



STRATHMORE UNIVERSITY BUSINESS SCHOOL

MASTER OF BUSINESS ADMINISTRATION IN HEALTH CARE MANAGEMENT

END OF SEMESTER EXAMINATION

HCM 8201 DECISION ANALYSIS FOR HEALTHCARE MANAGERS

Date: Thursday 11th July 2024

Time: 3 hours

Instructions

- a) The examination consists of **FOUR** Questions.
- b) Question **ONE** is **compulsory**.
- c) Answer **ANY other TWO** questions.

Question 1 (Compulsory) (20 Marks)

- i. Sunk Cost Trap
 - a. Provide a good definition of this bias in the light of hiring hospital employees. **(2 marks)**
 - b. Why can't managers free themselves from past decisions? **(3 marks)**
 - c. Sometimes a corporate culture reinforces the sunk-cost trap. Explain. **(2 marks)**
 - d. For all decisions with a history, you will need to make a conscious effort to set aside any sunk costs—whether psychological or economic—that will muddy your thinking about the choice at hand. Suggest three techniques to overcome it. **(3 marks)**
- ii. In the analysis of business problems, a manager must identify relevant criteria affecting the decision alternatives.
 - a. Provide a working definition of what a criteria is and show its importance. **(2 marks)**
 - b. Identify three criteria relevant to a business situation and decision. **(3 marks)**
 - c. With the aid of a sample business problem and a managerial decision, do an evaluation of alternatives while considering the different criteria you may have in that situation. **(5 marks)**

Question 2 (15 Marks)

- a) Anchoring: the tendency to perceptually lock on to salient features in the patient's initial presentation too early in the diagnostic process, and failure to adjust this initial impression in the light of later information. This bias may be severely compounded by the confirmation bias.
- i. Provide another business situation where this bias is predominantly used. **(5 marks)**
 - ii. Suggest actions so that managers can avoid the anchoring bias. **(5 marks)**
- b) Evaluate this decision tree diagram and determine the expected monetary value. Show which is the best decision to pursue. **(5 marks)**

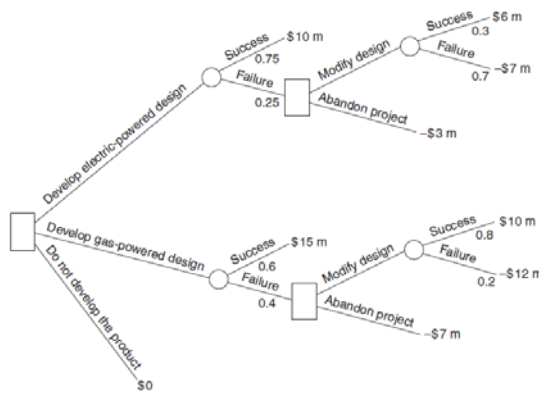
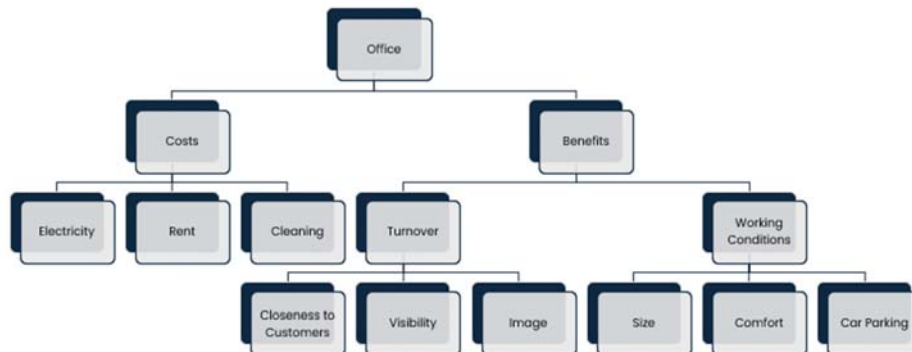


Figure 7.2 – A new decision tree for the food-processor problem

Question 3 (15 Marks)

- a) Fairness and ethics are major concerns in managerial decision making. One must and should be guided by moral principles in making decisions. With the aid of an example, discuss the utilitarian and deontological principles. **(5 marks)**
- b) Given this data below for a Clinic Office selection problem, do a SMART analysis of the same by determining each of the office's aggregate benefits. **(10 marks)**



Attribute	Original weights	Normalized Weights (rounded)
Closeness to customers	100	32
Visibility	80	26
Image	70	23
Size	30	10
Comfort	20	6
Car-parking facilities	10	3
	310	100

Attribute	Office						
	A	B	C	D	E	F	G
Closeness to Customers	100	20	80	70	40	0	60
Visibility	60	80	70	50	60	0	100
Image	100	10	0	30	90	70	20
Size	75	30	0	55	100	0	50
Comfort	0	100	10	30	60	80	50
Parking	90	30	100	90	70	0	80

Question 4 (15 Marks)

- a) Overconfidence was considered the mother of all biases. It has been blamed for entrepreneurial bankruptcy, unnecessary lawsuits and others. With the aid of an example, discuss the three different ways where overconfidence is used or manifested. **(7 marks)**
- b) The limitation of the human mind means that managers use approximate methods in decision making. Create situations where these biases come into play:
- i. Availability heuristics **(2 marks)**
 - ii. Representative heuristics **(2 marks)**
 - iii. Confirmation heuristics **(2 marks)**
 - iv. Affect heuristics **(2 marks)**