


# DECISION MAKING

Session 11

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- Planning involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision making, that is, choosing a course of action from among alternatives.

# Decision making

- The selection of a course of action from among alternatives.
- Managers sometimes see decision making as their central job because they must constantly choose what is to be done, who is to do it, when, where and occasionally who will do it.
- It is a part of planning.

# Rationality in Decision making

People rarely achieve complete rationality, particularly in managing, because

- Decisions must operate for the future which involves uncertainties.
- Difficult to recognize all the alternatives that might be followed to reach a goal.
- Not all alternatives can be analyzed, even with newest analytical techniques and computers available.

# Limited, or “bounded”, Rationality

- A manager must settle for limited or bounded rationality.
- Due to limitations of information, time, and certainty limit rationality, even if a manager tries it earnestly to be completely rational.

# Satisficing

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- Picking a course of action that is satisfactory or good enough under the circumstances.

# Development of alternatives



- There are almost always alternatives to any course of action; indeed if there seems to be only one course of action, clearly we have not thought hard enough.
- Developing alternatives is often as important as being able to select correctly from among them.

# Limiting factor

- A limiting factor is a condition or situation that stands in the way of accomplishing a desired objective.
- Recognizing the limiting factors in a given situation makes it possible to narrow the search for alternatives to those that will overcome the limiting factors.
- The principle of limiting factor states that by recognizing and overcoming those factors that stand critically in the way of a goal, the best alternative course of action can be selected.



# Evaluation of alternatives

- Quantitative and qualitative factors
- Marginal analysis: The examination of costs and benefits of a marginal(small) change in the production of goods.
- Cost-effectiveness analysis seeks the best ratio of benefit and cost.


# Selecting an alternative

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- Experience
- Experimentation
- Research and analysis

# Programmed and Non-programmed Decisions

- Programmed decisions are used for structured or routine work.
- Non-programmed decisions are used for unstructured, and ill-defined solutions of a nonrecurring nature.



# Decision making under certainty, Uncertainty, and risk

# Creativity and Innovation



- Creativity-The ability and power to develop new ideas.
- Innovation-The use of new ideas.

# Brain storming

- **Brainstorming** is a method for generating ideas to solve a design problem. It usually involves a group, under the direction of a facilitator. The strength of **brainstorming** is the potential participants have in drawing associations between their ideas in a free-thinking environment, thereby broadening the solution space.



# Limitations of traditional group discussion

# Invention and Innovation



- Invention pertains to new ideas and process.
- Innovation is the application of the ideas to products or services.



## Examples of innovation:

### □ 1. iPhone, 2007

*The first iPhone a Game changer, revolutionary, invention of the year 2007, shaped the mobile industry that made the company Apple Inc., what is today.*

*Simple, easy to use, home button to begin navigation, touch screen no keyboard.*

*Sold over 1 million in just 3 months.*

*The iPhone revolutionized the complete mobile industry.*

### □ 2. Amazon, Uber

*Whether it is ideas or goods or service can be exchanged, sold or purchased online.*

### □ 3. Google, Wikipedia

*Any topic can be searched, studied and understood.*