# Decision Making

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Decision Making

The word **decision** has been taken from Latin word **de** (off) **caedere** (to cut). Selecting one option from many options is a decision. Decision making is the process of selecting one option from many options. The term **decision making** was introduced in the business world by Chester Barnard in 1938.
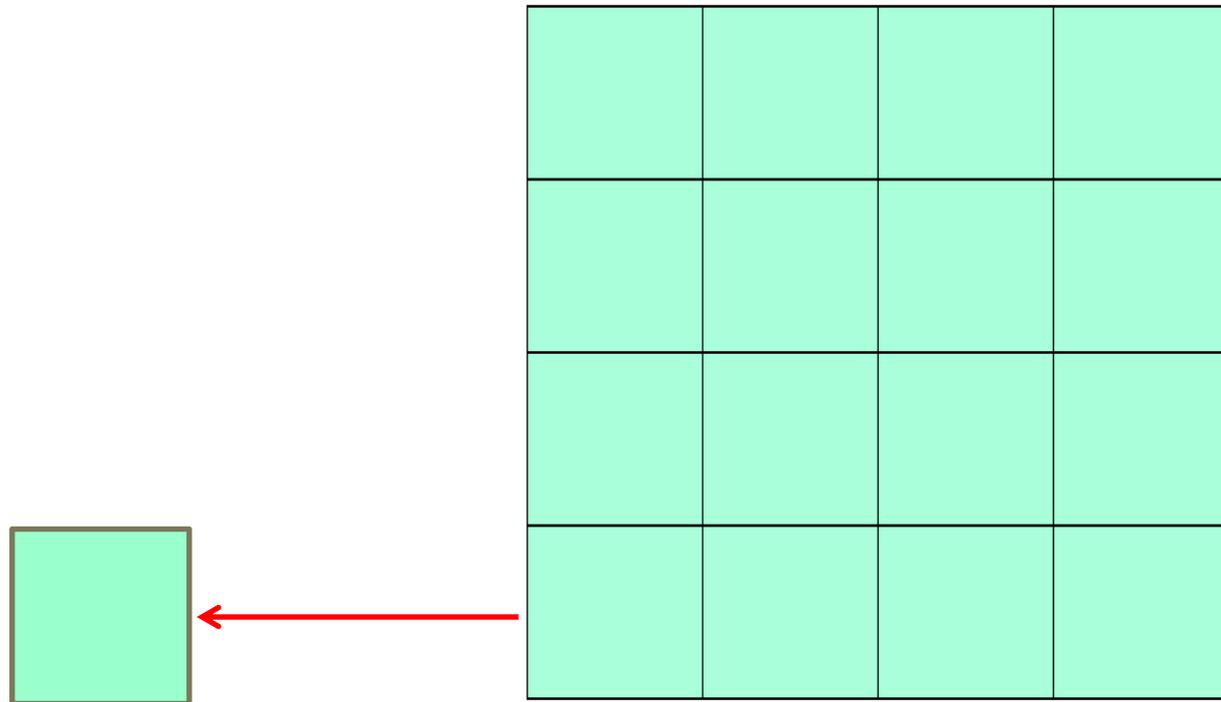
Importance of Decision Making

- *Life is sum of all the choices we make.*
- *Decisions determine Destiney.*
- *These are choices not chances that determine our Destiney.*
- Decision making is the basic and prime responsibility of a manager because the decision quality directly influences his or her career, rewards, and job satisfaction. A managerial decision plays a vital role in the success or failure of an organization (Kreitner & Kinicki, 2004).
- Today's corporate environment requires managers to be excellent decision makers. Their ability to make fast, smart, widely-supported, and effective decisions will, in large part, shape the performance of their organizations (Certo, Connelly, & Tihanyi, 2008).
- Singh (2001) illustrates that decision making is *total task of a manager.*

Decision Making Style

- Individuals opt multiple methods of making decisions which is labeled as their decision making style. Scott and Bruce (1995) defined decision making style as "the learned, habitual response pattern exhibited by an individual when confronted with a decision situation" (p. 820).

Individual Decision Making Style

- **Rational** decision making style is characterized by realistic reasoning, thorough analysis, and logical evaluation of alternatives.
- **Intuitive** style is characterized by a reliance on hunches, gut feelings, impressions, emotions, experience, six-sense and creativity to make decisions.
- **Dependent** decision making style is characterized by a search for excessive advice and direction from others.
- **Avoidant** style is defined as an attempt to avoid, postpone, and delay decisions by keeping away from the decisional scenarios.
- **Spontaneous** decision making involves making hasty, impulsive, quick and at the spot decisions (Scott & Bruce, 1995).

