

Managers as Decision Makers

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Outline

- The Decision-Making Process
- Managers Making Decisions
- Types Of Decisions
- Decision-Making Styles
- Effective Decision Making In Today's World



Decision Making

Decision making is a process of choosing among alternatives.

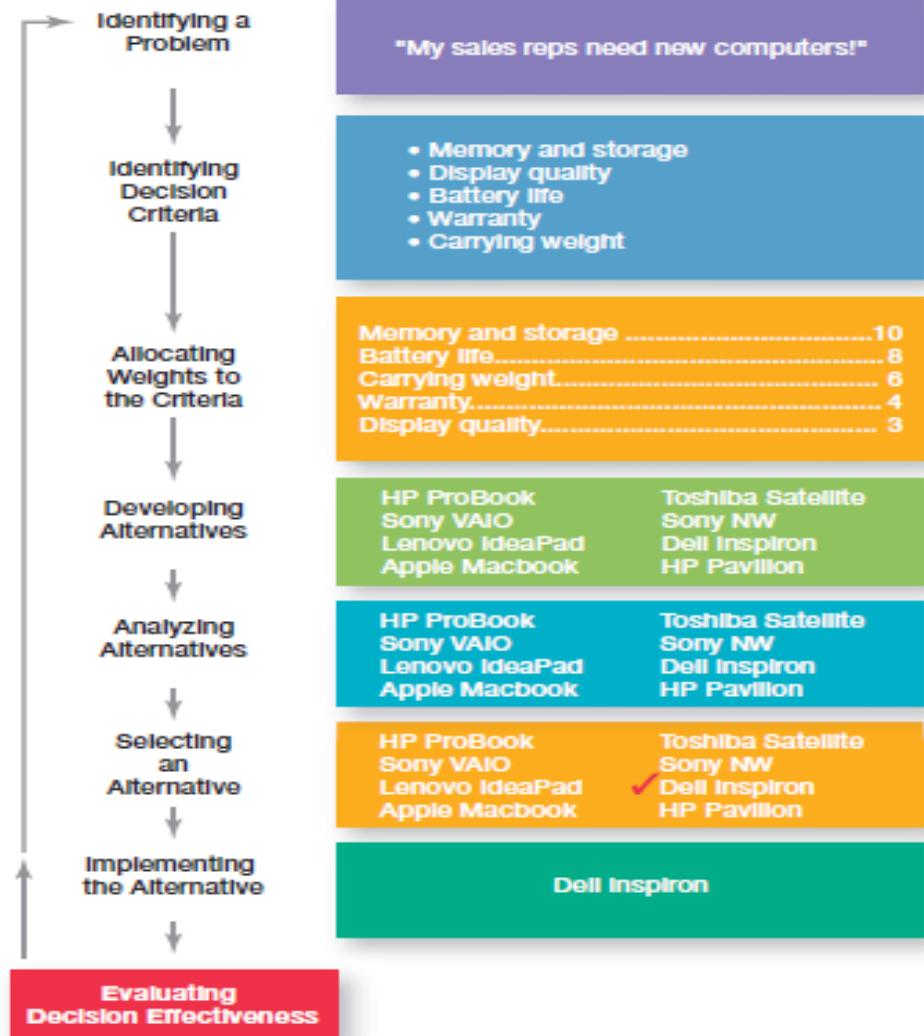




Decision Making Process

- Identifying a problem
- Identifying decision criteria
- Allocating weights to criteria
- Developing alternatives
- Analyzing alternatives
- Selecting an alternative
- Implementing the alternative
- Evaluating decision effectiveness

Exhibit 7.1: Decision Making Process





Managers Making Decisions

There are 4 perspectives on how managers make decisions-

- Rationality
- Bounded rationality
- Role of intuition
- Role of evidence based management



Making Decisions: Rationality

- Managers make consistent, value-maximizing choices with specified constraints.
- There are assumptions that decision makers-
 - Are perfectly rational, fully objective, and logical.
 - Have carefully defined the problem and identified all viable alternatives.
 - Have a clear and specific goal
 - Will select the alternative that maximizes outcomes in the organization's interests rather than in their personal interests.



