff: 3 Page Ref: 185
Objective: LO6

52) Which of the following is an effective time management practice?
A) Make a daily to-do list.
B) Schedule difficult and challenging activities when you are at your highest level of energy and alertness.
C) Say no to nonessential tasks.
D) all of the above
Answer: D
Diff: 2 Page Ref: 186
Objective: LO6

53) Delegation may lead to higher quality decisions that result in greater customer satisfaction since
A) lower level employees are closer to customers and more aware of their needs.
B) customers relate better to lower level employees.
C) higher level managers tend to use too much intuition when deciding customer preferences.
D) all of the above
Answer: A
Diff: 3 Page Ref: 186
Objective: LO6
AACSB: Reflective thinking skills

54) What is the first step in effective delegation?
A) Be sure you communicate clearly when assigning the task.
B) Match the desired task with the most appropriate employee.
C) Determine what you want done.
D) Hold the employee responsible for the work and any difficulties that may emerge.
Answer: C
Diff: 2 Page Ref: 187
Objective: LO6
AACSB: Communication abilities
55) When Jason transfers decision-making authority to a team reporting to him, he is choosing to
A) displace goals.
B) delegate.
C) be proactive.
D) logroll.
Answer: B
Diff: 1 Page Ref: 187
Objective: LO6

56) Programmed decisions tend to be more important than non-programmed ones because they are more complicated and difficult to make and are likely to have a greater effect on organizational performance.
Answer: FALSE
Diff: 2 Page Ref: 169
Objective: LO1
AACSB: Reflective thinking skills

57) Conflict can enhance the quality of a decision by sharply focusing attention on diverse ways of thinking about the consequences of the decision from the diverse agenda of those involved.
Answer: TRUE
Diff: 2 Page Ref: 170
Objective: LO3
AACSB: Multicultural and diversity understanding

58) Decision criteria to evaluate alternatives can include costs, profits, whether the decision will work, and fairness.
Answer: TRUE
Diff: 2 Page Ref: 173
Objective: LO3

59) The most difficult decisions require high quality and high acceptance.
Answer: TRUE
Diff: 3 Page Ref: 174
Objective: LO1

60) Greed is the emotion that drove bank executives to take risks that wreaked havoc on the financial industry in 2008.
Answer: TRUE
Diff: 1 Page Ref: 177
Objective: LO3

Answer: FALSE
Diff: 2 Page Ref: 178
Objective: LO3
AACSB: Reflective thinking skills
62) Simon's garbage can model suggests that managers have a set of pre-established solutions to problems located in "garbage cans."
Answer: FALSE
Diff: 2 Page Ref: 180
Objective: LO3

63) One of the limiting factors in group decision making is time.
Answer: TRUE
Diff: 1 Page Ref: 182
Objective: LO4

64) Reactive managers tend to lose control of their time and lose sight of the "big picture."
Answer: TRUE
Diff: 2 Page Ref: 185
Objective: LO5
AACSB: Reflective thinking skills

65) Recently many corporations have relieved middle management of decision-making authority and have given it to teams of front-line employees, attempting to eliminate unnecessary layers of management in the process.
Answer: TRUE
Diff: 2 Page Ref: 186
Objective: LO6

66) Discuss programmability as it relates to decision making.
Answer: Many times there are established routines and procedures for resolving company problems. These are programmed decisions. A non-programmed decision occurs when the situation is unique and there are no previously established routines or procedures that can be used. Situations that require non-programmed decisions are poorly defined and unstructured, yet they have important consequences for the organization.
Diff: 1 Page Ref: 168-169
Objective: LO6

67) What are the three decision-making environments?
Answer: The three decision-making environments are uncertainty, risk, and certainty.
Diff: 1 Page Ref: 169-170
Objective: LO1
68) Define strategic, tactical, and operational decisions. Be sure to address who makes each of these decisions in the organization.
Answer: Strategic decisions encompass a long-term perspective of two to five years and affect the entire organization. Top executives are responsible for making strategic decisions. Tactical decisions have a short-term perspective of one year or less and focus on subunits of the organization (such as departments or project teams). Middle managers are most likely to make tactical decisions. Operational decisions cover the shortest time perspective, generally less than a year. They are often made on a daily or weekly basis and focus on the routine activities of the firm. These decisions are made by supervisors, teams, and front-line employees.
Diff: 2 Page Ref: 170-171
Objective: LO1

69) List the six stages of decision making.
Answer: The six stages of decision making are:
1. Identifying and diagnosing the problem
2. Generating alternative solutions
3. Evaluating alternatives
4. Choosing the best alternative
5. Implementing the decision
6. Evaluating the results
Diff: 2 Page Ref: 172
Objective: LO2

70) Discuss decision quality and decision acceptance.
Answer: A practical way to apply decision criteria when evaluating alternatives in the decision-making process is to consider quality and acceptance. Decision quality is based on such factors as costs, revenues, and product design specifications. Decision acceptance is based on people's feelings. Decision acceptance happens when people who are affected by a decision agree with what is to be done.
Diff: 3 Page Ref: 173-174
Objective: LO2

71) Explain the difference between optimizing and satisficing.
Answer: Optimizing is selecting the best alternative from among multiple criteria whereas satisficing is selecting the first alternative solution that meets a minimum criterion. Decision makers satisfice when complete information is not available or gathering it is too expensive.
Diff: 2 Page Ref: 175
Objective: LO2
72) What are the assumptions of rational decision making?
Answer: The assumptions of rational decision making are as follows:
- The problem is clear and unambiguous.
- There is a single, well-defined goal that all parties agree to.
- Full information is available.
- All the alternatives and their consequences are known.
- The decision preferences are clear.
- The decision preferences are constant and stable over time.
- There is no time and cost constraints affecting the decision.
- The decision solution will maximize the economic payoff.

