TRUE/FALSE QUESTIONS

THE DECISION-MAKING PROCESS

1. A discrepancy between an existing and a desired state of affairs is an opportunity.
   (False; moderate; p. 134)

2. The first step in the decision-making process is identifying a problem.
   (True; easy; p. 134)

3. The final step in the decision-making process is implementing the chosen alternative.
   (False; moderate; p. 138)

4. It is possible that at the end of the decision-making process you may be required to start the decision process over again.
   (True; easy; p. 138)

5. A decision criterion defines what is relevant in a decision.
   (True; moderate; p. 136)

6. The step in the decision-making process that involves choosing a best alternative is termed implementation.
   (False; moderate; p. 138)

THE MANAGER AS DECISION MAKER

7. Decision making is synonymous with managing.
   (True; easy; p. 139)

8. Managerial decision making is assumed to be rational.
   (True; moderate; p. 139)
9. One assumption of rationality is that we cannot know all of the alternatives.
   (False; difficult; p. 139)

10. Accepting solutions that are “good enough” is termed *satisfying*.
    (False; easy; p. 140)

11. Managers tend to operate under assumptions of bounded rationality.
    (True; moderate; p. 140)

12. Managers regularly use their intuition in decision making.
    (True; easy; p. 141)
13. Rational analysis and intuitive decision making are complementary.  
   (True; moderate; p. 141)

14. A policy is an explicit statement that tells a manager what he or she ought or ought not to do.  
   (False; moderate; p. 142)

15. Programmed decisions tend to be repetitive and routine.  
   (True; easy; p. 142)

16. Rules and policies are basically the same.  
   (False; moderate; p. 142)

17. Nonprogrammed decisions are unique and nonrecurring.  
   (True; moderate; p. 143)

18. Most managerial decisions in the real world are fully nonprogrammed.  
   (False; easy; p. 143)

19. Organizational efficiency is facilitated by the use of programmed decision making.  
   (True; moderate; p. 142)

20. The ideal situation for making decisions is low risk.  
   (False; moderate; p. 142)

21. Risk is a situation in which a decision maker has neither certainty nor reasonable probability estimates.  
   (False; difficult; p. 144)

22. An optimistic manager will follow a maximin approach.  
   (False; moderate; p. 146)

23. People who have a low tolerance for ambiguity and are rational in their way of thinking are said to have a directive style.  
   (True; moderate; p. 147)
24. Decision makers with an analytic style have a much lower tolerance for ambiguity than do directive types.  
   (False; moderate; p. 147)

25. Individuals with a conceptual style tend to be very broad in their outlook and will look at many alternatives.  
   (True; moderate; p. 147)

26. Behavioral-style decision makers work well with others.  
   (True; easy; p. 147)

27. Risk is the condition in which the decision maker is able to estimate the likelihood of certain outcomes.  
   (True; easy; p. 144)
**MANAGING WORKFORCE DIVERSITY**

28. According to the boxed feature, “Managing Workforce Diversity,” diverse employees tend to make decisions faster than a homogeneous group of employees.
   (False; moderate; p. 149)

29. Programmed decision making facilitates organizational efficiency.
   (True; moderate; p. 149)

**MULTIPLE-CHOICE QUESTIONS**

For each of the following choose the answer that *most completely* answers the question.

**THE DECISION-MAKING PROCESS**

30. Decision making is (simplistically) typically described as which of the following?
   a. deciding what is correct
   b. putting preferences on paper
   c. choosing among alternatives
   d. processing information to completion
   (c; moderate; p. 134)

31. A series of eight steps that begins with identifying a problem and decision criteria and allocating weights to those criteria; moves to developing, analyzing, and selecting an alternative that can resolve the problem; implements the alternative; and concludes with evaluating the decision’s effectiveness is the ___________.
   a. decision-making process
   b. managerial process
   c. maximin style
   d. bounded rationality approach
   (a; easy; p. 134)

32. A(n) ___________ is the existence of a discrepancy between existing and a desired state of affairs.
   a. opportunity
33. The first step in the decision-making process is which of the following?
   a. developing decision criteria
   b. allocating weights to the criteria
   c. analyzing alternatives
   d. identifying a problem
   
