Decision Making
(Principles and Practices of Management)

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Decision

1. Identifying and selecting a course of action out of multiple options.

Example- What is to be done when demand for a particular product shoots up? What to do when people start leaving the organization?

2. To identify an opportunity to act

Example- Scarcity of fossil fuels making the organisations explore the cleaner options like electric energy, solar energy and wind energy

Feature

- It is an inherent part of all management functions like-

Planning, Organizing, Directing, Controlling

- It is about getting solutions for the situations where the resources as-

time, raw materials, technology, people are limited.

Types of Decision

- Programmed

Regular and Routine

Data is available

Example- *How much food is to be prepared in canteen; how many buses will move on a day to get children to and from schools*

- Non-programmed

Not regular, random/ urgent, unusual

Data not available

Example- *In case of an accident in the workplace !!!!!*

Issues in Decision Making

Situations for Decision Making

- Certainty
- Risk
- Uncertainty
- Turbulence

Steps in Decision Making

- Identification of the condition/problem
- Find alternatives
- Evaluation of alternatives
- Select the best possible alternative
- Implement
- Follow up/ feedback

Models of Decision Making

Classical Model

Assumptions

All information are gathered, manager is rational not biased, objectives and alternatives are clear

Applicable in situations like – Certainty and risk

Administrative Model

Assumptions

Lack of information, manager is not rational, objectives and alternatives not clear

Applicable in situations like- Uncertainty and turbulence

Attributes affecting decision making

- **Intuition**- *past experiences, strong sense and gut feeling*

- **Satisficing**- *limiting the effort the moment basic criteria is fulfilled*

- **Bounded rationality** - *everybody's rationality has a limit*

- **Escalation of Commitment** - *commited to a cause at Any cost*