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Management, 13e **(Robbins)**
Chapter 2 Managers as Decision Makers

1) Abby listened to the weather report this morning before work. As a result, she drove her car and carried an umbrella instead of riding her motorcycle to work. Whether she realizes it or not, Abby _____.
A) analyzed criteria
B) implemented a decision
C) assigned weights to criteria
D) evaluated a decision
Answer: B
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

2) Which of the following statements is true concerning problem identification?
A) Problems are generally obvious.
B) A symptom and a problem are one and the same.
C) Generally, what is a problem for one manager is a problem for all other managers.
D) Effectively identifying problems is not easy.
Answer: D
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

3) Sales of the high-end units have declined. The owners want Arnold, the CEO, to increase revenues to previous levels. His first action should be _____.
A) to identify previous sales levels
B) to determine why sales are off
C) to compare costs for three new models under development
D) to immediately begin production on the lowest cost model
Answer: B
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

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4) After identifying a problem, the next step in the decision-making process is _____.
A) identifying decision criteria
B) allocating weights to decision criteria
C) analyzing alternatives
D) developing alternatives
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

5) Belinda wants to introduce a new model to the product line. Three models are being developed. Belinda can choose only one. She has decided to focus on target market size, production costs, and net profits. These are Belinda's _____.
A) alternatives
B) criterion weights
C) decision criteria
D) problems
Answer: C
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

6) To determine the _____, a manager must determine what is relevant or important to resolving a problem.
A) bounded rationality of a decision
B) escalation of commitment
C) cost of implementation
D) decision criteria
Answer: D
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

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7) Amanda, a single parent, is looking for a new job. Considering that she has two school-going children, she is particularly keen on finding an employer who can provide her with alternative work arrangements such as flexible work hours and telecommuting. In terms of the decision-making process, these represent Amanda's _____.
A) decision criteria
B) problems
C) alternatives
D) heuristics
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

8) Max is planning to go away to college next year and is currently trying to figure out which colleges he should apply to. He would like to major in English Literature at an accredited liberal arts college, but is also looking for a university that offers financial aid. In terms of the decision-making process, these represent Max's _____.
A) problems
B) alternatives
C) decision criteria
D) heuristics
Answer: C
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

9) After identifying the decision criteria that are important or relevant to resolving a problem, the next step in the decision-making process is _____.
A) allocating weights to the criteria
B) analyzing the alternatives to solving the problem
C) reducing the number of criteria through the process of elimination
D) implementing the alternative
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

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10) Bryan must select a new supplier for lighting fixtures for his company's mobile homes. He has decided quality is more important than price but price is more important than lead times. Bryan will use these priorities to _____.
A) analyze alternatives
B) set his decision criteria
C) allocate weights to the criteria
D) develop alternatives
Answer: C
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

11) Creativity is most essential in which of the following steps of the decision-making process?
A) analyzing alternatives
B) allocating weights to the decision criteria
C) developing alternatives
D) identifying decision criteria
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

12) Carla is searching the Internet for sources for an unusual grain used in the production of an artisan bread. Carla is at the _____ step in the decision making process.
A) identify-the-problem
B) identify-decision-criteria
C) allocate-weights
D) develop-alternatives
Answer: D
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

13) In the decision-making process, while _____, the decision maker puts the decision into action by conveying it to those affected by it and getting their commitment to it.
A) selecting an alternative
B) evaluating a decision's effectiveness
C) implementing an alternative
D) analyzing alternatives
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

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14) Carla has identified several possible sources for an unusual grain for her artisan bread. Now she is comparing their prices, quality, and delivery times. At what step is she in the decision-making process?
A) develop alternatives
B) analyze alternatives
C) select an alternative
D) implement the alternative
Answer: B
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

15) Which of the following is important in effectively implementing the chosen alternative in the decision-making process?
A) evaluating each alternative by using the established criteria
B) being creative while implementing the alternatives
C) allowing those impacted by the outcome to participate in the process
D) ignoring criticism concerning your chosen alternative
Answer: C
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

