CHAPTER - III

DYNAMICS OF DECISION-MAKING

Introduction :-

A decision-making executive takes decisions and some of them take rational decisions without aid of books and courses of study in decision-making. Hopefully by studying the nature of decision-making one can increase the likelihood of making 'good decisions' Decision-making can be improved by improving general understanding of the various approaches to decision-making process and secondly by improving one's techniques for approaching specific decisions. The main reason for the inability to choose the correct decision is the inability to forecast future course of events. With the help of powerful forecasting device, many more correct decisions can be taken.

Mechanical apparatus like computer and the highly sophisticated techniques of modern management (Like e.g. Operations Research, PERT, Break Even Analysis etc.) may improve efficacy in decision-making but by themselves they cannot indicate decisions which are
correct. Ultimately, intuitive decision-making which may or may not be based on any logical approach or mechanical aid is supreme and superb.

Such a process is almost universal because all human beings irrespective of age, sex, formal education are concerned with decision-making on several occasions. Everyone and not necessarily executives have to make various kinds of decisions throughout his life for example, selection of school, selection of profession, selection of job, selection of life-partner, planning life after retirement etc. these are some of the many crucial decisions which each person should take. It is precisely the ubiquity of the decision problem which has led so many persons in so many fields to attempt to analyze it. Experts from all fields like philosophers, psychologists, economists, sociologists, logicians and mathematicians have all attempted to deal with the decision-making problem. What is this decision problem? It is basically a problem of having the best choice from among the various alternatives and then rationally analysing and allocating those factors which would facilitate communication and implementation of having such best choices. Whereas such a problem of choice may not be
so difficult in case of inanimate factors as in the
case of decisions pertaining to human factor in
management.

This is because of the responses and reactions
of those in whose respect decisions are taken. The
universal experience has been that even sensible human
beings are rarely found having developed their Sixth
sense (which perhaps animals have) which enable them
understand the reality (nothing but the truth) behind
phenomena. Men cannot understand men but are required
to take decisions in each other's respect. This makes
the process of decision-making very tricky and
uncertain thus makes it more and more susceptible to
new experiments. Even experience gained previously is
of no relevance when new challenges are created by the
decisions themselves. The fundamental challenge is
that dynamism in life makes decisions imperative,
introduces an element of compulsion (inevitability)
and even to stick to the state of indecision amounts
to taking a decision. Either no-decision or post-
ponement of decision is also a decision by itself.

In spite of this kaleidoscopic character of the
process of decision-making, its repercussions are the
life of those for whom decisions are taken.) We come
across several categories or types of decisions and
each type has its so called logic - which enables a decision-maker convince himself and others about the 'rationality' of his decision.

The different areas of decision-making:

The basic decision-making process is all pervasive. We come across many radical decisions taken by important personalities. Great decisions require great courage, history is witness to many such decisions, Mahatma Gandhi's decision for the fight for the independence of India, Acharya Vinoba Bhave's decision for 'Bhoodan Movement', Abraham Lincoln's decision to fight for the freedom of coloured Americans, Buddha's decision to leave all the luxuries/comforts of life, Henry Ford's decision to increase the wages of his workers so that they could buy car produced in his industry, Indira Gandhi's decision regarding 'Bangala Desh'.

These decisions fall into the basic categories as shown in the following chart.
CLASSIFICATION OF DECISIONS

- Tactical/Routine and Strategic/Basic Decisions
- Policy Decisions and Operating Decisions
- Individual Decisions and Group Decisions
- Organisational Decisions and Personal Decisions
- Programmed Decisions and Non-Programmed Decisions
Decisions can be classified in numerous ways:

A) **Tactical/Routine Decisions**

and

**Strategic Decisions**:

Tactical/Routine decisions usually contain few alternatives and relate to the economic use of resources. These decisions are made repetitively following certain established rules, procedures and policies. They neither require collection of new data nor conferring with people. Thus, tactical decisions can be taken without much deliberation. Such decisions may be complicated but are always one dimensional. No special efforts are required by the manager to take this type of decisions. Such decisions are generally taken by the managers at the middle and lower management level. Tactical decisions can sometimes be so frequent as to have a routine devised for solution by clerical staff. Tactical decisions tend to solutions based on specific relatively simple repetitive skills. Whether to purchase Machine A or Machine B for a particular job can be given as an example of this type of decision.

Strategic decisions are those decisions which are basic in nature, affecting the whole direction of a
firm's operation. These decisions are of great importance to the organisation and hence they are taken by top/senior management. The higher the level of a manager, the more of the strategic decisions he is required to make. Strategic decisions tend to be complex and ill-defined. They relate to policy matters and so require a thorough fact finding and analysis of the possible alternatives. Finding the correct problem in such decisions assumes great importance. Strategic decisions tend to solutions which rely on judgment, intuition, experience. The managers have to be careful while taking these decisions as they will influence the decision by the lower level. 'Whether an organisation should expand into a totally new market' can be stated as an example of this type of decision.

Thus, it is clear that no two decisions are exactly the same, yet there is a common approach which summarises the method by which one reaches solutions. Strategic decisions affect the whole direction of the organisation. Tactical decisions are the detailed implementation of strategy.
b) **Policy Decisions**

and

**Operating Decisions** :-

The policy decisions are generally taken by the top management. These decisions are of vital importance as they affect the entire enterprise. The success of any enterprise entirely depends upon the policy decisions. Whereas operating decisions are taken by the lower management in order to implement the policy decisions. For instance, the fixation of a salary is a policy matter which is to be decided by the top management and calculation of salary is an operating decision which is taken at the lower levels to execute the policy decision.

c) **Individual Decisions**

and

**Group Decisions** :-

An individual decision means a decision which has been taken by an individual in the organisation. Decision-making is the exclusive right of individual managers. Individual decisions are generally taken in small scale organisations and in those organisations where autocratic style of management exists. Decision-
making on an individual basis should be allowed when the decisions to be made are relatively simple and likely consequences of the alternatives are fairly well ascertained. Moreover, the individual concerned should possess the ability and experience as also necessary information to make correct decisions.

