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To Study the Decision Making Process in an Organization for its Effectiveness

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Abstract: In this paper we discuss the decision making process in an organization for effectiveness. In this process including six important steps useful for organization effectively done. In such complex and fast changing organization environment, manager and employees are faced with many problem and they have make decision. Decision making is an integral part of the management of any organization. (Pearce II & Robinson- 1989) indicate that decision making is inevitable because to explicitly avoid making a decision is in itself to make a decision. Managers are usually making many decision some of them strategic and other operational. Decision making is referred to as the heart of the management process (Mann 1976). Decisions are long, complex, highly unstructured and risky and have great impact on the future on organization. Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

Keywords: Decision Making, Manager, Management Process, Strategic Operational

I. Introduction

The main activities of an organization consist making decision making. “Decision-making involves the selection of a course action from among two or more possible alternatives in order to arrive at a solution for a given problem” (Trewatha & Newport). According to Kreitner (1966) decision making is a process of identifying and choosing an alternative course of action in a manner appropriate to the demand of the situation.

According to R. C. Davis, "management is a decision-making process." Decision-making is an intellectual process which involves selection of one course of action out of many alternatives. Decision-making will be followed by second function of management called planning. The other elements which follow planning are many such as organising, directing, coordinating, controlling and motivating

The act of choosing implies that an alternative course of action must be weighed and weeded out. The term “decision making” has been defined as a process of judging various available options and narrowing down choices to a situation one. Decision making is considered as the backbone of the business management because without taking the right decision at right time, nothing can be performed. Decision making is the act of making a choice among available alternatives. There are many decisions taken by human being in daily life. Successful and effective decision making makes profit to the organization and ineffective ones make losses. Therefore corporate decision making process is the most critical process in any organization. Decision making is the selection based on some criteria from two or more possible alternatives (George R. Terry). According to Archer (1980) Barnard's idea was ignored, and likewise little attention was paid to Bross's (1953) decision-making process, which was composed of the following:

i. Responding to conditions in the environment,
ii. Determining mutually exclusive courses of actions, and
iii. Selecting a course of action to achieve a specific purpose.

Decision making process requires thinking process, time, resources and past experiences. Thinking process plays an important role in this process. Decision plays important role as they determine both organizational and managerial activities. Decision is made at every level of management to ensure organization or business goal are achieved. Every organization needs to make effective decision at one or other as part of managerial process. Decision made by the organization is to lighten the way forward. The most of the management decisions are taken under the influence of external and internal environmental constraints. As the environment is constantly changingand the information is not always complete and available, management decisions canbe made in certain, uncertain and risky conditions. Decisions made in uncertain and risky conditions (Rutherford Silvers J., 2008; Dragomir, C., 2012; Stefanescu, R., 2013) are characteristic to complex, unstructured and unplanned problems, features of strategic management. The managers' decision-making process has developed over time not only due to the complexity of the problems they are facing, but also to the contribution of theorists and practitioners in enriching specific literature. Achieving the organization's goals in a complex and volatile environment where managers are forced to make faster decisions and to change them as fast, decision-making models are useful. The quality and speed of decision making is the key determinant of board success or failure (Mc Gregor, 2010).
The goals identification, providing alternatives for solving the problem and the weighing and balancing the values and intrest are crucical for the quality of decision making process (Flueler and Blowers, 2007). This requires the risk analyses to discriminate between alternatives (Dezfuli et al., 2010). Most of the decisions are programmed and motivated, but some decisions are made due to environment influence.

- On the basis of several aspects of decision making, the following characteristics may be derived:

a) Decision making is an integral part of planning. Every planner has to choose an appropriate solution or alternative among the available options.
b) It involves the judgment and discretion of the decision maker.
c) It is not an entirely rational process because decisions are bound to be affected and colored by the personal likes, dislikes and whims of the manager who makes them.
d) Decisions made by managers involve the commitment of the organization to adopt a specific recourse of action and utilize resources in a particular manner.
e) Decision making like managing is a human and social process implying the interference of an individual as well as social factors.
f) An intelligent manager will always take into account the social and human implications of a decision before making a final choice.
g) Decision making is a purposeful activity because it is directed towards the achievement of a goal and objectives.
h) Decisions are made by managers to solve problems, resolve crises and conflicts and tackle the situation.
i) Decisions made by managers may sometimes have a negative effect for a short period of time.
j) Decision making requires enough liberty to be given to managers so that they can also make use of their experience, skill and judgment.

1.1 Type of Decisions

Decisions taken by organization may be classified under various categories depending upon the scope, importance and the impact that they create in the organization. The following are the different types of decisions:

a. Programmed and Non-programmed Decisions

Programmed decisions are normally repetitive in nature. They are the easiest to make. For example: making purchase orders, sanctioning of different types of leave, increments in salary, settlement of normal disputes, etc. Managers in dealing with such issues of routine nature usually follow the established procedures. On the other hand, non-programmed decisions are different in that they are non-routine in nature. They are related to some exceptional situations for which there are no established methods of handling such things. For example: Issues related to handling a serious industrial relations problem, declining market share, increasing competition, problems with the collaborator, growing public hostility towards the organization fall in this category.

b. Operational and Strategic Decisions

Operational or tactical decisions relate to the present. The primary purpose is to achieve high degree of efficiency in the company's ongoing operations. Better working conditions, effective supervision, prudent use of existing resources, better maintenance of the equipment, etc., fall in this category. One the other hand, expanding the scale of operations, entering new markets, changing the product mix, shifting the manufacturing facility from one place to the other, striking alliances with other companies, etc., are strategic in nature. Such decisions will have far reaching impact on the organization.

c. Organizational and Personal Decisions

Decisions taken by managers in the ordinary course of business in their capacity as managers relating to the organizational issues are organizational decisions. For example: decisions regarding introducing a new incentive system, transferring an employee, reallocation or redeployment of employees etc. are taken by managers to achieve certain objectives. As against such decisions, managers do take some decisions which are purely personal in nature. However, their impact may not exactly confine to their selves and they may affect the organization also. For example: the manager's decision to quit the organization, though personal in nature, may impact for the organization.

d. Individual and Group Decisions

It is quite common that some decisions are taken by a manager individually while some decisions are taken collectively by a group of managers. Individual decisions are taken where the problem is of routine nature, whereas important and strategic decisions which have a bearing on many aspects of the organization are generally taken by a group. Group decision making is preferred these days because it contributes for better coordination among the people concerned with the implementation of the decision.

