Assessment criteria

Requirement	Weight	Description
Participation	**35%**	Attendance (15%) + Assignments (20%)
Team project	**25%**	Team presentation (10%) + Team report (15%)
Mid-term quiz	**10%**	Multiple-choice questions
Final Exam	**30%**	Multiple-choice questions + Short essay questions

Instructions for the team project: presentation and report (1)

- Please form a team of **3-4 members** (or you will be assigned to a team randomly) and send me the names of your team and all members.

- Each team need to choose **one business organisation** and analyse its management applying **concepts and theories** discussed in this course.

  ◦ Either domestic or foreign company is fine, but it is better to analyse its business operation in Chinese mainland

  ◦ Feel free to pick firms from the industry you are interested in

  ◦ Please collect information about the organisation from different sources e.g. websites, news, books, magazines, interviews, etc.

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Instructions for the team project: presentation and report (2)

- Prepare **a presentation (15-20 minutes)** and **a written report (1000-1500 words)**

- Presentations will take place in the last week

- Please submit the report one week before the presentation aka before 18 DEC

- Your work will be assessed by following **criteria**:

1. **Clarity**

2. **Rigor of analysis**

3. **Sophistication of use of course material**

Planning

- Planning brings about an increase in individual and organisational performance

- Planning works best when the goals and action plans at the bottom and middle of the organisation support the goals and action plans at the top of the organisation

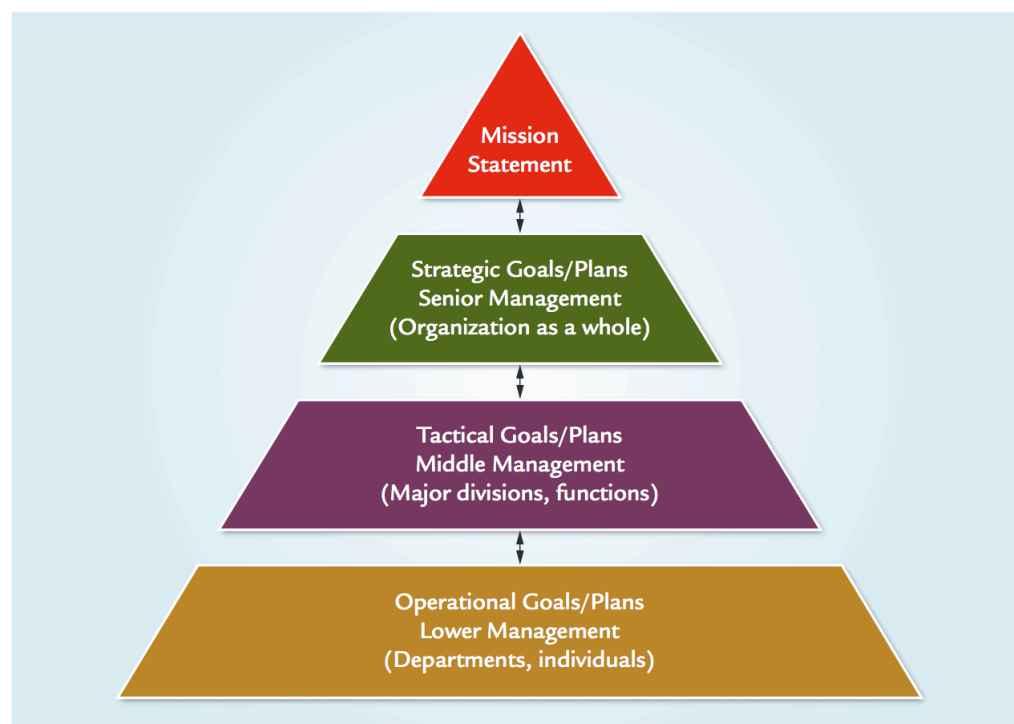**Exhibit 5.1** Levels of Goals and Plans

Mission Statement

Strategic Goals/Plans
Senior Management
(Organization as a whole)

Tactical Goals/Plans
Middle Management
(Major divisions, functions)

Operational Goals/Plans
Lower Management
(Departments, individuals)

Exhibit 5.2 The Organizational Planning Process

1. Develop the Plan
   - Define mission, vision
   - Set goals

2. Translate the Plan
   - Define tactical plans and objectives
   - Develop strategy map
   - Define contingency plans and scenarios
   - Apply flexible goal setting

3. Plan Operations
   - Define operational goals and plans
   - Select measures and targets
   - Set stretch goals
   - Plan for crises

4. Performance Management
   Use:
   - Management by objectives
   - Performance dashboards
   - Single use plans
   - Decentralized responsibility

5. Monitor and Learn
   - Hold planning reviews
   - Hold operational reviews

SOURCE: Based on Robert S. Kaplan and David P. Norton, "Mastering the Management System," *Harvard Business Review* (January 2008): 63–77.

