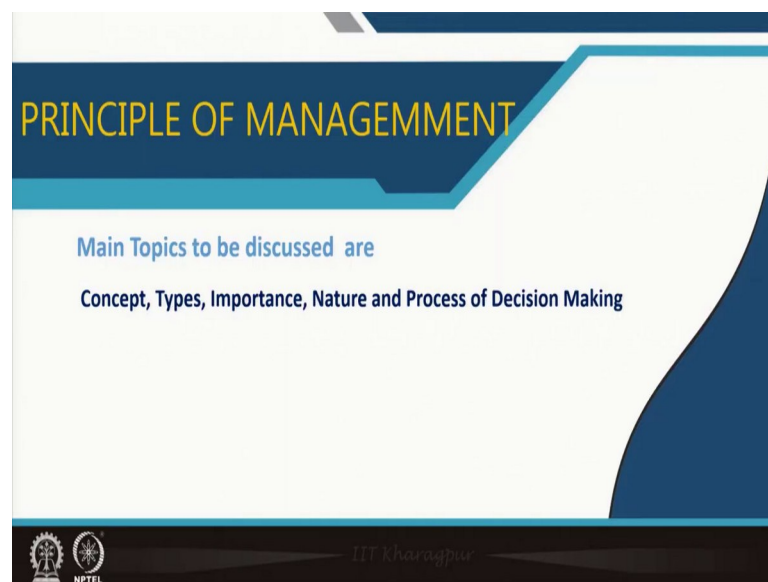


Principles of Management
Prof. S Srinivasan
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Module - 03
Lecture – 11
Concept, Types, Importance and Process of Decision Making

Welcome to module 3; module 3 we are going to discuss about decision making. Today's lecture we are going to discuss about Concept, Types, Importance and Process of Decision Making.

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The last two modules we discussed about the definition of manage, principles of management, concept the evolution, then we have discussed about the planning because we said planning is a precursors to other functions of management and we are moving to the another important functions of management which is decision making. Today the first lecture it is going to discuss about the concepts why decision making is important, what are the process of decision making, we will see in the lecture let us get into the lecture ok.

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Concept, Types, Importance, Nature and Process of Decision Making

Concept of Decision Making

The term decision making is referred to as the process of identifying problems and opportunities and then resolving them from a set of alternative course of actions.

According to Stoner, Freeman & Gilbert- Decision making is the process of identifying to deal with a specific problem or take advantage of an opportunity.

Decision making is treated as a state of complete process at the time when problem and opportunity identified and resolved from among two or more possible alternative course of action.

Decision making is a thought process of selecting choices from the available alternative options to achieve a particular objective or to resolve a specific problem.

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Let us start with what is a concept of decision making. So, for everybody would have made decisions, right? Whether either in your life, whether to which subject to choose, which discipline to choose, whether you know then in terms of you know job people who are already working would have make decisions everyday you will be making some decision which one to choose which is better which is not better.

You would have now calculated a cost and benefits you would have everybody is making decisions. Now, let us try to understand from the conceptual perspective what is decision making. The term decision making refer to as a process to identifying problems and opportunities, then trying to resolve these problems or the opportunities we identified from the set of alternate course of actions.

In every time when you are making a decisions, decision is always associated with certain things it can be a problem or it can be an opportunity. Any decision which is always driven by the existing opportunities are a problem. Unless otherwise there is an opportunity as there is a necessity to act on it then we do not make any decision.

So, it is always a process where we will try to identify the problem we when we are when we are trying to identify the problem, we will also formulate understand the problem better. Then if in case if it is not a problem there is an opportunity let us say one company has started doing some business and after in into the business for more than

two years they found that know there are there is a potential to explore you know other disciplines or the other products also then there is creates an opportunity.

Let us say you know there is a demand from the customer on the allied products what they are doing. So, there is an opportunity. So, when there is an opportunity then you will have to identify what you can do to tap that opportunity. Then you will make some effort to you know create or convert that particular opportunity into a product or it can be a service where you can make a business out of it. So, that is where the decision making comes into a picture.

So, according to Stoner, Freeman and Gilbert decision making is the process of identifying to deal with a specific problem or take advantage of an opportunity. As I said an example that know you are doing a business then you say that you know your customers are really liked your product, but they are also looking for an allied product for whatever the product you are producing. So, there is an opportunity you are whatever taken advantage of the opportunity.

So, decision making is treated as a state of complete process at a time when problem and opportunities identified resolved from among two or more alternatives course of action. Because you know when you are talking about a decision making it is not the only one direction we will decide, right.

So, even in your personal decision for example, students who have completed their 12th grade and then wanted to get into a you know professional career it can be medicine or it can be you know arts and science or a commerce any program you wanted to choose you will always look at what if I choose this discipline what not if I do not choose this discipline.

Even in the engineering let us say you know you are decided to take an engineering then in engineering there are multiple disciplines whether to choose mechanical engineering, civil engineering, electrical engineering or electronic communication, computer science, IT there are multiple things right.

