

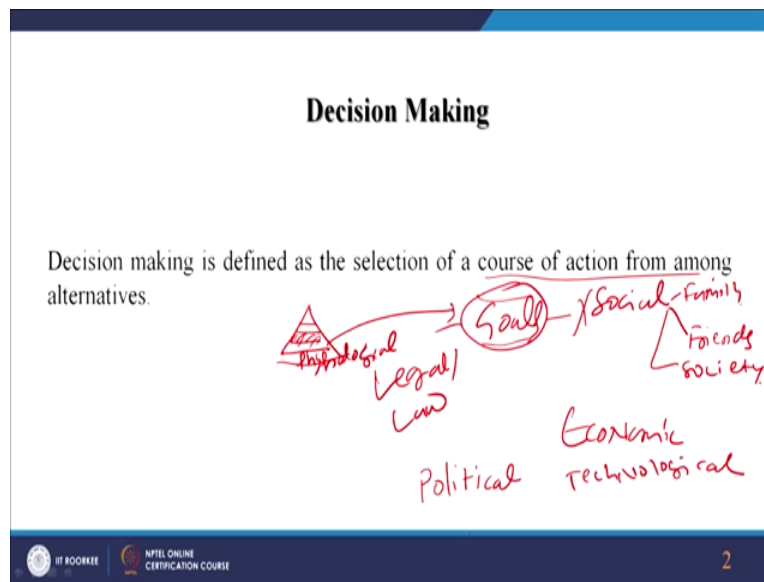
Training of Trainers
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Lecture 36 - Decision Making – I

Now first I will discuss with you what is the decision making process and how the decision making process has to be implemented. Then we will have the one demonstration of the decision making process, that is how decisions have been taken by different executives and how collective decision is to be made in an organization. And then we will have finally, in three modules basically, then we will have finally what are the lessons of learning from the decision making process.

Now first, we have to understand what is a decision making process. What is important is whenever we are talking about the input, process and output, now in input, process and output it becomes very very important how an individual is capable, what type of personality he has. And then the question arises, if you want to enhance one's individual capability to take the right decisions, then what type of the training program is to be given, to be provided to that particular the trainee, participant or employee?

So first, I will start with the definition. It is normally, when the question of decision comes, if there is no choice then there is no question of decision. The question of decision will come only when we are talking about the selection of a course of action from among alternatives. Now here I would like to mention about the goal.

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That is, what is the goal? A person is driven in decision making process by these particular goal and objectives. Somebody may have the goal which is satisfying the social factors; maybe the family, maybe the friends and maybe society.

Now whenever a decision is to be taken, then in that case what is the person's priority? If it is the social priority then decision will be satisfying the needs. I would also like to connect this decision making process with Maslow's Hierarchy of Needs. So whenever we are talking about the physiological needs, safety needs, social needs, self-esteem need and self-actualization need, so many times, these needs, they are becoming the goals.

And when I am talking about these social needs, therefore in that case, so a person is here but it is also possible that the person may have this physiological need. And then in that case he may go to that...in spite of the social needs what he would like to go? He will go to the physiological needs. And then definitely, in that case his course of action from amongst the alternatives that will be driven by the physiological needs.

It means that the decision-making process is driven by the goal. What is the need of the person and then sometimes it is the 'wants'. And if he is going in the direction driven by these needs or wants then in that case this particular action he will choose. Sometimes it can be the economical. And then in that case, if the economic condition that is the driving seat then his decisions will be driven by satisfying the economic needs.

