Decision Making

**Meaning**

According to Stephen P. Robbins, “decision making is defined as the selection of a preferred course of action from two or more alternatives.”

Decision is a choice whereby a person comes to a conclusion about given circumstance or situation. It represents a course of behavior or action about what one is expected to do or not to do. Decision making is the selection of one best alternative. So before making decisions all alternatives should be evaluated so as to take the best decision.

It is also one of the most important functions of management. Without it other management functions such as planning, organizing, directing, controlling, staffing cannot be conducted because in every managerial function decision is very important.

**Features or Characteristics of Decision-Making:**

1. **Rational Thinking:** It is invariably based on rational thinking. Since the human brain with its ability to learn, remember and relate many complex factors, makes the rationality possible.
2. **Process:** It is the process followed by deliberations and reasoning.
3. **Selective:** It is selective, i.e. it is the choice of the best course among alternatives. In other words, decision involves selection of the best course from among the available alternative courses that are identified by the decision-maker.
4. **Purposive:** It is usually purposive i.e. it relates to the end. The solution to a problem provides an effective means to the desired goal or end.
5. **Positive:** Although every decision is usually positive sometimes certain decisions may be negative and may just be a decision not to decide.
6. **Commitment:** Every decision is based on the concept of commitment. In other words, the management is committed to every decision it takes for two reasons
   1. it promotes the stability of the concern and,
   2. every decision taken becomes a part of the expectations of the people involved in the organization.
7. **Evaluation:** Decision-making involves evaluation in two ways,
   1. the executive must evaluate the alternatives, and,
   2. he should evaluate the results of the decisions taken by him.

**Steps in decision making**

1. **Identification of problems:**  the first step of decision making is identification of problems. First of all, managers must identify the problem. The problem has to be found and defined. Symptoms are identified and problems should be judged, symptoms are not problems. They are warning signs of problems. So, managers should search for symptoms for identification of problems. Such symptoms can be falling of sales, profit etc. It is said that problem identified is half solved is identification of problem should be effective.
2. **Analysis of problem:** after identification of problems, the problem should be analyzed by the decision maker. It is the assembly of fact and clarifying it. Relevant information must be collected and analyzed according to the complexity and nature of problems.
3. **Developing the alternative solution:** after identification and analysis of problems different probable solutions have to be developed which is known as developing the alternative solutions. there may be many alternative past experience, expert opinion, discussions etc which may be helpful to develop the alternative.
4. **Evaluation of best alternative:** after developing the alternative solution evaluation of best alternative is done. It is determined that which alternative has how much advantage and disadvantages. in other words, alternatives are evaluated in so many factors like cost factors, risk, benefits, facilities etc. therefore it is very important
5. **Selection of best alternative:** after evaluating alternative, the best alternative is to be selected from various alternative. After developing alternative, the managers should taste each of them by imagining things that he has already put in effect. He should try to foresee the desirable consequences of adopting each alternative. It is done for best selection. therefore it is very important.
6. **Implementation of best alternative:** after selection of finest alternative, it must be used in the organization effectively. Effectiveness of decisions in achieving the desired goals depends upon its implementation. It they are not implemented effectively then best results can’t be obtained. Therefore proper implementation of best alternative is necessary.
7. **Review of implementation:** it is the last step of decision making process. When the implementation of best alternative is reviewed, the process of decision making is finished. The result of implementation should be monitored and evaluated through which effectiveness can be measured.

**Simon’s Model of Decision Making**

Herbert Simon made key contributions to enhance our understanding of the decision-making process. According to Simon decision-making is a process with distinct stages. He suggested for the first time the decision-making model of human beings. His model of decision-making has three stages:

1. Intelligence which deals with the problem identification and the data collection on the problem.
2. Design which deals with the generation of alternative solutions to the problem at hand.
3. Choice which is selecting the 'best' solution from amongst the alternative solutions using some criterion.
4. **Intelligence Phase:** This is the first step towards the decision-making process. In this step the decision-maker identifies/detects the problem or opportunity. A problem in the managerial context is detecting anything that is not according to the plan, rule or standard. An example of problem is the detection of sudden very high attrition for the present month by a HR manager among workers. Opportunity seeking on the other hand is the identification of a promising circumstance that might lead to better results. An example of identification of opportunity is a marketing manager gets to know that one of his competitors will shut down operations (demand being constant) for some reason in the next three months, this means that he will be able to sell more in the market.

