


LEARNERS NOTES | 2018-19

INTRODUCTION TO DECISION MAKING AND DECISION MAKING PROCESS

- STEPS INVOLVED FROM
IDENTIFICATION TO
IMPLEMENTATION
- DECISION MAKING
MODEL

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STEPS INVOLVED FROM IDENTIFICATION TO IMPLEMENTATION

DECISION MAKING MODEL



INTRODUCTION

Humans have a natural tendency to have diverse thought process. The ability to think deep into an issue is one of the inbuilt qualities of human beings. The main difference between just thinking and getting something valuable from that thinking is only one requirement. Before knowing that requirement let us look into real life scenarios. At all points of our life we will have many hurdles before us and we will be stranded by increasing number of hurdles. The difference between expected happening and actual happening will always have a wide margin. To transform the desired outcome of a problem into reality one must know the art of Decision Making.

DECISION MAKING – WHAT IS IT?

Decision making means the process of selecting a course of action from two or more alternatives. It is done to achieve a specific objective or to solve a specific problem. While taking a decision following things are to be considered.



- Is this decision fair?
- Will I feel better or worse about myself after I make this decision?
- Does this decision break rules?
- Does this decision break any laws?
- How would I feel if this decision was broadcast on the news?

Thus it is necessary to know the benefits of decision making.

IMPORTANCE OF DECISION MAKING

When you start entering into your professional world your decisions decide the success or your failures. Therefore let us see the decision making importance from an organization point of view.

- **Proper utilization of resources**



Organization has various resources like man, money, method, material, machine, market and information. All these resources are properly utilized **without any leakage** and wastage with the help of right decision at right time. As a result, an organization can operate at a minimum cost.

- **Selecting the best alternative**

As we know that the problem has multiple solutions. Decision making is important to select the best alternative among various alternatives **by analyzing them one by one** using various financial, statistical, and accounting tools/ technique.

- **Evaluation of the managerial performance**

Decision making is not only important to select the best alternative but also essential for **evaluating the performance** of a manager. The quality/success of manager largely depends upon the number of right decision that he/she can take for the organizational success. Therefore, decision making is important to judge the performance of top level of management.

- **Employee motivation**

Decision making is important to motivate the employees within an organization. It provides **an overall framework** of operation and guideline to the operating level of staffs. It also **provides different types of facilities and benefit on time**. As a result, employees are motivated to their job or work as per the organizational requirement.

- **Indispensable element**

Decision making is indispensable element/ component for the organizational success because without taking the right decision at

right time, nothing can be performed as per the plan.

- **Achievement of goal**



Decision making is important to achieve the organizational goals/objectives within given time and budget. It searches the best alternative, utilize the resources properly and satisfy the employees at the workplace. As a result, organizational goal or objectives can be achieved as per the desired result.

- **Pervasive function**

Decision-making is a pervasive function of managers aimed at achieving organizational goals. Decisions are to be taken in all managerial functions such as **planning, organizing, motivating, directing and controlling** and in all functional areas such as production, marketing, finance, personnel and research and development. It indicates that the decision-making is spread over many areas of the organization.

The magnitude of benefits as a result of a proper decision will be more than what you think and therefore it is vital to know how to make decisions.

STEPS INVOLVED FROM IDENTIFICATION TO IMPLEMENTATION

DECISION MAKING PROCESS

The decision making process involves the following steps.

The first step in the decision-making process is identifying the problem. Prior to identifying the problem, it is essential to first recognize that a problem exists.

IMPORTANCE OF IDENTIFYING PROBLEM

- The road map to proceed and a path for approach is possible only when the problem is identified.
- You realize that you need to make a decision
- It is a good idea to be able to approach decision definition from different perspectives.
- Doing so can capture dimensions of the issue that might otherwise have been overlooked.
- Involving two or more people can bring different information, knowledge, and experience to a decision.



- This can be accomplished through forming a group to consider and define the problem or issue, and then to frame the decision based on their collective ideas.



- Having a shared definition and understanding of a decision helps the decision-making process by creating focus for discussions and making them more efficient.
- You have to accurately and adequately define the constraints, the current operations, and the goals. If you spend the

time upfront defining the requirements and constraints, you'll be able to determine whether or not the solution you're considering is the right one.

- Many people want to skip the defining step and get straight into solving the problem.

Therefore you must know how to identify a problem.

HOW TO IDENTIFY A PROBLEM

Identification of the problem involves three stages:



- Scanning
- Categorization
- Diagnosis.

