

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH

**Subject: Competitive Decision Making,
PGDM (RM) & PGDM (Elective)- VI 2017-19**

Maximum Marks: 25

Duration: 2 hours

Date : 18/04/2019

Q.1. Read the situations given below and answer the subsequent questions.

You are riding in an unfamiliar area, and your friend Nitin is driving. When you approach an unmarked roundabout, your friend decides to take the second left. Fifteen minutes later it is clear that you both are lost. You blurt out, "I knew you should have taken the first left. Anyway now let us ask someone the route to get back." To this Nitin responds, "I am always right about routes. I am sure there is a turn ahead and we will be back on track in no time!"

- (i) What are the two biases that can be observed in this situation? Explain. (3)

A new company recently made its initial public offering, becoming publically traded. At its opening, the stock sold for Rs. 200 per share. The company's closest competitor went public a year ago, also at a price of Rs. 200 per share. The competitor's stock is now priced at Rs. 500 per share. What will be the new firm's worth one year from now?

- (ii) Which bias/ trap is one likely to fall for in this given situation. Explain why. (2)

Recently you saw an advertisement claiming four out of five people use extra virgin olive oil in the kitchen. It explained the advantages of using this oil in terms of its composition and benefits for health in comparison to other oils. Based on this information you have purchased 5 litres of olive oil. Only later you realized, this oil is mainly used for dressings, salads and has limited use in cooking.

- (iii) What are the two biases that can be observed in this situation? Explain. (3)

Q.2. "In making decisions your own mind can fall prey to various traps." Referring to the article, "*The hidden traps in decision making*", explain confirmation and status quo traps and how they can be managed. Give examples.

OR

Decision making is arguably the most important job of a manager, unless the right process is implemented. Referring to the article, "*What you don't know about making decisions*", explain the advocacy and inquiry approach to decision making, highlighting their advantages and disadvantages along with examples. (5)

Q.3. Write short notes on any three of the following: (12)

- (i) Types of conflict in decision making
- (ii) Escalation to commitment
- (iii) System 1 of thinking
- (iv) Representativeness heuristic

(v) Positive illusions