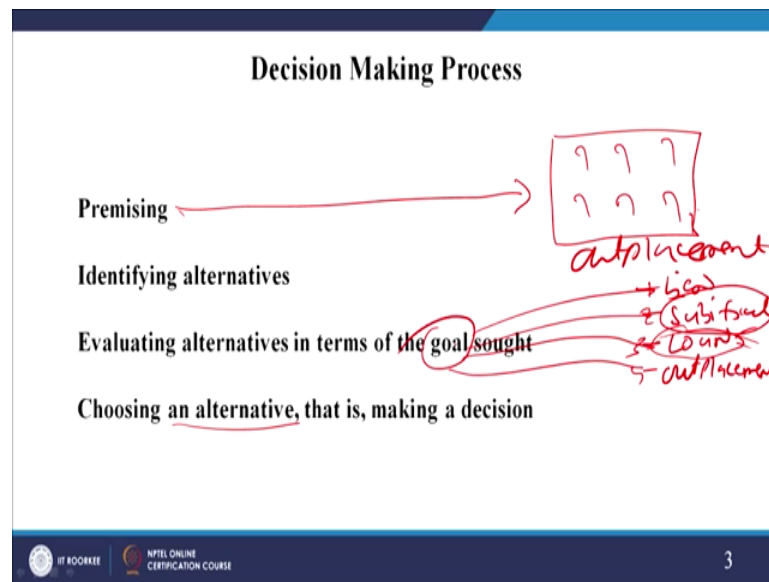
Sometimes it may be he is forced to take a decision as per the guidance of the legal or by the law. And then if it is by the law or the society or by the economic factors then in that case, his course of action from all these alternatives which will be satisfying his need, which will be satisfying his goals. So these are the choices. There can be some others also. Sometimes it is the political, right? Or sometimes it is his technological needs.

So here we have to understand that how a course of action is to be selected. It is interesting to note, is it possible to select that particular sort of the decision as compared to dominating his needs, right? And taking the right decision? And that is why the decision making process has to be understood. Otherwise it will be very easy to say that whatever options are available, the person will take the decisions. But that evaluation, the priority and there will be the part of rationality in the decision making process.

There is something 'need' is something else. And decision is on the basis of rationality. So basically it may be a conflict between the emotions and the rationality. And if there is a conflict between the emotions and the rationality then what decision is to be taken, that this particular chapter will talk about. So what do you think? Whenever there is a conflict in decision making between the emotions and the rationality, what sort of decision would you like to take? Would you like to take the emotional decision which will be satisfying your need or it will be like decision is to be taken on the basis of proper process which is to be followed in decision making?

And then whatever answer comes, whether it satisfies the need or it does not satisfy the need, in both the cases the person is taking that right answer. So to understand this, first we have to understand the process of decision making.

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Now the decision making process, the premising: this is the premises and within these boundary walls you have to find out the solution for your question. I would like to take an example. In the earlier days, whenever there was retrenchment was required, reducing the manpower, the VRS was introduced. Voluntarily Retirement Scheme was introduced. So one side, the organization was facing the financial crisis and the other side, the solution was to provide these particular incentives as VRS, Golden Handshake schemes and then it was the double side sword. That is one side, the economic recession and the other side it was the paying VRS, the scheme which requiring more money and then it was a sandwich. The employer was sandwiched in between these two.

And what was the result? And the result was, whenever this type of the VRS have been offered voluntarily, the cream of the organization; the talented people they were applying outside, they were getting the better jobs, they were applying VRS in this organization and getting money from here also, joining another organization with the better opportunities and better prospects and better rewards. So in that case because it was talent, so talent was going out, taking money going out, building their further career second phase and here the employees those who were not getting opportunity outside they were forcefully asked, they were saying no and then there was a negotiation and all this negative process started.

So what was the premises? The premises was the financial condition. The decision making within this financial condition that you have to take. So every individual, every organization, they are bound to take a decision in the given premises. And they have to understand the boundaries of the premises. If they do not understand the boundaries of the premises, then this type of the examples will be there. One side, financial losses; other side, the solution is also to give more money. As a result of which again the organization was sinking. So solution naturally has to be taken within the given constraints. These premises are the constraints.