So, you will always to try to look at the possible alternates and then out of these you will make a decision which one will be very suitable for me. So, every time when we make a decision it is not only on the one directions or one choice we make always try to make

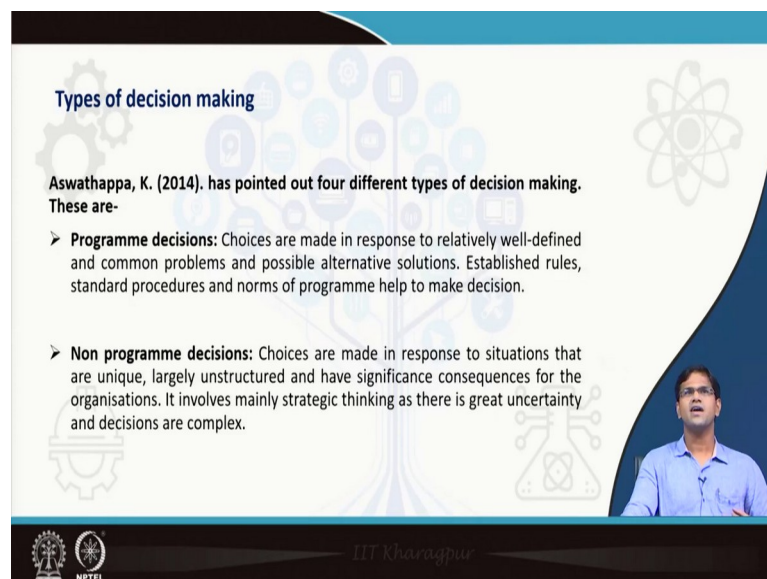
multiple choices. Out of the choices we try to choose the best possible course of action which is going to benefit the company or benefit a individual person.

So, decision making is a thought process of selecting choices from available alternate option. As I said you know it is very relevant when we make a decision we always look at what are the possible choices are available. So, which one should I choose? So, when we choose the alternatives we will also look at the cost and benefits also, sure with the any decision we make and then for example, if I choose this what is going to happen. So, and what is the cost I am going to incur.

So, am I going to spend so much of money am I going to use so many people to complete the task or should I go for another alternative. For example, I want to company might take a decision whether to have my own building or to lease suitably, or let us say should I have a permanent employee should I contract my work. So, there is always an alternative right. So, out of this alternative we will try to see which one is better should I you know it is better to go for an you know contract workers.

Because when my I do not know that you know future is what if there is an uncertainty in my you know business then I would say let us go for a you know contracting one because you know I do not create liability I do not owe any more liability with my you know contract employees because I am just contracting out, it is better choice. So, that is how you know people make decisions based on alternate choices of option.

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Types of decision making

Aswathappa, K. (2014), has pointed out four different types of decision making. These are-

- **Programme decisions:** Choices are made in response to relatively well-defined and common problems and possible alternative solutions. Established rules, standard procedures and norms of programme help to make decision.
- **Non programme decisions:** Choices are made in response to situations that are unique, largely unstructured and have significance consequences for the organisations. It involves mainly strategic thinking as there is great uncertainty and decisions are complex.

The slide features a background with various icons related to technology and business, such as gears, a tree, and a person. A video inset in the bottom right corner shows a man in a blue shirt speaking. The bottom of the slide contains the NPTEL logo and the text 'IIT Kharagpur'.

Let us I try to understand the types of decision making. Now, Aswathappa has perhaps pointed out four different types of decision making; one is a programme decisions; choices are made in response to a relatively well defined and common problems a possible alternative solutions are already known. So, for example, there is a program decisions you know you will always have a some rules and you know regulations which will guide you to choose a decision.

For example, let us say three suppliers are giving you a quote that you know this is what our material qualities are this is a price. So, my now in this particular decision making situations what will happen my company would have already have a policy or a guidelines to choose which vendor to choose ok. So, what will happen? Say first may be some you know company will also give weightage to a quality sometimes based on the product material we are buying sometimes placed you know heavily on the price.

So, let us say you know if the out of these three suppliers one is providing the competitive price in terms of you know cheaper price. So, company always wanted to make a profit out of anything right. When I save something on cost on some materials it is better right. So, this program decisions always govern by establish rules standard procedures. So, it will actually help you what kind of a decision you can make because it gives you a guideline ok.

Let us say you know you should choose a supplier whose quoting a lesser price. So, my rules are very clear in this particular decision making ah. Now I there is no uncertainty because there is a rule which is governing me. I will choose out of these three whose giving me a cheaper price he is going to be my supplier done. It is the this is called program decision where you will always govern by the establish rules and set up standard operating procedures so you will take a decision done.

Non program decision where we are talking about strategic decisions. So, the choices are made in response to a situation that are unique, largely unstructured against know where we have program decision where it is already structured there is a operating procedure there is a guideline, guide book, everything is there.

Here it is largely unstructured, have significant consequences for organisation you know where whatever the strategic decision we are talking about where you know there are lot

of uncertainty we are trying to forecast estimate what we can do then decision are complex.

That is called non programme decision where we are you know most of the time it is a strategic decision strategic thinking going on; what to do for the you know company? Ok. How we are going to as a company? You can do function in the complex say business environment, there are competitors let us say new entrance entering my business market. So, how I am going to respond, how I am going to you know protect my existing customers. So, that is going to be a non programme decisions.

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Types of decision making

- **Adaptive decisions:** Choices are made in response to a combination of moderately unusual problems and alternative solutions. It is typically involve modifying and improving on the routine decisions and practices of past.
- **Innovative decisions:** Choices are based on discovery, identification and diagnosis of unusual and ambiguous problems and development of unique or creative alternative solutions.

