

INTRODUCTION

Business Decision Making

foi



FACULTY OF
**ORGANIZATION
AND INFORMATICS**

Organization of teaching hours in semester

- **12** weeks of teaching hours, **2 hours** per week
- Structure of each week:
 - Theoretical background of the topic (prepared)
 - Assignment for points

Elements	Points (max.)
Decision-making style assignment	5
Decision-making process assignment	5
Organizational structure assignment	5
Creativity assignment and Critical thinking	10
SAM/PC assignment	10
Decision-making under uncertainty and risk	10
AHP assignment	15
Other assignments (unannounced)	20
Exam	20
TOTAL	100

THE STRUCTURE

- What is decision-making?
- Basic decision types
- Decision makers
- The decision-making process
- Main managerial functions

What is **Business Decision Making** course about?

1. How to make decision on concrete problem? **NORMATIVE THEORY**
2. Dealing with the **context** of the problem and **decision-maker**. **DESCRIPTIVE THEORY**



Big bang Theory: PS4 vs Xbox



Joey covers Monica and Chandler!



WHAT IS **DECISION MAKING**?

- Decision making is a part of our **everyday** lives – both, professional and private
- Each **activity** implemented by people is a product of earlier decision-making process, or it is a decision-making process itself
- Ability to make decisions increases with **experiences** during the time



BASIC **DECISION TYPES**

- **Programmed decisions** tend to be well structured, routine and repetitive, occurring on a regular basis.
 - They are usually made at lower levels in the organisation,
 - They have short-term consequences and
 - They are based on readily available information
 - Frequently simple formulae can be applied to the situation
 - Examples of programmed decisions include ordering raw materials or office supplies and calculating holiday pay, sick pay...



BASIC **DECISION TYPES**

- **Non-programmed decisions**, in contrast, are new and unstructured and consequently a previously established decision rule cannot be applied:
 - The organisation has no established procedures or records for dealing with the decision
 - They tend to occur at higher levels in the organisation,
 - have long-term consequences and require a degree of judgement and creativity.
 - Examples of nonprogrammed decisions include the decision to try an unproven technology or to expand into a previously unknown market.



BASIC **DECISION TYPES**

- **Programmed decisions**

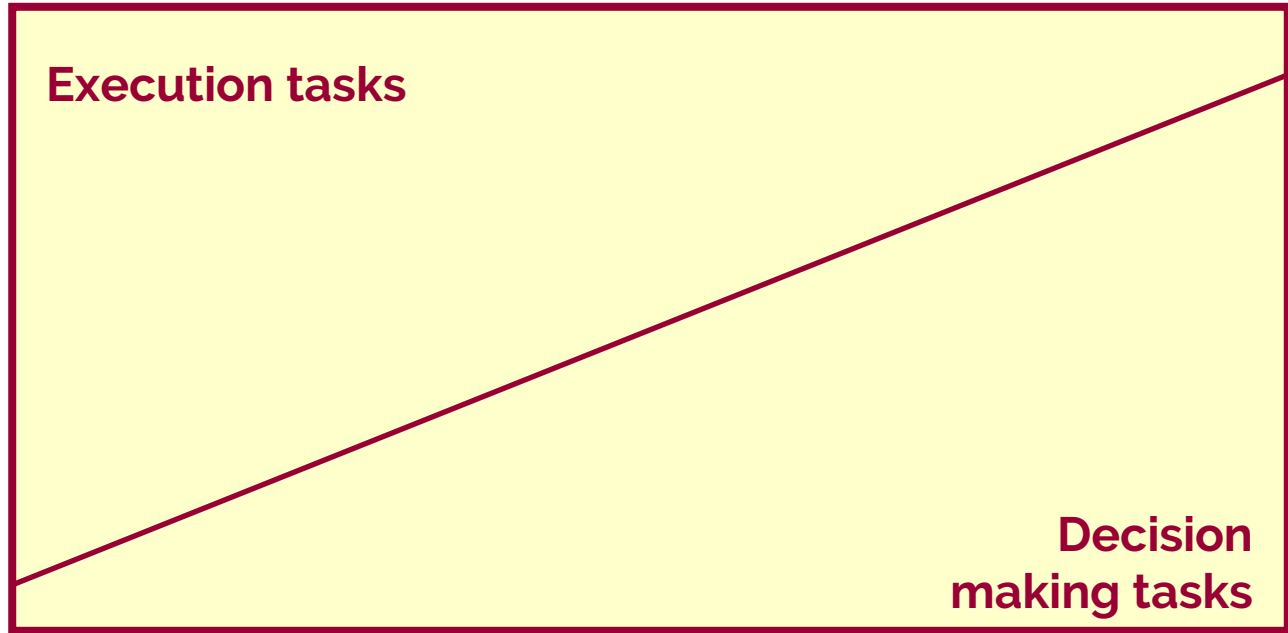
- Well structured
- Routine
- Information available
- Taken at lower levels
- Short time frame
- Decision rules and set procedures used

- **Non-programmed decisions**

- Poorly structured
- New
- Little information
- Taken at higher levels
- Long time frame
- Judgements and creativity used

While these two types of decision are clearly distinguishable, they represent a **continuum** from programmed to non-programmed, rather than being exclusive categories. Many decisions will contain elements of each category.

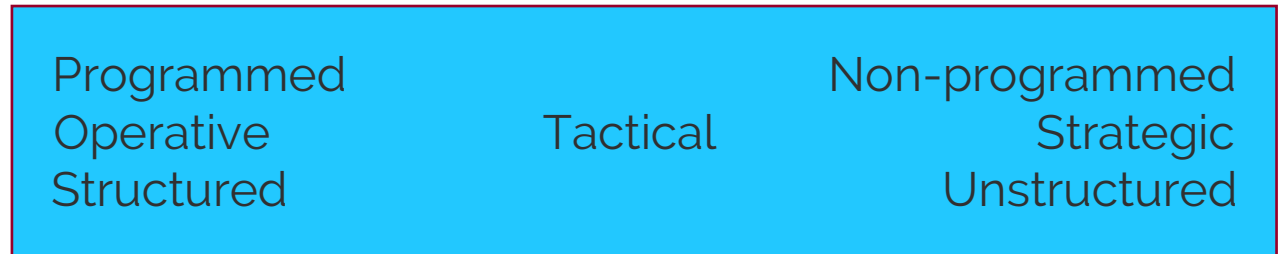
RELATION
BETWEEN
LEVEL OF
MANAGEMENT AND
TASK TYPES



Executive
working places

Managerial
working places

Decisions



DECISION MAKERS

- Considering the abilities of decision makers, there are four decision makers types
 - Decision maker which does not know that (s)he does not know
 - Decision maker which knows that (s)he does not know
 - Decision maker which does not know that (s)he knows
 - Decision maker which knows that he knows
- Think:
 - Which decision maker type is the most dangerous?
 - Which decision maker type is the most wanted?
 - Which decision maker type is the most insecure?



DECISION MAKING **PROCESS**