If this is the constraint, for example, reducing the manpower, finance is the constraint and I cannot offer the VRS, Voluntarily Retirement Scheme, then what is the alternative available to me? So whenever we have to take one decision, the decision can be simple; give money and get rid of the problem. But is it the right decision? So if you are into an economic recession and your economic condition is not good then this is not the right solution. This might be the suggestive solution but this cannot be the right solution. Then what to do?

That is, identify the alternatives. And if you have to reduce the manpower because of the financial crunch, how will you reduce the manpower? By giving them money and asking them to go. But you are in a financial problem, so you would not prefer that. Then I ask you. What decision would you like to take? How will you reduce the manpower or retrench the manpower when it is not possible to provide them the extra money? What solution would you like to focus?

And at that time, the solution many times which have come out for making the alternative is 'outplacement'. Outplacement that can be in the form of lien, right? If that is a government organization. Or it can be in the form of giving them the sabbatical leave or it can be in the form of giving them a leave for working into the organization for some period of time, that is, of the loaning, loaning of employees or there can be deputations and there can be the outplacements.

What are the outplacements? Outplacements means providing the opportunity to serve others by giving them recommendations for trying for them and then it becomes that is your employees are acceptable to the other organizations wherever there is a need for this type of employees. And dear friends, this can be on tenure basis also, please also understand.

So you are loaning your employees, you are sending on lien, you are making outplacements for them, you are sending them for the sabbatical leave. If you have noticed in all the solutions, it is

time bounded. So for some period of time, temporarily you want to reduce your manpower and this manpower then again can be welcomed after two years or three years, then this type of solutions that will work.

So in decision making process it becomes very very important that you are able to identify the alternatives. What alternatives are possible? Sometimes by paying money, sometimes without paying money, sometimes they are creating more options by the use of technology, technological sources and all. So this type of the alternatives one can identify.

So which one will be the right one? Now, again it will come in the terms of 'goal sought'. So whether you want to go for lien, you want to go for sabbatical, you want to go for the loaning, you want to go for the outplacement and therefore in that case this will be decided on the basis of what is the goal of the organization. So alternatives, evaluating the alternatives and then there should be certain parameters on the basis of which the alternatives are to be evaluated and then the final decision is to be taken.

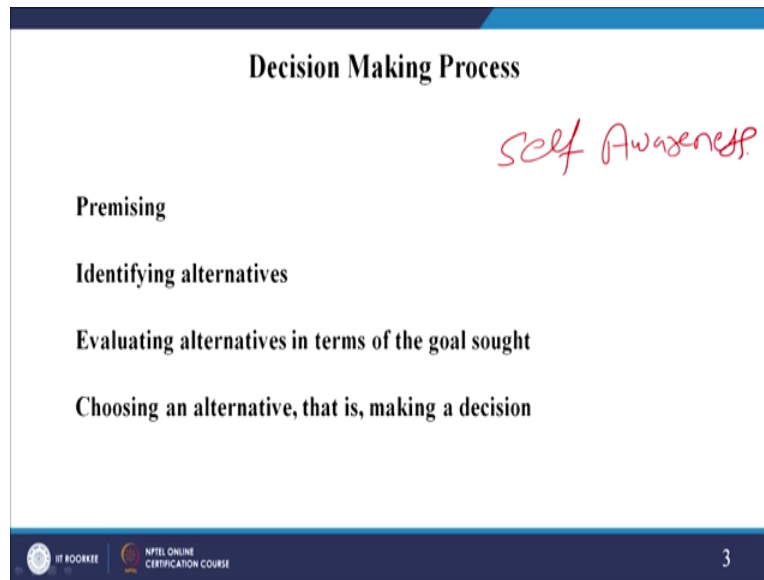
So naturally out of these you may find that after two years or three years it is better that your employees they are getting trained or they are getting educated with the help of the sabbatical leave and then they are making, then they can come back. So what you will choose? You will choose the sabbatical. But you may choose the no, that there is no scope, they are already well qualified and having the good knowledge and skills and then they can be useful for the other organizations, then that can be loaning.