Group decision-making is favoured by many executives, believing it gives those who will be affected by decision a chance to participate in its formulation and helps to develop the members of the group. Group decision is the outcome of collective wisdom. A person who had some part in shaping a decision is more inclined to follow it enthusiastically. Under group decision-making it becomes possible to have the benefit of expert opinion and judgment of people who have first-hand knowledge about the matters being decided. On the debit side of this type of decision-making, many in the group may prefer to keep mum and those who do open their mouths may do so only to exactly what is being said by a vocal minority.
(d) **Organisational Decisions**

and

**Personal Decisions**

Organisational decision is a decision which is taken by a manager or an executive in his official capacity. It may reflect the policy of the enterprise. Hence, delegation of authority is possible in the case of organisational decisions. Whereas personal decision is a decision taken by the manager or an executive as an individual and not as a member of the organisation. Hence, personal decision cannot be delegated. The manager of an enterprise cannot be held accountable to anybody in the organisation as far as personal decisions are concerned.

(e) **Programmed Decisions**

and

**Non-programmed Decisions:**

The programmed decisions are of a routine and repetitive nature which are to be dealt with according to specific procedures. In the case of programmed decisions, delegation is easy. Assessment can often be made in
quantitative terms and can be computerised. *Herbert A. Simon uses the term programmed decisions to describe decisions of this type in contrast to non-programmed decisions that occur in ill-defined, complex and non-repetitive problem situations. In his terminology the relatively simple programmed problems are solved by the use of habits of response, standard operating procedures, clerical routines and organisational arrangements.

The non-programmed decisions arise because of unstructured problems. There is no standard procedure for handling such problems. For example, in the case of misbehaviour of an employee, the supervisor need not refer this matter to the chief executive. He can deal with such employee according to the standard procedure which may include notice change sheet, suspension etc. But if such type of behaviour is done by a large number of employees, then such a problem cannot be dealt in routine matter. It has to be dealt with as an unstructured problem and the decision will be taken by the manager or chief executive. Non-programmed decisions require thorough study of the problem and scientific analysis of the situational factors. The risk is also high and such decisions may involve a greater expenditure of resources.

## Types of Decisions

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<thead>
<tr>
<th>Programmed</th>
<th>Traditional</th>
<th>Modern</th>
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<tbody>
<tr>
<td>2. Organisation develops specific processes for handling them</td>
<td>2. Clerical routine standard operating procedures</td>
<td>2. Models of Computer Simulation</td>
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<td></td>
<td>3. Organisation structure</td>
<td>3. Electronic data processing</td>
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<td>4. Common Expectations</td>
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<td>5. A system of sub-goals</td>
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<td>6. Well-defined informational channel</td>
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### Non-programmed

<table>
<thead>
<tr>
<th>1. One-shot, ill structured novel policy decisions</th>
<th>1. Judgment, intuition and Creativity</th>
<th>1. Heuristic problem solving to:</th>
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<tr>
<td>Handled by general problem-solving processes</td>
<td>2. Rules of thumb</td>
<td>a) training human decision-makers</td>
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<td></td>
<td>3. Selection and training of executives</td>
<td>b) constructing heuristic computer programmes</td>
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Source: S.S. Mookerjee, Theory and Practice of Management, Surjeet Publications, Delhi 110 007. Pages 106-107
There are different types of decisions made in the organisations and different authors have given them different terminology. On the basis of information requirements, there are decisions that are: 1) Operational activity, 2) Management control or 3) Strategic Planning.

(g) Operational activity decisions:

Operational activity decisions are concerned with the day-to-day activities of the organisation. A detailed and accurate information is needed for making these decisions and is available regularly most of the times from sources internal to the organisation. For example, the salesman has to decide the number of prospective buyers to be contacted. He prepares the lists along with the time of appointment and the length of each call. He has to make a number of minor decisions in the process of meeting them. Similarly, he is expected to analyse the performance of calling activity.

Ref.: Indian Journal of Marketing Vol.XII Number 11
1982 - Marketing Research and Management
Management Control Decisions:

Management control decisions are not day-to-day decisions and are concerned with monitoring of alternative uses of resources within the organisation. They involve larger time periods for collecting data. What has been happening over a period of time is of specific importance to the decision-maker, because he is required to observe trends, relationships and forecasts. The data are substantially translated into information through analysis and synthesis for the use by the decision-making. For example, a decision to change channel of distribution, to make alteration in the budget, media of advertising etc.

(h) Strategic Planning Decisions:

Strategic planning decisions are of serious consequences to the organisations and involve a relatively long time and considerable resources. They are basically concerned with goal-setting, changes in these goals, resources used to attain these objectives and the policies that govern the acquisition use and disposition of these resources. Strategic planning decisions require a great deal of information in summarized form which has been gathered over relatively long spans of time. In this
category of decisions, more of the information is secured from the external environment of the organisation because of its influence on the results. For example, to diversify to change the product line, to go for automation etc.

At different levels of management the type of decision is different. At top level of management, the decision-maker takes strategic planning decisions, he may be assisted by a member of staff planners and assistants. The number of actual decision-makers at the top level is very few. Management control decisions are normally made by middle level managers, while most operational activity decisions are made by the lower level managers.