The slide features a central tree diagram with various icons (gears, lightbulbs, atom, hard hat, circuit board) and a small video inset of a speaker in the bottom right corner. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

Then adaptive decisions adaptive decisions a most of the time it is always related to you know existing decision what kind of a modification you are going to do? What are kind of a improvements you are going to do on a routine decisions? So, that the practices you know there you will have a better advantage right. You know adaptive decisions are because of any time as we have said you know from the beginning of the course we are saying that no changes are permanent.

And uncertainties are always there in the business. So, unpredictable situations are always existing in any part of the business. So, any activities you do so then you know you cannot have a one decision fits all right. So, one nothing will fit everybody right. So, no one single solution to and all different problems. So, there is always a likely vity that know you have to be open for modification.

So, that adaptive chain or decisions which is you know always adapting or modifying you know improving the existing decisions. So, that know I am able to read the benefit know I always wanted to move forward with you know increased efficiency then innovative decisions. So, in this you know the choices are based on discovery, identification or diagnosis of unusual or ambiguous problems and development of unique or creative alternate solutions.

For example you know now we are talking about you know alternate you know artificial intelligence, machine learning, deep learning, there are multiple opportunities are coming up you know where we are trying to create solutions. Let us say you know can I use you know artificial intelligence to automate some process? Can I use robotic principles to do some activities?

Where I am always trying to go for the innovative decisions where you know where the people would never know what would have been our likely output. So, where the innovative decisions are gone? So, as per the Aswathappa there are four decision; programme decisions, non programme decision, adaptive decisions, innovative decision. Let us also see some other types of decision making ok.

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The slide is titled "Types of decision making" and features a background with various icons related to technology and business. It contains the following text:

Types of decision making

In business organisations, managers have to make decisions on different aspects. Those can be classified as following three types.

- **Strategic decisions:** Choices are directly related to the achievement of common goals having long term effect on organisations.
- **Tactical decisions:** Choices are based on implementing strategic decisions towards developing divisional plans, structuring workflows and money.
- **Operational decisions:** Choices are made at the lower level of management related to day by day operation of the organisations.

The slide also includes the NPTEL logo at the bottom left and the name "IIT Kharagpur" at the bottom center. A small inset image of a man in a blue shirt is visible in the bottom right corner of the slide.

So, you know there are other three important kind of a decision making which are you know generally managers have to make decision on different aspect which is a strategic decision. Strategic decisions are nothing but you know these are the decision which are

directly related to achievement of a common goal having a long term effect on organisation. It is about you know driving the future for the organisation.

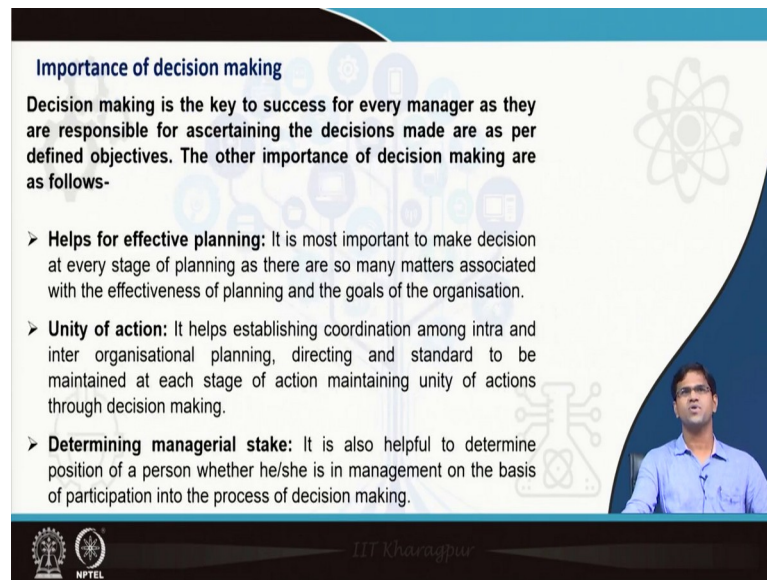
What kind of a goal we are going to have for with the organisation so that know organisation can gain out of the decision. It is a long term decision which you will have a larger impact on the organisations prosperity and progress and the development. Then tactical decision; let say you know I have made a strategic decision now tactical decision which are based on implementing strategic decision. Yes, I made some strategic decision how I am going to implement that.

You know something you know very tactic I should plan you know how I will implement you know in terms of you know bring you know implementing the strategic decision in terms of say different forms with a different sub units, different functional areas, different business unit. That can be multiple ways when you will have to identify tactically you plan so that know you will be able to better implement whatever the strategic decision you made right. Then operational decision.

It is nothing but know where day to day routine activities in the organisation where you have to make a decision at you know smooth running of everyday activities. You know at a lower level management where related to you know day to day operations of the organisations as I said. Where now it is not going to impact the large level in the organisational goals or the strategic decisions or strategic you know directions.

It is just generally focusing on how I will run my business day to day operations. For example, let us say you know all of a sudden there are two people are absent; how I am going to manage when there is an absentee am I going to have a reserve? Am I going to you know reshuffle people based on the necessity need. So, that is the operational decisions right ok.

