

DECISION MAKING

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management.

Every manager is a decision-making. **Herbert A. Simon** equated management with decision making because whatever a manager does is nothing but decision-making. All the functions of management involve decision-making. For instance, a manager has to decide the long-term objectives of the organisation, strategies, policies & procedures to be adopted to achieve these objectives; he has to decide how to motivate the people to achieve higher performance; he has to decide what activities should be controlled & how to control these activities etc. In other words, decision making is the substance of a manager's job. Decisions are made at every level of management to ensure organizational goals are achieved.

Importance of Decision-Making in Management



1. The best & maximum utilisation of human resources

The best & maximum use of physical & human resources of production substantially depends upon the effectiveness of decision-making .

If the decisions are practical & useful, maximum exploration of the resources, their use at the minimum cost & reducing the leakages will be quiet easier.

2. Problems Faced During Decision Making

- Level of Decision Making is Not Clear. Sometimes, there is ambiguity in the level of power a manager holds.
- Lack of Time. ...
- Lack of reliable data. ...
- Risk-Taking Ability. ...
- Too Many Options. ...
- Inadequate Support. ...
- Lack of Resources. ...

3. Business growth : The decisions made in your business today are what shape its future, including how fast & far it will grow. If you want to increase & optimize your business's growth, you need to improve & maximize the quality of your decision-making.

4. Achieving objectives in Decision Making : An objective specifies what a decision maker is trying to accomplish & by so doing provides measures that can be used to choose between alternatives. In most firms, the managers of the firm, rather than the owners, make the decisions about where to invest or how to raise funds for an investment.

5. Increasing efficiency in Decision Making: The decision-making process more efficient by encouraging managers to use tools that will speed up the way they approach problems, resolve conflicts & seek new directions.

6. Facilitates innovation : Innovative Decision Making (IDM) is an individualized, self-assessment, & workshop-based methodology, which addresses the universal need of business people to arrive at the best decisions. It provides an easy-to-understand, overall framework for the decision making process.

7. Motivating employees : The motivation establishes the purpose for the entire decision making process. It is similar to the rudder on a ship. It is the objective behind the decision.

Ways to get employees involved in decision-making

1. Form a committee. Once a company reaches a certain size, it can be hard to hear everyone's voice.
2. Suggestion box. Another way to help engage your workers is by encouraging them to suggest changes that should be made to the company.
3. Offer choices.
4. Let them choose their training.

Types Of Decision

Programmed / routine decisions	Non Programmed Basic or non-routine decisions	Personal & organizational decisions
They are repetitive & routine. Programmed decisions are made by the lower level managers.	They are concerned with unique problems or situations They are novel, non-repetitive in nature. By Top Level Mg. These are one time decisions & demand large investments	Personal decisions are those concerned with the managers as individuals, not as managers. Organisational decisions are made by the managers in their official capacity & affect organization
Example of Programmed decisions: Rules & policies are established well in advance to solve the day-to-day problems	Example : Decision to launch a new production plant, Decisions to take over a sick unit.	Example : Decision to attend a wedding ceremony

The Decision-making Process

Identifying & diagnosing the real problems

Collection of Relevant Information

Developing Alternatives

Evaluation of a Alternatives

Selection of Alternative

Implementation & Follow up of the Decision

(a) Identifying & diagnosing the real problems: The first step in the decisionmaking process is the identification of the problem. Once the problem is identified, it is said to be half-solved. Diagnosing the problem implies knowing the gap between what we want to happen & what is likely to occur if no action is taken. In essence identifying & diagnosing the real problem involves answers to the questions — » What is the problem? » Which problem to solve? » What is the real cause of the problem?

(b) Collection of Relevant Information : A decision maker should collect as much information as possible before attempting to solve it. If possible, in addition to facts, opinion should also be collected, which would aid in diagnosing the problem effectively.

(C) Developing alternatives : After the problem is identified & diagnosed, the second step is to determine available alternatives to solve the problem. While selecting the alternative course of action a manager should consider the viable & realistic alternatives only. Further, he should consider the time & cost constraints and psychological barriers that would restrict the number of reasonable alternatives. The brain storming & group participants may be fruitfully employed in developing alternatives. It should be remembered that while considering various alternatives, one of the alternatives is not to take action'. Research & creative imagination are required to ensure that the best alternatives are considered before a course of action is selected for inclusion of it among the alternatives. Development of alternatives is a creative activity & calls for system thinking.

(d) Evaluation of alternatives : Perhaps one of the most important steps in decisionmaking is the evaluation of each alternative. Here, the decision-maker draws balance sheet of every alternative by identifying the advantages as well as disadvantages of these alternatives. All pertinent facts about each alternative should be collected, the pros and cons must be considered and the important points must be distinguished from the trivial or peripheral matters. The purpose of all this exercise is to limit the number of alternatives to a manageable size and then consider the alternatives for the selection. Some of the criteria for evaluating the alternatives could be — (i) resources available for implementing the alternative (ii) economy of effort (iii) element of risk involved (iv) results expected (v) time constraint (vi) accomplishment of common goal (vii) implementation problems etc.

(e) Selection of an alternative : The next important step in decision-making process is the selection of best alternative from various available alternatives. Indeed, the ability, to select the best course of action from several possible alternatives. Drucker mentions four criteria viz. the risk, economy, timing, & limitation of resources, before one alternative is selected among the available ones.

(f) Implementation & follow up of the decision : The final step in decision making process is the implementation of the selected alternative in the organisation. The alternative-selected should be properly communicated to those members of organisation who are concerned with the decision. Acceptance of the decision by group-members is absolutely essential to the successful

implementation Further, after implementation of the decision it is necessary to follow up to see whether the decision is giving the desired results or not. A manager should least hesitate to ride out a decision that does not accomplish its objective. A manager should see it necessary, that all organisational members participate in the decision making as decision implementation.

Guidelines for Effective Decision Making

1. Establishment of multiple decentralized centers at appropriate levels & delegation of authority & accountability.
2. Fix appropriate decision making workload at each centre, so as to minimize overloading at any centre.
3. Co-ordination through communication & other means to ensure consistency & cooperation.
4. Establishment of expert advisory staff to provide support.
5. Formulation & communication of organizational objectives, policies, rules & procedures for guidelines.
6. Total agreement: When leadership supports a decision with no discussion, it might not be the best decision. Groupthink can solve issues, & hearing feedback from multiple sources can often make the final decision even stronger one.