Managerial Decision Making
A decision is a choice from available alternatives.
is the process of identifying problems and opportunities and then resolving them.
DECISION-MAKING

Making a decision is committing to a course of action
A decision made in response to a situation that has occurred often enough to enable decision rules to be developed and applied in the future.
A decision made in response to a situation that is unique, is poorly defined and largely unstructured, and has important consequences for the organization.
All the information the decision maker needs is fully available.
A decision had clear-cut goals and good information is available, but the future outcomes associated with each alternative are subject to chance.
Information about alternatives and future event is incomplete
Goals to be achieved are unclear, alternatives are difficult to define, and information is unavailable.
Decision Making Models

- Classical model
- Administrative model
- Political model
This model is based on economic assumptions. Managers are expected to make decisions that are economically sensible and in the organization’s best economic interests.
Characteristics of Classical Model

- Clear goals
- Condition of certainty
- Almost full information about alternatives and their outcomes
- Rational choice for maximum benefits
This model describes how managers actually make decisions in difficult situations characterized by non-programmed decisions, uncertainty, and ambiguity.
Bonded rationality means that managers have limits or boundaries on how rational they can be. Managers have time and ability to process only limited information to make decisions. Because managers do not have time and ability to process complex information they satisfice.
Satisficing means that decision maker choose the first solution alternative that satisfy minimum decision criteria.
Characteristics of Administrative Model

- Vague goals and problems
- Rational procedures are not always used
- Condition of uncertainty
Characteristics of Administrative Model

- Limited information about alternatives and their outcomes
- Satisficing choice for resolving problems using intuition
Intuition represents a quick apprehension of a decision situation based on past experience but without conscious thought.
Intuitive decision-making is not irrational, because it is based on years of practice and experience that enable managers to quickly identify solutions without going through painstaking computations. In today’s fast-paced, uncertain business environment, intuition plays a great role in decision-making.
An impulse decision is a choice based predominantly on emotion.

Facts and consequences play little part.

These actions are driven by feelings.

Irresistible urges
This model is useful for making non-programmed decisions when conditions are uncertain, information is limited, and there is disagreement among managers about what goals to pursue or what course of action to take.
Characteristics of Political Model

- Pluralistic
- Conflicting goals
- Conditions of uncertainty and ambiguity
Characteristics of Political Model

- Inconsistent viewpoints, ambiguous information
- Bargaining and discussions among coalition members
Recognition of a Decision Requirement

Diagnosis

Development of Alternatives

Selection of Desired alternative

Implementation of chosen alternative

Evaluation and feedback
Managers confront a decision requirement in the form of either a problem or an opportunity.
A situation in which organizational accomplishment have failed to meet established goals.
A situation in which managers see potential organizational accomplishments that exceed current goals.
Analysis of the underlying casual factors associated with the decision situation.
Diagnosis

- What is the problem?
- What is the background to the problem?
- When did it occur?
Where did it occur?

How did it occur?

To whom did it occur?
Diagnosis

- What is the interconnectedness of events?
- What is the urgency of the problem?
- What are the consequences of delaying the problem?
Diagnosis

- Why has this problem arisen?
- Who owns the problem?
- Who was responsible for the problem occurring?
Once the problem has been recognized and analyzed, the next is to take action. The next stage is to generate possible solution alternatives.
Development of Alternatives

- Gathering information
- Being creative
- Metaphorical excursions
- How/how thinking
Good decisions are based on information. Information helps to see big picture but information is never complete and it changes with time.

“We only gather information we are looking for in order to justify a decision we want to make.”

Risk of misinterpretation of data.
Sourcing information is a core task in decision making.
Gathering Information

- How much do we already know
- How do we set to seek more
- How do we test the reliability and validity of information
- From whom we can get expert advice
Summarize and List every thing you know
How do we set to seek more

- Asking around - friends, colleagues
- Written material - books, newspaper, magazines
- Electronic media - internet, TV
How do we set to seek more

- Secondary research - official publications

- Primary research - surveys, questionnaire focus groups
Reliability and Validity checklist

- Consistent
- Not too brief
- Objective
- Do we understand it
Reliability and Validity checklist

- Context
- Complete
- Source
- Focused
Expert Advice

- advice itself
- reputation of expert
- manipulation
Being Creative

- Break mindset
- Eliminate procedure, system, habits or convention which you use to accomplish a plan.
Relate your problem to completely unrelated field
How/How Thinking

- Identify few action and ask how these can be achieved, after three or four stages a number of chains of actions can be worked out.
How/How Thinking

- Improve quality
- Use synthetic material
- Training of workers

- Improve product
- Improve durability
- Use synthetic material
- Use better components

- Improve design
- Add new features
- Use synthetic material
Eliminate Alternatives

Scan the options quickly, identify feasible options keeping in view

- Authority
- Resources
- Abilities

Finally you will have 3-4 best options
Appraisal can help us choose between alternatives. List

- Positive
- Negative and
- Interesting aspects of each alternative
Ranking and Rating

- Ranking is the structured process of placing options in order of preference.

