



BUS 1370 : Principles of Management

Lesson 04

Managerial Decision Making

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Learning Outcomes

- Define decision and decision making.
- Explain types and conditions of decision making.
- Discuss different decision making models.
- Discuss personal decision making styles and group decision making techniques.

Why we make decisions?

Decision and Decision Making

Decision

Choice made from available alternatives.

Decision Making

The act of choosing an alternative from a set of alternatives.

Types of Decisions

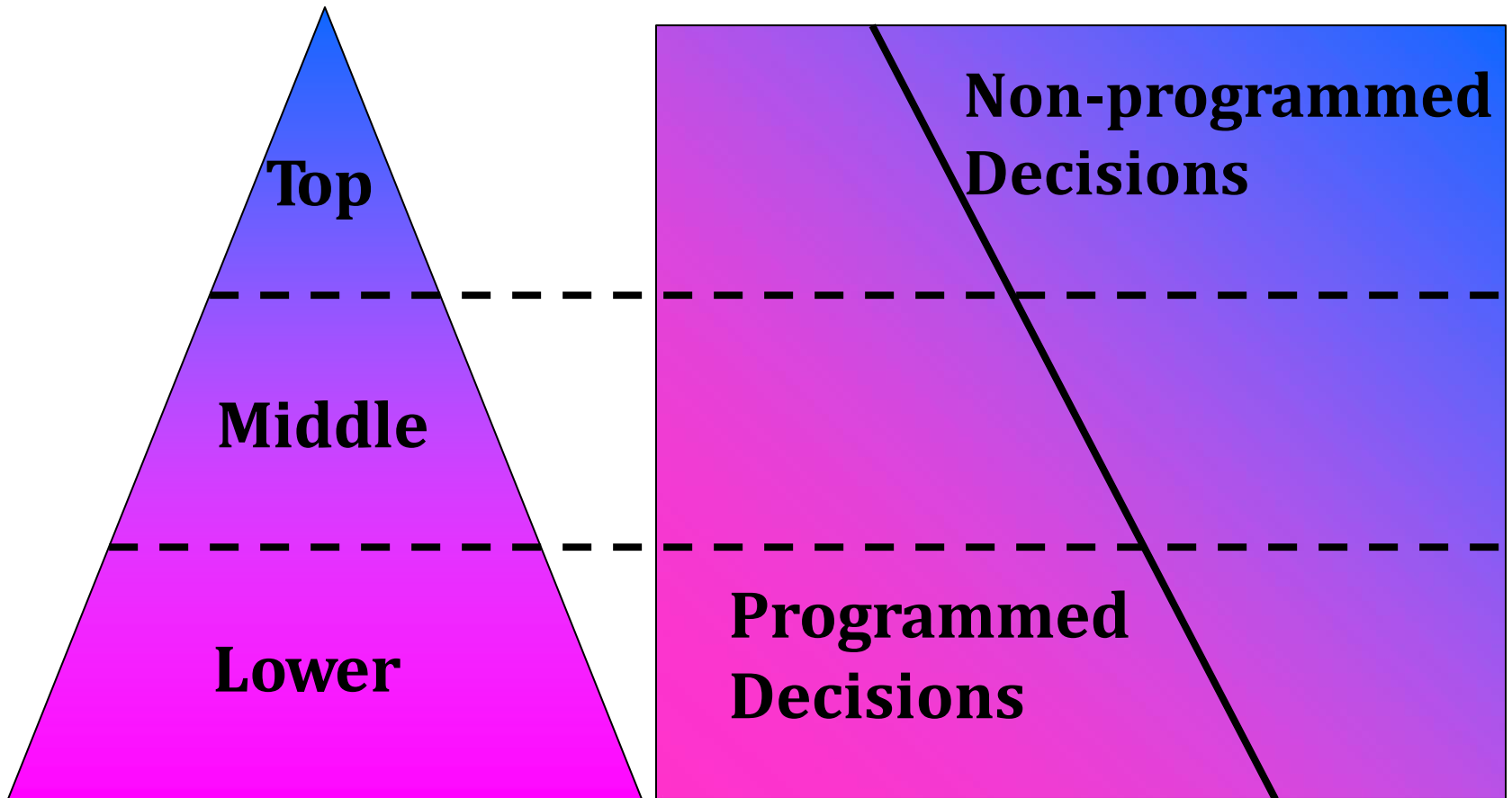
Programmed Decisions

A decision that is fairly structured solution to routine problems determined by rules, procedures and habits.