Thus, we see that either in the case of a problem or for the purpose of opportunity seeking the decision-making process is initiated and the first stage is the clear understanding of the stimulus that triggers this process. So if a problem/opportunity triggers this process then the first stage deals with the complete understanding of the problem/opportunity. Intelligence phase of decision-making process involves:

1. **Problem Searching**: For searching the problem, the reality or actual is compared to some standards. Differences are measured & the differences are evaluated to determine whether there is any problem or not.
2. **Problem Formulation**: When the problem is identified, there is always a risk of solving the wrong problem. In problem formulation, establishing relations with some problem solved earlier or an analogy proves quite useful.
3. **Design Phase:**

Design is the process of designing solution outlines for the problem. Alternative solutions are designed to solve the same problem. Each alternative solution is evaluated after gathering data about the solution. The evaluation is done on the basic of criteria to identify the positive and negative aspects of each solution. Quantitative tools and models are used to arrive at these solutions. At this stage the solutions are only outlines of actual problems and are meant for analysis of their suitability alone. A lot of creativity and innovation is required to design solutions.

1. **Choice Phase:**

It is the stage in which the possible solutions are compared against one another to find out the most suitable solution. The 'best' solution may be identified using quantitative tools like decision tree analysis or qualitative tools like the six thinking hats technique, force field analysis, etc.

Each solution presents a scenario and the problem itself may have multiple objectives making the choice process a very difficult one. Also uncertainty about the outcomes and scenarios make the choice of a single solution difficult.

**Creativity:**

Creativity means creating something new. In the context of business, it means creation of new ideas, new method or new product/service. Creativity improves the quality of decisions. It increases the scope of alternatives to be considered for problem-solving. It is essential to deal with problems which are non-repetitive and novel as such problems cannot be solved by pre-defined solutions. They require imaginative thinking for their solution. As no problem has a single solution, creativity helps in generating new ideas that help in taking the final decision.

The creative approach to problem solving **assumes** the following:

1. There is always a better way of doing things. Past precedents, habits and conventional ways of doing things cannot always guide the future courses of action.
2. Problems have diverse perspectives. Each perspective should be probed, questions should be raised and answers should be found.
3. Things should not be taken for granted. Problems should be redefined and obvious facts should be challenged.
4. There is always scope for improvement. Managers should move from traditional ways to modern, computer-aided ways of managing organizations.
5. Managers should not be afraid of failures. Initial failures will lead to ultimate success.

Creativity in decision-making results in organizational innovations, new technology or new products. In the era of globalization, competition is so intense that creativity is essential for organizations to take decisions that help in their survival and growth.

The creativity process requires:

1. **Convergent thinking**
2. **Divergent thinking.**

In convergent thinking, the problem is solved according to pre-defined method or course of action. It pre-supposes solution to the problem and rationally moves towards that solution. Divergent thinking does not solve the problem in a pre-defined way. It analyses different aspects of the problem, views it in different ways and searches for alternative courses of action to solve that problem.

**Components of Creativity:**

1. **Domain skills**: A manager can be creative in decision-making if he is theoretically and conceptually aware of the problem and its relevance to the environmental factors. In other words, he must have knowledge of the problem area and also the talent and ability to solve that problem. This is known as domain skill.
2. **Creativity skills**: The skills to do creative things; to think of new ways of doing the work, to think of new avenues of marketing are the creative skills that help to carry out the decision-making process.
3. **Task motivation**: Managers do not perform organizational tasks for earning only financial rewards. Money or financial considerations are not the only motives for taking up a novel task. Ego satisfaction and morale boost up are also the considerations that lead to creativity in decision-making.

**Process of Creativity:**

The process of creativity consists of the following steps:

1. **Problem finding or sensing**: The entrepreneur faces a problem and selects to work on it. He feels curious to solve that problem. He thoroughly familiarizes himself with the problem, analyses its importance for the business and its relationship with other segments of the business.

This helps in identification of the problem as close as possible to reality so that alternatives can be generated which analyze the problem and provide solutions in the right direction. Curiosity leads to development of ideas.