16) The final step in the decision-making process is to _____.
A) determine the criteria for the next decision
B) analyze the process of allocating weights to the decision criteria
C) evaluate the outcome of the decision
D) implement the chosen alternative
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

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17) It is important for Diane to review the results of her decision to increase production of Model 36CKTS because _____.
A) she was unsure of her decision
B) she wants to impress her supervisor
C) results may vary from expectations
D) she doesn't trust her subordinates to maintain quality at the higher production levels
Answer: C
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Application

18) The decision-making process begins by identifying decision criteria.
Answer: FALSE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

19) A decision criterion defines what is important or relevant to resolving a problem.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

20) In the decision-making process, after allocating weights to the decision criteria, the decision maker lists viable alternatives that could resolve the problem.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

21) Once the alternatives to solving a problem have been identified, the next step in the decision-making process is selecting one of these alternatives.
Answer: FALSE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

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22) Implementing an alternative refers to the process of choosing the best alternative.
Answer: FALSE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

23) List and discuss the eight steps in the decision-making process.
Answer:
1. Identify a problem - The decision-making process begins with the existence of a problem or a discrepancy between an existing and a desired state of affairs. However, a discrepancy without pressure to take action becomes a problem that can be postponed.
2. Identify decision criteria - Once the manager has identified a problem that needs attention, the decision criteria important to resolving the problem must be identified. That is, managers must determine what is relevant in making a decision.
3. Allocate weights to the criteria - The decision maker must weigh the items in order to give them the correct priority in the decision. A simple approach of doing this is to give the most important criterion a weight of 10 and then assign weights to the rest against that standard.
4. Develop alternatives - The fourth step requires the decision maker to list the viable alternatives that could resolve the problem. No attempt is made in this step to evaluate the alternative, only to list them.
5. Analyze alternatives - Once the alternatives have been identified, the decision maker must critically analyze each one. From this comparison, the strengths and weaknesses of each alternative become evident.
6. Select an alternative - The sixth step involves choosing the best alternative from among those considered.
7. Implement the alternative - Implementation involves conveying the decision to those affected by it and getting their commitment to it. If the people who must carry out a decision participate in the process, they are more likely to enthusiastically support the outcome than if they are just told what to do.
8. Evaluate decision effectiveness - The last step in the decision-making process involves appraising the outcome of the decision to see if the problem has been resolved. If the desired result has not been achieved, the manager may consider returning to a previous step or may even consider starting the whole decision process over.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.1: Describe the eight steps in the decision-making process
Classification: Concept

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24) Managers are assumed to use _____ if they make logical and consistent choices to maximize value.
A) rational decision making
B) intuitive decision making
C) bounded rationality
D) evidence-based management
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

25) Dylan must choose among four candidates to fill his open accounting clerk position. If Dylan uses rational decision making, he will _____.
A) disregard the fact the one of the candidates is the owner's nephew
B) rely on his initial impressions of the candidates to make this decision
C) use his extensive experience and accumulated judgment to make his decision
D) select the candidate who attended the college of his best worker
Answer: A
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

26) It is assumed that a rational decision maker _____.
A) faces unclear and ambiguous problems
B) is unlimited by his or her ability to process information
C) is unaware of all the possible alternatives and consequences
D) is fully objective and logical
Answer: D
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

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27) Abigail is shopping for a new copier for her company. She has set her price range between $5,000 and $6,000. The copier must handle a minimum of 10,000 copies per month and have a useful life expectancy of five years. If Abigail selects the first copier she finds that meets these criteria, we would say she is _____.
A) using perfect rationality
B) using bounded rationality
C) using intuition
D) satisficing
Answer: D
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Application

28) When managers make decisions that are rational but limited by their ability to process the information, they are following the concept of _____.
A) cognitive decision making
B) bounded rationality
C) escalation of commitment
D) intuitive decision making
Answer: B
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