Outcomes of Decision Making Styles

Past research indicates that rational and intuitive style results in positive outcomes whereas avoidant and spontaneous style results in negative outcomes (Blais, Thompson, & Baranski, 2003; Philips et al., 1984; Rush, McNeilly, & Comer, 1996; Spicer & Sadler-Smith, 2005). As for as the dependent decision making style is concerned, dependence for participation of other people in decision making is considered appropriate whereas dependence for the sake of learning or shifting decision making responsibilities is considered inappropriate (Hablemitoglu & Yildirim, 2008). Overall the avoidant decision making style is considered the least effective style of decision making.
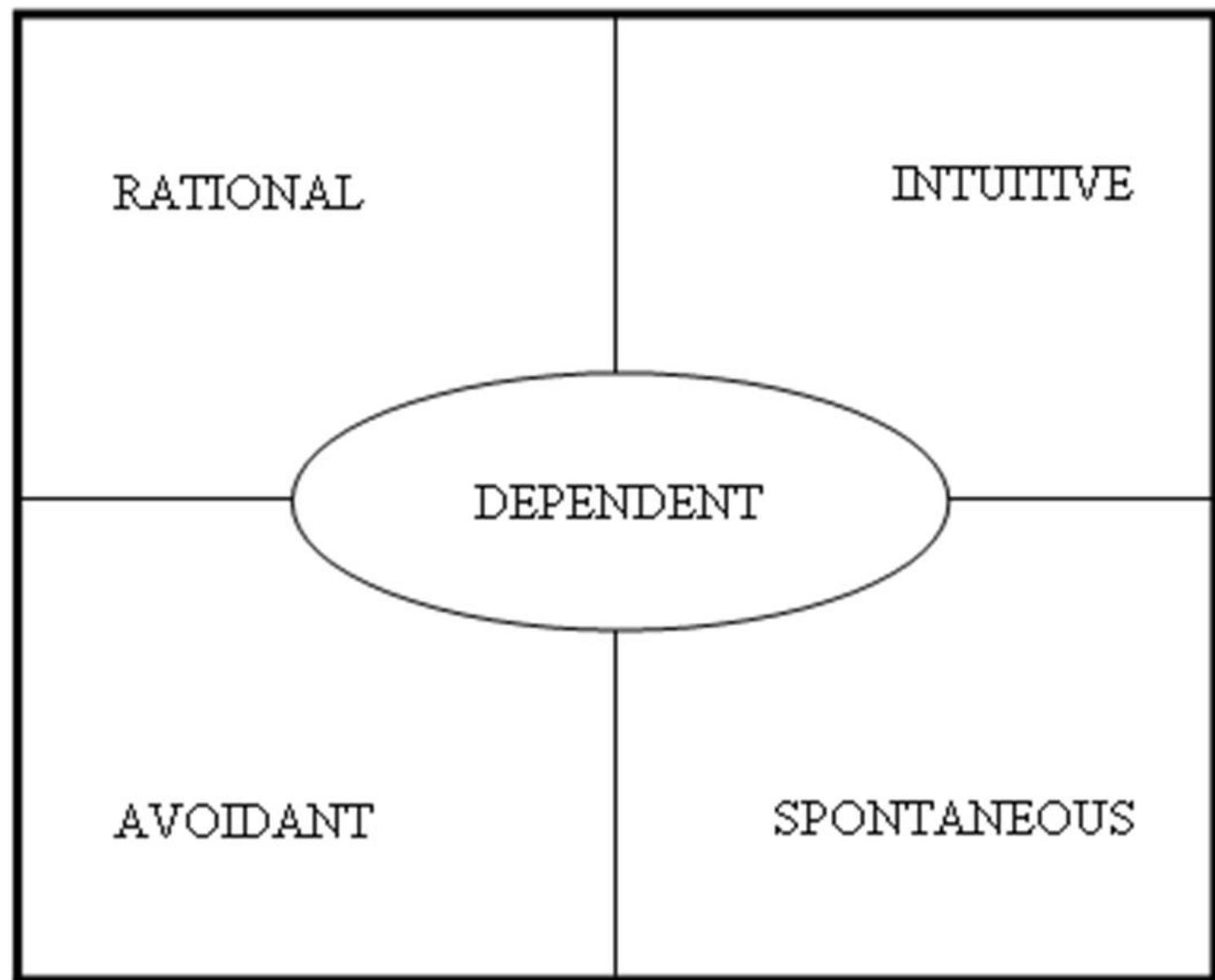
Multiple Styles in Decision Making