So choosing an alternative, an alternative out of this one, two, three, four, and in loaning there can be the different parts, so out of these four, what you want to choose or take a decision, and then in that case the options will be what is your goal then.

So decision making process, first and foremost, is to know yourself. This premising means what strengths, weaknesses, opportunities and threats and resources—a proper analysis of the situation. A situation analysis. If there is a proper situation analysis, then in that case you will be able to identify that what are my premises, what options are available and out of those options, look into my premises. I will come in detail also about evaluation. And then taking the right decision. So therefore in that case, it becomes a very very scientific approach of taking a right decision, and that is a rational decision.

And where the decision, as I mentioned earlier, it has to be on the basis of emotions or rationality, then definitely, no doubt, first you have to understand this particular rationality and then make the use of your intuition and then you take the decision. And sometimes this decision may be based on the emotions. But it is the emotional quotient, why?

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Because as we know in the emotional quotient, it is about the self-awareness. Self-awareness that will direct you to understand whether the decision is to be emotional or it is to be rational. Then we know about the self-regulation as given by Daniel Goleman. And then the empathy, as I have discussed earlier. Then we are talking about the motivation. When I talk about emotional decision, then definitely that need, wants and that motivational goals you please do not forget. Because ultimately I personally feel that what will motivate you the most, that alternative will be the best for that individual.

So rationality goes up to a limit. And one should go by rationality, that is fine. But human being is an emotional personality. And therefore, even when the person is making evaluation, person is making the, selecting the alternatives, comparing the alternatives, and then he will make the list of the priorities in the decision making process, this is one, this is two, this is three, this is four and then in that case it is possible that the person may not go by all that exercises and whatever answer comes, he may take a decision which his intuition speaks, his emotions speak.

But that is not advisable. Advisable is this that is you please be first rational, find out the rational answer and then use your human intelligence, your intuition basically and then take a decision. So you are aware that what risk you are taking. It should not be gambling, no. It should be the risk that is yes, I know the right answer is this but I will go by the... X is the right answer but I will go by Y knowingly. So you will never have to regret that is yes that was there. But because you are a human being, you are intelligent and then you know what your intuition is calling and then if intuition is calling and then decision is taken, many times you will find that, many case studies are there.

So especially when we talk about Steve Jobs and all leaders, this type of leaders they have worked on these mostly on the identifying the rationality and then taking their own intuition, call on the intuition and then taking the decision.

So in many products it has been seen that on the basis of the blend of the rationality but calling of the intuition, the decisions have been taken and they have been proved right, not wrong. If this is the situation, then in that case definitely the decision making process will be best. Why I am saying so? The experience that counts. Every time you go by the mathematical process and if you do not make use of your experience, intuition is what? Many times the intuition, it is the best zone whatever the personality has learnt.

I have talked about the sensitivity training. So what is sensitivity? Sensitivity is nothing but that is giving you the intuition. Empathy, what gives you? It gives you the intuition. It gives affection. It gives concern for others. It talks about the, when you are taking a decision and that decision if you find, that is no, this decision is going to hurt the humankind, would you like to take that decision? Because rationally, yes, this is going to be the decision. So a balance is required.

It should be betterment of the society. It should be the betterment of the humankind. But many times there are role conflicts. So definitely you have to go by the priorities of the roles. And whatever your role speaks, you have to take a decision accordingly. Is it not so? So it should be a match. You cannot just have just black and white, right? So therefore in that case choosing an alternative and making a decision is there.

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Rationality in Decision-making

People acting or deciding rationality are attempting to reach some goal that cannot be attained without an action.

Limited, or "Bounded," Rationality

Limitations of information, time, and certainty limit rationality, even though a manager tries earnestly to be completely rational.

Satisfying is picking a course of action that is satisfactory or good enough under the circumstances.

