

## **Chapter(6) Managers as Decision Makers:**

### **✓ True Or False:**

1) The decision-making process begins by identifying decision criteria.

Answer: FALSE

2) A decision criterion defines what is important or relevant to resolving a problem.

Answer: TRUE

3) In the decision-making process, after allocating weights to the decision criteria, the decision maker lists viable alternatives that could resolve the problem.

Answer: TRUE

4) Once the alternatives to solving a problem have been identified, the next step in the decision-making process is selecting one of these alternatives.

Answer: FALSE

5) Implementing an alternative refers to the process of choosing the best alternative.

Answer: FALSE

6) Decision making is a part of the planning, organizing, leading, and controlling functions and thus, the essence of management.

Answer: TRUE

7) One assumption of rational decision making is that the decision maker is not aware of all possible alternatives and consequences.

Answer: FALSE

8) According to the concept of bounded rationality, managers make decisions rationally, but are limited by their ability to process information.

Answer: TRUE

9) The phenomenon of escalation of commitment refers to an increased commitment to a previous decision despite evidence that it may have been wrong.

Answer: TRUE

10) Intuitive decision making complements rational decision making but not bounded rational decision making.

Answer: FALSE

11) A programmed decision is a repetitive decision that can be handled by a routine approach.

Answer: TRUE

12) Rules and policies are the same.

Answer: FALSE

13) A policy is an explicit statement that tells a manager what can or cannot be done.

Answer: FALSE

14) Non-programmed decision making relies on procedures, rules, and policies.

Answer: FALSE

15) Risk is the condition in which a decision maker is able to estimate the likelihood of certain outcomes.

Answer: TRUE

16) The availability bias describes the actions of decision makers who try to create meaning out of random events.

Answer: FALSE

17) The sunk costs error occurs when decision makers forget that current choices cannot correct the past.

Answer: TRUE

18) Managers need to understand cultural differences to make effective decisions in today's fast-moving world.

Answer: TRUE

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

Answer: FALSE

20) Design thinking is an interesting new line of thinking with broad implications for making effective business decisions by integrating emotional elements into the process.

Answer: TRUE

❖ **Choose The Correct Answer:**

1) A series of eight steps that begins with identifying a problem and concludes with evaluating a decision's effectiveness is known as \_\_\_\_\_.

- A. The decision-making process
- B. Decision support theory
- C. A decision-tree analysis
- D. A decision information system

Answer: A

2) A (n) \_\_\_\_\_ is the existence of a discrepancy between an existing and a desired state of affairs.

- A. Hazard
- B. Risk
- C. Uncertainty
- D. Problem

Answer: D

3) Which of the following statements is true concerning problem identification?

- A. Problems are generally obvious.
- B. A symptom and a problem are one and the same.
- C. Generally, what is a problem for one manager is a problem for all other managers.
- D. Effectively identifying problems is not easy.

Answer: D

4) After identifying a problem, the next step in the decision-making process is \_\_\_\_\_.

- A. identifying decision criteria
- B. allocating weights to decision criteria
- C. analyzing alternatives
- D. developing alternatives

Answer: A

5) To determine the \_\_\_\_\_, a manager must determine what is relevant or important to resolving a problem.

- A. bounded rationality of a decision
- B. escalation of commitment
- C. weight of the decision criteria
- D. decision criteria

Answer: D

6) Amanda, a single parent, is looking for a new job. Considering that she has two school-going children, she is particularly keen on finding an employer who can provide her with alternative work arrangements such as flexible work hours and telecommuting. In terms of the decision-making process, these represent Amanda's \_\_\_\_\_.

- A. decision criteria
- B. problems
- C. alternatives

D. heuristics

7) Max is planning on going away to college next year and is currently trying to figure out which colleges he should apply to. He would like to major in English Literature at an accredited liberal arts college, but is also looking for a university that offers financial aid. In terms of the decision-making process, these represent Max's \_\_\_\_\_.

A. problems

B. alternatives

C. decision criteria

D. heuristics

Answer: C

8) After identifying the decision criteria that are important or relevant to resolving a problem, the next step in the decision-making process is \_\_\_\_\_.

A. allocating weights to the criteria

B. analyzing the alternatives to solving the problem

C. reducing the number of criteria through the process of elimination

D. implementing the alternative

Answer: A

9) Creativity is most essential in which of the following steps of the decision-making process?

