Programmed and Nonprogrammed Decisions

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☰ WHAT'S COVERED

In this lesson, you will learn about programmed and nonprogrammed decisions. You will also learn about the six steps of the decision-making process. Specifically, this lesson will cover:

1. Programmed Decisions

2. Nonprogrammed Decisions

3. The Decision-Making Process

📋 BEFORE YOU START

What is the difference between programmed and nonprogrammed decisions? Because managers have limited time and must use that time wisely to be effective, it is important for them to distinguish between decisions that can have structure and routine applied to them (called programmed decisions) and decisions that are novel and require thought and attention (nonprogrammed decisions).

1. Programmed Decisions

Programmed decisions are those that are repeated over time and for which an existing set of rules can be developed to guide the process. These decisions might be simple, or they could be fairly complex, but the criteria that go into making the decision are all known or can at least be estimated with a reasonable degree of accuracy.

⤴ EXAMPLE Consider a retail store manager developing the weekly work schedule for part-time employees. The manager must consider how busy the store is likely to be, taking into account seasonal fluctuations in business. Then, she must consider the availability of the workers by taking into account requests for vacation and for other obligations that employees might have (such as school). Establishing the schedule might be complex, but it is still a programmed decision: it is made on a regular basis based on well-understood criteria, so structure can be applied to the process.

For programmed decisions, managers often develop **heuristics**, or mental shortcuts, to help reach a decision.

⚙ THINK ABOUT IT

The retail store manager may not know how busy the store will be the week of a big sale, but might routinely increase staff by 30% every time there is a big sale (because this has been fairly effective in the past).
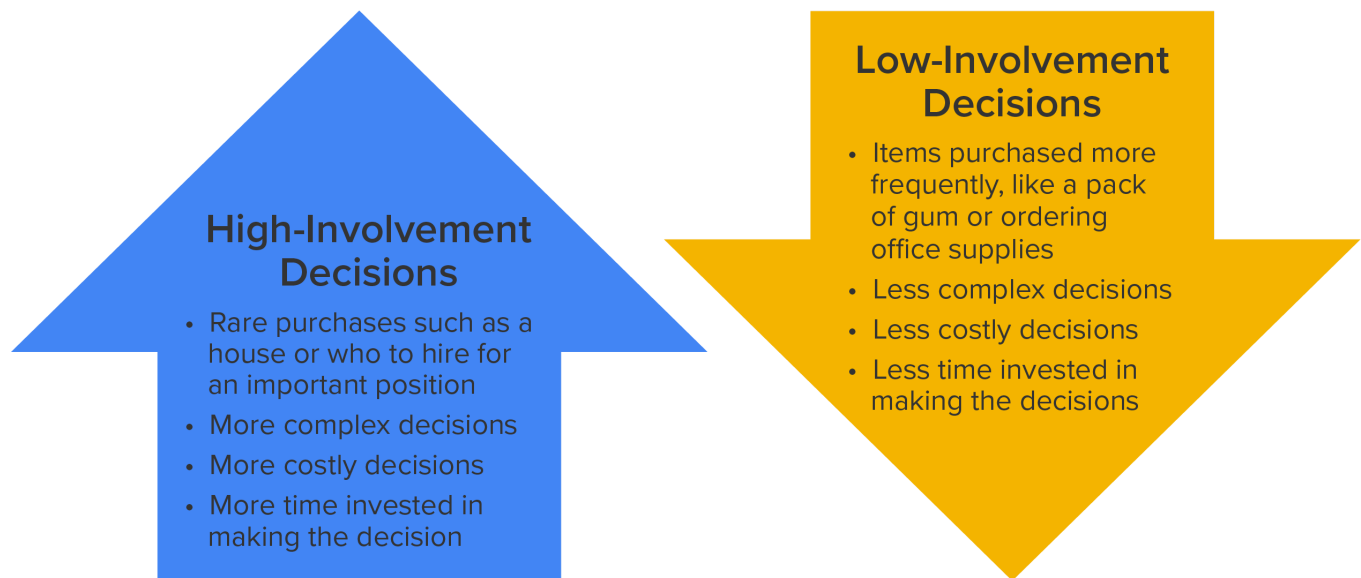Heuristics are efficient—they save time for the decision maker by generating an adequate solution quickly.

