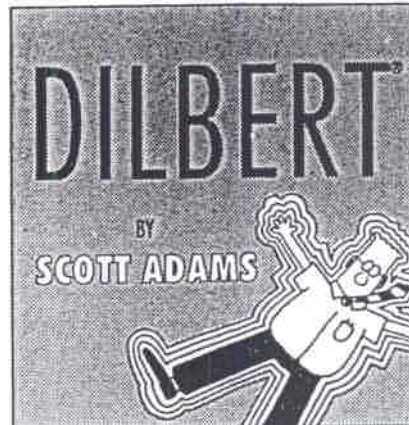
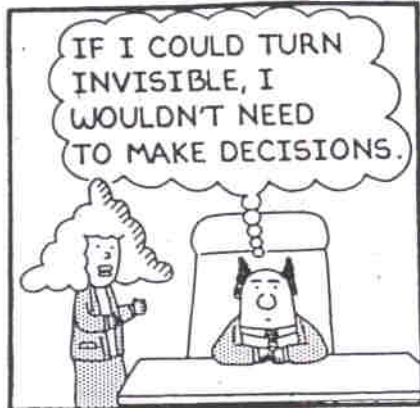


# DECISION MAKING



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# **TOPIC OUTLINE**

**What is decision making?**

**Attempts to categorize decisions**

**Theories of decision making**

**Contributors to poor decision making**

**Problem solving  
approaches to decision making**

# **NATURE OF DECISION MAKING**

**INEXPLICABLE PROCESS**

**ORGANIZATION OPERATIONAL PROCESS**

**GOAL-ORIENTED**

**CHARACTERIZED BY UNCERTAINTY**

## **MURPHY'S LAW OF DECISION MAKING**

**Trivial matters are handled promptly;  
Important matters are never resolved.**

# **CATEGORIZING TYPES OF DECISIONS**

**ERNEST DALE**

**CHESTER BARNARD**

**HOWARD CARLISLE**

**CHARLES PRINGLE, DANIEL JENNINGS  
and JUSTIN LONGNECKER**

**ERNEST DALE**

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**POLICY DECISIONS**

**Lay Down Principles**

**ADMINISTRATIVE DECISIONS**

**Translate Policies into  
General Courses of Action**

**EXECUTIVE DECISIONS**

**Made Within the Framework  
of both Policy and Administrative Decisions**

**CHESTER BARNARD**

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**OCCASIONS FOR DECISION**

**Authoritative Communications  
from Superiors**

**Cases Referred for  
Decision by Subordinates**

**Initiative of Decision Maker**

**HOWARD CARLISLE**

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**BASES FOR DECISION MAKING**

**INTUITION**

Hunch or "feel"

**JUDGMENT**

Knowledge and experience

**PROBLEM SOLVING**

Analytical processes/methods



# **PRINGLE, JENNINGS and LONGNECKER**

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## **ROUTINE DECISIONS**

**well-structured situations  
recur frequently  
standard procedures  
minimal uncertainty**

## **NONROUTINE DECISIONS**

**unstructured situations  
nonrecurring nature  
incomplete knowledge  
high uncertainty  
no proof of "best"**

# **DECISION MAKING THEORY AREAS**

**Traditional Economic Theory**

**Mathematical Decision Methods**

**Psychological  
Decision Making Theories**

# **TRADITIONAL ECONOMIC THEORY**

**Business decision making affects the economy**

**Understanding business decision making  
helps in understanding the economy**

**Assumption that profit motive is primary**

**Marginal productivity as decision basis**

# **MATHEMATICAL DECISION METHODS**

## **CATEGORIES**

**Conditions of certainty**

**Conditions of risk**

**Conditions of uncertainty**

# **PSYCHOLOGICAL THEORIES OF DECISION MAKING**

**OF INTEREST BECAUSE:**

**Managers may not be rationally  
pursuing a specific objective**

**Managers may not be  
maximizing an objective**

**Managers may be maximizing  
the "wrong" objective**

# **PSYCHOLOGICAL THEORIES**

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## **EXAMPLE EDUARD SPRANGER**

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**The economic**

**The aesthetic**

**The theoretical**

**The social**

**The political**

**The religious**

# **PSYCHOLOGICAL THEORIES**

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## **EXAMPLE ERICH FROMM**

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### **The Productive Person**