A. analyzing alternatives

B. allocating weights to the decision criteria

C. developing alternatives

D. identifying decision criteria

Answer: C

10) In the decision-making process, after allocating weights to the decision criteria, the decision-maker must then \_\_\_\_\_.

A. list viable alternatives that could resolve the problem

- B. allocate weights to each alternative that could resolve the problem
- C. evaluate each alternative that could resolve the problem
- D. rate all alternatives that could solve the problem using the decision criteria

Answer: A

11) Sue works in the finance department of a large multinational corporation. Her manager has asked her to submit a detailed report on the department's quarterly expenses within the next two days. Being pressed for time, Sue identifies three courses of action that could help her accomplish her task—she can stretch her working hours till she finishes the report, she can ask her colleague to chip in, or she could ask her manager for additional time. Which stage is Sue at in the decision-making process?

- A. selecting an alternative
- B. identifying decision criteria
- C. developing alternatives
- D. evaluating decision effectiveness

Answer: C

12) In the decision-making process, while \_\_\_\_\_, the decision maker puts the decision into action by conveying it to those affected by it and getting their commitment to it.

- A. selecting an alternative
- B. evaluating a decision's effectiveness
- C. implementing an alternative
- D. analyzing alternatives

Answer: C

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

- A. evaluating each alternative by using the established criteria
- B. being creative while implementing the alternatives
- C. allowing those impacted by the outcome to participate in the process

D. ignoring criticism concerning your chosen alternative

Answer: C

14) The final step in the decision-making process is to \_\_\_\_\_.

- A. determine the criteria for the next decision
- B. analyze the process of allocating weights to the decision criteria
- C. evaluate the outcome of the decision
- D. implement the chosen alternative

Answer: C

15) Managers are assumed to use \_\_\_\_\_ if they make logical and consistent choices to maximize value.

- A. rational decision making
- B. intuitive decision making
- C. bounded rationality
- D. evidence-based management

Answer: A

16) It is assumed that a rational decision maker \_\_\_\_\_.

- A. faces unclear and ambiguous problems
- B. is limited by his or her ability to process information
- C. is unaware of all the possible alternatives and consequences
- D. is fully objective and logical

Answer: D

17) 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. The decision maker is logical in his approach.
- D. The decision maker accepts a solution that is good enough.

Answer: D

18) Managers cannot possibly analyze all information on all alternatives, they tend to \_\_\_\_\_, rather than \_\_\_\_\_.

- A. maximize; satisfice
- B. neutralize; satisfice
- C. satisfice; neutralize
- D. satisfice; maximize

Answer: D

19) \_\_\_\_\_ results in a solution that is considered "good enough."

- A. Escalating
- B. Linear thinking
- C. Intuition
- D. Satisficing

Answer: D

20) Toby is hunting for a new apartment. He is specifically looking for one that is located in the heart of the city and should be available for \$600 per month. However, Toby is also willing to pay up to \$850 per month for a place that is situated slightly away from the city center. According to him, the second option "will also do." This is an example of \_\_\_\_\_.

- A. rational decision making
- B. bounded rationality
- C. intuitive decision making
- D. nonlinear thinking

Answer: B

21) Escalation of commitment refers to \_\_\_\_\_.

- A. commitment to a faulty decision due to an unwillingness to go against the opinion of the majority



- B. an increased commitment to a previous decision despite evidence that it may have been wrong
- C. the strengthening of commitment to a particular course of action due to greater motivation by others
- D. greater commitment to a decision because of one's belief that it is "the right thing to do"

Answer: B

22) In intuitive decision making, managers \_\_\_\_\_.

- A. often tend to ignore their feelings or emotions
- B. use data from their subconscious mind to help make their decisions
- C. use available evidence to improve their decision-making skills
- D. do not depend on their past experiences to make decisions

Answer: B

23) All of the following are aspects of intuition EXCEPT \_\_\_\_\_.

- A. experienced-based decisions
- B. affect-initiated decisions
- C. cognitive-based decisions
- D. programmed decisions

Answer: D

24) Intuitive decision making \_\_\_\_\_.