   (d; moderate; p. 134)
34. In identifying the problem, a manager _________________.
   a. compares the current state of affairs with where they want to be
   b. expects problems to be defined by neon lights
   c. looks for discrepancies that can be postponed
   d. will not act when there is pressure to make a decision
   (a; easy; p. 135)

35. The process of selecting decision criteria is accomplished by _________________.
   a. massaging the data that will support a given decision
   b. flipping a coin to produce a 50-50 chance of being right
   c. determining what is relevant in making the decision
   d. examining the difference in the opportunities available
   (c; challenging; p. 136)

36. Which of the following statements is true concerning problem identification?
   a. Problems are generally obvious.
   b. A symptom and a problem are basically the same.
   c. Well-trained managers generally agree on what is considered a problem.
   d. The problem must be such that it exerts some type of pressure on the manager to act.
   e. To be considered a problem, managers must be aware of the discrepancy but not have the resources necessary to take action.
   (d; moderate; p. 134)

37. If all criteria in the decision making are equal, weighting the criteria _________________.
   a. improves decision making when large numbers of criteria are involved
   b. is not needed
   c. produces excellent decisions
   d. improves the criteria
   (b; easy; p. 136)

38. The final step in the decision-making process is to _________________.
   a. pick the criteria for the next decision
   b. reevaluate the weightings of the criteria until they indicate the correct outcome
   c. evaluate the outcome of the decision
d. reassign the ratings on the criteria to find different outcomes

(e; challenging; p. 138)

39. Which of the following must be present in order to initiate the decision-making process?
   a. plenty of time
   b. pressure to act
   c. a lack of authority
   d. a lack of resources

(b; moderate; p. 134)
40. To determine the ____________, a manager must determine what is relevant or important to resolving the problem.
   a. geocentric behavior needed
   b. number of allowable alternatives
   c. weighting of decision criteria
   d. decision criteria
   (d; moderate; p. 136)

41. Which of the following is the step in the decision-making process that follows identifying a problem and decision criteria?
   a. allocating weights to the criteria
   b. analyzing the alternatives
   c. selecting the best alternative
   d. implementing the alternative
   (a; moderate; p. 136)

42. In allocating weights to the decision criteria, which of the following is helpful to remember?
   a. All weights must be the same.
   b. The total of the weights should sum to 1.0.
   c. Every factor criterion considered, regardless of its importance, must receive some weighting.
   d. Assign the most important criterion a score, and then assign weights against that standard.
   (d; difficult; p. 136)

43. In Step 6 of the decision-making process, each alternative is evaluated by appraising it against the ____________.
   a. subjective goals of the decision maker
   b. criteria
   c. assessed values
   d. implementation strategy
   (b; moderate; p. 138)

44. Selecting an alternative in the decision-making process is accomplished by ________________.
   a. choosing the alternative with the highest score
   b. choosing the one you like best
c. selecting the alternative that has the lowest price

d. selecting the alternative that is the most reliable

(a; easy; p. 138)

45. ____________ includes conveying a decision to those affected and getting their commitment to it.

a. selecting an alternative

b. evaluation of decision effectiveness

c. implementation of the alternatives

d. analyzing alternatives

(c; moderate; p. 138)

46. Which of the following is important in effectively implementing the chosen alternative in the decision-making process?

a. getting upper-management support

b. double-checking your analysis for potential errors

b. allowing those impacted by the outcome to participate in the process

d. ignoring criticism concerning your chosen alternative

(c; moderate; p. 138)

47. Which of the following is the final step in the decision-making process?

a. identifying the problem

b. evaluating the decision’s effectiveness

c. identifying decision criteria

d. selecting an alternative that can resolve the problem

(b; easy; p. 138)

48. Which of the following is important to remember in evaluating the effectiveness of the decision-making process?

a. ignore criticism concerning the decision-making process
b. you may have to start the whole decision process over

c. Restart the decision-making process if the decision is less than 50 percent effective.

d. Ninety percent of problems with decision making occur in the implementation step.