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I have talked about rationality in decision making, that is what is the rationality in decision process, I have talked about it in the previous slide. But let us understand what is the rationality in decision making. People acting or deciding rationality are attempting to reach some goal that cannot be attained without an action. It is a good definition. So therefore in that case, an action needs to be taken.

If you take a particular action then definitely in that case that will be the deciding rationality. You have to work on that. You have to do the analysis. You have to collect the data. And only in that case you can go for this type of particular decision making process. But rationality can be limited or bounded rationality. What does it mean? Limitations have information, time and certainty, information. We are living in the information era I know. But if you give a keyword, how many websites you find? Maybe 1, 24, 330. So limitations of information is that is which is the appropriate information.

Which is the right information at the right place? And therefore in that case this limitation of information is in the different context. Now, the decisions are to be taken for the long-term goals and for the short-term goals. If it is for long-term goals then definitely, you have enough time, you create a committee, the committee will find out all the information. They will go through the analysis, they will come with recommendations. Recommendations will be evaluated by another committee and then finally the decision will be taken. That is fine.

But when we talk about the short-term goals, immediately you have to attend. In this particular season, you have to take certain decisions. Yes or no? And then in that case you will find if there is a limitation of time then definitely it has limited the premises. And certainty is a big question. God knows what will happen. And then definitely that is the certainty or uncertainty when we talk about and that is becoming the, limiting the rationality.

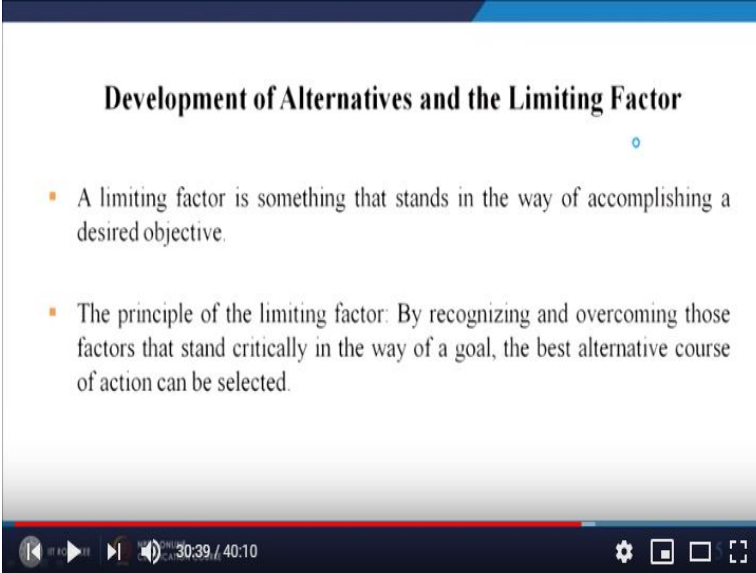
Even though a manager tries earnestly to be completely rational, so he wants to be rational but what will happen when he is having the limitation of information? What will happen when he is having limitation of time? What will happen that he is not sure about the certainty? And then you ask him to take a rational decision. No information or no time and no certainty and in that case also you want to take a decision, then that will definitely be a big question. How will you handle that situation?

So satisfying is picking a course of action that is satisfactory or good enough under the circumstances. As I mentioned the human brain is becoming very very important. And therefore in that case, with all these limited or bounded rationalities, ultimately, but again please understand that the basic model is same. And what is the basic model? It is premising, indentifying alternatives, evaluating alternatives and taking the best alternative. So therefore in that case that best alternative through this model which comes that should satisfy you.

If you are very very scientific in your approach then definitely you will get an answer. And that should be the satisfying answer. And if it is a satisfying answer, go ahead. Means following the rational model and then identifying the satisfaction level, understanding, making the perceptions, correct perceptions, no shortcuts in judging others, right perceptions and then getting the decisions under this limited or the bounded rationality.