#### **Nonproductive Orientations**

**Receptive Orientation**

**Exploitative Orientation**

**Hoarding Orientation**

**Marketing Orientation**

# **PRIMARY CONTRIBUTORS TO POOR DECISION MAKING**

**Unfamiliarity  
with the subject matter**

**Pressures imposed by superiors**

**Fallacious reasoning**

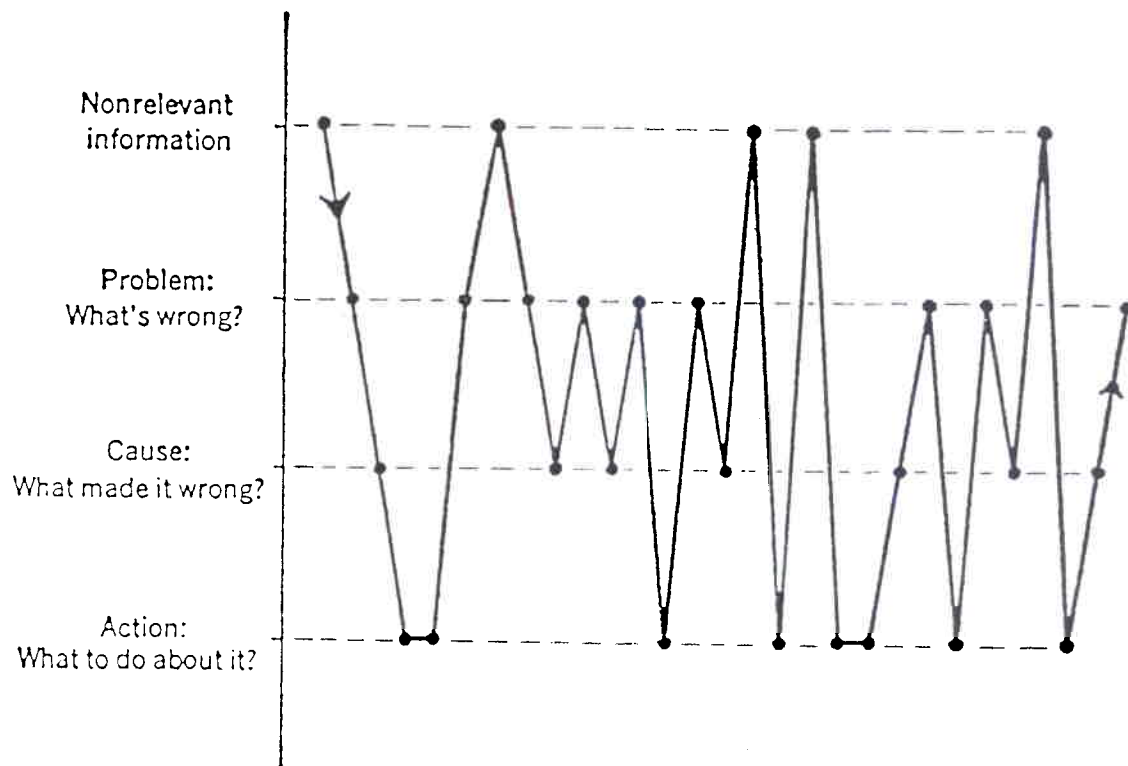


# **PROBLEM SOLVING APPROACH TO DECISION MAKING**

- **Be aware of undesirable current conditions or desired future ones**
- **Collect and analyze information pertinent to the difficulty or goal**
- **Identify the underlying problem(s) or barrier(s)**
- **Establish criteria and identify constraints relating to the decision**
- **Establish alternatives for solving the problem(s)**
- **Collect data and evaluate alternatives**
- **Make a choice**
- **Gain acceptance for the decision and implement it**
- **Obtain feedback to determine if the decision is achieving the results desired**

