

# Module 2.2: Decision Making



**Implications:** Managers are responsible for making good decisions and for helping others make good decisions.



# The Rational Decision-Making Model

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1. Problem definition
2. Identify decision criteria
3. Allocate weights to criteria
4. Generate alternatives
5. Evaluate alternatives
6. Select a solution
7. Implementation
8. Evaluation of results



# Why isn't it easy?

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- Uncertain environment
- Individual biases, limitations, and tendencies
- Group biases and tendencies



# Decision Making Situations

Problem Types	Solution Types	Decision Types
Well defined	Well defined	Routine
Unusual	Untried	Innovative

**Certainty**  
**Probability**



# Individual Decision-Making Limitations, Biases, or Tendencies

- Bounded rationality
- Perceptual biases and heuristics
- Satisficing
- Escalating commitment



# Group Decision-Making Biases, or Tendencies

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- Obedience
- Conformity
- Groupthink
- Group Polarization



# Improving Decision-Making

- Dealing with uncertainty
  - Research (e.g., market survey)
  - Simulation scenarios, and forecasting
  - Contingency planning
- Dealing with errors by groups and individuals
  - Brainstorming
  - Nominal group technique
  - Groupware



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