🚩 HINT

Heuristics don't necessarily yield the optimal solution—deeper cognitive processing may be required for that. However, they often yield a good solution.
Heuristics are often used for programmed decisions because experience in making the decision over and over helps the decision maker know what to expect and how to react. Programmed decision-making can also be taught fairly easily to another person. The rules and criteria, and how they relate to outcomes, can be clearly laid out so that a good decision can be reached by the new decision maker. Programmed decisions are also sometimes referred to as routine or **low-involvement decisions** because they don't require in-depth mental processing to reach a decision. High- and low-involvement decisions are illustrated below.

High-Involvement Decisions

- Rare purchases such as a house or who to hire for an important position
- More complex decisions
- More costly decisions
- More time invested in making the decision

Low-Involvement Decisions

- Items purchased more frequently, like a pack of gum or ordering office supplies
- Less complex decisions
- Less costly decisions
- Less time invested in making the decisions

📄 TERMS TO KNOW

Programmed Decisions

Decisions that are repeated over time and for which an existing set of rules can be developed to guide the process.

Heuristics

Mental shortcuts that allow a decision maker to reach a good decision quickly. They are strategies that develop based on prior experience.

Low-Involvement Decisions

Programmed decisions that don't require in-depth mental processing to reach a decision.

2. Nonprogrammed Decisions

In contrast, **nonprogrammed decisions** are novel, unstructured decisions that are generally based on criteria that are not well-defined. With nonprogrammed decisions, information is more likely to be ambiguous or incomplete, and the decision maker may need to exercise some thoughtful judgment and creative thinking to reach a good solution. These are also sometimes referred to as nonroutine decisions or **high-involvement decisions** because they require greater involvement and thought on the part of the decision maker.

⚙ THINK ABOUT IT

Consider a manager trying to decide whether or not to adopt a new technology. There will always be unknowns in situations of this nature. Will the new technology really be better than the existing technology? Will it become widely accepted over time, or will some other technology become the standard?

The best the manager can do in this situation is to gather as much relevant information as possible and make an educated guess as to whether the new technology will be worthwhile. Clearly, nonprogrammed decisions present the greater challenge.

📄 TERMS TO KNOW

Nonprogrammed Decisions

Novel, unstructured decisions that are generally based on criteria that are not well-defined.

3. The Decision-Making Process

While decisions makers can use mental shortcuts with programmed decisions, they should use a systematic process with nonprogrammed decisions. The decision-making process can be broken down into a series of six steps, as follows:

⚎ STEP BY STEP

1. Recognize that a decision needs to be made.
2. Generate multiple alternatives.
3. Analyze the alternatives.
4. Select an alternative.
5. Implement the selected alternative.
6. Evaluate its effectiveness.

While these steps may seem straightforward, individuals often skip steps or spend too little time on some steps. In fact, sometimes people will refuse to acknowledge a problem (Step 1) because they aren't sure how to address it. We'll discuss the steps in more depth later when we review ways to improve the quality of decision-making.

1 Recognize that a decision needs to be

2 Generate multiple alternatives
Consider engaging others in brainstorming to generate many ideas

3 Analyze the alternatives
Conduct research engage in evidence-based decision making

4 Select the best option

5 Implement the selected alternative

6 Evaluate its effectiveness

❓ REFLECT

1. Give an example of a programmed decision that a manager might face.
2. Give an example of a nonprogrammed decision.
3. What are heuristics, and when are they helpful?
4. How are programmed and nonprogrammed decisions connected to the reflective and reactive systems in the brain?

📋 SUMMARY

In this lesson, you learned about programmed and nonprogrammed decisions. **Programmed decisions**, also known as low-involvement decisions, are those that are repeated over time and for which an existing set of rules can be developed to guide the process. For these types of decisions, managers often develop **heuristics**, or mental shortcuts, to help them quickly and efficiently reach a decision. **Nonprogrammed decisions**, referred to as high-involvement decisions, are novel,

unstructured decisions that require more thought and attention. You also learned that when a decision maker is faced by a more challenging nonprogrammed decision, they can break down **the decision-making process** into a series of six steps.

Best of luck in your learning!

Source: Access for free at **https://openstax.org/books/principles-management/pages/1-introduction**

📄 TERMS TO KNOW

Heuristics
Mental shortcuts to help reach a decision.

High-Involvement Decisions
Nonprogrammed decisions that don't require greater involvement and thought on the part of the decision maker.

Low-Involvement Decisions
Programmed decisions that don't require in-depth mental processing to reach a decision.

Nonprogrammed Decisions
Novel, unstructured decisions that are generally based on criteria that are not well-defined.

Programmed Decisions
Decisions that are repeated over time and for which an existing set of rules can be developed to guide the process.