The scanning stage involves monitoring the work environment for changes that may indicate the emergence of a problem. At this stage, a manager may have a very faint idea that an environmental change could lead to a problem or that an existing situation is posing a problem. When an organization fails to achieve its goals, there is a performance gap between the predicted or expected level of performance and the actual performance level. In the categorizing stage the size and magnitude of the problems are categorized and then based on time constraints, they are solved in a specific order. Diagnosis method deals with identifying the proper method in order to cure the problem.

IDENTIFYING RESOURCES AND CONSTRAINTS

Collect some pertinent information before you make your decision: what information is

needed, the best sources of information, and how to get it.

IMPORTANCE OF IDENTIFYING RESOURCES

Following are the importance of identifying constraints

- Anything that can be used to solve the problem is a resource.
- These include people, money, materials, time, equipment, expertise, and information. On the other hand, **constraints are the factors that limit managers' efforts to solve the problem.**
- They are hindrances to problem solving. Examples of constraints include lack of adequate resources, etc. Organizations generally face more than one problem at a time.
- These problems compete for the manager's attention and for the scarce resources of the organization.
- Making an explicit list of the organization's resources allows the manager to **allocate the resources** in such a way that they are **utilized to the maximum extent possible.**



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- The listing of constraints alerts managers to the presence of various bottlenecks that could create problems.
- Organizations sometimes face situations in which the **absence of a specific resource or the presence of a particular constraint poses a problem for conducting its business.**

The above reasons will help you in identifying the resources.

This step involves both internal and external “work.” Some information is internal: you’ll seek it through a process of self-assessment. Other information is external: you’ll find it online, in books, from other people, and from other sources.

GENERATING ALTERNATIVE SOLUTIONS

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

IMPORTANCE OF GENERATING ALTERNATIVES

It may seem obvious what you have to do to address the problem. Occasionally, this is true, but most times, **it is important to identify possible alternatives. This is where the creative side of problem solving really comes in.**

- Once the problem, resources and constraints of the organization are identified, the next step would be to generate feasible alternatives to the problem.



- Managers should not take any major decision without exploring all the possible alternatives.

- The **temptation** to accept the first feasible alternative often **prevents** managers from finding the **best solution** to the problem
- **Generating** a number of alternatives allows them to **resist the temptation of finding a speedy solution** to the problem and increases the chances of reaching an effective decision.

HOW TO GENERATE ALTERNATIVES

Following are the ways to generate alternatives:



- **Brainstorming with a group can be an excellent tool** for identifying potential alternatives.
- Think of as many possibilities as possible. Write down these ideas, even if they seem somewhat zany or offbeat on first impression.
- Sometimes really **silly ideas can contain the germ of a superb solution**.
- Too often, people move too quickly into making a choice without really considering all of the options.
- Spending more time searching for alternatives and weighing their consequences can really pay off.
- Each idea is **recorded for later evaluation**. Since there are always alternatives waiting to be discovered, the process of generating alternatives could go on forever.



- Two factors must be taken into consideration when determining the appropriate amount of time to be spent on generating alternatives. **The first is the importance of the problem. The greater the importance of the problem, greater will be the value of any improvements** that can be made to the solution of the problem.



- The second factor relates to how **accurately** the manager is able to differentiate between alternatives. This depends on the **availability of data** and the cost of evaluating the data. When sufficient data is available, it is relatively easy to distinguish between **alternatives and to determine their relative effectiveness.**
- Managers should not devote too much time to generating alternatives when the data available is very limited.
- Similarly, a manager prefers fewer alternatives when the cost of evaluating the data is high.

Finding alternatives will give you a flexibility in choosing the best one.

EVALUATING AND SELECTING ALTERNATIVES

The process of choosing the best alternative after a series of assessment based on different criteria is known as Evaluating and selecting alternatives.

HOW TO EVALUATE AND SELECT ALTERNATIVES

A proper procedure must be followed in evaluating the alternatives. Following steps will help you in that regard.

- In this step, you'll need to evaluate for feasibility, acceptability and desirability" to know which alternative is best.
- Managers need to be able to weigh pros and cons, **then select the option that has the highest chances of success.** It may be helpful to seek out a trusted second opinion to gain a new perspective on the issue at hand.



