DECISION MAKING CONDITIONS

Everyday a manager has to make hundreds of decisions in the organization. Managers do not function in a theoretical world but they function within the reality that many thongs are not known. There are three conditions that managers may face as they make decisions. They are (1) Certainty, (2) Risk, and (3) Uncertainty.

(1) Certainty

A state of certainty exists only when the managers knows the available alternatives as well as the conditions and consequences of those actions. There is little ambiguity and relatively low possibility of making a bad decision. It assumes that manager has all the necessary information about the situation. Hence, decisions under certainty means a perfectly accurate decision will be made time after time. Of course, decision making under certainty is rare.

(2) Risk

A state of risk exists when the manager is aware of all the alternatives, but is unaware of their consequences. The decision under risk usually involves clear and precise goals and good information, but future outcomes of the alternatives are just not known to a degree of certainty. A risk situation requires the use of probability estimates. The ability to estimate may be due to experience, incomplete but reliable information, or intelligence. Statistical analysis can be applied to the calculation or probabilities for success or failure.

(3) Uncertainty

In today's complex environment most significant decisions are made under a state of uncertainty where there is no awareness of all the alternatives and also the outcomes,even for the known alternatives. To make effective decisions, managers must require as much relevant information as possible. Such decisions require creativity and the willingness to take a chance in the face of such uncertainties. In such situations, managers do not even have enough information to calculate probabilities and degrees of risk. So, statistical analysis is of no use. Hence, managers need to make certain assumptions about the situation in order to provide a reasonable framework for decision making. Intuition, judgment, and experience always play major roles in the decision making process under conditions of uncertainty.

Hence, In conclusion, we can say that greater the amount of reliable information, the more likely the manager will make a good decision. Hence, manager should make sure that the right information is available at the right time.