Decision research shows that only few people opt one dominant style of decision making. Most of the people are inclined toward opting two or three decision making styles (Rowe & Mason, 1987). Individuals have one primary, one secondary and one least preferred style. The majority of individuals are predisposed to adopt a dominant style of decision making which is known as primary style and then they employ backup style by adjusting their styles according to situational demands.

Factors Influencing Decision Making

A wide variety of factors influence the decision making styles of the individuals. The most important factors include

- Situational
- Personal
- Group-related
- Organizational
- Environmental
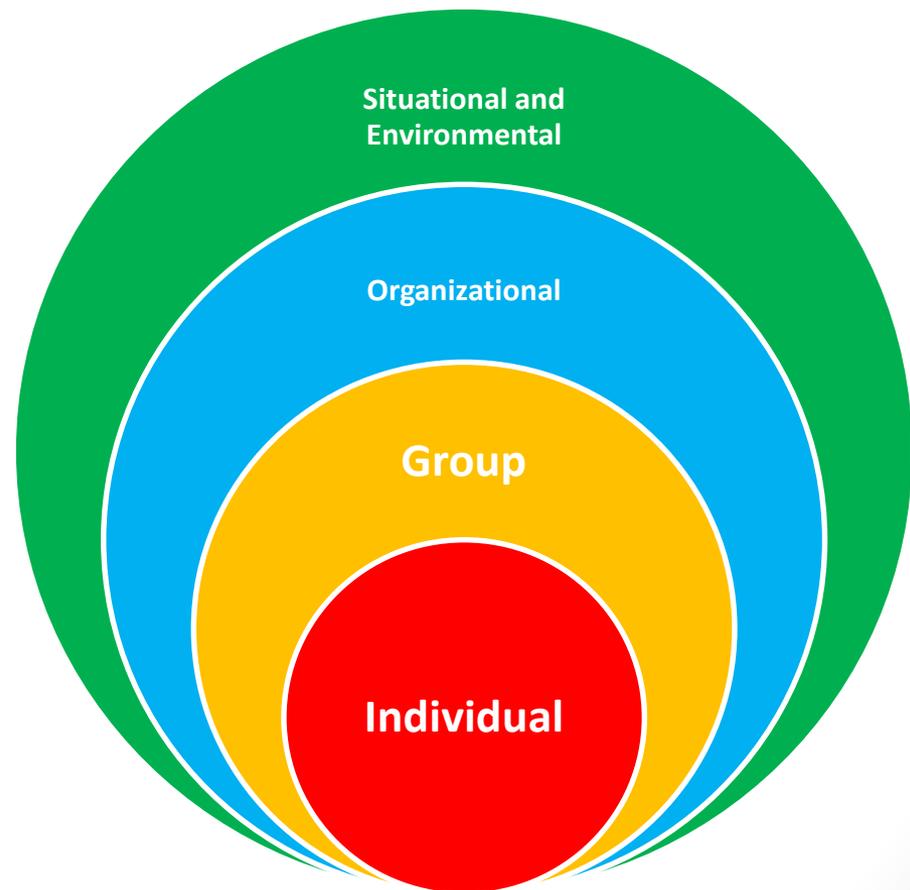
Situational Factors

Decisions are made in three types of situations including certainty, risk and uncertainty.

- In certain situations, the decisions involve complete information, well-structured decisions with known outcomes.
- The risk involves inconstant information, less structured decisions and outcomes based on probabilities.
- The uncertain decisions involve unavailability of information, unstructured decisions and unknown outcomes.
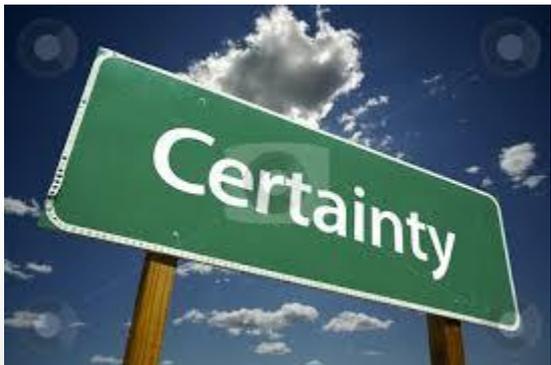
Situational Factors

As the decision situation moves from certainty to uncertainty, the level of ambiguity and the tendency of making a bad decision also increase (Griffin, 2011). Certainty is an ideal condition for decision making, although it is exception in important organizational decisions. However, the risk and uncertainty can be transformed into certainty by gathering the relevant information.

