

Chapter 4: Managers as Decision Makers

Management 301

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1. Introduction
 - a. **Self-confidence:** they must believe in their decisions and the information foundations for them
2. 4.1: How Do Managers Use Information to Solve Problems?
 - a. Managers deal with problems posing threats and offering opportunities
 - i. **Problem solving:** the process of identifying a discrepancy between an actual and desired state of affairs
 - ii. **Knowledge workers:** persons whose value to organizations rests with their intellectual, not physical, capabilities
 - iii. **Information competency:** ability to locate, retrieve, evaluate, organize, and analyze information off the internet; credible and valuable
 - iv. See Figure 4.1 on page 87
 - v. **Performance threat:** situation that occurs as an actual or potential performance deficiency
 1. Example: Katrina
 - vi. **Performance opportunity:** situation that offers the possibility of a better future if the right steps are taken now
 - b. Managers can be problem avoiders, problem solvers, or problem seekers
 - i. **Problem avoiders:** managers that ignore information that would otherwise signal the presence of a performance threat or opportunity
 - ii. **Problem solvers:** managers that make decisions and try to solve problems when required; likely to miss performance opportunities
 - iii. **Problem seekers:** managers that are always looking for problems to solve or opportunities to explore
 - c. Managers make programmed and non-programmed decisions when solving problems
 - i. **Decision:** a choice among possible alternative courses of action
 - ii. **Programmed decisions:** apply preplanned solutions based on the lessons of past experience
 - iii. **Nonprogrammed decisions:** applies specific solution that has been crafted to meet unique demands of a situation
 1. Example: Treasury Secretary Timothy Geithner solving problems with national bank
 - d. Managers can use systematic and intuitive thinking
 - i. **Systematic thinking:** a person approaches problems in a rational, step-by-step, and analytical fashion
 - ii. **Intuitive thinking:** approaches problems in a more flexible and spontaneous way than systematic thinkers

1. Quickly jumps from one issue to another and deals with many aspects of a problem at once
- e. Managers use different cognitive styles to process information for decision making
 - i. US Airway Flight 1549 into the Hudson River under Pilot Sullenberger
 - ii. **Cognitive Styles:** the way an individual deals with information while making decisions
 1. Contrast between information gathering (sensation v. intuition) and information evaluation (feeling v. thinking)
 - iii. Four Master Cognitive Styles:
 1. *Sensation thinkers:* STs tend to emphasize the impersonal rather than the personal and take a realistic approach to problem solving; hard "facts," clear goals, certainty, and situation of high control
 2. *Intuitive thinkers:* ITs are comfortable with abstraction and unstructured situations; tend to be idealistic, prone toward intellectual and theoretical positions; logical and impersonal, avoids details
 3. *Intuitive feelers:* IFs prefer broad and global issues; insightful and tend to avoid details, being comfortable with intangibles; value flexibility and human relationships
 4. *Sensation feelers:* SFs tend to emphasize both analysis and human relations; realistic and prefer facts; open communicators
- f. Managers make decisions under conditions of certainty, risk, and uncertainty
 - i. **Certain environment:** an ideal decision situation where factual information exists for the possible alternative courses of action and their consequences
 - ii. Absolute certainty is best scenario for decision makers
 - iii. **Risk environment:** where information and facts are incomplete but offers probabilities of the likely outcomes for possible action alternatives
 - iv. Avoid risks by gathering as much information as possible
 - v. **Uncertain environment:** lacks so much information that it is difficult to assign probabilities to the likely outcomes of alternatives
 1. Depend on intuition, judgment, informed guessing, and hunches
 - vi. Three Different Conditions or Problem Environment (see figure 4.2 on page 91):
 1. *Certain environment:* alternative course of action and their outcomes are known to decision makers; low risk of failure and programmed decision
 2. *Risk environment:* decision maker views alternatives and their outcomes in terms of probabilities; medium risk of failure and in between programmed and nonprogrammed alternatives
 3. *Uncertain environment:* decision maker does not know all alternatives and outcomes, even as probabilities; high risk of failure and nonprogrammed decisions

3. 4.2: What Are Five Steps in the Decision-Making Process?

- a. **Decision-making process:** begins with identification of a problem and ends with evaluation of implemented solutions; all conduct ethical analysis
 - b. Step 1: Identify and define the problem
 - i. Information gathering, information processing, and deliberation
 - ii. Three Mistakes Common in this Step:
 1. Defining problem too broadly or too narrowly
 2. Dealing with symptoms, not real causes
 3. Focusing on wrong problem to begin with
 - c. Step 2: Generate and evaluate alternative solutions
 - i. Extensive information gathering should identify alternative courses if action
 - ii. **Cost-benefit analysis:** evaluate alternatives comparing the costs and benefits of each potential course of action
 - iii. Alternative should be timely, acceptable
 - d. Step 3: Decide on preferred course of action (see figure 4.4 on page 95)
 - i. **Classical decision model:** views the manager as acting rationally and in a fully informed manner; problem clearly defined, all possible action alternatives are known
 - ii. **Optimizing decision:** chooses the alternative providing the absolute best solution to a problem
 - iii. *Cognitive limitations:* people act only in terms of their perceptions (imperfect)
 - iv. **Satisfying Decisions:** chooses the first satisfactory alternative that presents itself
 - e. Step 4: Implement the decision
 - i. Requires persons willingness to act and support of many other people
 - ii. **Lack-of-participation error:** failure to include the right people in the decision-making process
 - f. Step 5: Evaluate results
 - i. Form of control and gathering data
 - g. Ethical reasoning is important at all steps in decision making
 - i. Four Criteria by Gerald Cavanagh:
 1. *Utility:* Does the decision satisfy all constituents or stakeholders?
 2. *Rights:* Does the decision respect the rights and duties of everyone?
 3. *Justice:* Is the decision consistent with the canons of justice?
 4. *Caring:* Is the decision consistent with my responsibilities to care?
 - ii. **Spotlight questions:** highlight the risks of public disclosure of one's actions
 1. "How would I feel if my family found out about this decision?"
 2. "How would I feel if this decision was published in the local newspaper posted on the Internet?"
 3. "What would the person I know who has the strongest chances and best ethical judgment say about my decision?"
 - h. The Ajax Case: closing of Murphysboro plant and recession → lots of layoffs
4. 4.3: What Are Some Current Issues in Managerial Decision Making?
- a. Personal factors help drive creativity in decision making