Decision Making

Every action of a manager is generally an outcome of a decision.

Decision is a choice whereby a person comes to a conclusion about given circumstances/ situation. It represents a course of behavior or action about what one is expected to do or not to do. Decision- making may, therefore, be defined as a selection of one course of action from two or more alternative courses of action. Thus, it involves a choice-making activity and the choice determines our action or inaction.

Decision-making is an indispensable part of life. Innumerable decisions are taken by human beings in day-to-day life. In business undertakings, decisions are taken at every step. All managerial functions viz., planning, organizing, staffing, directing, coordinating and controlling are carried through decisions. Decision-making is thus the core of managerial activities in an organization.

Management is essentially a bundle of decision-making process. The managers of an enterprise are responsible for making decisions and ascertaining that the decisions made are carried out in accordance with defined objectives or goals.

Decision-making plays a vital role in management. Decision-making is perhaps the most important component of a manager's activities. It plays the most important role in the planning process. When the managers plan, they decide on many matters as what goals their organization will pursue, what resources they will use, and who will perform each required task.

When plans go wrong or out of track, the managers have to decide what to do to correct the deviation.

In fact, the whole planning process involves the managers constantly in a series of decision-making situations. The quality of managerial decisions largely affects the effectiveness of the plans made by them. In organizing process, the manager is to decide upon the structure, division of work, nature of responsibility and relationships, the procedure of establishing such responsibility and relationship and so on.

Meaning

A decision is an act of selection or choice of one action from several alternatives.

Decision-making can be defined as the process of selecting a right and effective course of action from two or more alternatives for the purpose of achieving a desired result. Decision-making is the essence of management.

“Decision-making is the selection based on some criteria from two or more possible alternatives.” **George R. Terry**

“A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of desired result.” **J.L. Massie**

Nature of Decision making

1) Decision-Making is Goal-Oriented

Decisions are made to attain certain goals. Each and every decision of management is towards the attainment of organizational objectives. A decision is rated good to the extent it helps in the accomplishment of objectives.

2) Decision-Making is Pervasive

Decision-making as it is done in all functional areas of management e.g. production, marketing, finance, personnel, research and development etc. and inherent in all functions of management i.e. planning, organizing , staffing, directing and controlling.

3) Decision-Making is an Intellectual Exercise

Decision-making is an intellectual activity. These are the outcome of knowledge, thinking, and feelings of a decision-maker. The selection of best alternative from available alternatives can be done only through intelligence.

4) Decision-Making Involves a Problem of Choice

Decision-making is fundamentally a choosing problem i.e. a problem of choosing the best alternative, from a number of available alternatives, in a rational and scientific manner. Further, more are the alternatives that are available in a situation; the more complicated the decision-making process is likely to be.

5) Decision-Making is a Continuous Process

Decision-making process commences since the beginning of business and continues throughout the organizational life. All managers take decisions for organizational purposes; so long as the enterprise is in existence. In fact, decision-making is also involved in the process of liquidating or winding up a business enterprise.

6) Decision-Making is the Basis of Action

All actions of people operating the enterprise are based on the decisions taken by management vis-a-vis organizational issues. In fact, the quality of actions by people well depends on the quality of decisions taken by management.

7) Decision-Making Involves Elements of Risk and Uncertainty

Decisions are taken in regards to the activities which are going to happen in future. Since, future cannot be predicted and is uncertain, hence decision-making involves element of risk and uncertainty.

8) Decision-Making is Situational:

Decision-making much depends on the situation facing the management, at the time when a decision-making problem crops up. Whenever the situation changes, decision-making also changes. **Example**, decision-making by management on similar issues is completely different during boom conditions and during conditions of recession or depression.

Process of Decision making

1) Defining The Problem

The first and the foremost step in the decision-making process are to define the real problem. A problem can be explained as a question for and appropriate solution. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors.

For example, if a machine stops working due to non-availability of screw, screw is the limiting factor in this case. Similarly fuse is a limiting or critical factor in house lighting. While selecting alternative or probable solution to the problem, the more the decision-making takes into account those factors that are limiting or critical to the alternative solutions, the easier it becomes to take the best decision.

Other examples of critical or limiting factor may be materials, money, managerial skill, technical know-how, employee morale and customer demand, political situation and government regulations, etc.

2) Analyzing the problem:

After defining the problem, the next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures. The analysis of the problem is required to find out who would make decision, what information would be needed, and from where the information is available. This analysis may provide managers with revealing circumstances that help them to gain an insight into the problem.

3) Developing alternative solutions:

After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems. A problem can be solved in several ways; however, all the ways cannot be equally satisfying.

In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action.

4) Selecting the best alternative

After developing various alternatives, the manager has to select the best alternative. It is not an easy task.

The following are the four important points to be kept in mind in selecting the best from various alternatives:

a) Risk element involved in each course of action against the expected gain.
b) Economy of effort involved in each alternative, i.e. securing desired results with the least efforts.
c) Proper timing of the decision and action.
d) Final selection of decision is also affected by the limited resources available at our disposal. Human resources are always limited. We must have right type of people to carry out our decisions. Their caliber, understanding, intelligence and skill will finally determine what they can and cannot do.