(b; difficult; p. 138)

THE MANAGER AS DECISION MAKER

49. Managers are assumed to be ____________; they make consistent, value-maximizing choices within specified constraints.

a. rational
b. leaders
c. organized
d. satisficers

(a; easy; p. 139)

50. It is assumed that a perfectly rational decision maker ____________.

a. does not follow rational assumptions
b. does not consider value maximizing as an objective
c. offers inconsistent decisions
d. would be objective and logical

(d; moderate; p. 139)

51. Rational managerial decision making assumes that decisions are made in the best ____________ interests of the organization.

a. economic
b. pay-off
c. statistical
d. budgetary

(a; moderate; p. 139)

52. Managers can make rational decisions if ________________.

a. the problem is simple
b. the goals are clear
c. the alternatives are limited
d. all of the above

(d; challenging; p. 140)

53. Managers can make rational decisions if ______________.
   a. the costs of finding and evaluating alternatives is low
   b. the organizational culture does not encourage risk taking
   c. outcomes are concrete and measurable
   d. a and c

(d; challenging; p. 140)

54. Which of the following is not a valid assumption about rationality?
   a. the problem is clear and unambiguous.
   b. a single well-defined goal is to be achieved.
   c. preferences are clear.
   d. preferences are constantly changing.

(d; difficult; p. 140)

55. In “bounded rationality,” managers construct ____________ models that extract the essential features from problems.
   a. multiple
   b. binding
   c. interactive
   d. simplified

(d; difficult; p. 140)

56. According to the textbook, because managers can’t possibly analyze all information on all alternatives, managers ____________, rather than ____________.
   a. maximize; satisfice
   b. maximize; minimize
   c. satisfice; minimize
   d. satisfice; maximize

(d; moderate; p. 140)
57. When managers circumvent the rational decision-making model and find ways to satisfice, they are following the concept of _______________.
a. jurisprudence  
b. bounded rationality  
c. least-squared exemptions  
d. self-motivated decisions  
(b; moderate; p. 140)

58. The type of decision making in which the solution is considered “good enough” is known as which of the following?
   a. intuition  
b. rationalization  
c. maximizing  
d. satisficing  
(d; moderate; p. 140)

59. When a decision maker chooses an alternative under perfect rationality, she chooses a ____________ decision, whereas under bounded rationality she chooses a ____________ decision.
   a. minimizing; satisficing  
b. satisficing; maximizing  
c. maximizing; satisficing  
d. maximizing; minimizing  
(c; difficult; p. 140)

60. An increased commitment to a previous decision despite evidence that it may have been wrong, is referred to as _________________.
   a. economies of commitment  
b. escalation of commitment  
c. dimensional commitment
61. Managerial decisions are strongly influenced by ________________.
   a. the organization’s culture
   b. internal politics
   c. power considerations
   d. all of the above
   (d; easy; p. 141)

62. Intuitive decision making is ________________.
   a. not utilized in organizations
   b. a conscious process based on accumulated judgment
   c. making decisions based on experience, feelings, and accumulated judgment
   d. important in supporting escalation of commitment
   (c; moderate; p. 141)

63. In studying intuitive decision making, researcher have found that ________________.
   a. managers do not make decisions based on feelings or emotions
   b. managers use data from their subconscious mind to help make their decisions
   c. rational thinking always works better than intuitive
   d. accumulated experience does not support intuitive decisions
   (b; moderate; p. 141)

64. According to the textbook, all of the following are aspects of intuition except ________________.
   a. experienced-based decisions
   b. affect-initiated decisions
   c. cognitive-based decisions
   d. programmed decisions
65. According to the textbook, _____________ are straightforward, familiar, and easily defined problems.
   a. poorly structured problems
   b. structured problems
   c. unique problems
   d. nonprogrammed problems

66. Structured problems align well with which type of decision making?
   a. programmed
   b. satisficing
   c. intuition
   d. gut feeling

67. The most efficient way to handle structured problems is through ______________ decision making.
   a. linear
   b. unique
   c. focused
   d. programmed

68. ______________ decision making is relatively simple and tends to rely heavily on previous solutions.
   a. Nonprogrammed
   b. Linear
   c. Satisficing
   d. Programmed

