

What is Decision Making?

Some Definitions

- **Decision making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker.**
- **Decision making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them.**

Kinds of Decisions

- **Decisions whether.** This is the yes/no, either/or decision that must be made before we proceed with the selection of an alternative. Should I buy a new TV? Should I travel this summer? Decisions whether are made by weighing reasons pro and con

2. Decisions which. These decisions involve a choice of one or more alternatives from among a set of possibilities, the choice being based on how well each alternative measures up to a set of predefined criteria.

- **Contingent decisions.** These are decisions that have been made but put on hold until some condition is met.
- *For example, I have decided to buy that car if I can get it for the right price; I have decided to write that article if I can work the necessary time for it into my schedule.*

Approaches to Decision Making

Authoritarian. The manager makes the decision based on the knowledge he can gather. He then must explain the decision to the group and gain their acceptance of it.

2. Group. The group shares ideas and analyses, and agrees upon a decision to implement. Studies show that the group often has values, feelings, and reactions quite different from those the manager supposes they have. No one knows the group and its tastes and preferences as well as the group itself.

Some Decision Making Strategies

- 1. Optimizing**
- 2. Satisficing**
- 3. Maximax**
- 4. Maximin**

Decision Making Procedures

- 1. Identify the decision to be made together with the goals it should achieve.**
- 2. Get the facts**
- 3. Develop alternatives**
- 4. Rate each alternative**
- 5. Rate the risk of each alternative.**
- 6. Make the decision**

General Comments on Risk Taking

- **Only the risk takers are truly free**
- **There is really no such thing as permanent security**
- **You are supposed to be afraid when you risk**
- **Risking normally involves a degree of separation anxiety**