Decision Making

Models of Decision Making

• The Rational Model

  – Consists of a structured four-step sequence:

  • identifying the problem
  • generating alternative solutions
  • selecting a solution
  • implementing and evaluating the solution
Simon’s Normative Model

- Based on premise that decision making is not rational

- Decision making is characterized by
  * limited information processing
  * use of rules of thumb or shortcuts
  * satisficing

Assets of Group Decision Making

- Groups can accumulate more knowledge and facts
- Groups have a broader perspective and consider more alternative solutions
- Individuals who participate in decisions are more satisfied with the decision and are more likely to support it.
- Group decision making processes serve an important communication function as well as a useful political function.
Liabilities of Group Decision Making

- Groups often work more slowly than individuals.
- Groups decisions involve considerable compromise that may lead to less than optimal decisions.
- Groups are often dominated by one individual or a small clique, thereby negating many of the virtues of group processes.
- Overreliance on group decision making can inhibit management’s ability to act quickly and decisively when necessary.

Individual vs. Group Decision Making

- In establishing objectives, groups are probably superior to individuals because of the greater amount of knowledge available to groups.
- In identifying alternatives, the individual efforts of group members encourage a broad search in various functional areas of the organization.
- In evaluating alternatives, the collective judgement of the group, with its wider range of viewpoints, seems superior to that of the individual decision maker.
Individual vs. Group Decision Making

- In *choosing an alternative*, group interaction and the achievement of consensus usually result in the acceptance of more risk than would be accepted by an individual decision maker.

- *Implementing a decision*, whether or not it was made by a group, is usually accomplished by individual managers.