

Chapter 6: DECISION MAKING

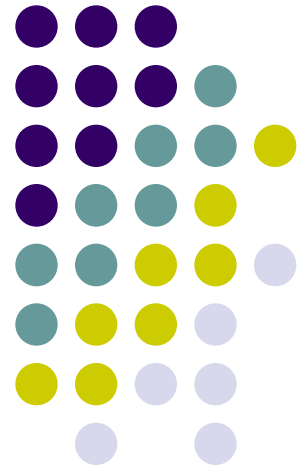
Week 23rd November 2009

Introduction To Management

ND/BNF/29,30

ND/SCR/06.

Ms. Hj/Rozie Hj Ariff



Lecture Online



- Definition
- Types of Decisions
 - Routine & Non-Routine
 - Programmable & Non-programmable decisions
 - Strategic, Operating & Administrative Decision
- Steps in Decision Making
- Limitations of the decision-making process
 - Implementation of decisions
 - Limited rationality in decision making

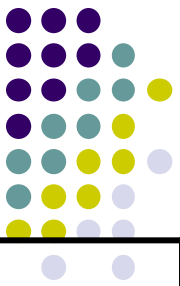
DEFINITION



Decision making

- Is the process of identifying a set of feasible alternatives and, from these, choosing a course of action.

TYPES OF DECISIONS



1) Routine and Non-Routine decisions

	Routine	Non-Routine
1	Include those which are recurring, involve standard decision procedures and entail a minimum of uncertainty.	Include those which are difficult because they are non-recurring, unstructured and novel. Their complexity is compounded by incomplete knowledge and the absence of accepted methods of resolution.
2	The decision maker can rely on policies, rules, procedures, computational techniques, past precedents and other standard methods of processing	Non-repetitive and novel by their nature. A much higher degree of subjective judgment and intuition are involved.
3	The decision making process is objective or independent of the decision maker.	The decision making is subjective.
4	Delegated to middle & lower managerial levels.	Taken by top management
5	Examples:	
	<ul style="list-style-type: none"> ●Sanction of leave requested by an employee ●Reimbursement of medical leave or expenses of an employee ●Calculating amount of discount for a customer when discount is known 	<ul style="list-style-type: none"> ●Diversification of products or markets ●Merger, take-over of collaboration agreement ●Extensive plant modernization programme.

TYPES OF DECISIONS



2) Programmable and Non Programmable Decisions

	Programmable	Non-programmable
1	Refer to those decisions, which are amendable to computerization, such decision can be worked out by a computer.	Refer to those decisions which are not amendable to computerization.
2	The variables which serve as input are finite in number, quantifiable and known to the decision maker.	The variables are qualitative in nature and are not easily known.
3	The decision making process is strictly based on logic and is independent of the decision maker.	The decision making process is highly subjective in nature and is directly dependent on the skill of the decision maker.
4	The output of such decisions is finite, and known to the decision maker.	The output of such decisions is unknown and not necessary limited in number.
5	Examples:	
	<ul style="list-style-type: none">● Calculation of the amount of discount to be given to a customer when the discount is known.● Calculation of leave left not yet taken by an employee.	<ul style="list-style-type: none">● The location of new plant.● The nature of the production process.