- A. is the systematic use of the best available evidence to improve decision making practice
- B. generally results in poor decisions and hence managers should learn to ignore their gut feelings
- C. is the process of making decisions based on experience, feelings, and accumulated judgment
- D. complements rational decision making but not bounded rational decision making

Answer: C

25) \_\_\_\_\_ are straightforward, familiar, and easily defined.

- A. Organic problems
- B. Structured problems
- C. Analogous problems
- D. Non-programmed problems

Answer: B

26) Structured problems align well with which type of decisions?

- A. programmed
- B. analogous
- C. organic
- D. nonlinear

Answer: A

27) A (n) \_\_\_\_\_ decision is a repetitive decision that can be handled by a routine approach.

- A. Non-programmed
- B. organic
- C. nonlinear
- D. programmed

Answer: D

28) A procedure \_\_\_\_\_.

- A. is an explicit statement that tells a manager what can or cannot be done
- B. is a series of sequential steps a manager uses to respond to a structured problem
- C. is used mainly for unstructured, rather than structured, problems
- D. is subject to the interpretation of the decision maker

Answer: B

29) A (n) \_\_\_\_\_ is an explicit statement that tells a manager what can or cannot be done.

- A. agenda
- B. objective
- C. rule
- D. solution

Answer: C

30) A policy \_\_\_\_\_.

- A. typically contains an ambiguous term
- B. specifically states what should or should not be done
- C. is a series of sequential steps a manager uses to respond to a structured problem
- D. is used when dealing with unstructured problems and nonprogrammed decisions

Answer: A

31) What is a difference between a policy and a rule?

- A. policy establishes general parameters for the decision maker.
- B. A policy specifies what should or should not be done.
- C. A policy is more explicit.
- D. A rule typically contains an ambiguous term.

Answer: A

32) A (n) \_\_\_\_\_ typically contains an ambiguous term that leaves interpretation up to the decision maker.

- A. rule
- B. procedure
- C. edict
- D. policy

Answer: D

33) "Smoking and the consumption of alcohol are strictly prohibited inside the work premises." This is most likely an example of a(n) \_\_\_\_\_.

- A. rule
- B. objective
- C. procedure
- D. axiom

Answer: A

34) Which of the following is an example of a procedure?

- A. Without exception, all employees in customer-facing roles must be formally attired at all times.
- B. Before going on a leave of absence, fill up the application form available on the company's online leave management system. All applications will be approved/rejected within two days by the employee's immediate supervisor.
- C. We promote from within, whenever possible. If qualified applicants are available internally, a job posting will be issued by the HR department providing the necessary details about all vacancies.
- D. Employees working with power tools must wear safety glasses at all times.

Answer: B

35) Which of the following is an example of a policy?

- a. Before going on a leave of absence, fill up the application form available on the company's online leave management system. All applications will be approved/rejected within two days by the employee's immediate supervisor.
- B. Employees working with power tools must wear safety glasses at all times.
- C. Smoking and the consumption of alcohol are strictly prohibited inside the work premises.
- D. We are an equal opportunity employer with a diverse workforce. We do not discriminate against employees and applicants on the basis of sex, race, color, religion, national origin, age, disability, marital status, sexual orientation or veteran status.

Answer: D

- 36) Unstructured problems \_\_\_\_\_.
- A. refer to the usual problems faced by organizations
  - B. are generally solved using procedures, rules, and policies
  - C. are accompanied by ambiguous or incomplete information
  - D. do not require the decision maker to go through an involved decision process

Answer: C

- 37) Non-programmed decisions \_\_\_\_\_.
- A. involve standardized solutions
  - B. are usually made by lower-level managers
  - C. are associated with clear and specific goals
  - D. are unique and nonrecurring

Answer: D

- 38) When problems are \_\_\_\_\_, managers must rely on \_\_\_\_\_ in order to develop unique solutions.
- A. structured; non-programmed decision making
  - B. structured; pure intuition
  - C. unstructured; non-programmed decision making
  - D. unstructured; programmed decision making

Answer: C

- 39) Lower-level managers typically confront \_\_\_\_\_.
- A. unstructured problems
  - B. new and unusual problems
  - C. programmed decisions
  - D. non-programmed decisions

Answer: C

40) \_\_\_\_\_ is a situation where a manager has the ability to make accurate decisions because the outcome of every alternative is known.

- A. Certainty
- B. Risk
- C. Bureaucracy
- D. Contingency

Answer: A

41) If an individual knows the price of three similar cars at different dealerships, he is operating under which of the following decision-making conditions?