- Rating is the total score against pre selecting criteria.

- Ranking and Rating helps to prioritize alternatives.
Ranking and Rating

- List the options
- List selection criteria
- Categorize the criteria as ‘essential’ or ‘desirable’
- Any alternative which fails any essential criteria can be eliminated.
- Rate the remaining options against desirable on a scale of 10.
Assessing the Consequences

- Quantify the consequences
- Estimate the probability of occurrence
- Keep risk and reward balance
Solution Effect Analysis

- Define the course of action to be assessed
- Identify major categories of assessment for example effect on profits, employee’s motivation
- Explore the possible effects of the decision with each category
- Analyze the effects
Other People’s View

Effects of decision to who implement it and anybody who will be affected, the manager, departments, customers, regulators, and society
Features of Bureaucratic Decisions

Most decision in bureaucratic and political culture are colored by

- Emotions
- Own interests and values
- Values of line managers
The decision choice is the selection of the most appropriate alternative course of action
Selection of Desired Alternative

- Best fits the overall goals and values of the organization
- Achieve the desired results using fewer resources
- Least amount of risk and uncertainty
- Manager’s personality
The willingness to undertake risk with the opportunity of gaining increased payoff.
The step in the decision making process that involves using managerial, administrative and persuasive abilities to translate the chosen alternative into action.
Implementation Problems

- Managers lack resources and energy
- Problem not discussed with people affected by the decision
- Lack of effective communication
- Poor leadership skills
Decision maker gathers information that tells how well the decision was implemented and whether it was effective in achieving its goals. Feedback is important because decision making is a continuous process. Feedback is the part of monitoring that assess whether a new decision needs to be made.
Five Hurdles to Decision Making

- Lack of clear objectives: 25%
- Lack of clear constraints: 15%
- Emotions: 13%
- Lack of perspective: 30%
- Difficulty in selection options: 17%
Solution

- Need to define objectives and constraints clearly
- Need to detach from emotions
- Need to expand your vision
Vision power is the ability to engage imaginations in such a way as to perceive the most likely course of future development. Leaders have to develop this vision.
Part 3
Personal Decision Style

- Directive
- Analytical
- Conceptual
- Behavioral
Simple clear-cut solutions

Quick decisions

Do not deal a lot of information

Very few alternatives are considered

Rely on existing rules and procedures
Complex solutions based on too much data

A lot of information is gathered

Many alternatives are considered

Decisions are based on objective, rational data from management control system

Best possible solutions
Consider a broad amount of information

Socially oriented and like to discuss with others

Consider many alternatives

Rely on information from both people and system

Creative solutions
This type of managers have a deep concern for others as individual

Managers talk to people individually and understand their feelings and effect of a decision upon them

Concern for development of others

Make decisions which will help to achieve their goals
Death Habits

- Multitask
- Be competitive
- Work all the time
- No leisure time
Tips

- Physically relaxed
- Emotionally positive, happy
- Free from fear and anxiety
- Full of power
- Full of confidence
- Calm
- Focused
- In control
Decide

- Make the decision alone and announces it to the group.
Consult

- Present the problem to the group members individually, get the suggestions and decide
Present the problem to the group members in a meeting, get their input and make decision.
Facilitate

- Present the problem to the group, define the problem facilitate them, explain limitations, get consensus and make decision.
Delegate

- Permit the group to make a decision. You are behind the scene.
Leader influence

Decide

Discuss

Consult

Facilitate

Delegate

Group involvement
Consulting

We consult in order to

- clarify ownership of the decision
- clarify the reason for decision
- check other’s point of view
- use the expertise of others
- gain commitment
- enrich our thinking
You can consult others on the basis of their

- Expertise
- Experience
- Authority to support your decisions
Whom to Consult

- Your team
- Individuals with specific skills / knowledge
- Users of system
- Supplier
- Consultants
- Customers
- Colleagues
- Seniors
Dangers of Consulting

- Lack of authenticity
- Lack of control
- Demoralizing
- Rumor
- Confusion
- Confrontation
Consulting or Participating

A manager who consults prior to making a decision retains responsibility for the decision and its consequences. Participation in the decision making process implies that all share some or all of the responsibility.
COMMITTING

Decision is commitment to action
Deciding your role – what actions you will take
Using your authority to make it happen
Taking responsibility of consequences
Commitment rests with one person. Teams are useful for consulting, identifying problems, generating alternatives, collecting and analyzing information.
Commitment Difficulties

- Lack of time
- Lack of consultation
- Too much consultation
- Too much time
- Fudge
- Lack of support
- Lack of courage
- Lack of emotional commitment
Management is getting result through people. Decision can only be successful if it is successfully implemented.

Communicating the decision is the primary mean of implementation.

Many decision fail due to poor communication.
Who will implement
Whose work will change
Customer (internal/external) who will see a difference in product or service
Decision Making Tools

- Decision Tree
- Pareto Analysis
- Presented problem
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