Diff: 3   Page Ref: 176
Objective: LO3

73) What is the illusion of control? Who is most likely to be impacted by this?
Answer: The illusion of control is a limitation of decision making. It is the tendency for a
decision maker to be overconfident in his or her ability to control activities and events. Top
executives are especially susceptible to this problem because they can be isolated from the rank
and file and may surround themselves with "yes people."

Diff: 1   Page Ref: 178
Objective: LO3

74) Discuss escalation of commitment and provide an example.
Answer: Escalation of commitment is the refusal to abandon an earlier decision even when it is
no longer appropriate, which happens because the decision maker is highly committed to a
course of action and wants to stay the course. It is also reflected in the phrase *throwing good
money after bad*. It is also referred to as the sunk-cost trap. Lenders can fall into this trap when
they lend money to a business which eventually runs into financial difficulty. Then the banker
lends more funds in the hope of getting the company to pay back the loan. Instead, the
company may go bankrupt and the lender does not recover the funds. The lender refused to see
the earlier decision as a poor one that should be abandoned (stop lending to this business).

Diff: 3   Page Ref: 178-179
Objective: LO3
AACSB: Reflective thinking skills
75) Explain Simon's administrative model of decision making and the concept of bounded rationality.
Answer: Simon's administrative model of decision making describes how decisions are actually made by managers and assumes the information available is incomplete and imperfect, a condition that most managers experience in reality. This led to the concept of bounded rationality — the ability of a manager to be perfectly rational is limited by factors such as cognitive capacity and time constraints. A decision maker's perceptions about the relative importance of various aspects of data may cause him or her to overlook or ignore some important information. The human memory can retain and process only a limited amount of information at one time. Consequently, decision makers apply heuristics, or decision rules, that quickly eliminate alternatives. As a result, managers do not assess every potential alternative. Instead, by using the heuristic known as satisficing, a manager seeks out the first decision alternative that appears to be satisfactory.
Diff: 3   Page Ref: 179
Objective: LO3

76) Discuss the four categories of personal decision styles.
Answer: There are four categories of personal decision styles. The directive style is used when a manager perceives a clear and simple solution to a problem. It is used when a manager prefers to avoid dealing with a lot of information and may consider only a few alternatives. The analytical style is used by managers who prefer to gather as much data as possible before they make a decision. The conceptual style is used by managers who tend to be very broad in their outlook and examine many alternatives. This person prefers to discuss the problem and alternatives with other people. The behavioral style is used by managers who place a high priority on other people's concerns and talk to them about how they feel about the problems and the effect of the decision on them.
Diff: 2   Page Ref: 180
Objective: LO3

77) List the benefits and problems of group decision making.
Answer: The benefits of group decision making are increased acceptance, greater pool of knowledge, different perspectives, greater comprehension, and good training ground. The problems with group decision making are social pressure, minority domination, logrolling, goal displacement, and groupthink.
Diff: 2   Page Ref: 181
Objective: LO4
78) Discuss some techniques to stimulate creativity in group decision making.
Answer: Brainstorming is a technique that is designed to generate creative decision alternatives verbally by interacting with members of a group. Critical and judgmental reactions to ideas from group members are not allowed during a brainstorming session. Instead, the group is encouraged to come up with the greatest number of ideas and especially ideas that are wild and unusual. The rules of brainstorming prohibit criticism until all the ideas have been expressed. For more complex problems, a variation of brainstorming called storyboarding is used. Group members jot down ideas on index cards and post them on a bulletin board or wall. Group members can shuffle, rewrite, or even eliminate cards. The nominal group technique helps a group generate and select solutions while letting group members think independently. It is a more structured group meeting. In the Delphi technique, group members are presented with a problem and complete an anonymous questionnaire soliciting solutions. The results are tabulated, summarized and returned to the group members and each is asked again for solutions. The process continues until a consensus is reached.
Diff: 2  Page Ref: 183-184  
Objective: LO4

79) Contrast reactive and proactive management.
Answer: Reactive is the management style of responding to the most urgent problem first when not enough time is available. Proactive management is used when problems are anticipated before they become pervasive and time is set aside on a daily and weekly basis to plan goals and priorities.
Diff: 1  Page Ref: 185  
Objective: LO5

80) Why do managers delegate?
Answer: Managers delegate for a number of reasons. The most important reason is that delegation gives the manager more time to spend on the most important tasks and decisions. Another reason to delegate is that it teaches subordinates how to make their own decisions and to deal with the consequences of those decisions. Finally, delegation may lead to higher quality decisions that result in greater customer satisfaction because lower-level employees are closer to actual customers and therefore are more aware of their needs.
Diff: 2  Page Ref: 185-186  
Objective: LO6