69. Programmed decision making tends to rely on which of the following?
   a. the problem solver’s ability to think on his or her feet
   b. the development of a clear set of alternative solutions
   c. previous solutions
70. A procedure ____________.
   a. is an explicit statement detailing exactly how to deal with a decision
   b. is a series of interrelated sequential steps to respond to a structured problem
   c. is a set of guidelines that channel a manager’s thinking in dealing with a problem
   d. allows a manager to use broad decision-making authority
(b; moderate; p. 142)

71. A ____________ is an explicit statement that tells a manager what he or she can or cannot do.
   a. procedure
   b. policy
   c. rule
   d. solution
(c; moderate; p. 142)

72. A policy ____________.
   a. typically contains an ambiguous term
   b. is used frequently when a manager faces a well-structured problem
   c. allows little discretion on the part of the manager
   d. offers strict rules as to how a problem should be solved
(a; moderate; p. 142)

73. Which of the following factors contrasts the difference between a policy and a rule?
   a. a policy establishes parameters
   b. a rule establishes parameters
   c. a policy is more explicit
   d. a rule is more ambiguous
(a; difficult; p. 142)

74. According to the textbook, a ____________ typically contains an ambiguous term that leaves interpretation up to the decision maker.
75. A business school’s statement that it “strives for productive relationships with local organizations” is an example of a ________________.
   a. rule
   b. policy
   c. procedure
   d. commitment
   (b; moderate; p. 142)

76. Poorly structured problems ________________.
   a. are easily solved
   b. present new or unusual circumstances
   c. force managers to deal with incomplete or ambiguous information
   d. b and c
   (d; moderate; p. 143)

77. Nonprogrammed decisions are best described as ________________.
   a. recurring, but difficult to make
   b. very similar to problems in other areas of the organization
   c. requiring more aggressive action on the decision maker’s thought processes
   d. unique and nonrecurring
   (d; moderate; p. 143)

78. When problems are ________________, managers must rely on ________________ in order to develop unique solutions.
   a. well structured; nonprogrammed decision making
   b. well structured; pure intuition
   c. poorly structured; nonprogrammed decision making
   d. poorly structured; programmed decision making
   (c; moderate; p. 143)
79. Which of the following terms is associated with nonprogrammed decisions?
   a. unique
   b. recurring
   c. routine
   d. repetitive
   (a; moderate; p. 143)

80. Lower-level managers typically confront what type of decision making?
   a. unique
   b. nonroutine
   c. programmed
   d. nonprogrammed
   (c; moderate; p. 142)

81. When lower-level managers deal with well-structured problems and they rely on procedures and rules to solve the problems, this refers to a relationship between types of problems and types of decisions known as ___________.
   a. preprogramming
   b. focused decision making
   c. integration
   d. separation
   (c; moderate; p. 143)

82. Which of the following is likely to make the most programmed decisions?
   a. the CEO of PepsiCo.
   b. the vice president of General Motors Cadillac Division.
   c. the head of the Minute Maid Division at Coca-Cola.
   d. the manager of the local McDonald’s.
   (d; easy; p. 142)

83. Which of the following is an accurate statement concerning the impact of programmed decisions on organizations?
   a. They maximize the need for managers to exercise discretion.
b. They decrease the need for high-cost managerial talent.
c. They increase the amount of judgment needed by managers.
d. They decrease organizational efficiency.

(b; moderate; p. 142)

84. ____________ is a situation in which a manager can make accurate decisions because the outcome of every alternative is known.
   a. Certainty
   b. Risk
   c. Uncertainty
   d. Maximax
   e. Maximin

(a; easy; p. 144)

85. If an individual knows the price of three similar cars at different dealerships, he or she is operating under what type of decision-making condition?
   a. risk
   b. uncertainty
   c. certainty
   d. factual

(c; easy; p. 144)

86. Nonprogrammed decisions are typically made under a condition of _____________.
   a. certainty
   b. low levels of risk
   c. uncertainty
   d. reliability

(c; moderate; p. 145)