Non-programmed Decisions

Specific solutions created through unstructured process to deal with non-routine problems.

Decision Types & Managerial Levels



Decision Making Conditions

Certainty

All of the information the decision maker needs is fully available.

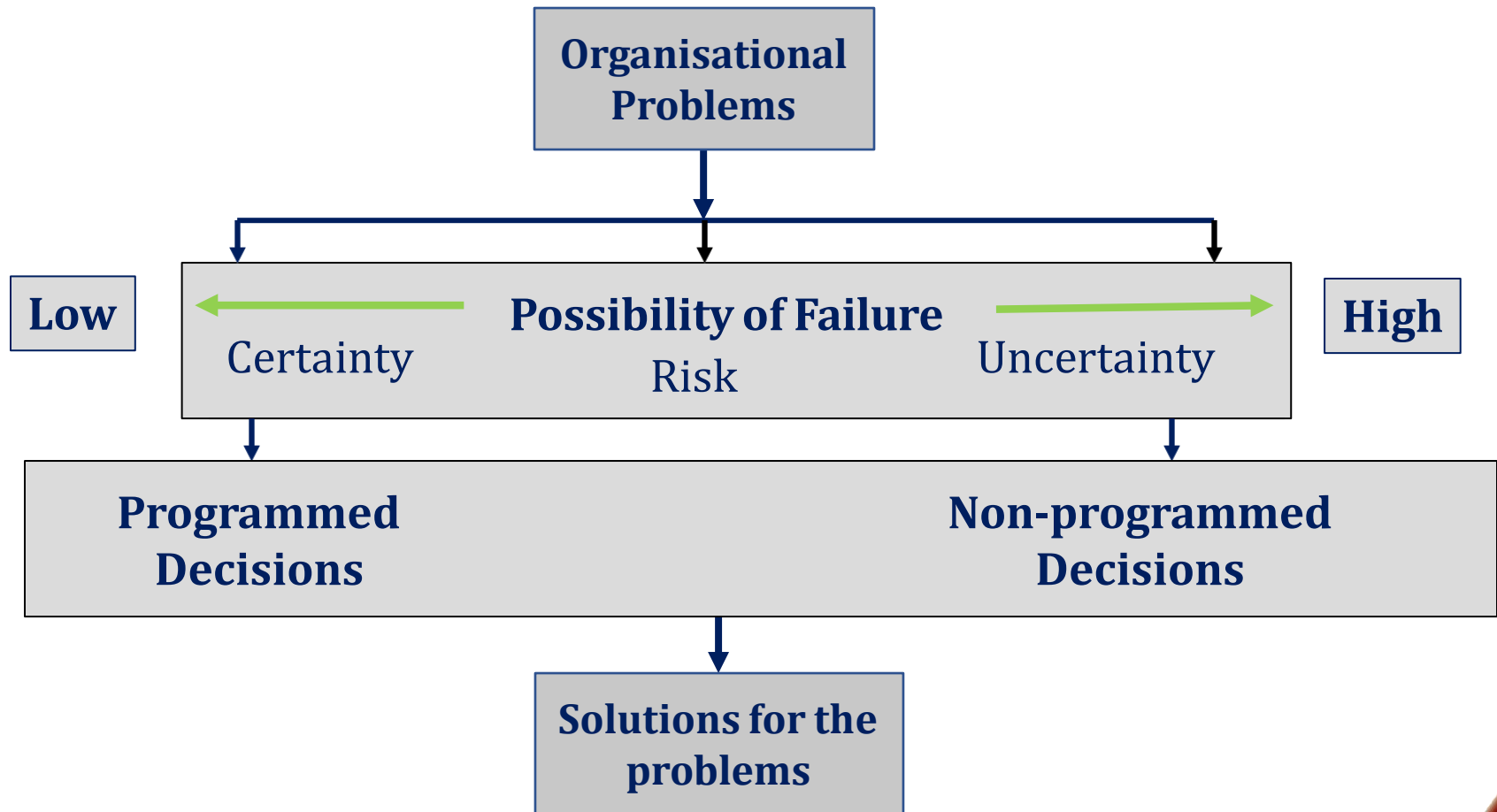
Risk

A decision has clear goals and good information is available, but the future outcomes associated with each alternative are subject to chance.