29) Evelyn's Internet search for information about "vendor for machine screws" yielded more than 100,000 items. Evelyn did not have time or resources to pursue each of these so she limited her search to only vendors in her state. By doing this, Evelyn used _____.
A) perfect rationality
B) bounded rationality
C) satisficing
D) intuition
Answer: B
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Application

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30) Managers cannot possibly analyze all information on all alternatives; they tend to _____, rather than _____.
A) maximize; satisfice
B) neutralize; satisfice
C) satisfice; neutralize
D) satisfice; maximize
Answer: D
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

31) _____ results in a solution that is considered "good enough."
A) Escalating
B) Linear thinking
C) Intuition
D) Satisficing
Answer: D
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

32) Julie is keen on joining Columbia University to pursue a master's degree in economics. However, after three months of applying and waiting for an acceptance letter, she finally decides to attend NYU, which was one of her backup colleges. This is an example of _____.
A) maximizing
B) neutralizing
C) minimizing
D) satisficing
Answer: D
Diff: 2
AACSB: Application of knowledge
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Classification: Application

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33) Edgar hired a graduate from his alma mater, thinking he would be a successful first line supervisor. Unfortunately the new hire hasn't worked out as well as hoped. Edgar decided to invest time and money in training for the new hire but saw little improvement. Next he assigned a successful supervisor to mentor the young employee. The problems persisted. Edgar is displaying _____.
A) bounded rationality
B) irrational behavior
C) poor judgment
D) escalation of commitment
Answer: D
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Application

34) Farrell has a knack for selecting candidates who become very successful workers. When asked how he does it, he answered that he "listened to his gut." Farrell is really _____.
A) using his intuition
B) using bounded rationality
C) using perfect rationality
D) satisficing
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Application

35) Which of the following is an aspect of intuition?
A) experienced-based decisions
B) quality-initiated decisions
C) science-based decisions
D) programmed decisions
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

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36) Intuitive decision making _____.
A) is the systematic use of the best available evidence to improve decision making practice
B) generally results in poor decisions and hence managers should learn to ignore their gut feelings
C) is the process of making decisions based on experience, feelings, and accumulated judgment
D) complements rational decision making but not bounded rational decision making
Answer: C
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

37) Gilda has an idea that would streamline operations, reduce costs, and increase profits. Her idea requires the cooperation of several departments, some of which have demonstrated a resistance to change. By considering the context in which the changes must happen and the people in her organization, Gilda is using _____.
A) evidence-based management
B) bounded rationality
C) intuition
D) positive employee relations
Answer: A
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Application

38) Farrah has called together her management team to review information about customer satisfaction gathered by an external research company. Farrah is engaging in _____.
A) perfect rationality
B) bounded rationality
C) evidence-based management
D) relationship management
Answer: C
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Application

39) One assumption of rational decision making is that the decision maker is not aware of all possible alternatives and consequences.
Answer: FALSE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

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40) According to the concept of bounded rationality, managers make decisions rationally, but are limited by their ability to process information.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

41) The phenomenon of escalation of commitment refers to an increased commitment to a previous decision despite evidence that it may have been wrong.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

42) Intuitive decision making complements rational decision making but not bounded rational decision making.
Answer: FALSE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

43) Briefly, discuss the assumptions of rationality and the validity of those assumptions.
Answer: A decision maker who is perfectly rational is fully objective and logical. The problem faced is clear and unambiguous. The decision maker has a clear and specific goal. He is aware of all possible alternatives and consequences. Making decisions consistently leads to selecting the alternative that maximizes the likelihood of achieving that goal.
These assumptions apply to any decision – personal or managerial. For managerial decision making, an additional assumption is that decisions are made in the best interests of the organization. However, most of these assumptions of rationality are not very realistic.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

