

BUSML 4201 Final Midterm Study Guide

Decision Making

1. Five step decision making process:
 - a. Problem recognition -> motivation
 - b. Information search -> learning, memory, beliefs
 - i. Massive
 - ii. Lots of options and uncertainty
 - iii. Uncertainty is decreased by beliefs and values
 - c. Evaluation of alternatives -> values, feelings
 - d. Choice/no choice -> integration
 - e. Feedback -> learning
2. Decision Making
 - a. Large amount of purposeful/effortful thinking (compared to non decision making)
 - b. Aka problem solving
3. Characteristics of decision making
 - a. Controlled and on purpose
 - b. Happens in the short term memory
 - c. Effortful
 - d. Objective
 - i. More careful, less errors and bias
 - e. Adaptive
 - i. More likely to lead to reward
 - f. Scarce
 - i. Limited due to short term memory capacity
4. Problem recognition
 - a. Significant difference between desired state and actual state
 - b. Causes
 - i. Falling/raising appetites of homeostatic needs
 - ii. Consumption/depletion of products
 - iii. Growth and maturation
 - iv. Unrealistic beliefs (flawed internal model)
 - c. How to trigger problem recognition in others
 - i. Highlight ideal state
 - ii. Highlight inadequacies in actual state
5. Info Search
 - a. Establish alternatives
 - i. Consideration set-> based on what can fix the problem and usually based on memory
 - b. Establish salient evaluative criteria
 - i. What features of a target object are important?
 - ii. Dependent on current needs
 - iii. Used to judge options
 - iv. Marketers often use this
 - c. Assess info based on evaluative criteria

- i. Internal search-beliefs and attitudes in memory
 - ii. External search-acquiring new info
 - 1. Recall discussion about how the expert actually has more of an external search
- 6. Evaluate alternatives
 - a. Use as many decision rules as possible:
 - b. Attitude referral
 - i. Which do you like best
 - ii. Easiest/fastest
 - c. Calculate expected value
 - i. Compensatory model
 - 1. Good criteria can compensate for bad criteria
 - d. Conjunctive rule
 - i. Minimum cutoffs for most important criteria
 - e. Disjunctive rule
 - i. Acceptable values for most important single criteria
 - f. Lexicon rule
 - i. Rank alternatives based on most important criteria and only rank the other criteria if there is a tie
- 7. Choice
 - a. Overt behavior of decision maker
 - b. Procurement of selected alternative
 - c. Recall discussion on how people actually decide to make no choice when there are too many options to choose from-> **choice overload**
 - i. Decision paralysis
 - ii. Greater post purchase regret
 - iii. Less satisfaction with choice process
 - iv. Wrong choice produces more regret than failing to make a choice
- 8. Feedback
 - a. Choice provides direct feedback
 - b. Satisfied if meets/surpasses expectations
 - c. Feedback bias
 - i. Cognitive consistency
 - ii. Biased memory

Non-Decision Making

- 9. Non-decision making
 - a. Mental shortcuts, not controlled, not effortful, don't realize we are doing it
- 10. Theory of information processing parsimony
 - a. People are lazy with mental efforts
 - b. We have a slow and fast thinking pattern, but we use fast whenever we can.
- 11. Feel without thinking
 - a. Feel-> act

- b. Implicit/unrecognized decision to sacrifice benefits of reasoning or speed
- c. "Trusting your gut"
- d. Three examples include:
 - i. Attitudes
 - 1. Automated feelings
 - 2. Predisposition to respond
 - 3. No expected value calculation
 - 4. Not situational sensitive
 - ii. Emotions
 - 1. Direct behavior without thought
 - 2. Evolved for world that no longer exists
 - 3. Often punished
 - iii. Reactance
 - 1. Motivational state of a person who perceives his freedom of choice has been threatened from influence of others
 - 2. Boomerang effect-less interested in forced alternatives
 - 3. Two required conditions for reactance
 - a. Prior expectation of freedom
 - b. Perceived loss of freedom must relate to something with consequence or was important
 - 4. Doesn't calculate expected value
 - 5. Marketing implications
 - a. People don't respond to the 'hard sell'
 - b. Product scarcity increases desire

12. Act with minimal thinking

- a. "Think"->feel->act
 - i. Actions prefaced with minimal thinking
- b. Scripted behaviors
 - i. Prescribed behavior patterns enacted on **cue** with minimal thinking to recognize the cue
 - ii. Situation insensitive
 - iii. Motivation for scripts:
 - 1. Behaviors don't require ongoing analysis
 - 2. Allows for multitasking
 - 3. Thinking involves effort
 - iv. Formation of scripts
 - 1. Begin as careful evaluations and actively processed before transferred to the long term memory and generalized
 - v. Types of scripts
 - 1. Causal- ID cause and effect relationships, fill in missing info with guesses and assumptions
 - 2. Role-behaviors based on your role