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                    ┌──────────────┐
                    │  Situations  │
                    └──────┬───────┘
        ┌──────────────────┼──────────────────┐
        ▼                  ▼                  ▼
 ┌────────────┐     ┌────────────┐     ┌──────────────┐
 │  Certainty │     │    Risk    │     │  Uncertainty │
 └────────────┘     └────────────┘     └──────────────┘
     Lower             Moderate            Higher
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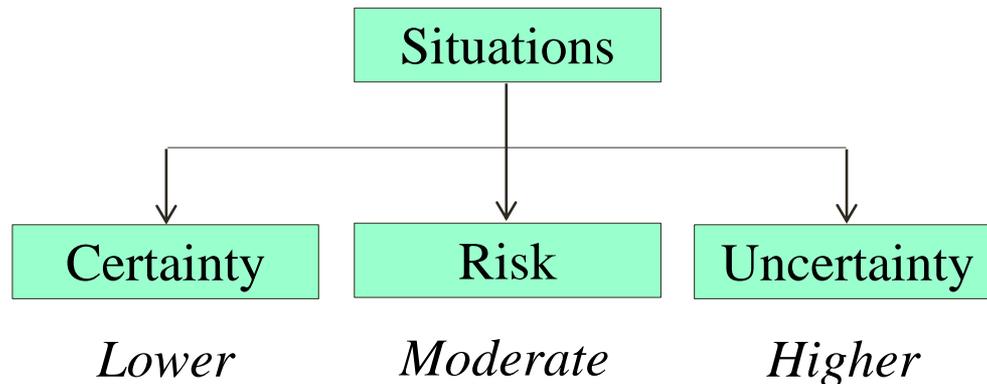
Figure 1. Level of ambiguity and chances of making a bad decision: Decision making situations

Personal Factors

The personal factors included personality, gender, age, socio-economic status, experience, emotional state, and mood state etc.

- Women are generally thought to be more intuitive than their male counterparts (Brenner & Bromer, 1981), who are seen as analytical and logical problem solvers and decision makers (Loden, 1985).

- Older adults are more likely to employ intuitive decision making style while younger adults are more likely to adopt rational decision making style.

- Experienced people are also more likely to employ intuitive decision making style.

- Likewise the importance of a decision or the extent to which we feel emotionally involved in it may influence our choices. Strong emotional involvement might make us more likely to go with intuition whilst decisions involving significant financial expenditure are unlikely to take place without some rational analysis (Spicer & Sadler-Smith, 2005).

Personal Factors

- Individuals with low socioeconomic status are less likely to adopt rational decision making style and more likely to adopt avoidant and spontaneous decision making style (Parker, Bruine de Bruin, & Fishhoff, 2007).

- In pleasant mod states individuals usually make intuitive decisions whereas in unpleasant mood rationality is emphasized.

Group and Organizational Factors

- Brew, Hesketh, and Taylor (2001) found that people belonging to collectivist cultures are more likely to use an avoidant and intuitive decision making style whereas individualistic cultures are more likely to use an analytical style of decision making.

- The leadership style, organizational culture, organizational communication climate, management level (Singh, 2001), and organizational ownership plays significant role in decision making.

- Public sector managers are more inclined toward considering the feeling and impressions rather than analysis and logic.

- Top managers are more intuitive in decisions as compared to lower manager who are more rational and dependent decision makers (Pennino, 2000).
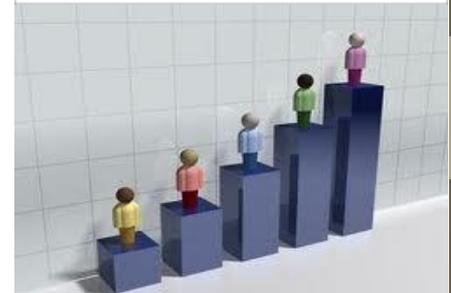
Environmental Factors

Finally, the environmental forces also influence the decision making including government, society, competition, resources, technology, clients/customers etc. (Rowe & Boulgarides, 1992).