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44) What is meant by bounded rationality and satisficing?
Answer: Despite the unrealistic assumptions of perfect rationality, managers are expected to be rational when making decisions. It is understood that "good" decision makers are supposed to do certain things and exhibit good decision-making behaviors as they identify problems, consider alternatives, gather information, and act decisively but prudently. When they do so, they show others that they are competent and that their decisions are the result of intelligent deliberation. However, a more realistic approach to describing how managers make decisions is the concept of "bounded rationality." According to this concept, managers make decisions rationally, but are limited by their ability to process information.
Because they cannot possibly analyze all information on all alternatives, managers "satisfice," rather than maximize. That is, they accept solutions that are "good enough." Thus, they become rational within the limits of their ability to process information.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

45) What is intuitive decision-making? How does intuition affect the process of making a decision?
Answer: Intuitive decision making is the process of making decisions on the basis of experience, feelings, and accumulated judgment. Intuitive decision making can complement both rational and bounded rational decision making. A manager who has had experience with a similar type of problem or situation often acts quickly with limited information because of that past experience. Managers who experienced intense feelings and emotions when making decisions actually achieved higher decision-making performance, especially when they understood their feelings as they were making decisions.
Diff: 2
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.2: Explain the four ways managers make decisions
Classification: Concept

46) _____ are straightforward, familiar, and easily defined.
A) Programmed problems
B) Structured problems
C) Non-structured problems
D) Nonprogrammed problems
Answer: B
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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47) Garrett looked at the list of orders for the coming week and made out the production schedule. He has done this so many times he could do it in his sleep. This situation represents _____.
A) a structured problem
B) an unstructured problem
C) a linear problem
D) a programmed problem
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

48) Structured problems align well with which type of decisions?
A) programmed
B) analogous
C) organic
D) nonlinear
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

49) A(n) _____ decision is a repetitive decision that can be handled by a routine approach.
A) nonprogrammed
B) structured
C) unstructured
D) programmed
Answer: D
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

50) Harriet's machine has stopped working again. She consulted the operator's manual troubleshooting guide to find a solution. Harriet used _____.
A) a programmed decision
B) a non-programmed decision
C) a structured decision
D) a non-structured decision
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

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51) A procedure _____.
A) is an explicit statement that tells a manager what can or cannot be done
B) is a series of sequential steps a manager uses to respond to a structured problem
C) is used mainly for unstructured, rather than structured, problems
D) is subject to the interpretation of the decision maker
Answer: B
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

52) One of the workers in Henry's department submitted his two weeks' notice so Henry needs to hire a replacement. The HR department issued a set of instructions Henry must follow to initiate the search for candidates. In other words, there is a _____ Henry must follow.
A) policy
B) practice
C) procedure
D) program
Answer: C
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

53) A(n) _____ is an explicit statement that tells a manager what can or cannot be done.
A) agenda
B) objective
C) rule
D) solution
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

54) "All employees must be at their work stations and ready to work by the time the buzzer sounds." This is an example of _____.
A) a policy
B) a procedure
C) a practice
D) a rule
Answer: D
Diff: 1
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

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55) A policy _____.
A) typically serves as a guideline for decision making by setting general parameters
B) specifically states what should or should not be done
C) is a series of sequential steps a manager uses to respond to a structured problem
D) is used when dealing with unstructured problems and non-programmed decisions
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

56) "We expect to maintain the highest standards of quality in our workmanship." This is an example of _____.
A) a procedure
B) a rule
C) a policy
D) a practice
Answer: C
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

57) A(n) _____ typically contains an ambiguous term that leaves interpretation up to the decision maker.
A) rule
B) procedure
C) edict
D) policy
Answer: D
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

58) "Smoking and the consumption of alcohol are strictly prohibited inside the work premises." This is most likely an example of a(n) _____.
A) rule
B) objective
C) procedure
D) policy
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

