Chapter 8
Make Good Decisions

Section One

True/False Questions

1. Decision making includes inaction.

2. Nonprogrammed decisions do not require careful consideration of alternatives.

3. Strategic decisions are usually made by operational managers.

4. Innovation and creativity are the same thing.

5. Immersion is to conscious thought as incubation is to unconscious thought.

6. Fluency refers to the quality of ideas a person is able to generate.

Multiple Choice Questions

7. Simple, straightforward, and routine decisions are known as _____.
   a. programmed decisions
   b. bounded decisions
   c. tactical decisions
   d. strategic decisions
   e. long-range decisions

8. The Almer Group announced its decision to merge with Dover Global Solutions. This is an example of a(n):
   a. short-range decision.
   b. nonprogrammed decision.
   c. operational decision.
   d. decision rule.
   e. automated decision.

9. Programmed decisions are:
   a. unique, nonroutine, and important.
b. made to set the course of an organization.
c. delivered using automated responses.
d. more intensive than nonprogrammed decisions.
e. the ones that occur less frequently.

10. Star Fashions introduced a new clothing line for women. To improve the sales of their new product offering, the company went on a major sales promotion and implemented a “buy one get one free” offer. This is an example of a(n)_____ decision.
   a. tactical
   b. strategic
   c. nonprogrammed
   d. long-range
   e. operational

11. Strategic decisions:
   a. are made each day by customer-facing staff who sell the brand.
   b. occur frequently enough that we develop an automated response to them.
   c. can have long-term impact on the growth of the organization.
   d. are particularly focused on how things will get done.
   e. are also referred to as operational decisions.

12. Who among the following is most responsible for making strategic decisions?
   a. Operational managers
   b. Front line workers
   c. Sales executives
   d. Consultants
   e. CEOs

13. Which of the following is an example of an operational decision?
   a. Should we consider a merger with our biggest competitor?
   b. How often do I go back to the stockroom to get additional products for display?
   c. Should we develop a new corporate structure?
   d. Which advertising firm should we choose for our fall advertising campaign?
   e. Should we open a new branch of our company in a different city?

14. Which of the following is an example of a tactical decision?
   a. Should we take over our competitor?
   b. How should we market the new product line?
   c. What should I say to the customers about our return policy?
   d. Should we enhance our customer service levels?
   e. How will I balance my master’s degree workload with my work assignments?
15. The _____ decision-making model describes a series of steps that decision makers should consider if their goal is to maximize the quality of their outcomes.
   a. rational
   b. contingency
   c. intuitive
   d. creative
   e. bounded rationality

16. When goals are unclear, one should use the _____ decision-making model.
   a. bounded rationality
   b. intuitive
   c. creative
   d. rational
   e. contingency

17. When one does not have or is not willing to invest much time to making the decision, one should use the _____ decision-making model.
   a. bounded rationality
   b. intuitive
   c. creative
   d. rational
   e. contingency

18. Which of the following is true regarding the rational decision-making model?
   a. It represents how decisions are frequently made within organizations.
   b. It assumes people have no perceptual biases.
   c. It urges decision makers to generate a few rational alternatives.
   d. It saves time and effort by accepting the first best alternative.
   e. It recognizes the limitations in our decision making processes.

19. The first step in the rational decision-making model is to _____.
   a. establish the decision criteria
   b. identify the problem
   c. weigh the decision criteria
   d. evaluate the decision
   e. generate alternatives

20. The most important task in the process of rational decision-making, which would otherwise lead to failure, is to _____.
   a. carry out an unrestricted search for solutions
   b. avoid using power to push one’s perspective
   c. set objectives for others to respond to
   d. establish the decision criteria before starting the search for alternatives
   e. get key people to participate

21. Satisficing is different from rational decision making in that:
a. satisficing leads to the spiral of analyzing things for too long.
b. in satisficing, the decision maker can save time by accepting the first alternative.
c. in satisficing, the search for alternatives occurs after the decision criteria are set.
d. in satisficing, conscious reasoning is not required to arrive at decisions.
e. satisficing refers to the process of continuously looking for alternatives until one is fully satisfied.

22. The decision-making process where decisions are arrived at without conscious reasoning refers to the _____ decision-making model.
   a. creative
   b. bounded rationality
   c. intuitive
   d. rational

23. The _____ decision-making model argues that, in a given situation, experts making decisions scan the environment for cues to recognize patterns, and then play a potential course of action.
   a. creative
   b. contingency
   c. intuitive
   d. rational
   e. bounded rationality

24. Which of the following scenarios is best suited for intuitive decision-making?
   a. When you can collect and quantify the information on alternatives.
   b. When you are trying to maximize the outcome.
   c. When you have time to immerse yourself in the issues.
   d. When you have time pressure and analysis paralysis would be costly.
   e. When you do not have experience with the problem.