Another important point which comes in the decision making process is development of alternatives and the limiting factors.

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Development of Alternatives and the Limiting Factor

- A limiting factor is something that stands in the way of accomplishing a desired objective.
- The principle of the limiting factor: By recognizing and overcoming those factors that stand critically in the way of a goal, the best alternative course of action can be selected.

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It is practically a very very important point because a limiting factor is something that stands in the way of accomplishing a desired objective. Yes, that is true. A limiting factor, maybe the time, maybe the information, maybe the certainty whatever it is there. If you have to take a decision and there is a limiting factor which is affecting, then definitely it will be a very very important factor to develop an alternative. Because premises are not allowing but you have decided a goal, then you have to select which goals. And then which goal is there, then you have to find out the something that is not affecting.

The principle of the limiting factor is by recognizing and overcoming those factors that stand critically in the way of a goal. So whatever factors come in the way of the goals, stand critically, then in that case you have to take an action. The best alternative course of action can be selected. Wonderful point.

So first overall analysis because, what they are talking about here? They are talking about recognizing and overcoming, please understand, overcoming. If overcoming those factors is possible, try to overcome those factors and that stand critically in the way of a goal. But these are the points which may affect our rational decision and therefore that is the critical standing for achieving that particular goal. And then if this is the situation, what will be the best alternative? That, you have to select.

The best alternative will be selected whenever you are clear with whatever is coming in the way of a goal and then how to overcome that and if it is the situation, what will be the best solution for me? Nowadays lot of emphasis on the qualitative analysis, please understand. Even in research, whenever we talk about the overcome, that quantitative analysis, you are doing survey, people are responding, you are putting into the software, you are getting the results, then analyzing the results and then say this is the recommendation, this is the solution, this is the implication, this is the discussion, so the basis of the data is based on survey. And the respondents, how they have responded? There are different tests also, you can ensure that.

But still people talk about that it is totally based on the respondents. So what I do is that I always try to test these quantitative findings with the qualitative findings, qualitative research. So whenever you talk about employee engagement and suppose the problem comes from your data survey and all, absorption is the problem, so this is the quantitative data; absorption is the problem. Now I will take the support of the qualitative data and I will try to find out whether this quantitative data is it possible to check with the qualitative data? Crosscheck. And if it is yes, why? If it is no, why? Because that is a part of research.

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Evaluation Of Alternatives
Quantitative and Qualitative Factors

- Quantitative factors are factors that can be measured in numerical terms.
- Qualitative, or intangible, factors are those that are difficult to measure numerically.

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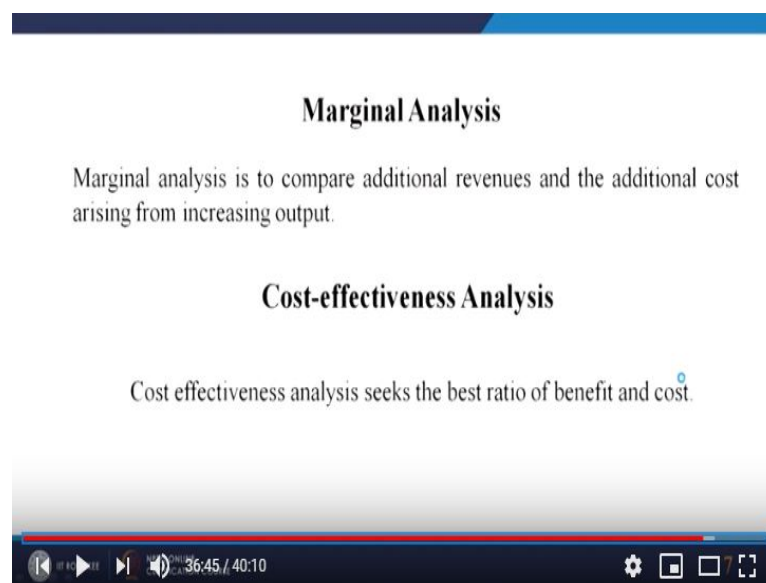
So therefore in that case, quantitative factors are the factors that can be measured in numerical terms and qualitative are intangible factors, are those factors that are difficult to measure

numerically and the examples are the social factors and therefore I will not like to isolate the quantitative factors with the qualitative factors.