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- When it's time to make your decision, be **sure that you understand the risks involved with your chosen route.** You may also choose a combination of alternatives now that you fully grasp all relevant information and potential risks.
- Once a number of ideas have been generated, you need to **assess each of them** to see how effective they might be in addressing the problem. Consider the following factors:
 1. Impact on the organization
 2. Effect on public relations
 3. Impact on employees and organizational climate
 4. Cost
 5. Legality
 6. Ethics of actions

7. Whether this course is permitted under collective agreements
8. Whether this idea can be used to build on another idea

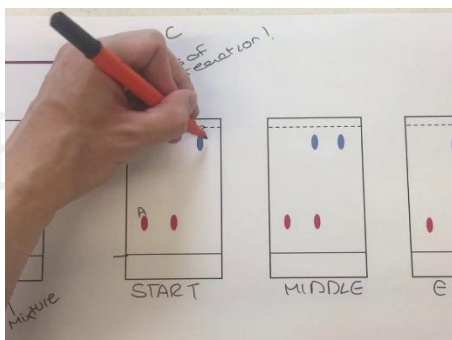
Another tool that decision makers can use to analyse alternatives is an influence diagram. An influence diagram is a **compact graphical and mathematical representation of a decision situation**. It groups sets of variables into things that are known and factors that are uncertain and links them to the choice to be made and the criteria for assessing it. **Influence diagrams are directly applicable** in group decisions because they allow incomplete sharing of information among team members to be modelled and for estimates to be made explicitly.

IMPLEMENTING AND MONITORING DECISIONS

The process of putting into action-the selected alternative and checking its progress and occurrence is known as implementation. Monitoring is the process of evaluating the actual outcome with respect to the desired outcome.

IMPORTANCE OF IMPLEMENTING AND MONITORING

Monitoring decisions involves gathering information to evaluate how the decision is working.



- Thus, feedback is an essential component of the decision process.

- It allows the decision-maker to determine the **effectiveness of the chosen alternative** in solving the problem or in moving the organization closer to the attainment of its goals.
- In order to evaluate the effectiveness of a decision, there should be a **set of standards against which actual performance can be compared.**
- A second requirement is the availability of performance data for comparison with the set of standards.

Therefore it is essential to know the process for implementing the decisions.

HOW TO IMPLEMENT AND MONITOR DECISIONS

Successful implementation of a decision usually depends on two factors – careful planning, and sensitivity to those who will implement the decision and/or those who will be affected by it.

- Minor changes require only a little planning, whereas **major changes require extensive planning efforts**, such as written plans, special funding arrangements, and careful coordination with units inside and outside the organization.
- Decisions can be implemented smoothly by being **sensitive to the reactions of those whom the decision will affect.**
- Managers identify the steps needed to reach that objective. These can include listing necessary actions and activities, considering required financial and other resources, and making a schedule for completing the work
- The **more thought** that goes into developing a plan, the **less likely** it is that important factors will be **overlooked.**
- Once this work is underway, **managers assess progress** and may identify areas for improvement.
- Circumstances can change or new issues might arise that had not been thought of during the planning process.
- These may require additions to, or other changes in, the plan. **Because most decisions are made under conditions of**

uncertainty, as time passes what was once unknown can become known.

- Where estimates were incorrect or the unexpected happens, adjustments need to be made to the implementation plans.
- If the new facts are significant enough, it can even require reconsideration of the decision.

If the decision has not met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed information or explore additional alternatives.

The decision making process will help you in forming a desired solution to a problem and there are other pre-defined decision making models that will help you to formulate your decisions.

DECISION MAKING MODELS

DECISION MAKING MODELS

The alternative method for decision making, introduced because of the difficulties in logical thinking process is known as Decision making models.

IMPORTANCE OF DECISION MAKING MODELS

Following are some of the importance of decision making models.

- Decision making models reduces uncertainty.
- They require less time in reaching a decision.



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- In situations where time is costly or unavailable, settling for a good enough option can be an effective strategy.
- Decision Making models are always cost effective.
- They are widely used in public sector where significant changes are likely to cause public dispute.
- They are also used in software development where bite sized changes help to avoid big and costly mistakes.



Therefore Decision Making Models helps in finding a suitable solution for various kinds of problems.

TYPES OF DECISION MAKING MODELS

Following are the types of decision making model.

- Classical Decision Making Model
- Incremental Decision Making Model
- Garbage Can Decision Making Model
- Administrative Decision Making Model

Let us look into the models in detail.

CLASSICAL DECISION MAKING MODEL

It is a rational model of decision-making that assumes that managers have access to complete information and are able to make an **optimal decision** by weighting every alternative.



IMPORTANCE OF CDMM

Following are some of the importance of Classical decision making model.

- The managers are **logical and rational**.
- The managers' decision will be in the best interests of organization.
- The model assumes that the decision-maker has **clearly set goals** and knows what is expected from him.



- Problem Identification
- Development of criteria against which alternative solutions can be evaluated.
- Identification of **alternative courses** of action
- Evaluation of alternatives.
- Selection of the best alternative and implementation.

Therefore it is essential to know the steps involved in Classical decision making model.

