Concept of Decision Making-

Decision Making is an important function in management, since decision-making is related to problem, an effective decision-making helps to achieve the desired goals or objectives by solving such problems. Thus the decision-making lies all over the enterprise and covers all the areas of the enterprise.

Scientific decision-making is well-tried process of arriving at the best possible choice for a solution with a reasonable period of time.

Meaning of Decision Making- Decision means to cut off deliberations and to come to a conclusion. Decision-making involves two or more alternatives because if there is only one alternative there is no decision to be made.

According to R.S. Davar- "Decision-making is the election based on some criteria of one behavior alternative from two or more possible alternatives. To decide means 'to cut off or in practical content', to come to a conclusion."

According to McFarland- "A decision is an act of choice where in an executive forms a conclusion about what must be done in a given situation. A decision represents behavior chosen from a number of possible alternatives."

Henry Sisk and Cliffton Williams defined "A decision is the election of a course of action from two or more alternatives; the decision making process is a sequence of

steps leading lo I hat selection."

Characteristics of Decision Making: some characteristics of decision making are as follows-

1. It is a process of making a choice from alternative course of action.
2. Decision is the end process preceded by deliberation and reasoning.
3. Decision-making is a focal point at which plans, policies, and objectives are translated into concrete actions.
4. Rationality is another characteristic of decision-making. The human brain with its ability to learn to remember and to relate many complex factors makes this rationality possible.
5. Decision-making involves commitment.
6. The purpose of decision-making is to select the best alternative, which can significantly contribute towards organizational aims.

Process of Decision Making- A manager should follow the series of systematically related steps while making decision. These steps are as follows:

(a) Investigate the Situation- A detailed investigation is made on three aspects: define problem, identification of objectives and diagnosis.

The first step in the decision process is determining the precise problem to be solved. At this stage, time and effort should be expanded only in gathering data and information that is relevant to an identification of the real

problem. Defining the problem in terms of the organizational objectives that are being blocked helps to avoid confusing symptoms and problems.

Once the problem has been defined, the next step is to decide what would constitute and effective solution. As part of this process, managers should begin to determine which parts of the problem they must solve and which they should solve. Most problems consist of several elements and a manager is unlikely to find one solution that will work for all of them.

When managers have found a satisfactory solution, they must determine the actions that will achieve it. But first, they must obtain a solid understanding of all the sources of the problem so they can formulate hypotheses about the causes.

(b) Develop Alternatives- The search for alternatives forces the manager to see things from many viewpoints, to study cases from their proper perspectives and to unearth the troubled spots of the problem. To be more meaningful, only viable and realistic alternatives should be included in the listing.

Brainstorming may be effective at this stage. This is a group approach to developing creating potential solutions to management problems several persons with a similar interest sit down at one place and give concentrated thought to what might be done. The objective is to

generate as many ideas as possible.

Criticism must be prohibited. The leader must keep the discussion moving by asking questions and making statements, which refocus attention on the problem at hand without proper guidance, discussion can degenerate into an aimless bull session.

(c) Evaluate Alternatives and Select the Best One-The third step in decision making is that of analyzing and evaluating each alternative in terms of its possible consequences and since managers can never be sure of the actual outcome of each alternative, uncertainty always exists, consequently, this step is a real challenge requiring managers to call on present knowledge, past experience, foresight and scientific acumen.

For the proper analysis of alternatives, Peter Drucker has suggested the following four criteria:

(i) The risk,

(ii) Economy for effort,

(iii) Timing, and

(iv) Limitations of resources.

(i) Risk- Every solution naturally carries a risk element. The risk of each course of action must be weighed against the possible gains from its selection.

(ii) Economy of efforts- That line of action will be selected which gives the greatest results with the least effort, and obtaining the needed change with the last necessary disturbance of the organization.

(iii) Timing- If the situation has great urgency, the preferable course of action is one that dramatizes the decision and serves notice on the organization that something important is happening. If, one the other hand, long, consistent effort is needed, a slow start that gathers momentum may be preferable.

(iv) Limitations of resources- This is also known as the "principle of limiting factor" which is the essence of decision making. The key to decision making is to solve the problem posed by alternatives, if possible by seeking out and solving for the limiting, or strategic, or critical, factor. The most important resources, whose limitations have to be considered, are the human beings who will carry out the decision.

(d) Implement and Monitor the Decision- Once the best available alternative has been selected, managers are ready to make plans to cope with the requirements and problems that may be encountered in putting it into effect.

Implementing a decision involves more than giving appropriate orders. Resources must be acquired and allocated as necessary. Mangers set up budgets and schedules for the actions they have decided upon. This allows them to measure progress in specific terms; next,

they assign responsibility for the specific tasks involved.