- A. risk
- B. supposition
- C. certainty
- D. speculation

Answer: C

42) The manager of an apparel store estimates how much to order for the current spring season based on last spring's sales figures. The store manager is operating under which of the following decision-making conditions?

- A. surety
- B. risk
- C. homogeneity
- D. certainty

Answer: B

43) Which of the following best describes the psychological orientation of an individual making a "maximal" choice?

- A. optimist
- B. cynic
- C. pessimist

D. defeatist

Answer: A

44) Optimistic managers follow a maximal choice when they \_\_\_\_\_.

- A. maximize the maximum possible payoff
- B. maximize the minimum possible payoff
- C. minimize the maximum regret
- D. minimize the minimum regret

Answer: A

45) \_\_\_\_\_ is a situation in which a decision maker cannot make reasonable probability estimates.

- A. Necessity
- B. Risk
- C. Uncertainty
- D. Certitude

Answer: C

46) The \_\_\_\_\_ thinking style is characterized by a person's preference for using external data and facts and processing this information through rational, logical thinking to guide decisions and actions.

- A. linear
- B. normative
- C. behavioral
- D. organic

Answer: A

47) The \_\_\_\_\_ thinking style is characterized by a preference for internal sources of information and processing this information with internal insights, feelings, and hunches to guide decisions and actions.

- A. active experimentation
- B. nonlinear
- C. linear
- D. organic

Answer: B

48) Rules of thumb that managers use to simplify decision making are known as \_\_\_\_\_.

- A. heuristics
- B. folksonomies
- C. algorithms
- D. sophisms

Answer: A

49) 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 the \_\_\_\_\_.

- A. selective perception bias
- B. the anchoring effect
- C. self-serving bias
- D. overconfidence bias

Answer: D

50) The \_\_\_\_\_ describes how decision makers fixate on initial information as a starting point and then, once set, fail to adequately adjust for subsequent information.

- A. anchoring effect
- B. selective perception effect
- C. confirmation bias
- D. framing bias

Answer: A



51) Sophie is in charge of recruitment at her company. During a particular interview, the first thing Sophie noticed about the applicant was that he was improperly attired. Though the candidate possessed the necessary qualifications and effectively answered all her questions, Sophie rejected him. This is an example of the \_\_\_\_\_.

- A. randomness bias
- B. self-serving bias
- C. anchoring effect
- D. representation bias

Answer: C

52) When decision makers seek out information that reaffirms their past choices and discount information that contradicts past judgments, they are exhibiting the \_\_\_\_\_.

- A. framing bias
- B. availability bias
- C. representation bias
- D. confirmation bias

Answer: D

53) The \_\_\_\_\_ occurs when decision makers select and highlight certain aspects of a situation while excluding others.

- A. framing bias
- B. availability bias
- C. representation bias
- D. randomness bias

Answer: A

54) The \_\_\_\_\_ happens when decisions makers tend to remember events that are the most recent and vivid in their memory.

- A. self-serving bias

- B. availability bias
- C. representation bias
- D. randomness bias

Answer: B

55) Whenever anyone praises Mark for his good performance, he has the tendency to attribute his success to his personal qualities such as his ability to thrive under pressure and his eye for detail. However, any negative performance feedback is always met with excuses such as unsupportive team members or insufficient time. This is an example of the \_\_\_\_\_.

- A. self-serving bias
- B. confirmation bias
- C. randomness bias
- D. framing bias

Answer: A

56) Sarah's sales figures show that she has been the top performer in her department for the last eight months. Two months prior to her annual performance review, Sarah's sales numbers fell due to her ill health causing her manager to rate her performance as just satisfactory. This is an example of the \_\_\_\_\_.

- A. randomness bias
- B. availability bias
- C. self-serving bias
- D. representation bias

Answer: B

57) To make effective decisions in today's fast-moving world, managers need to \_\_\_\_\_.

- A. build organizations that shun complexity
- B. know when it is time to call it quits

- C. ignore cultural differences
- D. build organizations that rely on their past successes

Answer: B

58) An effective decision-making process \_\_\_\_\_.

- A. focuses on matters of importance
- B. focuses on consistency more than logic
- C. avoids subjective and intuitive thinking
- D. is complex but reliable

Answer: A