

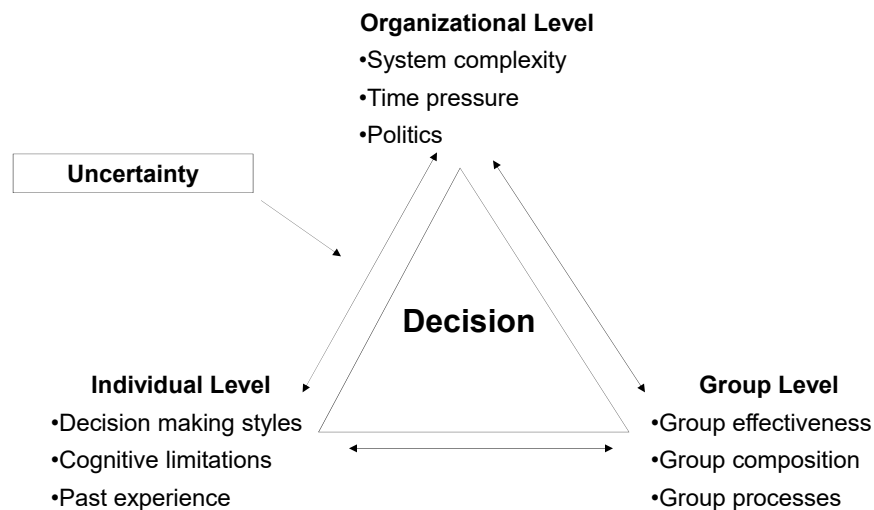
MGT 200: Organizational Behavior and Theory

Model of Decision Making

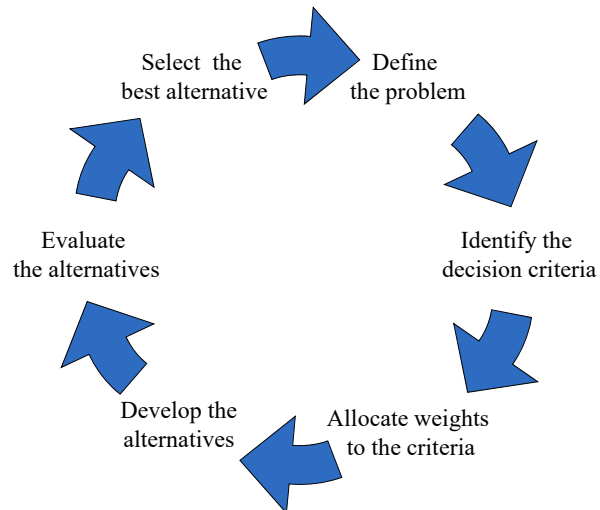
Professor Elaine Wong



Factors affecting decisions in organizations



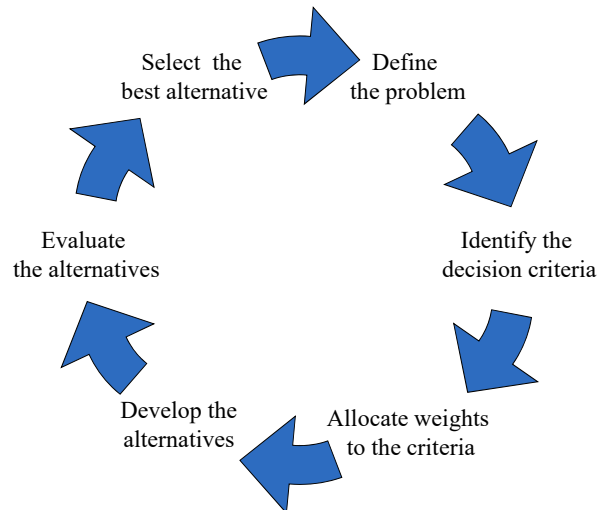
Rational Decision Making Models



What kinds of assumptions do rational theorists make?

- People are “rational”
- Use information optimally
- Driven by outcomes, consumption
- Framing does not matter
- People know their preferences, preferences do not change
- Probabilities can be calculated

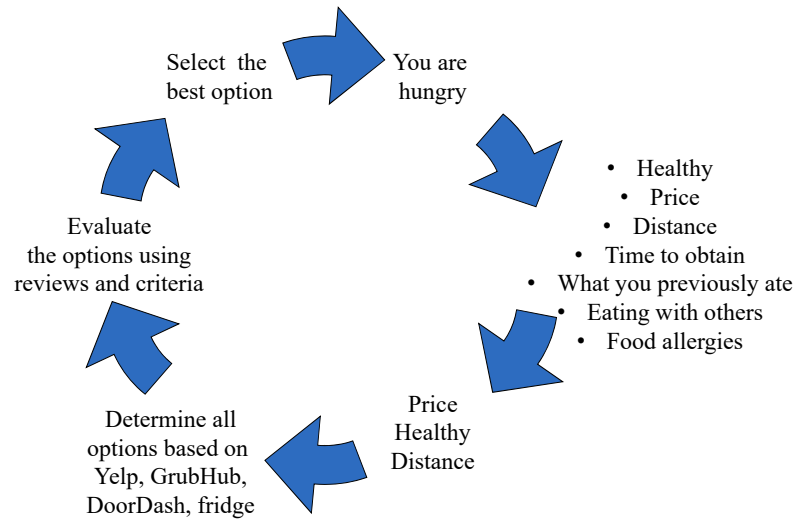
Rational Decision Making Models



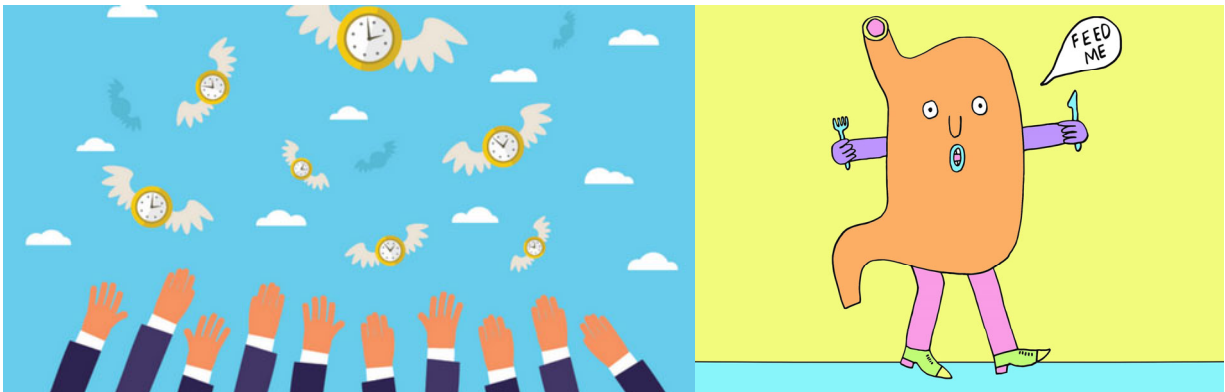
Example: your next meal



Rational Decision Making Models



Rational Decision Making Outcome



March & Simon's Administrative Model

- Based on observations that people
 - have limited skills
 - are subject to cognitive biases
 - rarely have accurate and complete information
 - in short, assumes bounded rationality
- Satisficing decisions
 - Select an acceptable solution



Take-aways

- Examined the context of decision making
- Introduced rational decision making
 - Clear step-by-step process
 - How you should make decisions
 - Limitations
- Introduced March & Simon's model
 - People aren't rational decision makers; instead they are bounded rational and satisfice
 - Describe how you make decisions