They also setup a procedure for progress reports and prepare to make connections if new problem should arise. Budget, schedules and progress report are all essential to performing the management functions of control.

Potential risks and uncertainties that have been identified during the earlier evaluation of alternatives stage must also be kept in mind. There is a natural human tendency to forget possible risks and uncertainties once a decision is made. Managers can counteract this failing by consciously taking extra time to re-examine their decision at this point and to develop detailed plans for dealing with these risks and uncertainties.

After managers have taken whatever steps are possible to deal with potential adverse consequences, actual implementation can begin. Ultimately, a decision (or a solution) is no better than the actions taken to make it a reality.

A frequent error of managers is to assume that once they make a decision, action on it will automatically follow. If the decision is a good one but subordinates are unwilling or unable to carry it out, then that decision will not be effective.

Factors Influencing Decision Making:

1. Time Pressures- An important influence on the quality

of decisions is how much time the decision maker has in which to make the decisions. Unfortunately, managers must make most of their decisions in time frames established by others. Lack of time can force a manager to decide without gathering important facts or exploring possible solutions thoroughly.

2. Manager's Values- Manager's values have a significant influence on the quality of decisions. Values are the likes, dislikes, should, ought, judgments and prejudices that determine how we shall act. The value orientations of management underlie much of their behaviour. The decisions managers make in identifying their mission, objectives and strategies, and how managers interpret society's expectations also reflect their values.

Some specific influences which have value on the decision-making process are:

(a) Value judgments are necessary in the development of objectives and the assignment of priorities.

(b) In developing alternatives, it is necessary to make value judgments about the various possibilities and

(c) In selecting an alternative, value judgments will be reflected in the alternative chosen.

3. Organizational Policy- Decisions are limited by the policies that higher managers develop to guide the actions of the organization. Decisions that clearly violated policies

will be rejected automatically. Some managers argue, of course to change the policy to fit the decision if the decision seems sound.

This is good thinking, except that policies cannot be changed overnight. It is usually an easier and more practical course to alter the proposed decision.

4. Other Factors- The decision-making process is not only influenced by the above-stated factors but a host of others too.

The list of such factors depends upon one's flight of imaginations; however, we are listing the following ones for our consideration:

(i) The effect of other departments.

(ii) Higher-management attitude.

(iii) Personnel required.

(iv) Budget money.

(v) Subordinate reactions.

Rationality in Decision Making:

The concept of rationality is very important in decision-making. Rationality implies the capacity for objective and intelligent action. A decision is said to be rational if appropriate means are chosen to achieve desired ends. According to Steiner, "a rational business decision is one

which effectively and efficiently assures the achievement of aims for which the means are selected.”

Rationality in decision-making implies that the decision maker tries to maximise the values in a situation by choosing the most suitable course of action for achieving the goal. Rationality refers to the selection of preferred behavior alternatives in terms of values whereby the consequences of behavior can be evaluated.

The end- means or value system approach to rationality is faced with certain problem. Firstly, the end to be attained is often incompletely or incorrectly stated. Secondly, in actual practice means cannot be separated completely from ends. Thirdly, the means ends terminology obscures the role of the time- element in decision-making.

Simon has identified six-description models of rationality of choice behavior. A decision is personally rational if it is oriented to the individual’s goals. It is organizationally rational if it is oriented to the organization’s goals. It is consciously rational to the degree that the adjustment of means to ends is a conscious process.

It is deliberately brought about. It is objectively rational if in-fact it is the correct behavior for maximizing given values in a given situation. It is subjectively rational if it maximizes attainment relative to the actual knowledge of the subject.

The classical economic approach to decision making

stresses that management decisions should be rational. This approach is based upon two fundamental assumptions. Firstly, the managers seek to maximize expected utility or profits above all else.

Secondly, human beings are completely rational i.e., they are aware of all possible decision alternatives, have complete knowledge of all consequences associated with each alternative, and process all the information required to be evaluated various alternatives.

Simon has criticized the economic model of decision-¬making behavior as developed by classical economists. It is not always possible to choose a best course of action for achieving the optimum solution to a problem. Environmental constraints and human limitations do not permit fully rational or optimum decisions. In practice, people are not completely rational and do not always seek optimal solutions.

Therefore, economic man model is hypothetical. Managers want ‘satisfying” or “good enough” or “reasonably good” solutions rather than optimum solutions. Simon has given an administrative man model of decision-making behavior, which is more realistic. This model does not assume perfect knowledge on the part of decision makers.

As they seek satisfying rather than maximizing, choice is possible without determining all possible alternatives.

Complete rationality is not always possible and therefore, what is called for is “bounded rationality”. Instead of ideal or perfect or optimum decisions, satisfactory decisions are taken in practice.

Human beings are not always rational in the decision making process. They take into consideration on only a limited number of factors and a limited range of consequences.