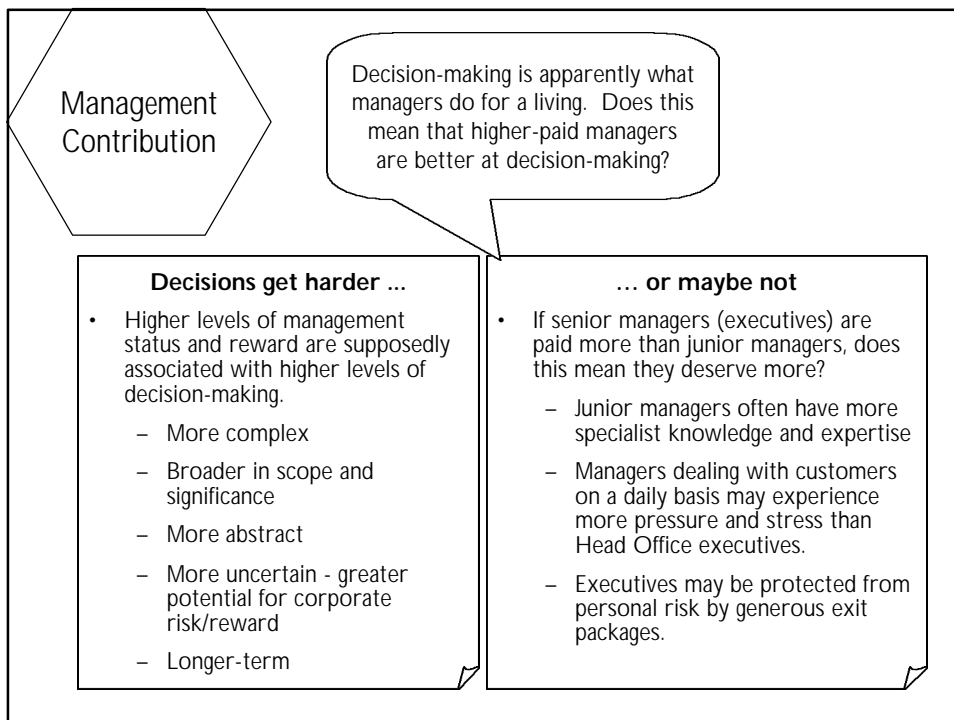
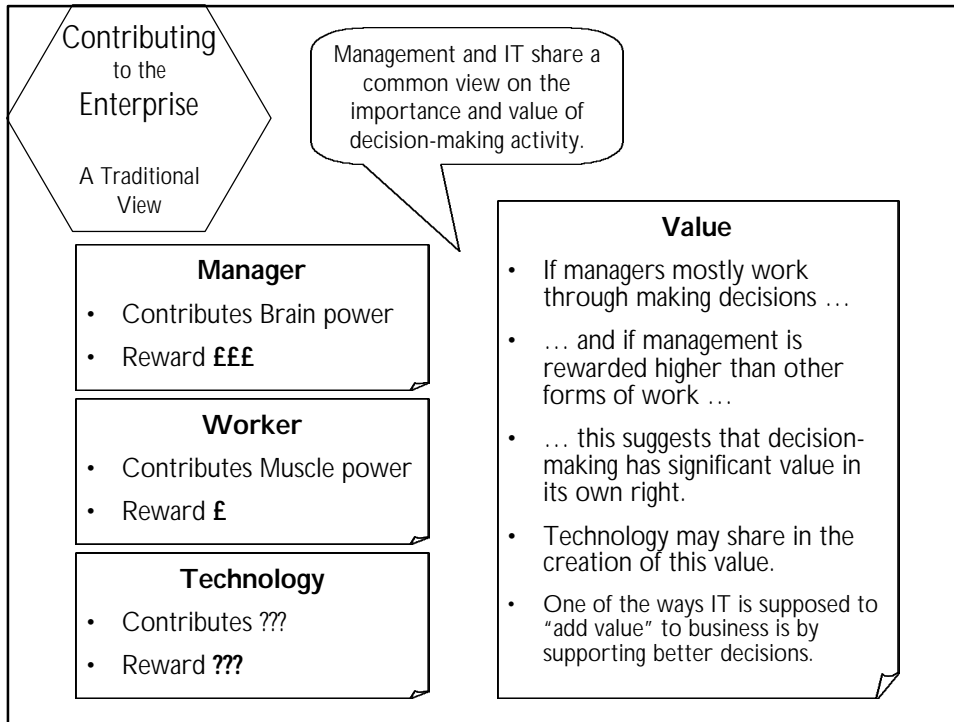
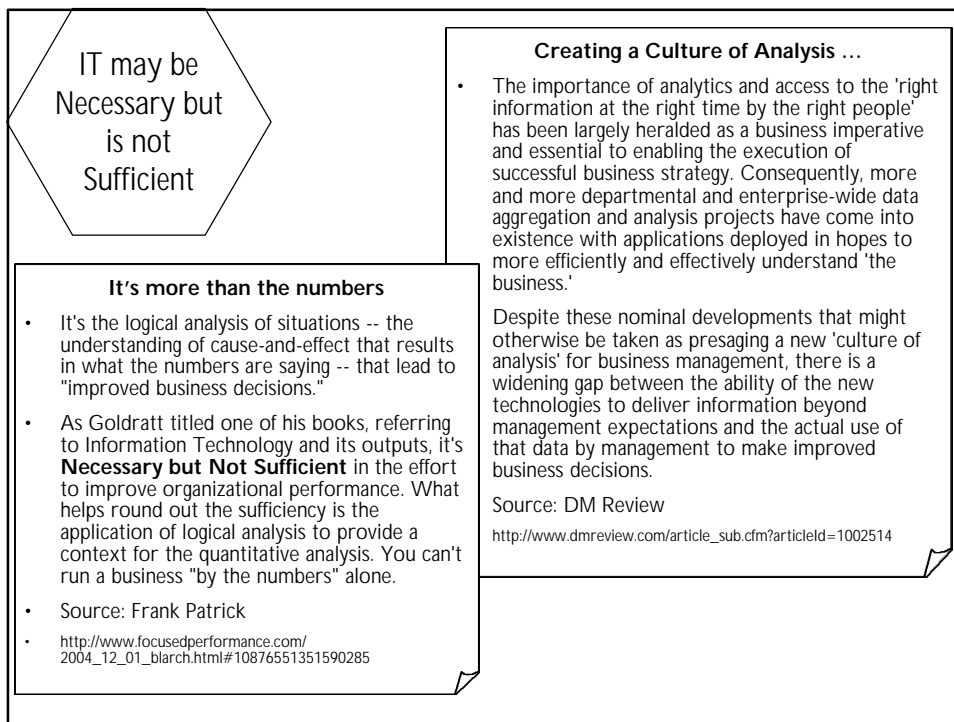
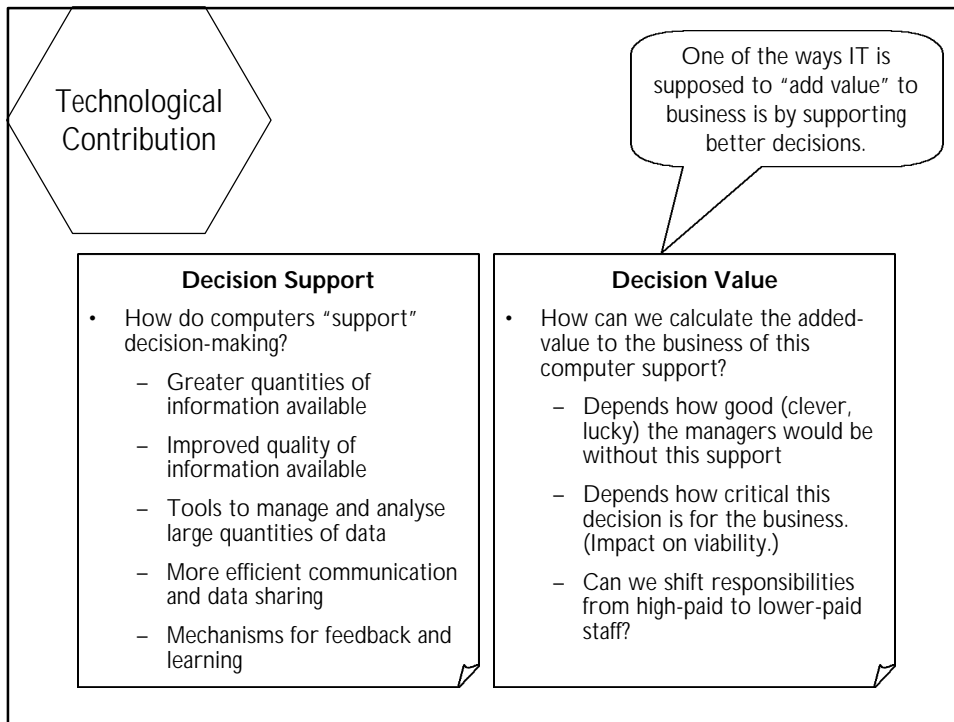
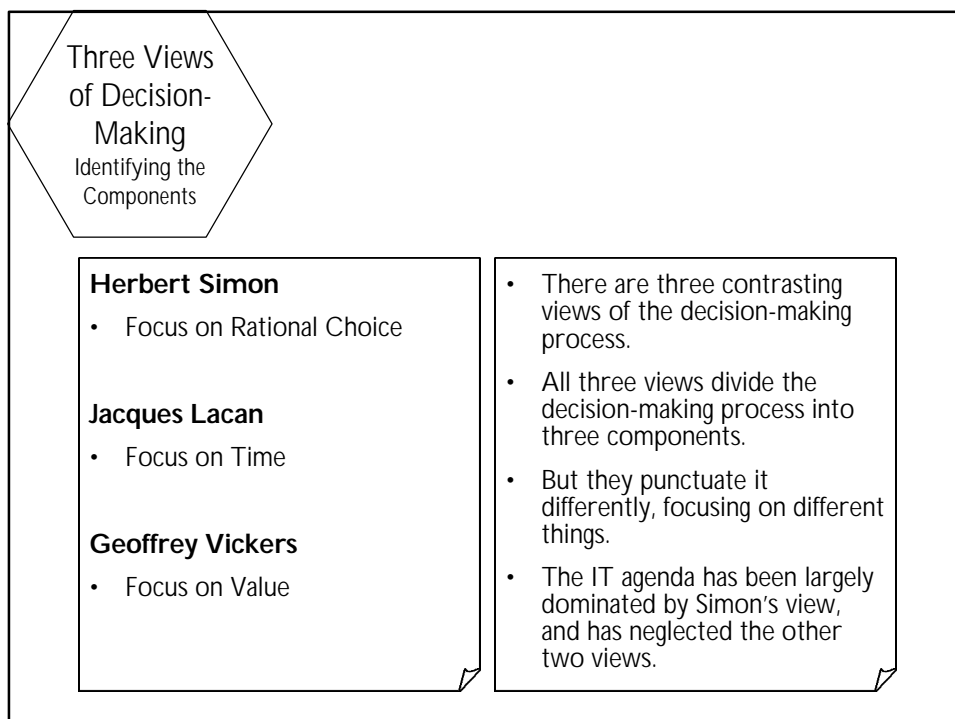
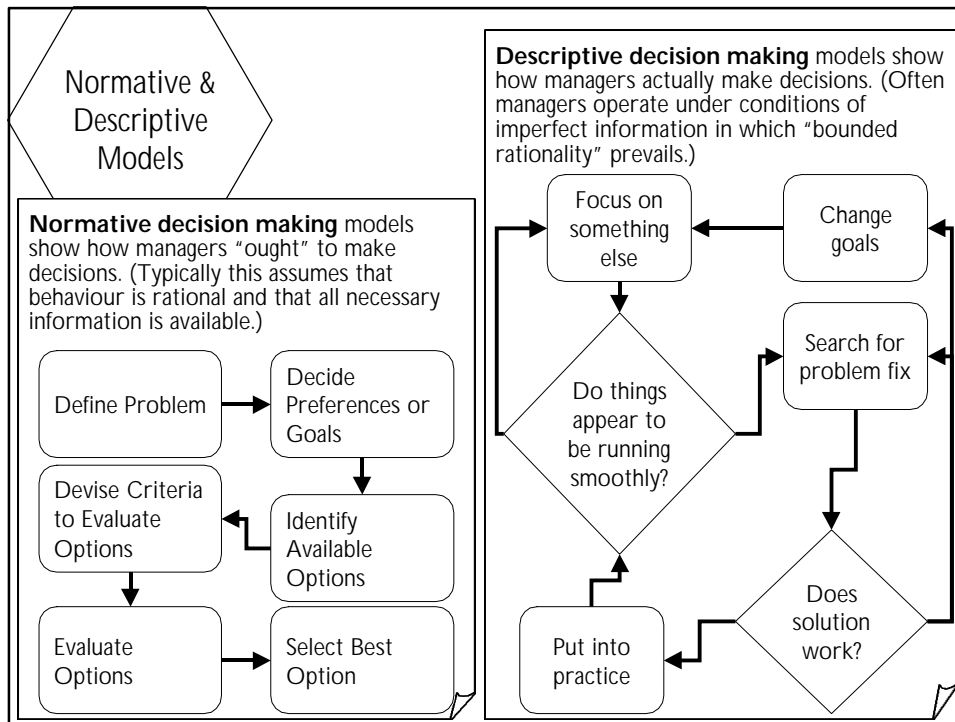


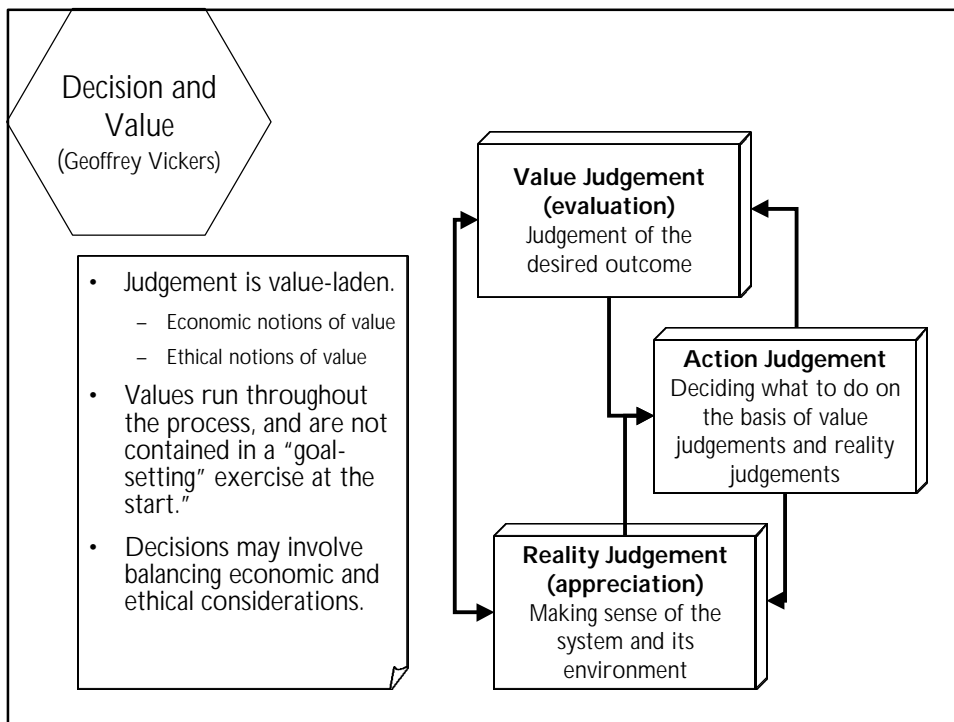
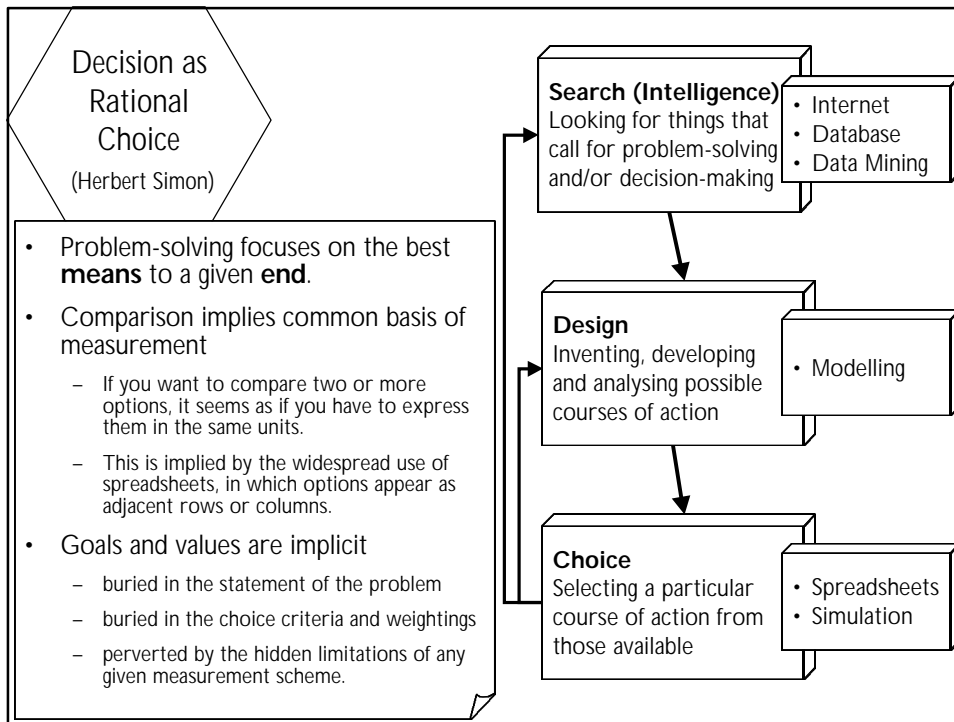
## Agenda

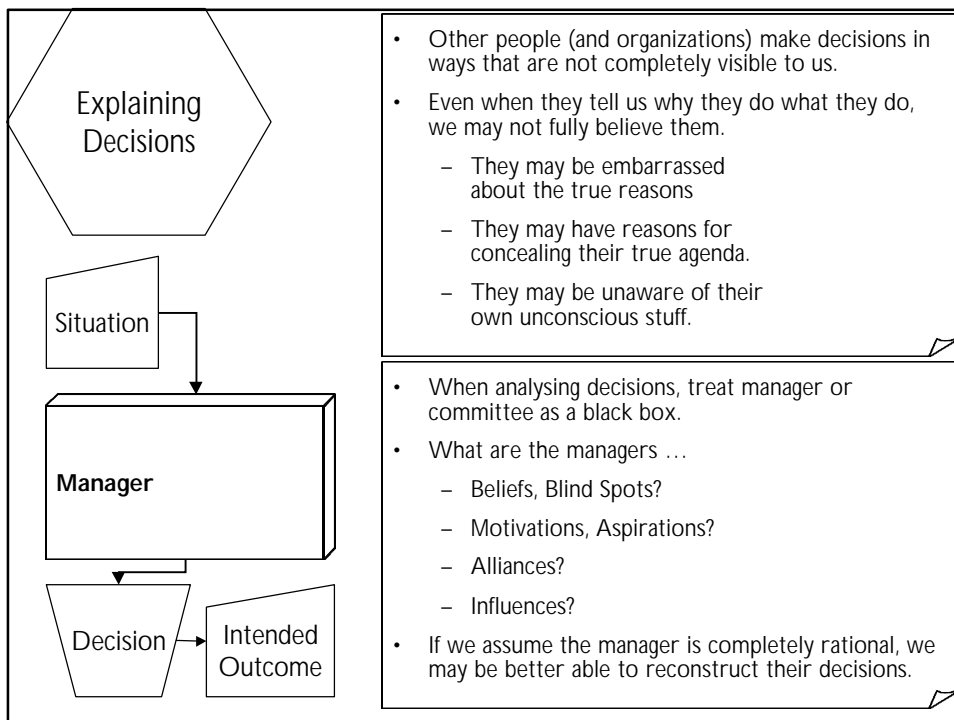
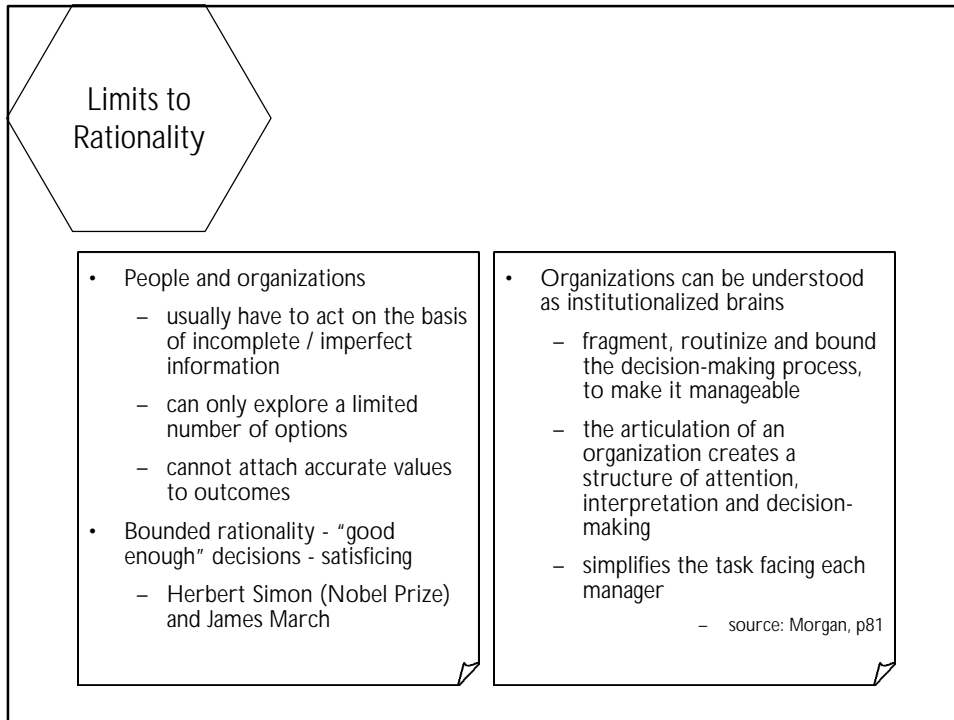
Topics	Questions
<ul style="list-style-type: none"> <li>• Three Views of Decision-Making                             <ul style="list-style-type: none"> <li>- Simon, Vickers, Lacan</li> </ul> </li> <li>• Value                             <ul style="list-style-type: none"> <li>- Economic, Ethical</li> </ul> </li> <li>• Risk &amp; Reward</li> <li>• Rationality                             <ul style="list-style-type: none"> <li>- Bureaucratic, Bounded</li> </ul> </li> <li>• Information Systems and Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Can every decision be reduced to a financial wager?</li> <li>• Can decisions ever be perfect? How can we evaluate a decision?</li> <li>• Professor Dumbledore tells Harry Potter: "It is our choices that show what we truly are." How do organizations reveal themselves by the decisions (or non-decisions) they make?</li> </ul>

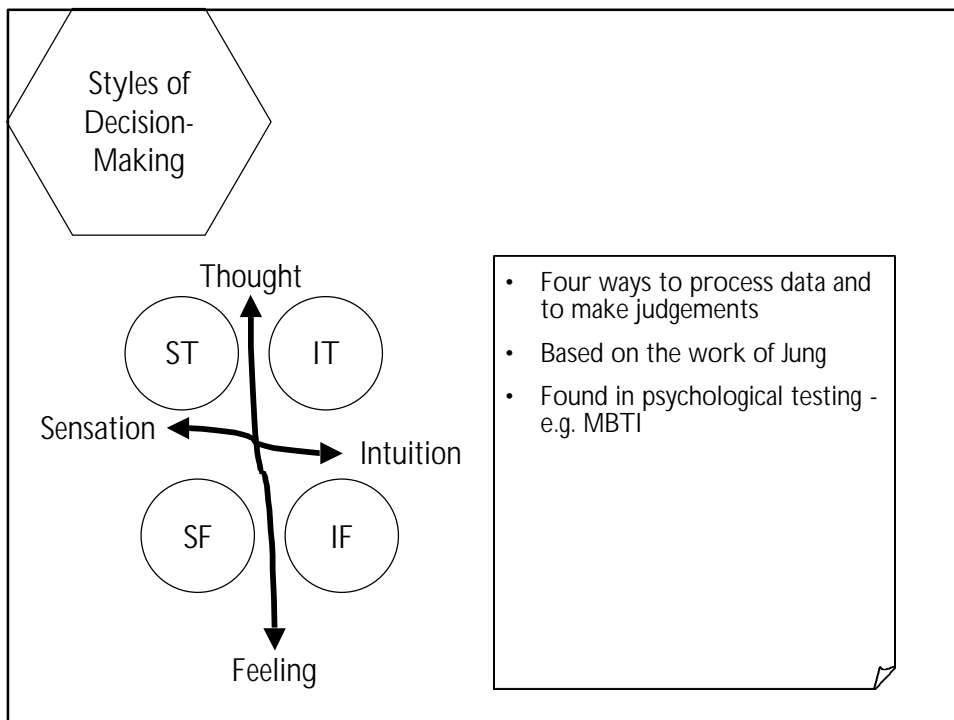
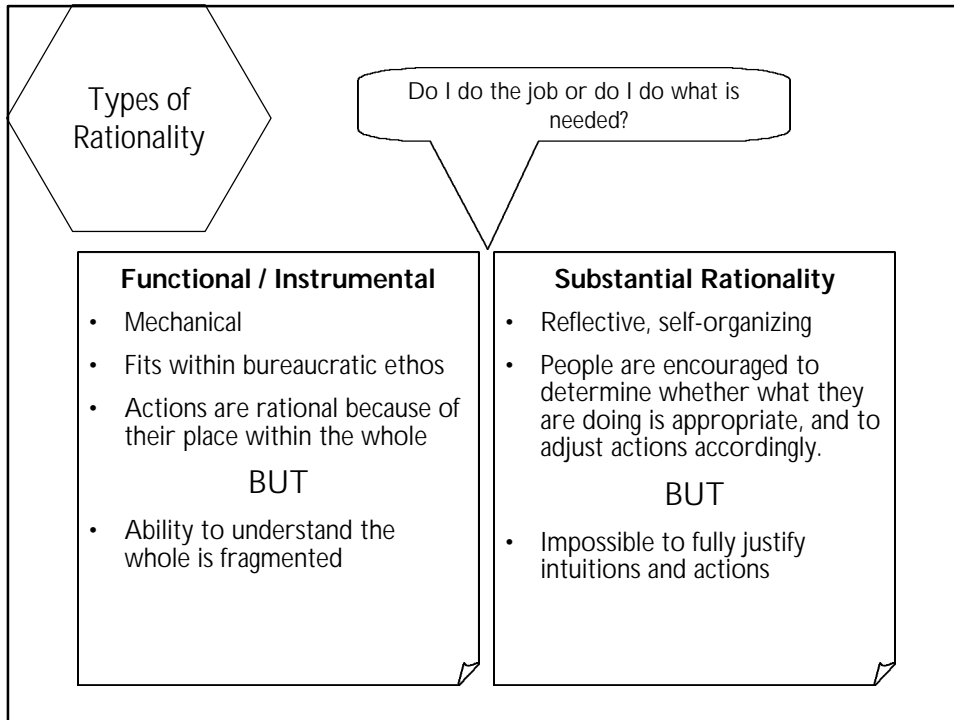


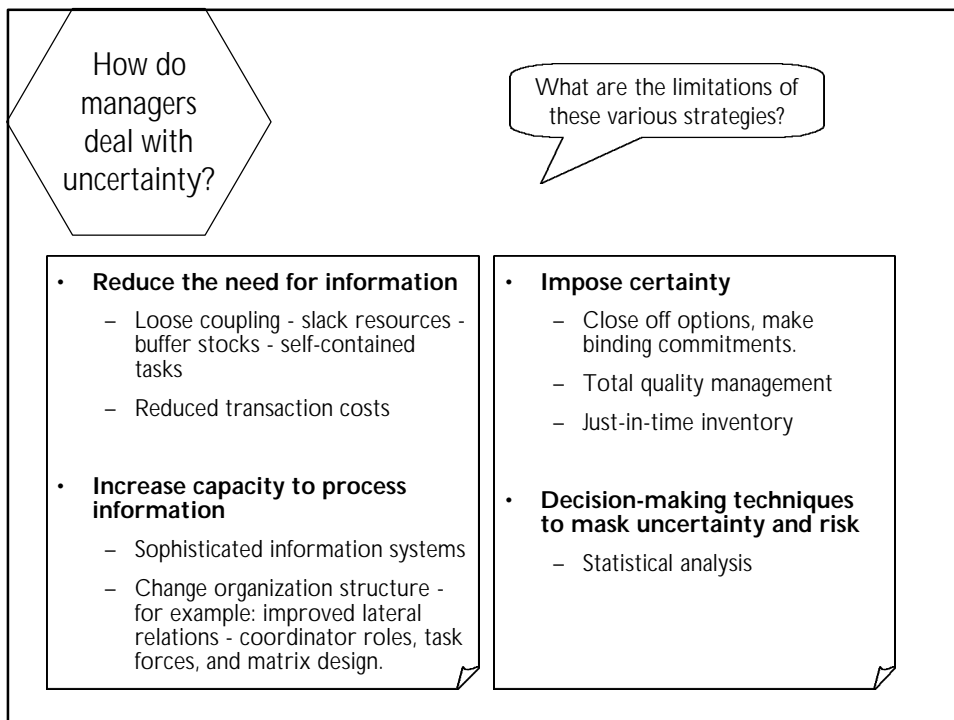
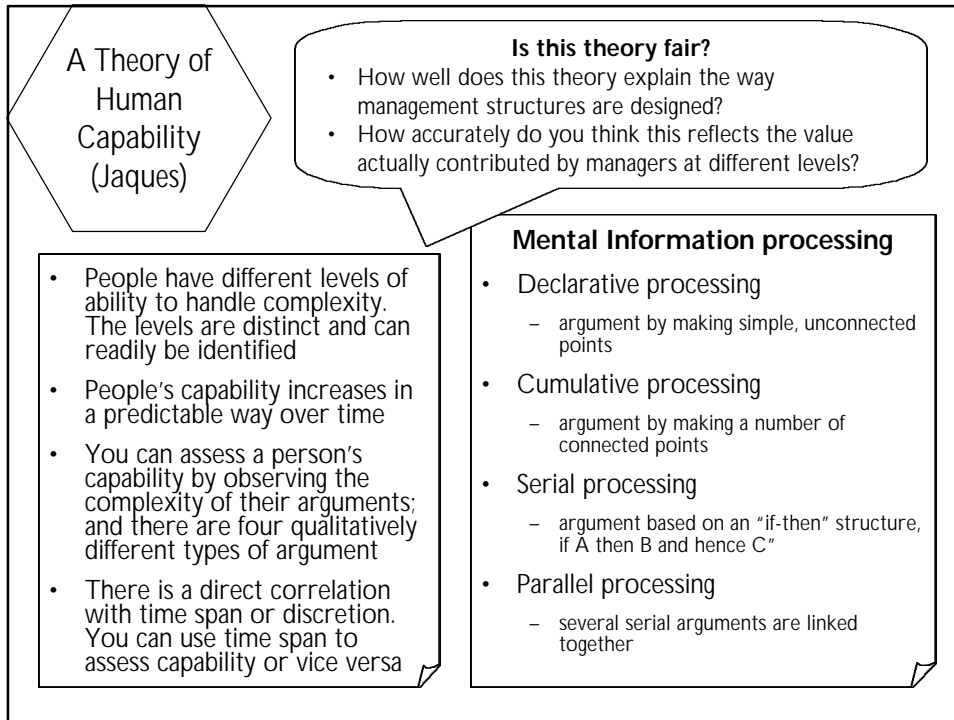




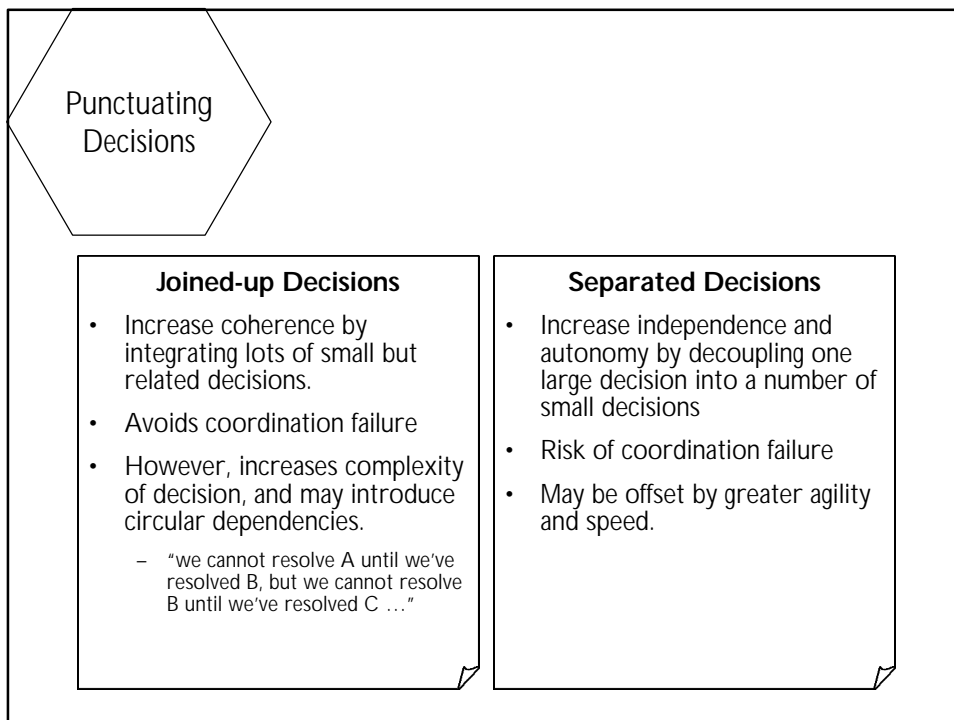
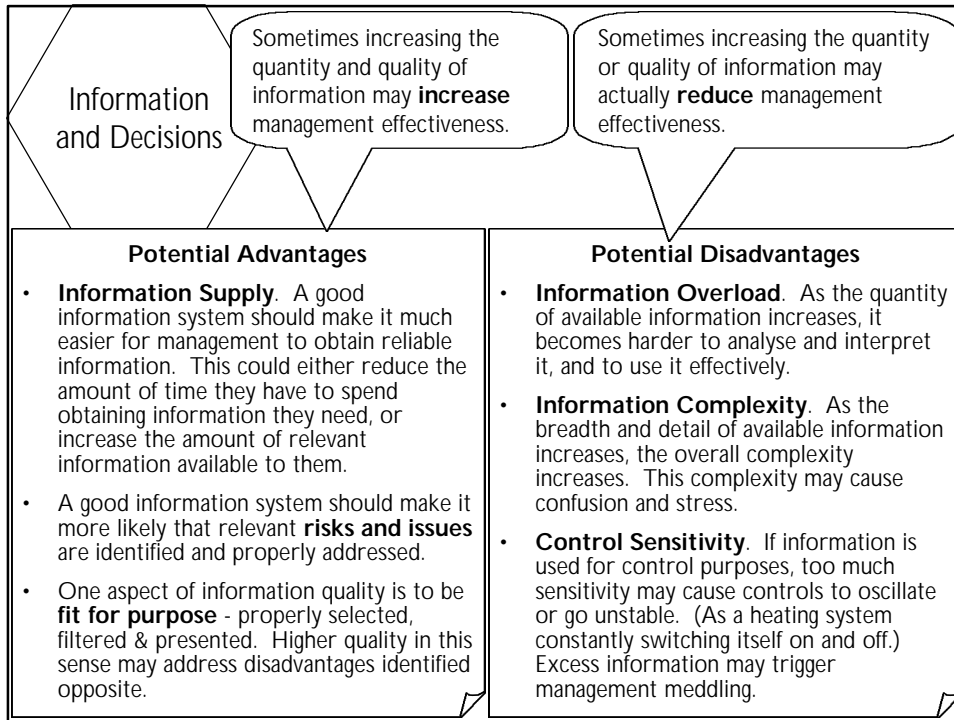


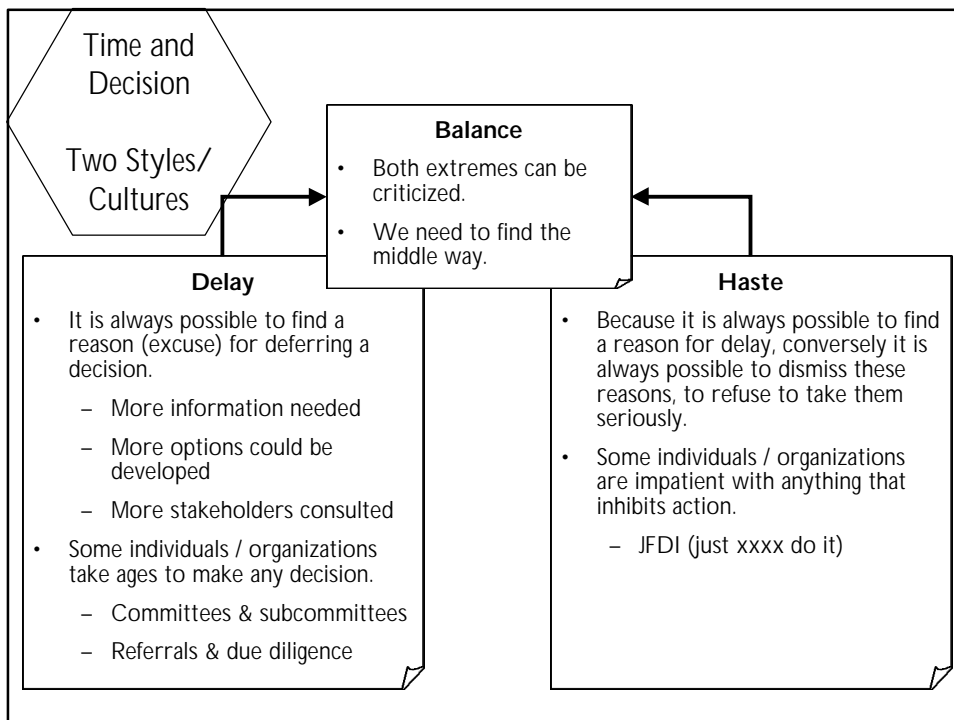
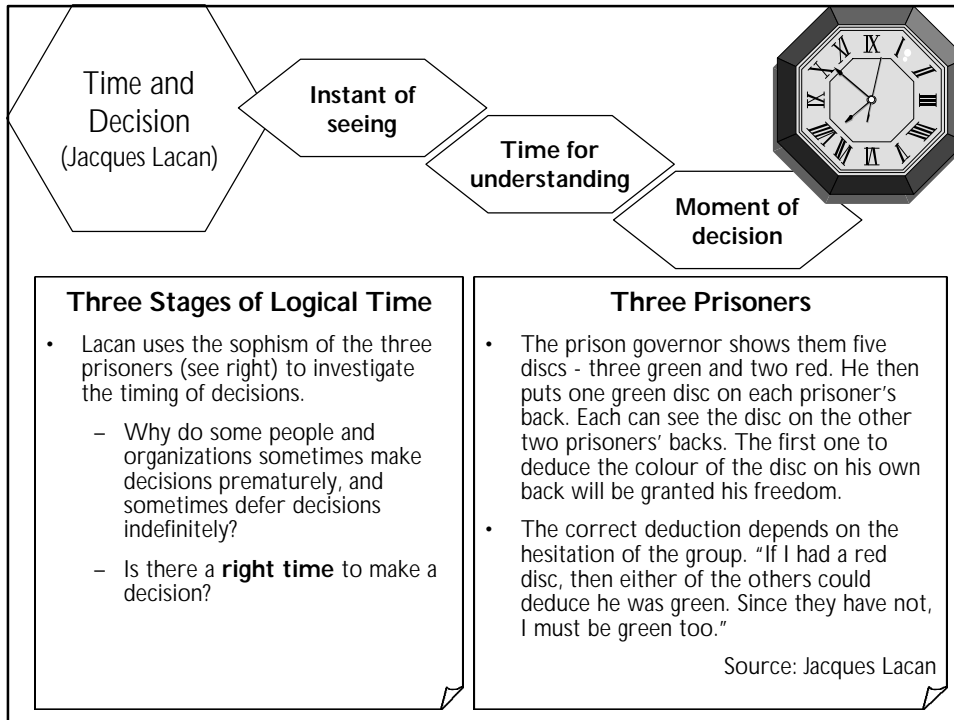












Why don't all managers decide things the same?

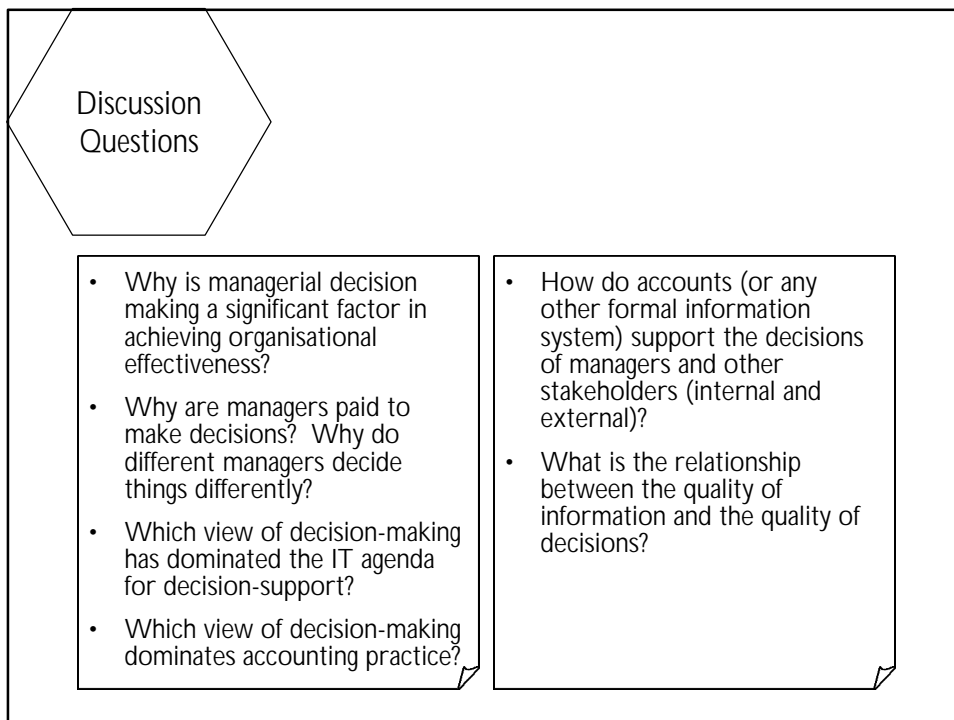