25. _____ is the step in which the decision maker thinks about the problem consciously and gathers information.
   a. Incubation
   b. Problem identification
   c. Immersion
   d. Illumination
   e. Verification

26. During the _____ phase of creative decision making, the individual sets the problem aside and does not think about it for a while.
   a. incubation
   b. problem identification
   c. immersion
   d. illumination
   e. application
27. For effective brainstorming, _____ is not recommended.
   a. involving too many people
   b. exchanging too many ideas
   c. focusing on impossible ideas
   d. criticizing the ideas generated
   e. building on other ideas

28. _____ is recommended to avoid process losses in brainstorming.
   a. Setting high idea quotas
   b. Focusing on the first available alternative
   c. Criticizing each alternative
   d. Groupthink
   e. Including only a few people

29. When a group focuses on ideas that are impossible and then imagines what would need to happen to make them possible, it is known as _____.
   a. satisficing
   b. setting idea quotas
   c. wildstorming
   d. piggybacking
   e. anchoring

Fill in the Blanks

30. The availability of too much information can lead to _____.

31. _____ refers to accepting the first alternative that meets your minimum criteria.

32. The generation of new, imaginative ideas is _____.

33. _____, also known as the insight moment, occurs when the solution to the problem becomes apparent to the person, usually when it is least expected.

34. _____ refers to an idea’s uniqueness.

Short Answer Questions

35. Using examples, explain the difference between programmed and unprogrammed decisions.
   Students’ examples may vary.
   Programmed decisions are decisions that occur frequently enough that we develop an automated response to them. The automated response we use to make these decisions is called the decision rule. For example, many restaurants face customer complaints as a routine part of doing business. Because complaints are a recurring problem, responding to them may become a programmed decision. The restaurant
might enact a policy stating that every time they receive a valid customer complaint, the customer should receive a free dessert, which represents a decision rule.

On the other hand, unique and important decisions require conscious thinking, information gathering, and careful consideration of alternatives. These are called nonprogrammed decisions. For example, in 2005 McDonald’s Corporation became aware of the need to respond to growing customer concerns regarding the unhealthy aspects (high in fat and calories) of the food they sell. This is a nonprogrammed decision, because for several decades, customers of fast-food restaurants were more concerned with the taste and price of the food rather than its healthiness. In response to this problem, McDonald’s decided to offer healthier alternatives such as substituting French fries in Happy Meals with apple slices, and in 2007 they banned the use of trans fat at their restaurants.

36. What are strategic decisions? Give an example and indicate who usually makes it. Students’ examples may vary.

Decisions that are made to set the course of an organization are known as strategic decisions. An example of a strategic decision is to decide whether a company should acquire its competitor or not. Such decisions of high-importance are made by CEOs, boards of directors, or other top level teams.

37. State the underlying principles of the rational decision-making model and the bounded rationality model.

The rational decision-making model describes a series of steps that decision makers should consider if their goal is to maximize the quality of their outcomes. The bounded rationality model of decision making recognizes the limitations of our decision-making processes. According to this model, individuals knowingly limit their options to a manageable set and choose the first acceptable alternative without conducting an exhaustive search for alternatives.

38. Describe the intuitive decision making model. Is it suitable for novices?

The intuitive decision-making model refers to arriving at decisions without conscious reasoning. Managers make decisions under challenging circumstances, including time pressures, constraints, a great deal of uncertainty, changing conditions, and highly visible and high-stakes outcomes. They don’t decide between two or three options and choose the best one. Instead, they consider only one option at a time. The intuitive decision-making model argues that in a given situation, experts making decisions scan the environment for cues to recognize patterns. Novices are not able to make effective decisions this way, because they do not have enough prior experience to draw upon.

39. Name the three factors that are used to evaluate the level of creativity in the decision-making process.

The three factors that researchers focus on to evaluate the level of creativity in the decision-making process are: fluency, or the number of ideas a person is able to
generate; flexibility, or how different the ideas are from one another; and originality, or how unique a person’s ideas are.

Section Two

True/False Questions

40. Hindsight bias is the opposite of framing bias.

41. Selective reconstruction of events leads to overconfidence bias.

Multiple Choice Questions

42. Overconfidence bias refers to the tendency of people to:
   a. rely too much on a single piece of information.
   b. overestimate their ability to predict future events.
   c. be influenced by the way problems are framed.
   d. be on a failing course of action after information reveals it may be a poor path to follow.
   e. look backward in time and realize their mistakes after they have already occurred.

