

# SOS IN COMPUTER SCIENCE & APPLICATION JIWAJI UNIVERSITY

Class : MBA (E-Commerce) II Semester

Subject: Principles Of Management

Paper Code : (206)


Topics : (i) What is decision making  
(ii) Various types of decision making  
(iii) Problems in decision making

# Decision Making

Decision Making is the process of choosing a course of action from available alternatives.

In another definition Decision Making is a process of selection from a set of alternative courses of action which is thought to fulfil the objectives of the decision.

Effective and successful decisions make profit to the company and unsuccessful ones make losses. Usually, decision making is hard. Majority of corporate decisions involve some level of dissatisfaction or conflict with another party.



## Factors involved in decision making:

### 1. **Tangible factors:**

Things which can be measured, fixed cost, operating cost, profits, machines etc.

### 2. **Intangible Factors:** Immeasurable elements, for eg. Employee moral, quality of labour relations, consumer behaviour etc.

# Types of Decision Making

The various types of decision making are as follows :

## **1. Programmed and non-programmed decisions :**

Programmed decisions are concerned with the problems of repetitive nature or routine type matters. These decisions are taken generally by lower level managers. For eg. Purchase of raw material.

Non-programmed decisions relate to difficult situations for which there is no easy solution. These decisions are taken by higher level management. For eg. Opening of a new branch of the organisation.

## **2. Routine and Strategic Decisions:**

Routine decisions are related to the general functioning of the organisation. They do not require much evaluation and analysis and can be taken quickly.

Strategic decisions are important which affect objectives, organisational goals and other important policy matters. These decisions usually involve huge investments or funds.

### **3. Tactical (Policy) and Operational decisions:**

Decisions pertaining to various policy matters of the organisation are policy decisions. These are taken by the top management. For eg. decisions regarding location of plant, volume of production and channels of distribution policies.

Operating decisions relate to day-to-day functioning or operations of business. Middle and lower level managers take these decisions. For eg. Calculation of bonus in respect of each employee is an operating decision.

## **4. Organisational and Personal Decisions:**

When an individual takes decision as an executive in the official capacity, it is known as organisational decisions .

If the decision is taken by the executive in the personal capacity (thereby affecting his personal life),it is known as personal decision .

The authority of taking organisational decisions may be delegated , whereas personal decisions cannot be delegated.

## **5. Major and Minor Decisions:**

Another classification of decisions is major and minor decisions.

Decision pertaining to purchase of new factory premises is a major decision. Major decisions are taken by top management.

Purchase of office stationery is a minor decision which can be taken by office superintendent.



## **6. Individual and Group Decisions:**

When the decision is taken by a single individual, it is known as individual decision. Usually routine type decisions are taken by individuals within the broad policy framework of the organisation.

Group decisions are taken by group of individuals in the form a standing committee. Generally very important matters for the organisation are referred to this committee. The main objective in taking group decisions is the involvement of maximum number of individuals in the process of decision making.

## Problems of Decision Making

Organisation managers faces many types of problems at the time of decision making ,which are follows :

- (1) Indecisiveness
  - (2) Time pressure
  - (3) Lack of information
  - (4) Confusing symptoms with causes
  - (5) Failure to evaluate correctly
  - (6) Lack of follow through
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