

Chapter 15: Decision Making

The success of management depends upon the quality of decision. If the manager fails to take a sound decision, he is likely to face all round ineffectiveness. Decision making is not only art but also science. The reason is that there are too many choices, too many constraints and dictates. People get into turmoil, get disturbed and freeze. Some people avoid taking decisions themselves and ask others to take decisions on their behalf.

Decision making is a subjective process. In the business environment, it is necessary to reduce this subjectivity. A few managers who have the leadership qualities are able to take decisions objectively, considering facts and figures and other factors including emotional aspects.

As per George R. Terry, "Decision making is the selection based on some criteria from two or more possible alternatives."

As per Andrew Smilagyi, "Decision making is a process involving information, choice of alternative actions, implementations and evaluation that is directed to the achievement of certain stated goals."

Elements of decision making:

1. A problem is fully analyzed and the available alternatives are evaluated before taking a decision, which requires intelligence, experience and insight into the problem.
2. A decision is taken according to the environment of the business.
3. If the authority is centralized, all the important decisions are taken by the chief executive. If the authority is decentralized, only key decisions are taken by top executive and the routine decisions are taken by the lower level management people.
4. The psychology of an individual is involved in decision making.
5. A decision discloses preferences, intellectual maturity, experience, educational standard, social and religious attitudes, optimism or pessimism, designation and status of the decision maker.
6. Employees are also involved in decision making process.
7. Political and social environment of business affect the decision making.

8. If the management takes a decision after consulting the employees, the following advantages may accrue:
 - a. Better relations with employees
 - b. Loyalty to the management
 - c. No hindrance in implementation
 - d. Efficiency is increased
 - e. Issuing directions to employees becomes easy.

Decision making process:

1. Identification of a problem
2. Diagnosing the problem
3. Collect and analyze the relevant information
4. Discovery of alternate course of action
5. Analyzing the alternatives
6. Screening of alternatives
7. Selection of the best alternative based on decision analysis, experience, experimentation, research & analysis
8. Conversion of decision into action
9. Implementation
10. Verifying the decision

Principles of decision-making:

- 1) The very purpose of the organization is aimed at maximizing profits. Decision-making should be based on marginal analysis.
- 2) A manager takes a decision based on mathematical theories such as Probability theory and Queuing theory.
- 3) A manager takes a decision on the basis of his aspiration, technological skill, personality, social status, and organizational status.
- 4) Decision making is a selection process. The best alternative is selected out of many available ones. If there is only one alternative, there is no decision making.
- 5) The manager takes a decision with the help of the inference or the conclusion. The decision may be based on a limiting factor such as time, cost or resources. The reason is that the decision can be implemented in a particular situation.

- 6) Every person wants to be treated as an important person. So the management may allow the employees to have a say in the process of decision making.

Types of decisions:

- Programmed decisions: These are routine and structured decisions which are repetitive in nature. The decision is taken within the purview of the policy of the organization.e.g. granting overtime work.
- Non-programmed decisions: These are otherwise called as policy decisions, strategic decisions or basic decisions. E.g. whether to export or not.
- Operative decision: These are related to day to day operation. E.g. time of payment of overtime wages.
- Non-economic decision: It refers to the decision that does not incur any expenses. E.g. setting right the moral behavior of employees.
- Problem decision: A decision is taken to solve an expected or unexpected problem. Besides, the decision does not create any more problems.
- Certainty decision: It refers to decision taken on the basis of accurate knowledge of the outcome from each choice. For example, ascertaining how much profit will be maximized by introducing a new product or increasing the selling price.
- Uncertainty decision: The outcome is not known accurately. Several outcomes are possible. For example, we suspended a union leader because of his misbehavior. We did not know as to what the consequences will be.

Various characteristics of managers are:

Intelligence:

- This is ability of using common sense in decision making. It may not be concerned with formal education. Highly educated persons do not take best decisions in all cases. There is a need of perception of quality in managers to take the best decisions.

Education:

- Education develops the broad outlook of the decision maker. Higher education does not always mean good education. Good education helps the decision maker to take the best decision even in complex situations.

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One can get a master's degree from a recognized educational institution, whereas good education means acquiring thorough knowledge in a particular area of subject matter. If a person has inner urge to learn more and more, he will become expert in taking decisions.

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.

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.

Motivation:

- Everybody wants recognition for his action. Likewise, a person who takes a decision wants to have it recognized by his colleagues. If not, he will not take even a simple decision. Recognition of decision is a tonic for motivation. Further, the decision maker does not like criticism and suggestions.

Forecasting ability:

- The quality of a decision depends upon the forecasting ability of the decision maker. The decision maker is able to use available opportunities and take better decisions.

Self-confidence:

- The self-confident decision maker will not hesitate to take decisions. If the decision maker has no self-confidence, he will make delay in the decision-making process and the situation will go from bad to worse.

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