What is Decision-Making (DM)?
- The process through which managers identify and resolve problems and capitalize on opportunities (Lewis, Goodman & Fandt, 2004).
- The process of identifying and selecting a course of action to solve a specific problem (Stoner, 1995).
- DM is the process of developing and analyzing alternatives and making a choice (Dessler, 1998).
- Good decisions are needed to establish the right vision, mission, strategy, goals and everything else needed to make an organization function effectively and efficiently.
- Nature of DM: Some decisions are critical and can have a major impact on personal and organizational lives. Other decisions are more routine but still require that we select an appropriate course of action.

Steps in the DM Process
1. Identifying Opportunities & Diagnosing Problems
   - Decision makers must know where action is required. Consequently, the first step in the DM process is the clear identification of opportunities or the diagnosis of problems that require a decision.
   - An assessment of opportunities and problems will only be as accurate as the information on which it is based. Therefore, managers must place a premium on obtaining accurate, reliable information.

2. Identifying Objectives
   - Objectives reflect the results the organization wants to attain. Both the quantity and quality of the desired result should be specified, for these aspects or the objectives will ultimately guide the decision maker in selecting the appropriate course of action.
   - Objectives are often referred to as targets, standards and ends. They may be measured along a variety of dimensions.
3. Generating Alternatives
   - Once an opportunity has been identified or a problem diagnosed correctly, a manager develops various ways to solve the problem and achieve objectives.
   - Managers may rely on their training, personal experiences, education and knowledge of the situation to generate alternatives.
   - The alternatives can be standard and obvious as well as innovative and unique.

4. Evaluating Alternatives
   - This step involves determining the value or adequacy of the alternatives generated.
   - Fundamental to this step is the ability to assess the value or relative advantages and disadvantages of each alternative under consideration.

5. Reaching Decisions
   - DM is commonly associated with making a final choice.
   - Although choosing an alternative would seem to be a straightforward proposition, in reality, the choice is rarely clear cut.

6. Choosing Implementation Strategies
   - The bridge between reaching a decision and evaluating the results is the implementation phase of the DM process.
   - The keys to effective implementation are
     i) sensitivity to those who will be affected by the decision, and
     ii) proper planning and consideration of the resources necessary to carry out the decision.
   - The planning process is a key to effective implementation. Without proper planning, others may not accept the decision in the organization, cost overruns may occur, needed resources may not be available, and the objectives may not be accomplished on schedule.

7. Monitoring & Evaluating
   - No DM process is complete until the impact of the decision has been evaluated.
The importance of assessing the success or failure of a decision cannot be overstated. Evaluation of past decisions as well as other information should drive future DM as part of an ongoing DM feedback loop.

**The principles of good decision making**
Ways to improve the effectiveness of decision making.
(Principles of an effective decision making)

i) Set priorities
   - Managers should set the work priorities.
   - Managers should allocate time according to those priorities.

ii) Acquire relevant information
   - There are 3 specific categories of info required in making decision (by George P. Huber):
     
     i. Basic information
        - Provides essential structure of decision situation
        - Refers to process of identifying problems & establishing alternatives (including alternatives that can be identified & the implications that may be existed)

     ii. Elaborating information
        - Focuses the basic information
        - Helps evaluate alternatives

     iii. Performance information
        - Outcome, or payoff for the organization of various courses of action

iii) Proceed methodically & carefully
   - Managers must realize / aware of possible / common mistakes & take action before they happen.
Types of DM

1. Programmed Decisions
   Stoner: Solutions to routine problems determined by rule, procedure or habit.
   Hodgetts: decisions that are traditionally made use standard operating procedures or other well-defined method.
   - Easiest for managers to make because they can rely on pre-established patterns or programs to provide an answer.
   Standard modern techniques: (e.g) mathematical analysis, operations research, computer simulation etc.
   - Used for dealing with recurring problems, whether complex or uncomplicated
   - Save time, allowing us to devote attention to other more important activities.
   e.g: Purchasing rules in some supermarket

2. Non-programmed Decision
   Hodgetts: Unique or out of the ordinary and often ill-structured or one shot decision
   Stoner: A specific solutions created through an unstructured process to deal with non-routine problems
   - Deal with unique, unusual or exceptional problem – unstructured & different
   - Requires more higher level management participation
   - Most management development programs try to improve manager’s abilities to make non-programmed decision.
   - Teaching them to analyzes problems systematically and to make logical decisions.
   e.g: Highland Tower Condominium Tragedy
   J.E virus outbreak
**Techniques for Quality in Group DM**

1. **Brainstorming**: A technique used to enhance creativity that encourages group members to generate as many novel ideas as possible on a given topic without evaluating them.

2. Nominal Group Technique: A structured process designed to stimulate creative group decision making where agreement is lacking or where the members have incomplete knowledge concerning the nature of the problem.