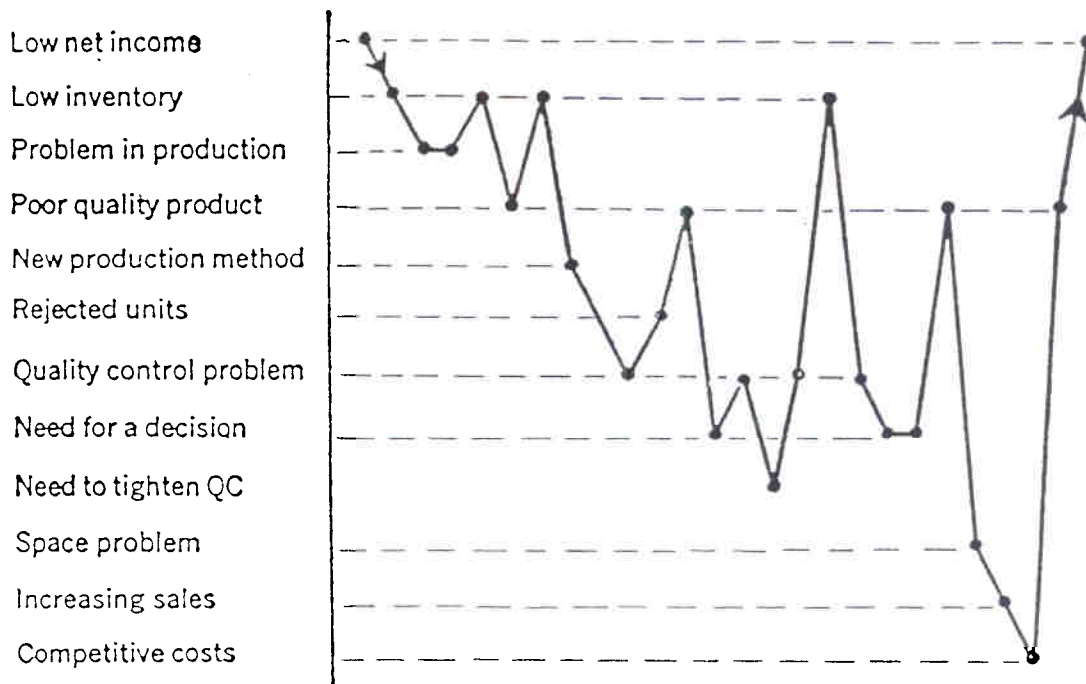
# Charles Kepner & Benjamin Tregoe

## Group of Four Managers Sequence of Discussion



# Charles Kepner & Benjamin Tregoe

## Group of Four Managers Order of Subjects



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# **MANAGERS AND INFORMATION**

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## **The Raw Material of Management is Information**

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### **INFORMATION-RELATED MANAGEMENT SKILLS**

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**Recognizing that you have a problem**

