DECISION MAKING

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ABSTRACT

Decision making is the mental process resulting in the selection of a course of action among several alternatives. Every decision making process produces a final choice in an action or an opinion of choice. If a person neither takes and action nor gives an opinion, this is also decision. Decision making is used to take a better decision in any organization. In its simplest sense: 'Decision Making is the act of choosing between two or more courses of action'. However, it must always be remembered that there may not always be a 'correct' decision among the available choices. There may have been a better choice that had not been considered, or the right information may not have been available at the time. Because of this, it is important to keep a record of all important decisions and the reasons why these decisions were made, so that improvements can be made in the future. This also provides justification for any decision taken when something goes wrong. Decision making is a process of selecting the best among the different alternatives. It is the act of making a choice. There are so many alternatives found in the organization and departments. Decision making is defined as the selection of choice of one best alternative. Before making decisions all alternatives should be evaluated from which advantages and disadvantages are known. It helps to make the best decisions. It is also one of the important functions of management. Without other management functions such as planning, Organizing, directing, controlling, staffing can't be conducted because in this managerial function decision is very important

Keywords: *Decision Making, Characteristics of Decision Making, Importance of Decision Making, Elements of Decision Making, types of Decision Making, Decision Making Process*

1. INTRODUCTION

Decision making is an essential part of any business Decision is an act of choosing an optimum alternative from a set of available alternatives in the influence of the information pool regarding the environment of the decision. Decision making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker. Information system have value in decision making because they reduce some of the bounds on rationality by providing more information, helping generate and evaluate alternatives and helping select from among them. Managers at all levels in the organization make decisions and solve problems. In fact, decision making is the process of reducing the gap between the existing situation and the desired situation through solving problems and making use of opportunities. Communication also plays an important role in decision making. Decision making is an essential part for running any business. Decision making is the selection based on certain criteria from two or more alternatives.

2. CHARACTERISTICS OF DECISION MAKING

- Decision is the choice of the best course among alternatives.
- Decision is the end process preceded by deliberation and reasoning.
- Decision making is a mental process because the final selection is made after thoughtful consideration.
- Decision involves rationally because through decisions an endeavor is made to better one's happiness.
- Decision is aimed at achieving the objectives of the organization.
- It also involves the evaluation of the available alternatives because only through critical appraisal one can know the best alternatives.
- Decision making involves a certain commitment. This commitment may be for short run or long run depending upon the types of decision.

- Decision making is always related to the situation or the environment. A manager may take one decision in a particular situation and an opposite decision in a different situation. In some situations, there may just be a decision not to decide.
- Decision making is a human and social process. It involves the use not simply of the intellectual abilities but also of intuition, subjective values and judgment.

3. IMPORTANCE OF DECISION MAKING

a) **Better Utilization of Resources**

Decision making helps to utilize the available resources for achieving the objectives of the organization. Decision making helps the mangers to use the resources in the right direction.

b) **Facing Problems and Challenges**

Decision making helps the organization to face and tackle new problems and challenges. Decision making helps to solve problems and to accept new challenges.

c) **Business Growth**

Quick and correct decision making results in better utilization of the resources. It also helps to achieve its objectives. All this results in quick business growth. Originations can achieve business goals by decision making. Business growth increase when the origination takes good decision.

d) **Achieving Objectives**

Rational decisions help the organization to achieve all its objectives quickly. This is because rational decisions are made after analyzing and evaluating all the alternatives.

e) **Increases Efficiency**

Efficiency is the relation between returns and cost. If the returns are high and the cost is low, then there is efficiency and vice versa. Rational decisions result in higher returns at low cost

f) **Facilitate Innovation**

Rational decisions facilitate innovation. This is because it helps to develop new ideas, new products, new process, etc. Innovation gives a competitive advantage to the organization.

g) **Motivates Employees**

Rational decision results in motivation for the employees. When the rational decisions are implemented the organization makes high profits. Therefore, it can give financial and non-financial benefits to the employees. Decision making creates self motivation in the mind of the employees.