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59) Unstructured problems _____.
A) refer to the usual problems faced by organizations
B) are generally solved using procedures, rules, and policies
C) are accompanied by ambiguous or incomplete information
D) do not require the decision maker to go through an involved decision process
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

60) After nearly 30 years of growth, sales at Ida's company have begun to decline. None of the managers have been able to determine the cause. Some say the entire economy is in recession; others blame a change in suppliers; still others say the work ethic among employees just isn't what it used to be. This is an example of _____.
A) a structured problem
B) an unstructured problem
C) a programmed problem
D) a non-programmed problem
Answer: B
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

61) Nonprogrammed decisions _____.
A) involve standardized solutions
B) are usually made by lower-level managers
C) are associated with clear and specific goals
D) are unique and nonrecurring
Answer: D
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

62) When problems are _____, managers must rely on _____ in order to develop unique solutions.
A) structured; nonprogrammed decision making
B) structured; pure intuition
C) unstructured; nonprogrammed decision making
D) unstructured; programmed decision making
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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63) Lower-level managers typically confront _____.
A) unstructured problems
B) new and unusual problems
C) programmed decisions
D) nonprogrammed decisions
Answer: C
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

64) Ian is a plant manager in a multi-site corporation. He often deals with situations involving new customers and new products. These are often _____.
A) non-linear problems and risky decisions
B) structured problems and programmed decisions
C) uncertain problems and linear decisions
D) unstructured problems and unprogrammed decisions
Answer: D
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

65) _____ is a situation where a manager has the ability to make accurate decisions because the outcome of every alternative is known.
A) Certainty
B) Risk
C) Bureaucracy
D) Contingency
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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66) It is time for Jane to order aluminum tubing again. She typically orders from one of three vendors. She knows the price, delivery time, and quality of each vendor. In this situation, Jane has _____.
A) certainty
B) uncertainty
C) risk
D) structure
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

67) The manager of an apparel store estimates how much to order for the current spring season based on last spring's sales figures. The store manager is operating under which of the following decision-making conditions?
A) uncertainty
B) risk
C) structure
D) certainty
Answer: B
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

68) _____ is a situation in which a decision maker cannot make reasonable probability estimates.
A) Necessity
B) Risk
C) Uncertainty
D) Certainty
Answer: C
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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69) In the late 1970s, Apple launched the Apple computer for individual use. It was a radical concept; there was no precedent for this type of product. Under these circumstances, Apple faced a situation of _____.
A) certainty
B) uncertainty
C) risk
D) necessity
Answer: B
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

70) Which of the following best describes the psychological orientation of an individual making a "maximax" choice?
A) optimist
B) cynic
C) pessimist
D) defeatist
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

71) James has calculated the possible profits from three different scenarios for the expansion of his recreation park, each for a different amount of advertising and promotion. He has chosen to implement the scenario that offers the greatest profit. James has decided to _____.
A) maximax
B) maximin
C) minimax
D) minimin
Answer: A
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

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72) What is the psychological orientation of a decision maker who makes a "maximin" choice?
A) optimist
B) realist
C) pessimist
D) idealist
Answer: C
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

73) Depending on the weather and the amount of advertising, Kyle has developed six scenarios for his summer profits from his lawn care business. His business has failed to reach his expectations in the past, so he fears the worst. Kyle will likely choose the option that _____.
A) maximizes the maximum possible payoff
B) maximizes the minimum possible payoff
C) minimizes the maximum regret
D) minimizes the minimum losses
Answer: B
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Application

74) A programmed decision is a repetitive decision that can be handled by a routine approach.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

75) Rules and procedures are the same.
Answer: FALSE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

76) A policy is an explicit statement that tells a manager what can or cannot be done.
Answer: FALSE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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77) Nonprogrammed decision making relies on procedures, rules, and policies.
Answer: FALSE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

78) Risk is the condition in which a decision maker is able to estimate the likelihood of certain outcomes.
Answer: TRUE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