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Quiz

- _____ is a type of operational plan that saves managers' time because once the plan is created, it can be used repeatedly to handle frequently recurring events.

a. standing plan

b. budget plan

c. single-use plan

d. tactical plan

Quiz

- Amy, the chief operations officer of a company that manufactures baby products, formulates a plan on how the company's newly launched products will serve its wide customer base and how it will deal with its competitors. In this scenario, Amy has most likely contributed to developing the company's _____.

a. strategic plan

b. single-use plan

c. tactical plan

d. operational plan

Quiz

- Kyle, the human resources manager of an electrical company, is preparing an estimate of the recruitment requirements, training overheads, and induction expenditure for the next six months to present to the chief human resources officer of the company. In this scenario, Kyle is most likely creating a(n) _____.

a. strategic plan

b. single-use plan

c. tactical plan

d. operational plan

S6. Decision Making

Dr. Yuankun Luo

Decisions managers may make

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 unmotivated?
- 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?

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Outline

- **Basic concepts of decision-making**

- Decision-making models

- Decision-making steps

- Individual and group decision-making

谁给你的勇气做的决定
梁静茹吗？

Definitions

- **Decision**: a choice made from available alternatives

- **Decision-making**: the process of identifying problems and opportunities and then choosing a solution

- **Rational decision-making**: a systematic process in which managers define problems, evaluate alternatives, and choose **optimal** solutions that provide maximum benefits to their organisations.

Types of decision-making

- **Programmed** decisions: decisions made in response to a situation that has occurred <u>often</u> enough to enable decision rules to be developed and applied in the future.

- **Non-programmed** decisions: decisions made in response to a <u>unique</u> situation, are poorly defined and largely unstructured, and have important consequences for the organisation.

Differences between programmed and non-programmed decisions

Characteristic	Programmed Decisions	Nonprogrammed Decisions
Type of problem	Structured	Unstructured
Managerial level	Lower levels	Upper levels
Frequency	Repetitive, routine	New, unusual
Information	Readily available	Ambiguous or incomplete
Goals	Clear, specific	Vague
Time frame for solution	Short	Relatively long
Solution relies on . . .	Procedures, rules, policies	Judgment and creativity

Herbert Simon

Conditions in the environment that affect the possibility of failure in decision-making
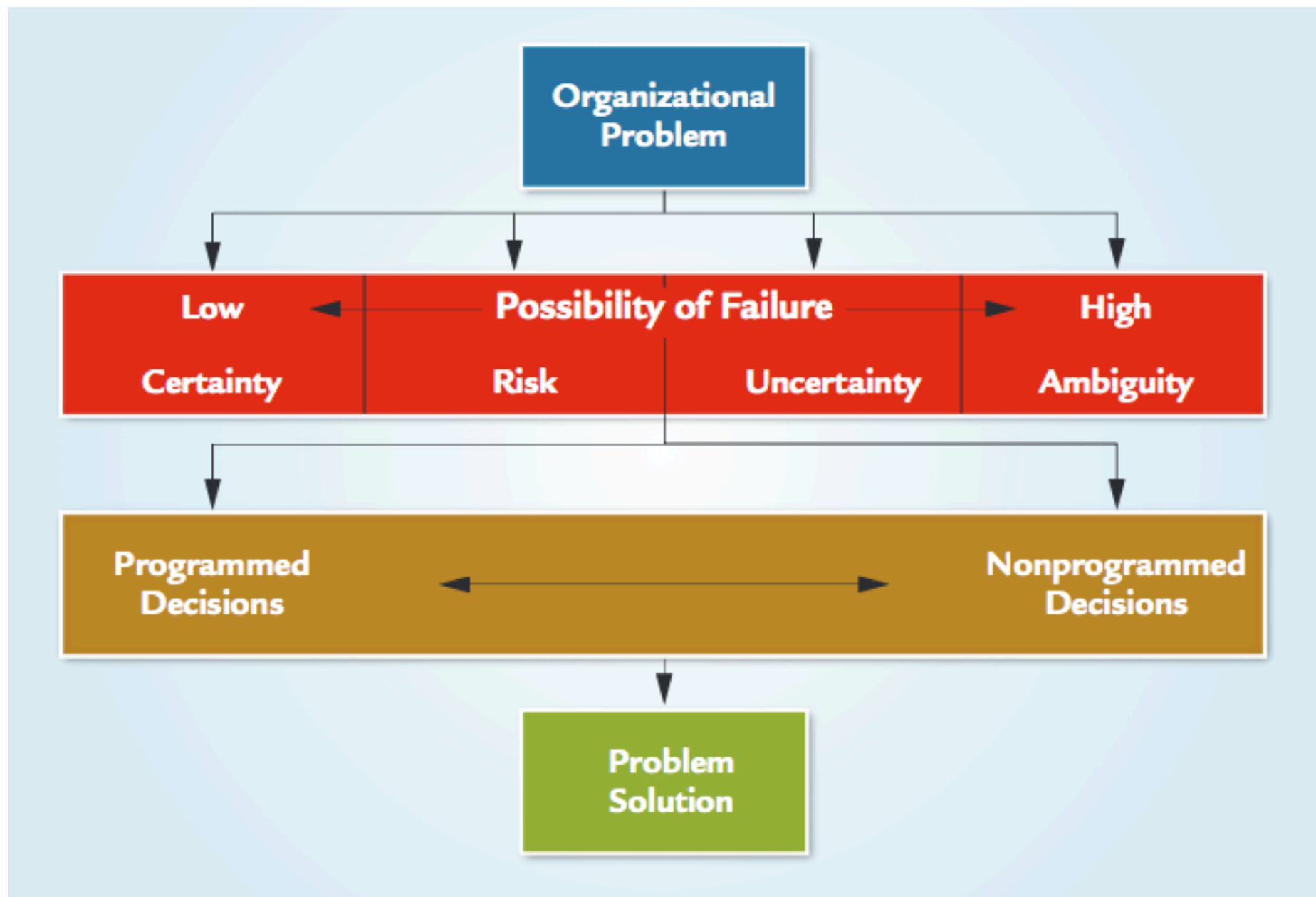
Outline