**Knowing how your problem fits into the bigger picture**

**Knowing what information you have about a problem**

**Knowing what information you don't have and how to get it**

**Knowing how to use the information that you have to the  
best advantage in solving the problem**

**Being perceptive in recognizing which information is and is  
not relevant and important**

# **KEPNER & TREGOE**

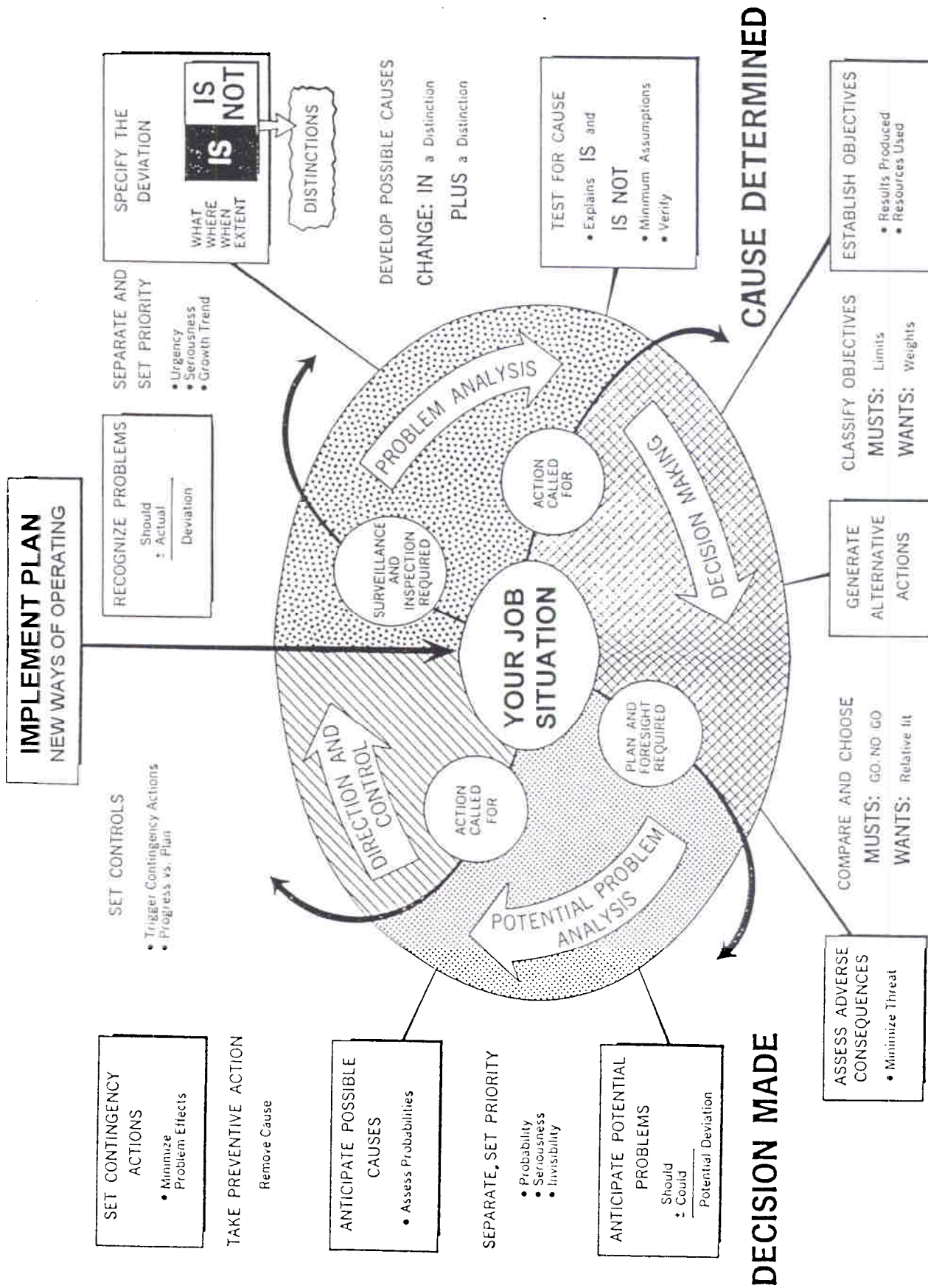
## **BASIC PROBLEM ANALYSIS CONCEPTS**

- 1. The first action required in problem analysis is for the manager to recognize problem areas. Thus the manager must have an expected standard of performance, a "should" against which to compare actual performance.**
- 2. A problem is a deviation from the standard of performance and, since there are usually numerous problems to be addressed, the manager must also be able to establish problem priorities.**
- 3. A deviation from standard must be identified and described as precisely as possible, including a description of what the problem does not include so that the problem can be bounded.**
- 4. There is always something that distinguishes that which has been affected by the cause of the problem from that which has not been affected. The manager must seek to determine what sets apart that which was affected from that which was not.**
- 5. The cause of a problem is always a change that has taken place through some distinctive feature, mechanism, or condition to produce a new, unwanted effect.**
- 6. The possible causes of a deviation should be deduced from the relevant changes found in analyzing the problem.**
- 7. The most likely cause of a deviation is one that exactly explains all the facts in the specification of the problem.**

# **KEPNER & TREGOE**

## **BASIC DECISION MAKING CONCEPTS**

- 1. The objectives of a decision must be established first.**
- 2. The objectives must be classified as to importance.**
- 3. Alternative actions must be developed; many alternatives are always available.**
- 4. The alternatives must be evaluated against the established objectives.**
- 5. The choice of the alternative best able to achieve all of the objectives represents only the tentative decision.**
- 6. The tentative decision must be explored for future possible adverse consequences (i.e., future problems resulting from an action taken).**
- 7. The effects of the final decision must be controlled by taking other actions to prevent possible adverse consequences from becoming problems, and by making sure the actions decided on are carried out.**



Charles Kepner & Benjamin Tregoe - The Rational Manager

## **In Parting ...**

### **Old Adage:**

**There's never enough time to do it right the first time,  
But there's always time to do it over . . .**

**and over . . .**

**and over . . .**

**and over . . .**

**Dr. Sang Lee, P.E.**

**Los Angeles area Mechanical Engineer:**

**The simpler, the better;**

**However,**

**complex problems invariably have answers that are  
simple, easy-to-understand, and wrong.**