3. Delphi Technique: Uses experts to make predictions and forecasts about future events without meeting face to face.

4. Devil’s Advocacy Approach: An individual or subgroup is appointed to critique events without of action and identity problems to consider before the decision is final.

5. Dialectical Inquiry: Approaches a decision from two opposite points and structure a debate between conflicting views.

**Decision-Making Conditions**

Decisions are made under 1 of these 3 conditions:

i) **DM Under Certainty**
   The decision maker knows with certainty what conditions will subsequently occur and affect the decision outcomes.

ii) **DM Under Risk**
   The decision maker does not know with certainty conditions will subsequently occur and affect the decision outcomes. The probabilities are used to obtain expected values of outcomes for each decision alternative.

iii) **DM Under Uncertainty**
    In some cases decision maker cannot assess the probability of occurrence for the various state of nature. When no probabilities are available, the situation is referred to as decision making under uncertainty. In such situations the decision maker can choose among several possible approaches for making the decision. Each approach takes a different view of the likelihood of future events.
**Types of Decision**

i) Routine Decision
- Choices made in response to relatively well-defined, known problems
- Solutions through rules, procedures and also computer programs
- Normally handled by lower level managers/first line managers e.g. cleaning buildings, making travel arrangements, students' registration etc.

ii) Adaptive Decisions
- Choices that involve combination of moderately unusual & partially known problems
- Solutions through modifications of other known & well-defined solutions
- Often involves building on and changing past decisions & practices
- Commonly managers often misjudge the types of problems & alternative solutions available to them
- Should be able to diagnose a problem & view a solution in new ways
- Normally handled by both middle & top managers e.g. the tragedy of Highlands Tower Condominium

iii) Innovative Decisions
- Choices that involve combining the discovery, identification & diagnosis of unusual & ambiguous problems with the development of unique, novel & creative alternative solutions
- Represent a break with the past. Usually represent a series of mini-decisions over a period of time (months, years)
- Not in orderly sequence because it is being made before problems are fully understood & earlier actions can affect current decision
- Normally handled by top managers

**What makes a High-Quality Decision**
1. Survey the full range of objectives to be fulfilled and identify the values and qualities implicated by the choices.
2. Thoroughly canvass a wide range of alternative courses of action.
3. Carefully weigh whatever is known about the costs and risks of both the negative and positive consequences of each alternative.
4. Intensively search for new high-quality information relevant to further evaluation of alternatives.
5. Assimilate and take into account any new advice or information.
6. Reexamine all the possible consequences of all known alternatives.
7. Make detailed provisions for implementing the chosen course of action.

**Model of DM**

A) **Rational-Economic Decision Model**
   A prescriptive framework of how a decision should be made that assumes managers have completely accurate information.
   **Assumption of the RED**
   - The manager is assumed to have “perfect” information and to have all the information that is relevant to the situation.
   - The model assumed that the decision maker operates to accomplish objectives that are known and agreed upon and has an extensive list of alternatives from which to choose.
   - The model assumes that the managers will work in the best interests of the organization.

B) **Behavioral Decision Model**
   A descriptive framework for understanding that a person’s cognitive ability to process information is limited. The model introduces several concepts that are important to understanding how we make decisions.
   i) **Bounded Rationality**
      Recognizes that people are limited by such organizational constraints as time, information, resources and their own mental capabilities.
   ii) **Intuition**
      An unconscious analysis based on past experiences.
   iii) **Satisfying**
      The search and acceptance of something that is satisfactory rather than prefect or optimal.
iv) Escalation of Commitment
The tendency to increase commitment to a previously selected course of action beyond the level that would be expected if the manager followed an effective decision-making process.

**Participative Model – Vroom & Yetton**
- Helps manager determine when group decision making is appropriate. According to this model, the effectiveness of a group decision is governed by both its quality and its acceptance (the degree to which group members are committed to the decision they have made).
- Five decision-making styles:
  - AI – Highly autocratic style
  - CI – Consultative style
  - GII – Group style

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<thead>
<tr>
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<th>Description</th>
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<tbody>
<tr>
<td>AI</td>
<td>The manager solve the decision problem alone using information available at the time</td>
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<tr>
<td></td>
<td><strong>Highly autocratic</strong></td>
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<tr>
<td>AII</td>
<td>The manager solve the decision problem alone after obtaining necessary information from subordinates</td>
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<tr>
<td>CI</td>
<td>The manager solve the decision problem after obtaining ideas and suggestions from subordinates individually. The decision may or may not reflect their counsel</td>
</tr>
<tr>
<td>CII</td>
<td>The manager solves the decision problem after obtaining ideas and suggestions from subordinates as a group. The decision may nor may not reflect their counsel</td>
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<td>GII</td>
<td>The group analyzes the problem, identifies &amp; evaluates alternatives &amp; makes a decision. The manager acts as coordinator of the group of subordinates &amp; accepts &amp; implement any solution that has the support of the group</td>
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<td><strong>Highly democratic</strong></td>
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