- Basic concepts of decision-making

- **Decision-making models**

- Decision-making steps

- Individual and group decision-making

Classical model

- Based on economic **assumptions**:

1. The decision maker operates to accomplish known and agreed upon goals. *Problems* are precisely formulated and defined.

2. The decision maker strives for conditions of certainty, gathering *complete information*. All alternatives and the potential results of each are calculated.

3. *Criteria* for evaluating alternatives are known. The decision maker selects the alternative that will maximise the economic return to the organisation.

4. The decision maker is *rational and uses logic* to assign values, order preferences, evaluate alternatives, and make the decision that will maximise the attainment of organisational goals.

- **Normative** approach: defines how a decision maker should make decisions and provides guidelines for reaching an ideal outcome for the organisation.

- A **prescriptive** decision-making method

Administrative model

- A decision-making model that describes how managers make decisions in situations characterised by non-programmed decisions, uncertainty, and ambiguity.

- **Bounded rationality**: people have limits, or boundaries, on how rational they can be.

- **Satisficing**: decision makers choose the first solution alternative that satisfies minimal decision criteria.

- A **descriptive** decision-making method

Administrative model

- The administrative model relies on following assumptions:

1. Decision goals are often vague, conflicting, and lack consensus among managers. Managers often are unaware of problems or opportunities that exist in the organisation.

2. Rational procedures are not always used, and when they are, they are confined to a simplistic view of the problem that misses the complexity of real organisational events.

3. Managers' searches for alternatives are limited because of human, information, and resource constraints.

4. Most managers settle for a satisficing rather than a maximising solution. This is partly because they have limited information and because they have vague criteria for what constitutes a maximising solution.

