1.4 Managers, management and decisions

Name: _____ Class: _____ Date: _____ **Total: 24 marks**

KEY WORDS fact • assumption • anchoring • sunk cost

Objective

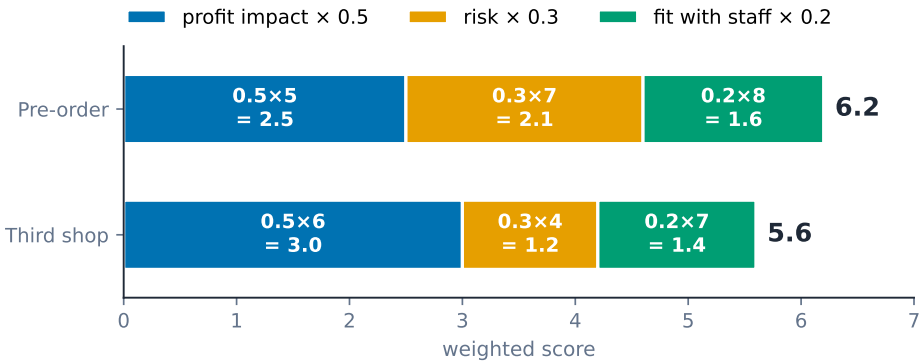
Apply the five-step structured decision procedure honestly: frame the question, enumerate real options, fix criteria and weights before scoring, mark every score fact or assumption, and record what the decision assumes so reality can prove you wrong. Recognise the standard biases the structure exists to slow down.

1 Key knowledge and worked examples

Five steps, in order, not as decoration

1. **Frame**: a decision to make – "open a third shop by September, yes or no?" – not a topic ("expansion").
2. **Options**: things that could actually be chosen, including "do nothing".
3. **Criteria and weights**: fixed before seeing scores.
4. **Score with labels**: every score marked **fact** or **assumption**.
5. **Choose and record**: the choice, its risks, and the assumptions to monitor.

Steps 1–3 are the machine's integrity: once scores are visible, weights can no longer be set honestly.



Worked example: scoring with labels

Nimbus' pre-order expansion scores profit impact 5, risk 7, staff fit 8 (weights 0.5/0.3/0.2). The labels: risk 7 is a **fact-grounded** score (the pilot is cancellable – a lease property); profit 5 rests on an **assumption** (adoption rate 25% of existing customers). The table is honest because each number travels with its epistemic status – and the monitoring list writes itself: watch the assumption, not the fact.

The biases the structure slows

- **Anchoring**: the first number heard drags every later estimate toward it.
- **Confirmation**: hunting evidence for what you already believe.
- **Recency**: last month's event outweighing last year's pattern.
- **Sunk cost**: "we've spent so much already" – spent money is gone; only future costs and benefits count.

The structure does not delete biases – humans carry them. Deliberate friction (weights fixed first, scores labelled) makes the bias visible while it is still cheap to correct.

2 Practice

2.1 Turn the topic "improve our marketing" into a framed decision question with at least two real options. [3]

2.2 In the Nimbus table, weights were fixed before scoring. State what exactly goes wrong when they are set after, and name the bias it feeds. [3]

2.3 Nimbus has spent 3,000 on a half-built app. "Finish it – we've already paid 3,000" is which bias, and what is the correct reasoning? [3]

3 Exam-style questions

3.1 Nimbus must choose by June: (A) lease the third shop near the campus; (B) expand pre-order from existing shops; (C) do nothing this year.

Build a complete structured decision: frame the question; list the three options; propose three criteria with weights and a one-sentence justification each; score all options (label each score fact or assumption, with a stated basis); compute weighted totals; recommend one option. List the two assumptions your recommendation most depends on. [9]

3.2 During the decision meeting, the finance officer opens with "the third shop loses money – I've seen it fail before", the owner recalls last month's record Saturday, and a director argues "we've spent 9,000 on design fees for the shop already".

Identify each of the three biases by name, explain in one sentence each how it distorts this decision, and state which step of the structure each one attacks. [6]

Solutions

2.1

- A decision question: "Which one marketing change do we make for the autumn term: local paid search, or a weekend loyalty card?" (any framed question with options qualifies).
- Two real options present.
- "Do nothing" available as a genuine option.

2.2

- Weights set after scores are chosen to make the preferred option win – the table becomes a decoration over a decision already made.
- The bias fed: confirmation bias (evidence arranged for the prior belief).
- The fix is sequencing, not virtue: weights are committed before any score is visible.

2.3

- Sunk-cost bias.
- The 3,000 is spent either way; it counts for nothing in the choice.
- Correct reasoning: compare finishing costs + expected benefits against alternatives from today – if a cheaper path to the same benefit exists, take it.

3.1

- Frame: "Which growth move does Nimbus commit to for the coming year – A, B or C?"
- Options: A lease the campus shop; B expand pre-order; C do nothing.
- Criteria with weights and justification – e.g. profit impact 0.5 (the owner's stated goal), risk 0.3 (limited reserves), speed to revenue 0.2 (loan repayments).
- Scores with labels and basis – e.g. A: profit 6 (assumption: campus conversion rate), risk 3 (fact: 9-month build, new-site lease), speed 2 (fact); B: profit 5 (assumption: 25% adoption), risk 7 (fact: cancellable pilot), speed 8 (fact); C: 3 / 9 / 9 across.
- Totals: A = 4.3, B = 6.2, C = 6.0 (any internally consistent arithmetic).
- Recommendation: B, chosen against the stated weights.
- Key assumptions: adoption rate 25%; no competitor opens near the campus within 9 months.

3.2

- "I've seen it fail before": availability/anchoring on a vivid case – one failure is not a base rate; it attacks the scoring step (evidence quality).
- Record Saturday: recency bias – one month outranks the year's pattern; it attacks the evidence-weighing inside scoring.
- "9,000 spent already": sunk cost – past spend cannot justify future choice; it attacks the option-listing step (C must remain genuinely available).