Uncertainty

Managers know which goals they wish to achieve, but information about alternatives and future events is incomplete and managers may have to come up with creative approaches to alternatives.

Decision Making Conditions & Decisions



Information for Decision Making

Information plays a vital role in making effective decisions.

Characteristics of good information:

- Accuracy
- Relevancy
- Perfection
- Timeliness
- Cost-effectiveness

Different Types of Information Systems

Level of Systems	Types of Systems
Operational Level Systems Monitor the elementary activities and transactions of an organisation.	Transactions Processing systems (TPS)
Knowledge Level Systems Support knowledge and data workers in an organisation.	Office systems (OS) Knowledge Work Systems (KWS)
Management Level Systems Support the monitoring, controlling, decision making and administrative activities of middle managers.	Decision Support Systems (DSS) Management Information Systems (MIS)
Strategic Level Systems Support the long-term planning activities of senior management.	Executive Support Systems (ESS)

(Laudon & Laudon, 2004)

Decision Making Models

Selecting a decision making model depends on:

- The manager's personal preference.
- Whether the decision is programmed or non-programmed.
- The extent to which the decision is characterised by certainty, risk and uncertainty.

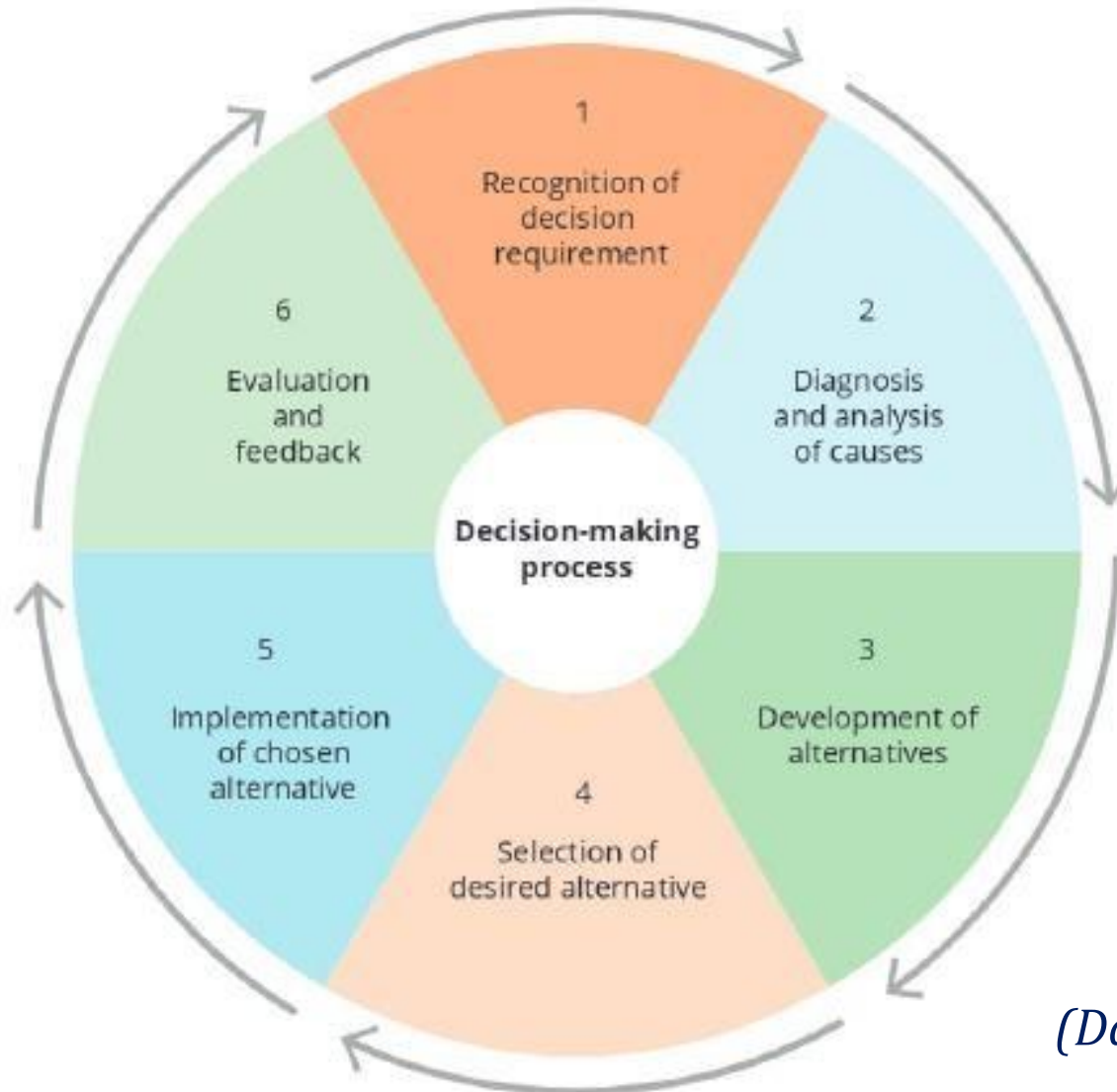
Decision Making Models

Classical Model

The classical model of decision making is based on rational economics assumptions and managerial beliefs about what ideal decision making should be.

- Decision maker operates to accomplish goals that are known and agreed on.
- Decision maker strives for condition of certainty, gathering complete information.
- Criteria for evaluating alternatives are known.
- Decision maker is rational and uses logic to assign values, order preferences, evaluate alternatives and make decisions.

Decision Making Models



(Daft, 2018)

Decision Making Models

Administrative Model

How managers actually make decisions in situations characterised by non-programmed decisions, risk and uncertainty.

- Two concepts are instrumental in shaping the administrative model:

Bounded Rationality: People have limits or boundaries on how rational they can be. These limitations can be Informational, Computation, Psychological and Cognitive limitations.

Satisficing: Decision makers choose the first solution alternative that satisfies minimal decision criteria.

Decision Making Models

Political Model

A decision making model that is useful for making non-programmed decisions when conditions are uncertain, information is limited and there is disagreement among managers.

- Managers often engage in coalition building when making complex organisational decisions.

Coalition: A coalition is an informal alliance among managers who support a specific goal. Coalition building is the process of forming alliances among managers.

Decision Making Models

Classical Model	Administrative Model	Political Model
Clear-cut problem and goals	Vague problem and goals	Pluralistic; conflicting goals