Intuition
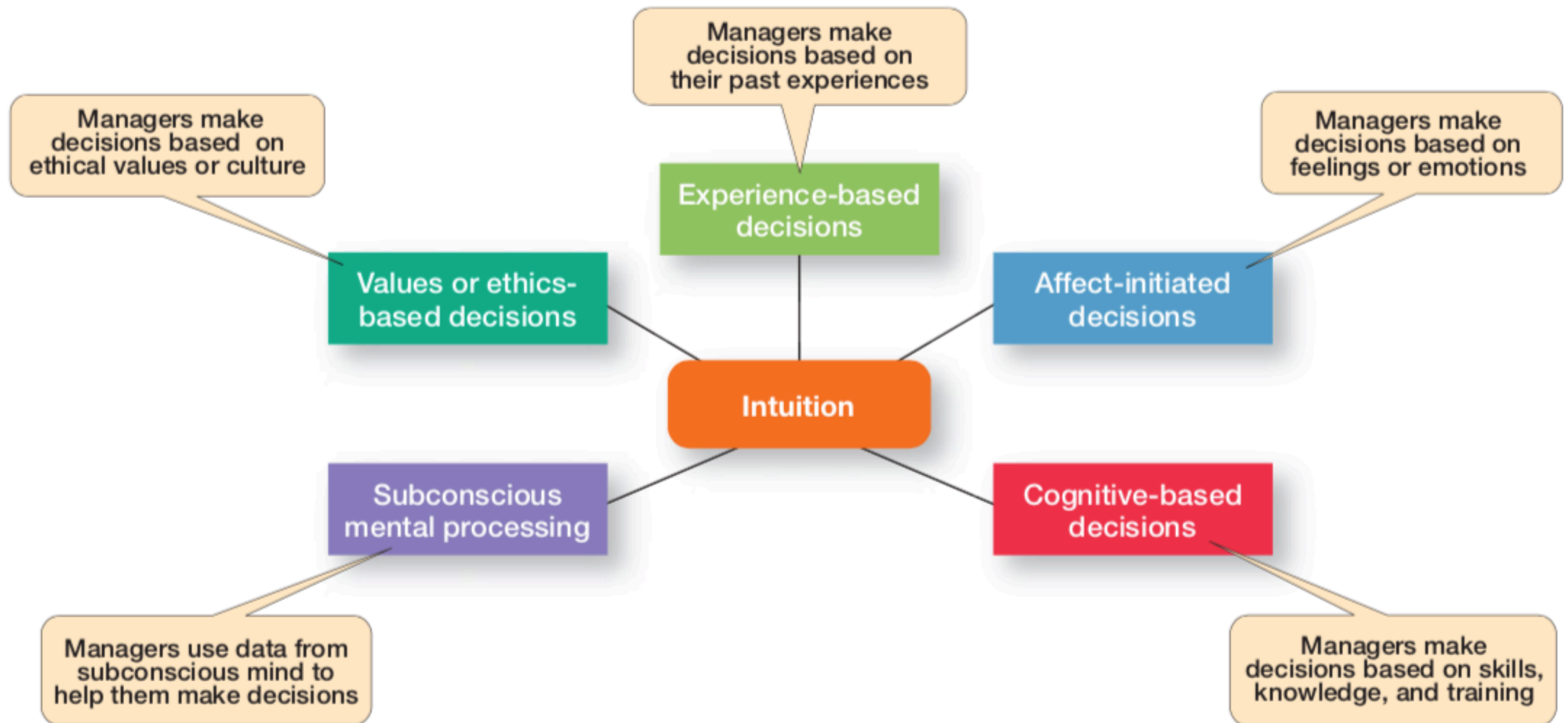
Source: Based on L. A. Burke and M. K. Miller, "Taking the Mystery Out of Intuitive Decision Making," *Academy of Management Executive*, October 1999, pp. 91–99.

Wang Ning wouldn't be where he is today without Molly, the blond doll that surrounds him; it is by far his biggest seller, more than one fourth of annual sales.

Political model

- Disagreement among managers

- **Coalition**: An informal alliance among managers who support a specific goal.

- Assumptions:

1. Organizations are made up of groups with diverse interests, goals, and values. Managers disagree about problem priorities and may not understand or share the goals and interests of other managers.

2. Information is ambiguous and incomplete. The attempt to be rational is limited by the complexity of many problems as well as personal and organisational constraints.

3. Managers do not have the time, resources, or mental capacity to identify all dimensions of the problem and process all relevant information. Managers talk to each other and exchange viewpoints to gather information and reduce ambiguity.

4. Managers engage in the push and pull of debate to decide goals and discuss alter- natives. Decisions are the result of bargaining and discussion among coalition members.

Compare the characteristics of decision-making models

Classical Model

Clear-cut problem and goals

Condition of certainty

Full information about alternatives and their outcomes

Rational choice by individual for maximizing outcomes

Administrative Model

Vague problem and goals

Condition of uncertainty

Limited information about alternatives and their outcomes

Satisficing choice for resolving problem using intuition

Political Model

Pluralistic; conflicting goals

Condition of uncertainty/ambiguity

Inconsistent viewpoints; ambiguous information

Bargaining and discussion among coalition members

Outline

- Basic concepts of decision-making

- Decision-making models

- **Decision-making steps**

- Individual and group decision-making

1. Recognition of Decision Requirement

2. Diagnosis and Analysis of Causes

3. Development of Alternatives

4. Selection of Desired Alternative

5. Implementation of Chosen Alternative

6. Evaluation and Feedback

Decision-Making Process

Step 1: Recognising Decision Requirement

- Define the problem or opportunity

- **Problem**: a gap between a desired state and an existing state.

