Lesson 6.13

NON RATIONAL DECISION MAKING

Non-Rational Models

The **non-rational models** of managerial decision making suggest that information-gathering and processing limitations make it difficult for managers to make optimal decisions.

1. The **Satisficing model,** developed in the 1950s by Novel Prize winning economist Herbert Simon, holds that managers seek alternatives only until they find one that looks satisfactory, rather than seeking the optimal decision.
   a. **Bounded rationality** means that the ability of managers to be perfectly rational in making decisions is limited by such factors as cognitive capacity and time constraints.
   b. Actual decision making is not perfectly rational because of
      1) Inadequate information
      2) Time and cost factors
      3) The decision maker's own misperceptions or prejudices
      4) Limited human memory
      5) Limited human data-processing abilities.

Satisficing can be appropriate when the cost of delaying a decision or searching for a better alternative outweighs the likely payoff from such a course.

The **incremental model** holds that managers make the smallest response possible that will reduce the problem to at least a tolerable level.

a. Managers can make decisions without processing a great deal of information.
b. Incremental strategies are usually more effective in the short run than in the long run.

The **garbage-can model** of decision making holds that managers behave in virtually a random pattern in making non-programmed decisions.

a. Factors that determine decisions include the particular individuals involved in the decisions, their interests and favorite solutions to problems, as well as any opportunities they stumble upon.
b. The garbage-can approach is often used in the absence of solid strategic management and can lead to severe problems.

Group Decision making:

A. Decisions on all levels of organization are frequently made by groups.

Group decision making has several advantages and disadvantages over individual decision making.

1. Some **advantages** of group decision making include:
   a) Groups bring more diverse information and knowledge to bear on the question under consideration.
   b) An increased number of alternatives can be developed.
   c) Greater understanding and acceptance of the final decision are likely.
   d) Members develop knowledge and skill for future use.
2. Group decision making has several **disadvantages** when compared to individual decision making.
   a) Group decision making is more time consuming.
   b) Disagreements may delay decisions and cause hard feelings.
   c) The discussion may be dominated by one or a few group members.
   d) **Groupthink** is the tendency in cohesive groups to seek agreement

about an issue at the expense of realistically appraising the situation.

B. Managers can enhance group decision-making processes by taking steps to avoid the pitfalls of group decision making.

1. Individuals should be involved only if they have information and knowledge relevant to the decision.
2. The composition of the group should reflect the diversity of the broader workgroup. Heterogeneous groups have been found to be more effective over time than groups with the same nationality and ethnic backgrounds.

3. Two tactics are available to avoid group-think
    a. **Devil's advocates** are individuals who are assigned the role of making sure than the negative aspects of any attractive decision alternatives are considered.
    b. **Dialectical inequity is** a procedure in which a decision situation is approached from two opposite points of view.