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Importance of decision making

Decision making is the key to success for every manager as they are responsible for ascertaining the decisions made are as per defined objectives. The other importance of decision making are as follows-

- **Helps for effective planning:** It is most important to make decision at every stage of planning as there are so many matters associated with the effectiveness of planning and the goals of the organisation.
- **Unity of action:** It helps establishing coordination among intra and inter organisational planning, directing and standard to be maintained at each stage of action maintaining unity of actions through decision making.
- **Determining managerial stake:** It is also helpful to determine position of a person whether he/she is in management on the basis of participation into the process of decision making.

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Now we are going to understand the importance of decision making everybody knows you know decision making is very important. Now, let us also see why in the course of principle management we need to study a decision making. So, decision making is a key to success for any managers. Now, managers all are always rated based on their successful decision they made. Now, they are responsible for ascertaining and realizing you know whatever the goal defined by the company.

So, when you are saying you know we always you know he is a successful manager or he is not really a successful manager, unsuccessful manager, very competitive manager. How people associated this you know adjective towards this manager it is always based on how effectively they are able to make decision. Because you know the decision which are made and then which are been implemented effectively it is it will provide lot of benefit.

The moment they see there is a leader or a manager who is able to make a effective decision which is actually always benefiting my company they are always rated high. They are always seen as you know a successful managers that is why you know decision making is very important. That is one of the critical role of a manager because it is not the decision made at the lower level it is always by the managers who is making the decision ok.

Now, let us you know try to understand the other importance of decision making which helps for effective planning. Though we said know planning is a precursor for any other you know functions of management including decision making, but you know decision making is also important for effective planning. You know it is the most important to make decision at every stage of planning right. In every stage of planning means you know you will say organisational goals, then you will say you know sub divisional plans or the unit level plans.

You know whatever the plan (Refer Time: 13:05) subsequent stages the process you make you need to make decision at every level right ok. This is what the goal how we are going to set the goal then you are making a decision. Let us say you know there can be you can set 100 as the target for a month or it can be a 500 as a target for a month. Then there are then you need to make a decision right. You need to make a decision and say this is what the target we are setting.

So, now it helps for effective planning then unity of action it establishing a coordination among intra and inter organisational planning. Directing and standard to be maintained and each stage of action maintaining unity of actions through decision making. So, actually you know decision making which will tell me how I need to coordinate within the organisation or between the organisations. And then you know the moment the decision making is done it is actually creating a set of targets.

Then it is actually you know giving me a way against at which I can measure the performance of particular set of a group or a unit or individual employee and can be anybody we are talking about. So, no actually decision making also drives the unity of action no, how who has to be coordinated with whom, you know.

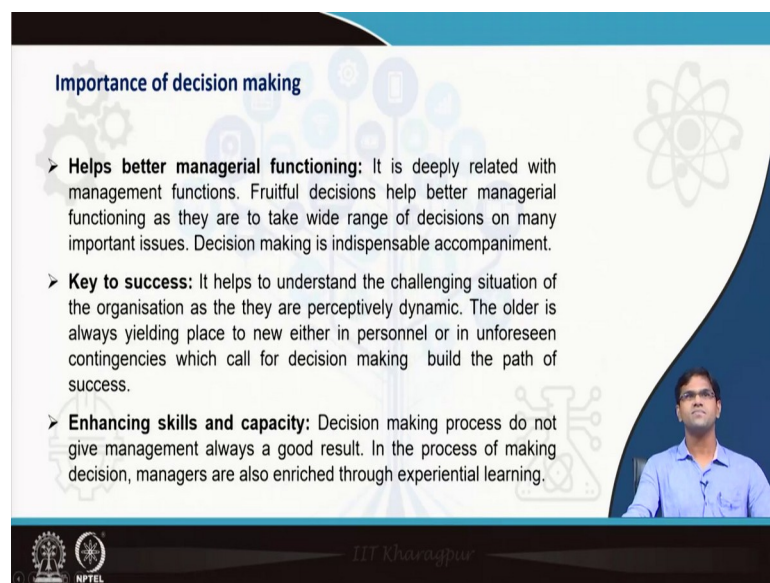
How we need to coordinate between the organisation within the organisation may be you know within the functional areas you know HR department, academy, finance department. Then we say operations we have marketing department. How we need to coordinate you know collectively. So, that know the decision making is actually influencing this.

Then determining managerial stake; it is also helpful to determine a position of a person whether he or she is in management on the basis of participation the process of decision making. Actually I need to tell as I said you know managers are the one who drive the

decision it is not the low level people. Based on the you know role given or based on the level of authority given to make decision and implement the decision that will actually you know help to trace who is in the managerial position, who can actually make a decision, who has a power assigned to them to make the decision.

It is actually helping me to understand the managerial stake is provided to the individuals in the organisation. It is helping me to identify who is having the managerial capacity to make decision ok.

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Importance of decision making

- **Helps better managerial functioning:** It is deeply related with management functions. Fruitful decisions help better managerial functioning as they are to take wide range of decisions on many important issues. Decision making is indispensable accompaniment.
- **Key to success:** It helps to understand the challenging situation of the organisation as the they are perceptively dynamic. The older is always yielding place to new either in personnel or in unforeseen contingencies which call for decision making build the path of success.
- **Enhancing skills and capacity:** Decision making process do not give management always a good result. In the process of making decision, managers are also enriched through experiential learning.

