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# Decision Making

## Unit- II

For Internal Circulation and Academic  
Purpose Only

# Programme Educational Objectives

*Our program will create graduates who:*

- 1. Will be recognized as a creative and an enterprising team leader.*
- 2. Will be a flexible, adaptable and an ethical individual.*
- 3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Principles of Management Course Outcomes

- CO1-Student manager will be able to identify application of various management theories in the organization / establishment under study.
- CO2-For a given profile, student manager will be able to map the desired skill set with available skills through interaction with the employees of the organization / establishment under study
- CO3-Given the task / event, student manager will be able to formulate plan, design the team structure with authority and responsibility, and devise a control mechanism for effective management.

- CO4- In the organization/establishment under study, student manager will be able to calculate Span of Control and analyze Scalar Chain.
- CO5- Student manager will be able compare the motivational practices and its suitability in the organization/establishment under study.
- CO6- Student manager will be able determine sources of recruitment and comment on its suitability in the organization/establishment under study.

# What is Decision

Management decision making is a complex mix of knowledge, experience, creative thinking, and risk taking. It is often a rapid-fire, fragmented process



# Defining Decision Making

- Decision making is a process of choosing between alternatives.
  - *Definition- The process of examining your possibilities options, comparing them, and choosing a course of action.*
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- Problem solving and decision making are distinct but related activities.
- Time pressure and personal emotions can affect the quality of decision-making outcomes.

# Typical Business Decision Aspects

- Decision may be made by a group
- Several, possibly contradictory objectives
- Many of alternatives
- Results can occur in the future
- Attitudes towards risk
- “What-if” scenarios
- Trial-and-error experimentation with the real system: may result in a loss
- Experimentation with the real system can only be done once
- Changes in the environment can occur continuously

# Making Effective Decisions

## Factors:

Perception.

Priority.

Acceptability.

Risk.

Resources.

- Goals.
- Values.
- Demands.
- Style.
- Judgement.



# **Types of Managerial Decisions**

Programmed and Non-Programmed Decisions

Proactive and Reactive Decisions

Intuitive and Systematic Decisions

# Programmed and Non-Programmed Decisions

## ■ Programmed Decisions

1. One that would be made if a particular situation occurs and a routine procedure or policy has been established to handle it
2. Repetitive and routine
3. A large number in daily operations
4. Although they should be made with care and concern about effectiveness, they should be made efficiently without needlessly tying up organizational resources

# Programmed and Non-Programmed Decisions (cont.)

- Non-Programmed Decisions
  - No pre-existing structure or decision-making procedure in place
  - Have significant implications for the future of the organization and must be made only after careful analysis

# Proactive and Reactive Decisions

- **Proactive Decision**

- Made in anticipation of an external change or other conditions
- Can prevent many common problems

- **Reactive Decision**

- Made in response to changes that have already occurred

# Intuitive and Systematic Decisions

- **Intuitive Decision Making**

1. Use of estimates, guesses, or intuitions to decide among alternative courses of action
2. “Voice of experience” that speaks to managers when faced with a decision situation
3. Don’t rely on intuition alone; supplement intuition with systematic information gathering and analysis

- **Systematic Decision Making**

1. Organized, exacting, data-driven process
2. Requires a clear set of objectives, a relevant information base, and a sharing of ideas among key managers and other employees

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# **The Decision-Making Process**

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1. Clarify the problem or opportunity
2. Develop alternative courses of action
3. Evaluate and select a course of action
4. Implement the decision
5. Monitor its effectiveness



# Techniques for Stimulating Creativity

1. Brainstorming
2. The Delphi Technique
3. The Nominal Group Technique

# Brainstorming

1. Brainstorming promotes the generation of ideas while at the same time avoiding the inhibitions many people feel in group settings
2. The basic rules are:
  1. No idea is too ridiculous
  2. Each idea presented belongs to the group, not to the person stating it
  3. No idea can be criticized

# The Delphi Technique

- The Delphi technique comprises the solicitation and comparison of anonymous judgments on the topic of interest through a set of sequential questionnaires that are interspersed with summarized information and feedback of opinions from earlier responses

# The Nominal Group Technique (NGT)

- The NGT comprises processes that bring people together but do not allow them to communicate verbally. Thus, the collection of people is a group “nominally,” or “in name only”

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