87. Organizational efficiency is improved by the use of _______________.
   a. programmed decisions
b. nonprogrammed decisions

c. less planning

d. lower expectations and lower demands by top manager

(a; moderate; p. 142)

88. A retail clothing store manager who estimates how much to order for the current spring season based on last spring’s outcomes is operating under what kind of decision-making condition?

a. seasonal
b. risk
c. uncertainty
d. certainty

(b; difficult; p. 142)

89. ___________ is a situation in which a decision maker has neither certainty nor reasonable probability estimates available.

a. Certainty
b. Risk
c. Uncertainty
d. Maximax

(c; easy; p. 145)

90. A person at a horse racetrack who bets all of his/her money on the odds-based long shot to “win” (rather than “place” or “show”) is making what kind of choice?

a. maximax
b. maximin
c. minimax
d. minimin

(a; moderate; p. 146)

91. Which of the following best describes “maximizing the minimum possible payoff”?

a. maximax
b. maximin
92. An individual making a “maximin” type of choice has what type of psychological orientation concerning uncertain decision making?
   a. optimist
   b. realist
   c. pessimist
   d. satisficer
   (c; moderate; p. 146)

93. Which of the following would best describe the psychological orientation of an individual making a “maximax” type of choice?
   a. optimist
   b. realist
   c. pessimist
   d. satisficer
   (a; moderate; p. 146)

94. Optimistic managers could be expected to utilize their maximax orientation when they _____________.
   a. maximize the maximum payoff
   b. maximize the minimum payoff
   c. minimize the maximum regret
   d. minimize the minimum regret
   (a; easy; p. 146)

95. According to the textbook, a manager who desires to minimize his or her maximin “regret” will opt for a ____________ choice.
   a. maximax
   b. maximin
   c. minimax
   d. minimin
   (c; moderate; p. 146)
96. All of the following are mentioned in the textbook as decision-making styles except ________________>
   a. directive  
   b. egotistical  
   c. analytic  
   d. conceptual  
   (b; moderate; p. 147)

SCENARIOS AND QUESTIONS
For each of the following choose the answer that most completely answers the question.

THE DECISION-MAKING PROCESS

Decisions, Decisions (Scenario)

Sondra needed help. Her insurance company’s rapid growth was necessitating making some changes, but what changes? Should they add to the existing information system? Buy a new system? She was given the responsibility of analyzing the company’s present information system and decide what the company should do that would give them plenty of room. She was confused and needed help in making the correct decision.

97. According to the decision-making process, the first step Sondra should take would be to ___________.
   a. analyze alternative solutions  
   b. identify decision criteria  
   c. evaluate her decision’s effectiveness  
   d. identify the problem  
   (d; moderate; p. 134)

98. According to the decision-making process, the second step Sondra should take would be to ___________.
   a. analyze alternative solutions
99. The very last step Sondra should take, according to the decision-making process, would be to _________.
   a. analyze alternative solutions
   b. select alternatives
   c. implement the alternative
   d. evaluate the decision’s effectiveness
   **(d; easy; p. 138)**

100. When Sondra is conveying her decision to those affected and getting their commitment to it, she is performing which step in the decision-making process?
   a. analyzing alternative solutions
   b. selecting alternatives
   c. implementing the alternative
   d. identifying the problem
   **(c; moderate; p. 138)**

101. Allocating weights to the criteria is the step in the decision-making process that occurs between identifying the decision criteria and __________.
   a. developing the alternatives
   b. selecting alternatives
   c. implementing the alternative
   d. identifying the problem
   **(a; difficult; p. 138)**

Colleen is a student, and her older brother has loaned her an old car. The car is in need of several repairs before she will feel comfortable driving it.