4. ELEMENTS OF DECISION- MAKING

- **Goals:** it means aims, objectives, purposes, and outcomes.
- **Information:** it is common word. The quality and quantity of information both play an important role in decision making.
- **Diagnosis:** it means problem recognition, felt difficulty or sense of trouble.
- **Alternatives:** Creating and structuring alternative solutions of the problem.
- **State of Nature:** Decisions are made under conditions of Complete Certainty, complete uncertainty or some point between these two boundaries, Technique and methods used to solve the problem differ according to where the problem lies or appear to lie.
- **Methodology:** Which method should be used to solve the problem?
- **Values:** Values of both individuals and organizations are the basic elements of decision making. Individuals hold values connected with moral, cultural, religious, social, economic etc. which are influenced by system and goals of

organization in which the individuals function.

5. TYPES OF DECISIONS

a) Structured Decisions (Programmed Decisions)
b) Unstructured Decisions (Non-programmed Decisions)
c) Semi-Structured Decisions

a) Structured Decisions/Programmed Decisions :-

These decisions are normally of repetitive nature and are taken within the broad policy structure. These are also known as Programmed decisions. An organization can develop specific processes for handling these decisions, e.g., standing operating procedures and Policies. Programmed decisions have short-run impact and are taken by lower level managers, such as, granting leave to an employee, purchase of materials in normal routine.

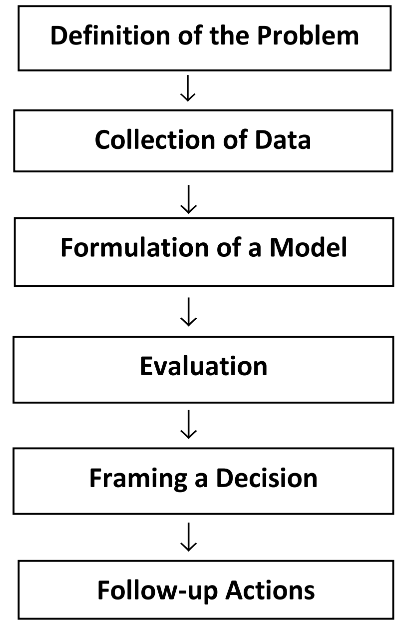
b) Unstructured Decisions/Non-Programmed Decisions:

These decisions are of non-repetitive nature. These are also known as non-programmed decisions. Their need arises because of some specific circumstances, such as, opening of a new branch, introducing a new product in the market etc. They involve judgment, intuition and creativity. Such decisions are taken by top management.

c) Semi-structured Decisions:-

In the middle of the field are, semi-structured decisions, and this is where most of what are considered to be true decision support systems are focused. Decisions of this type are characterized as having some agreement on the data, process, and/or evaluation to be used, but are also typified by efforts to retain some level of human judgment in the decision making process.

6. DECISION MAKING PROCESS



Step 1: Definition of the problem: Identifying the problem of choice and then describing it is the starting point of making decisions. As a part of description, alternative solutions to a problem have to be listed; the structure or ordering of alternatives is important.

Step 2: Collection of Data: Description of an economic problem has to be followed by analysis. For analysis, data must be collected. Data here means available facts and figures. Data can be collected from a number of sources like handbooks, public records, government bulletins, trade journals, official reports, personal interview etc.

Step 3: Formulation of a Model: In describing the problem, the objectives and alternatives are developed. The relation between objective and constrains must be explicitly stated so that data can be meaningfully used to analysis the outcome of alternative courses of action under different decision environment.

Step 4: Evaluation: Initially we formulate models in the abstract symbolic world. Then we must evaluate it to see how far the model represents conditions of the real world. This is done by considering the realistic elements in the underlying assumptions of the model. Sometimes, assumptions have to be relaxed to study the outcome of a course of action in reality.

Step 5: Framing a Decision: When the possible outcomes of possible courses of action are thus analyzed with the help of data and models, it becomes easy to select a particular course of action to cope with a particular problem. Such a selection is designated as taking or making a decision.

Step 6: Follow-up Actions: Decisions or no decisions, the decision-maker has to plan follow-up strategies and actions; he has to anticipate reactions (moves and counter-moves) of others who are likely to be affected by his decisions. In that light, he has to make short-run and long-run decisions.

7. CONCLUSION

Decision making is an essential part for any organization. Decision making is a process of selecting the best among the different alternatives. Decision making plays an important role to take a better decision in the organization. It is the act of making a choice. There are so many alternatives found in the organization and departments. Decision making is defined as the selection of choice of one best alternative. Before making decisions all alternatives should be evaluated from which advantages and disadvantages are known. Decision making helps for planning, organizing staffing, directing and controlling the human behavior at work place. Decision making is the selection based on criteria from two or more alternatives.

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