1. **Preparation**: Once the problem is identified, the decision-maker concentrates on the problem and starts working on it. He collects information, analyses how others are using it and formulates hypotheses to work on. Information may be collected on the basis of past experience, through experience of others and also through study of new researches and innovations done in that field.

1. **Gestation or Incubation**: If, in the preparation stage, the decision-maker is not able to arrive at creative solution to the problem, he moves away from conscious deliberation to sub-conscious development of ideas. He moves away from the problem and engages in other routine activities while still thinking of the problem in his sub-conscious mind.

He thinks over collected information and makes decisions in his sub-conscious mind. He appears to be idle but actually he is trying to correlate what runs in his sub-conscious mind with the happenings around. As lot of information and ideas are already stored in his mind, sub-consciously they are combined and related to each other and help in generation of new ideas important for solving the problem.

1. **Insight or Illumination**: He thinks of all possible solutions at all times. He thinks of ideas while eating, walking or going to sleep. These ideas are put in writing so that he does not forget them in his conscious mind. In this process, there is flash of ideas in his mind.

These ideas come and go at the speed of light, some of which are spontaneously rejected while others are accepted for further analysis. Sometimes, it results in ideas which the decision ­maker may not have even thought of in his conscious mind. Social gatherings and meetings may also result in new ideas.

1. **Verification and application**: The entrepreneur proves by logic or experiment that the idea can solve the problem and, therefore, can be implemented. He tests the ideas empirically through mathematical models and experimentation. If it is feasible, he applies it to solve the problem. Verification is an essential step in the creativity process because an idea that cannot be implemented is of no use howsoever good it may be.

**Climate for Creativity:**

Managers create a climate that encourages creativity in the following ways:

1. Recognize the need for change: Though people are generally resistant to change, accepting the need for change is necessary to promote creativity. People must feel that they will be benefitted by change.
2. Encourage new ideas: The manager should welcome new ideas. Listening to new ideas and implementing the profitable ones encourages a creative climate in the organization.
3. Interaction: Interaction with people within and outside the enterprise encourages exchange of useful information and generation of new ideas.
4. Tolerate failure: New ideas may prove to be failures. People should not get disheartened. They should consider time, money and energy in ideas that have failed as investment for bright future prospects.
5. Clear objectives: Managers must have purpose for creativity. They should know what ideas to be tried, when and for what. Clear objectives will optimize the use of time, energy and money.

**Creative problem solving**

Creative problem solving is not just brainstorming, although that's what many people may associate it with. It's actually a well-defined process that can helps one from problem definition to implementing solutions. Creative ideas do not suddenly appear in people’s minds for no apparent reason. Rather, they are the result of trying to solve a specific problem or to achieve a particular goal.

Creative Problem Solving (CPS) is a simple process that involves breaking down a problem to understand it, generating ideas to solve the problem and evaluating those ideas to find the most effective solutions. Highly creative people tend to follow this process in their heads, without thinking about it. Less naturally creative people simply have to learn to use this very simple process.

**Group decision making**

Decision-making is one of the toughest parts of any innovation process, especially when working on complex challenges in a group context. A leader can substantially ease this process by specifying the decision-making process that he or she is planning to use. To do this, that leader announces at the beginning of the discussion how the decision will be reached, as well as how much and what kind of participation is expected from the rest of the group.

**Different kinds of group decision-making processes**

1. **Unanimous**: Unanimous decisions occur when all agree without reservation. They are easier for trivial matters, but very difficult for important or high pressure situations.
2. **Consensus**: In a consensus, each person agrees to support the decision, though all may not agree, and gives his or her consent. Despite differing perspectives, all agree that they can live with the decision. Consensus is the process most likely to ensure that each person’s input is valued, heard and considered.
3. **Majority Rule**: Majority rule decisions are made when more than half the group votes in favor. This process is used frequently in democracies, and rarely in organizations.
4. **Expert**: In this scenario, the group delegates the decision-making responsibility to an expert or small subgroup. This type of process is good for situations that do not require the entire group’s participation.
5. **Executive**: In an executive decision, the leader makes the call. Most decisions are executive, and should be. The best decision-making is typically a highly participative executive decision. This approach is critical when dealing with issues such as team vision and mission.
6. **Default**: In this scenario, a decision is made by action, or more likely, inaction that forces a conclusion. It is a powerless form of decision-making and is best avoided.