II. Research Methodology

In this paper, we present the methodological framework adopted in this study. Discuss the various research philosophies and approaches, and review the choices involved in the research design and explain which of these are relevant to this study.

III. Data Collection Methods

The study is based on secondary data collected from various sources like journals, conference papers and internet sources, and objectives of this paper to study about the decision making process in an organization.

IV. Decision Making Process

Decision making is an important process in any business organization. Lots of resources are involved in it. Decision-making process involves the existence of a decision problem which have be understood by the decision-maker and accurately defined to find opportunities to solve it. Incorrect decisions may lead to downfall of the organization, that's why the process followed needs to be correct.
Decision making is an intellectual process of selecting optimal and best option among many alternative choices. It results in an outcome which can be in form of action. The stages or steps of decision making process are different according to authors approach. Among the most used approaches are: decision-making process in 7 steps. In many cases, problem solving and decision-making are interchangeable terms. Since in the process of solving the problem choosing a solution is one of the steps to follow and the decision is made in limited time or under pressure, it makes the problem solving and the decision making to be integrated.

4.1 The decision-making process in 7 steps

The decision-making process is spreads out in three stages: identifying phase (opportunities, problem, and crises are recognized and relevant information is collected and problems are more clearly identified), development phase (alternative solutions to problems are generated and modified) and selection phase (alternative solutions to problems are generated and modified) and seven steps. The seven steps followed by the author (Litherland, N., 2013) are: defining the problem, identifying and limiting the factors, development of potential solutions, analysis of the alternatives, selecting the best alternative, implementing the decision and establishing a control and evaluation system.

I. Identify the decision

The first step in the decision-making process is identifying the problem. To make a decision, you must first identify the problem you need to solve. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors. This process must, as a minimum, identify root causes, limiting assumptions, system and organizational boundaries and interfaces. First of all, managers must identify the problem. The problem has to be found and defined. Symptoms are identified and problems should be judged, symptoms are not problems. They are warning signs of problems. So, managers should search for symptoms for identification of problems. The first step needed in taking a decision is to have detected a difference between the current situation and the desired situation. This discrepancy, or problem, exerts pressure on the managing director, forcing him/her to take action, whether it is in such fields as company policy, deadlines, financial recession, or concerning future job evaluations, among other possibilities.

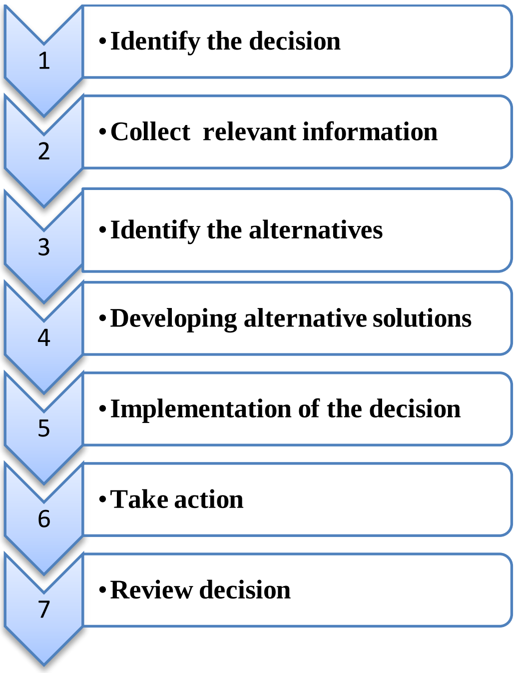

Figure 1: The decision-making process in 7 steps

II. Collect relevant information

Once you have identified your decision, it's time to gather the information relevant to that choice. After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems.

III. Identify the alternatives

With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying meeting a goal—for example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

IV. Developing alternative solutions

After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems. In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action. Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good hard look at your own organization's wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

V. Implementation of the decision

To gathered all relevant information, and developed and considered the potential paths to take. You are perfectly prepared to choose. After you've ranked your options, you must choose the one that you think has the strongest chance of achieving your goal. In some instances, you can combine several options, but in most cases, there will be a clear-cut direction you want to take.

VI. Take action

Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. Use Lucidchart diagrams to plan the projects related to your decision, and then set the team loose on their tasks once the plan is in place.

VII. Review decision

Last and important step in the decision making process is evaluating your decision for effectiveness. Follow- up enables to identify the shortcoming or negatives consequences of the decision. It provides valuable feed- back on which the decision may be reviewed or reconsidered.

VIII. Conclusion

The study demonstrated the meaning of decision making process in organization, scope of decision making and why it is important. It has also explained the various types of decision making models. There are different strategies for decision making. Decision environment includes risk, certain, uncertain environment. As we have mentioned above that there are certain parameters over which we can judge which decision making model is effective. Characteristics of good decision making model would include factors like resource utilization, risk, profitability, complexity, impact on business, real time application. The process generally consists of several steps: identifying problems, generating alternatives, evaluating alternatives, choosing an alternative, implementing the decision, and evaluating decision effectiveness.

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