Rather than what I would like to do, that is these quantitative factors I will cross check with the qualitative factors. What are the qualitative factors? Qualitative factors are like the case studies, like the news, like the information from the other sources, by the experience sharing of the people and so many.

So therefore in that case, even though the concepts are based on theory, so all these factors we will see and match with this quantitative data. And when the quantitative and qualitative data both matches, we can say that the evaluation of alternative is not only on the basis of the quantitative but it is and not on the basis of qualitative, both. But it is based on the quantitative and qualitative data both.

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Marginal Analysis

Marginal analysis is to compare additional revenues and the additional cost arising from increasing output.

Cost-effectiveness Analysis

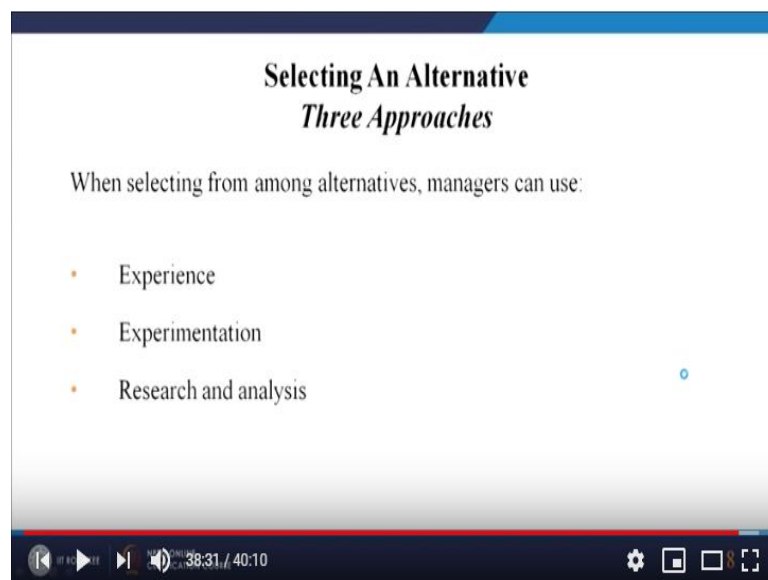
Cost effectiveness analysis seeks the best ratio of benefit and cost.

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There is another term, marginal analysis that is used in the decision making process. It is to compare the additional revenues and the additional costs arising from the increasing output. So therefore in that case, whenever we are increasing the additional revenues required for this particular decision making process or the additional cost is arising from increasing this particular output, then whether it is correct or not and then at the time of evaluation of alternatives, you also have to identify what are the different methods or approaches for additional revenues that may cause additional revenues and additional cost from the increasing output.

In the cost effectiveness analysis this becomes very very important, that is how you are comparing the benefit and the cost. Whatever benefits you are seeking from that particular cost effective analysis, then in that case, we will take care that this decision is to be opted or if it not to be opted. And therefore in that case, it becomes important that we are doing marginal analysis in the decision making process. We are also calculating the cost effectiveness and then we are taking the decision on the basis of this cost effectiveness analysis and marginal analysis.

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So while selecting an alternative, the three approaches are becoming very important. One is experience as I mentioned earlier, that is what experience you have. Experimentation, that is whatever you want to try. If there is no previous experience, or you want to make the practical firsthand on approach then definitely experimentation. And the third one is research and analysis.

I will also talk about research and analysis separately as a training technique and method, that is, how we can use training technique and method in the research analysis. The rest of the part in decision making I will continue in my next module. Thank you.