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Then it helps for better managerial functions, you know it is deeply related with management functions. Fruitful decisions help better managerial functions as they are to take wide range of decision on many important issue. Now, decision making is indispensable accompaniment for any managers because you know you have to every manager has to now take decision every day they have to take multiple decision.

In terms of you know resource utilization, in terms of budget allocation, in terms of hiring, in terms of managing my clients, in terms of my logistics, in terms of you know coordination's between the departments, in terms of responding to my higher ups or the you know top level management that is always you know you need to come continue to take many decisions. So, it is actually helps better managerial decision it is actually helping you to enhance your skills as well.

Then key to success; decision making of course, you know as I said know every manager success is always evaluated against the kind of a decision they made how successful those decision are. You know it helps to understand the challenging situations of the organisation as they are perceptively dynamic. The older is always yielding place to new either in personnel or in unforeseen contingency which call for decision making build the path of success. As I said you know every manager is determined based on the success of the decision they are making.

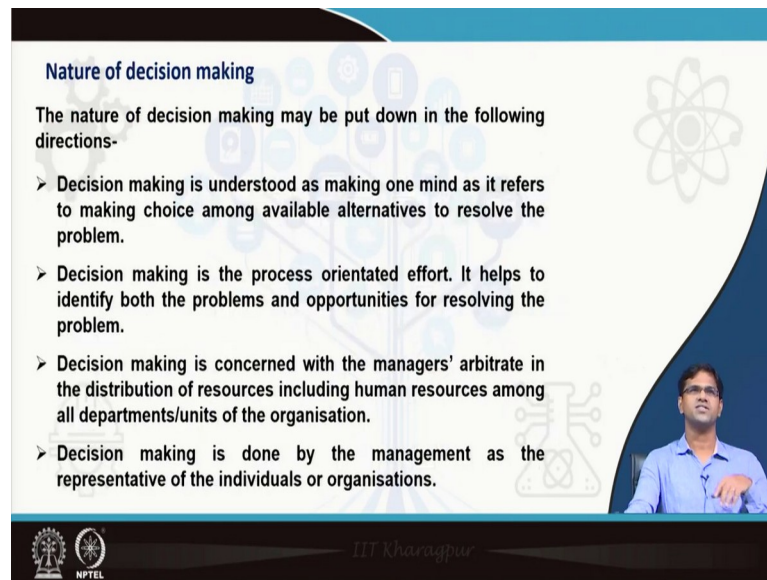
So, you know everyday manager has to make a decisions. So, then they need to be very effective in terms of making a decision. How they are going to choose the out of these alternative courses of action is available. Then it will decision making also enhance the skills and capacity of the managers.

So, decision making process do not give management always a good result you know. Let us say you know we made decision about one outcome, but probably you know that was not successful ah. But though it is not yielded the result what we expected, but it will actually give you a you know more opportunity or experiences of how to handle a certain situations.

How need to be better you know predict the situation or how need to collect or increase our information's you know repository. So, that know we are able to make a better decision which would have actually yielded a positive result. So, it is actually enhance your skill let us say you know when one decision actually failed it is actually giving me an opportunity to learn how not to make a decision or where we failed.

And why we are not able to be successful, what are the consequences, what has actually made our decisions fail. So, it is actually enhancing my skill of you know collecting more information's and you know I think you know seen through foresee what will be the probable outcomes.

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Nature of decision making

The nature of decision making may be put down in the following directions-

- Decision making is understood as making one mind as it refers to making choice among available alternatives to resolve the problem.
- Decision making is the process orientated effort. It helps to identify both the problems and opportunities for resolving the problem.
- Decision making is concerned with the managers' arbitrate in the distribution of resources including human resources among all departments/units of the organisation.
- Decision making is done by the management as the representative of the individuals or organisations.

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So, actually it will improve the skill and capacity of the manager. Even though the fair decision is failed, but the decision making as a process it will help a manager to improve this skills and capacity ok.

Let us try to understand the nature of decision making ok. So, decision making is understood as making one mind as it refers to making choice among available alternatives to resolve the problem.

So, decision making is always understand bringing one mind you know though there are multiple choices or multiple alternatives are available. But we need to make a decision which one we are going to choose and then that has to be communicated and then collectively everybody has to agree to a same decision and then have to drive the decision towards our goal achievement.

So, the making one mind is important. Then decision making is a process oriented effect it is not you know a single activity it is always a process oriented effect. Because it helps in identifying both the problems and opportunities right. See now why they have a process because you know it is not always that you know the problems are very visible to anybody or even to a manager.

So, you know it is always a process of you need to identify the problem formulate a problem and when your moment you are formulating a problem you know identifying a problem. Then you will be able to know what is actually resulting this problem.

