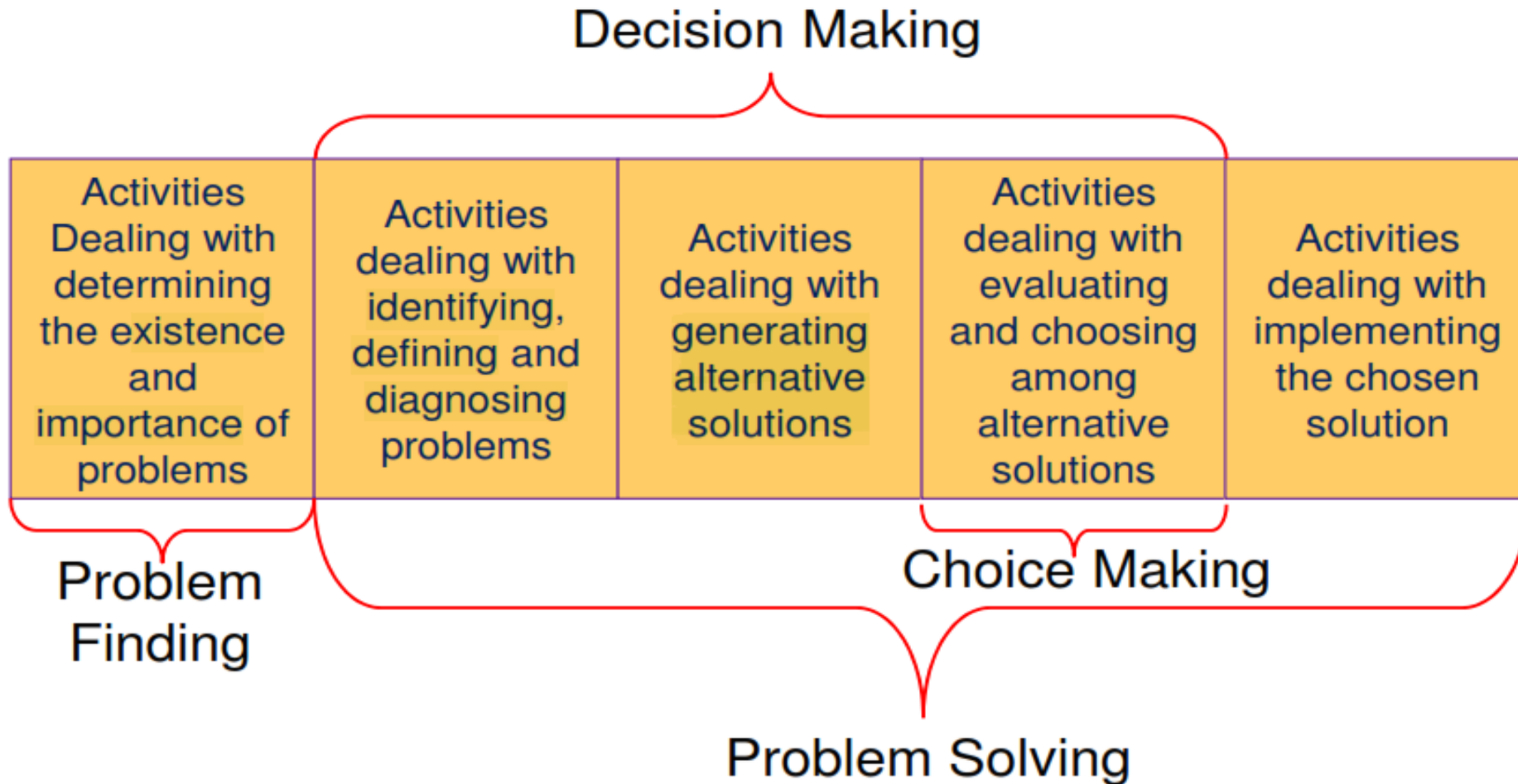


Decision Making

Dra María Hallo

Problem Solving and Decision Making



Types of decisions

Programmed Decisions

- – Problem is routine
- – Not necessarily simple/easy
- – Determined by policies, rules, procedures or habits
- – Tend to limit decision makers freedom
- – Reduce time made on decision making – it is now routine
- – Also known as Structured decisions
- – Will not look at programmed decisions any more

Types of decisions

Non-Programmed Decisions

- – Problem is unique or unusual
- – May be infrequent – thus not covered by rules etc
- – Most managerial decision making is non-programmed
- – Also known as Semi-Structured, or Unstructured decisions
- – Higher degree of uncertainty
- – Higher risk
- – Will investigate non-programmed decisions

Attributes of a good decision

- Quality
 - objective aspects, rationality
 - in comparison with some ideal of rationality
- Acceptability
 - subordinates, those who have to implement
- Implementability
 - resources, skills

Intuition in decision-making

- Commonly employed by senior managers
- No market research, no rationale
- No previous information
- New product, new customers
- Ex: the right car at the right time

Emotions and feelings play crucial role

- Decision-making not entirely analytical
- Brain continuously processes information
- Intuition and judgment are simply analyses frozen into
- habit”
- Self-checking and feedback
- Ask people whose expertise and instinct you trust

Evidence-based decision-making

- Statistical models based on rules typically outperform human experts
- Rules derived from data, mathematical models
- Risk: decisions mostly based on obsolete knowledge, traditions, experience, skill

Why don't managers use best evidence

- Too much evidence
- Not enough good evidence
- Evidence doesn't quite apply
- Not sure if it is relevant
- Beliefs and ideologies trump evidence

Becoming an evidence-based manager

- Demand evidence
- Examine logic
 - Think critically
 - Look for gaps, inference
 - Examine where / how data is collected and analysed
- Experiment
 - Run trial programs, pilot studies, experiments
 - collect first-hand data
 - profoundly appreciate how much you do not know
 - eBay, Yahoo!, Harrah's

Rational model of decision making