Making Decisions: Bounded Rationality

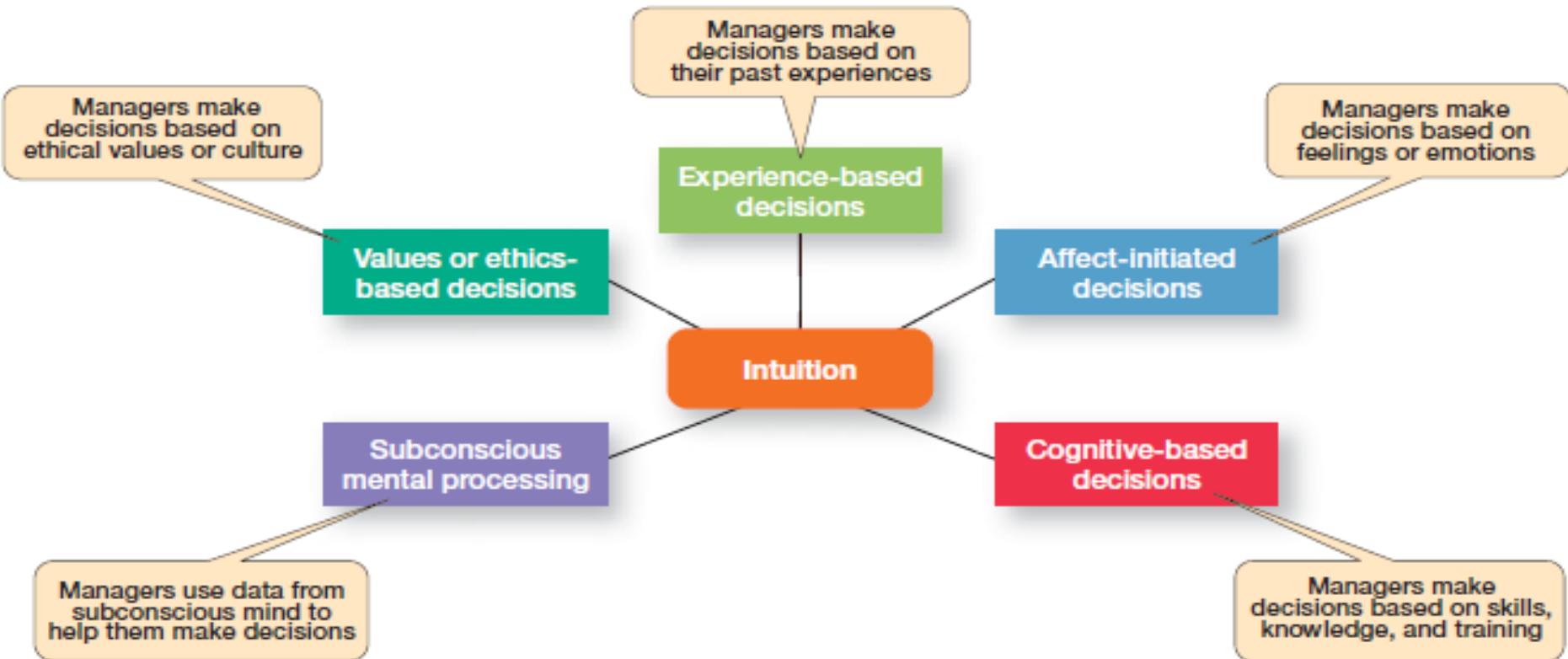
- Managers make decisions rationally, but are limited (bounded) by their ability to process information.
- Assumptions are that decision makers:
 - Will not seek out or have knowledge of all alternatives
 - Will sacrifice rather than maximize the outcome.
- Influence on decision making
 - Escalation of commitment: an increased commitment to a previous decision despite evidence that it may have been wrong.



Making Decisions: Role of Intuition

- Making decisions on the basis of experience, feelings, and accumulated judgment.
- Researchers have identified five different aspects of intuition-
 1. Experience based decisions
 2. Affect initiated decisions
 3. Cognitive based decisions
 4. Subconscious mental processing
 5. Values or ethics based decisions

Exhibit 7.6: What is Intuition ?



Making Decisions: Role of Evidence-Based Management

- Systematic use of the best available evidence to improve management practice.
- The four essential elements of EBMgt are the
 - Decision maker's expertise and judgment
 - External evidence that's been evaluated by the decision maker
 - Opinions, preferences, and values of those who have a stake in the decision
 - Relevant organizational (internal) factors such as context, circumstances, and organizational members.



Types of Problems and Decisions

Managers in all kinds of organizations face different types of problem as they do their jobs. Two common types are-

1. Structured problems and programmed decisions
2. Unstructured problems and nonprogrammed decisions



Types of Problems and Decisions

- Structured Problems
 - Familiar
 - Easily and completely defined
- Programmed Decision
 - A repetitive decision that can be handled by a routine approach.



Types of Programmed Decisions

- The managers normally rely on one of three types of programmed decisions:
 1. Procedure
 2. Rule
 3. Policy



Types of Programmed Decisions

- **Procedure**

A series of interrelated steps that a manager can use to respond (applying a policy) to a structured problem.

- **Rule**

An explicit statement that limits what a manager or employee can or cannot do.

- **Policy**

A general guideline for making a decision about a structured problem.



Types of Problems and Decisions

- Unstructured Problems
 - Problems that are new or unusual
 - Problems that will require custom-made solutions.

- Nonprogrammed Decisions
 - Decisions that are unique and nonrecurring.
 - Decisions that generate unique responses.

Programmed Vs. Nonprogrammed 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



Decision Making Styles

- Linear thinking style

Decision style characterized by a person's preference for using external data and facts and processing this information through rational, logical thinking.

- Non-linear thinking style

Decision style characterized by a person's preference for internal sources of information and processing this information with internal insights, feelings, and hunches

Decision-Making Biases and Errors



Effective Decision Making in Today's World

- Understand cultural differences
- Know when it's time to call it quits
- Use an effective decision-making process
- Build an organization that can spot the unexpected and quickly adapt to the changed environment.

THANK YOU