5) Implementation of the decision

Under this step, a manager has to put the selected decision into action.

For proper and effective execution of the decision, three things are very important:

a) Proper and effective communication of decisions to the subordinates. Decisions should be communicated in clear, concise and understandable manner.
b) Acceptance of decision by the subordinates is important. Group participation and involvement of the employees will facilitate the smooth execution of decisions.
c) Correct timing in the execution of decision minimizes the resistance to change. Almost every decision introduces a change and people are hesitant to accept a change. Implementation of the decision at the proper time plays an important role in the execution of the decision.

6) Follow up:

A follow up system ensures the achievement of the objectives. It is exercised through control. Simply stated it is concerned with the process of checking the proper implementation of decision. Follow up is crucial so as to modify and improve upon the decisions at the earliest opportunity.

7) Monitoring and feedback:

Feedback provides the means of determining the effectiveness of the implemented decision. If possible, a mechanism should be built which would give periodic reports on the success of the implementation. In addition, the mechanisms should also serve as an instrument of "preventive maintenance", so that the problems can be prevented before they occur.

According to **Peter Drucker**, the monitoring system should be such that the manager can go and look for himself for first hand information which is always better than the written reports or other second-hand sources. In many situations, however, computers are very successfully used in monitoring since the information retrieval process is very quick and accurate and in some instances the self-correcting is direct.

Behavioral aspects of decision making

Decisions are made through meetings when managers interact and arrive at certain decisions to solve the problems. Two managers do not take same decision even though the same data are supplied to them. In this process, following behavioral factors are likely to emerge:

1) **Intelligence**: Here, intelligence is the ability of using common sense in decision-making. So, the intelligence is not concerned with formal education. Highly educated persons do not take best decisions in all cases. There is a need of perception of quality managers to take the best decisions.

2) **Education**: Education develops the broad outlook of the decision-maker. Higher education is different from good education. A good education helps the decision-maker to take best decision even in complex situations rather than higher education. Higher education is nothing but getting master degree from a recognized educational institution. In other words, good education is acquiring thorough knowledge in a particular area or subject-matter. At the same time, the level of knowledge may not increase correspondingly to the long years of education. If a person has inner urge to learn more and more, he will become an expert in taking decisions.

3) **Experience:** The experience of an individual can improve the decision-making ability. Decision-maker can survive only when he has skill for original thinking. Decision-maker should use his personal experience in taking a decision.

4) **Courage:** The decision-maker should have courage to take and implement a decision. The very success of decision depends upon the courage of the decision-maker.

5) **Motivation:** Everybody wants recognition for their action. Likewise, a person who takes a decision wants to have it by his colleagues. If it is not so, he will not take even a simple decision in future. Recognition of a decision is a motivation tonic to the decision-maker. Next, the decision-maker does not expect both criticism and suggestions.

6) **Forecasting Ability:** The quality of a decision depends upon the forecasting ability of the decision-maker. If the decision-maker has the forecasting ability, even decisions made in a hurried manner may produce good results at times. Besides, he may use the available opportunities and avoid problematic situations. In this way, the need for taking additional decisions is also avoided.

7) **Self-confidence:** First, the decision-maker has correctness of his decision. Then, he will place the decision before others to be accepted. The self-confident decision-maker can take decision as and when required. On the other hand, if the decision maker has no self-confidence, he will make delay in the decision-making process and it will make the situation go from bad to worse. So, there is a need of self-confidence on part of decision-maker.

Forms of Group Decision Making in Organizations

Below are six different kinds of group decision-making processes:

1. Unanimous

Unanimous decisions occur when all agree without reservation. They are easier for unimportant matters, but very difficult for important and for higher-pressure situations.

2. Consensus

In a consensus, each person agrees to support the decision, though all may not agree, and gives his or her consent. It is very difficult to have consensus in group decision-making. Despite differing perspectives, all agree that they can live with the decision. Consensus is the process most likely to ensure that each person's input is valued, heard and considered.

3. Majority Rule or Vote

Majority rule decisions are made when more than half the group votes in favor. This process is used frequently in democracies, and rarely in organizations. This form of decision-making takes place when there is no consensus among the members of the group about solution of a problem. In future, it also carries the possibility of establishing an "us" versus "them" mentality.

4. Expert

In this scenario, the group delegates the decision-making responsibility to an expert or small subgroup. Experts are those persons who have faced same problem in past and now have experience of solving the problems. This type of process is good for situations that do not require the entire group's participation.

5. Committee

Group decision-making by committee of various types is very common in today's large organizations. These committees are constituted at different levels of an organization. A committee may be defined as a group of persons in an organization for making certain decisions.

6. Executive

In an executive decision, the group-leader makes the call. Most decisions are taken by executive, and should be. The big mistake is that often the kind and amount of participation leading up to this kind of decision-making isn’t what it should be. The best decision-making is typically a highly participative executive decision. This approach is critical when dealing with issues such as team vision and mission.

7. Default

In this scenario, a decision is made by action, or more likely, inaction that forces a conclusion. It is a powerless form of decision-making and is best avoided.