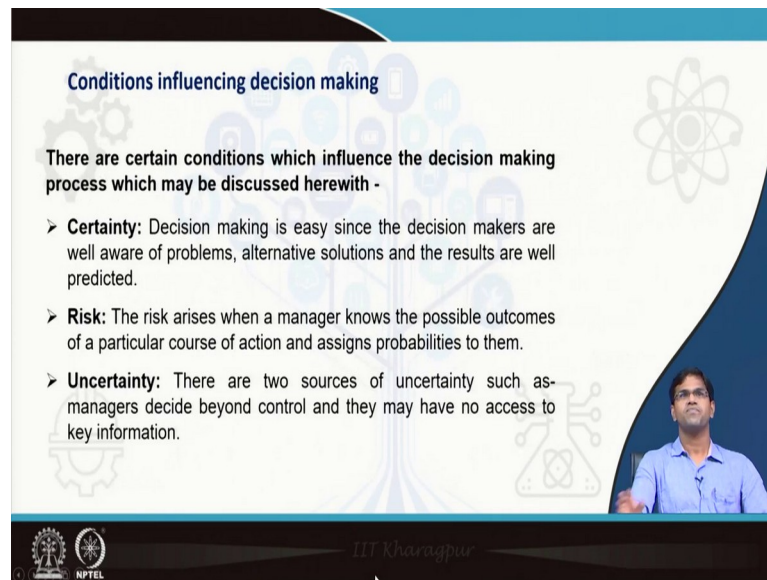
When we know what is actually causing this problem then we will be able to make a better decision to handle this problem. Unless I do not know what are the factors which are causing this problem if we in a absence of those factors then if I make a decision I am not actually addressing the problem. Rather I am only you know treating only the symptoms I am not actually going to the core of the problem so you know it is always a process oriented effort.

And decision making concerned with managers arbitrate in distribution of you know it is most of the time you know manager have a arbitrate decision right. Because you know the decision making a power is levied on the managers or it is given to a manager. So, they are making some arbitrate decision about how I am going to allocate the resourcer or distribute the resourcer. When the manager make a decision about distribution of the resources they always apply lot of they thought processes in ok.

Deciding how much of resource I can allot to this particular divisions and how much of financial. This I can use what in understanding my organisational capacity as well. Decision making is done by the management as the representative of the individuals or organisations. So, as I said now it is again you know talking about people let the you know managerial capacity they make decision on behalf of the organisations right.

So, you know decision with the nature of decision making is also talked about who will make the decision. And why they are making a decision because they are become a representative of the organisations. On behalf of the organisations they function and they as the as a role of the management they make a decision for a betterment of the organisation.

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Conditions influencing decision making

There are certain conditions which influence the decision making process which may be discussed herewith -

- **Certainty:** Decision making is easy since the decision makers are well aware of problems, alternative solutions and the results are well predicted.
- **Risk:** The risk arises when a manager knows the possible outcomes of a particular course of action and assigns probabilities to them.
- **Uncertainty:** There are two sources of uncertainty such as managers decide beyond control and they may have no access to key information.

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Yeah we will try to understand what are the you know conditions influence the decision making right. So, because as I said you know there is always you know certain aspect which will influence my decision making.

Let us you know try to understand which is a very important and in interesting to look at it also it is a certainty. The decision making is very easy in things are very stable and you know the probable outcome and you well aware of the problem you know the alternate solution and you can also predict the result.

Let us say you know let us take a coin right so tossing a coin probability theory it is very simple you everybody would have studied in the mathematics. Let us say I am taking a single coin when I you know toss a coin what is the probability of getting head it is 1 by 2 so, it is 0.5.

So, the result is known, but out of this two yes of course, again I am not very certain about the outcome, but at least I know 0.5 is the probability of getting head 0.5 is a probability of getting tail. So, there are times no where you know the outcome also right. So, then there is a certainty that time decision making is easier because I know yes this is a likely event I know.

Then risk; risk arises when manager knows the possible outcomes of a particular course of actions and assign probabilities to them. For example, I know this is what it is going to

come, but you know sometimes a manager will also though they know this is going to be a probable outcome, but it is not very certain. But what I will do now I give lot of it is let us say you know take you know it is kind of a you know I pay heavy charge you know heavy investment on particular product assuming that know this is going to be successful. In that particular situations manager is making a risk of investing more on a particular portfolio.

If that portfolio what he has predicted does not be successful then it is going to have a lot of risk for a company right. That is what the risk I though I know the outcome probable outcome, but with the weight I assign. You know if I assign more weight to it, there is a risk associated to the weight I give to the particular outcome ok. Let us say now out of you know 0 to 1 probability if I has not 0.7 as a weightage to particular product then you know I am investing lot of resources on it. If the you know outcome is actually 0.3 not 0.7 then the risk associated with it right.

Then uncertainty; there are you know two resource of uncertainty such as manager decide beyond control and they may have no access to key information. One is the these are the two ways you know where uncertainty can arise. One is know, a manager do not have any control over what will happen, then there are there is an uncertainty right. Then you do not have any information at all you do not even have an access to the information. Then you know in the event of you know no information's if you are predicting or estimating something on and doing some decisions then if there is an uncertainty.

So, these factors will influence your decision when there is an uncertainty; what will happen know you will you will not actually you know take more risk of you know investing right. You will be very cautious in making a decision you try to collect information's. So, that is how you know decisions being influenced right and certainty yes.

How certainty will influence my decisions? I know the outcome and I will be very confident in making decision I will make a very quick decisions very simple decision because I know what is the outcome. Then risk what is the risk associated with the decision making then that will also influence what kind of a decision I will make. Let us

say you know if I take a it is going to hit me very badly then I am very cautious right. So, that is actually influencing my decision.

Then uncertainty of course, you know uncertainty will be making a person give a lot of thought process before they make a decision.