- **Opportunity**: a situation in which managers see potential organisational accomplishments that exceed current goals.

- Recognising decision requirements is difficult because it often means integrating bits and pieces of information in novel ways.

Step 2: Diagnosis and analysis of causes

- Diagnosis: managers analyse underlying causal factors associated with the decision situation.

- Questions can be asked to specify underlying causes:

  - What is the state of disequilibrium affecting us?

  - When did it occur? Where did it occur? How did it occur? To whom did it occur?

  - What is the urgency of the problem?

  - What is the interconnectedness of events?

  - What result came from which activity?

Decision criteria

- Standards used to guide judgments and decisions.

- Rank the criteria by:

- Absolute comparisons

- Relative comparisons

Absolute Weighting of Decision Criteria for a Car Purchase

5 critically important
4 important
3 somewhat important
2 not very important
1 completely unimportant

1. Predicted reliability	1	2	3	4	(5)
2. Owner satisfaction	1	(2)	3	4	5
3. Predicted depreciation	(1)	2	3	4	5
4. Avoiding accidents	1	2	3	(4)	5
5. Fuel economy	1	2	3	4	(5)
6. Crash protection	1	2	3	(4)	5
7. Acceleration	(1)	2	3	4	5
8. Ride	1	2	(3)	4	5
9. Front seat comfort	1	2	3	4	(5)

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Relative Comparison of Home Characteristics

Home Characteristics	L	SSQ	IP	SR	QS	NBH
Daily commute (L)		+1	−1	−1	−1	0
School system quality (SSQ)	−1		−1	−1	−1	−1
In-ground pool (IP)	+1	+1		0	0	+1
Sun room (SR)	+1	+1	0		0	0
Quiet street (QS)	+1	+1	0	0		0
Newly built house (NBH)	0	+1	−1	0	0	
Total weight	(+2)	(+5)	(−3)	(−2)	(−2)	(0)

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Step 3: Development of alternatives

- For a programmed decision, feasible alternatives are easily identifiable and usually available within the organisation's rules and procedures.

- For non-programmed decisions, developing new courses of action that will meet the company's needs is required.

- Decision alternatives can be thought of as the tools for reducing the difference between the organisation's current and desired performance.

Step 4: Selection of Desired Alternative

- The best alternative is one in which the solution best fits the organisation's overall goals and values and achieves the desired results using the fewest resources.

- The manager usually selects the choice with the least amount of risk and uncertainty.

- However, individuals have different levels of **risk propensity**: the degree that decision makers are willing to take risks

Step 5: Implementation of Chosen Alternative

- **Implementation**: involves using managerial, administrative, and persuasive abilities to translate the chosen alternative into action.

- Requires discussion with people affected by the decision.

- If managers lack the ability or desire to implement decisions, the chosen alternative cannot be carried out to benefit the organisation.

Step 6: Evaluation and feedback

- Gather information that tells them how well the decision was implemented and if it achieved its goals.

- Feedback is the part of monitoring that assesses whether a new decision needs to be made.

- Feedback and follow-up decisions can get companies back on track from risks. Managers and companies can also turn problems into opportunities by learning from decision mistakes.

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- **Individual and group decision-making**

