

DECISION MAKING

Decision-making in simple may be defined as “the selection of a future course of action from among various alternatives. It presupposes the existence of various alternatives. It is in a way a choice between alternatives. In other words, if there are no alternatives, there is no choice. Therefore, the question of decision-making and the associated dilemma do not arise. Thus, the following characteristics emerge from the definition of decisionmaking.

Type of Decisions taken by managers may be classified under various categories depending upon the scope, importance and the impact that they create in the organisation. The following are the different types of decisions:

Programmed and Non-programmed

Decisions Programmed decisions are normally repetitive in nature. They are the easiest to make. Usually, these decisions are taken in consultation with the existing policy, rule or procedure which are already laid down in the organisation. For example: making purchase orders, sanctioning of different types of leave, increments in salary, settlement of normal disputes, etc. Managers in dealing with such issues of routine nature usually follow the established procedures. On the other hand, non-programmed decisions are different in that they are non-routine in nature. They are related to some exceptional situations for which there are no established methods of handling such things. For example: Issues related to handling a serious industrial relations problem, declining market share, increasing competition, problems with the collaborator, growing public hostility towards the organisation fall in this category. Problems like these have to be handled in a different way. While different managers reach the same solution in the case of programmed decision because they are guided by the same policy or procedure, the solutions may widely differ in the case of non-programmed decisions. As one moves up in the hierarchy, many of the decisions that managers make are non-programmed in nature. It is important to note that the effectiveness of a manager lies in handling exceptional situations. Such situations call for ingenuity and sound judgment. Surprisingly, many managers get bogged down in the routine issues at the cost of the non-routine issues. The saying that “routine drives out the non-routine” instead of the other way round is true in many organizations. Such a tendency results in devoting less time for the important issues.

Operational and Strategic Decisions

Operational or tactical decisions relate to the present. The primary purpose is to achieve high degree of efficiency in the company’s ongoing operations. Better working conditions, effective supervision, prudent use of existing resources, better maintenance of the

equipment, etc., fall in this category. On the other hand, expanding the scale of operations, entering new markets, changing the product mix, shifting the manufacturing facility from one place to the other, striking alliances with other companies, etc., are strategic in nature. Such decisions will have far reaching impact on the organisation. Usually, operating decisions do not need intensive deliberations and huge resources and are taken by managers at the lower levels while strategic decisions require extensive deliberations and huge resources and are taken by top level managers. The focus in the operational decisions is on the short-run or immediate present, while it is on the long-run in the case of strategic decisions.

Organizational and Personal Decisions

Decisions taken by managers in the ordinary course of business in their capacity as managers relating to the organizational issues are organizational decisions. For example: decisions regarding introducing a new incentive system, transferring an employee, reallocation or redeployment of employees etc. are taken by managers to achieve certain objectives. As against such decisions, managers do take some decisions which are purely personal in nature. However, their impact may not exactly confine to their selves and they may affect the organization also. For example: the manager's decision to quit the organization, though personal in nature, may impact for the organization.

Individual and Group Decisions

It is quite common that some decisions are taken by a manager individually while some decisions are taken collectively by a group of managers. Individual decisions are taken where the problem is of routine nature, whereas important and strategic decisions which have a bearing on many aspects of the organisation are generally taken by a group. Group decision making is preferred these days because it contributes for better coordination among the people concerned with the implementation of the decision. Decisions may also be further classified under major and minor decisions and simple and complex decisions. However, a detailed description of these types is not necessary because they are almost all similar to the already discussed programmed and non-programmed decisions in respect of importance and impact.

Techniques of Decision-Making

Now-a-days, different techniques are used by managers in making decisions. These techniques, if used properly, would contribute for the effectiveness of the decisions. Some of the important techniques are discussed below.

Brainstorming: Brainstorming is the oldest and widely followed technique for encouraging creative thinking. It was originally developed by A.F. Osborn. It involves the use of a group. The success of the technique lies in creating a free and open environment where members of the group participate without any inhibitions. It starts on the premise that when people interact in a free environment, the possibility for creative ideas to emerge to higher continuous interaction through free discussions may result in spontaneous and creative thinking. The larger are the number of solutions, the fairer are the chances in locating an acceptable solution. Established research proves that one hour brainstorming session is likely to generate 50- 150 ideas. Of course, most of them may be impracticable; at least, some of them merit serious consideration. This group process is not without limitations. It consumes lot of time and therefore is an expensive exercise. Secondly, it emphasizes only quantity of

solutions, which more often than not prove to be superficial. By overcoming the above limitations, a modern manager can use this as an effective tool.