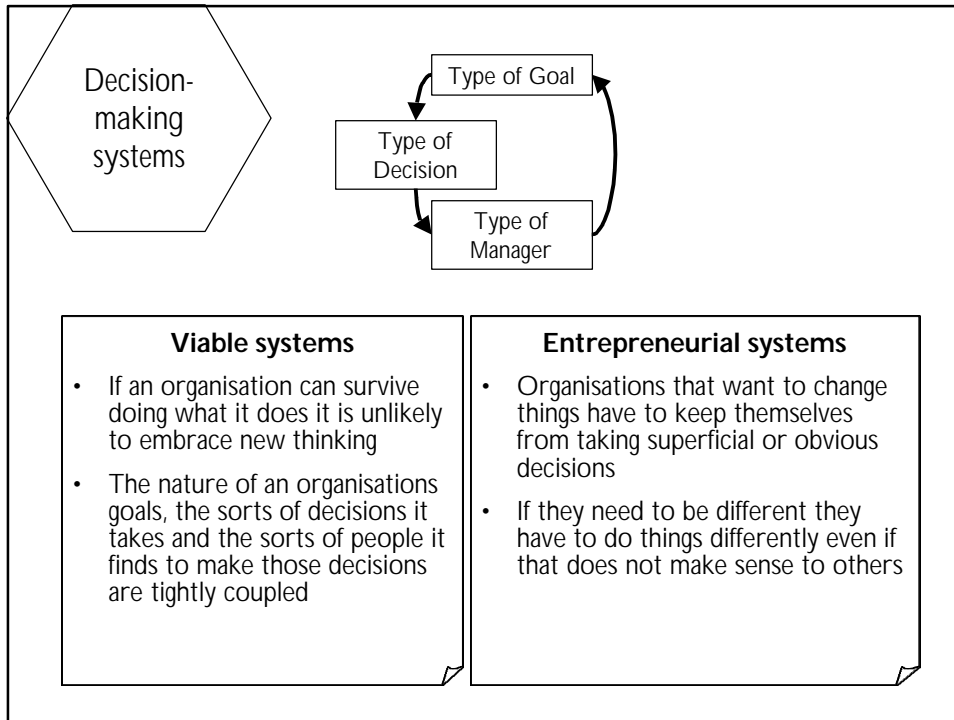
<ul style="list-style-type: none"> <li>• Different Intentions / Values / Preferences</li> <li>• Different Interpretations and Explanations of What Is Going On</li> <li>• Different Attitudes towards Risk and Reward                             <ul style="list-style-type: none"> <li>- risk-seeking // risk-averse</li> </ul> </li> <li>• Different Group Dynamics &amp; Leadership Styles</li> <li>• Different Horizons                             <ul style="list-style-type: none"> <li>- Time // Space</li> <li>- Organizational Proximity</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Is this one of the main ways of differentiating managers?                             <ul style="list-style-type: none"> <li>- Knowledge</li> <li>- Skills</li> <li>- Attitudes</li> </ul> </li> <li>• How do management incentives influence management decision-making?                             <ul style="list-style-type: none"> <li>- Short-term/long-term</li> <li>- Risk</li> </ul> </li> </ul>
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Decisions and Incentives

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graph TD
    MD[Management Decisions] --> OP[Organization Performance]
    OP --> MR[Management Rewards]
    MR --> MD
            
```

<p><b>Economic Perspective</b></p> <ul style="list-style-type: none"> <li>• The success and viability of the organization depend in large part on the quality of management decisions.</li> <li>• The organization, its shareholders and other stakeholders, may benefit from close coupling between management decisions and management rewards.</li> </ul>	<p><b>Ethical Perspective</b></p> <ul style="list-style-type: none"> <li>• The coupling between management decisions and management rewards is easily abused.                             <ul style="list-style-type: none"> <li>- Management rewards protected against performance downside.</li> </ul> </li> <li>• Management rewards may have unexpected and perverse effects.                             <ul style="list-style-type: none"> <li>- Share option schemes may encourage excessive risk-taking.</li> </ul> </li> </ul>
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Case Studies

Prepare for next week's tutorial.

**Healthcare**

- This case study describes three decisions taken in different places at different times within a large complex organization.
- Each decision can be seen as locally rational within its own "frame" - but when all three decisions are placed side-by-side, an entirely different picture emerges.

