1.4 Managers, management and decisions

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

KEY WORDS fact • assumption • anchoring • sunk cost

Objective

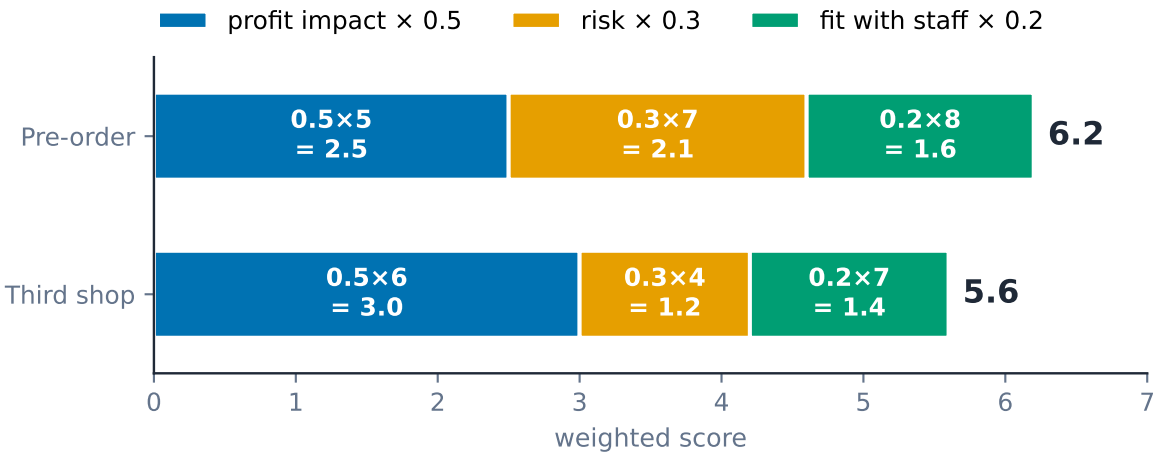
Apply the five-step structured decision procedure honestly: frame the question, enumerate real options, fix criteria and weights before scoring, mark every score fact or assumption, and record what the decision assumes so reality can prove you wrong. Recognise the standard biases the structure exists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



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■ 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]

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