43. Which of the following is true regarding overconfidence bias?
   a. It becomes a problem especially when judging someone else’s decisions.
   b. Job seekers often fall into this trap by focusing on a desired salary.
   c. Overconfidence bias diminishes as accuracy diminishes.
   d. It produces less number of errors than hindsight bias.
   e. It leads to less successful negotiations.

44. Which of the following is recommended to avoid overconfidence bias?
   a. Checking how far you are being realistic in your judgments
   b. Selectively reconstructing the events
   c. Periodically evaluating an initially sound decision
   d. Looking beyond the way a problem is framed or presented
   e. Having strict turning back points

45. _____ occurs when looking backward in time and mistakes seem obvious after they have already occurred.
   a. Escalation of commitment
   b. Anchoring
   c. Hindsight bias
   d. Overconfidence bias
   e. Framing bias
46. The tendency for decision makers to be influenced by the way a problem is presented is known as _____.
   a. escalation of commitment
   b. anchoring
   c. hindsight bias
   d. overconfidence bias
   e. framing bias

47. The tendency for decision makers to be influenced by relying heavily on a single piece of information is known as _____.
   a. escalation of commitment
   b. anchoring
   c. hindsight bias
   d. overconfidence bias
   e. framing bias

48. Selling products for prices such as $99 rather than $100, or $999 rather than $1,000 can lead to the formation of _____ among prospective buyers.
   a. escalation of commitment
   b. anchoring
   c. hindsight bias
   d. overconfidence bias
   e. framing bias

49. When making a purchase, customers find it easier to let go of a discount as opposed to accepting a surcharge. This is an example of _____.
   a. escalation of commitment
   b. anchoring
   c. hindsight bias
   d. overconfidence bias
   e. framing bias

50. Chris, Terry, and Bob planned for a weekend movie at Savoy Cinemas and purchased the tickets. Later they read the reviews and found out that the movie was a flop at the box office and decided to cancel their plans. However, they were not able to get a refund for their tickets. So, instead of wasting the money they had spent on the tickets, they decided to watch the movie. They went and watched the movie because of _____.
   a. escalation of commitment
   b. anchoring
   c. hindsight bias
   d. overconfidence bias
   e. framing bias

51. Escalation of commitment occurs because:
a. decision makers do not want to admit they were wrong.
b. strict turn back points have been established.
c. persistence pays off.
d. decision makers lack personal pride.
e. decision makers continue to invest in a prudent decision.

52. Escalation of commitment is also known as the “_____ fallacy.”
   a. spin-off costs
   b. opportunity costs
   c. sunken costs
   d. explicit costs
   e. abandonment costs

Fill in the Blanks

53. _____ bias becomes a problem especially when judging someone else’s decisions.

54. Creating an organizational climate where individuals do not fear admitting that their initial decision no longer makes economic sense would go a long way in preventing _____.

Short Answer Questions

55. What is overconfidence bias? Give an example.
   Students’ examples may vary.
   Overconfidence bias occurs when individuals overestimate their ability to predict future events. Many people exhibit signs of overconfidence. For example, 82% of the drivers surveyed feel they are in the top 30% of safe drivers, 86% of students at the Harvard Business School say they are better looking than their peers, and doctors consistently overestimate their ability to detect problems. Much like a friend who is always 100% sure he can pick the winners of this week’s football games despite evidence to the contrary, these individuals are suffering from overconfidence bias.

56. Explain hindsight bias with an example.
   Students’ examples may vary.
   Hindsight bias is the opposite of overconfidence bias, as it occurs when looking backward in time where mistakes made seem obvious after they have already occurred. In other words, after a surprising event occurred, many individuals are likely to think that they already knew this was going to happen. For example, let’s say a company driver hears the engine making unusual sounds before starting her morning routine. Being familiar with this car in particular, the driver may conclude that the probability of a serious problem is small and continue to drive the car. During the day, the car malfunctions, stranding her away
from the office. It would be easy to criticize her decision to continue to drive the car because, in hindsight, the noises heard in the morning would make us believe that she should have known something was wrong and she should have taken the car in for service. However, the driver may have heard similar sounds before with no consequences, so based on the information available to her at the time, she may have made a reasonable choice.

57. What is meant by anchoring? Who often falls into this trap?
   Anchoring refers to the tendency for individuals to rely too heavily on a single piece of information. Job seekers often fall into this trap by focusing on a desired salary while ignoring other aspects of the job offer such as additional benefits, fit with the job, and working environment.