102. Colleen needs a vehicle, but she has to decide if the vehicle is worth repairing. She is facing a(n) ____________, a discrepancy between an existing and a desired state of affairs.
103. In talking with an automotive repair person, Colleen needs to prioritize the repairs. Her first concern is safety of the vehicle. This step in the decision-making process is called __________________.
   a. weighting the decision criteria  
   b. analysis of alternatives  
   c. identification of decision criteria  
   d. selection of an alternative  
   (c; moderate; p. 136)

104. Colleen decides to have all of the problems fixed on the car. She assumes that the repair person has found all the problems and that there will be no problem correcting the imperfections within a specified budget. This is an example of a __________ decision.
   a. parochial  
   b. irrational  
   c. ethical  
   d. rational  
   (d; challenging; p. 139)

105. Colleen’s brother has a different view of the repairs. He assumes that the repair person is using the best information available, but there may be other unexpected repairs that might surface and that a higher budget might be more reasonable. He is using __________.
   a. rational decision making  
   b. risk avoidance  
   c. bounded rationality  
   d. Stage 4 decision making  
   (c; challenging; p. 140)
106. Colleen’s brother feels the car is worth repairing because he has owned several cars made by the same manufacturer as this car, and he has driven this car for several years. He is using _________ to decide the car has value despite of its need of repair.
   a. intuitive decision making
   b. selective coordination of thought processes
   c. sunk costs
   d. return on investment
   (a; challenging; p. 141)

THE MANAGER AS A DECISION MAKER

The First Job (Scenario)

Upon graduation, you search for a job with the university’s job placement center. Although you have studied and prepared to work in an advertising agency, the first job that you are offered is a supervisor in a manufacturing company working the afternoon shift from 3:00 P.M. until 11:00 P.M.

107. Although the job in the manufacturing firm was good enough, you acted in a __________ manner by accepting a job.
   a. self-righteous
   b. boundedly rational
   c. satisfactory
   d. liberal
   (b; moderate; p. 140)

108. If you had made a larger search using the Internet and other employment search processes, you might have been able to find more employment opportunities. This would have been a more _________ decision-making process.
   a. nonprogrammable
   b. uncertain
   c. risky
   d. perfectly rational
   (d; moderate; p. 139)
109. Under bounded rationality, you would be expected to search for a job by ________________.
   a. looking at all the opportunities that can be analyzed in the time available
   b. looking at all the opportunities available
   c. looking “outside the box” in your search
   d. analyzing all the opportunities until you find the perfect job
   (a; challenging; p. 140)

110. If you use a shortened process of searching for a job, it is likely you ___________ rather than maximized in
   your decision process.
   a. minimized
   b. rationalized
   c. satisficed
   d. agreed
   (c; challenging; p. 140)

111. During your job search, you depend on __________ decision making by making your decision on
   accumulated judgment and experience.
   a. experiential
   b. legal
   c. intuitive
   d. formidable
   (c; challenging; p. 141)

THE MANAGER AS DECISION MAKER

Is the Picture Clear? (Scenario)

Sharon was the regional manager of a large cable television company. She faced many problems and decisions daily, such as how to price each market, who to hire, what kind of technology she should purchase, and how she should handle increasing customer complaints. She needed some help sorting these issues out.
112. Unfortunately, Sharon also faces issues containing information that is ambiguous or incomplete, such as what kind of technology to purchase. These are known as ____________ problems.
   a. poorly structured
   b. variable
   c. random
   d. hit-and-miss
   (a; moderate; p. 142)

113. When a customer calls and requests a refund for a partial month’s usage of cable, the fact that such situations are routine and most likely have a standard response would make the response a ____________ decision.
   a. standard
   b. routine
   c. policy
   d. programmed
   (d; moderate; p. 142)

114. Sometimes Sharon follows a ____________, a series of interrelated sequential steps for responding to a structured problem.
   a. rule
   b. policy
   c. procedure
   d. suggestion
   (c; moderate; p. 142)

115. Sometimes Sharon instructs her local managers to follow _____________ when confronted with problem situations. These establish parameters for the manager making the decision rather than specifically stating what should or should not be done.
   a. rules
   b. procedures
   c. policies
   d. orders
   (c; moderate; p. 142)

Decision-Making Conditions (Scenario)
Sandy Jo is the manager for TrucksRUs, a medium-sized hauling service located in the Southeast. She is responsible for scheduling trucks, initiating new routes, and staffing both existing and new routes. She is currently struggling with existing information about the profitability of existing and future truck routes.