79) Discuss structured problems, programmed decisions, unstructured problems, and nonprogrammed decisions.
Answer: Some problems are straightforward. The decision maker's goal is clear, the problem is familiar, and information about the problem is easily defined and complete. Hence, these are called structured problems. For instance, when a server spills a drink on a customer's coat the customer is upset and the manager needs to do something. Because it is not an unusual occurrence, there is some standardized routine for handling it. For example, the manager offers to have the coat cleaned at the restaurant's expense. This is called a programmed decision, a repetitive decision that can be handled by a routine approach. Because the problem is structured, the manager does not have to go to the trouble and expense of going through an involved decision process.
Not all the problems managers face can be solved using programmed decisions. Many organizational situations involve unstructured problems, which are problems that are new or unusual and for which information is ambiguous or incomplete. Whether to build a new manufacturing facility in China is an example of an unstructured problem. When problems are unstructured, managers rely on nonprogrammed decision making in order to develop unique solutions. Nonprogrammed decisions are unique and nonrecurring and involve custom-made solutions. Lower-level managers mostly rely on programmed decisions because they confront familiar and repetitive problems. As managers move up the organizational hierarchy, the problems they confront become more unstructured. However, few managerial decisions in the real world are either fully programmed or nonprogrammed. Most fall somewhere in between.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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80) Discuss the three types of programmed decisions that a manager depends on to resolve structured problems.
Answer: Usually a manager relies on one of three types of programmed decisions to counter structured problems: procedure, rule, or policy.
A procedure is a series of sequential steps a manager uses to respond to a structured problem. Identifying the problem is a bit difficult. Once it is clear, so is the procedure. For instance, a purchasing manager receives a request from a warehouse manager for 15 PDA handhelds for the inventory clerks. The purchasing manager knows how to make this decision by following the established purchasing procedure.
A rule is an explicit statement that tells a manager what can or cannot be done. Rules are frequently used because they are simple to follow and ensure consistency. For example, rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and fairly.
The third type of programmed decisions is a policy, which is a guideline for making a decision. In contrast to a rule, a policy establishes general parameters for the decision maker rather than specifically stating what should or should not be done. Policies typically contain an ambiguous term that leaves interpretation up to the decision maker.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

81) Discuss the three different decision-making conditions that managers usually face.
Answer: When making decisions, managers usually face three different conditions: certainty, risk, and uncertainty.
a. Certainty - The ideal situation for making decisions is one of certainty, which is a situation where a manager can make accurate decisions because the outcome of every alternative is known.
b. Risk - These are conditions in which the decision maker is able to estimate the likelihood of certain outcomes. Under risk, managers have historical data from past personal experiences or secondary information that lets them assign probabilities to different alternatives.
c. Uncertainty - This is a situation in which a decision maker has neither certainty nor reasonable probability estimates available. Under these conditions, the choice of alternative is influenced by the limited amount of available information and by the psychological orientation of the decision maker. An optimistic manager follows a maximax choice (maximizing the maximum possible payoff); a pessimist follows a maximin choice (maximizing the minimum possible payoff); and a manager who desires to minimize his maximum "regret" opts for a minimax choice.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.3: Classify decisions and decision-making conditions
Classification: Concept

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82) The _____ thinking style is characterized by a person's preference for using external data and facts and processing this information through rational, logical thinking to guide decisions and actions.
A) linear
B) non-linear
C) programmed
D) non-programmed
Answer: A
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

83) The _____ thinking style is characterized by a preference for internal sources of information and processing this information with internal insights, feelings, and hunches to guide decisions and actions.
A) non-programmed
B) nonlinear
C) linear
D) programmed
Answer: B
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

84) Before making a decision, Kathryn gathers as much information as she can then analyzes it to check for trends and patterns. Kathryn prefers _____.
A) linear thinking
B) non-linear thinking
C) intuitive thinking
D) judgmental thinking
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