Section Three

True/False Questions

58. Group decisions are often less effective than those made by individuals.

59. Group decisions regularly outperform the decision of the group’s best member.

60. Diversity in top management is good for an organization’s bottom line.

61. Process losses can be avoided in group decision making.

62. Groupthink is characterized by symptoms like questioning the morality of the group.

63. Groupthink is common in organizations that encourage their members to express their dissent.

64. Nominal Group Technique (NGT) is used to structure group meetings when members are grappling with problem solving or idea generation.

Multiple Choice Questions

65. The tendency to avoid a critical evaluation of ideas that the group favors is called _____.
   a. anchoring
   b. groupthink
   c. analysis paralysis
   d. wildstorming
   e. decision rule

66. Which of the following is true regarding group decision making?
   a. Group decision making is faster than individual decision making.
b. Groups rarely outperform the best member in the group.
c. Groups make it easier to achieve accountability for decisions.
d. Groups generate fewer ideas than individuals.
e. Groups are the preferred way to avoid process losses.

67. The decision-making technique designed to help with group decision making by ensuring that all members participate fully is called the _____.
   a. majority rule principle
   b. consensus principle
   c. Delphi technique
   d. Nominal Group Technique
   e. satisficing technique

68. Which of the following is true about the Nominal Group Technique?
   a. It is unique because it is a group process using written responses to a series of questionnaires instead of physically bringing individuals to make a decision.
   b. Following the four steps of this technique helps avoid groupthink.
   c. It is a technique to be used routinely in all meetings.
   d. Its first step involves members asking for and giving clarification.
   e. It focuses on making the core group agree to the first available alternative that meets the minimum criteria.

69. _____ is the first step in Nominal Group Technique.
   a. Making evaluative statements
   b. Writing down ideas
   c. Gathering ideas
   d. Asking for and giving clarifications
   e. Holding discussions on the ideas

70. Which of the following is the last step in the Nominal Group Technique?
   a. Each member of the group independently and silently writes down ideas.
   b. Members vote for their favorite ideas.
   c. All the ideas are gathered.
   d. Each member of the group responds to questions asked by the facilitator.
   e. Members ask for and give clarifications.

71. The _____ technique is to be used to structure group meetings when members are grappling with problem solving or idea generation.
   a. majority rule
   b. Delphi
   c. groupthink
   d. Nominal Group
   e. consensus
72. A group process that utilizes written responses to a series of questionnaires instead of physically bringing individuals together to make a decision and ends when the group reaches a consensus is referred to as the _____.

a. majority rule principle
b. Delphi technique
c. groupthink technique
d. Nominal Group Technique
e. satisficing principle

73. Which of the following is true regarding the Delphi technique?

a. It enables the selection of the option with the greatest number of votes.
b. It is used when the goal is to gain support for an idea or plan of action.
c. The responses are never anonymous, and this discourages members from expressing their dissent.
d. This decision-making rule involves physically bringing individuals together to make a decision.
e. It uses written responses to a series of questionnaires.

74. Which of the following is true regarding majority rule?

a. It uses only written responses to a series of questionnaires.
b. The process ends only when the group reaches a consensus.
c. It does not provide representational fairness.
d. It is not popular because it is very time-consuming.
e. Each member of the group is given a single vote.

75. The interactive systems that are able to combine communication and decision technologies to help groups make better decisions are known as _____.

a. Group Decision Support Systems
b. consensus building systems
c. knowledge information systems
d. decision trees
e. collective rationalization points

Fill in the Blanks

76. _____ of out-groups are seen when groups discount rivals’ abilities to make effective responses.

77. _____ on any member who expresses strong arguments against any of the group’s commitments is a symptom of groupthink.

78. Systems for managing knowledge in organizations, supporting creation, capture, storage, and dissemination of information are known as _____.

Short Answer Questions
79. Do groups make better decisions than individuals?  
   It depends on the specifics of the situation. What research does tell us however is  
   that groups, particularly those that are diverse, often make better decisions than  
   individuals because more options are considered. When groups make decisions,  
   they are often implemented much more easily because those involved in the  
   process have already “bought into” the decision. What must be guarded against is  
   the group becoming too cohesive and not evaluating alternatives critically but  
   simply accepting them because the group supports them.

80. What are the differences between a majority rule and consensus?  
   Majority rule refers to a decision-making rule in which each individual within a  
   group gets a vote and whatever alternative receives the most votes, wins. It is  
   considered effective and is simple, speedy, easy to use, and fair.  
   Consensus is a decision-making rule that groups use when the goal is to gain  
   support for an idea or plan of action. This process requires more time and focuses  
   on the aspect of plan support.