Programmed vs. Non-Programmed Decisions

- Programmed decisions are the decisions manger make in response to repetitive and routine problems.

- Non-programmed decisions are made for novel and unstructured problems that are complex in nature and extremely important.

- The nature of the problem, how frequently it arises, and the underlying degree of uncertainty dictate at what level of management the decision should be made (Singh, 2001).
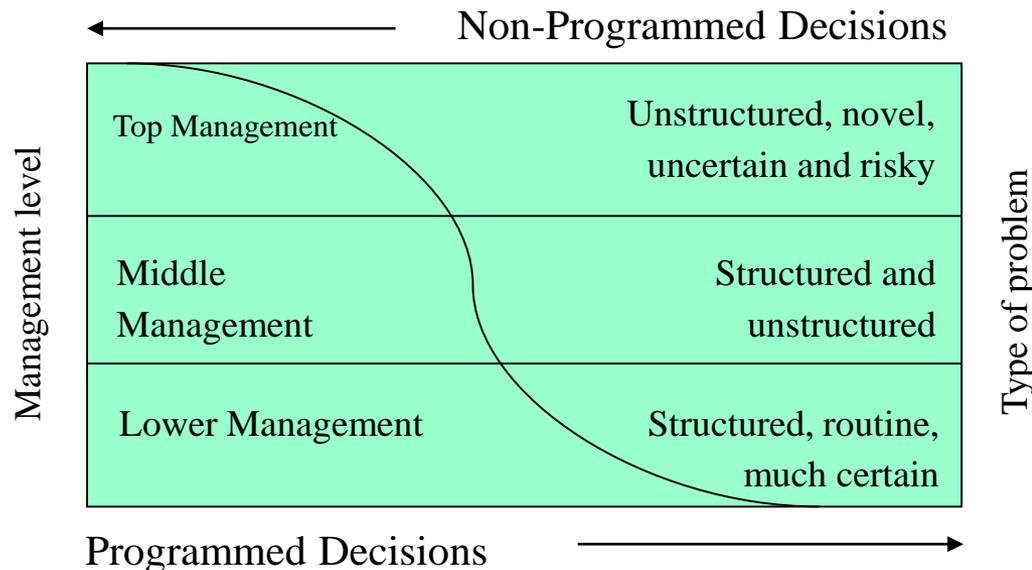
Traditional Decision Making Process

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┌─────────────┐      ┌─────────────┐      ┌─────────────┐
│ Identify the│ ───▶ │   Define    │ ───▶ │ Make a pre- │
│   problem   │      │ objectives  │      │   decison   │
└─────────────┘      └─────────────┘      └─────────────┘
       ▲                                         │
       │                                         ▼
┌─────────────┐                          ┌─────────────┐
│  Follow up  │                          │  Generate   │
│             │                          │alternatives │
└─────────────┘                          └─────────────┘
       ▲                                         │
       │                                         ▼
┌─────────────┐      ┌─────────────┐      ┌─────────────┐
│  Implement  │ ◀─── │Make a choice│ ◀─── │  Evaluate   │
│   choice    │      │             │      │alternatives │
└─────────────┘      └─────────────┘      └─────────────┘
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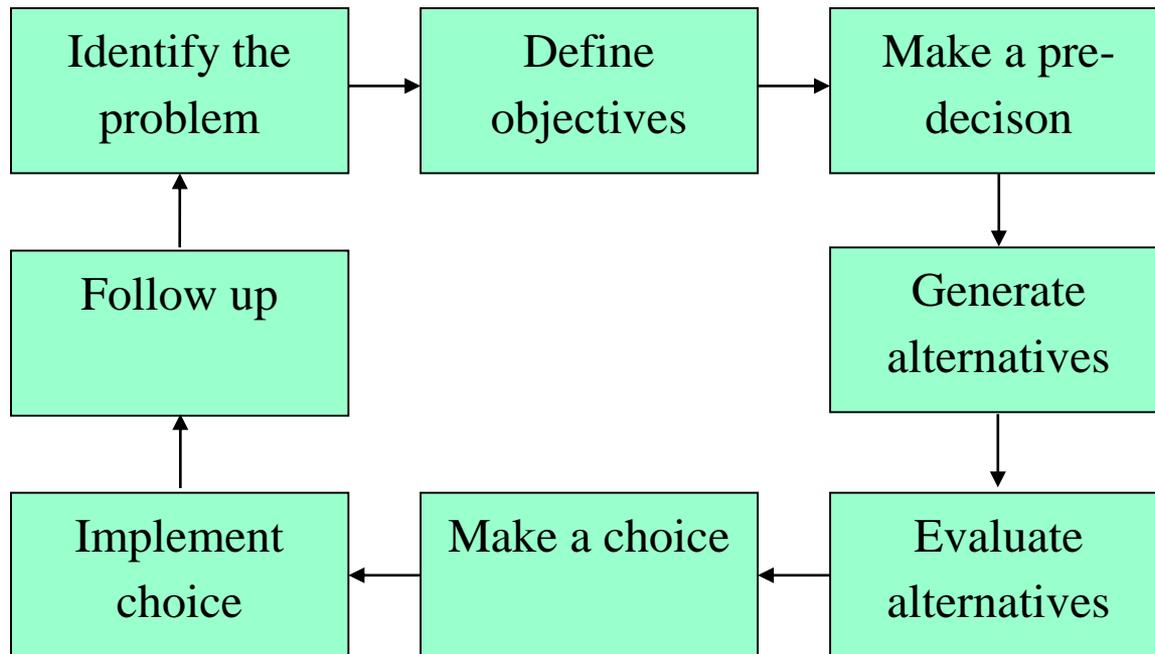
During the evaluation of alternatives and selection of a specific alternative, most of the individuals face conflicts. While making decisions individually, the decision maker faces intrapersonal, intra-individual or intrapsychic conflicts whereas during the group decision making, there are chances of interpersonal conflicts or intragroup conflicts (Rahim, 2001)