Condition of certainty	Condition of uncertainty	Condition of uncertainty/ambiguity
Full information about alternatives and their outcomes	Limited information about alternatives and their outcomes	Inconsistent viewpoints; ambiguous information
Rational choice by individual for maximising outcomes	Satisficing choice for resolving problem using intuition	Bargaining and discussion among coalition members

(Daft, 2018)

Personal Decision Making Styles

Differences among people with respect to how they perceive problems and make decisions.

Different decision making styles:

- Directive style
- Analytical style
- Conceptual style
- Behavioural style

Personal Decision Making Styles

Directive Style

- People who prefer simple, clear-cut solutions to problems.
- Make decisions quickly.
- May consider only one or two alternatives.
- Efficient and rational.
- Prefer rules or procedures.

Analytical Style

- Complex solutions based on as much data as they can gather
- Carefully consider alternatives.
- Decisions are based on objective, rational data from management control systems and other sources.
- Search for best possible decision based on information available.

Personal Decision Making Styles

Conceptual Style

- Consider a broad amount of information.
- More socially oriented than analytical style.
- Like to talk to others about the problem and possible solutions.
- Consider many broad alternatives.
- Rely on information from people and systems.
- Solve problems creatively.

Behavioural Style

- Have a deep concern for others as individuals.
- Like to talk to people one-on-one.
- Understand their feelings about the problem and the effect of a given decision upon them.
- Concerned with the personal development of others.
- May make decisions to help others achieve their goals.

Group Decision Making

Group decision making (also known as collaborative decision making) is a situation faced when individuals collectively make a choice from the alternatives.

Group Decision Making Techniques

- **Brainstorming**

Brainstorming uses a face-to-face interactive group to spontaneously suggest a wide range of alternatives freely for decision making.

- **Nominal Group Technique**

Used most often to generate creative and innovative alternatives or ideas. Once alternative solutions are listed, group members vote by usually rank ordering the various alternatives. The highest ranked alternative represents the decision of the group.

- **Delphi Technique**

It is unique because it is a group process using written responses to a series of questionnaires instead of physically bringing individuals together to make a decision.

Group Decision Making Techniques

- **Majority Rule**

This refers to a decision-making rule where each member of the group is given a single vote, and the option that receives the greatest number of votes is selected.

- **Group Decision Support Systems (GDSS)**

GDSS are interactive computer-based systems that are able to combine communication and decision technologies to help groups to make a better decision.

Questions *and* Discussion