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85) Rules of thumb that managers use to simplify decision making are known as _____.
A) heuristics
B) folksonomies
C) algorithms
D) sophisms
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

86) Lucas always seems to "know" exactly what to do in any given situation. At least that's what he'll tell you. But his ideas don't always work and his overall performance as scored by his supervisor isn't nearly as great as he thinks it is. Lucas is exhibiting the _____.
A) selective perception bias
B) the anchoring effect
C) self-serving bias
D) overconfidence bias
Answer: D
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

87) Many new car buyers choose to buy a car with little or no money down and payments for many years because of the _____.
A) overconfidence bias
B) immediate gratification bias
C) framing bias
D) availability bias
Answer: B
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

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88) The _____ describes how decision makers fixate on initial information as a starting point and then, once set, fail to adequately adjust for subsequent information.
A) anchoring effect
B) selective perception effect
C) confirmation bias
D) framing bias
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

89) Sophie is in charge of recruitment at her company. During a particular interview, the first thing Sophie noticed about the applicant was that he was improperly attired. Though the candidate possessed the necessary qualifications and effectively answered all her questions, Sophie rejected him. This is an example of the _____.
A) availability bias
B) self-serving bias
C) anchoring effect
D) confirmation bias
Answer: C
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

90) Lila believes the global climate is changing. Every storm, every volcano eruption, every earthquake is, in her mind, evidence of this climate change. Lila has fallen victim to _____.
A) framing bias
B) selective perception bias
C) confirmation bias
D) representation bias
Answer: B
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

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91) When decision makers seek out information that reaffirms their past choices and discount information that contradicts past judgments, they are exhibiting the _____.
A) hindsight bias
B) availability bias
C) representation bias
D) confirmation bias
Answer: D
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

92) Mildred was persuaded by a fast-talking salesperson to carry an expensive brand of yarns in her retail needlecraft shop. Seldom does a customer buy this brand, but on those rare occasions Mildred tells herself she made the right decision. The yarns have been sitting on the shelf for several months and she has yet to profit from them. Mildred suffers from the _____.
A) immediate gratification bias
B) selective perception bias
C) confirmation bias
D) hindsight bias
Answer: C
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

93) The _____ occurs when decision makers select and highlight certain aspects of a situation while excluding others.
A) framing bias
B) availability bias
C) representation bias
D) confirmation bias
Answer: A
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

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94) It hasn't rained in several days; therefore it is unlikely to rain today. This is an example of the _____.
A) self-serving bias
B) availability bias
C) representation bias
D) randomness bias
Answer: B
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

95) The premier of Transylvania prefers darkened rooms, flinches in bright light, and has unusually long incisors. His political opponents claim he is a vampire. This is an example of the _____.
A) representation bias
B) confirmation bias
C) selective perception bias
D) randomness bias
Answer: A
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

96) Whenever anyone praises Mark for his good performance, he has the tendency to attribute his success to his personal qualities such as his ability to thrive under pressure and his eye for detail. However, any negative performance feedback is always met with excuses such as unsupportive team members or insufficient time. This is an example of the _____.
A) self-serving bias
B) confirmation bias
C) representation bias
D) hindsight bias
Answer: A
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

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97) "There are no coincidences. If something bad has happened to you, you must have done something to deserve it." This statement might be made by someone with the _____.
A) framing bias
B) self-serving bias
C) availability bias
D) randomness bias
Answer: D
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

98) "We can't stop now. We've already invested $100,000 in the project." This speaker is acting on the _____.
A) anchoring effect
B) availability bias
C) representation bias
D) sunk costs error
Answer: D
Diff: 2
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

99) Martie had arranged for a high-profile speaker to deliver the keynote address at her college's annual function. However, due to unforeseen circumstances, the speaker was forced to drop out at the last moment. Martie reacts to this news by saying, "I knew all along that this would happen." This is an example of the _____.
A) anchoring effect
B) availability bias
C) self-serving bias
D) hindsight bias
Answer: D
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Application

