DR.MANGLA SRIVASTAVA

**DEPTT 0F COMMERCE ,JCC,JAMSHEDPUR**

**SUB: MANAGEMENT PRINCIPLES AND APPLICATIONS**

**B.COM(HONS) SEM-III**

**TOPIC: DECISION- MAKING**

As defined by **Koontz and O’Donnel, “**Decision- making is the actual selection from among alternatives of a course.”The main concept of decision-making is “**Hear one man before you answer, several before you decide.”**

Decision-making is number one job of management. Performing various managerial functions and creating an environment conducive to work are, in the final analysis, simply a series of decisions. Decision-making is an important and necessary activity of every business, large or small.

Decision-making is defined as “**the selection of one behaviour alternative from two or more alternatives.”**

Decision-making is a modest attempt to match environmental opportunities with organisational strengths. It is based on forecasts about environmental factors.

 **FEATURES OF DECISION-MAKING**

**1.**Decision making is goal oriented.

**2.**Decision making is a human process.

**3.**Decisions are made in order to dipose the disputes

**4.**Time element is very important in decisions.

**5.**Firmness in decisions is very much essential.

**6.**It is the focus of deciding plans, policies and objectives.

**7.**Decision-making is that central point at which planning, objectives and policies are made firmly.

**8.**Selection is made independently.

**9.**Decision-making is a mental process because the final selection is made after thoughtful consideration.

**10.**It is required for every situation—certainly, risk or uncertainty.

**11.**It is an intellectual process, judgement, knowledge and creativity develop solutions to the problem.

**12.**Decision-making is universal recognition of management.

**13.**Decision-making is influenced by directly or indirectly present, past and future events.

**14.**There is no interference of any external element in choosing the best course, thus there is full freedom in decision-making.

**15.**Able and experienced persons may be consulted if deemed necessary in decision-making.

**16.**Process of decision-making is inherent to to the planning. Hence, decision making is an important part of planning.

 **IMPORTANCE OF DECISION-MAKING**

“Administration essentially is a decision making process and authority is responsible for making decisions and for ascertaining that is the decisions made are carried out in business, whether the enterprise be large or small, changes in conditions occur, shifts in personnel takes place, unforeseen contingencies arise. But just to get wheel started and to keep them turning, decisions must be made.”

Importance of decision-making can be made clear as under:

**1. Execution of Managerial Functions:** The management has to take number while performing different managerial functions relating to organising , motivating and controlling.

**A. Planning and Decision-making:** Planning means determining in advance the activities to be performed in future.

**B .Organisation and Decision-making:** Under organising, the organisational structure is created to give a practical shape to the plans. Administration fixes the responsibilities of sub-ordinates and delegate authority to them in order to enable them to fulfil those responsibilities.

**C. Motivation and Decision-making:** In motivation different types of decisions have to be taken in relation to the behaviour of employees.

**D. Co-ordination and Decision-making:** For making co-ordination between activities of different departments and individuals, the management is required to make many decisions.

**E. Control and Decision-making:** Under controlling the actual work performance is to be compared with the standard already determined.

**2.Helps in Establishing Business Policies:**

Managers have to take many decisions for determination of organisational policies They have to go for detailed analysis of various organisational policies. In this analysis, activities of various departments have to be described, which is possible only with the help of decision –making. This decision- making plays a pivotal role in establishing business policies.

**3.Successful Running of the Business:** For the successful running of a business, the process of decision-making is very important. As a car needs petrol for running , an enterprise can not go smoothly without decision-making. All the decisions must be taken in context of various problems and departments of an enterprise.

**4. Decision-making is both Means and Need:** For achieving pre-determined objectives, a manager has to decide about various means. On the contrary, at the other corner, sometime managers have to decide about the objectives.

**5. Basis of Action:** In decision-making objectives, policies, rules, procedures and programmes are converted in to real action. Actions can not be taken without final decisions. No decision-no action is the golden rule of management.

**6. Decision making and Management are Inseparable:** As a manager we have different available alternatives and have to choose the best one. While planning and organising, giving orders and suggestions, evaluating the work, appointing any worker, a manager has to take decisions. Thus management and decision-making are inseparable.

**7. Basis of Evaluation of Performance of Managers:** The success of a manager can be evaluated only on the basis of decisions taken by him. For judging the the performance of managers’ decision taken by them is a good yardstick.

**8, Continuous Change and Complexities:** In a business organisations, many continuous changes and complexities take place. All this is possible only with the help of proper decision-making.

**9. Double Advantage of Managers:** The process of decision-making is of great importance from manager’s view point. It is successful solution of all the business problems. It brings self-satisfaction in the manager.

**10. Required in the Attainment of Organisation Objectives:** The process of decision-making is considered to be the backbone of every business enterprise. We establish an organisation for the attainment of pre-determined objectives, and for the same, decision-making is of great importance.

 **PROCESS OF DECISION-MAKING**

It involves the following steps:

**1.IDENTIFY THE PROBLEM:** Problem is any deviation from a set of expectations .It is the gap between the present and the desired state. Judgement, imagination, and experience help to identify the problem as wrong identification leads to wrong decisions.

**2. DIAGNOSE THE PROBLEM:** Diagnosis helps to define the problem; its causes, dimensions, degree of severity, magnitude and origin so that remedial action can be taken.

**3.ESTABLISH OBJECTIVES:** Finding solution to the problem is the objective of decision-making.

Three types of problem require decision-making:

**(a) Crisis:** It requires immediate attentionand decisions.

**(b) Non-crisis:** These problems do not require immediate attention . They can be resolved over a period of time.

**(c) Opportunity:** Opportunities offer new ideas and directions. They provide gains if timely decisions are made.

**4.COLLECT INFORMATION:** Information is collected to generate alternatives.Information can be quantitative or qualitative, but should be reliable. Adequate and timely so that right action can be taken at the right time.

**5.GENERATE ALTERNATIVES:** Managers develop as many alternatives as possible to choose the best, creative and most practical solution to the problem.

**6.EVALUATE ALTERNATIVES:** Alternatives are evaluated in terms of quqnitative and qualitative criteria to analyse their impact on the problem.

**(a)Costs:** Alternatives should not be costly.

**(b)Resources:** The alternatives should fit in to the resource structure and be feasible with respect to budgets. Policies and technology of the organisation.

**(c)Acceptable:** Alternatives should be acceptable to decision-makers and those who are affected by the decisions.

**(d). Reversible:** A decision is reversible if it can be taken back and other measures can be adopted.

**7.SELECT THE ALTERNATIVE:** Alternative can be selected through the following approaches:

**(a).Experience:** Past guide the future. Manager choose alternatives which they have chosen earlier to solve similar problems.

**(c).Experimentation:** All alternatives are put to practice and the most suitable alternative is selected.

**(d).Research and analysis :**It applies mathematical models to analyse the situations. This method is more suitable as compared to experimentation and experience.

**8 .IMPLEMENT THE ALTERNATIVE :** The selected alternative is implemented by the numbers. Implementation must be planned. Those who will be affected by decisions should participate in the implementation process to make it effective.

**10 .MONITOR THE IMPLEMENTATION :** The alternative is regularly monitored to see whether the objective is achieved or not.

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