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Conditions influencing decision making

- **Ambiguity:** The condition in which decision making goals are not set, problems not clearly defined, alternative actions are difficult to identify and information on expected outcome is not available.
- **Corporate culture:** The influence of corporate culture is very important. Dynamic decision making may be restricted in case the corporate culture is authoritarian and conformist. In contrast, decision makers may be more innovative and adventurous.

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Then ambiguity; what is ambiguity? The condition in which decision making goals are not set or problems are not clearly defined, an alternate actions are difficult to identify, information on expected outcome is not available. Or let us say ambiguity means you know where there is you know the information which is provided is you know saying one saying positive one says negative then there is an ambiguous situation where I am not very clear.

Whether it should I take it as a positive, should I take it as a negative let us say you know when I invest on something it is going to appreciate or it is going to depreciate. Then some people saying this is going to appreciate some says you know it will depreciate then there is an ambiguity no. Some people worked on the particular situation says it is going to appreciate some people says it is going to depreciate.

Then it is actually creating an ambiguous situation; should I you know be confident it is going to appreciate or should I not being that confident then it is going to depreciate.

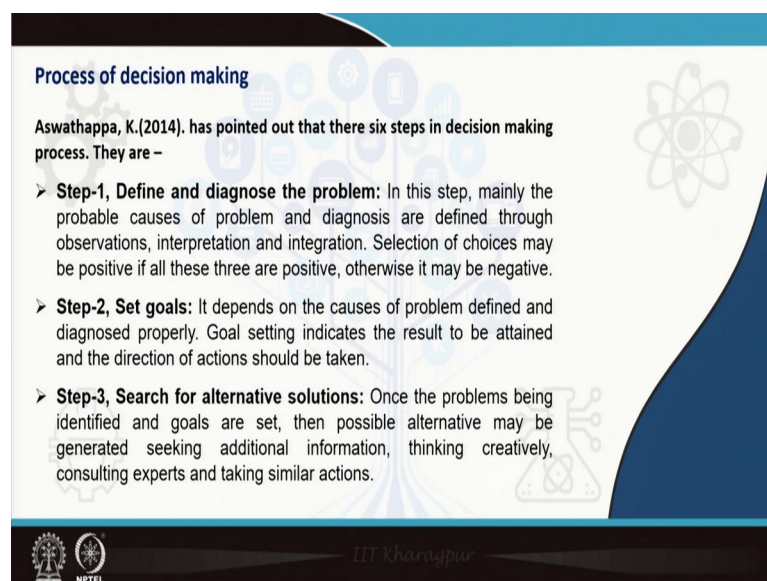
You know that is an ambiguity that ambiguity will also influence my decision what kind of a decision I will make right.

Then corporate culture; so every organisation will have their culture right culture is you know (Refer Time: 24:39) belief with the employees. So, it is very important right the corporate culture the dynamic decision making maybe restricted in case of a corporate culture is authoritarian and conformist. You know where there is a strict authority by the as a culture in the organization.

Then you know dynamic decision is not possible. Because you know dynamic decision which should allow you to make you know a quick decisions where you need to allow to you know act agile you know that. But you know if the organisation structure is like you know authoritarian structure there is a rule driven structure then it is very difficult you cannot make a dynamic decision.

In contracts you know decision make us may be more innovative and adventurous. So, it was sometimes you know based on the organisational culture they make always take an adventurous decision. Your risk taking culture in the organisation they make lot of risk in investing on certain portfolio, certain products. So, these are the conditions which will influence the decision making.

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Process of decision making

Aswathappa, K.(2014). has pointed out that there six steps in decision making process. They are -

- **Step-1, Define and diagnose the problem:** In this step, mainly the probable causes of problem and diagnosis are defined through observations, interpretation and integration. Selection of choices may be positive if all these three are positive, otherwise it may be negative.
- **Step-2, Set goals:** It depends on the causes of problem defined and diagnosed properly. Goal setting indicates the result to be attained and the direction of actions should be taken.
- **Step-3, Search for alternative solutions:** Once the problems being identified and goals are set, then possible alternative may be generated seeking additional information, thinking creatively, consulting experts and taking similar actions.

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Now, let us try to understand the process of decision making. So, Aswathappa has pointed out that there six steps in decision making process, yeah.

Step one; is you need to define and diagnose the problem it is very very important unless otherwise you do not define or scoping the problem it is very difficult to you know address the problem or even to create an alternate source of you know alternate course of action to address it. So, you need to define what is the problem is.

And you know diagnose the problem in order to try to understand you know what actually causes the problem right. So, we need to diagnose the problem because you know why as I said earlier you know you need to understand what causes the problem. So, that know I am trying to address all the causes in my action planning right.

Then step two; it is setting the goals depends on the causes of the problem defined and the scope been defined for over the problem then goal setting indicates result to be attained and the direction of the action should be taken. So, you know base after the first step you know what are the causes then accordingly you will say; now I need to set the goal of how to address this problem.

Let us say you know I am you know my company is profit has gone down I need to increase the profit. Then you need to ensure that know you are making some decision. So, that you know one can be you know there are two alternatives one is you know going for a proactive approach of you know investing something creating new product. Otherwise you know I can go on a costs cutting right by through saving some expenses I can also make some profit so that is the setting the goal.

Then search for alternative solution; as I said you know there are two ways to you know make profit. One is you know expand my business you know you know with differentiation integration of the business or you know have launching a new product increasing the business units or you know trying to increase my market share in the business domain that is one way.