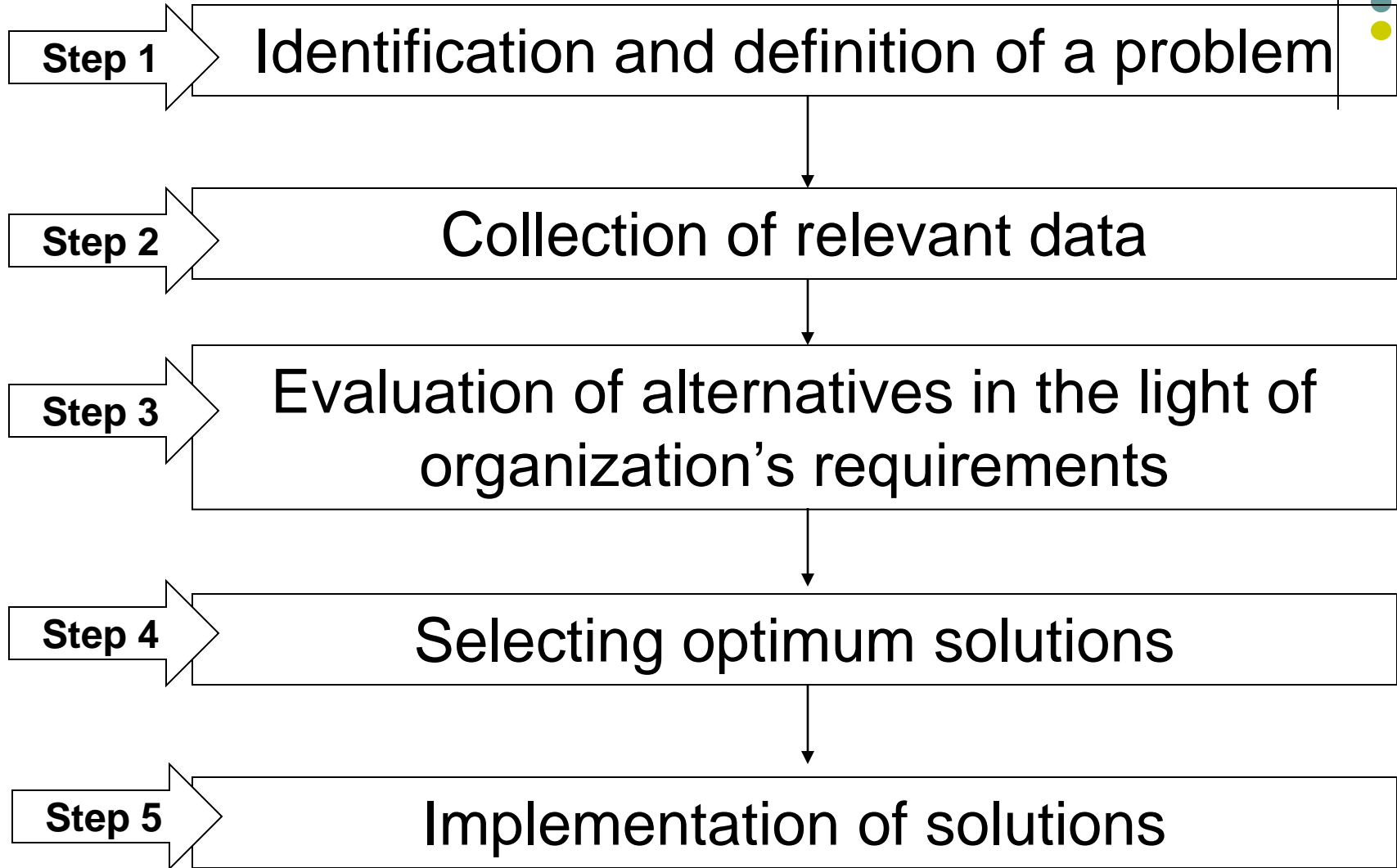
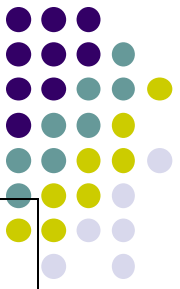
TYPES OF DECISIONS



3) Strategic, Operating and Administrative Decisions

	Strategic	Operating	Administrative
1	These are basic, long-term decisions which define the organization's relationship with its external environment; especially in terms of product, service, markets, production process.	These are relatively short-term decisions derived from or falling out from strategic decisions. Taken by middle-level managers.	Taken in the day to day working basis. Taken by lower level management assisted by well-defined policies, procedures, rules and consultation with middle level management.
2	Serve as the principle goals and objectives of the organization.	Aimed at optimum utilization of organizational resources. They are well-structured in that the inputs are quantifiable, finite and known to the decision maker.	They are well-structured in that the inputs are quantifiable, finite and known to the decision maker.
3	They may be normally embodied in major policy statements of the organization.	The decision making process is relatively well-structure and guided by organization's well defined policies.	The decision making process itself us objective and independent of the decision maker and the output is finite and known.
4	The decisions tend to be non-routine and non-repetitive in nature.	They involve commitment of organizational resources for a short-span.	
5	Examples:		
	<ul style="list-style-type: none"> ● Location of the plant ● nature of production process ● diversification of products and markets ● mergers and tie-ups. 	<ul style="list-style-type: none"> ● Production and sales target ● Inventory level ● Credit policy 	<ul style="list-style-type: none"> ● Sanction of leave requested by an employee ● Reimbursement of medical expenses incurred by employee

STEPS IN DECISION MAKING



LIMITATIONS



1. Implementation of decisions

- Managers must make decisions and also assume responsibility for their implementation.
- The task of overseeing the implementation requires managerial ability to secure willing co-operation of employees.
- The success or failure of a decision is critically influenced at the time of implementation.

2. Limited rationality in decision-making

- Pursuit of department of objectives at the expense of organization's objectives.
- The personality and values of the decision maker.
- Lack of complete knowledge.
- Intuition, hunch and rules-of-thumb.