

## Concept of Decision Making

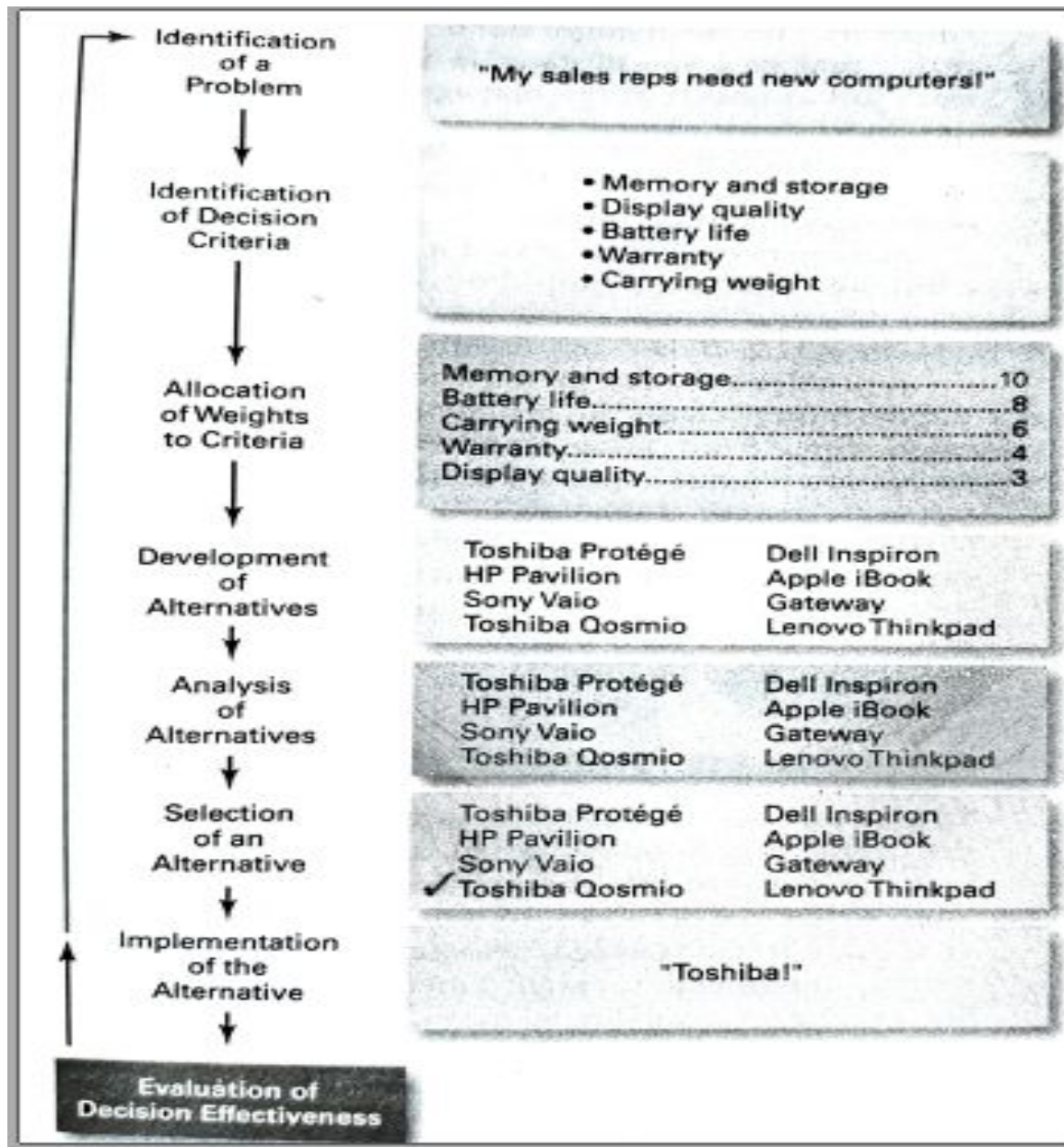
The term decision making is referred to as the process of identifying problems and opportunities and then resolving them from a set of alternative course of actions.

According to Stoner, Freeman & Gilbert- Decision making is the process of identifying to deal with a specific problem or take advantage of an opportunity.

Decision making is treated as a state of complete process at the time when problem and opportunity identified and resolved from among two or more possible alternative course of action.

Decision making is a thought process of selecting choices from the available alternative options to achieve a particular objective or to resolve a specific problem.

# The Decision Making Process



## Different types of model of decision making

Generally, we find that there are four types of decision making model. These may be discussed herewith as follows:

- 1. Classical Model:** In this model management is expected to make decisions on economic assumption which are sensible and supposed to serve the interest of the organization.
- 2. Administrative model:** The administrative model of decision making assumes that decision makers' rationality is bounded and that they're willing to consider only a limited number of criteria and alternatives before making decisions. As a consequence, they settle for the first 'good enough' solution that they find.



**3. Behavioural model:** In this model, decision makers decide under uncertain condition and lack of information. This approach is pragmatic and holds the view that a manager is a human being and cannot be fully rational because he is confronted with many constraints, problems, limitations and inadequacies.

**4. Political model:** In this model decision making is based on self interests and goals of powerful internal and external stakeholders as there are diverse interest groups with pulling and pushing its own goals and decisions in the organisations.

**The choice of a model mostly depends on the personal preference of the management and the extent of the influence of the conditions by certainty, uncertainty, risk and ambiguity.**

Bhattacharyya, D.K. has identified two more model of decision making. Such as- rational decision making model of individual and non rational decision making model of individual.