116. Joe, Sandy Jo’s best driver, tells her that he believes he can estimate that there is a 75 percent probability that they can get the business of Pork Brothers, Inc. if they initiate a truck route through rural North Carolina. Joe is operating under a condition of ____________.
   a. certainty
   b. risk
   c. uncertainty
   d. maximax

   (b; difficult; p. 144)

117. Sandy Jo can make accurate decisions if she is willing to pay $5,000 for research about the profitability of various truck routes. If she pays for the research, she believes that she is operating under a condition of ____________.
   a. certainty
   b. risk
   c. uncertainty
   d. maximax

   (a; difficult; p. 144)

118. Sandy Jo knows that she is operating in an uncertain environment. She is basically an optimist, and we would, therefore, expect her to follow a ____________ strategy.
   a. certainty
   b. risk
   c. uncertainty
   d. maximax

   (d; moderate; p. 146)

119. Sandy Jo knows that she is operating in an uncertain environment. She is basically a pessimist, and we would, therefore, expect her to follow a ____________ strategy.
   a. certainty
b. risk

c. minimax

d. maximin

(d; moderate; p. 146)

120. Sandy Jo wishes to minimize her regret and will probably opt for a __________ strategy.

a. certainty

b. risk

c. minimax

d. maximax

(c; moderate; p. 146)

Managing Your Career (Scenario)

Michelle has a new job and is learning to perform the tasks assigned to her. Different situations demand different decision-making processes.

121. Michelle finds a situation that instructs her in specific, interrelated, sequential steps to respond to a problem. This is referred to as a ____________.

a. rule

b. policy

c. broad guideline

d. procedure

(d; challenging.; p. 142)

122. Michelle finds a company directive that specifically restricts her from taking certain actions. This is a ____________.

a. rule

b. policy

c. broad guideline

d. procedure
123. As she learns the general guidelines of the job, Michelle is given more decision-making authority. The guidelines establish parameters for decision making and are referred as a _____________.
   a. rule
   b. policy
   c. broad guideline
   d. procedure

124. Michelle eventually finds a problem that has no cut-and-dry solution. The problem is unique and will never occur again. This problem is referred to as _____________.
   a. flexible
   b. programmed
   c. adaptable
   d. nonprogrammed

ESSAY QUESTIONS

THE DECISION-MAKING PROCESS

125. In a short essay, list and discuss the eight steps in the decision-making process.

Answer
a. Step 1: Identifying a problem—the decision-making process begins with the existence of a problem or a discrepancy between an existing and a desired state of affairs. However, a discrepancy without pressure to take action becomes a problem that can be postponed.

b. Step 2: Identify decision criteria—once the manager has identified a problem that needs attention, the decision criteria important to resolving the problem must be identified. That is, managers must determine what’s relevant in making a decision.
c. Step 3: Allocating weights to the criteria—at this step, the decision maker must weigh the items in order to give them the correct priority in the decision. A simple approach is to give the most important criterion a weight of 10 and then assign weights to the rest against that standard.

d. Step 4: Developing alternatives—the fourth step requires the decision maker to list the viable alternatives that could resolve the problem. No attempt is made in this step to evaluate the alternative, only to list them.

e. Step 5: Analyzing alternatives—once the alternatives have been identified, the decision maker must critically analyze each one. From this comparison, the strengths and weaknesses of each alternative become evident.

f. Step 6: Selecting an alternative—the sixth step is the important act of choosing the best alternative from among those considered. All the pertinent criteria in the decision have now been determined and weighted, and the alternatives have been identified and analyzed.

g. Step 7: Implementing the alternative—implementation involves conveying the decision to those affected by it and getting their commitment to it. If the people who must carry out a decision participate in the process, they’re more likely to enthusiastically support the outcome than if they are just told what to do.

h. Step 8: Evaluating decision effectiveness—the last step in the decision-making process involves appraising the outcome of the decision to see if the problem has been resolved. Did the alternative chosen and implemented accomplish the desired result? If not, the manager may consider returning to a previous step or may even consider starting the whole decision process over.

