

H.D. JAIN COLLEGE, ARA, BHOJPUR

(BBA COURSE)

PAPER: - MANAGEMENT CONCEPT

BY-RAJESH KUMAR RAY

FACULTY, BBA COURSE

H.D. JAIN COLLEGE, ARA, BHOJPUR

BIHAR – 802301

UNIT: - 5

DECISION MAKING

The word decision has been derived from the Latin word "**decidere**" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable. Decision is a kind of choice of a desirable alternative.

In the words of Ray A Killian, "A decision in its simplest form is a selection of alternatives". Dr. T. G Glover defines decision "as a choice of calculated alternatives based on judgment". In the words of George R. Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives".

Felix M. Lopez says that "A decision represents a judgment; a final resolution of a Functions of Management conflict of needs, means or goals; and a commitment to action made in face of uncertainty, complexity and even irrationally".

According to Rustom S. Davar, "Decision-making may be defined as the selection based on some criteria of one behaviour alternative from two or more possible alternatives. To decide means to cut off or in practical content to come to a conclusion".

H.D. JAIN COLLEGE, ARA, BHOJPUR

(BBA COURSE)

Fremont A. Shull Andrew L Delbecq and Larry L Cummings define decision making as "a conscious human process involving both individual and social phenomenon based upon factual and value premises which concludes with a choice of one behavioral activity from among one or more alternatives with the intention of moving toward some desired state of affairs".

From the above definitions, we can conclude that, Decision Making involves the process of establishing goals, tasks and searching for alternatives for a decision problem.

Characteristics of Decision Making:

Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.

- 1) The decision-maker has freedom to choose an alternative.
- 2) Decision-making may not be completely rational but may be judgmental and emotional.
- 3) Decision-making is goal-oriented.
- 4) Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
- 5) A decision may be expressed in words or may be implied from behavior.
- 6) Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.
- 7) Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

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Types of Decisions

1. **Programmed decisions:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.

2. **Non-Programmed Decisions:** Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

3. **Strategic Decisions:** Basic decisions or strategic decisions are decisions which are of crucial importance. Strategic decisions are a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure e.t.c. are examples of basic or strategic decisions.

4. **Tactical Decisions:** Routine decisions or tactical decisions are decisions which are routine and repetitive. They are derived out of strategic decisions. The various features of a tactical decision are as follows:

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(BBA COURSE)

- 1) Tactical decision relates to day-to-day operation of the organization and has to be taken very frequently.
- 2) Tactical decision is mostly a programmed one. Therefore, the decision can be made within the context of these variables.
- 3) The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.
- 4) The authority for making tactical decisions can be delegated to lower level managers because: first, the impact of tactical decision is narrow and of short-term nature and Second, by delegating authority for such decisions to lower-level managers, higher level managers are free to devote more time on strategic decisions.