Individual decision-making

Personal Decision Framework
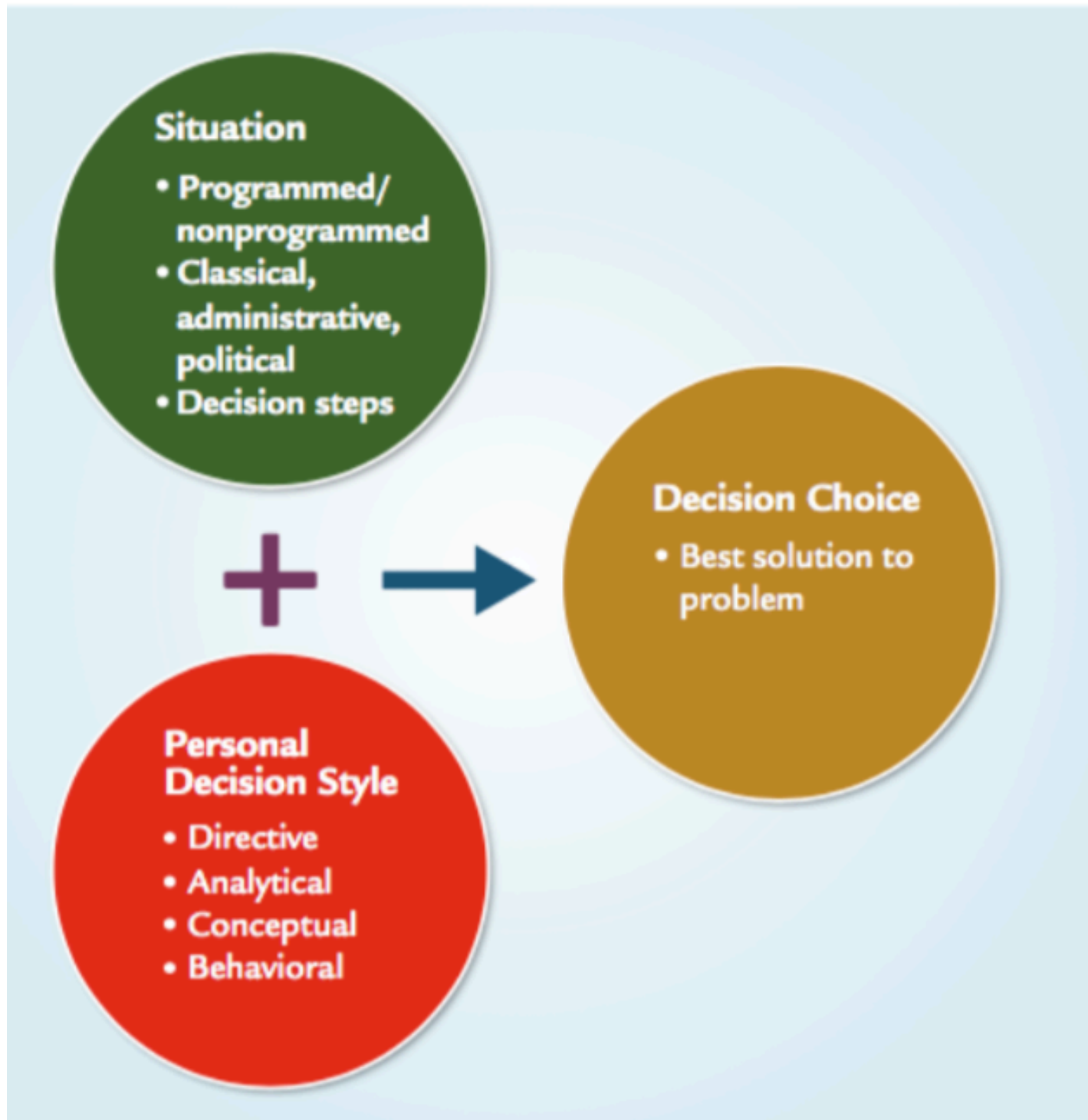
- **Decision styles**: differences among people with respect to how they perceive problems and make decisions.

- **Directive style**: prefer simple, clear solutions to problems

- **Analytical style**: consider complex solutions based on as much data as they can gather

- **Conceptual style**: consider a broad amount of information

- **Behavioural style**: having a deep concern for others as individuals

Group decision-making

- Group decision-making can lead to much better decisions than those typically made by individuals.

- Groups can do a much better job than individuals in two important steps of the decision-making process: <u>defining the problem</u> and <u>generating alternative solutions</u>.

- **Techniques** for group decision-making:

- Interactive discussion

- Nominal Group Technique (NGT)

- Delphi technique

- Brainstorming

Interactive discussion

- A group of people engages in internal discussions, negotiations, and agree on solutions

- The choice of members can vary – entire member of a formal group, some members of a group, or representatives of multiple groups

- Widely used in many groups in organisations

Nominal Group Technique (NGT)

- Ask participants to present solutions and short explanation to the rest of the group.

- After consolidating the proposed solutions, ask everyone to independently rank the proposed solutions.

- Facilitator encourage participants to explain their evaluation, identify common grounds, and highlight plurality of different approaches.

- This diversity sometimes allow the emergence of hybrid solutions that combines multiple original solutions.

Delphi technique

- Originally used to make forecasts

- Ask multiple experts to independently answer questions and provide reasons for his/her responses

- The facilitator produces an anonymous summary of experts responses and provides it to the experts

- Repeat the process multiple times until predetermined criteria are satisfied (e.g. number of rounds, level of consensus etc)

Brainstorming technique

- Group members build on each others' ideas to generate as many alternative solutions as possible.

