

Lesson 5.12

DECISION MAKING AND DECISION TAKING

Intelligence computer software is helping managers and other decision makers to be more effective and efficient. Several diverse industries such as energy, health care, transportation, and telecommunications are relying on applied intelligence software to help make decisions by computers that were previously left to humans. Can anything ever replace the decision-making process utilized by humans? In this session , we'll look at the decision making process and see that there is nothing that will ever replace the manager's need to make decisions. Making good decisions is something that every manager strives to do because the overall quality of managerial decisions has a major influence on organizational success or failure.

Decision making is part of all four managerial functions. In performing these functions, managers are often called decision makers.

THE DECISION-MAKING PROCESS:

A **decision** is a choice made from two or more alternatives. The **decision-making process** is defined as a set of different steps that begins with identifying a problem and decision criteria and allocating weights to those criteria; moves to developing, analyzing, and selecting an alternative that can resolve the problem; implements the alternative; and concludes with evaluating the decision's effectiveness.

Models of decision making can be either descriptive or normative.

1. **Descriptive decision-making models** attempt to prescribe how managers actually do make decisions.
2. **Normative decision-making models** attempt to prescribe how managers should process.
 - a. Following the prescription should lead to a more effective decision-making process.
 - b. The models usually incorporate four steps.

Steps in an effective decision-making process

- A. The first step is to identify **the organizational problem**, i.e., discrepancies between a current state or condition and what is desired.
 1. The scanning state involves monitoring the work situation for changing circumstances that may signal the emergence of a problem.
 2. The categorization stage entails attempting to understand and verify signs that there is some type of discrepancy between a current state and what is desired.
 3. The diagnosis stage involves gathering additional information and specifying both the nature and the causes of the problem.
- B. **The generation of alternative solutions** step is facilitated by using the four principles associated with brainstorming.
 1. Don't criticize ideas while generating possible solutions
 2. Freewheel, i.e., offer even seemingly wild and outrageous ideas in an effort to trigger more usable ideas from others.
 3. Offer as many ideas as possible to increase the probability of coming up with an effective solution.
 4. Combine and improve on ideas that have been offered.
- C. **The choice of an alternative** step comes only after the alternatives are evaluated systematically according to six general criteria:

1. Feasibility is the extent to which an alternative can be accomplished within related organizational constraints, such as time, budgets, technology, and policies.
 2. Quality is the extent to which an alternative effectively solves the problem under consideration.
 3. Acceptability is the degree to which the decision makers and others who will be affected by the implementation of the alternative are willing to support it.
 4. Costs are the resource levels required and the extent to which the alternative is likely to have undesirable side effects.
 5. Reversibility is the extent to which the alternative can be reversed, if at all.
 6. The ethics criterion refers to the extent to which an alternative is compatible with the social responsibilities of the organization and with ethical standards.
- D. Finally, **the implementing and monitoring** the chosen solution step must be planned to avoid failure of the entire effort.
1. Implementation requires careful planning.
 - a. The amount of planning depends upon whether the projected changes are minor or major.
 - b. Irreversible changes require a great deal of planning.
 2. Implementation requires sensitivity to those involved in or affected by the implementation.
 - a. Affected individuals are more likely to support a decision when they are able to participate in its implementation.
 - b. If Participation is not feasible, individuals should be kept informed of the changes.
 3. Monitoring is necessary to ensure that things are progressing as planned and that the problem that triggered the planning process has been resolved.

Decision Making Situation:

Decision-making situations differ according to the types of problems that must be handled.

Certainty is a situation in which a manager can make accurate decisions because the outcome of every alternative is known. However, this isn't characteristic of most managerial decisions.

Uncertainty is a condition in which the decision maker chooses a course of action without complete knowledge of the consequences that will follow implementation.

Risk is the possibility that a chosen action could lead to losses rather than the intended results.

- a. Uncertainty is seen as the reason why situation is risky.
- b. A rapidly changing environment is a major cause of uncertainty.