Lecture 7Principles in Decision Making  
Decision Making in Groups

**Decision Making**

It is widely believed that management at its core is basically making decisions. A manager’s role can be summed up as making decisions to help an [organization](https://www.toppr.com/guides/business-management-entrepreneurship/organizing/structure-of-organization/) achieve their objectives and [vision](https://www.toppr.com/guides/business-environment/introduction-to-business-environment/vision-and-mission-statements/). So all managerial functions such as [planning](https://www.toppr.com/guides/business-studies/planning/), [direction](https://www.toppr.com/guides/business-studies/directing/introduction-meaning-importance-and-principles-of-directing/), [organizing](https://www.toppr.com/bytes/organizing/), [control](https://www.toppr.com/guides/fundamentals-of-economics-and-management/controlling/principles-of-control/) etc. are executed by the manager making a decision.

There are three aspects when it comes to the definition of decision making. These are as follows,

* While making decisions the manager expresses his choice. A smart choice follows a certain logic and is made with care and knowledge
* A decision is made when the manager has alternatives to choose from. No decision making is necessary if there is only one alternative.
* And when making a decision, the manager must have a purpose in mind, i.e. to help the company achieve its goals in the most efficient way possible.

**Importance of Decision-Making Process**

* None of the managerial functions of planning, directing, controlling, coordinating etc. can be conducted without the process of [decision making](https://www.toppr.com/guides/fundamentals-of-economics-and-management/decision-making/environment-of-decision-making/). It is a vital part of management.
* Decision making is also a pervasive function. All the staff and employees must make decisions to carry out their jobs.
* Decisions also help us evaluate the management and the managers of a [firm](https://www.toppr.com/guides/business-laws-cs/indian-partnership-act/goodwill-of-a-firm/). If the decisions taken were correct and yielded positive results, we can attest to the skill and knowledge of a [manager](https://www.toppr.com/guides/business-management-and-entrepreneurship/recent-trends-in-management/role-of-international-managers/). And the opposite is also true.
* The process of decision making evaluated every alternative before selecting the best one. No alternative is unexamined. This ensures that we are taking the best possible step for the firm.
* It also helps with better utilization of resources. The manager has to decide the best way to allocate all available resources and factors of production.
* Decision making process follows rational thought and logic. It is not an unscientific random process. Hence it will also help increase the efficiency of the firm.

**Principles of Decision Making**

So ultimately the skill and effectiveness of a manager are judged on the basis of the decision he makes. The entire process of decision making is heavily reliant on judgment, professional observations, and skills.

However, there are a few principles the manager can follow to help him take correct decisions. Let us take a look at the principles of decision making.

*Principle of Definition*

For the correct decision to be made, the manager must be aware of the exact problem. So the first principle is to exactly pinpoint the exact problem that seems to be the issue.

Once the real problem has been correctly identified and defined, the manager can work towards solving it. Too often time and energy are wasted on solving the wrong problem.

*Principle of Evidence*

Decisions should depend on some judgement which is backed by evidence. Hastily taken decisions that are not backed by proper evidence often turn out to be inaccurate. Every decision the manager takes must be well thought out and backed by evidence.

*Principle of Identity*

Every person has a different outlook and viewpoint about the same thing. So the same fact appears different to different people due to their varied thinking.

While taking a decision it is important to accommodate the viewpoints of all the people involved. Every person should be heard, and their opinions weighed carefully before arriving at a decision.

**Involvement of Groups**

It is always relatively simple to take decisions when only one person has to do it. This is because this person does not need to consult with others for his [decisions](https://www.toppr.com/guides/fundamentals-of-economics-and-management/decision-making/types-of-decisions/). This way he can take decisions quickly.

This also enables fixation of accountability on the decision maker. One single person is responsible for decisions this way. A sole proprietorship form of business is a great example of this.

That, however, rarely happens in larger business organizations. For example, consider [partnership](https://www.toppr.com/guides/business-studies/forms-of-business-organisations/partnership/) firms or [companies](https://www.toppr.com/guides/business-laws/companies-act-2013/meaning-and-features-of-a-company/). Decision making by groups is very common in these business structures.

Since partners of a firm are jointly and severally liable for their activities, they often take decisions together. Similarly, decisions of the board of [directors](https://www.toppr.com/guides/business-law-cs/elements-of-company-law-ii/powers-board-directors/) of companies also involve many people.

Even managers and employees of companies often make decisions collectively. Departmental activities are also good examples of this.

**Decision Making by Groups**

The way in which groups of people make decisions is different from individuals doing the same. Whenever a group of people makes decisions, accountability rests on all of them collectively. Furthermore, the involvement of many people also makes the process more comprehensive.

It is always up to the senior level managers (like directors) to decide when groups will make decisions. All organizations generally have a policy in place for such matters.

For example, a company may have a policy stating that only the board of directors can unanimously take decisions regarding the hiring of senior managers instead of allowing a single director to do so.

This policy should lay down the exact scope of the group’s authority to make decisions. Unfettered and unbridled [powers](https://www.toppr.com/guides/physics/work-energy-and-power/power/) can lead to exploitation. Decisions made this way may be arbitrary and impractical.

Furthermore, the policy must clearly define which exact persons will make decisions collectively. People without [authority](https://www.toppr.com/guides/fundamentals-of-economics-and-management/organising/concept-of-authority/) must never make decisions.

**Advantages of Group Decisions**

Decision making by groups can offer many advantages and benefits.

* Firstly, the involvement of more people ensures that the decision is evaluated thoroughly. This is because many people offer their viewpoints and opinions. This further ensures that the decisions will be good and practical.
* Secondly, it becomes easier to implement decisions made this way. Departments and managers can coordinate with each other fluently and achieve their targets.
* Finally, group decisions create a sense of unity of purpose amongst members of an organization. Since they make decisions collectively, they feel motivated to see them through together.

**Disadvantages of Group Decisions**

* One drawback of group decisions is that they require a lot of time. More than one person has to be consulted in such cases.
* Sometimes, formalities like meetings and voting may also become necessary in group decisions. Hence, prompt decisions may not be possible under groups.
* Indecision is also a big problem under groups. Each person may have her own point of view and unanimity may become difficult to achieve. Members may even evade accountability and blame others if their decisions lead to failure.

SOURCES:  
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