Synectic's: Synectic's is a new concept developed by William J.J. Gordon. The term 'Synectic's' is derived from a Greek word which means "Fitting together of diverse elements". It starts on the premise of encouraging that this concept encourages novel thinking for the development of alternatives through putting together different ideas which are distinct from each other. A given problem is presented to a group of people with different backgrounds and varied experiences. It is the responsibility of the group leader to present the problem and lead the discussion in order to stimulate creative solutions. This approach ensures on the spot evaluation of ideas. The leader who is a technical expert assists the group in evaluating the feasibility of their ideas. Experience shows that Synectic's is less widely used than Brainstorming. When the problem is tough and challenging, this approach is used for effective decision-making.

Operations Research: The origin and development of operations research is attributed to military operations and applications during Second World War. The war put tremendous pressure on the use of available scarce resources for various strategic and tactical operations. The success of operations research in developing effective options is instrumental in making this approach dependable in decisionmaking process. Operations Research employs optimizing models like Linear Programming, Project Management, Inventory Control, Decision Theory and Waiting Line Theory. Operations Research is the systematic method of studying the basic structure, functions and relationships of an organisation as an open system. It aims at developing optimal solution with limited resources in a given situation.

The six steps in its approach to problem solving are:

- ✓ identification of a problem;
- ✓ construction of a mathematical model to investigate the problem;
- ✓ developing a good solution;
- ✓ testing of the model in the light of the data available;
- ✓ identifying and setting up of control points;
- ✓ implementation of the option as a solution to a critical problem (putting a solution to work)

In essence, Operations Research attempts to develop the best solution that will contribute to organisational goals.

DECISION MAKING PROCESS:

- ✓ The analyses of these definitions present the following facts.
- ✓ Identify the purpose or goal, based on which decision has to be made.
- ✓ Analyze the set of circumstances, conditions or ground realities which set the norms for decision- making.
- ✓ Decision – making is a process of identifying the issues, collecting information and data, analyze the, and generate or develop necessary inputs for developing alternative solutions.
- ✓ Develop alternative solutions to solve the problem or ways to deal with the situation.
- ✓ Evaluate the alternative solutions and choose the best solution.
- ✓ Implement the selected solution.

Process of Decision- Making

- ✓ Problem Awareness
- ✓ Problem diagnosis
- ✓ Development of alternative solutions
- ✓ Evaluation of alternative solutions
- ✓ Selection of the best solution
- ✓ Implementation of the decision

Problem awareness

- ✓ Mostly individual employees identify the problems in various areas.
- ✓ Individuals, when they get a _gut feeling 'that something is wrong, they identify the problem.
- ✓ The awareness of a problem mostly occurs to employees at the grass- root level like sales people, machine operator, finance assistants, human resource assistant 's act.
- ✓ Internal performance measurements like level of turnover or profit performance.

Problem diagnosis

- ✓ After the individual employees are aware of the problem and it is informed to the managers, managers will gather the information and define the problem.
- ✓ Information may be explored to determine the facts of the problem in detail.
- ✓ Such information may be gathered on a verbal and informal basis.
- ✓ Rationalize the information and stimuli relevant to the problem so as to classify the situation.
- ✓ Act diplomatically to establish peer groups or those of political support for individual views of the problem.

Development of alternative solutions

- ✓ After the problem is diagnosed clearly; the tendency of managers is that of searching for readymade solutions.
- ✓ Through memory search in which the managers seek for known, existing or attempted solutions.
- ✓ Passive search which entails waiting for possible solutions to be offered.
- ✓ This process of developing solutions takes place through discussions, debates, consultations and brainstorming sessions and by sharing management wisdom and experience.

Evaluation of alternative solutions

After the alternative solutions are developed, the solutions have to be formally evaluated based on their inherent strengths and weaknesses and also based on the environmental threats and opportunities for implementations.

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The solutions are to be ranked on the basis of their weights in terms of strengths and opportunities after eliminating the non- viable solutions in view of their weaknesses and environmental threats for implementation

Selection of the best solution

- ✓ After the formal evaluation and ranking is completed, the managers tend to re- evaluate the solution based on the managerial judgment followed by political bargaining as the formal evaluation is not the predominant criterion for assessing the feasibility in practice.
- ✓ Therefore, the techniques for evaluation of solutions also include social and political process.

Implementation of the decision

Implementation of the selected solutions is a part of the decision- making process as the process may be required to be recycled due to impediments in the process of implementation.

The managers should secure the support of the top management for allocation of resources; time act, regarding the implementation of the decision.