

CHAPTER THREE

DECISION MAKING

Definitions:

- ✚ Decision-making is commitment to something, a point of view, a principle or course of action.
- ✚ It is selecting the best among the given alternative courses of action.
- ✚ Decision-making is an essential part of modern management. Whatever a manager does he does by making decisions
- ✚ Decision-making permeates through all managerial functions namely planning, organizing, staffing, directing and control. In planning for example manager decides what to produce, where and when etc., and in organizing manager decides about division of work, delegating authority and fixing responsibility

Types of Decisions: Several authors believe that there are two types of decisions programmed & non-programmed decisions.

1. Programmed Decisions

Programmed decisions are those that are made in predictable circumstances and have predictable results. Results are predictable because similar decisions have often been made before under similar and recurring circumstances. When problems are of repetitive and routine nature, alternative procedures are developed and used to solve these problems each time they occur. Programmed decisions are, therefore, based on policy directives, procedures and rules.

2. Non- programmed Decisions

Non-programmed decisions are those that are made in unique circumstances and often have unpredictable results. While programmed

decisions can be anticipated, non-programmed decisions must be dealt with as they occur. Higher-level managers tend to make more non-programmed decisions.

For example:

- Whether to add a product to the existing product line
- To reorganize/ restructure the company, or
- To acquire another firm.

Inputs of Decision Policies, Procedures , Rules, Guidelines, and other parameters	Programmed decision	Determined out comes Results of most operations are expected, known, or probabilities are estimated
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Inputs for Decisions No clear objective, Information, often Intuition and judgment	Non-programmed Decision	Out comes Results are unknown or unexpected, probabilities are not estimated
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The steps in decision-making

The steps in decision-making process include the following:

1. Ascertain the need for a decision:

The decision making process begins by determining a problem exists: that is there is an unsatisfactory condition.

2. Establish decision criteria

Once the need for a decision has been determined, there comes a need to establish decision criteria, which requires identifying those characteristics that are important in making the decision.

3. Allot weights to criteria

The identified criteria should be weighted based on their importance and arranged in priority. This is because some are obviously more important than others are and we need to weight each criterion to reflect its importance in the decision.

4. Develop Alternatives

This involves developing a list of the alternative that may be viable in dealing with the stated problem.

5. Evaluate Alternatives

Once the alternatives are enumerated the decision maker must critically evaluate each one and identify the strong and weak points when compared against the criteria and the weights established. In evaluating each alternative, we not only consider numerical terms- things that can be measured in numerical terms such as time and various types of fixed & operating costs, but also consider intangible or qualitative factors such as the quality of labor relations, the risk of technological change or the international political climate.

6. Select the best Alternative

After we evaluate the alternatives, the next logical step is to select the best alternative that suits to solve our decision problem. In selecting the best alternative, factors such as risk, economy of efforts, timing and limiting factors should be considered adequately.

7. Putting decision into Action/Implementation

After selecting the best alternative, we implement or put it into action. This requires communication of decision to subordinates, getting acceptance of the decisions, and getting support and cooperation for converting the decision into effective action.

The decision should be effective at proper time and in proper way to make the action effective to achieve desired objectives.

8. Following up Decisions

Having implemented the decision, the manager should compare the results of that course of action with the desired out come and if necessary take corrective action.

Since decisions are made based on forecasts about the future, the best decision that we select may not suit absolutely to achieve our objectives. Therefore, managers should adjust, modify or take any other correctives if necessary.

Decision making situations

1. **Decisions under certainty:** - decision is made in which the external conditions are identified and very predictable/whenever there is complete data & information.
2. **Decisions under risk:** - those decisions in which probabilities can be assigned to the expected outcomes of each alternative.
3. **Decisions under uncertainty:** - it is a case where neither there is complete data nor probabilities can be assigned to the surrounding conditions. Some conditions that are uncontrollable by management include competition, government regulations, technological advances, the overall economy, and the social and cultural tendencies of society.