**Kodak**

- Among other things, this case describes a difficult business decision, possibly involving the need to balance financial and non-financial effects.
- There are also issues relating to the timing of the decision taken by Kodak.

Sample Exam Question

The Canny McCann Canning Company (CMCCC) has commissioned a new management information system. This is supposed to increase the quality and quantity of information available to management to support a range of planning and control decisions. Most managers in the company are eager to use the information the new system will provide, but some are concerned that it may deflect attention from more important concerns.

a) Identify specific ways in which increasing the quantity and quality of information may increase management effectiveness.

b) Identify ways in which increasing the quantity or quality of information may actually reduce management effectiveness.

c) How could the Canny McCann Canning Company (CMCCC) assess the benefits of the new system? Use one or more specific examples to illustrate your answers.

- A satisfactory answer (>40%) will identify at least one improvement. Will be able to make intelligent connections between management information and the responsibilities of managers, including decision-making and control. Will be able to articulate some benefits.
- An above average answer (>55%) will identify both improvements and problems, and will be able to illustrate the answer with well-chosen examples. Should show some awareness of the fact that the benefits of the management information system will depend on the management's ability to use the information effectively. May show some understanding of the concept of bounded rationality, and the need for "just enough" information.
- An excellent answer (>70%) will demonstrate a clear understanding of the situation as a socio-economic system where the capabilities of the managers are at least as important as the quality and quantity of the information. Will argue clearly that an evaluation of a management information system must view it in its organizational context, and will indicate some of the relevant considerations for such an evaluation.



References

- C. West Churchman, **Prediction and Optimal Decision** (Prentice Hall 1961)
- J.G. March & J.P.Olsen, **Ambiguity and Choice in Organizations** (Universitetsforlaget, 1976)
- Gareth Morgan, **Images of Organization** (Sage) Chapter 4: Organizations as Brains.
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- Herbert Simon, **The Sciences of the Artificial** (MIT)
- Geoffrey Vickers, **The Art of Judgment** (Harper & Row, 1951)