

Information in Decision Making

Meaning of Decision-Making

Decision-making is a process of selecting the best among the different alternatives. It is the act of making a choice. There are so many alternatives found in the organization and departments. Decision-making is defined as the selection of choice of one best alternative. Before making decisions all alternatives should be evaluated from which advantages and disadvantages are known. It helps to make the best decisions. It is also one of the important functions of management. Without other management functions such as planning, Organizing, directing, controlling, staffing can't be conducted because in this managerial function decision is very important.

According to Stephen P. Robbins, "decision-making is defines as the selection of a preferred course of action from two or more alternatives."

Meaning of Information

The word 'information' is used commonly in our day to day working. In MIS, information has a precise meaning and it is different from data. The information has a value in decision making while data does not have. Information brings clarity and creates an intelligent human response in the mind.

In MIS a clear distinction is made between data and information. Data is like raw materials while the information is equivalent to the finished goods produced after processing the raw material.

Information Vs Data

Data can be described as unprocessed facts and figures. Plain collected data as raw facts cannot help in decision-making. However, data is the raw material that is organized, structured, and interpreted to create useful information systems.

Data is defined as 'groups of non-random symbols in the form of text, images, voice representing quantities, action and objects'.

Information is interpreted data; created from organized, structured, and processed data in a particular context.

Role of Management Information Systems in Decision Making

Management information systems combine hardware, software and network products in an integrated solution that provides managers with data in a format suitable for analysis, monitoring, decision-making and reporting. The system collects data, stores it in a database and makes it available to users over a secure network.

1. Information from Company Operations

When you base your decisions on data available from management information systems, they reflect information that comes from the operations of your company. Management information systems take data generated by the working level and organize it into useful formats. Management information systems typically contain sales figures, expenses, investments and workforce data. If you need to know how much profit your company has made each year for the past five years to make a decision, management information systems can provide accurate reports giving you that information.

2. Rapid Access to Information

Managers need rapid access to information to make decisions about strategic, financial, marketing and operational issues. Companies collect vast amounts of information, including customer records, sales data, market research, financial records, manufacturing and inventory data and human resource records. However, much of that information is held in separate departmental databases, making it difficult for decision-makers to access data quickly.

A management information system simplifies and speeds up information retrieval by storing data in a central location that is accessible via a network. The result is decisions that are quicker and more accurate.

3. Teams Can Collaborate

In situations where decision-making involves groups, as well as individuals, management information systems make it easy for teams to make collaborative decisions. In a project team, for example, management information systems enable all members to access the same essential data, even if they are working in different locations.

4. Decisions Based on Latest Information

Management information systems bring together data from inside and outside the organization. By setting up a network that links a central database to retail outlets, distributors and members of a supply chain, companies can collect sales and production data daily, or more frequently, and make decisions based on the latest information.

5. Projections to Assist in Decision Making

Any decisions you make result in changes in the projected company results and may require modifications to your business strategy and overall goals. Management information systems either have trend analysis built in or can provide information that lets you carry out such an analysis. Typical business strategies include projections for all fundamental operating results.

A trend analysis allows you to show what these results would be in the current situation and how they will change once you have implemented the decisions you have taken. The new values form the basis of your strategic approach going forward.

6. Capability to Run Scenarios

The capability to run scenarios is a key decision-making tool. Some management information systems have this feature built in, while others can provide the information required for running scenarios on other applications, such as spreadsheets. Your decision is influenced by what happens if you decide a certain way. What-if scenarios show you how different variables change when you make a decision.

You can enter reduced staff levels or increased promotion budgets and see what happens to revenue, expenses and profit for different levels of cuts or increases. Management information systems play a critical role in making realistic scenarios possible.

7. Implementation and Evaluation

While you make your decisions with specific goals in mind and have the documentation from management information systems and trend analysis to support your expectations, you have to track company results to make sure they develop as planned. Management information systems give you the data you need to determine whether your decisions have had the desired effect, or whether you have to take corrective action to reach your goals. If specific results are not on track, you can use management information systems to evaluate the situation and decide to take additional measures if necessary.

8. Interpret Results Efficiently

Management information systems help decision-makers understand the implications of their decisions. The systems collate raw data into reports in a format that enables decision-makers to quickly identify patterns and trends that would not have been obvious in the raw data.

Decision-makers can also use management information systems to understand the potential effect of change. A sales manager, for example, can make predictions about the effect of a price change on sales by running simulations within the system and asking a number of “what if the price was” questions.

9. Ease of Presentation

The reporting tools within management information systems enable decision-makers to tailor reports to the information needs of other parties. If a decision requires approval by a senior executive, the decision-maker can create a brief executive summary for review. If managers want to share the detailed findings of a report with colleagues, they can create full reports and provide different levels of supplementary data.