(difficult; p. 134)

THE MANAGER AS DECISION MAKER

126. In a short essay, discuss the assumptions of rationality and the validity of those assumptions.

Answer
A decision maker who was perfectly rational would be fully objective and logical. He or she would carefully define a problem and would have a clear and specific goal. Moreover, making decisions using rationality would consistently lead toward selecting the alternative that maximizes the likelihood of achieving that goal. The assumptions of rationality apply to any decision. Rational managerial decision making assumes that decisions are made in the best economic interests of the organization That is, the decision maker is assumed to be maximizing the organization’s interests, not his or her own interests. Managerial decision making can follow rational assumptions if the following conditions are met: The
manager is faced with a simple problem in which the goals are clear and the alternatives limited, the time pressures are minimal, the cost of seeking out and evaluating alternatives is low, the organizational culture supports innovation and risk taking, and outcomes are relatively concrete and measurable. However, most decisions that managers face in the real world don’t meet all those tests.

(moderate; p. 139)

127. In a short essay, discuss bounded rationality and satisficing.

**Answer**

Despite the limits to perfect rationality, managers are expected to follow a rational process when making decisions. However, certain aspects of the decision-making process are not realistic as managers make decisions. Instead, managers tend to operate under assumptions of bounded rationality; that is, they behave rationally within the parameters of a simplified decision-making process that is limited by an individual’s ability to process information. Managers satisfice, rather than maximize, because they can’t possibly analyze all information on all alternatives. That is, they accept solutions that are “good enough.” They are being rational within the limits of their information-processing ability.

(easy; p. 140)

128. In a short essay, discuss the difference between well-structured and poorly-structured problems. Include specific examples of each type of problem to support your answer. Next, discuss the type of decisions that would be used to address each of these problems.

**Answer**

a. Well-structured problems—the goal of the decision maker is clear, the problem is familiar, and information about the problem is easily defined and complete. Examples of these types of problems might include a customer wanting to return a purchase to a retail store, a supplier being late with an important delivery, a news team responding to an unexpected and fast-breaking event, or a college’s handling of a student wanting to drop a class. Such situations are called well-structured problems because they are straightforward, familiar, and easily defined problems. In handling these problem situations, the manager uses a programmed decision. Decisions are programmed to the extent that they are repetitive and routine and to the extent that a definite approach has been worked out for handling them. Since the problem is well structured, the manager doesn’t have to go to the trouble and expense of going through an involved decision progress. Programmed decision making is relatively simple and tends to rely heavily on previous solutions.
b. Poorly-structured problems—these problems are new or unusual, and information for them is ambiguous or incomplete. For example, the selection of an architect to design a new corporate manufacturing facility in Bangkok is an example of a poorly-structured problem. When problems are poorly structured, managers must rely on nonprogrammed decision making in order to develop unique solutions. Nonprogrammed decisions are unique and nonrecurring. When a manager confronts a poorly-structured problem or one that is unique, there is no cut-and-dry solution. It requires a custom-made response through nonprogrammed decision making.

(difficult; p. 142)

129. In a short essay, discuss the differences between a procedure, a rule, and a policy. Include specific examples of each to support your answer.

Answer

a. A procedure is a series of interrelated sequential steps that a manager can use for responding to a structured problem. The only real difficulty is in identifying the problem. Once the problem is clear, so is the procedure. For instance, a purchasing manager receives a request from the sales department for 15 PalmPilots for use by the company’s customer service representatives. The purchasing manager knows that there is a definite procedure for handling this decision. The decision-making process in this case is merely executing a simple series of sequential steps.

b. A rule is an explicit statement that tells a manager what he or she can or cannot do. Managers frequently use rules when they confront a well-structured problem because they are simple to follow and ensure consistency. For example, rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and with a relatively high degree of fairness.

c. A policy provides guidelines to channel a manager’s thinking in a specific direction. In contrast to a rule, a policy establishes parameters for the decision maker rather than specifically stating what should or should not be done. Policies typically contain an ambiguous term that leaves interpretation up to the decision maker. For instance, each of the following is a policy statement: “The customer always comes first and should always be satisfied,” “We promote from within, whenever possible,” and “Employee wages shall be competitive within community standards.”

(moderate; p. 142)