- Rules of brainstorming:

1. The more ideas, the better.

2. All ideas are acceptable, no matter how wild or crazy they might seem.

3. Other group members' ideas should be used to come up with even more ideas.

4. Criticism or evaluation of ideas is not allowed.

Pros and Cons of group decision-making

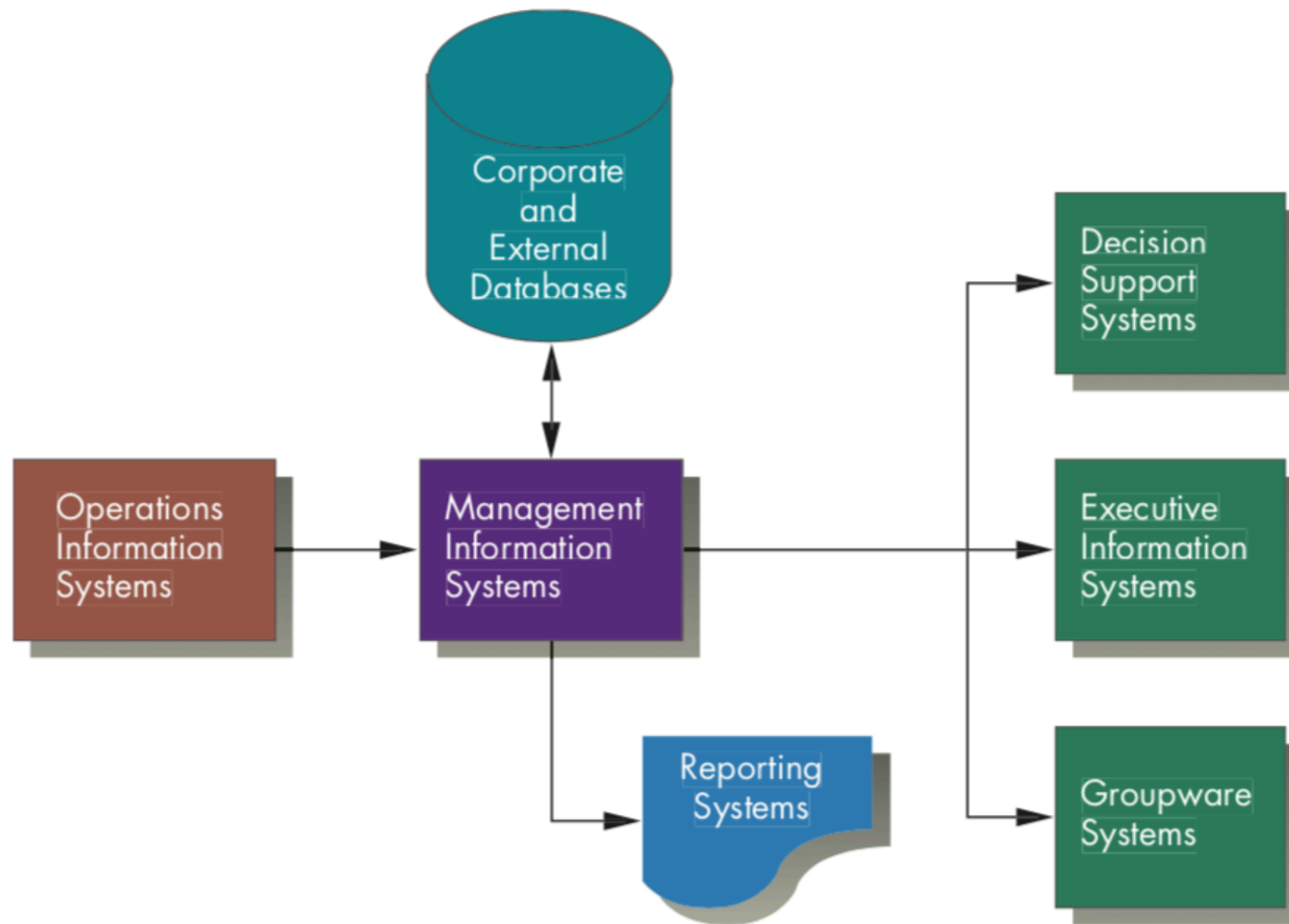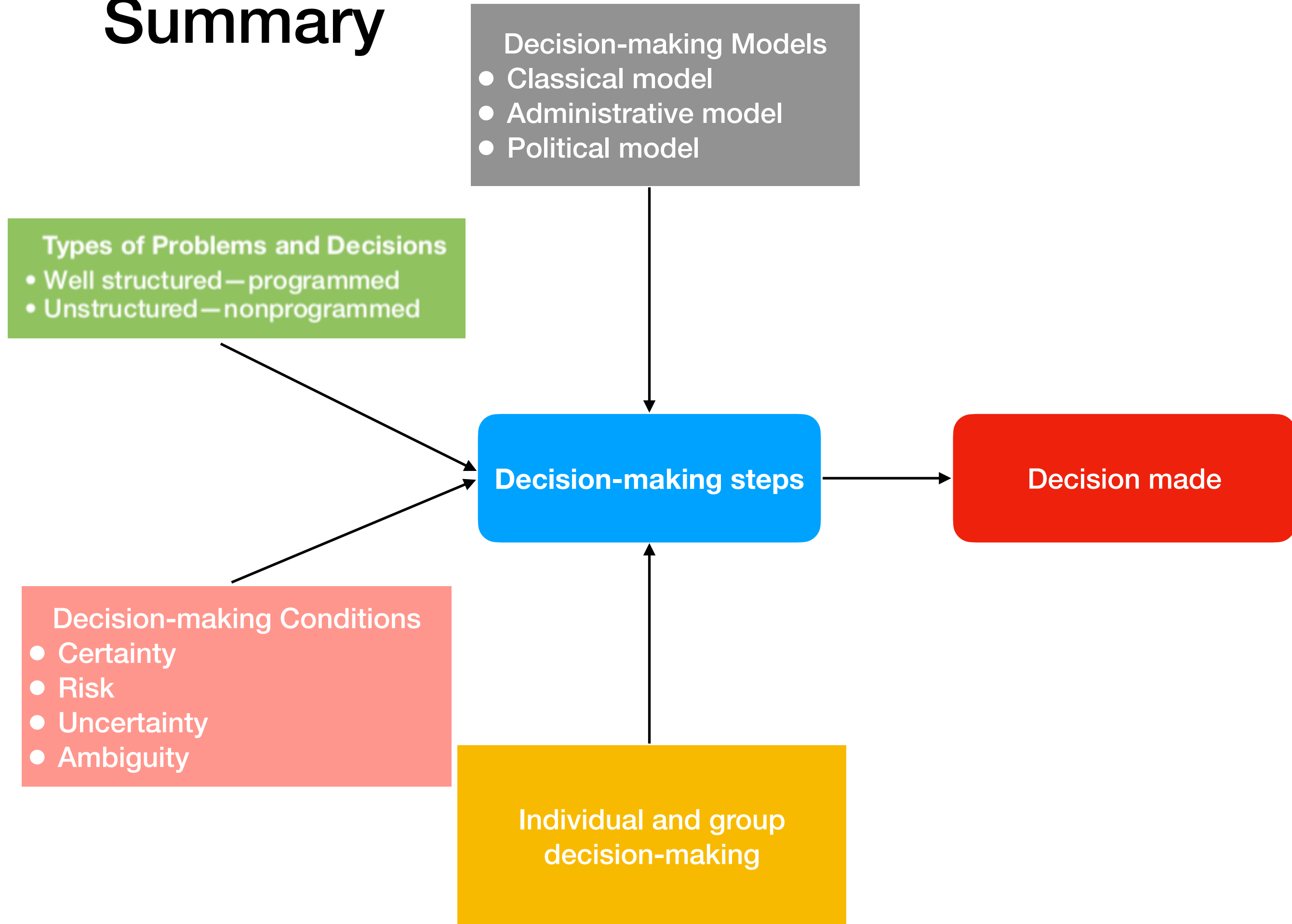| +	-
More information and knowledge	Time-consuming and costly
Get more options	Decisions that may lead to compromise
Final decisions are more likely to be accepted	Individuals may dominate groups
Improve communication of decisions	Groupthink

Groupthink

- occurs in highly cohesive groups when group members feel intense pressure to agree with each other so that the group can approve a proposed solution.

- Conditions nurture groupthink:

- The group is insulated from others with different perspectives.

- The group leader begins by expressing a strong preference for a particular decision.

- The group has no established procedure for systematically defining problems and exploring alternatives.

- Group members have similar backgrounds and experiences.

Management Information Systems (MIS) and decision-making

Summary

Decision-making Models
- Classical model
- Administrative model
- Political model

Types of Problems and Decisions
- Well structured—programmed
- Unstructured—nonprogrammed

Decision-making steps

Decision made

Decision-making Conditions
- Certainty
- Risk
- Uncertainty
- Ambiguity

Individual and group decision-making

Please join/form a project team and make your decision about the name of your team