Another is let us say know I know I could see that know with my balance sheets my expenses are really high that is actually cutting my profit. So, I can actually you know austerity approach where I cut down the expenses drastically. So, that my I can actually again increase my profit. So, now, these are the two alternate course of actions.

So, you know you need to understand the problem mention profit is a problem then I can have a two possible or even multiple more than two you know multiple options you need to look at the alternate solution.

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Process of decision making

- **Step-4 Evaluate alternative solutions and select the best:** Assessment of prospects and constraints of each alternative option need to be done carefully. It can also, be done by simulating the financial outcome of each option.
- **Step-5 Implementing the selected solution:** It involves the best use of managerial, administrative and persuasive abilities to ensure decision making for selected option otherwise, it may go wrong implementation.
- **Step-6 Follow up and control:** Follow up is necessary as the decision making is a continuous process to substitute the wrong decision by best new alternative choice of option.

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Then you need to evaluate the alternate solution and select the best ah. Now let us again carry the same example. So, let us say I wanted to as a company I want to make profit. So, I made two choices one is you know cost cutting another is you know increasing my business. And then increasing my you know you know business growth or a prosperity by way of you know introducing new product or increasing my market share in the business so there are two choices.

Now out of these two choices I need to see which is actually better which is viable. Let us say you know option a which is cut cutting the cost yes I can look at know how I can cut the cost let us say you know I can you know instead of going for a large increment (Refer Time: 28:23) I can go bring down the you know lower increments or incentives I can cut down on the incentives. Let us say or the fixed cost some process I can contract out or I can you know send out the whole process were the alternate you know third party company so I can make some profit.

So, then I am saving the cost on the human resources or material resources, inventory cost holding, there are ways I can do. Then the other one say for example, I need to introduce a new product then there is a cost associated. So, I need to evaluate the both

solution alternate solutions. And then select which one is feasible and time bounding and many factors are involved.

Then let us say I have decided to go for an option one of you know cutting cost, austerity approach so that I am going to make profit. I at least I can increase the profit. So, I have and then implement the select option ok. Then I decided the option a as like you know cutting the cost as an option to implement the solution now increase the profit.

Then I need to understand how I am going to implement it you know using the managerial administrative persuasive abilities to ensure the decision making for a selected option otherwise it may go wrong in the implementation it is very important when you made a decision ok. How you will able to penetrate this decision implement the decision in effective way, coordinating across all functional areas.

Then comes follow up and control; yes, let us say I have implemented of cost cutting approach. Then you made a policy, guidelines for every functional areas every areas what wherever the expenses are going up I need to bring it down.

So, then you need to say are we actually implementing it. And then how far you know functional areas are able to effectively implement it. Is it actually resulting in you know reducing the expenses because that has to actually show in my increasing the profit of reducing the expenses right.

So, then I need to do a follow up in case you know of their after the continued implementation I cut continued to see that you know there is no improvement, there is no progress, that I am not still incurring the same similar expenses then I you need to go and control direct certain department ok. You have to make a very conscious decision of cutting down the cost. So, this is the possible way of you know implementing it. So, that is the steps as I said you need to follow the steps in the decision making ok.

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Process of decision making

Benowitz E.A. has classified the process of decision making into seven steps which includes - define the problem, identify limiting factors, develop potential alternatives, analyse the alternatives, select the best alternative, implement the decision and establish a control and evaluation system.

Other than steps having similarity and already discussed, we may discuss on-

- **Identify the limiting factor:** The decision makers are in a position that they may lack time, accurate information, budget and other resources for which identification of these factors is important for proper decision making.
- **Establish a control and evaluation system:** This has been the last step to evaluate how far the decision has really solved the problem or how closer the decision maker was to the desired situation may be evaluated.

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So, beyond this there is also other people also talked about you know process of decision making. So, he you know Benowitz has classified the process of decision making into seven steps though we already discussed the six steps. There are no overlapping steps you know very similar step we also saying no, defining the problem is very similar.

Identifying the limiting factors, developing potential alternatives, analyze the alternatives, this is very similar to it is selecting the best alternative of course, you know select the best. And then implement the decision establish the control and evolution these are all very similar in the you know what Aswathappa also discussed about. But there are other things which are different which I am we are going to discuss now.

Identifying the limiting factors so identifying the limiting factors nothing, but you know decision maker or you know position that they may lack time and sometimes they may lack accurate information, budget may be a constraint or other resource which are actually you know impacting my decision making. So, one has to identify what are the potential factors which will limit my decision making capacity.

So, that is also an important which is not been considered in the Aswathappas you know process of decision making. So, where Benowitz also talking about a similar one, but this is another important thing where you need to identify what are the factors which will limit my decision making.

Then establish a control and evaluation system; so this is the last step in any decision making you need to ensure that you know you need to establish a control system or evaluation system in place. For example, in a company when you work there is a performance assessment cycle, right.

One after the end of the year or may be every quarter every six months when you are doing a particular job then you need to be evaluate it there should be system has to be created. So, that know your actual performance will be evaluated. So, that you know it is actually seen or you actually contributing towards the success of the organisation or not. So, these are the process of decision making.

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So, these are the references and today we discussed about the definition and process with types of decision making. In the subsequent lectures we will be able to see other models of decision making and how you make the decisions.

Thank you.