RATIONAL DECISION-MAKING AND CRITICAL THINKING

Rational decision-making technique requires managers to make consistent, value- maximizing choices, within specified constraints (Robbins, 2005). This technique may be applied under the following assumptions:

1. The problem is clear and unambiguous.
2. A single well-defined goal is to be achieved.
3. All alternatives and consequences are known.
4. Preferences are clear.
5. Preferences are constant and stable.
6. No time and cost constraints exist.
7. Final choice will maximize pay-off.

In the analysis provided on Genco’s plan for expansion in Kava, almost all the assumptions for a rational decision-making technique were met as manifested by the following:

1. The problem is clear that strategies must be designed in order to provide a guide for Genco in its plan for global expansion.
2. All the alternatives are known and some highlights of the possible consequences were provided. These alternatives include: exporting, licensing, franchising, and direct investment. Justification and possible consequences for each alternative were also provided.
3. Preferences are also clear. Initially, the company would go into direct exporting in order to have a better and more in-depth feel and experiences about the market. This plan will initially be for the first two years of expansion activity. During the third year, the company may opt to go into direct investment, depending on the outcome during the first two years. By then, the company would have initially developed its presence in the Kava market and would have acquired experiences and learned more about the country’s demographic, cultural, economic, social, and political conditions.
4. Final choice will maximize pay-off. The final decision as indicated in No. 3 would be the most logical and rational, given the circumstances. Going into direct investment immediately would be very risky for the company, knowing the very unique culture, demographic, and social circumstances in the place. In addition, the company might underestimate foreign regulations and incur unexpected costs. (Kotler, 1999).

The final decision would provide the company the maximum pay-off because the degree of risk that will be assumed is minimized. There will therefore be a greater chance for the company to attain its objectives.

The only improvements that must be made to fully implement rational decision making are as follows:

1. Providing a single and well-defined goal. This would mean expressing the goal into specific, and if possible, quantifiable terms. Hence, the goal may have been, to capture at least 20% market share in the Kava market during the first two years, and achieve a minimum of 5% increase thereafter. This will be more concrete and would provide the company a better measure when evaluating performance.
2. Provide concrete indicators of achieving maximum pay-offs. Expectations as to income that would be generated through direct exporting, and the possible income generated through direct investment should be provided. This would require a decision maker to assume possible investment, expenditure, sales, and revenue figures. This would allow the decision-maker to determine whether a maximum pay-off would be achieved.

In relation to critical thinking, the decision- making model selected would still be consistent. According to Robbins (2005), critical thinking is actively and skilfully conceptualizing, applying, analyzing, synthesizing, and/or evaluating information generated by observation, experience, reflection, reasoning, or communication.

The problem was conceptualized and identified through careful study of the company circumstances as given in the case. Data were gathered and carefully analyzed to identify possible alternatives. The alternatives were evaluated and compared until a decision was finally made.

What was still inadequate in the decision- making utilized so far is the portion on application and reflection. This involves the higher order part of decision-making. While initially, it was applied (through proposing two phases of the decision- exporting then eventually direct investment); concrete results could not be determined yet, unless the company would finally undergo the said phases, especially Phase 1 which is exporting. This would allow the company to apply the higher order level of critical thinking which is application and reflection. After which, the company could already decide on whether to push through with its original plan which is direct investment.

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