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100) The anchoring effect describes when decision makers fixate on initial information as a starting point and then, once set, fail to adequately adjust for subsequent information.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

101) The availability bias describes the actions of decision makers who try to create meaning out of random events.
Answer: FALSE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

102) The sunk costs error occurs when decision makers forget that current choices cannot correct the past.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

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103) Explain any six decision biases or errors that managers make.
Answer:
Overconfidence bias: When decision makers tend to think they know more than they do or hold unrealistically positive views of themselves and their performance.
Immediate gratification bias: Decision makers tend to want immediate rewards and to avoid immediate costs.
Anchoring effect occurs when decision makers fixate on initial information as a starting point and then, once set, fail to adequately adjust for subsequent information. First impressions, ideas, prices, and estimates carry unwarranted weight relative to information received later.
Selective perception bias: When decision makers selectively organize and interpret events based on their biased perceptions.
Confirmation bias: Decision makers seek out information that reaffirms their past choices and discount information that contradicts past judgments. These people tend to accept at face value information that confirms their preconceived views and are critical and skeptical of information that challenges these views.
Framing bias: When decision makers select and highlight certain aspects of a situation while excluding others.
Availability bias: When decisions makers tend to remember events that are the most recent and vivid in their memory.
Representation bias: When decision makers assess the likelihood of an event based on how closely it resembles other events or sets of events.
Randomness bias: Decision makers try to create meaning out of random events.
Sunk costs error: When decision makers forget that current choices cannot correct the past.
Self-serving bias: Decision makers take credit for their successes and blame failure on outside factors.
Hindsight bias: The tendency for decision makers to falsely believe that they would have accurately predicted the outcome of an event once that outcome is actually known.
Diff: 3
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.4: Describe different decision-making styles and discuss how biases affect decision making
Classification: Concept

104) A few decades ago, Walmart opened stores in Germany. After a few years, it closed all of them. The shopping habits of Europeans differed so much from that of Americans that the stores could not become profitable. What was Walmart's mistake?
A) It did not understand cultural differences.
B) It did not create standards for good decision making.
C) It did not know when it was time to call it quits.
D) It did not use an effective decision-making process.
Answer: A
Diff: 3
AACSB: Application of knowledge
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Application

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105) To make effective decisions in today's fast-moving world, managers need to _____.
A) build organizations that shun complexity
B) know when it is time to call it quits
C) ignore cultural differences
D) build organizations that rely on their past successes
Answer: B
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Concept

106) An effective decision-making process _____.
A) focuses on matters of importance
B) focuses on consistency more than logic
C) avoids subjective and intuitive thinking
D) is complex but reliable
Answer: A
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Concept

107) Design thinking suggests that managers should look at problem identification collaboratively and integratively with the goal of _____.
A) unveiling a rational approach to address the situation
B) analyzing the situation with deductive reasoning
C) developing solutions which somehow seem inevitable
D) gaining a deep understanding of the situation
Answer: D
Diff: 3
AACSB: Reflective thinking
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Concept

108) Managers need to understand cultural differences to make effective decisions in today's fast-moving world.
Answer: TRUE
Diff: 1
AACSB: Reflective thinking
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Concept

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109) Design thinking is an interesting new line of thinking with broad implications for making effective business decisions by integrating emotional elements into the process.
Answer: TRUE
Diff: 2
AACSB: Reflective thinking
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Concept

110) What can a manager do to make effective decisions in today's fast-moving world?
Answer: The following are a few guidelines that a manager can adhere to in order to make effective decisions in today's fast-moving world:
a. Understand cultural differences.
b. Know when it is time to call it quits.
c. Use an effective decision-making process.
d. Build an organization that can spot the unexpected and quickly adapt to the changed environment.
Diff: 2
AACSB: Reflective thinking; Written and oral communication
Learning Obj.: LO 2.5: Identify effective decision-making techniques
Classification: Concept

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