Intrapersonal Conflicts

The intrapersonal conflicts can be characterized into four types including:

- Approach-approach conflict (making choices between two equally attractive options).

- Avoidant-avoidant conflict (choice between two negative options).

- Approach-avoidant conflict (making choice between a positive and a negative option).

- Multiple approach-avoidant conflict (making choice between many positive and many negative options).
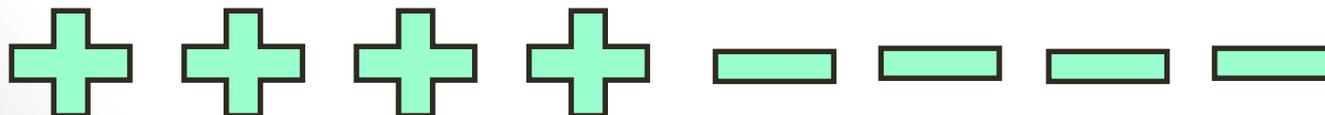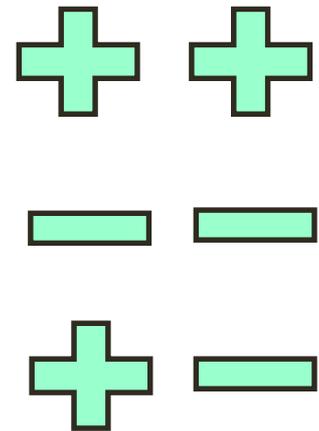
Decision Making Participation

First class organizational decisions are made by individual decision makers, by consultation with others, and by functioning collectively.

Who participates in the decision and how the participation will take place is the matter of concern. In this regard, the most important factors are decision quality, decision acceptance, and time constraints.

Participative Decision Making Styles

- **Autocratic** (making and imposing self-decisions on the subordinates without any consultation and participation when it is actually needed).

- **Participative** (calling a meeting and collectively making a decision on the basis of the consensus among the decision participants).

- **Consultative** (asking the concerned individual employees in the organization for suggestions and incorporating their suggestions in the final decision or calling a meeting and asking employees to give their suggestions).

- **Delegatory** (assigning decision responsibility to other individuals or a group in the organization).

- **Pseudo-consultative** (asking the concerned employees in the organization for suggestions and never incorporating their suggestions in the final decision).

- **Pseudo-participative** (calling a meeting and imposing a preplanned decision by putting aside the consensus among the decision participants).

Important concepts

- Indecisiveness
- Decision dilemma
- Decision traps
- Decision blinders
- Ethical decision making
- Decision support systems
- Decentralization