These may be discussed in brief as follows-

- **Rational decision making models of individual:** In this model of decision making there are certain steps and the decision maker, at every step, needs to apply their own perceived ideas to ensure that the plan is flawless.

It includes-

- Analysis of the opportunity, establishing objectives, determining planning premises, identification of alternatives, evaluation, selection, implementation and review.

➤ **Non rational decision making model of individual:** There are three types of non-rational decision-making models, which are perception-based.

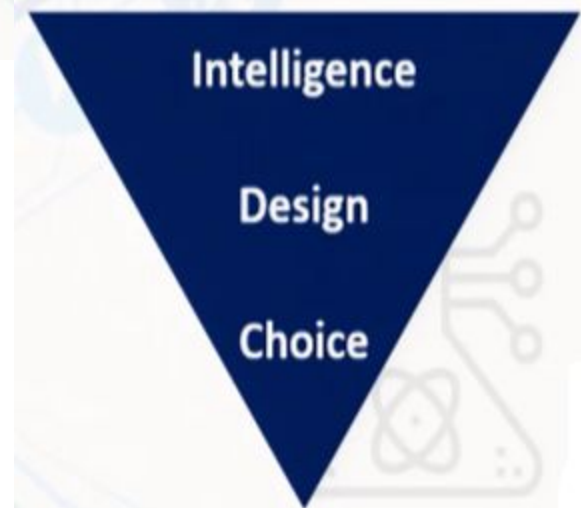
- **Bounded rationality, Incremental model and Garbage can model.** Perception influences individual decision making in terms of choosing the specific style of decision and also in terms of having a gambling or risk-averse attitude on a specific decisional issue. Again, the preference of the individual decision maker plays a major role.



## Simon's model of decision making

Herbert Simon has significantly contributed to better understanding of the decision making process which is related to behavioural model. His contribution has been emerged as Simon's Model of Decision Making. He has shown that human beings go through three essential stages in the act of solving problems.

He called these as the Intelligence, Design and Choice stages. These can also, be considered as the types of problem solving.



The stage wise decision making model

**1<sup>st</sup> stage that of intelligence/search for problems:** In this stage the decision makers collect all possible information about the issue from the organisational environment and the surrounding context and ideas at a glance. This is done in an open ended and searching for every possible alternative avenues by which the problem can be solved. Three types of search generally found are

- **Unstructured search:** It is primarily based on flexible access to the data base.
- **Structured ad-hoc search:** It is based on system support for structural analysis of information system.
- **Structural continuous search:** It is based on structural analysis for understanding the problem structure which refers to the variables occurring in qualitative representation of the problem and how do they interact.



**2<sup>nd</sup> stage that of design/develop alternative solutions:** In this stage the decision makers decide on the criteria depending upon which the decision making is done. The intelligence of the decision makers helps to settle on the criteria that are important and then either select if it is only one or to rank for more keeping the cost and time in mind. In this stage there are some interactive processes, such as-

- **Understanding the problem:** A correct model of the situation needs to be developed and tested.
- **Generating solutions:** Generating the possible course of action is aided by the model itself as well as the data retrieval system.
- **Testing feasibility of solution:** The way out is tested for feasibility by analysing the problem area, organisation, competitors and the society.

**3<sup>rd</sup> stage that of choice/analyse alternative and choose one:** In this stage the decision makers apply criteria to select the best available choices, in case the criteria is set of cost and time available for. The criteria may be weighted and that weights may be applicable in a formal manner. In this stage the criteria and parameters for decision making help minimizing the search required to arrive at the decision.

The choice stage may be required to return to intelligence for gathering information on activities and then to the design stage in view to modify or change the criteria and the weights used to apply them. This design of proper execution of choice is referred to as monitoring phase of decision making model.



## Advantages of Simon's model of decision making

The advantages of Simon's model are as follows:

- The model is considered as the type of problem solving based on the human psychological and organisational set up.
- The model suggests a system based on organisational information and database which helps strengthen system supported decision making.
- Model showed that rationality is bounded because there are limits to human capacity of thinking.
- The concept of programmed decision making through management information system or decision support system (MIS-DSS) has become an added advantage in decision making process.
- The concept of organisation and behavioural aspects of decision making provides an insight to the manager



# Ethics behind the decision making

There are certain ethical aspects of decision making which include -

- Ethics are the set of moral principles that guide a person's behavior. These morals are shaped by social norms, cultural practices, and religious influences which have role on individual's decision making.
- Ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner consistent with ethical principles.
- In making ethical decisions, it is necessary to perceive and eliminate unethical options and select the best ethical alternative.

- An individual can use three different criteria in making ethical choices. The first is the utilitarian criterion, in which decisions are made solely on the basis of their outcomes or consequences.
- The goal of utilitarianism is to provide the greatest good for the greatest number. The view tends to dominate business decision making. It is consistent with goals like efficiency, productivity, and high profits. Another ethical criterion is to focus on rights.
- An emphasis on rights in decision making means respecting and protecting the basic rights of individuals, such as the right to privacy, to free speech, and to due process.
- A third criterion is to focus on justice. This requires individuals to impose and enforce rules fairly and impartially so that there is an equitable distribution of benefits and costs.

# Barriers of decision making

There are certain limitations of decision making which include –

- **Time Consuming:** Individual decisions take a lot of time because the manager has to study the merits and demerits of all the alternatives
- **Compromised Decisions:** A compromised decision is made to please all the members. It may not be a correct and bold decision. The quality of this decision is inferior.
- **Subjective Decisions:** These are subjective because the decisions depend on the knowledge, education, experience, perception, beliefs, moral, attitude, etc., of the manager. Subjective decisions are not good decisions.