STEPS INVOLVED IN CDMM

Following are the steps involved in Classical decision making model.



- When faced with a decision making situation the managers should follow these steps according to **Classical Decision Making Model**.
- Obtain complete and perfect information.
- Eliminate uncertainty.



- Evaluate everything rationally and logically.
- End up with decision that is best suited to the organization.

Based on the above steps Classical decision making model is evaluated.

INCREMENTAL DECISION MAKING MODEL

Instead of making one huge leap towards solving a problem, the incremental model breaks down the decision-making process into **small steps**. The process of then moving between the steps is known as muddling through and is based on the combination of experience, intuition, guessing, and using different techniques. This model was developed by **Charles Lindblom**.

IMPORTANCE OF IDMM

Following are the importance of Incremental decision making model.

- The incremental model states that managers put in the **least possible effort** which is only enough to reduce the problem to a tolerable level.
- The manager here is concerned more with finding a short-term solution to the problem than making a decision that will facilitate the attainment of goals in the long-term.
- The incremental model **does not require** managers to process a great deal of information in order to take a decision.

Apart from the above importance, one must know how to process it.

STEPS INVOLVED IN IDMM

Following are the steps involved in Incremental decision making model.

When faced with a decision making situation the managers should follow these steps according to **Incremental Decision Making Model**.



- A small number of alternatives and consequences are considered at each stage of the decision-making process.
- As a result, the costs of making a decision are minimized.
- As each step is proposing only a small change; the immediate effect is minimal and usually not disruptive.

Based on the above steps incremental decision making model is calculated.

GARBAGE CAN DECISION MAKING MODEL

The garbage can model is quite different from traditional decision-making models. It **assumes that organizations are far from perfect and operate in a state of anarchy** (without rules). Organizational preferences and processes are unclear to the members of the organization, and **decision-makers in the organization change frequently**. In this chaos, many unnecessary solutions are produced. This is also known as **Organizational garbage**.



IMPORTANCE OF GCDMM

Following are some of the importance of Garbage can decision making model.

- The garbage-can approach to decision-making holds that managers behave randomly while making **non-programmed decisions**.
- That is, decision outcomes are chance occurrences and depend on such factors as the participants involved in the decision-making process, the problems about which they happen to be concerned at the moment, the opportunities they happen to identify and their favorite solutions or the solutions they use the **most to solve** most problems.



- The garbage-can strategy is effective in the following situations:
- When the managers have no specific goal preferences it is used.
- When the means of achieving goals are **unclear**, and
- When there are frequent changes in the participants involved in decision-making.
- The garbage- can approach is **often used in the absence of strategic management.**

Since this model has many importance, it is vital to know the steps involved.

ADMINISTRATIVE DECISION MAKING MODEL

It is defined as the model which is used by the managers to develop a better understanding of their **inherent bias and limitations**. In the foundation of the administrative model of decision making lies the belief that **decision makers often settle for a less than ideal solution because of time and motivation shortages**. Instead of seeking the best solution that maximizes the value of the decision, the decision maker accepts the first available '**good enough**' alternative producing a value above the minimally acceptable.



The concept of settling for a less than perfect solution is called **satisficing**. Because of the limited rationality of the decision maker, the model is also known as the bounded rationality model. The limited rationality entails that the decision maker has a limited number of criteria and considers a limited number of alternatives. Here the decision maker with **limited rationality** is called Administrative Man.

IMPORTANCE OF ADMM

Following are the importance of Administrative decision making models.

- In such a model, the manager has more concern for himself.
- On confrontation of a manager with a certain decision making situation, the **manager would collect whatever information or the data that will be available** and then will take a decision, which **may not** be in the best interests of the organization but will certainly be good for fulfilling his personal interests.
- **Expediency** and the **opportunism**, both act as the hallmarks of the Administrative Model.

The next process is to know the steps involved in Administrative decision making model.

STEPS INVOLVED IN ADMM

Following are the steps involved in Administrative decision making model.

- When faced with a decision making situation the managers will follow these steps according to Administrative Decision Making Model.
- Managers use incomplete and imperfect information.
- They are constrained by bounded rationality.
- They tend to satisfice.
- Therefore they end up with the decision that may or may not benefit the organization.

In your thinking process you normally confuse or take more time in coming to a conclusion or formulating a decision. Therefore it is highly important to break down the decision making process into small steps from identification to implementation.

Similarly you can also make use of the decision making models so that you can make decisions professionally.



MAKE SURE YOU REVISE

- ✓ DECISION MAKING MODELS
- ✓ DEFINITION AND STEPS IN DIFFERENT DECISION MAKING MODELS



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